Focusing on what really matters

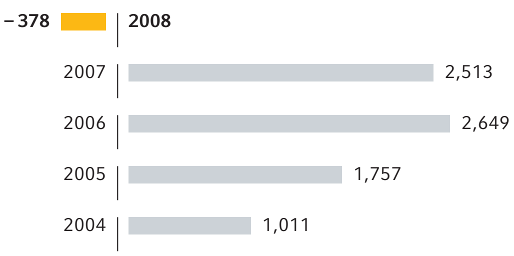
Annual Report 2008

Facts and figures

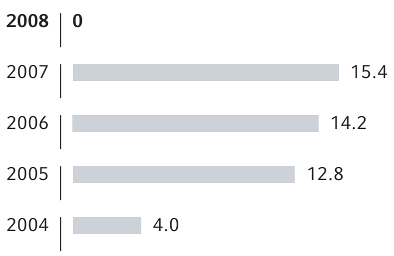
Highlights of Commerzbank Group

Income statement	2008	2007
Operating profit (€ m)	–378	2,513
Operating profit per share (€)	–0.56	3.83
Pre-tax profit (€ m)	–403	2,505
Consolidated surplus[1] (€ m)	3	1,917
Earnings per share (€)	0.00	2.92
Operating return on equity[2] (%)	–2.6	18.7
Cost / income ratio in operating business (%)	77.0	64.2
Return on equity of consolidated surplus[1, 2] (%)	0.0	15.4
Balance sheet	**31.12.2008**	**31.12.2007**
Balance-sheet total (€ bn)	625.2	616.5
Risk-weighted assets (€ bn)	221.8	237.4
Equity (€ bn) as shown in balance sheet	19.9	16.1
Own funds (€ bn) as shown in balance sheet	34.9	30.6
Capital ratios		
Core capital ratio (%)	10.1	6.9
Own funds ratio (%)	13.9	10.8
Long / short-term rating		
Moody's Investors Service, New York	Aa3 / P-1	Aa3 / P-1
Standard & Poor's, New York	A / A-1	A / A-1
Fitch Ratings, London	A / F1	A / F1

Operating profit (€ m)



Return on equity of consolidated surplus[1] (%)



[1] Insofar as attributable to Commerzbank shareholders. [2] Excluding cash flow hedges and minority interests.

About Commerzbank

As a large, integrated bank, Commerzbank is one of Europe's leading financial institutions and the second-largest in Germany. Since its acquisition of Dresdner Bank in January 2009, Commerzbank has grown to become Germany's leading bank for private and corporate customers. Today, the new Commerzbank serves a total of more than 14 million private and corporate customers.

Commerzbank is a competent service provider for private and business customers as well as small and mid-sized companies, while also serving numerous large and multinational corporate customers. It aims to be the best bank for its key target groups. With some 1,200 branches, the new bank will have the densest branch network of all German banks, and Commerzbank customers will continue to benefit from an increasingly broad and attractive range of products and advisory services. What's more: Commerzbank's clear commitment to the German market makes it an even stronger long-term partner that perfectly unites the expertise and know-how of the two institutions.

With a strong partner you can achieve anything. This is the idea that underpins everything Commerzbank does. Achieving success through the perfect combination of performance and partnership – that's what the Commerzbank brand stands for.

We aim to achieve success for our customers, and we do that though hard work and dedication, high service quality and a thorough understanding of our customers' needs.

Our reward is the trust that customers place in us again and again. That trust is what makes the equity of the Commerzbank brand – a value we intend to keep building in the years ahead: for our customers in Germany and throughout the world, for our future as a bank and as a company.

High performance and a talent for innovation have made Commerzbank a premier name in the German and European markets. Ever since 1870, when Commerzbank was founded in Hamburg, customers have been able to put their trust in us. Commerzbank and its expertise will be there for them in the future too.

Structure of Commerzbank Group

Board of Managing Directors

Segments

Private Customers

Mittelstandsbank

Central and Eastern Europe

Corporates & Markets

Commercial Real Estate

Operating units

Private Customers

- Private and Business Customers
- Wealth Management
- Direct Banking
- Credit
- COO
- Employee Integration
- Risk Management Private and Business Customers

Mittelstandsbank

- Corporate Banking
- Small and Medium Enterprises Germany I
- Small and Medium Enterprises Germany II
- Large corporates Germany
- Corporates International
- Financial Institutions
- COO
- Risk Management Mid Caps and Financial Institutions

Central and Eastern Europe

- Central and Eastern Europe
- Risk Management Central and Eastern Europe

Corporates & Markets

- Client Relationship Management
- Corporate Finance
- Equity Markets & Commodities
- Fixed Income
- Research
- Sales
- London
- America
- Public Finance
- COO
- Risk Management Corporates & Markets

Commercial Real Estate

- CRE Germany
- CRE Abroad
- Real Estate Asset Management
- Shipping
- COO
- Risk Management Commercial Real Estate and Shipping

All staff and management functions are bundled into the Group Management division. Information Technology, Transaction Banking and Organization are provided by the Services division.

Focusing on our customers

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DESPITE THE TURBULENCE caused by the financial market crisis Commerzbank laid the foundations for ongoing growth. Acquiring Dresdner Bank and founding the first customer advisory council at a German bank strengthened our position as a competent partner for private and business customers and for the SME sector in Germany, Eastern Europe and further afield. Commerzbank is on the right track because we are focusing on our principal asset: our customers.

Focusing on our strengths is a recipe for success that we, as a company, share with many of our customers. The people mentioned in this report are a good example of this approach. They are remarkably successful because they have concentrated on their strengths.

Achieving growth thanks to our clear customer focus

In 2008, the financial markets and banking sector faced great challenges worldwide – a situation which will continue in 2009. Despite this difficult environment, we took important steps in the past business year towards establishing Commerzbank as the leading bank in Germany for private customers and SMEs. The takeover of Dresdner Bank was the most significant milestone in this respect.

The global banking sector is about to see a reshuffling of the cards, with many institutions undergoing extensive restructuring. By continuing our strategic reorientation in key business areas, 2008 already saw us create the conditions for consolidating and reinforcing our market position. Thanks to our clear customer focus, we are laying the foundations on which to deliver a "new" Commerzbank built on strength and efficiency.

MARTIN BLESSING Chairman of the Board of Managing Directors

+574,000

Our private customer base rose by this amount in 2008; we now have 6.1 million private customers in Germany.

+37.4 %

The extent to which operating profit grew in our Private Customers segment in 2008.

+51 %

The exceptional percentage increase in the number of customers within our Central and Eastern Europe segment in 2008.

€46.0bn

This is the total volume of loans outstanding to German SMEs as per the fourth quarter of 2008.

Our customer-driven business provides security

The unusually volatile markets impacted upon almost all banking industry services in 2008. We were able to respond to this challenging environment thanks to solid liquidity management and a healthy funding structure. A substantial increase in customer deposits and a silent participation by the Special Fund for Financial Market Stabilization (SoFFin) also provided a welcome buffer.

Our customer-oriented business played a role in keeping our liquidity within a comfortable range over the entire year. In its business policies Commerzbank generally opts for funding with matching maturities. We will continue this approach and further strengthen the liquidity base of the new Commerzbank by consistently focusing on our customers.

MARTIN BLESSING Chairman of the Board of Managing Directors

+€20bn

During the past year, customer deposits rose by this amount – or 25 % – to €101bn.

1.14

Our key liquidity ratio at the end of 2008 – comfortably in excess of the 1.0 target.

€19.9bn

At 23.4 % above the prior-year figure, this was our equity capital at the end of 2008 – which included €8.2bn from the SoFFin silent participation.

Contents

Most important events of 2008

Acquisition of Dresdner Bank Commerzbank becomes the leading bank in Germany for private and corporate customers.

Q1/08

Commerzbank brought its public finance business under one roof by merging Hypothekenbank in Essen with Eurohypo at the start of the year. Central and Eastern European business was also restructured and consolidated into one segment encompassing all activities in the region.

In February the bank posted a record result for 2007. The consolidated surplus rose by 20 % to €1.9bn. Return on equity improved from 14.5 to 15.4 %. Our business model, which targets SME and private customer business, proved itself again.

Q2/08

Following the Annual General Meeting in May, the longstanding Chairman of the Board of Managing Directors, Klaus-Peter Müller, abdicated his position to become Chairman of the Supervisory Board. Martin Blessing became the new Chairman of the Commerzbank Board of Managing Directors.

The bank fared well over the first half of the year in spite of a worsening business environment. By the end of June, the Group had gained almost 300,000 private customers. This brought the total figure to just under 5.8 million. The volume of our customer deposits also continued to grow.

Change in management
Following many successful years as Chairman of the Board of Managing Directors, Klaus-Peter Müller hands over to Martin Blessing and joins the Supervisory Board.

Best Mittelstandsbank of 2008
€46bn in credit for the SME sector in 2008 makes Commerzbank the market leader in this segment.

Financial markets in crisis
The collapse of Lehman Brothers investment bank triggered a major crisis in the financial markets.

Q3/08

At the end of August Commerzbank announces a two-phase acquisition of Dresdner Bank. This makes us the leading bank in Germany for private and corporate customers. At the beginning of September the bank increases capital by €1.1bn in a matter of hours as part of the sum required for the acquisition.

Following the collapse of Lehman Brothers in mid-September the situation on the financial markets deteriorates dramatically. The markets are more volatile than ever and prices fall on the international exchanges. Government rescue packages for the financial sector are passed all over the world.

Q4/08

Commerzbank raises its core capital through a silent participation by SoFFin to keep pace with increases posted by international competitors benefiting from government aid. The bank also launches a new credit programme for the German SME sector. Since the beginning of 2008, the volume of SME credit grows at a double-digit rate to €46bn. This places us clearly in pole position.

In November, Commerzbank and Allianz initiate the complete acquisition of Dresdner Bank in one step. As a result Commerzbank becomes the sole owner of Dresdner Bank in January 2009, significantly earlier than originally planned. Commerzbank closes a difficult 2008 with a slight consolidated surplus.

Letter from the Chairman of the Board of Managing Directors

The year of big challenges

»Our client-focussed business model is viable even in difficult markets.«

Dear Shareholders,

2008 was a year that people in our industry will remember for a long time. There can scarcely ever before have been a year in which the banking sector experienced as much upheaval as it did last year. Scarcely ever before can we bankers have faced such great challenges, and rarely, if ever, before can there have been a year in which any one sector underwent such dramatic changes as international banking did in 2008.

The collapse of the US investment bank Lehman Brothers last September triggered a chain reaction on the world's financial markets – the scale of which nobody had been able to predict. No sooner had the inter-bank market been brought to a virtual standstill than there were sharp drops in prices on the capital markets. Since then, the banking landscape – including Germany's – has been subject to ever more rapid change, and so, for quite some time, has the real economy. Industrialized nations, and many emerging economies, around the world are in the grip of severe recession or staring it in the face.

MARTIN BLESSING Chairman of the Board of Managing Directors

It was under these difficult conditions that Commerzbank embarked upon one of the most ambitious projects in the history of the German financial industry, bringing together two major German banks to form a single new market leader. The new Commerzbank is a strong universal bank that draws on the wealth of experience of two banks, each with long traditions of their own. As of now, we are the leading bank doing business with discerning private and business clients in Germany, as well as the leading bank for the country's small and medium-sized businesses.

We completed the takeover of the Dresdner Bank on January 12, 2009, over six months earlier than originally planned. That means that we are able to act more quickly and bring greater efficiency to driving forward the integration of our two banks. We are very happy with the progress of the preparations for integration so far; the completion of the takeover in January enabled us to establish a single management structure, and we were able to offer our clients the first joint product only 14 days after the closing.

At the beginning of February this year, we started negotiating with the employee representative committees about the reconciliation of interests and the social plan. These negotiations are proving constructive, and once they are completed, a start can be made on the final implementation of the new organizational structure.

To sum up, no more than seven months after the announcement of the takeover, we have already taken great strides in bringing Commerzbank and Dresdner Bank together. What has made this all the more remarkable is the fact that – as reported earlier – the market conditions were and remain anything other than easy. This has been an extraordinary achievement, and for it I would like to thank all my colleagues in the new Commerzbank.

»Our core business shows a positive trend.«

The crisis on the financial markets hit both banks hard – that much is not a matter of doubt. It did, however, reinforce our conviction that this merger was, and is, the right thing to do from the strategic point of view, for we, together, will in the long term build a bank that is stronger, more robust, and better able to withstand a crisis than either of the two former banks were on their own. Take, as an example, our strength in foreign business: the financing of around 25 % of German foreign trade is handled by Commerzbank. In many areas, we will be in a position to offer our clients an even better service, and that is a good basis for further growth.

As you can read in this Annual Report, the “old” Commerzbank, too, was hit hard by the crisis on the financial markets; in the 2008 financial year, it was only thanks to tax income that it managed to achieve, for the benefit of Commerzbank shareholders, a €3m consolidated surplus, and without that would have sustained a pre-tax loss. That was a great disappointment for everyone who worked so hard for the Bank’s success last year. There is, however, more encouraging news too, in the shape of a positive trend in our core business, where we further expanded our market share not only in private clients but also in

German small and medium-sized businesses. Add to that the operating profit in excess of €1.7bn achieved by the core segments Private Clients, Mittelstandsbank, and Central and Eastern Europe, and you have evidence that our client-focussed business model is viable even in difficult market conditions.

In private and business clients business, we have performed better than ever before, with an operating profit of €551m, and we were able, in the course of 2008, to increase deposit volume by €10bn – equivalent to a 26.2 % increase – taking it to €48.2bn. Over the same period, the number of our clients increased by a net 574,000, bringing the total number of private clients to 6.1 million and enabling us to achieve our goal of 6 million private clients in Germany a year earlier than planned. It is evident that our clients see Commerzbank as a trustworthy partner in times of crisis.

The Mittelstandsbank division continued to be a reliable value driver for Commerzbank over the past year, with its operations developing well and costs being reduced slightly. The volume of credit extended to small and medium-sized businesses increased to €46bn in 2008, representing growth by a double figure per centage. We have also agreed with the Special Fund for Financial Market Stabilization (SoFFin) that an additional €2.5bn in loans will be made available to small and medium-sized businesses. This is further evidence of the way in which we, as the leading bank for small and medium-sized businesses, meet our responsibility as a source of credit for German businesses even when times are hard. Full account continues, of course, to be taken of risk when credit decisions are taken.

The Central and Eastern Europe segment achieved satisfying growth in 2008, notably increasing its client base in the region by more than one half to just over 3.2 million. Although the market environment in Central and Eastern Europe has become difficult, and the economic situation increasingly gloomy, we will continue – structurally above all – to further build up our business there. In the fourth quarter of 2008 in particular, financial market turbulence caused our Corporates & Markets and Commercial Real Estate divisions to sustain heavy losses. We intend in future to focus our Investment Banking activities even more on client business; this applies particularly to Dresdner Bank's investment banking business, in which there will be systematic reductions of the kind implemented in the course of the process completed successfully in the old Commerzbank as long ago as 2004 and in the years thereafter. We are persuaded that it will be equally successful this time round.

Unfortunately, the general market environment will do nothing to make our efforts easier. The longer the crisis on the financial markets persists, the more stringent will be the demands made by regulators, rating agencies and investors on the capital adequacy of banks, and Commerzbank has therefore taken the decision to increase its core capital by means of silent participations and a minority holding by SoFFin, which will make available equity capital to a total of €18.2bn. Even by international comparison, then, we are one of the well capitalized banks. The injection of capital ensures the new Commerzbank's competitiveness and secures us a stable start as we venture into the future together.

So, then, the new Commerzbank enters 2009 – a year of recession – with its weatherproofing in place; we are offering our private clients the greatest possible security, can stand alongside our corporate clients in difficult times, and, once conditions on the markets return to normal, will operate from a position of strength and be able rapidly to put into effect our strategies for growth in our core business areas.

Given we are not permitted to distribute a dividend in the financial years 2008 and 2009, and the disappointing price development over the past year, we do understand that by no means all of you, our shareholders, look favourably on our recourse to state funds, and it was for that reason that the decision to take advantage of the financial market stabilization programme was not taken lightly. In the final analysis, though, our concern was that the new Commerzbank's future should be secured – and that is also in our shareholders' interest. My colleagues on the Board of Managing Directors and I will do all in our power to restore and build up your trust. It remains for me to add that almost three quarters of our share capital remains in private hands, and that the new Commerzbank, being the second-largest German private bank, has an earnings potential far in excess of what will be required to service the silent participations. It is our ambition to discharge our obligations and repay the taxpayers' funds as quickly as possible.

This year will, however, be another very difficult one – for the global economy, for the financial sector around the world and also for Commerzbank. We have to face the threefold challenge of coping successfully with difficult conditions, driving forward the integration of our two banks, while at the same time focussing still more on meeting, in all that we do, the needs of our clients. The severity of the recession, both in Germany and throughout the world, will bring with it increases both in the number of defaults and the need for risk provision. On top of those, we expect, in 2009, to have to meet the costs of integration.

Even so, my colleagues on the Board of Managing Directors and I are convinced that, with the takeover of the Dresdner Bank, we have gone down the right road. We have a sustainable, client-focussed business model, we are constantly improving the range of services we offer, and our capital structure is sound, and that means that, in the medium term, we will emerge from the crisis with our strength renewed. Quite apart from those considerations, of course, our employees are committed to making the new Commerzbank a success, and are working flat out to ensure that it is one.

You, our shareholders, will benefit from that too. We welcome you to join us as we journey on down this road, and look forward to welcoming you to our Annual General Meeting on May 15, 2009.

Martin Blessing, Chairman of the Board of Managing Directors

The Board of Managing Directors

MARTIN BLESSING

Chairman of the Board of Managing Directors

Member of the Board of Managing Directors since 1.11.2001

FRANK ANNUSCHEIT

Chief Operating Officer

Member of the Board of Managing Directors since 1.1.2008

MARKUS BEUMER

Mittelstandsbank

Member of the Board of Managing Directors since 1.1.2008

WOLFGANG HARTMANN

Chief Risk Officer

Member of the Board of Managing Directors since 1.7.2000

DR. ACHIM KASSOW

Private Customers

Member of the Board
of Managing Directors
since 10.11.2004

MICHAEL REUTHER

Corporates & Markets

Member of the Board
of Managing Directors
since 1.10.2006

DR. STEFAN SCHMITTMANN

Commercial Real Estate
Central and Eastern Europe
Member of the Board
of Managing Directors
since 1.11.2008

DR. ERIC STRUTZ

Chief Financial Officer

Member of the Board
of Managing Directors
since 1.4.2004

Report of the Supervisory Board

KLAUS-PETER MÜLLER Chairman

Dear shareholders,

during the past financial year we advised the Board of Managing Directors on its conduct of the Bank's affairs and regularly supervised the way in which Commerzbank was managed. The Board of Managing Directors reported to us at regular intervals, promptly and extensively, in both written and verbal form, on all the main developments at the Bank, also between meetings. We received frequent and regular information on the company's business position and the economic situation of its individual business segments, on its corporate planning and on the strategic orientation of the Bank, and we advised the Board of Managing Directors on these topics. In between meetings both Dr. Kohlhaussen – Chairman of the Supervisory Board until the Annual General Meeting on May 15, 2008 – and I myself, following my election to the post of Chairman of the Supervisory Board, were constantly in touch with the Board of Managing Directors and informed ourselves on an on-going basis about current business progress and major business transactions within both the Bank and the Group. The Supervisory Board was involved in all decisions of major importance for the Bank, giving its approval after extensive consultation and examination wherever required.

Meetings of the Supervisory Board

A total of eleven meetings of the Supervisory Board were held in the past financial year, of which five were extraordinary meetings.

The focus of all of the ordinary meetings was on the Bank's current business situation, which we discussed in detail with the Board of Managing Directors on each occasion. One of the major areas we focused on in the second half of the year was the takeover of

»A focus of our work was the intensive discussion on the effects of the financial crisis.«

Dresdner Bank by Commerzbank. Over the course of several meetings we received extensive reports on the state of negotiations, the preparations for the closing of the transaction and for the integration of Dresdner Bank. Another focus was the intensive discussion on the effects of the financial crisis on the Bank and the measures taken by the Board of Managing Directors, in particular the financial support raised from the Financial Markets Stabilization Fund (SoFFin). The Board of Managing Directors convinced us that it had thoroughly examined the risks associated with the takeover of Dresdner Bank for the Bank and the effects of the financial crisis and had drawn the requisite conclusions. 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 12, 2008 our discussion centred on the provisional figures for the past financial year. In the ensuing discussion, we satisfied ourselves that the expectations and targets presented were plausible – especially in view of the ongoing subprime crisis – and reviewed various alternative courses of action. We also dealt with the Bank's strategy for Eastern Europe.

At the meeting on March 28, 2008 we examined the annual financial statements and the consolidated financial statements for 2007, which we reported on in detail in the last annual report. In addition, we received reports on the business segments Mittelstandsbank and Public Finance and Treasury including Hypothekenbank in Essen.

The meeting on May 15, 2008, was devoted to preparing for the upcoming Annual General Meeting. As the five-year period of office for the Supervisory Board ended at the Annual General Meeting, another meeting of the Supervisory Board was held immediately after the Annual General Meeting. At this constitutive meeting of the Supervisory Board, I was myself elected as Chairman and Mr Tschäge as Deputy Chairman of the Supervisory Board. In addition, new appointments were made to the Supervisory Board's committees. The current composition of the committees may be found on page 21 of this annual report.

At the meeting on July 2, 2008, the Board of Managing Directors explained the latest developments in the Commercial Real Estate segment. The Board of Managing Directors also reported on the status and strategy of the Private and Business Customers segment including Asset Management. Drawing upon detailed documents, the Board of Managing Directors described the business progress and the resulting core responsibilities of these units and discussed the strategic options with us. The Supervisory Board also received information on possible acquisition targets and, in particular, on the execution of due diligence in connection with the negotiations over the acquisition of Dresdner Bank.

At an extraordinary meeting on August 31, 2008, the Supervisory Board received detailed information on the completion of negotiations with Allianz on the acquisition of Dresdner Bank, the details of the planned transaction and the main points of the contractual documents. Following intensive discussion of the transaction as a whole and the steps required to realize it, the Supervisory Board approved the completion of the transaction including the related increases in capital.

A second extraordinary meeting was held on October 2, 2008 when the Board of Managing Directors reported extensively to the Supervisory Board on the stage reached in the acquisition of Dresdner Bank by Commerzbank and on the crisis in the financial markets following the insolvency of Lehman Brothers and its effects on Commerzbank.

At a further extraordinary meeting on November 2, 2008, we were informed comprehensively about the negotiations by the Board of Managing Directors with SoFFin on stabilisation measures and after thorough consultation approved the conclusion of a framework agreement with SoFFin on a silent participation and the granting of guarantees by the Fund.

In the ordinary meeting that followed on November 4, 2008, the discussion centred on management’s report on the Bank’s current business situation and we also held our routine review of strategy and planning including the budget for 2009 and medium-term planning. The targets for the Bank and the Group based on the business figures, particularly against the background of the stabilization measures by SoFFin and the takeover of Dresdner Bank, were presented to us and we discussed them in detail with the Board of Managing Directors. We also received reports on the preparations for integration of Dresdner Bank, as well as the trend of business and strategy at Corporates & Markets. An additional topic discussed at this meeting was the Bank’s corporate governance. We discussed the findings of the Supervisory Board’s efficiency audit, made adjustments to the rules of procedure for the Supervisory Board arising from the amendments to the German Corporate Governance Code in June 2008 and approved the annual declaration of compliance. Further details on corporate governance at Commerzbank and on the efficiency audit of the Supervisory Board can be found in this annual report on pages 28-31.

At an additional extraordinary meeting on November 27, 2008, the Supervisory Board received information on the negotiations of the Board of Managing Directors with Allianz on the accelerated full takeover of Dresdner Bank. Following completion of these negotiations, the Supervisory Board met for its last extraordinary meeting of the year on December 10, 2008 in order to discuss and approve – after listening to the Board of Managing Directors’ explanations – the changed transaction structure for the acquisition of Dresdner Bank. In this connection, the Supervisory Board received reports on changes to the arrangements with SoFFin as a result of the conditions imposed by the EU Commission, which we approved after thorough discussion.

During several meetings, we dealt with matters relating to the Board of Managing Directors, in particular the resignations by Mr Teller and Mr Knobloch and the appointment of Dr Schmittmann as a new member of the Board of Managing Directors.

Committees

The Supervisory Board has formed six committees from its members. Their current composition appears on page 21 of this annual report.

The Presiding Committee convened six times during the year under review. Its discussions were devoted to preparing the plenary meetings and adding depth to their deliberations, especially with regard to the business situation. It also discussed strategic equity participations in the financial sector, in particular the acquisition of Dresdner Bank. In connection with the acquisition of Dresdner Bank, the Presiding Committee also issued the approval of secondary employment required for members of Commerzbank's Board of Managing Directors to take on posts on the Supervisory and Management Boards at Dresdner Bank. In addition, the Presiding Committee prepared the resolutions of the Supervisory Board for the appointment of Dr Schmittmann to the Board of Managing Directors and for the resignations of Mr Teller and Mr Knobloch. It also addressed the recurrent topic of the compensation of the Board of Managing Directors. In connection with the capital increase for cash carried out in September 2008, it approved the price fixed for the new shares by the Board of Managing Directors. An additional topic was the granting of loans to the Bank's staff and directors.

The Audit Committee met altogether nine times in 2008. 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 and agreed their fee with them. The Audit Committee also dealt with requests for the auditors to perform non-audit services; it also regularly received reports on the current status and individual findings of the audit of the annual financial statements, and discussed in the second half of the year each of the interim financial statements before they were published. The work of the Bank's central internal audit and compliance units also formed part of the discussions. The Audit Committee furthermore received information on current and forthcoming changes to accounting standards and their effects on the Bank's accounting. The takeover of Dresdner Bank by Commerzbank was also dealt with at several meetings. With the exception of the constitutive meeting immediately following the Annual General Meeting, at which Mr Müller-Gebel was re-elected as Chairman of the Audit Committee, representatives of the auditors were present at the meetings and reported on their auditing activities.

The Risk Committee convened altogether four times during the past business year. In these meetings it examined the Bank's risk situation and risk management intensively, especially market, credit and operational risk. At the autumn meeting – as far as this was possible – the foreseeable risks following the acquisition of Dresdner Bank were also covered. Significant individual exposures for the Bank were discussed in detail with the Board of Managing Directors. Another topic was a review of the Bank's policy with regard to equity participations; this primarily related in the first half of the year to the integration of Hypothekenbank in Essen into Eurohypo AG and in the second half of the year to the takeover of Dresdner Bank.

The Social Welfare Committee held one meeting during the year under review in which it dealt primarily with the forthcoming integration of Dresdner Bank. At its meeting the Social Welfare Committee also dealt with the new model of approval authorities for personnel decisions in the Group, the "Im Lot" (work / life balance) project, which addresses the mental stress that employees suffer at work, and changes in the demographic pattern at the Bank, especially after the takeover of Dresdner Bank.

The Nomination Committee also met only once in the year under review to prepare the Supervisory Board's proposals for appointments to the Supervisory Board to be submitted to the Annual General Meeting on May 15, 2008.

As in previous years, the Conciliation Committee formed pursuant to Art. 27 (3) of the German Co-Determination Act did not have to meet in 2008. The committees regularly reported on their work at plenary sessions of the Supervisory Board. No conflicts of interest arose for the members of the Supervisory Board 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, Frankfurt am Main, audited the parent bank 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 parent bank financial statements were prepared according to the rules of the German Commercial Code (HGB) and the consolidated financial statements according to International Financial Reporting Standards (IFRS). The financial statements and the auditors' reports, together with 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 and all members of the Supervisory Board had the opportunity to inspect these documents. At the meeting on March 25, 2009 the Audit Committee dealt at length with the financial statements. At our balance sheet meeting held on March 26, 2009, we met as a plenary body and examined the parent bank annual financial statements and the consolidated financial statements of Commerzbank AG as well as the management reports of the parent bank and the Group. The auditors attended both the audit committee and plenary 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.

Following the final review by the Audit Committee and our own examination, we raised no objections to the financial and consolidated financial statements and concurred 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 is accordingly regarded as adopted.

Changes in the Supervisory Board and Board of Managing Directors

The five-year term of office for members of the Supervisory Board ended at the end of the Annual General Meeting on May 15, 2008. Besides the Chairman, Dr Kohlhaussen, the shareholder representatives leaving the Supervisory Board included Dr Heiner Hasford, Prof. Dr Jürgen F. Strube and Dr Klaus Sturany. Employee representatives leaving the Supervisory Board included Wolfgang Kirsch, Werner Malkhoff und Dr Sabine Reiner. We should like once again to express our thanks to these former members for their spirit of trust and commitment during their term of office in our midst.

Besides myself, new shareholder representatives elected to the Supervisory Board included Dr Burckhard Bergmann, Prof. Dr.-Ing. Hans-Peter Keitel und Dr Marcus Schenck. Dr Sergio Balbinot, Dr.-Ing. Otto Happel, Friedrich Lürßen, Prof. h.c. (CHN) Dr. rer. oec. Ulrich Middelmann, Klaus Müller-Gebel and Dr.-Ing. E.h. Heinrich Weiss were re-elected. In addition, Dr Thomas Kremer and Dr Christian Rau were elected as reserve members. At the election of the employee representatives, which took place before the Annual General Meeting, Hans-Hermann Altenschmidt, Herbert Bludau-Hoffmann, Astrid Evers, Uwe Foullong, Daniel Hampel, Sonja Kasischke and Uwe Tschäge were re-elected. Karin van Brummelen, Alexandra Krieger and Barbara Priester were elected as new employee representatives to the Supervisory Board.

I personally stepped down from the Board of Managing Directors at the end of the Annual General Meeting on May 15, 2008. At the same time, the appointment of Martin Blessing as my successor in the office of Chairman of the Board of Managing Directors took effect. Nicholas Teller and Bernd Knobloch resigned as members of the Board of Managing Directors with effect from May 31, 2008 and September 30, 2008 respectively. We owe Mr Teller and Mr Knobloch a debt of gratitude for their successful work on behalf of the Group. With effect from November 1, 2008, the Supervisory Board appointed Dr Stefan Schmittmann as a member of the Board of Managing Directors.

We thank the Board of Managing Directors and all employees for their great personal commitment and efforts in the difficult financial year of 2008.

For the Supervisory Board
Frankfurt am Main, March 26, 2009

Klaus-Peter Müller, Chairman

Supervisory Board

Klaus-Peter Müller
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

Dr.-Ing. Burckhard Bergmann
former Chairman of the
Board of Managing Directors
E.ON Ruhrgas AG
Hattingen

Herbert Bludau-Hoffmann*
Dipl.-Volkswirt
ver.di Trade Union
Sector Financial Services,
responsible for Commerzbank
Essen / Berlin

Karin van Brummelen*
Commerzbank AG
Düsseldorf

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
Entrepreneur
Luserve AG
Lucerne

Sonja Kasischke*
Commerzbank AG
Brunswick

**Prof. Dr.-Ing. Dr.-Ing. E.h.
Hans-Peter Keitel**
Member of the Supervisory Board
HOCHTIEF AG
Essen

Alexandra Krieger*
Dipl.-Kauffrau
Head of Division Economics
Department Codetermination
Hans-Böckler-Stiftung
Düsseldorf

Friedrich Lürßen
Chairman
Fr. Lürssen Werft GmbH & Co. KG
Bremen

**Prof. h.c. (CHN) Dr. rer. oec.
Ulrich Middelmann**
Deputy Chairman of the
Board of Managing Directors
ThyssenKrupp AG
Düsseldorf

Klaus Müller-Gebel
Lawyer
Frankfurt am Main

Barbara Priester*
Commerzbank AG
Frankfurt am Main

Dr. Marcus Schenck
Member of the Board of
Managing Directors
E.ON AG
Düsseldorf

Dr.-Ing. E.h. Heinrich Weiss
Chairman
SMS GmbH
Düsseldorf

Dr. Walter Seipp
Honorary Chairman
Frankfurt am Main

* elected by the Bank's employees

Committees of the Supervisory Board

Presiding Committee
Klaus-Peter Müller, Chairman
Hans-Hermann Altenschmidt
Dott. Sergio Balbinot
Uwe Tschäge

Audit Committee
Klaus Müller-Gebel, Chairman
Hans-Hermann Altenschmidt
Karin van Brummelen
Dr.-Ing. Otto Happel
Prof. Dr.-Ing. Dr.-Ing. E.h.
Hans-Peter Keitel

Risk Committee
Klaus-Peter Müller, Chairman
Klaus Müller-Gebel
Dr. Marcus Schenck
Dr.-Ing. E.h. Heinrich Weiss

Nomination Committee
Klaus-Peter Müller, Chairman
Dott. Sergio Balbinot
Klaus Müller-Gebel

Social Welfare Committee
Klaus-Peter Müller, Chairman
Karin van Brummelen
Astrid Evers
Klaus Müller-Gebel
Uwe Tschäge
Dr.-Ing. E.h. Heinrich Weiss

Conciliation Committee
(Art. 27, (3), German Co-determination Act)
Klaus-Peter Müller, Chairman
Hans-Hermann Altenschmidt
Dott. Sergio Balbinot
Uwe Tschäge

Our share

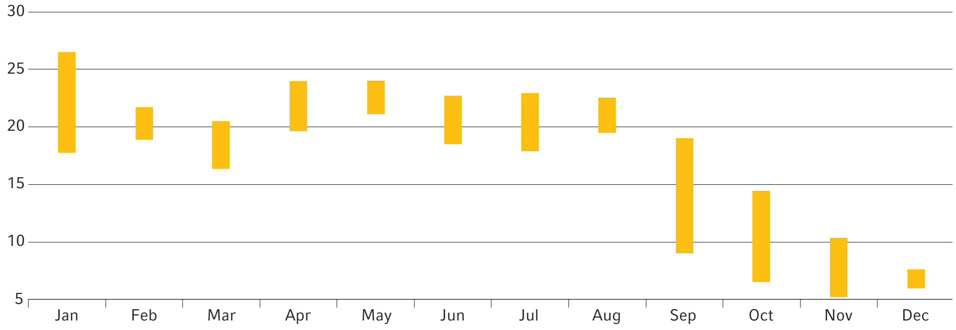
Commerzbank share severely impacted by the financial crisis

Data and facts	
Bearer shares	803 200
Reuters	CBKG.DE
Bloomberg	CBK GR
ISIN	DE0008032004

The Commerzbank share price was affected throughout 2008 by the progressive deterioration in the international financial crisis. While it held up relatively well at a level of around €20 until the end of August, it began to fall sharply thereafter. Moreover, the share price was extremely volatile throughout 2008.

Unnerved by the increasingly threatening dimensions of the financial crisis, investors embarked on a selling frenzy, particularly in financials. The bankruptcy of Lehman Brothers in mid-September further exacerbated the crisis of confidence in the financial sector. Lehman's collapse led to considerable disruption in the interbank market and prices of a range of financial instruments came under additional pressure as some market participants

Commerzbank share price high and low in 2008
in €



were forced to liquidate their positions. Central banks and governments responded with a variety of emergency packages to shore up the financial system, which had a stabilizing effect, but also created uncertainty among shareholders as to the precise terms of the measures. Moreover, in the course of the second half of 2008 a sharp slowdown in the world economy became increasingly apparent, which dealt another blow to the stock markets and the business prospects for the financial services sector.

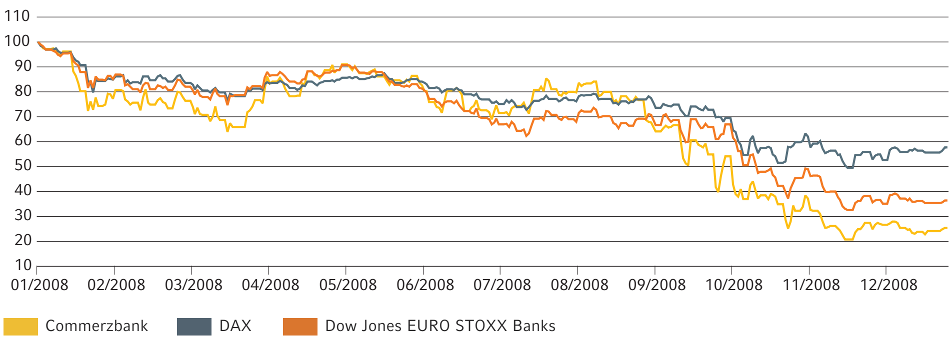
The announcement of the takeover of Dresdner Bank on 31 August also adversely impacted the performance of the Commerzbank share, particularly since the general market environment has deteriorated sharply since the announcement. The transaction was financed with a capital increase, which depressed the share price in spite of its very successful placement with investors. The acceleration of and adjustments to the transaction, which were announced on 27 November, were also unable to stabilize the share price. The strengthening of our core capital through a silent participation by the Special Fund for Financial Market Stabilization (SoFFin) also led to uncertainty, not least because the terms of the support measure had to be agreed in a drawn-out process at the European level.

Against the backdrop of the financial crisis financial stocks plunged worldwide in 2008. For example, the Dow Jones EURO STOXX Banks index lost 63.7 % compared with its level at the end of 2007. The DAX index, which is dominated by industrial enterprises, performed slightly better and was able to limit its losses to 42.4 %.

Overall the Commerzbank share price fell by 75 % in 2008. However, the average daily turnover of our share on the German stock exchanges increased by 53 % compared with the previous year to 10.7 million shares in 2008. The share price fell further after the end of the year under review and was at €2.79 at the end of February.

Indices of which Commerzbank forms a part
Blue-Chip indices
DAX
Dow Jones EURO STOXX Banks
Sustainability indices
ASPI Eurozone Index
Ethibel Sustainability Index (ESI)
Ethical Index EURO

Commerzbank share vs. performance indices in 2008
daily figures, 01.01.2008 = 100 %

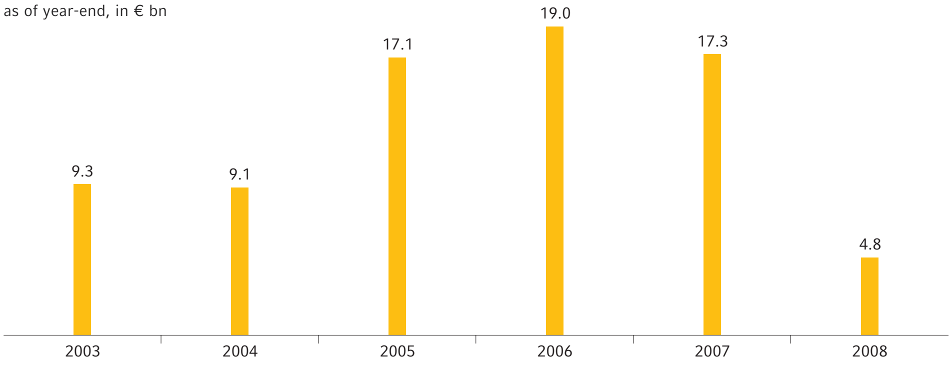


Capital markets activity and key figures

Commerzbank's market capitalization at the end of 2008 was €4.8bn, compared with €17.3bn a year earlier. As a result of this decline the weighting of the share in the DAX fell to 1.0 %, putting Commerzbank in 22nd place. In the Dow Jones EURO STOXX Banks index Commerzbank was in 13th place with a weighting of 1.6 % as at year end. The Bank is also now represented in three sustainability indices which place particular emphasis on environmental and ethical criteria alongside financial and economic factors.

This capital increase for the partial financing of the Dresdner Bank takeover was carried out very successfully on September 8 by means of an accelerated book-building process. The issue was five times oversubscribed, with a total of 65.4 million new shares being placed with institutional investors. The issue price of €17 per share meant that a total amount of €1.11bn was realized, and the number of Commerzbank shares outstanding rose to 722.6 million.

Market capitalization of the Commerzbank Group
as of year-end, in € bn

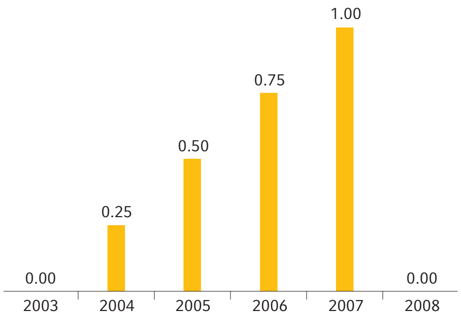


In the challenging market environment during 2008 Commerzbank refinanced itself in the uncovered bond segment of the capital market, mainly through private placements with our institutional investors. Large unsecured benchmark transactions by single A issuers had difficulty gaining traction in the market. However, we were able to place two large *Pfandbrief* (mortgage bond) issues. In May Eurohypo issued a €1bn 10-year jumbo *Pfandbrief* and added a €1bn 5-year *Pfandbrief* in August. These examples demonstrate that the covered bond market in particular remained receptive to issues by the Commerzbank Group in 2008 in spite of all the problems in the market. The measures described above, among others, enabled Commerzbank to cover part of its mortgage refinancing requirement for 2009 already in 2008.

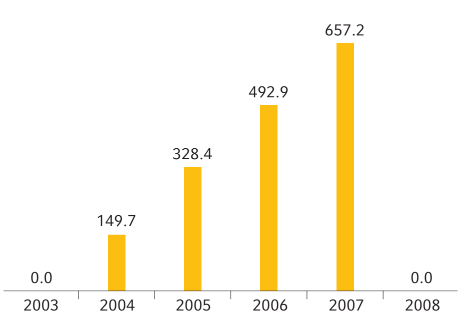
No dividend for 2008 and 2009

No dividend will be paid in 2009 and 2010 for the financial years 2008 and 2009 irrespective of our results. This is a condition attached to the funds provided by the government financial market stabilization fund (SoFFin). After four dividend increases in succession we will only be able to resume a results-based dividend policy for the financial year 2010.

Dividends
in €



Total payout
in € m

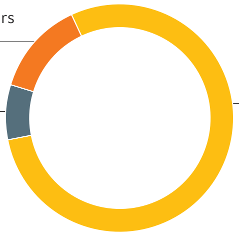


To our Shareholders

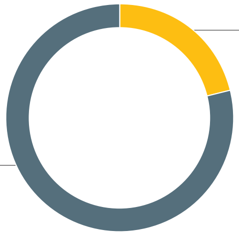
Further enlargement of international shareholder base

According to the most recent survey of our shareholder structure in December 2008, just under four-fifths of all Commerzbank shares are in the hands of institutional investors. The remainder are held by private shareholders, most of whom are based in Germany, and our major shareholder Generali. The free float was around 92 %. The proportion of shares held

Shareholder structure by type
31.12.2008



Shareholder structure by region
31.12.2008



* of which 13.3 % in Germany

by investors from Germany dropped to 21 %, pushing up the percentage owned by foreign investors to 79 %. This represents a continuation of the internationalization of our shareholder base. The proportion of shares held by foreign investors increased slightly in the majority of DAX 30 companies, continuing the trend of recent years.

Communication with the capital markets strengthened

Some 40 analysts regularly covered Commerzbank in 2008. Reflecting the difficult environment for the banking sector, analysts were more reticent in the recommendations they issued than in 2007. In December 2008, 19 % of recommendations were to buy our shares (buy / overweight / outperform), 43 % of analysts recommended a hold (neutral / hold / in line) and 38 % recommended selling (underperform / reduce). By the end of February 2009 the analysts' recommendations had become more negative due to the ongoing financial crisis.

Particularly in this difficult market environment we believe it is important to intensify our contacts with shareholders, debt investors and analysts in order to provide a maximum of transparency. Management and the investor relations team kept the market regularly informed and answered investors' questions by participating in 14 international investor conferences and carrying out 33 roadshows in 2008. We held 429 one-on-one meetings at which we gave information on the Bank's business performance and outlook. We met a total of 1,650 investors and analysts at these meetings, 45 % more than in the previous year. We also arranged meetings with experts at Commerzbank, in particular at Segment Head level, in order to discuss particular topics in-depth.

The Investors' Day, which was originally planned for September 2008, did not take place due to the announcement of the acquisition of Dresdner Bank at the end of August. We are planning to hold the 2009 Investors' Day on 25 November.

Analysts' recommendations

December 2008	
Buy / Overweight / Outperform	19 %
Neutral / Hold / Equal weight	43 %
Underperform / Reduce	38 %

December 2007	
Buy / Overweight / Outperform	61 %
Neutral / Hold / Equal weight	35 %
Underperform / Reduce	4 %

Stock-exchange listings of the Commerzbank share

Germany	
Berlin-Bremen	
Düsseldorf	
Frankfurt	
Hamburg	
Hanover	
Munich	
Stuttgart	
Xetra	
Europe	
London	
Switzerland	
North America	
Sponsored ADR (CRZBY) CUSIP: 202597308	

Throughout 2008, our publication IR Monthly, launched in 2007, kept investors and analysts continually and proactively informed of the most important events in the Commerzbank Group on a monthly basis for the month just ended and announced new presentations and the dates of forthcoming events. Naturally, we continue to inform the market on a same-day basis about important matters via Investor Relations press releases or ad-hoc announcements. The fact book entitled "Commerzbank – Figures, Facts, Targets" also continues to report four times a year on the Bank's performance, strategy and goals. In addition we provide a whole range of information on our Investor Relations website.

In the year under review we further expanded dialogue with our fixed-income investors. We presented our quarterly results and the plans for the takeover of Dresdner Bank in roadshows closely timed to the event. Most of our roadshows were in Europe and the USA. An important piece of information gleaned from our dialogue with investors was that most of our investors would not run into credit line problems as a result of our merger with Dresdner Bank. In addition we gained important new investors who had not previously invested in the Commerzbank Group as a result of the issue of our €5bn state-guaranteed bond after the end of the reporting period in January 2009.

In order to improve capital markets communications on an ongoing basis, the Investor Relations team regularly submits to an external benchmarking process. This independent analysis confirms that in spite of last year's difficult market environment we have intensified our communication with the capital markets from an already high level. The result will spur us on to make every effort to further strengthen our investor relations work in 2009.

Highlights of the Commerzbank share

	2008	2007
Shares outstanding in million units	722.6	657.2
Xetra closing prices in €		
High	25.89	37.53
Low	5.40	23.40
Year-end	6.64	26.26
Daily turnover[1] in million units		
High	52.6	26.2
Low	2.2	1.7
Average	10.7	7.0
Index weighting in %		
DAX	1.0	2.0
Dow Jones EURO STOXX Banks	1.6	2.2
Earnings per share (EPS) in €	0.0	2.92
Book value per share[2] in Euro	27.85	22.99
Market value/Book value as of 31.12.	0.24	1.14

[1] Total German Stock Exchanges; [2] excluding cash flow hedges and minority interests.

Corporate Responsibility

We acknowledge the principles of sound, responsible management as laid down in the German Corporate Governance Code, and meet virtually all of the recommendations and proposals it makes. Pages 28 to 31 give details of this aspect of our corporate responsibility.

The term describes the extent to which a company is aware of its responsibilities whenever its business activities affect society, staff, the natural environment or the economic environment. We accept this responsibility, and report on it on pages 43 to 45.

Corporate Governance Report

Responsible corporate governance has always been a high priority at Commerzbank. That is why we – the Supervisory Board and the Board of Managing Directors – expressly support the Code and the goals and objectives it pursues. Even at the time of publication of the German Corporate Governance Code, Commerzbank's Articles of Association and the rules of procedure for the Board of Managing Directors and Supervisory Board largely complied with its requirements. Wherever this was not yet the case, we have adjusted them to meet the regulations of the German Corporate Governance Code (see below). The Articles of Association and the rules of procedure are available on the internet.

Commerzbank's corporate governance officer is Günter Hugger, Head of Legal Services. He is the point of contact for all corporate governance issues and has the task of advising the Board of Managing Directors and the Supervisory Board on the implementation of the German Corporate Governance Code and of reporting on its implementation by the Bank.

In accordance with section 3.10 of the German Corporate Governance Code, we hereby report on corporate governance as practised at Commerzbank:

Recommendations of the German Corporate Governance Code

The Bank declares every year whether the recommendations of the Commission regarding conduct have been and are complied with or explains which recommendations have not been and are not implemented. This declaration of compliance by the Board of Managing Directors and the Supervisory Board is published on the Commerzbank website. There is also an archive there of all the declarations of compliance made since 2002. The current declaration was made on November 4, 2008.

Commerzbank complies with virtually all of the recommendations of the German Corporate Governance Code in its version dated June 6, 2008; it deviates from them in only two points:

Section 4.2.1 of the Code recommends that rules of procedure should regulate the work of the Board of Managing Directors, including the allocation of responsibilities to members of the Board of Managing Directors. The Board of Managing Directors has adopted rules of procedure with the approval of the Supervisory Board. However, the Board of Managing Directors lays down the allocation of responsibilities itself outside the terms of the rules of procedure. This ensures the necessary flexibility when changes are required and, accordingly, an efficient division of labour. The Supervisory Board is informed of all changes and is involved in this way in the allocation of responsibilities. The rules of procedure for the Board of Managing Directors are published on the Commerzbank website and the specific responsibilities of the various members of the Board of Managing Directors in the annual report.

According to section 5.3.2 of the Code, the Audit Committee should deal not only with accounting issues and the audit of the annual financial statements, but also with issues related to the Bank's risk management. The Supervisory Board of Commerzbank has entrusted risk-management issues to a separate Risk Committee, which for years has dealt with the Bank's credit, market and operational risks, rather than to its Audit Committee. The fact that the chairman of the Audit Committee is also a member of the Risk Committee of the Supervisory Board ensures that the Audit Committee is comprehensively informed about risk management issues.

In derogation of section 4.2.2 of the Code, the Presiding Committee rather than the full Supervisory Board discussed and reviewed the structure of compensation for the Board of Managing Directors until the end of 2008. In the meantime we now also comply with this recommendation.

Suggestions of the German Corporate Governance Code

Commerzbank also largely complies with the suggestions of the German Corporate Governance Code, deviating from them in only a few points:

In derogation of section 2.3.3, the proxy can only be reached up to the day prior to the Annual General Meeting. However shareholders present or represented at the Annual General Meeting are able to give their proxy instructions at the meeting itself as well.

In section 2.3.4, it is suggested that the Annual General Meeting be broadcast in its entirety on the internet. We broadcast the speeches of the Chairman of the Supervisory Board and the Chairman of the Board of Managing Directors, but not the general debate. For one thing, a complete broadcast seems inappropriate given the length of annual general meetings; for another, a speaker's personal rights have to be considered.

Section 3.6 of the German Corporate Governance Code suggests that separate preparatory meetings should be held regularly with shareholders and employees. We arrange such preparatory meetings where the need arises.

Section 5.3.2 suggests that the chairman of the Audit Committee should not be a former member of the Board of Managing Directors. We have deliberately not adopted this suggestion as the expertise of the person in question takes priority for us.

Finally, it is suggested in section 5.4.7 of the Code that the variable compensation of Supervisory Board members should also be related to the long-term performance of the company. At Commerzbank, the variable compensation of Supervisory Board members is related to the dividend. We consider this to be a transparent and readily understandable system.

Board of Managing Directors

The Board of Managing Directors is responsible for the independent management of the Company. In this function, it is required to act in the Company's best interests and is committed to achieving a sustained increase in the value of the Company and to respecting the interests of shareholders, customers and employees. It develops the Company's strategy, agrees it with the Supervisory Board and ensures its implementation. In addition, it sees that efficient risk management and risk control measures are in place. The Board of Managing Directors conducts Commerzbank's business activities in accordance with the law, the Articles of Association, its rules of procedure, internal guidelines and the relevant employment contracts. It cooperates on a basis of trust with Commerzbank's other executive bodies and with employee representatives.

The composition of the Board of Managing Directors and the responsibilities of its individual members are presented on pages 12-13 of this annual report.

Once again, in the financial year 2008 no members of the Board of Managing Directors were involved in conflicts of interest as defined in section 4.3 of the German Corporate Governance Code.

Extensive details of the compensation paid to the members of the Board of Managing Directors are given in the Remuneration Report on pages 31-38.

Supervisory Board

The Supervisory Board advises and supervises the Board of Managing Directors in its management of the Company. It appoints and dismisses members of the Board of Managing Directors and, together with the Board of Managing Directors, ensures that there is long-term succession planning. The Supervisory Board conducts its business activities in accordance with legal requirements, the Articles of Association and its rules of procedure; it co-operates closely and on a basis of trust with the Board of Managing Directors.

The composition of the Supervisory Board and its committees is presented on pages 20 to 21 of this annual report. Information on the work of this body, its structure and its control function is provided by the report of the Supervisory Board on pages 14-19. The terms of office of the current members of the Supervisory Board began with the Annual General Meeting on May 15, 2008. Employee representatives were (re)elected in April 2008. Shareholder representatives were (re)elected by the Annual General Meeting on May 15, as proposed by the Supervisory Board and the Board of Managing Directors. (Re)appointments were in both cases for a term of five years.

The Supervisory Board has until now examined the efficiency of its activities every two years by means of a detailed questionnaire. Since such a detailed survey was carried out at the end of 2007,and several members of the Supervisory Board were not newly appointed to the Supervisory Board until May 2008, an abridged audit was conducted in 2008. The result showed that the work of the Supervisory Board at Commerzbank continues to be considered professional, and the division of labour between the full Supervisory Board and its committees is seen as sensible and efficient. There will be another extensive efficiency audit in 2009.

There were no conflicts of interest as defined in section 5.5 of the German Corporate Governance Code during the year under review.

Details of the compensation paid to the members of the Supervisory Board are given in the Remuneration Report on pages 39-42.

Accounting

Accounting at the Commerzbank Group gives a true and fair view of the net assets, financial position and results of operations of the Group. It applies International Financial Reporting Standards (IFRS); the parent company financial statements of Commerzbank AG are prepared under the rules of the German Commercial Code (HGB). The consolidated financial statements and the financial statements of the parent bank are prepared by the Board of Managing Directors and approved by the Supervisory Board. The audit is performed by the auditors elected by the Annual General Meeting.

The annual financial statements also include a detailed risk report, providing information on the Company's responsible handling of the various types of risk. This appears on pages 124-184 of this annual report.

Shareholders and third parties receive additional information on the course of business during the financial year in the form of the semi-annual report as well as in two quarterly reports. These interim reports are also prepared in accordance with applicable international accounting standards.

Shareholder relations, transparency and communication

The Annual General Meeting of shareholders takes place once a year. It decides upon the appropriation of distributable profit and approves the actions of the Board of Managing Directors and the Supervisory Board and any amendments to the Articles of Association. If necessary, it authorizes the Board of Managing Directors to undertake capital-raising measures and approves the signing of profit-and-loss transfer agreements. Each share entitles the holder to one vote.

The Bank's shareholders may submit recommendations or other statements by letter or e-mail or may present them in person. The Bank's head-office quality management unit is responsible for dealing with written communication. At the Annual General Meeting, the Board of Managing Directors or the Supervisory Board comment or reply directly. At the same time, shareholders may influence the course of the Annual General Meeting by means of counter-motions or supplementary motions to the agenda. Shareholders may also apply for an Extraordinary General Meeting to be convened. The reports and documents required by law including the Annual Report may be downloaded from the internet; the same applies to the agenda for the Annual General Meeting and any counter- or supplementary motions.

Commerzbank informs the public – and consequently shareholders as well – about the Bank's financial position and earnings performance four times a year; further corporate news items that may affect the share price are published in the form of ad hoc releases. This ensures that all shareholders are treated equally. The Board of Managing Directors reports on the annual financial statements and the quarterly results in press conferences and analysts' meetings. Commerzbank increasingly uses the possibilities offered by the internet for reporting purposes; we offer a wealth of additional information on the Commerzbank Group at www.commerzbank.com. The financial calendar for the current and the forthcoming year is also published in the Annual Report and on the internet. This contains the dates of all significant financial communications and the date of the Annual General Meeting.

We are committed to communicating in an open and transparent manner with our shareholders and all other stakeholders. We intend to maintain this commitment in future.

Remuneration Report

The below remuneration report also forms part of the Group Management Report.

The report follows the recommendations of the German Corporate Governance Code and complies with the requirements of the German Commercial Code as well as the Disclosure of Remuneration of Members of the Board of Managing Directors Act (VorstOG), which came into force on August 11, 2005.

Board of Managing Directors

Principles of the remuneration system

The remuneration of the members of the Board of Managing Directors is made up of the following components: fixed remuneration, a variable performance-related bonus, long-term performance plans and pension commitments. The remuneration structure is based primarily on the situation and success of the Company as well as the performance of the Board. The current remuneration structure for members of the Board of Managing Directors was decided by the Presiding Committee of the Supervisory Board in July 2004 and amended in November 2006 and February 2007. Since November 2008 the plenary Supervisory Board is responsible for determining and, where appropriate, amending the remuneration structure.

Commerzbank applied for funds from the Financial Market Stabilization Fund (SoFFin) at the end of 2008. SoFFin made the granting of these funds conditional upon the cash remuneration of members of the Bank's boards not exceeding €500,000 p.a. per member for the financial years 1 January 2008 to 31 December 2008 and 1 January 2009 to 31 December 2009 in respect of the duties performed for the Group (SoFFin Cap). The remuneration of board members whose board functions ended before conclusion of the framework agreement with SoFFin on 19 December 2008[1], pension entitlements, remuneration components relating to periods ended before 1 January 2008 and non-cash elements of remuneration are not subject to this cap.

Fixed remuneration components

The fixed remuneration components include basic salary and non-cash remuneration.

The basic salary, which is paid in twelve equal monthly amounts, is generally €760,000 for the Chairman of the Board of Managing Directors and €480,000 for the other members of the Board. Due to the conditions imposed by SoFFin, the basic salary of the chairman was reduced to a maximum of €500,000 for the financial years 2008 and 2009.

Non-cash remuneration which is not subject to the SoFFin limits consists primarily of the use of a company car, reimbursement of moving expenses and insurance contributions as well as any tax and social security contributions on these benefits. The specific amount of these benefits varies between the individual members of the Board depending on their personal situation.

Performance-related remuneration

Besides the fixed remuneration, members of the Board of Managing Directors receive a variable bonus based on the following key performance ratios: return on equity (RoE) before tax, the cost/income ratio (CIR) and operating earnings before tax (excluding extraordinary factors). Targets for each of these three equally-weighted parameters and a target bonus are set for the members of the Board of Managing Directors; the bonus resulting from these inputs is limited to twice the target bonus. To reward the individual performance of members of the Board of Managing Directors and to take account of exceptional developments, the Presiding Committee may in addition raise or lower the bonus thus calculated by up to 20 %. The bonus for a financial year is paid out in the following year.

[1] Mr Teller stepped down from the Board on 31 May 2008 and Mr Knobloch on 30 September 2008. Mr Müller also resigned from his function as a member and Chairman of the Board of Managing Directors at the end of the 2008 AGM, but immediately thereafter took up his post as Chairman of the Supervisory Board of Commerzbank AG and was therefore a member of the boards of Commerzbank AG throughout 2008.

In view of the Bank's earnings no performance-related bonuses will be paid to the members of the Board of Managing Directors for the year 2008.

Remuneration for serving on the boards of consolidated subsidiaries

Payments received by the individual board members for serving on the boards of consolidated subsidiaries (Group mandates) are set off against the variable bonus in the following year. As no performance-related bonus is being paid for the financial year 2008 (see "Performance-related remuneration" above), it is not possible to set off the remuneration paid for Group mandates in 2008. The amounts paid in the financial year 2008 were largely due for work on the boards of consolidated subsidiaries in 2007. Further to an agreement with the SoFFin they are not subject to the cap. However, any remuneration for serving on the boards of Group companies paid in the financial years 2009 and 2010 will count in full towards remuneration subject to the SoFFin cap.

In the year 2008 members of the Board of Managing Directors were paid the following remuneration for serving on the boards of consolidated subsidiaries:

in € 1,000	Remuneration for serving on the boards of consolidated subsidiaries (excluding VAT)
Klaus-Peter Müller	119
Martin Blessing	43
Frank Annuscheit	23
Markus Beumer	18
Wolfgang Hartmann	77
Dr. Achim Kassow	246
Bernd Knobloch	20
Michael Reuther	78
Dr. Stefan Schmittmann	8
Dr. Eric Strutz	95
Nicholas Teller	14
Total	**741**

Long-term performance plans

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

Participation in the 2008 LTP counts towards the SoFFin cap based on the fair value at December 31, 2008. The potential remuneration stemming from participation in the 2008 LTP may deviate significantly from this fair value and – as with the 1999, 2000 and 2001 LTPs – may even be zero, as the final amount paid out is not fixed until the end of the term of each LTP. All members of the Board who originally took part in the 2008 LTP have since withdrawn the shares they invested from the 2008 LTP so that no board member can now receive payments from the 2008 LTP.[2]

Owing to the performance of the Commerzbank share price payments were made under the 2005 LTP in the year under review. This plan concluded with a payment of €40 per participating share. As this payment represents a long-term remuneration element for the financial year 2005, it does not fall under the SoFFin cap. Listed below are the payments to members of the Board of Managing Directors who participated in the 2005 LTP:

LTP 2005[3]	Number of participating shares	Amounts in € 1,000
Klaus-Peter Müller	5,000	200
Martin Blessing	2,500	100
Wolfgang Hartmann	2,500	100
Dr. Achim Kassow	2,500	100
Dr. Eric Strutz	2,500	100
Nicholas Teller	2,500	100

Mr. Knobloch additionally received a payment of €615,000 in the reporting year further to the 2004 Longfrist Incentive Plan of Eurohypo Aktiengesellschaft, which had been granted to him for his activities as Chairman of the Board of Managing Directors of Eurohypo Aktiengesellschaft.

Pensions

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

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

The pension consists of 30 % of the last agreed basic annual salary after the first term of office, 40 % after the second and 60 % of the last agreed basic annual salary after the third term of office. The pensions are reduced in line with the statutory provisions on company pensions if members of the Board of Managing Directors leave the Board before their 62nd birthday. Vesting of pension rights is also generally based on the statutory provisions on company pensions.

[2] The fair value of the 2008 LTP was €34.61 per share at the time of grant and €8.87 per share at December 31, 2008. Mr. Blessing originally participated in the 2008 LTP with 5,000 shares (fair value at grant date: €173,000, fair value at December 31, 2008: €44,000), Messrs. Annuscheit, Beumer, Hartmann, Dr. Kassow, Reuther and Dr. Strutz with 2,500 shares each (fair value at grant date: €87,000, fair value at December 31, 2008: €22,000). After the 2008 year-end all the board members withdrew the shares they had invested in the 2008 LTP and have so exited from the 2008 LTP. Messrs. Müller, Teller and Dr. Schmittmann were either no longer or not yet members of the Board at the relevant date of the 2008 LTP and therefore did not participate in it from the beginning. In the case of Mr. Knobloch his participation in the 2008 LTP ended with his departure from the Board of Managing Directors.

[3] Messrs. Annuscheit, Beumer, Knobloch, Reuther and Dr. Schmittmann were not yet members of the Board at the relevant date. Mr. Annuscheit participated in the 2005 LTP before joining the Board by investing 1,000 shares and received a payment of €40,000 from this investment as a result.

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

Pension payments to members of the Board of Managing Directors are raised by one percent p.a. from the date when they are first paid out. Under certain circumstances an increase in excess of this level will be considered, but there is no automatic right to any such increase.

The following table lists the pension entitlements of the members of the Board of Managing Directors active in the financial year 2008:

Pension entitlements	**Projected annual pension at pensionable age in € 1,000 (as of 31.12.2008)**[4]
Klaus-Peter Müller	456
Martin Blessing	304
Frank Annuscheit	144
Markus Beumer	144
Wolfgang Hartmann	192
Dr. Achim Kassow	192
Bernd Knobloch	144
Michael Reuther	144
Dr. Stefan Schmittmann	144
Dr. Eric Strutz	192
Nicholas Teller	192

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

The surviving dependant's pension for a spouse amounts to 66⅔ % of the pension entitlement of the member of the Board of Managing Directors. If no widow's pension is paid, minors or children still in full-time education are entitled to an orphan's pension amounting to 25 % each of the pension entitlement of the member of the Board of Managing Directors, subject to a maximum overall limit of the widow's pension.

Certain amounts received from a pension to which Mr Teller is entitled for his work in the Commerzbank Group prior to joining the Board of Managing Directors are set off against his pension.

The assets backing these pension obligations have been transferred under a contractual trust arrangement to Commerzbank Pension-Trust e.V. The pension provisions remaining in Commerzbank AG as at December 31, 2008 for defined benefit liabilities amounted to €0.2m for members of the Board of Managing Directors. In the year under review no assets were transferred to Commerzbank Pension-Trust e.V. As of December 31, 2008, defined-benefit obligations for members of the Board of Managing Directors active as of this date amounted to €8.1m in total.

[4] The amounts are based on the current term of office of the individual board members and assume that the pension, except in cases of incapacity to work, will not be drawn until a member's 62nd birthday and that the member will remain on the board until the pension is due.

Change of control

In the event that a shareholder acquires at least a majority of the voting rights represented at the Annual General Meeting, or that an affiliation agreement is signed with Commerzbank as a dependent entity, or in the event of Commerzbank being merged or taken over (change of control), all members of the Board of Managing Directors are entitled to terminate their contracts of employment. If any member of the Board of Managing Directors utilizes this right to terminate their contract or if, in connection with the change of control, their membership of the Board ends for other reasons, they are entitled to compensation for the remainder of their term of office equal to 75 % of their average total annual pay (basic salary and variable bonus) plus a severance payment equal to their average total annual remuneration for two years. Depending on the board member's age and length of service on the Board, this severance payment increases to three[5] times total annual remuneration. Taken together, the compensation and severance payment may not exceed the total average remuneration for five years. For board members who joined the board with effect from 2008[6] the compensation and severance payment taken together may not exceed either average total annual remuneration for three years or 150 % of the total remuneration due for the residual term of office at the date of the termination of the employment contract. The compensation and severance payment taken together may in no case exceed the average total annual remuneration for the period up until a board member's 65th birthday. With regard to retirement benefits and long-term performance plans, members of the Board of Managing Directors are generally treated as if they had remained on the Board of Managing Directors until the end of their current term of office. There is no entitlement to severance pay if members of the Board of Managing Directors receive payments in connection with the change of control from the majority shareholder, the controlling company or the new legal entity in the event of a merger or acquisition.

Other regulations

The contracts of employment of members of the Board of Managing Directors always end automatically with the end of their term of office. In derogation of this, those members who joined Commerzbank's Board of Managing Directors before 2002 will, in the event of the premature ending of their term of office – except in the case of termination for grave cause – be released from the remaining term of their contract of employment and will continue to receive their basic salary for the remainder of their term of office[7]. If a contract of employment is not extended at the end of a term of office, without there being grave cause for termination, the members of the Board of Managing Directors concerned will continue to receive their basic salary for a further six months. Members of the Board of Managing Directors who were appointed to the Board before 2004[8] receive their basic salary in such cases for a further twelve months from the end of their second term of office. This continuation of salary ceases if members of the Board receive payments under the regulations set out above in the section headed Pensions.

The contracts of employment of Messrs. Müller and Teller were terminated at the date of their departure from the board. Mr. Teller received a payment of €562,000 as lump sum pro rata variable bonus for the year 2008 against which his remuneration for services on the boards of consolidated subsidiaries is offset. Furthermore, neither Mr. Müller nor Mr. Teller have received payments under their contracts of employment for periods after termination of their membership of the Board of Managing Directors or as the result of a severance agreement. The entitlements set out in the section headed Pensions above remain.

[5] Messrs. Hartmann and Knobloch; [6] Messrs. Annuscheit, Beumer and Dr. Schmittmann; [7] Messrs. Blessing and Hartmann;
[8] Messrs. Blessing, Hartmann and Dr. Strutz

Mr Knobloch received a one-off payment of €4.04m as compensation for his entitlement to basic salary, bonus and transitional pay for the period until his departure from the Board and for the remaining period of his contract of employment up until the regular end of his term of office. In addition he is entitled to use a company car for a period of one year after leaving the Board. In relation to the Dresdner bank transaction he is also contractually entitled to €1.6m when the merger becomes effective.

No members of the Board of Managing Directors received payments or promises of payment from third parties in the last financial year in respect of their work as a member of the Board of Managing Directors.

Summary

The following tables show the cash remuneration paid to individual members of the Board of Managing Directors for 2008 together with a comparison for 2007:

		Cash remuneration for 2008 as defined by the SoFFin agreement			
Amounts in € 1,000		Basic salary	Variable remu-neration[9]	Fair value of 2008 LTP[10]	Total cash remu-neration
Klaus-Peter Müller[11]	2008[12]	317	–	–	317
	2007	760	1,709	–	2,469
Martin Blessing	2008	500	–	–	500
	2007	480	1,155	–	1,635
Frank Annuscheit	2008	480	–	–	480
	2007[12]	–	–	–	–
Markus Beumer	2008	480	–	–	480
	2007[12]	–	–	–	–
Wolfgang Hartmann	2008	480	–	–	480
	2007	480	794	–	1,274
Dr. Achim Kassow	2008	480	–	–	480
	2007	480	862	–	1,342
Bernd Knobloch	2008[12]	360	–	–	360
	2007	480	864	–	1,344
Michael Reuther	2008	480	–	–	480
	2007	480	1,072	–	1,552
Dr. Stefan Schmittmann	2008[12]	80	–	–	80
	2007	–	–	–	–
Dr. Eric Strutz	2008	480	–	–	480
	2007	480	988	–	1,468
Nicholas Teller	2008[12]	200	–	–	200
	2007	480	813	–	1,293
Total	**2008**	**4,337**	**–**	**–**	**4,337**
	2007[13]	**4,120**	**8,257**	**–**	**12,377**

[9] Payable in the following year subject to approval of the annual financial statements. In 2007 the variable remuneration included €767,000 of payments already received for serving on the boards of consolidated companies. To improve comparability the next table shows compensation for these Group mandates separately.

[10] Whereas the board members originally participated in the 2008 LTP, they have since withdrawn the shares invested in the plan and can therefore no longer receive any payments under the 2008 LTP.

[11] Mr Müller stepped down from the Board of Managing Directors at the end of the AGM on May 15, 2008; his remuneration since then in his function as Chairman of the Supervisory Board is set out on pp. 39-41.

[12] pro rata temporis from the date of appointment or as the case may be up to the date of departure from the Board.

[13] The total for 2007 does not include amounts for the board member Klaus Patig who left the Board in 2007 (pro rata basic salary €40,000).

Amounts in € 1,000		Other remuneration as defined by the SoFFin agreement: Remuneration of Group mandates for prior financial years[14]	Payouts of share-based remuneration plans for prior financial years[15]	Other[16]	Total other remuneration
Klaus-Peter Müller	2008[12]	119	200	35	354
	2007	167	500	84	751
Martin Blessing	2008	43	100	86	229
	2007	79	250	82	411
Frank Annuscheit	2008	23	40	51	114
	2007[12]	–	–	–	–
Markus Beumer	2008	18	–	365	383
	2007[12]	–	–	–	–
Wolfgang Hartmann	2008	77	100	112	289
	2007	80	250	111	441
Dr. Achim Kassow	2008	246	100	277	623
	2007	270	–	45	315
Bernd Knobloch	2008[12]	20	615	4,137	4,772
	2007	10	–	72	82
Michael Reuther	2008	78	–	71	149
	2007	8	–	71	79
Dr. Stefan Schmittmann	2008[12]	8	–	7	15
	2007	–	–	–	–
Dr. Eric Strutz	2008	95	100	41	236
	2007	92	250	42	384
Nicholas Teller	2008[12]	14	100	592	706
	2007	61	250	114	425
Total	**2008**	**741**	**1,355**	**5,774**	**7,870**
	2007[17]	**767**	**1,500**	**621**	**2,888**

Loans to members of the Board of Managing Directors

Members of the Board of Managing Directors have been granted cash advances and loans with terms ranging from on demand to a due date of 2032 and at interest rates ranging between 4.3 % and 5.5 %, and in selected instances overdrafts at rates up to 10.0 %. Collateral security is provided on a normal market basis, if necessary through land charges and rights of lien.

As at the reporting date loans to Members of the Board of Managing Directors amounted to €6,356,000 in total; in the previous year they amounted to €5,198,000. With the exception of rental guarantees the companies of the Commerzbank Group did not have any contingent liabilities relating to members of the Board of Managing Directors in the year under review.

[14] Remuneration for serving on the boards of subsidiaries is largely paid in the following year and counts in full towards the variable remuneration for this following year (total in 2007: €767,000).
[15] The 2004 LTP was paid out in 2007 and the 2005 LTP in 2008.The 2004 Longfrist Incentive Plan of Eurohypo Aktiengesellschaft was paid out to Mr. Knobloch in 2008.
[16] The "Other" column includes non-cash benefits granted in 2008 which are not subject to the SoFFin cap and in the case of Mr Knobloch an amount of €4.04m as well as in the case of Mr. Teller an amount of €548,000 (pro rata bonus in the amount of €562,000 minus remuneration for services rensered on the boards of consolidated subsidiaries in the amount of €14,000) paid as part of the severance agreements set out on pp. 36-37 above.
[17] The total for 2007 does not include amounts for the board member Klaus Patig who left the Board in 2007 (in the amount of €2,307,000, included under "Other", in accordance with his severance agreement).

Supervisory Board

Principles of the remuneration system and remuneration for 2008

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

1. fixed remuneration of €40,000 per year and

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

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

As Commerzbank will not pay a dividend in 2009, a variable bonus is not payable for the financial year 2008. The members of the Supervisory Board therefore received total net remuneration of €1,677,000 for the financial year 2008 (previous year: €2,547,000). The fixed remuneration and remuneration for committee memberships accounted for €1,240,000 of this figure (previous year: €2,307,000) and attendance fees for €437,000 (previous year: €240,000). The value added tax of €285,000 (previous year: €484,000) payable on the remuneration of the members of the Supervisory Board is reimbursed by Commerzbank Aktiengesellschaft. The total remuneration of the members of the Supervisory Board in 2008 was therefore €1,962,000 (previous year: €3,031,000).

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

for 2008 in € 1,000	Fixed remu-neration	Variable remu-neration	Total	Attend-ance fee	VAT[18]	Total
Dr. h.c. Martin Kohlhaussen (until May 15, 2008)	74.4	–	74.4	12.0	16.4	102.9
Klaus-Peter Müller (since May 15, 2008)	125.6	–	125.6	22.5	28.1	176.2
Uwe Tschäge	100.0	–	100.0	25.5	23.8	149.3
Hans-Hermann Altenschmidt	72.6	–	72.6	36.0	20.6	129.2
Dott. Sergio Balbinot	60.0	–	60.0	28.5	–	88.5
Dr.-Ing. Burckhard Bergmann (since May 15, 2008)	25.1	–	25.1	12.0	7.1	44.2
Herbert Bludau-Hoffmann	40.0	–	40.0	13.5	10.2	63.7
Astrid Evers	40.0	–	40.0	18.0	11.0	69.0
Uwe Foullong	40.0	–	40.0	15.0	10.5	65.5
Daniel Hampel	40.0	–	40.0	15.0	10.5	65.5
Dr.-Ing. Otto Happel	60.0	–	60.0	25.5	–	85.5
Dr. jur. Heiner Hasford (until May 15, 2008)	22.3	–	22.3	7.5	5.7	35.5
Sonja Kasischke	40.0	–	40.0	15.0	10.5	65.5
Prof. Dr. Hans-Peter Keitel (since May 15, 2008)	37.7	–	37.7	13.5	9.7	60.9
Wolfgang Kirsch (until May 15, 2008)	22.3	–	22.3	9.0	6.0	37.3
Alexandra Krieger (since May 15, 2008)	25.1	–	25.1	12.0	7.1	44.2
Friedrich Lürßen	40.0	–	40.0	13.5	10.2	63.7
Werner Malkhoff (until May 15, 2008)	22.3	–	22.3	6.0	5.4	33.7
Prof. h.c. (CHN) Dr. rer.oec. Ulrich Middelmann	40.0	–	40.0	13.5	10.2	63.7
Klaus Müller-Gebel[19]	100.0	–	100.0	37.5	26.1	163.6
Barbara Priester (since May 15, 2008)	25.1	–	25.1	12.0	7.1	44.2
Dr. Sabine Reiner (until May 15, 2008)	14.9	–	14.9	4.5	3.7	23.1
Dr. Marcus Schenk (since May 15, 2008)	37.7	–	37.7	15.0	10.0	62.7
Prof. Dr. Jürgen F. Strube (until May 15, 2008)	22.3	–	22.3	9.0	6.0	37.3
Dr. Klaus Sturany (until May 15, 2008)	14.9	–	14.9	4.5	3.7	23.1
Karin van Brummelen (since May 15, 2008)	37.7	–	37.7	22.5	11.4	71.6
Dr.-Ing. E.h. Heinrich Weiss	60.0	–	60.0	18.0	14.8	92.8
Total 2008	**1,240.0**	**–**	**1,240.0**	**436.5**	**285.5**	**1,962.0**
Total 2007[20]	**924.2**	**1,382.6**	**2,306.7**	**239.9**	**484.0**	**3,030.7**

[18] Because they are resident outside Germany VAT is not due for Dr Happel and Dr Balbinot and instead German income tax and the solidarity surcharge are deducted at source.
[19] In the reporting year Mr Müller-Gebel also received a remuneration totalling €106,000 for his activities on the supervisory boards of various consolidated subsidiaries of Commerzbank.
[20] In the previous year the figures were broken down by basic and committee remuneration rather than fixed and variable remuneration. The previous year's figures have been restated for comparative purposes.

Members of the Supervisory Board once again provided no advisory, intermediary or other personal services in 2008. Accordingly, no additional remuneration was paid.

Loans to members of the Supervisory Board

Members of the Supervisory Board have been granted loans with terms ranging from on demand up to a due date of 2030 and at interest rates ranging between 5.0 % and 5.4 %. In line with market conditions, some loans were granted without collateral, e.g. against land charges or rights of lien.

As at the reporting date, the aggregate amount of loans granted to members of the Supervisory Board was €314,000 compared with €809,000 in the previous year.

The Commerzbank Group did not have any contingent liabilities relating to members of the Supervisory Board in the year under review.

Other details

D&O liability insurance

There is a D&O liability insurance policy for members of the Board of Managing Directors and the Supervisory Board. The excess payable by members of the Supervisory Board amounts to one year's fixed remuneration and for members of the Board of Managing Directors 25 % of one year's fixed remuneration.

Purchase and sale of the Company's shares

Pursuant to Art. 15 a of the German Securities Trading Act, transactions by executives of listed companies and their families must be disclosed and published. Accordingly, purchases and sales of shares and financial instruments relating to Commerzbank of €5,000 p.a. and upwards must be reported immediately and for the duration of one month. The Bank applies this reporting requirement to the Board of Managing Directors and the Supervisory Board, in line with the recommendations in the Guide for Issuers of the German Federal Financial Supervisory Authority (BaFin).

Members of Commerzbank's Board of Managing Directors and Supervisory Board reported the following director's dealings in Commerzbank shares or derivatives thereon in 2008:[21]

Date	Name	Function	Purchase/ sale	No. of shares	Price per share in €	Amount in €
18.01.2008	Malkhoff, Werner	Member of Supervisory Board	P	300	21.849	6,554.70
18.02.2008	Altenschmidt, Hans-Hermann	Member of Supervisory Board	P	250	20.190	5,047.50
18.04.2008	Tschäge, Uwe	Member of Supervisory Board	P	1,130	22.160	25,040.80
08.05.2008	Beumer, Markus	Board of Managing Directors	P	2,500	23.122	57,805.00
14.05.2008	Annuscheit, Frank	Board of Managing Directors	P	1,300	23.099	30,028.31
16.05.2008	Reuther, Michael	Board of Managing Directors	P	2,500	22.802	57,005.00
19.05.2008	Altenschmidt, Hans-Hermann	Member of Supervisory Board	P	250	22.620	5,655.00
23.05.2008	Knobloch, Bernd	Board of Managing Directors	P	2,500	22.817	57,042.50
26.05.2008	Bergmann, Dr. Burckhard	Member of Supervisory Board	P	1,800	22.070	39,726.00
13.06.2008[22]	Müller, Klaus Peter	Member of Supervisory Boardd	P	5,047	19.810	99,981.07
13.06.2008[22]	Strutz, Dr. Eric	Board of Managing Directors	P	2,523	19.810	49,980.63
13.06.2008[22]	Hartmann, Wolfgang	Board of Managing Directors	P	2,523	19.810	49,980.63
13.06.2008[22]	Blessing, Martin	Board of Managing Directors	P	2,523	19.810	49,980.63
13.06.2008[22]	Kassow, Dr. Achim	Board of Managing Directors	P	2,523	19.810	49,980.63
03.09.2008	Altenschmidt, Hans-Hermann	Member of Supervisory Board	P	225	17.830	4,011.75
16.09.2008	Hartmann, Wolfgang	Board of Managing Directors	P	17,477	14.545	254,201.22
29.09.2008	Hartmann, Wolfgang	Board of Managing Directors	P	15,000	11.105	166,569.00
29.09.2008	Beumer, Markus	Board of Managing Directors	P	2,000	12.080	24,160.00
07.10.2008	Annuscheit, Frank	Board of Managing Directors	P	2,000	10.790	21,580.00
13.11.2008	Hartmann, Wolfgang for Hartmann, Peter Walter	Board of Managing Directors	P	2,000	6.759	13,517.80
17.11.2008	Altenschmidt, Hans-Hermann	Member of Supervisory Board	P	500	7.000	3,500.00
19.11.2008	Hampel, Daniel	Member of Supervisory Board	P	1,000	6.074	6,074.00

[21] The Directors' Dealings have been published on Commerzbank website under "Directors' Dealings".
[22] Reinvestment at a level of 50 % due to gross payouts received under the 2005 LTP.

All told, the Board of Managing Directors and the Supervisory Board did not own more than 1 % of the issued shares and option rights of Commerzbank AG on December 31, 2008.

Frankfurt am Main

Commerzbank Aktiengesellschaft
The Board of Managing Directors — The Supervisory Board

Corporate Responsibility

Commitment to sustainability continued and developed

Commerzbank's new "Corporate Responsibility Report 2009", which gives a detailed account of 2007 and 2008, is scheduled to be published in autumn 2009. In the following overview we provide examples of our commitment to sustainability and report on current developments in this area.

Developments in the domestic and international financial markets had a major impact on 2008, particularly in the second half of the year. Commerzbank was and continues to be affected – as we explain in other sections of this report. Nevertheless Commerzbank is still firmly committed to taking its corporate responsibility seriously and putting it into practice. It is our conviction that sustainable action can make a crucial contribution to enhancing the value and securing the future of Commerzbank.

Examples of our activities for promoting sustainable action

Renewable energies

We financed our first mid-sized projects in the field of renewable energies back in the 1980s. With its diversity of products and services, including in particular corporate and project financing along the entire value chain of renewable energy, Commerzbank is today one of Europe's leading banks in this sector. Our comprehensive expertise in financing renewable energies is concentrated in our centre of excellence. In 2008 we actively pursued the expansion of our competence centre and the internationalization of our business with a particular focus on Asia and the US.

EntrepreneurialPerspectives initiative

The EntrepreneurialPerspectives initiative addresses current topics and issues that entrepreneurs in Germany face on a daily basis. The results of two studies in the past year "Climate protection – opportunities and challenges for small and mid-sized companies" and "The changing values of business", which we published in collaboration with TNS Infratest, were discussed extensively in numerous dialogue events at our regional branches with entrepreneurs, business associations, politicians and academics. This initiative has created a mutually beneficial network for the participants.

Environmental management

With our appointment of the first environmental manager at a major German bank in 1990, we heralded a new era in corporate environmental management. Today environmental protection is integrated in practically all our processes – such as building operation, structural engineering measures, procurement and logistics. In 2008 we developed an environmental management system which is being certified at the beginning of 2009.

Climate protection

Commerzbank has identified strategic areas of action for itself to help limit the impact of climate change. One important area of activity is corporate environmental protection which includes continual efforts to reduce our CO_2 emissions. To help achieve this goal Commerzbank increased the percentage of its electricity from renewable energy sources to 61 % of its total consumption throughout Germany in 2008. This percentage will be gradually increased to 100 %. A further strategic area of action is integrating the topic of climate change into our core business. We would like to use our financial services to make a sustainable contribution to climate protection, in particular by promoting renewable energies.

The "Internship for the Environment"

Every year Commerzbank provides 50 students with the opportunity to complete an "Internship for the Environment", a three or six-month internship at a German national park, nature reserve or biosphere reserve. In the past 19 years, over 1,000 students have participated in an "Internship for the Environment". In 2007 the German UNESCO commission named this project an official "Decade Project" as part of the United Nations Decade of Education for Sustainable Development.

Diversity

Diversity enriches our lives and our day-to-day work relationships at Commerzbank, which is why for many years now we have instituted numerous practice-based measures to promote individuality in our company. Examples of our commitment include our support of employee networks and our Kids & Co. day care centre.

The Commerzbank Foundation

The endowment of the Commerzbank Foundation, which was founded in 1970, has grown to over 50 million euros since its inception. The funding policy has focused on three major areas: education and research, art and culture, and social projects. It generally supports nationwide, centralized institutions such as the Christian Association of Youth Villages, the Deutsche Stiftung Musikleben, a German foundation dedicated to music, and the Frankfurt School of Finance & Management. Grants provided by the endowment total around two million euros each year.

Encouraging volunteers

Together with the German Olympic Sports Foundation (DOSC), Commerzbank has been supporting volunteer work in sports since 2000. Because volunteering is an important pillar of our society, in 2007 Commerzbank expanded its activities to other areas of community life and entered into a co-operation with the National Network for Civil Society (BBE).

Campus of Excellence

The Campus of Excellence initiative launched by Commerzbank in 2005 promotes networking between high-achieving school pupils, college and university students, outstanding managers and young journalists and contacts from higher education, research, professional associations and business. Now more than 70 partners support this initiative for excellence, which is currently the only one of its kind. Participants include well-known industrial companies, colleges and universities, many regional and national partners and representatives from various European countries.

Further detailed information on our commitment to sustainability is available at www.commerzbank.de.

The teams assess themselves: to what extent do they put the 5 ComWerte values into practice?

Values to mobilize our inner strength

Our employees are the bedrock of our success. They bring our products to life, give a face to Commerzbank and enable our customers to experience our vision and value proposition first-hand. That is why Commerzbank's responsibility as an employer is to create the best possible working conditions for its employees. We ensure an atmosphere of respect and appreciation in which our employees can achieve their best possible performance.

This was the reason that Commerzbank launched the ComWerte values process at the beginning of 2007. The Board of Managing Directors firmly believes that actively nurturing corporate culture and common values has a decisive impact on long-term economic success. The values we share and stand for create a sense of identity, while also providing orientation and reliability – which in turn are the prerequisites for activating existing potential and mobilizing inner strengths. An extra boost during periods of growth is one result, but the main outcome is stability and reliability – which are also important requirements for the integration of Dresdner Bank.

An open and participatory process

According to the Board of Managing Directors, over the course of 2007 the ComWerte programme was rolled out across the entire Commerzbank organization. During an intensive discourse among the Board of Managing Directors, team spirit, respect / partnership, integrity, market orientation and performance were identified as the Bank's key set of values. These are rooted in the history of our value culture and can be traced back to the code of the "Hanseatic merchants". However, these five concepts are not being imposed upon employees in the form of a corporate constitution. Instead ComWerte is deliberately intended to be an open and participatory process which involves all employees. In a cascading series of workshops – starting at the group management level and flowing down to teams at the branches – all employees had the opportunity to deal intensively with the ComWerte values. In a total of over 2,000 workshops around 24,000 employees participated in discussions with their teams about how they personally interpret the five values, which ones they accord the highest priority to, and how they

The fife values

› Team spirit
› Mutual respect and partnership
› Market orientation
› Performance
› Integrity

can bring the values to life in their working environments. This approach led to a common understanding of the values while also allowing room for the special characteristics of individual areas.

This bank-wide debate, usually in the form of a very lively and critical discussion, primarily resulted in specific measures that each team developed for implementing the values: more than 6,000 suggestions were generated. The ideas ranged from pragmatic team-building measures and concrete improvements in work processes to new human resources tools.

An ongoing theme

The ComWerte workshops laid the foundation for a value-oriented culture which can endow Commerzbank with the strength to master the challenges ahead. To be successful, the ComWerte values must be firmly anchored in the day-to-day activities of Commerzbank. Simply printing and distributing a glossy brochure will not do the trick, which is why the entire ComWerte process intentionally takes a different approach. Another crucial factor for success is ensuring that individual employees personally examine the values for themselves, using them as a yardstick to assess their own conduct and be assessed by others, while internalizing them as a guiding principle to their daily working lives. Commerzbank sees its task as providing the necessary framework, establishing incentive schemes and sanctions and continually generating new momentum. Management is primarily responsible for demonstrating integrity in their conduct as defined by the ComWerte values and maintaining awareness in their teams. One thing is certain: in the turbulent times ahead values provide a reliable foundation – and the time and energy we invest in them will pay off in the long run.

German Football Association and Commerzbank

Since 2008 Commerzbank has been a Premium Partner of the German Football Association (DFB). In future the bank will be supporting both the men's and women's national teams and promoting qualification efforts and the popularity of the game as a leisure activity within the DFB. This cooperation with the DFB also underlines Commerzbank's long-term commitment to society, sport and education, founded on the shared values of partnership and performance.

The German Football Association (DFB) is the largest association in the German Olympic Sports Association (DOSB) and one of the largest members of FIFA, the world football association. It now includes 26,000 clubs with 176,000 teams and some 6.5 million active and passive members. The DFB can look back on the following triumphs: the men have won the World Cup three times and the European Cup three times, and the women were world champions in 2003 and 2007, and European champions six times.

DFB gives top priority to nurturing young talent, since actively supporting the next generation of athletes is the key to future success. This is particularly true in the realm of popular sport, as broad-based enthusiasm for sporting activities throughout all segments of society gives the DFB opportunities to identify talented players. The association can then help them to develop their skills and maximize their performance.

As new Premium Partners, the DFB and Commerzbank jointly focus on those who have proven their outstanding qualities in recent years – particularly our German women footballers.

As the DFB's Premium Partner, Commerzbank – the leading bank for private customers – is making a wide-ranging commitment to amateur and professional sport in Germany.

"Young people can learn a great deal from playing football. Our national teams demonstrate that commitment and training open up opportunities. Commerzbank has a long history of involvement here: Commerzbank and football go together," as Wolfgang Niersbach, DFB General Secretary, says.

In contrast to their male colleagues, women footballers do not yet receive sufficient support from leading sponsors. Commerzbank has been working to improve this situation for some years now, by sponsoring 1. FFC Frankfurt's women's team.

"I know Commerzbank very well from when I used to play for 1. FFC Frankfurt. The bank supported us at a time when women's football tended to be ignored. As we look ahead to the Women's World Cup in 2011, I am delighted that there are plans for even closer cooperation," says Steffi Jones, President of the Women's World Cup 2011 Organizing Committee.

Commerzbank's Premium Partnership with DFB is a broad-based commitment. For example, the DFB and Commerzbank will exchange trainees over the next few years.

Commerzbank has made a conscious commitment to football, which unites millions of people at every level of society. Football is far and away Germany's favourite sport and offers an unparalleled team experience. It is not just the big tournaments that appeal to people: on any weekend, an average of 80,000 matches involving teams from 26,000 DFB clubs take place. Commerzbank therefore also supports the DFB's qualification campaign – a programme that aims to train, and improve the skills of, part-time and full-time officials of amateur clubs. In only five years, 130,000 trainers, managers, youth leaders and many others have participated in courses like this, with 90,000 men and women undertaking short training programmes.

The cooperation between Commerzbank and the DFB is founded on the shared values of partnership and performance; after all, football is a leisure activity and team sport that brings people together and inspires an atmosphere of team spirit, fair play and partnership. Values such as these are of vital importance to Commerzbank. As a provider of universal financial services, the bank partners a wide variety of customers. It offers a broad product offering with advice tailored to individual needs. Partnership is part of how we live our corporate culture.

Our cooperation with the DFB is founded on the shared values of partnership and performance.

Commerzbank and the DFB are passionate and enthusiastic partners. Together, they aim to do everything possible to help the German national women's team relive their dream at the FIFA Women's World Cup on their home ground in two years' time. In 2007, when the national women's team won the world cup for the second time, we had a preview of the excitement to come: over nine million television viewers and tens of thousands of fans celebrated the victory outside Frankfurt City Hall.

Management Report

In the Group Management Report we outline the economic operating conditions and how they influence the business and development of the Commerzbank Group. In the 2008 financial year the Group result was noticeably affected by the worsening financial crisis.

The environment will remain strained in 2009 as we aim to use the integration of Dresdner Bank to further expand our stable customer business as a means of significantly improving our market position.

Business and overall conditions

Structure and organization of the Group

Commerzbank Aktiengesellschaft is the parent company of a group providing financial services around the world. The Group's operating activities are divided into five segments: Private Customers[1], Mittelstandsbank, Central and Eastern Europe, Corporates & Markets and Commercial Real Estate. A different member of Commerzbank AG's Board of Managing Directors manages each of these segments. All staff and management functions – Strategy and Controlling, Corporate Communications, Group Finance, Group Finance Architecture, Internal Auditing, Legal Services, Group Compliance, Human Resources, Group Treasury[2] and the central risk functions – are contained in the Group Management division. All support functions – Information Technology, Transaction Banking, Organization, Security & Support – are provided by the Group Services division. Group-wide responsibility for these divisions lies primarily with the Chief Executive Officer, Chief Financial Officer, Chief Risk Officer and Chief Operating Officer, as members of the Board of Managing Directors. On the domestic market, Commerzbank AG manages a nationwide branch network covering all customer segments from its headquarters in Frankfurt am Main. The major domestic subsidiaries are Eurohypo, comdirect bank and Commerz Real[3]. Outside of Germany, the Bank has 25 operational foreign branches, 28 representative offices and ten significant subsidiaries[4] in 46 countries. The focus of its international activities lies in Europe.

[1] The segment Private and Business Customers was renamed at the beginning of 2009 following the takeover of Dresdner Bank.
[2] Included until year-end 2008 in the segment Corporates & Markets.
[3] A further important subsidiary was cominvest Asset Management GmbH which was sold within the framework of the Dresdner Bank takeover. Dresdner Bank is until its merger with Commerzbank planned for spring 2009, a new significant subsidiary.
[4] Until year-end 2008 there were 11 when cominvest Asset Management GmbH is included.

Management and Controlling

In order to improve profitability and hence the Group's enterprise value, we are constantly working on optimizing the structure of our business. In order to achieve this, a proactive approach to capital and portfolio management, as well as strict management of costs, is applied in managing the Group. This means that available resources are allocated in a targeted manner to core segments and areas of growth. The key figures used for controlling purposes, besides operating earnings and pre-tax profit, are return on capital and the cost/income ratio. Return on equity is calculated by taking the ratio of operating earnings/pre-tax profit to the average amount of tied equity. It shows the return on the equity invested in a given business segment. Cost efficiency is measured using the cost/income ratio before provisions for possible loan losses. The performance of the individual segments with regard to these management variables are shown in the notes to the consolidated financial statements on pages 220 to 224.

Remuneration Report

The Remuneration Report forms part of the Corporate Governance Report (pages 31 to 42). This in turn forms part of the Group Management Report.

Information pursuant to Arts. 289 (4) and 315 (4) of the German Commercial Code and explanatory report

Structure of subscribed capital

Commerzbank has issued only ordinary shares, the rights and duties attached to which arise from statutory provisions, in particular Arts. 12, 53a et seq., 118 et seq. and 186 of the German Stock Corporation Act. The subscribed capital of the company totalled €1,878,638,205.60 at the end of the financial year. It is divided into 722,553,156 no-par-value shares. The shares are issued in bearer form.

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

The members of the Board of Managing Directors are appointed and replaced by the Supervisory Board pursuant to Art. 84 of the German Stock Corporation Act and Art. 6 (2) of the Articles of Association. According to Art. 6 (1) of the Articles of Association, the Board of Managing Directors comprises a minimum of two people; in all other respects the Supervisory Board defines the number of members on the Board of Managing Directors in accordance with Art. 6 (2). If there is a vacancy on the Board of Managing Directors for a required member and the Supervisory Board has not appointed a replacement, in urgent cases one will be appointed by a court pursuant to Art. 85 of the German Stock Corporation Act. Each amendment to the Articles of Association requires a resolution of the Annual

General Meeting under Art. 179 (1) sentence 1 of the German Stock Corporation Act. Unless the law prescribes a majority, a simple majority of the represented share capital is adequate to pass resolutions (Art. 19 (3) sentence 2 of the Articles of Association). The authority to amend the Articles of Association, which relates only to the version in force, has been transferred to the Supervisory Board under Art. 10 (3) of the Articles of Association in compliance with Art. 179 (1) sentence 2 of the German Stock Corporation Act.

Powers of the Board of Managing Directors

According to the Annual General Meeting resolutions of May 15, 2008, Commerzbank is authorized to acquire its own shares in the amount of up to 5 % of the share capital under Art. 71 (1) (7) of the German Stock Corporation Act and in the amount of up to 10 % under Art. 71 (1) (8) of the German Stock Corporation Act. These authorizations expire on October 31, 2009.

The Board of Managing Directors, with the approval of the Supervisory Board up to April 30, 2009, is authorized to increase the share capital in the total amount of €450,000,000.00 by issuing new shares under Art. 4 of the Articles of Association applicable on December 31, 2008; it is also authorized up to April 30, 2011 to increase share capital in the amount of €212,000,001.00 by issuing new shares (authorized capital).

Moreover, the Annual General Meeting on May 15, 2008 has given the Board of Managing Directors the authority to issue convertible bonds or bonds with warrants or profit-sharing certificates (with and without conversion or option rights) while excluding subscription rights. Conditional capital is available for this purpose in each case according to Art. 4 (4 and 5) of the Articles of Association (conditional capital 2008/I and conditional capital 2008/II).

For details concerning autorized and conditional capital, especially with respect to maturities and subscription rights, as well as the repurchase of own shares, we refer to the detailed notes Nr. 67, 66 and 29 in the Group Financial Statements.

The authority of the Board of Managing Directors to increase share capital from authorized and conditional capital, to issue convertible bonds or bonds with warrants or profit-sharing certificates and to repurchase own shares allow the Bank to respond appropriately and promptly to changed capital needs.

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

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

Change of control clauses

In the event of a change of control at Commerzbank, all members of the Board of Managing Directors have the right to terminate their employment contracts. If members of the Board of Managing Directors make use of this right of termination or end their Board activities for other reasons in connection with the change of control, they are entitled to a severance payment in the amount of their capitalized average total annual payments for between two and five years. With regard to retirement benefits and long-term performance plans, members of the Board of Managing Directors are essentially treated as if they had remained on the Board of Managing Directors until the end of their most recent term of office. There is no entitlement to a severance payment if a member of the Board of Managing Directors receives payments from the majority shareholder, from the controlling company or from other legal entities in the event of integration or merger in connection with the change of control.

In a few exceptional cases, individual managers in Germany and abroad have also received an assurance that their remuneration will continue for a certain transitional period of up to five years effective from the start of their activities for the Bank in the event that they leave the bank in connection with a change of control at Commerzbank.

As at the reporting date, Commerzbank had received no disclosure on direct or indirect shareholdings that exceeded 10 per cent of the voting rights.

There are no further facts that need to be declared under Art. 289(4) or Art. 315(4) of the German Commercial Code.

Overall economic conditions

2008 saw the end of a boom in the global economy that had lasted for years. The real estate crisis in the USA, which rapidly acquired the dimensions of a full-blown international financial crisis, was the main factor slowing the pace of expansion. This crisis exacerbated noticeably in the final months of the year – following the collapse of the US investment bank Lehman Brothers. Even intensive efforts by governments around the world to stabilize the financial system and the economy were unable to prevent the industrialized countries slipping into what is probably the worst recession since the Second World War. Economic growth in the emerging markets has also decelerated dramatically and some of their economies have also shrunk.

The collapse of the global economy has hit Germany particularly hard with its dependence on exports and the preponderance of the automobile and capital goods industries in the economy. GDP grew by an average of 1.3 % in 2008, declining since the spring after a good start to the year. In the autumn, the downward trend accelerated further and new orders for industry literally collapsed after years of strong momentum.

In view of the global economic crisis, government bonds with good ratings were mostly the big winners while equities and commodities – despite a brief boom in the latter during first half of the year – were last year's big losers. However, spreads in the bond markets widened considerably. Demand for highly liquid paper with prime ratings increased steadily. The widening divergence of spreads applied not only to corporate bonds, where the worsening overall economic situation was increasingly priced in. Spreads also widened between eurozone government bonds. The downturn in the eurozone economy also put an end to the steep rise in the value of the euro. While it registered new highs against the dollar in the first half of the year, a downtrend set in during the autumn with the currency partially dipping to two-and-a-half year lows.

Sectors

The ongoing escalation of the financial crisis was the predominant factor in the banking environment in 2008. Prompted by the ongoing decline in prices for securitized US real estate loans, banks around the world were forced to make historically high write-downs on their assets. This created financial difficulties for a large number of banks, leading to numerous mergers and state rescue programmes.

It was mainly in the USA that investment banks faced fundamental problems beginning with the spring of 2008: Bear Stearns was taken over by J.P. Morgan under the Fed's orchestration, and this was followed later by the takeover of investment bank Merrill Lynch by Bank of America, while Lehman Brothers was forced to file for chapter 11 bankruptcy protection in September. In October 2008, the US administration presented a USD 700bn rescue package, using the first tranche of USD 250bn to buy shares in the country's nine leading banks.

The private, but state-sponsored, mortgage banks Fannie Mae and Freddie Mac were brought under the control of the government with a USD 200bn aid package; Washington Mutual also lost its independence, as did the insurance company AIG, in return for payments totalling USD 125bn. Meanwhile the Californian real estate financier IndyMac, along with numerous regional banks, was forced to declare bankruptcy. The two remaining US investment banks, Morgan Stanley and Goldman Sachs, transformed themselves into normal commercial banks in September, thus effectively ending the original separation of investment and commercial banks that had been in existence in the USA since the Thirties but was extensively reformed in 1999. The two banks accordingly became subject to supervision by the Fed, in return gaining access to the state rescue package.

As a result of the lower levels of equity at many banks and the consequent uncertainty amongst investors, the interbank market came to a virtual standstill, with interbank rates climbing steeply: by the beginning of October, 1-month Euribor stood at over 5%. The Fed and the ECB, the Bank of England and other central banks massively increased the supply of liquidity to the markets. At the same time the collateral criteria for central bank loans were eased and key interest rates drastically lowered – partially in concert with other central banks.

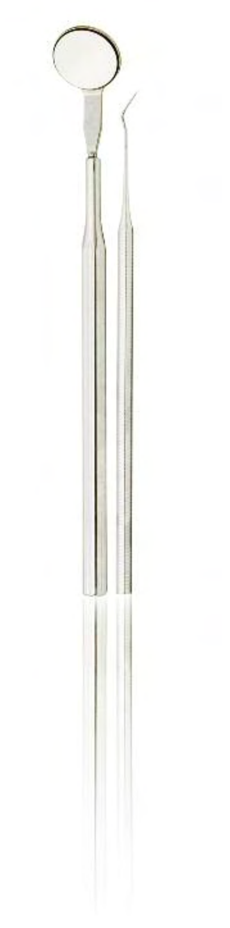
Numerous European countries, including the Netherlands, Belgium, France and Switzerland, gave support to their domestic banks. The UK nationalized the building societies Northern Rock and Bradford & Bingley. Iceland's Kaupthing bank was also nationalized in October and declared insolvent soon thereafter. Iceland later received financial support from the IMF. Many governments in Europe, as well as those of Japan and China, introduced extensive impetus packages.

In Germany, a large number of banks reported substantial losses from write-downs on financial investments. The federal government passed an aid package for banks in October, which provided for guarantees of up to €400bn and equity stakes of up to €80bn. It also announced a guarantee for all savings deposits. A series of banks received support from the public sector over the course of the year in the form of guarantees or equity. Other institutions, such as automobile finance companies, are considering participating in the scheme.

All of this makes 2008 one of the toughest years in the history of the banking sector. In a large number of European countries and in the USA it led to the public sector taking substantial stakes in banks while a large number of banks ceased to exist. At the same time, consolidation in the sector accelerated. In addition to takeovers that had been planned for some time, there were forced sales and mergers organized by the state. In addition, many financial institutions – often at a huge loss – made an effort to reduce their risk-weighted assets ("deleveraging") in order to create more transparency and trust.

Focus on individuality

DR. BETTINA HROMADNIK AND DR. HANS HROMADNIK,
FRANKFURT AM MAIN



DR. BETTINA HROMADNIK AND DR. HANS HROMADNIK offer patients a range of custom-tailored products and services at their dental and oral surgery clinic. By performing a **PRECISE ANALYSIS** of the task at hand and working to the highest quality standards, they can fully focus on delivering top-quality, individualized dental care to their patients. The latest medical techniques are employed to ensure that patients receive cosmetically and functionally excellent results. These high standards require the utmost concentration, from the doctors themselves and also from us, since they have been clients at our bank for many years. That is why we dedicate ourselves to providing them with the best possible tailored advice in all financial matters, working by the same principle that guides their dealings with patients – personal relationships based on full mutual trust.

Segment performance

Private Customers

Private Customers

	2008
Equity tied up (€ m)	1,554
Operating return on equity	35.5 %
Cost/income ratio in operating business	74.4 %

In 2008 the Private Customers segment comprised the activities of Private and Business Customers, Private Banking, Retail Credit Business, Asset Management and comdirect bank AG.

Last year we posted a record operating profit of €551m, which represents an increase of around 23 % compared with 2007. Despite the difficult environment resulting from the international financial crisis we were able to keep our earnings stable. In addition, thanks to a rigorous management of risks we were once again able to reduce the provisions for possible loan losses in the segment compared with a year earlier, helped by the still favourable conditions in the labour market. With sustained cost management and the timely implementation of our efficiency measures, we reduced administrative expenses by €127m while continuing our growth programme as planned. As a result the cost/income ratio improved to 74.4 %, down from 77.5 % in 2007. The return on equity came to 35.5 %, up 19.3 percentage points from the previous year.

We continued to pursue the segment’s strategic drive for growth in all business areas during the year under review. Despite the difficult market environment we succeeded in winning over customers with attractive products and needs-based advisory services. Overall the number of our customers rose in 2008 by a net figure of 574,000 to 6.1 million; the number of current accounts increased by 451,000. The volume of deposits increased significantly in 2008 by 26.6 % to €48.8bn.

Outlook

2009 will be marked by two major challenges: the ongoing financial crisis and its consequences, and the integration of Dresdner Bank. In addition we will focus more intently on personalized and integrated advisory services for our customers and the systematic development of needs-based solutions in all areas. Through an in-depth understanding of our customers we can secure competitive advantage, which is why we have created a format for an ongoing exchange of information with our customers: the Commerzbank customer advisory council. As an advisory body to the Board of Managing Directors, the customer advisory council provides ideas for optimizing existing and developing new products, advisory activities and other services.

Our expectations for the integration of Dresdner Bank are high. Once it is complete we will be the largest bank serving private customers in Germany with the most extensive network of branches and we will continue on our clear growth course. Backed by the experience of two tradition-rich institutions, a focused and customer-driven business model, and a solid and balanced risk policy, we are already on the right path. As the two banks' business models are quite similar we will be able to realize significant increases in efficiency and potential synergies.

To help us achieve this, we have systematically positioned the segment with a strong customer-centric focus. Organizationally we have separated the management of wealthy private clients from our activities on behalf of private and business customers. The new business area of Wealth Management – which emanated from the business area Private Banking at the start of 2009 – will thus encompass our business with wealthy customers both in Germany and abroad. Our core target groups of discerning private customers and business customers will continue to be served in the domestic branch banking network under Private and Business Customers. We will be creating a new business area called Direct Banking, which in future will include the activities of comdirect bank AG, the European Bank for Fund Services (ebase) and our call centre activities. Retail Credit will be responsible for all topics related to lending business at the market interface. We spun off the cominvest group in the course of the Dresdner Bank takeover and from January 2009 it is now part of the German business of Allianz Global Investors.

Private and Business Customers

Private and Business Customers benefited from the continuation and expansion of our growth programme in 2008. At the same time we responded rapidly to the changing needs of our customers in view of the uncertainty on the international financial markets. With a strong focus on customers, attractive products and strong distribution we succeeded in improving our products, advisory services and service performance for customers in a difficult market environment exposed to fierce competitive pressures – an important step on the way to becoming the best bank in Germany for private and business customers.

Attractive range of services as key drivers of growth

One particular focus of 2008 was acquiring new customers with the help of Commerzbank's new image campaign. The objective was to strengthen ties with these customers over the course of the year. Concepts for targeted approaches, individual customer advice and attractive follow-up offers on fair terms helped to convince many customers of the value of our services over the long term and strengthen their loyalty to Commerzbank.

- Free current account continues to guarantee success

The free current account launched in December 2006 continued its success in 2008. Introducing the account switching service in January 2008 further enhanced the range of services and made an important contribution to positive customer development. A significant portion of the growth in customers also came from two first-time nation-wide campaigns with a higher opening balance of 75 euros. A survey among new current account customers showed that the free current account is an unmitigated success: 90 % of customers would continue to recommend Commerzbank to others. The percentage of new customers who use Commerzbank as their main bank without maintaining any other current accounts rose to 81 %.

- Topzins investment an additional growth factor

The second product success was the Topzins investment, a time deposit which provides customers with 100 % security while also offering a good interest rate. This product benefited from an increasing need for security on the part of investors. In a tough interest rate environment Commerzbank's product performed very successfully relative to competitors and made an important contribution to the significant increase in customers.

- Asset management products a strong draw

The focal issue in securities investments for both new and existing customers was the introduction of the flat-rate withholding tax in Germany on January 1, 2009. The demand for advice on the part of customers prior to the introduction of the tax was particularly strong, which is why we addressed this topic with our customers very early on in the year. With our high level of advisory expertise and our innovative range of asset management products, which has something for every type of investor profile, we created solutions which were positively received by many of our customers – as a result, we acquired €4bn in customer funds.

- Successful deposit business

Deposit business saw a sharp surge in 2008, a significant contribution coming from the Topzins investment, with over €4bn, plus the successful market launch of the Topzins account, our new call deposit account. Both products meet the rising demand from our customers for safe and profitable cash investments.

- New retirement savings business model

We have further expanded our expertise in the retirement savings business. The advisory network was also strengthened by new retirement specialists at the branches. The specialist activities previously located at Commerz Partner GmbH was integrated into our segment during the year in order to better leverage the knowledge available there for the benefit of our customers. As a result, branch banking now has a nationwide advisory offering available, even for more complex pension solutions, which in particular includes advisory services to business customers for company pension schemes.

Sales power boosted
An innovative sales strategy ensures growth and competitive advantage.

- Successful "branch of the future" model further developed

In its branch strategy Commerzbank aims at a broad geographic presence. By using advanced self-service technology and modern branch facilities incorporating a high level of availability we have created a cost-efficient branch model – the branch of the future. The focus is on customers and providing them with qualified advice as in this modern environment staff have less administrative tasks to complete and more time for their customers. A high rate of acceptance by customers and above-average profitability vouch for the success of this model. As a result additional branches were converted to the branch of the future model in the past financial year. With a total of over 300, the branches of the future now account for 40 % of Commerzbank's overall branch network. In 2008 the branch of the future PLUS model was developed to further streamline branch processes. Medium-sized and large locations in particular will be converted to this new branch model. With the branch of the future and branch of the future PLUS, Commerzbank has two modern branch models that can be applied successively across the entire branch network. Over 200 additional branches are scheduled to make the transition in 2009 alone.

- Regional market effort launched

As part of the "Tapping into regional markets" growth initiative Commerzbank opened ten new branches in the Hamburg city region in October 2008. The small, flexible locations with a strong focus on advisory services increased our branch presence in one of the most profitable areas of Germany by 37 %. In addition to the new advisor model, local marketing and attractive regional location products are other core elements of penetrating regional markets. After just three months the new locations had already achieved their first success by acquiring over 2,100 new customers.

2009 outlook
In Private and Business Customers we are continuing on our clear growth path together with Dresdner Bank. With the closest proximity to customers and the most extensive branch and advisor network of Germany's private customer banks we are on our way to becoming Germany's leading bank in terms of the number of private and business customers. In this way we are reinforcing our position as a key growth driver in the Group.

For us "understanding customers" is our guiding principle. With our in-depth knowledge of customers we provide competent, regular and needs-oriented advice along with an individual approach. By consistently focusing on our customers we can offer solutions and products which best suit their personal life situation. Until the IT systems of the two banks are merged, both brands – Commerzbank and Dresdner Bank – will continue to co-exist. The transition to the new Commerzbank is however already tangible to customers of both banks as a wider range of the same products and services are now available from both. Together we will bring the focus on the customer relationship closer to the centre of our activities in Private and Business Customers, thereby securing our long-term position in the marketplace.

Private Banking

Private Banking at Commerzbank encompasses our offering for wealthy private individuals. We combine two factors for success: the investment skills, in-depth product knowledge and expertise of a large bank with a personal advisory style and extensive national coverage for a trustful dialogue with our customers.

Despite the upheaval on the international financial markets the trend in Private Banking is a positive one. Although the downtrend in financial markets has led to a reduction in assets under management from around €28bn to €24bn, when adjusted for market conditions and negative performance we were able to win assets and increase the number of wealthy private customers under management by 11.7 % to around 28,000. This means we have once again outperformed the market, although momentum has slowed due to the negative environment.

Market position strengthened

In the past financial year the Private Customers segment was revamped, and organizationally the management of wealthy private customers was separated from our activities on behalf of private and business customers. As a result we have further developed the existing Private Banking unit into a fully-fledged Wealth Management business area. Since January 2009 we have been managing customers with liquid assets upwards of one million euros in this area, which requires special solutions due to the complexity of their asset structures. A stronger focus on uniform customer groups helps reduce the complexity of tasks for all employees and optimizes processes.

Growth programme further expanded

Optimizing our organizational structure and processes has increased our power in the market. Despite the current market situation our success allowed us to make targeted investments in employee training and development in order to best meet customer needs. Specialists are available with first-rate knowledge in dedicated areas such as securities management, real estate and credit management or estate and foundation management so that relationship managers can focus their full energy and attention on advising their customers. Last year we were able to raise our success rates in acquiring and retaining customers by offering specific solutions for wealthy customers, and positioned ourselves in the market as an innovative, high-performance partner.

2009 outlook

Together with Dresdner Bank we are creating a Wealth Management offering which combines the strengths of both of our tradition-rich banks within a single entity. With an enlarged presence of over 40 locations throughout Germany and an extensive network abroad, the service we provide to our customers is now significantly more comprehensive and enhanced with an array of highly qualified teams and specialists. The current integration work is progressing rapidly, the advisory philosophy of both banks is largely congruent and the service offerings complement each other ideally in the areas which are relevant to wealthy customers, for example when it comes to family office issues or integrated management of private and business assets. Although we are still operating under two brand names until the technical integration is complete, we are acting as a single firm wherever possible. For example, we offer the same products and coordinate our marketing activities and events to include customers of both banks. Intensive feedback from our customers, including from the customer advisory council, will help us achieve consistent improvements that benefit our customers.

Retail Credit

As the central supplier of credit products to the whole business segment, Retail Credit deals with all market activities in the lending area, from product development to processing and all the way to portfolio management. This integrated set-up allows the segment to provide innovative products, apply streamlined processing methods and focus more strongly on a value-driven approach to portfolio risk management.

Profitability increased

In 2008 we successfully established our new business model and contributed to raising segment profitability by optimizing processes. By introducing automated processing we were able to achieve long-term cost cuts. Following the approval of our rating methodology and processing system for real estate financing using the advanced internal ratings-based approach (AIRB) under Basel II we were able to reduce our capital adequacy requirements compared with 2007. Optimization in risk management, which included the introduction of an early warning system and organizational changes, led to an improvement in the risk situation. By leveraging the expertise of our subsidiary Eurohypo AG we were also able to optimize the refinancing of our portfolio.

Customer-driven optimization of the product range

The range of products offered by the retail credit business was further improved. To complement our standardized products which cover the majority of customer wishes we expanded our range to include products tailored to meet specific needs. We were the first national bank to offer a homeowner's loan with a flexible 100 % repayment option. Spurred on by the public discussion on the repackaging of loan assets, we also developed a construction loan which offers our customers guaranteed protection against the loan's resale for its entire term.

2009 outlook

The Retail Credit units of both Dresdner Bank and Commerzbank will create sustainable value for the new Commerzbank. The extensive experience we gained from the integration of Eurohypo AG and Hypothekenbank in Essen into Commerzbank are ideal prerequisites for a smooth and successful integration process. We will define a shared product landscape as quickly as possible so that we can offer customers of both banks the same range of best products. An integrated portfolio management process whose implementation will be accelerated in 2009 will secure us additionally against risks.

comdirect bank AG

Accelerated growth

For comdirect bank 2008 was a very good business year. In the midst of strong turbulence generated by the financial market and banking crisis it proved the robustness of its integrated business model on two counts.

comdirect bank grew even faster than in the previous year. The number of its customers rose by around 350,000 to 1.35 million – primarily as a result of attractive interest rates for call money and time deposits. The deposit volume increased by 36.2 % to €10.47bn. The bank was able to conclude the comvalue growth programme which had been running since 2005 ahead of schedule at the end of 2008 as the programme achieved its key growth objectives – particularly for customers – over a year earlier than originally planned.

In addition, comdirect significantly boosted its earnings power through the growth efforts undertaken over the past several years. Although investments in growth, at over €70m, were some €20m higher than in the previous year, comdirect bank contributed €63.1m to the segment's operating earnings, which was only €8.7m less than in 2007.

New products and services

comdirect bank significantly expanded its range of services in both Brokerage and Banking in the year under review; the fact that it was named "Best Bank of 2008" by €uro financial magazine for the first time confirms the quality and advantageous pricing of its offering. The "Komfort Order" – which is supplemented by the "Trailing Stop Order", which automatically and dynamically adjusts the order to current market conditions – provides securities traders with an impressive all-round solution. For its fund investors comdirect bank expanded the quality-certified selection of FondsDiamanten and introduced five certified investment proposals based on it. The FondsDiamanten selection is primarily geared towards the ratings of Morningstar, Stiftung Warentest, comdirect and independent analysts. These products are offered without a front-end fee. The range of products and services in Banking was expanded via an intermediary solution compatible with direct banking for tailored construction loans on attractive terms. Customers have access to more than 40 financing partners and receive support from experienced construction loan specialists. In the deposit business there is now a more flexible savings plan available which can be made dynamic as an option. The current account was enhanced with new service functions such as the "Komfort" transfer.

Outlook 2009

comdirect bank aims to increase the number of its customers by the end of 2013 by 1 million to 2.3 million and assets under management by €20bn, thereby doubling its earnings before tax versus 2008. complus is continuing its successful product strategies and using the efficient direct bank platform for new concepts in its service offering in the spheres of securities advice, retirement savings and construction lending. At the same time products in the deposit business are being made more accessible to an even broader target group and the company's market position in the households with higher-than-average incomes segment is being expanded.

Business area Asset Management (cominvest)

Growth continues in a difficult market environment

Despite the financial crisis and the related turmoil in global capital markets cominvest continued its growth in 2008. Over the course of the past year cominvest customers entrusted the bank with new funds totalling €2.8bn. The product solutions which were particularly successful had asset management features that were especially created to address the flat-rate withholding tax introduced in Germany on January 1, 2009. Over the past 12 months the inflow into these innovative fund concepts alone was €4bn. As of the reporting date of December 31, 2008, the cominvest Group was managing assets of €55.1bn in its investment vehicles. Compared with the previous year this represented a decline of just slightly over €7bn. Overall the positive trend in new business was not able to offset the decline in prices triggered by the financial crisis.

2009 outlook

After cutting ties with our asset management units abroad in previous years, we sold the cominvest Group to Allianz as part of the Dresdner Bank takeover deal. We will continue to offer our customers first-class fund solutions in the market using an open architecture approach. To help in this regard we have added Allianz Global Investors, a leading global asset manager, to our preferred distribution partners. ebase, our custodian bank subsidiary, remains part of the Commerzbank Group and will be integrated into the Direct Banking business line. As one of the leading fund platforms ebase stands for a pure B2B approach: many financial intermediaries provide their customers with intelligent ebase solutions for asset growth and fund investments.

Focus on mobility

OTTO BOCK HEALTHCARE GMBH, DUDERSTADT

As Managing Director of the Otto Bock Group, **PROFESSOR HANS GEORG NÄDER** is guided by one principle: “Actions speak louder than words.” This rule has helped him to lead his company to the global forefront of many fields in medical technology, chemicals and communication technology. For example, **MICROPROCESSOR-CONTROLLED PROSTHETIC LIMBS** made by Otto Bock HealthCare GmbH, the flagship of the Otto Bock Group, have significantly improved the lives of people around the world who have had a leg amputated. We are there as a reliable partner to answer any banking-related questions Professor Näder may have, so that he can continue to devote his full efforts to qualitative and quantitative growth at Otto Bock. This includes projects such as the Science Center Medizintechnik in Berlin, a unique platform for medical technology that includes over 550 square meters of exhibition space and 700 square meters for seminars and top-quality patient care.

Mittelstandsbank

Mittelstandsbank

	2008
Equity tied up (€ m)	8,869
Operating return on equity	30.3 %
Cost/income ratio in operating business	41.4 %

In the financial year 2008 the Mittelstandsbank segment included Corporate Banking and Financial Institutions, the Centers of Competence for Global Shipping and Renewable Energies as well as the Asia region. All the subsidiaries and branches in Central and Eastern Europe, which were previously part of the Mittelstandsbank for organizational purposes, have been combined in the new Central and Eastern Europe segment since the beginning of 2008. From 2009 the Western Europe region will be added to this segment, while the Center of Competence for Global Shipping will be integrated into the Commercial Real Estate segment.

In spite of an increasingly difficult environment, particularly from the second half of the year onwards, the Mittelstandsbank continued to perform well and was once again a solid value driver in the Group.

Operating profit was €868m in 2008 (previous year: €980m). The operating return on equity of 30.3 %, after 42.0 % last year, represented a solid performance. Our success was based on a positive net interest income performance, which we achieved by expanding volumes and margins in lending to small and mid-sized businesses. We also generated strong growth in the export business. However, we were unable to entirely escape the effects of the economic slowdown in the course of the year. Administrative expenses fell slightly and the cost/income ratio improved further from an already good 45.7 % to 41.4 %.

As in previous years our new client initiative contributed substantially to the success of the Corporate Banking area. We have gained around 20,000 new corporate clients since 2004 and significantly exceeded the goal we set for 2008.

We are aiming to further expand our market share in the German small and mid-sized corporates market and increase the share of earnings from existing clients.

Further proof of our success are the results of the independent customer surveys, which are well above the sector average. In the most recent survey 91 % of the 7,000 representative clients surveyed stated they were "very satisfied" or "satisfied" with the technical competence of their customer advisors. 86 % had a positive opinion of the quality of the advice they received. Relationship management and the proactivity and competence of advisors received particular praise.

For the second year in succession the readers of the magazine "Markt & Mittelstand" awarded us the coveted title of "*Mittelstand* Bank of the Year 2008". We regard this as a reward for our efforts and simultaneously as a spur to be the best bank for our small and mid-sized customers.

Corporate Banking in Germany

Corporate Banking for small and mid-sized customers performed very satisfactorily in an increasingly difficult market environment. Due to strict cost management and controlled growth in lending business with moderate risk, profitability remained at a high level. This demonstrates that our business model is robust enough to withstand turbulent times.

Our loan portfolio grew further in 2008, although growth slowed in the second half of the year due to the economic downturn. The classic bank loan remains the main financing instrument. In addition to loans funded from Commerzbank's own resources, we are also increasingly relying on financing and programmes offered by public funding bodies. The funds from the KfW global loan of over €500m and other global loans for North-Rhine Westphalia and Bavaria will give us greater flexibility in meeting our clients' needs and offering them customized financing solutions.

Our sales initiatives in the investment business were successful and the volume of deposits rose by a double-digit percentage.

The extremely weak economic environment in Germany will lead to correspondingly higher provisions for possible loan losses in 2009; we already saw the first effects at the end of the financial year 2008. We have responded to this situation with rigorous risk management and lending margins which reflect the increased risks, but we will remain a reliable partner for our clients even in difficult times.

Business with large corporates continues to grow

Once again we were able to significantly expand our business with large corporate customers, including those active in the capital market, and further strengthen our market position. In 2008 we once again achieved double-digit growth in earnings in this area.

We have worked in-depth on our advisory model in order to become even more attractive for our clients. The establishment of an International Desk in Frankfurt has strengthened the links with our foreign branches, particularly in Asia, Eastern Europe and the USA, thereby boosting our cross-border business. Moreover, we initiated a reorganization of our Western European and Asian offices at year-end 2008, in order to better align them strategically with the concept of the Mittelstandsbank. We want to continue to grow and gain market share in 2009 and are well-positioned to do so.

The integration of Dresdner Bank will allow us to further expand our established advisory model; we will be represented in additional locations in future with more relationship managers and a strategic expansion of our product range.

We also posted double-digit earnings growth in the institutional client area. We have been meeting the special demands and requirements of this high-powered client group for a number of years by using specialist relationship managers. This approach has paid off. We are considering expanding this advisory approach further, in order to enable us to participate in the expected high growth rates in this market segment.

Stay on Top

We introduced the growth programme "Stay on Top" in 2008 and further strengthened our uncompromising focus on the needs of mid-sized businesses with new measures and projects. By improving the quality of our advice and proactively addressing our customers we are establishing the most important prerequisites for growing our market share among smaller, owner-managed companies. Our aim is to become the best Mittelstandsbank for all small and mid-sized companies.

We have strengthened our decentralized Financial Engineering Center, which enables us to provide customized financing structures for small and medium-sized enterprises.

We want to achieve further growth in future with our new innovation management. In 2008 we began developing our new "climate coaching" advisory service, which analyses companies' energy intensity, points up specific savings potential and provides individual recommendations for action. After a pilot phase we will offer the service more broadly in the first quarter of 2009. As innovation benefits from scientific advice we have founded a special innovation advisory board made up of scientists, business figures and other external thought leaders. Its task is to accompany and bring input to the innovation process on a continuous basis.

Encouraging start for the new portfolio management

While the financial market conditions became increasingly difficult, the establishment in the middle of 2007 of a new portfolio management centre has proved to be a success in 2008. Since setting up a specialist unit for the purpose we have already placed two synthetic capital market transactions (CoSMO Finance 2007-1 and CoSMO Finance 2008-1), which have enabled us to significantly reduce the minimum capital requirement of the Mittelstandsbank segment.

CommerzFactoring expands receivables financing for mid-sized companies

CommerzFactoring GmbH, which was founded in 2006, expanded its strong position as a provider of factoring services in Germany during the year. We were able to increase the volume of business significantly with customized solutions for financing receivables, such as factoring and reverse factoring and other banking services. We purchased receivables totalling around €4.1bn in 2008 (previous year €1.8bn).

With the launch of the product "Forfaiting with Re-Factoring" Commerzbank and CommerzbankFactoring expanded the range of receivables financing instruments in response to our customers' wishes. In the light of deteriorating economic conditions asset-backed financing instruments such as factoring and forfaiting are becoming increasingly important as a means of ensuring corporate liquidity and hedging suppliers against defaults.

Expansion of trade finance activities

The demand for hedging in the export business has risen due to the deterioration in economic conditions. The Trade Finance & Transaction Services unit offers the full product range of risk hedging instruments and supports clients in their export markets. We saw significant increases in revenues in this area compared with the previous year and expect that the trend towards higher risk margins will continue.

Our specialists from Structured Export & Trade Finance have already brought their product range into line with the established worldwide sales approach of the Trade Finance & Transactions Services area and so will help to strengthen Commerzbank's competitive position by increasing our international presence.

We have also achieved further progress in Cash Management. We have further expanded our "TREASURY" application, which helps customers to plan their financing needs and manage liquidity. Due to strong demand we are planning to develop an application for the broader mid-sized sector.

Demand for investment, currency and commodity solutions stronger than ever

The demand from our small and mid-sized corporate customers for information and hedging facilities in this area was particularly high against the backdrop of economic developments. We have tailored our product range to meet this demand. Alongside general advisory competence there was particularly strong demand for solutions in the unusually volatile currency and commodity business. There was also considerable interest in our investment products and we were able to attract a considerable volume of new funds.

In 2008 we set a new record in the interest rate and currency derivatives business. In asset management we continued our successful co-operation with cominvest, which enabled us to achieve significant inflows of funds into special and mutual funds. This business only subsided sharply with the deepening of the financial market crisis in the third quarter.

Public sector stable

In 2008 we again increased the volume of lending to municipalities, municipally-owned corporations and quasi-public-sector entities compared with the previous year. Commerzbank primarily placed maturity-matched external development loans in this sector. The focus of public sector lending has shifted decisively from loans to municipalities to the financing of municipally-owned corporations, with whom the bank can also pursue intensive cross-selling – e.g. in the area of interest rate hedging, cash management and money market investments. Business with municipalities concentrated on the provision of low-interest development loans and active debt management. An intensive sector focus, which supports the specialist relationship managers in the regions, contributed to the dynamic growth in this segment, particularly in the utilities sector.

UnternehmerPerspektiven initiative

Through our *UnternehmerPerspektiven* (Entrepreneurial Perspectives) initiative, which was launched in 2006, we were again able to position ourselves convincingly vis-à-vis our customers and the general public as the best *Mittelstand* bank. The initiative is based on surveys carried out in conjunction with TNS Infratest. The results of two studies entitled "Climate protection – Opportunities and challenges for small and mid-sized companies" and "The Changing values of business" were discussed with entrepreneurs, business associations, politicians and academics at numerous events in our regional branches.

This enabled us to further strengthen our dialogue with large corporate clients and small and mid-sized businesses and show that we are serious about our commitment to the medium-sized business sector by tackling issues of concern to these companies, discussing these issues with them and subsequently taking them into the public sphere.

Center of Competence for Global Shipping

The Center of Competence for Global Shipping reported a shipping finance portfolio of some €10bn at year-end 2008. This puts Commerzbank among the top five shipping finance banks in Germany and the top ten in the world. In addition to its main office in Hamburg the Center of Competence for Global Shipping also has desks in Leer (northern Germany), Amsterdam and Singapore.

The services offered include loans for the construction, interim equity and final financing of ships, the provision of working capital lines for maritime and inland waterway vessels and for off-shore installations in the oil and gas industry for German and foreign shipping companies and issuers of shipping funds. In addition we provide project-related finance for shipbuilding companies. Shipping finance functions as an anchor product for other services such as interest rate and currency derivatives, international payments solutions and M&A activities. The advisory services are always based on an integrated, solution-oriented approach. Our staff have many years of experience in the shipping markets and their specific business structures and also have access to the full product range of Commerzbank as a worldwide universal bank.

The Center of Competence for Global Shipping does not have an explicit country strategy, but instead serves its clients wherever they are on the basis of a relationship approach. Alongside the traditionally strong ties to the German shipping sector further regional focuses have emerged in Greece and Asia. The financing portfolio is well diversified in relation to client groups, ship types and regions. However, the turmoil in the financial markets and its impact on the economy also hit the economy-sensitive shipping markets over the past year. As a key part of the globalized economy the maritime transport sector is expected to be one of the areas in which the normalization of the markets will quickly lead to a rebound in business levels in the medium term.

Center of Competence for Renewable Energies

The Center of Competence for Renewable Energies was able to further expand its strong market position in project and corporate financing in 2008. The trend to internationalization is also reflected in the loan portfolio. In the past year the foreign portion of new business has increased.

In addition to hiring and training additional specialists for international projects we have established a "Renewable Energy Desk" in the USA to provide finance for German manufacturers in the rapidly growing American market. In the past year we assisted clients in all segments of renewable energies and along the entire value chain. In conjunction with our investment bank we were able to secure an outstanding position in the execution of capital market transactions.

Climate change and the depletion of fossil fuels are raising the importance of renewable energies and leading to corresponding growth in market potential. The growth of renewable energies will continue on the basis of the EU's goals for combating climate change alone. However, the weaker world economy in 2009 may lead to a temporary slowdown in this area. Nonetheless, we expect the upward trend to resume in subsequent years with double-digit growth rates.

Outlook

The financial market crisis has led to dislocations which will further depress the entire economic environment – possibly into the year 2010. This will result in rising loan loss provisions in the small and mid-sized business sector. Nonetheless we want to meet the challenge of remaining the best bank for these corporate customers in 2009. We will make sure that we retain a leading role in financing the SME sector and will continue our selective growth strategy. At the same time we plan to continue our sales initiatives in order to further expand our market share. Smaller corporate customers in particular are growing in importance. At the same time we aim to increase the contribution to earnings from our existing clients.

We see the successful integration of Dresdner Bank as a further major challenge. We will maintain Commerzbank's tried and tested customer relationship model for SME clients as the benchmark for our services. This will ensure that nothing will change for our customers in their day-to-day business. At the same time the number of branches will increase as a result of the takeover of Dresdner Bank, so that we can be even closer to our small and mid-sized clients. This greater regional presence will be combined with an expanded product and service offering.

International Corporate Banking

International Corporate Banking is a new area which was set up in 2008 and is responsible for corporate banking in Asia as part of the Mittelstandsbank segment. With branches in Singapore, Hong Kong, Shanghai, Tianjin (currently being set up) and Tokyo we are represented in regions which are important trading partners and investment destinations for our German corporate clients. In addition this area with its broad product range for corporate customers concentrates on the cross-border business of large local customers with Commerzbank's other core markets. We want to be the leading banking partner supporting these companies' business operations in Germany.

We are responding to the deterioration in the economic situation in Asia at the end of 2008 with a prudent risk policy.

Focus on innovation

MANZ AUTOMATION AG, REUTLINGEN

DIETER MANZ Manz focuses on what is truly important, i.e. a limited number of sectors, highly specialized technological fields and innovative products. His Reutlingen-based company, Manz Automation AG, turns out production systems for most global photovoltaic and LCD manufacturers and has set the standard in the solar sector. One example of this is **LASER SCRIBING EQUIPMENT** for thin-film solar modules: the company spotted future demand for this type of system early on and quickly secured a leading position on the global market by using synergies from their extensive expertise in LCD technology. We have been fully committed to meeting Dieter Manz's needs for years, so that he can focus on making his company successful. This is not limited to the company's international business or its successful capital increase in 2008; it is all the time and everywhere. Our relationship is based on mutual trust, close cooperation and communication as equals.

In the financial year 2009 we will also integrate the Western European branch network into International Corporate Banking. We will then be able to offer the full commercial corporate banking product range to our German clients from our branches in Amsterdam, Barcelona, Brussels, London, Madrid, Milan and Paris. In addition we will support our international corporate customers with a full range of corporate finance and risk advisory services.

The creation of the International Desks in Frankfurt to act as an interface between the German and foreign branches of the Mittelstandsbank segment will ensure that we provide co-ordinated cross-border support for German corporate clients doing business abroad and foreign corporate clients doing business in Germany.

In 2009 we will drive the process of strengthening the links between the branches inside and outside Germany forward in order to provide support to our internationally focused corporate customers. In addition new locations will be added to our already extensive branch network; as a result of the integration of Dresdner Bank we will acquire new branches in Peking, Vienna and Zurich. We will offer an attractive and comprehensive product range in all our locations.

Financial Institutions

Financial Institutions, which is part of the Mittelstandsbank segment, is responsible for our relations with German and foreign banks and financial institutions, central banks and national governments. The central relationship management team based in Frankfurt works with a worldwide sales network of 28 representative offices and 6 financial institutions desks and is based on a global service approach. We are represented in all the important economic areas of the world, and our offices complement Commerzbank's network of operational outlets abroad. An integrated customer service is provided by the Financial Institutions relationship managers, who manage sales teams encompassing product and risk specialists. Our approach which combines close partnership-based client relationships with a broad product offering and comprehensive expertise, combined with training for the staff of partner banks in emerging markets, is supported by a uniform marketing campaign based on the slogan "financial institutions: partnership meets expertise".

Reorganization of the business

In the past year all of our products were organized into four groups, with product management teams responsible for each group. The groups are Cash Services ("moving money and securities"), Trade Services ("financing trade"), Banking Products ("raising debt") and Market Products ("hedging risks"). This reorganization led to 2008 being the most successful year so far for the Financial Institutions area, in spite of the adverse market conditions emanating from the subprime crisis, the collapse of several banks and the extreme shortage of liquidity. All product areas contributed to this success.

We further consolidated and improved our position as one of the leading European transaction banks and providers of a full range of payment services in Euro and other currencies in our Cash Services business in 2008. Key to this was that we prepared well in advance for the impact of the introduction of the Single Euro Payment Area as well as the growing complexity of external regulations. Our products allow the customer to use Commerzbank as an entry point into the Euro area. Since the start of SEPA a growing number of banks have been taking advantage of our offering. We are already making preparations for further products such as "SEPA Direct Debit".

Commerzbank has a strong market position in Trade Services. In spite of the current difficult economic conditions as a result of the financial and liquidity crisis we maintained an unwavering commitment to supporting the financing needs of German exporters through our willingness to confirm letters of credit. At the end of the year under review the volume of letters of credit underwritten was well above the previous year's level. For example, Commerzbank financed a German export transaction of just under €1bn through a letter of credit and was able to structure most of the transaction itself due the successful build-up of our risk distribution activities.

At the initiative of and with the collaboration of Commerzbank a Master Participation Agreement for Trade Transactions was drawn up by the Bankers' Association for Finance and Trade (BAFT). This agreement is being used by more and more banks worldwide as the standard documentation for sub-participations in trade transactions. The simplification of the process makes it possible for banks to share trade risks and eliminate any shortages in commercial lines or use free lines optimally. These new activities in the Risk Distribution area made it possible to finance larger trade volumes through Commerzbank and so to further expand our current strong market position with market shares of over 20 %.

The performance standards and expertise of Commerzbank were recognized in a number of different awards. We received first prize as "Most active confirming bank" for the fifth time in succession for our active participation in the Trade Facilitation Programme of the European Bank for Reconstruction and Development. In addition the readers of the respected Global Trade Magazine voted us "Best Trade Bank in Russia and CIS" in 2008.

Our position as a leading foreign trade bank is based on a closely-knit network of relationships with over 5,000 banks throughout the world. We support our internationally active corporate clients in their relations with foreign business partners and banks in their destination countries by providing the following services:

- Expert advice on delivery transactions and capital investment projects.
- Handling of funds transfer or payments with the goal of being able to reach all world markets efficiently, especially through a continually growing network of correspondent banks.
- Exchange rate hedging, including for exotic currencies.
- Issuing foreign guarantees that reflect local laws and practices.
- Hedging trade receivables based on letters of credit or guarantees.
- Foreign trade financing, from forfaiting to structured products.

The foundation for this service offering is our foreign expertise, acquired over many years and based on a solid knowledge of the cultural, economic, political and legal ramifications of the different export and sourcing markets. Financial Institutions strengthens the traditional foreign expertise and position of Commerzbank as the bank for small and medium-sized enterprises in Germany.

The Banking Products area suffered from the more difficult conditions engendered by the liquidity crisis. Nevertheless we were able to provide a large number of bilateral loans to finance trade transactions and also to support syndicated transactions for our clients.

We developed new loan types in our "Islamic banking" area. There is a rising demand for inter-bank business which is compliant with the religious requirements of Islam. Commerzbank Financial institutions can now offer its clients a selection of competitive products which are sharia-compliant.

In Market Products we fired the starting gun for the new e-trading platform Comforex Plus in April 2008. Financial institutions can carry out foreign exchange and money market transactions on this platform 24 hours a day 5 days a week. Comforex Plus uses the latest technology e.g. live streaming pricing and one click trading. The service is rounded off with applications such as limit order management, historic reporting, individual user profiles, online help as well as market reports and currency analyses. This platform is already being used by many of our customers.

The intensive and close co-operation between financial institutions and the advisory desk in our trading department, which is specially focused on the foreign exchange and money market business with client banks enabled us to ensure efficient liquidity management for our client banks and increase their deposit base.

New representative offices

Commerzbank continued to strengthen its presence in foreign markets in 2008. We opened a representative office in Lagos, Nigeria in January and a further office in Ashgabat, Turkmenistan in October. Our representative office in the Libyan capital Tripoli will open in the spring of 2009.

The main task of these representative offices is to build up and maintain close contact with central banks, local banks, government and international institutions and local business communities. In addition we provide advice to German corporate clients who wish to take advantage of opportunities in these countries.

Strategic orientation 2009

Due to the deteriorating economic situation worldwide and the ongoing financial and liquidity crisis, 2009 will be another difficult year for banks. Financial Institutions will be unable to wholly escape these trends. The main goals for 2009 are to secure as high a proportion of clients' cash and trade flows, as well as their investment and hedging flows, as possible, in order to continue to grow profitably together with the Corporate Banking and Capital Markets sectors. At the same time we want to expand our strong position in the financing of foreign trade in Europe. Our objective is also to position Commerzbank as the competent Euro bank and banking partner for the whole of Europe.

To achieve these goals we aim to have as complete a coverage of partner countries and partner banks worldwide as possible. In this way we ensure that Commerzbank can offer a unique selling proposition in the corporate banking business.

A further challenge in 2009 will be the merger of the two Financial Institution departments of Commerzbank and Dresdner Bank. Both banks have a strong market position in the financial institutions business and in financing German foreign trade. This position needs to be consolidated and expanded further. The first important steps to delivering client advice from a single source have already been taken with the aim of transferring the relationship management of bank clients to the new Commerzbank as quickly and smoothly as possible.

Central and Eastern Europe

This segment comprises the activities of our operating units and investments in Central and Eastern Europe under the umbrella of a management holding company. With around 3.2 million customers – that is around 51 % more than in the previous year when 353,584 customers from the first time consolidation of Bank Forum are included – and approx. 11,000 employees, we have a significant presence, serving private and corporate customers and are one of the leading international banks in Central and Eastern Europe.

Our business in this region saw some major changes in 2008. Negotiations on acquiring a majority stake in Bank Forum in Ukraine were brought to a successful conclusion. And we demonstrated the importance of Central and Eastern Europe for the Bank as a whole by transferring responsibility for it from the business segment Mittelstandsbank to the newly created CEE segment with its own management and reporting system.

The segment comprises our Polish subsidiary, BRE Bank, Ukraine's Bank Forum, Russia's Commerzbank (Eurasija) SAO, Hungary's Commerzbank ZRT, our branches in the Czech Republic and Slovakia, and our investments in microfinance banks and Russia's Promsvyazbank.

Central and Eastern Europe

	2008
Equity tied up (€ m)	1,595
Operating return on equity	19.1 %
Cost/income ratio in operating business	52.9 %

Business model justified by solid earnings

The reorganization demonstrated the growing importance of Central and Eastern Europe for the entire Commerzbank Group. Against the backdrop of the current crisis in the financial markets, the segment performed well. At €304m, operating earnings were once again higher than for the previous year. The segment achieved an operating ROE of 19.1 % (previous year: 31.4 %) and at 52.9 %, the cost/income ratio was virtually unchanged.

Focus on security

BANKOMAT 24 / EURONET SP. Z O.O., WARSAW

Euronet Poland's Managing Director **MAREK SZAFIRSKI** in Warsaw puts money into circulation. The company runs its own network of more then 1,700 **ATMs** in Poland, with another 1,000 belonging to Polish banks. In this way, Marek Szafirski ensures that there is always a supply of cash where it is needed – whether at subway stops, shopping centers, movie theaters or filling stations. His work focuses on the security of the systems and processes. This calls for trust on the part of all partners. For years, this kind of trust has marked the cooperation between Euronet Poland and BRE Bank, one of our subsidiaries. And so we concentrated entirely on Mr. Szafirski in 2008, so that he would not be hampered in pursuing his goal of making a secure supply of cash available around the clock all over Poland.

The segment focuses strategically on private customer business and mid-sized companies. These areas should enable Commerzbank to exploit its long-term competitive advantages. Our cross-border initiatives provide one example of this in the Commerzbank Group. The aim of these is to leverage the advantages of our extensive network to the full, while benefiting from the strong market position and expertise of the business segment Mittelstandsbank in Germany.

We expanded our cross-border business further in 2008. All of our units are both organizationally and technically equipped to deal with cross-border business enquiries in German, English or the relevant local language. Mid-sized corporate customers from Germany as well as from Central and Eastern Europe are thus able to access the international expertise of a major bank for their cross-border expansion plans or other projects. We shall also be continuing to develop cross-border business in the years ahead – very much in line with the continuous improvements we are making to the range of products and services we offer mid-sized corporates.

Outlook

In the current difficult market environment with an economic situation that is becoming increasingly gloomy, we will continue to structurally reinforce our business in Central and Eastern Europe, the aim being to make it "weatherproof". To achieve this, our efforts in 2009 will be concentrating on raising cost-efficiency, improving processes and optimizing our portfolios in the region. Our yardstick here has been, and will continue to be, a strong focus on the risk/return ratio as part of the Commerzbank Group's credit risk strategy.

BRE Bank Group once again successful in 2008

Poland's BRE Bank, in which Commerzbank has a stake of around 70 %, is the core of our business activities in Central and Eastern Europe. With total assets of €23.0bn, it is the third-largest bank in the country.

As a universal bank, BRE Bank offers tailor-made products and services to corporate, private banking and private customers. In its corporate business, BRE Bank concentrates on supporting large corporate customers and rapidly growing mid-sized businesses. It provides first-class service here and a series of tailor-made products.

BRE Bank also has an extensive range of products and services for private customers. Under the mBank and MultiBank brands, it offers private customers modern products and services. While MultiBank primarily focuses on affluent private customers and business owners, mBank is Poland's largest direct banking platform. BRE Bank is Poland's leading bank in wealth management and private banking.

The group was once again successful in 2008, raising its pre-tax profit by €33m to €260m. The number of customers rose by 711,000 to 2.8 million. This growth was largely driven by the strong development of the direct bank mBank in Poland and its successful foothold in the Czech and Slovakian markets. The number of customers in these units rose by around 627,000 to 2.3 million.

Greater proximity to customers

Local corporate customers expect a direct personal contact at their home base. With 24 branches for corporate customers in addition to 21 corporate offices, BRE Bank has ensured its presence in all the major business regions. This enables corporate customer relationship managers to tune their services more individually to customers' needs and expectations and offer assistance with extensive investment projects throughout the country, for instance.

In its private customer business, BRE Bank can look back on a successful history for mBank and MultiBank in Poland. In the eighth year of its existence, mBank now has more than two million customers. Analysts assume that the number of active online banking customers in Poland passed the 7 million mark at the end of 2008. This means that almost every third online banking user has an mBank account.

The launch of the mBank business model in the Czech Republic and Slovakia, which commenced in November 2007, continued to move ahead successfully. With around 185,000 customers (up 168,000 year-on-year) in the Czech Republic, mBank is the sixth largest in the country. With around 59,000 customers in Slovakia (up 52,000 year-on-year), it also performed well beyond our expectations.

MultiBank also succeeded in improving its market presence. With around 493,000 customers (up 84,000 year-on-year), it now has a share of around 14 % in business with affluent private customers. The network was expanded last year to a total of 131 outlets (up 22 year-on-year).

BRE BANK SA

Range of products and services improved for the long term

In order to provide its customers with tailor-made solutions, the BRE Bank Group introduced a host of innovative technologies, products and services last year.

iBRE is currently one of the most innovative communication platforms for corporate customers. The system is aimed at large corporates (including financial institutions) and mid-sized business customers who wish to use bank services online. In 2008, the service was extended to include an advanced and user-friendly trade finance module, so that more than 90 % of all transactions can now be carried out online.

In addition, BRE Bank was one of the first Polish banks to introduce a new payment product with the SEPA (Single European Payment Area) Direct Debit, which caters to the growing importance of non-cash payments in Poland. This has strengthened its competence in cash management and laid the basis for gaining further market share.

MultiBank introduced innovative deposit products to the Polish market in 2008, which had previously been reserved for private banking customers, such as index-/commodity-price-linked structured deposits. To enhance customer value, mBank introduced new functionalities and free money transfers as well as expanding its range of products.

Awards for outstanding performance
A large number of awards given last year to the BRE Bank Group demonstrate how successful it has been. Last January, BRE Bank was named the "Business-friendly Bank". The Polish Chamber of Commerce and Poland's Deputy Minister of Economy presented the award for professional advisory services, a widespread standard of friendly contact with institutional customers and a high level of transparency. Many awards were also given for the bank's service offering in private customer business. BRE Private Banking & Wealth Management received the accolade of providing the best range of private banking products and services in Poland at the end of 2008, awarded by the magazine Euromoney. mBank in Poland, the Czech Republic and Slovakia, also received a large number of expert awards that confirmed the efficiency and attractiveness of its online business model for private customers.

2009 outlook
In 2009, BRE Bank will continue to expand its individual as well as its overall management of corporate customers and generally strengthen its successful mid-size corporate business. In its private customer business, the strategic focus will continue to be on the affluent segment. The controlled growth of the successful mBank business model in Poland, as well as the Czech Republic and Slovakia, will continue.

Ukraine and Russia

Joint Stock Commercial Bank Forum, Kiev
In March 2008, the acquisition of a majority stake of 60 % plus one share in the private Ukrainian bank, Bank Forum, was legally completed. This transaction makes Commerzbank the only German bank directly represented in Ukraine, thus strengthening its market position in Central and Eastern Europe long-term. Bank Forum is a universal bank with corporate and private customer business activities. With 331 sales units (up 30 year-on-year) it has a nationwide network.

Integration well underway Once the acquisition was completed, we immediately started on the integration of Bank Forum into the Commerzbank Group. Working groups for the various business areas were set up to ensure the new subsidiary is linked up to the Group's workflows. One area on which they are focusing is the development of the risk management organization. Here, as in the other areas of Bank Forum, Commerzbank is paying particularly close attention to the transfer of knowledge and further education of staff.

Strategically, Bank Forum's corporate customer division is focusing on Ukrainian mid-sized businesses and, selectively, on large Ukrainian corporates. In this way Commerzbank will be leveraging its core competence as the leading bank for the mid-sized sector in Ukraine as well. In our private customer business we are concentrating on the affluent segment. This new strategic thrust is a conscious effort to differentiate our subsidiary from the mass retail business. The aim is to develop Bank Forum to become the preferred address for Ukraine's modern citizens.

Successful increase in the number of customers As a result of expanding the branch network, increasing advertising activities and effectively managing sales, the number of customers rose significantly. The number of private customers rose by 66,000 to 333,000 in 2008. With 26,000 new customers in third-quarter 2008, the number of new customers scored the highest increase in Bank Forum's history. Corporate customer business also reflected the effects of our sales activity. New customers here rose by 5,500 to 20,000.

Liquidity sound The global financial crisis reached Ukraine, too, starting in September 2008. As a consequence, the Ukrainian government was forced to ask the International Monetary Fund for financial assistance. At all times, Bank Forum was able to maintain a stable position in the market and secure the funding it needed.

In the course of the year, two capital increases totalling 1,139 million hryvnia (approx. €107m) were made, which substantially strengthened Bank Forum's capital base.

2009 outlook Even with the much gloomier business environment, we aim to improve the position of Bank Forum in the Ukrainian market. We shall achieve this with a focussed business strategy coupled with strict management of costs. We shall also push the integration process forward in 2009 and continue our systematic management of risk.

Commerzbank (Eurasija) SAO, Moscow

Our subsidiary, Commerzbank (Eurasija) SAO, set up in 1999, can look back on generally profitable business development last year. The expansion of our product and service offering for local corporate customers made a significant contribution towards this successful outcome. By introducing a local online banking solution and a cash pooling product in 2008, we reinforced our capabilities in cash management and laid the basis for further gains in market share. In addition, we have started selling attractive solutions in the area of currencies, interest rates and derivatives. We are thus responding to the current needs of our corporate customers' as a result of rapidly changing market conditions and proving ourselves as a competent and attractive partner in the Russian market.

In view of the significant worsening of market conditions since mid-September last year, Commerzbank (Eurasija) SAO took timely action to tighten risk management and thus only needed to establish minor loan loss provisions. Activities will once again focus on developing the business structurally in 2009. An additional focus will be on integrating the Dresdner Bank unit in Russia.

Focus on growth

METAMAX SPOL. S.R.O., BREZNICE

Everyone ought to know **MIROSLAV KRECEK** – at least if the widespread familiarity of the products manufactured by his company METAMAX, located in Breznice, Czech Republic, were the criterion for judgement. These include high-quality components and finished products for **DISPLAY CABINETS**, information showcases, gatehouses and smoking shelters that we have all come to associate with companies like ALDI, DAIMLER and Lufthansa. As Managing Director, Miroslav Krecek focuses on the continued growth of his company, a subsidiary of the German SOLIT Group. This is achieved through openness, flexibility and by having us as a reliable partner on the ground in the Czech Republic. In 2008, for instance, we provided our full assistance in helping METAMAX build a new production facility, an investment project of some €2m that was completed quickly, flexibly and completely.

Hungary, Czech Republic and Slovakia

Czech Republic and Slovakia

Commerzbank has been in the region for 15 years. With seven sales units, of which two are in Slovakia, Commerzbank is the biggest German bank with a local presence. The focus of our business is on servicing local customers, especially mid-sized businesses, as well as international corporate customers on a cross-border basis in the Group.

Our units can look back on a positive performance last year. Our proximity to customers has paid off particularly well. There were only a few defaults in lending business, while deposit business with both private and corporate customers recorded significant inflows, especially in the final months of the fiscal year.

We reinforced our capabilities in cross-border business by expanding our trade finance offering. This gives local customers access to the wider range of products of the Commerzbank Group. In 2009 we shall primarily develop our business structurally, given the current situation in the financial and capital markets. To this end we shall continue and deepen the dialogue with our local customers.

Slovakia joined the eurozone as from January 1, 2009. The introduction of the euro removes the exchange risk and costs for companies with international business. This closer cooperation with the EU will give us an opportunity to offer our mid-sized corporate customers a broader range of products and services.

Commerzbank Zrt., Budapest

Our subsidiary, Commerzbank Zrt. has now been doing business successfully in the Hungarian market for 15 years. An independently held poll of 500 business leaders recently confirmed the positive view of Commerzbank in Hungary. The poll showed Commerzbank to be the bank with the best reputation.

We succeeded in reinforcing our market position in 2008. Our presence expanded with the addition of two locations, bringing the total number of outlets to eleven. With three locations in Budapest and eight units distributed across the country, we are close to our customers in the region, safeguarding our ability to provide personal contact, individualized advice and convenient service. We consider this to be essential, particularly in the present market environment, as well as from a risk/return point of view. We have also made the necessary adjustments to portfolios in response to the ongoing global financial crisis.

We started our Private Banking business in the summer of 2008. The aim is to exploit existing synergies with our mid-sized corporate businesses. The initiative is therefore aimed primarily at the owners/management of our business customers. We now offer them individualized, top-quality service in Private Banking. We also introduced structured deposits and investment funds last year.

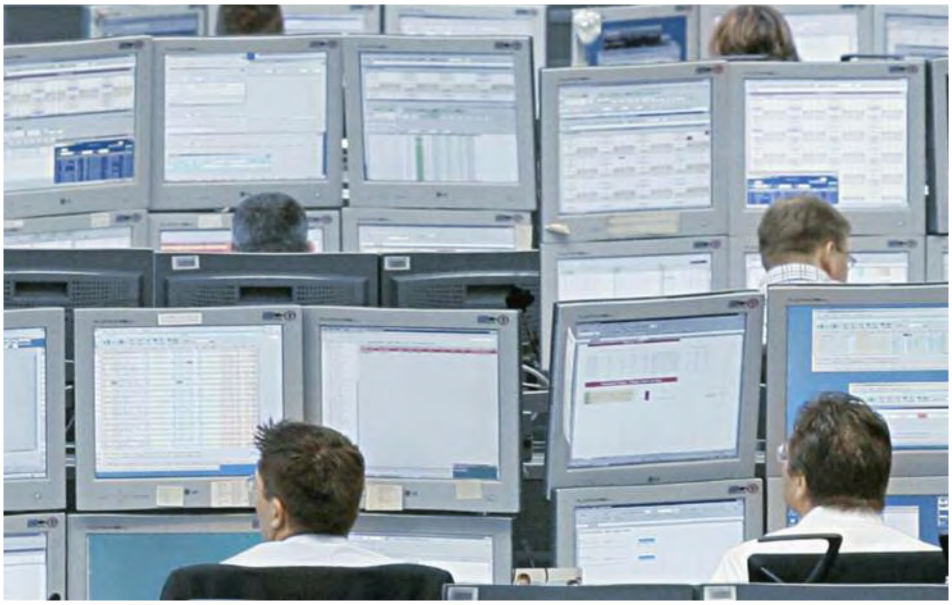
In the wake of the takeover of Dresdner Bank, the integration of its unit in Budapest will be a substantial focus of our activities in 2009.

Microfinance banks

Together with ProCredit Holding AG and international development agencies, Commerzbank has a stake in six ProCredit banks in Albania, Bosnia-Herzegovina, Bulgaria, Kosovo, Romania and Serbia These banks have specialized in supporting small and mid-sized businesses in their respective countries with loans, and actively take savings and time deposits from companies and individuals. Since they were set up, the ProCredit banks have gained market shares in their respective countries; in Kosovo, ProCredit Bank is market leader.

The Belarusian Bank for Small Business was established in Minsk in 2007, together with international development agencies and the US Shorebank International/Shore Cap; it started operations successfully in October 2008. The business purpose of this bank is also to support small and mid-sized businesses in Belarus and thus to contribute to the formation of private entrepreneurial structures.

It continues to be our aim to assist with the dynamically growing microfinance sector in Eastern Europe and, in so doing, to realize opportunities for Commerzbank.



Corporates & Markets

Corporates & Markets

	2008
Equity tied up (€ m)	3,388
Operating return in equity	–49.8 %
Cost/income ratio in operating business	–1,197.4 %

The Corporates & Markets segment includes our customer-facing market activities and business relations with multinational, western European and US companies. Since the third quarter of 2008 it now also includes Public Finance and Treasury, which was previously a separate segment. Within the framework of a business reorientation of the PFT segment, we aim amongst others to put the product range of our investment banking division at the disposal of our public sector customers. From 2009, Group Treasury will be integrated in Group Management.

The Corporate & Markets segment was particularly hard hit by the turmoil in the financial markets. Many factors such as the Lehman Brothers' bankruptcy, the moratorium on Icelandic banks and the partially drastic widening of spreads for fixed-income and structured securities took a heavy toll. The impact was also evident in much higher loan loss provisions, primarily in the New York branch office.

Last year the segment posted an operating loss of €1.7bn. Net interest income rose to €473m and net commission income was slightly above that of the previous year. However, trading profit also fell further at the end of 2008. Customer-driven business with equity derivatives on the one hand and fixed-income and foreign currency products on the other continued to perform well.

Outlook

After the takeover of Dresdner Bank was announced in September 2008 preparations began for the integration of Dresdner Kleinwort's investment bank business into the Corporates & Markets segment. The future strategy of the merged investment bank will continue to focus on customer-related business, an approach that Corporates & Markets has been pursuing since 2004. By expanding the shared platform we will acquire more customers in Germany and Europe in future. Dresdner Kleinwort will cease all of its proprietary trading activities in 2009. In addition we will actively limit risks by reducing selected portfolios and discontinuing individual business areas.

A first step in the integration of the two banks is establishing the same image for all research products from February 2009. The approach of Dresdner Kleinwort's business model in equity trading and equity research now matches the Commerzbank Group's strategy, which is focused on Germany.

Fixed Income record performance in interest rates and foreign exchange

Last year was a record year for Fixed Income in the area of interest-rate and foreign currency products. Income surpassed the 2007 figure. In light of the volatile markets we further expanded the range of interest-rate and currency products for our main target group, corporate customers. Interest-rate hedges for issuers were also very popular.

With effect from the beginning of the year 2009, the renamed Fixed Income & Currencies division will focus on expanding the product platform shared by Dresdner Kleinwort and Commerzbank. Efforts will concentrate on enlarging the platform's function for institutional investors as this customer group will gain added significance after the integration of the two banks.

Credit trading was hit hard by the turmoil in the financial markets and the resulting lack of liquidity. As there is no end to the crisis in sight, we will continue to reduce the risks in the credit portfolio. Structured credit solutions will focus on the restructuring needs of investors.

Equity Derivatives – for the first time with exchange-traded funds

Despite the difficult market conditions over the course of the year the Equity Derivatives business maintained its leading position in Germany and ended the year successfully.

At the beginning of September 2008 a new platform for exchange-traded and structured funds called ComStage was set up and went into operation. Exchange-traded funds (ETFs) are passively managed funds whose performance simulates that of an index. ETFs can be

Group Management Report

traded exactly like equities. These passive investment solutions are offered to both private customer and institutional investors. The first tranche included 27 products and met with strong demand just before the flat-rate withholding tax went into force on January 1, 2009.

We received recognition for our customer-driven products in these business activities with 31 awards from reputable magazines in Germany and Europe, including prizes for "Best Issuer of the Year" (Zertifikateawards 2008) and "Derivatives Innovation of the Year" (Euro am Sonntag).

We will also further expand our leading role as a market maker with our current offering of 90,000 financial products, 2,400 funds and an ever-increasing number of ComStage ETF products.

Corporate Finance – focus remains on profitability

Corporate Finance's income in the past year from its business with corporate and institutional customers was on a par with the 2007 level. Despite weak markets, the Debt Capital Markets group won a number of mandates as lead manager for corporate bonds and medium-term and long-term loans in Germany and Europe, proof of its strong customer loyalty and orientation.

We were also the lead manager for several successful bond issues including those of E.ON, Daimler and Deutsche Börse. For *Pfandbrief* issues we took on mandates from Caixa Catalunya, Münchener Hypothekenbank, SEB AG and our own subsidiary, Eurohypo. We also arranged structured bond issues for Canadian Imperial Bank of Commerce, Royal Bank of Canada and BNP.

Our Euro Medium Term Notes (EMTN) product won the Institutional Performance Award last year in the "Equity-Linked Structured Note Leadership" category.

Leveraged Finance cemented its good position in leveraged buyouts. On twelve of these transactions we acted as lead manager, for example Capvis's takeover of Bartec, and on another nine transactions we were members of the syndicate.

Equity Capital Markets (ECM) benefited from the systematic strategic orientation towards German customers in selected core sectors. The team was involved in virtually every ECM transaction in Germany, including rights issues in the renewable energy sector for Manz Automation, Roth & Rau and Solar Millennium and follow-up transactions for Fresenius (Life Science) and IFM Immobilien AG. We played a leading role in the only major German initial public offering (IPO) in 2008, which was for SMA Solar Technology AG. In addition we were one of the bookrunners for Commerzbank's capital increase in September 2008 to partially fund the takeover of Dresdner Bank.

The activities of the M&A unit in merger and acquisition financing increased as the year progressed, leading to a good position in the rankings for Germany-related transactions – evidence that our customer-driven strategy pays off.

Client Relationship Management: success with numerous lead manager mandates

Commerzbank's Client Relationship teams serve multinational clients from all the key industrial sectors. This involves working hand in hand with the relevant product specialists, from areas such as Debt Capital Markets, Equity Capital Markets, Leveraged Finance and Sales and Trading. In 2008 a large number of lead manager mandates were taken on and successfully completed.

These included a bond issue of €2.9bn in two tranches for E.ON, a bond issue of €2.25bn for Daimler and a eurobond issue with a volume of €500m for Metro AG.

Commerzbank also lead managed a euro promissory note loan *(Schuldscheindarlehen)* issue for the Swiss company Clariant AG and a similar transaction in two tranches for Siemens AG, one of the largest *Schuldscheindarlehen* ever issued for over €1bn.

Commerzbank was also lead manager for the Fresenius SE capital increase to finance the takeover of APP Pharmaceuticals.

Last year the western European branches successfully focused on planning and implementing a restructuring programme with the aim of reducing risks and increasing profitability while also adjusting to a difficult market environment. After the Dresdner Bank integration in 2009 the western European branches will be incorporated in the business segment Mittelstandsbank.

As in 2007 the New York branch office was one of the areas of Corporates & Markets which was hardest hit in 2008 by the credit crisis. The New York branch office accounted for the largest share of loan loss provisions in the segment, and trading profit and net investment income were significantly negative. After the integration of Dresdner Bank the New York branch office will remain in the Corporates & Markets segment. The branch has defined an exit portfolio and will focus in future on a smaller customer base.

Public Finance

Back in 2007 we launched our strategic reorientation of public-sector financing activities, which until then had been located at Eurohypo, Hypothekenbank in Essen (Essen Hyp) and Erste Europäische Pfandbrief- und Kommunalkreditbank in Luxembourg. The full takeover of the remaining shares of Essen Hyp in January 2008 gave us the requisite corporate and strategic flexibility to reorganize large parts of this business area. It was subsequently decided to integrate Essen Hyp in Eurohypo, the process being completed at the beginning of October 2008 with the successful migration of all portfolios. The merger of the two banks under commercial law was effected retroactively to January 1, 2008.

Focus on excellence

HERAEUS HOLDING GMBH, HANAU

As Chief Financial Officer of Heraeus Holding GmbH – an international company specializing in precious metals, sensors, dental and medical products, quartz glass and specialty lighting sources – **JAN RINNERT** is an extremely busy man. Ensuring the firm remains profitable and on sound financial footing requires vast experience and the utmost concentration. Heraeus employs approximately 13,000 staff at over 120 companies, and these numbers continue to grow. Each year the company makes significant investments in R&D projects, for instance to upgrade **MOTORCYCLE CATALYTIC CONVERTERS** for lower vehicle exhaust pollution. For many years we have been there as a reliable partner for Heraeus, ensuring that the company has obtained the financing it needs when it needs it – as in 2008, when we teamed up with a group of banks to issue a promissory note valued at over €200m, which provided Jan Rinnert with the capital he needed to focus on his work.

Business model thoroughly reviewed

In parallel with the integration, the Public Finance (PF) business model was also subjected to thorough review. The original value added by the PF business model was based on stable and predictable earnings contributions and high returns on equity coupled with very low default, liquidity, interest-rate and currency risks. The business model is however subject to temporary fluctuations in value caused by movements in credit spreads, the impact of which can be mitigated but not altogether avoided and which are reflected in the current financial market turbulence.

Especially with a view to these fluctuations in value, the portfolio represented too large a share of the Group's aggregate portfolio. With an original exposure of around €180bn, it exceeded the Group's risk appetite. As a result, the Board of Managing Directors decided in mid-2008 to scale back the portfolio volume to around €100bn by 2010.

2008 result significantly influenced by the widening of spreads and Essen Hyp integration

The results achieved in Public Finance, with its orientation towards credit risks, directly reflect the capital market crisis. The general and specific widening of credit spreads affected trading profit via the volume of derivative financial instruments held (credit default swaps, total return swaps) and the revaluation reserve (AfS positions) via holdings of securities that form part of asset swap packages. The latter also impacted securities of public-sector borrowers with excellent credit ratings.

Public Finance also felt the impact of the Lehman Brothers bankruptcy and the fallout from the collapse of the Icelandic banks, as could be seen from September in the development of loan loss provisions, trading profit and net investment income.

As a consequence of the Essen Hyp integration project, administrative outlay rose significantly. With the integration completed and the prospect of further synergies to be realized, we anticipate significant relief in the future.

Outlook

In relation to the portfolio downsizing decided upon already in 2008, assets have been reduced by 14 % in terms of nominal volume as at year end. During the present financial year and in a market environment which is expected to remain difficult, high priority will be attached to the continued and consistent reduction and hedging of assets in Public Finance.

Group Treasury

Group Treasury is responsible for managing Commerzbank Group's liquidity and balance sheet structure and is located in Frankfurt, London, Luxemburg, New York and Tokyo.

Given the difficult situation in the financial markets, 2008 was a good year. The Commerzbank Group's liquidity over the entire year remained within a comfortable range of 1.06 to 1.21. It was thus consistently above the level of 1.0 required by Principle II. At the end of the fourth quarter the value was 1.14 and the Group's refinancing structure also matched our requirements and plans. Treasury benefited in particular in the second half of the year from the flight to quality, which boosted the government bond liquidity portfolio and had a positive impact on net income from financial investments. Trading also made a solid contribution to earnings.

Group Treasury successfully responded to the challenges presented by the market environment with product innovations, and its portfolio strategies and hedging models helped stabilize earnings in all segments. Treasury's precise and constructive information policy vis-à-vis regulators, rating agencies, market players and official bodies during the crisis also strengthened the Group's position.

Proven liquidity management

In a market environment impacted by the financial crisis, liquidity management made an important contribution to securing liquidity and a solid financing structure. It can be broken down into strategic, tactical and operational components.

Strategic liquidity management involves constructing a maturity profile for all assets and liabilities including the modelling of various levels of core deposit bases in our balance sheet and the issuing strategy that we evolve from these. Tactical liquidity management, which is concerned with access to unsecured sources of funding and the management of our liquidity portfolio, builds on this. Operational liquidity management encompasses management of daily payments, planning for expected cash flows, and managing access to central banks.

The past year was marked by a volatile market environment which peaked after the Lehman Brothers' bankruptcy in the third quarter of 2008 and led to considerable upheavals in the money and capital markets. The resulting extensive support measures implemented by the central banks and the government packages for the financial sector provided the banks with a broad and secure liquidity base.

Despite the ongoing market disruptions, we still do not expect any negative effects on our own liquidity situation – partly because of continued inflows of customer deposits and a high-quality liquidity portfolio.

Taking advantage of assistance from the Financial Market Stabilization Fund (SoFFin) has also significantly strengthened the liquidity situation.

Solid funding structure

In its business policies Commerzbank generally opts for funding with matching maturities which is managed using our in-house and tried-and-tested stable-funding concept. The Commerzbank Group's short-term and medium-term funding relies on an appropriately broad diversification in terms of investor groups, regions and products. The structure of the various sources of funding in our liabilities is regularly analysed to enable active management of the funding profile.

Long-term funding is mainly secured by means of structured and non-structured capital market products that may or may not be collateralized, as well as customer deposits. The basis for planning issues in the capital markets is provided by the results of the computations made by our stable funding concept. This identifies the structural liquidity requirement for the Bank's core lending business as well as those assets that cannot be liquidated within one year, and compares these to the liabilities available long-term to the bank (including core customer deposit bases). The aim is to finance the Bank's illiquid assets and core business in terms of volume and maturity as far as possible with long-term liabilities.

In 2008 we increased customer deposits by a further €20bn. As a result of this and in light of the difficult capital market environment we made a downward adjustment to our funding plan. In the unsecured segment a volume of around €7bn was raised exclusively via private placements. For secured issues the amount was around €10bn, of which approximately 70 % came from mortgage *Pfandbriefe*. Two jumbo mortgage *Pfandbriefe* were issued, each with a volume of €1bn. By contrast the importance of public-sector *Pfandbriefe* declined as the Bank reduced its assets in Public Finance.

Our funding plan for the Group in 2009 includes the placement of around €20bn, roughly half of which will be in the secured capital market and the other half in the unsecured segment. In the area of unsecured issues, we can also count on the support provided by the Financial Market Stabilization Fund (SoFFin). Commerzbank has received guarantee commitments of €15bn from SoFFin. These guarantees may be used to issue bonds with maturities of up to three years.

With regular reviews and adjustments to our assumptions for liquidity management Group Treasury will continue to take full account of changes in the market environment and secure a solid liquidity cushion and healthy funding structure.

Commercial Real Estate

The Commercial Real Estate (CRE) segment is responsible for all of the Commerzbank Group's commercial real estate business. It includes CRE Banking (essentially Eurohypo AG) and CRE Asset Management (Commerz Real AG). Owing to its broad real estate and capital markets expertise, the segment aims to position itself as an internationally active real estate investment bank. As from the beginning of 2009 the CRE segment now also includes Shipping, which was part of the Mittelstandsbank segment until the end of 2008.

The 2008 financial year was impacted by difficult economic conditions. The segment registered an operating loss of €424m, versus an operating profit of €447m in the previous year, primarily as a result of higher loan loss provisions and subprime write-downs.

Commercial Real Estate

	2008
Equity tied up (€ m)	3,577
Operating return on equity	–11.9 %
Cost/income ratio in operating business	71.2 %

Eurohypo (CRE Banking)

Commercial Real Estate Financing is the most important business area for Eurohypo along with Public Finance. In real estate financing Eurohypo offers a broad spectrum of financing and advisory services ranging from traditional fixed-interest loans and structured financing all the way to capital market products. Due to the turmoil in the capital markets in 2008 the scope for this offering was limited. Falling property values worldwide, deteriorating returns on real estate, the lower level of capital available from customers and higher borrowing costs led to more selective lending decisions. Customers and investors responded to these changes in the market environment by taking a cautious approach to new projects.

Overall these factors meant that Eurohypo was unable to match by far the record performance of 2007 in the Commercial Real Estate (CRE) segment. Nevertheless it made new commitments for a volume of €13.7bn, €5.3bn of which was in Germany, thus solidifying our strong position in our home market even in a year of crisis. Compared with previous years the focus shifted from large landmark deals to transactions with lower volumes. Our customers with whom we have built up long-term relationships are owners and managers of large diversified real estate portfolios, which include many family businesses in the real estate sector, international banks, project developers, fund companies and institutional investors.

Solid funding

As a wholly-owned subsidiary of Commerzbank, Eurohypo participates in the latter's funding activities. It is a leading issuer of *Pfandbriefe* and jumbo mortgage *Pfandbriefe* and as such has access to a traditional range of refinancing options which, until the third quarter of 2008, was least affected by the liquidity shortage in the capital markets. After waiting for some time to see how things would develop, in January 2009 Eurohypo was the first to resume placing larger-volume *Pfandbriefe* in Germany.

The securitization market came to a virtual standstill all over the world in 2008. In the syndication market Eurohypo concluded successful transactions by virtue of its good standing as a globally active syndication bank in the real estate sector even under difficult conditions. Despite the persistent low level of liquidity in the exit channels during the year, Eurohypo syndicated a total of €3.4bn (previous year: €7.7bn) to German and foreign bank partners. This makes Eurohypo, in terms of the value and number of syndicated loans in the real estate sector, the front-runner in Europe. Worldwide it is in second place.

Reliable financing partner

In its home market of Germany Eurohypo further reinforced its leading position in the period under review despite difficult business conditions. A key element of its strategy in commercial real estate financing remains international diversification. Due to the global financial crisis we postponed our plans for developing and expanding our branch network in 2008. Currently Eurohypo has a presence in 28 countries.

Award for property financer

In the international Real Estate Awards for Excellence 2008 Eurohypo was named the best bank in real estate financing worldwide for the third time in a row. Among these awards, which are distributed by the renowned financial journal Euromoney, Eurohypo defended its first place in the category "Best Global Commercial Bank in Real Estate". Eurohypo also received an honour in its home market for the fourth consecutive year when it was named the "Best Commercial Bank in Real Estate in Germany". The English magazine Global Property Week also chose Eurohypo as its "Funding Partner of the Year" for the second time. These results have shown that we are on the right path with our consistent, relationship-based strategy, even in difficult business years.

Outlook

Commercial real estate financing will return to its growth path in the medium to long term, but over the next two to three years the current recession will lead to further significant downshifts in the real estate markets. To strengthen its leading market position in this segment over the long term, Eurohypo will reposition and redimension its operations in line with changing market conditions.

Commerz Real (Real Estate/Assets/Leasing)

In the 2008 financial year Commerz Real maintained its good market position despite the financial crisis. With assets under management of around €43bn, Commerz Real is a leading real estate asset manager and provider of leasing and investment solutions. Its service offering includes investment products such as open- and closed-end real estate funds, special real estate funds, closed-end funds for ships, aeroplanes and regenerative energy, as well as products such as real estate leasing, large-scale plant and equipment leasing and structured financing, and equipment leasing, which are grouped within the Structured Investments unit.

New business

New business volume was significantly higher year-on-year until the third quarter of 2008. In the fourth quarter hardly any new accounts could be acquired due to the turmoil in the capital markets and the severely limited financing options as a result. The total new business volume in 2008 was €5.1bn (previous year: €7.2bn).

hausInvest funds offer security and stability

In autumn 2008 several open-ended real estate funds were forced to suspend redemption of fund units due to unexpectedly strong selling pressure from institutional investors. With hausInvest funds from Commerz Real the outflow of funds was manageable as its percentage of institutional investors is relatively low. In addition, over the past two years special

The festive opening took place in October 2008: Commerz Real Fund hausInvest Europa participates with a share of 50 % in Londons "Westfield", one of the largest shopping centres in Europe.

redemption arrangements were agreed with the overwhelming majority of these investors, which prevented the short-term withdrawal of large-scale fund volumes. In these times of heightened uncertainty and volatility long-term, stability-oriented investments in real assets are increasingly attracting investors' attention. Against this backdrop we were able to maintain a solid supply of liquidity for the hausInvest products.

The assets of the hausInvest funds which has more than 500,000 investors amount to €10.3bn. Real estate with a total volume of €1.4bn was acquired in 2008. At the end of the period under review the annualized performance was 5.1 % for hausInvest europa and 5.6 % for hausInvest global. Compared with their peers in the market these are first-rate returns.

Professional investments for institutional investors

The range of institutional investment products includes seven special funds under German and Luxembourg law. They invest throughout Europe in various sectors. The volume of real estate assets under management is around €2bn.

CFB funds: attractive return potential due to solid tangible assets

The placement volume in closed funds in the past financial year was €368m and as a result was higher than the previous year's level despite the market-induced slump in sales. On a cumulative basis 71,250 investors subscribed for 133,500 investments with an investment capital of around €5bn, divided over 170 funds. The volume of invested funds rose to around €12.4bn. By the end of 2008 around 96 % of all current CFB funds met or exceeded the forecasted distribution. The Scope Analysis GmbH rating agency in Berlin gave CFB, the initiator of closed-end funds in the Commerz Real Group, an overall rating of AA (very high quality) for its management quality.

The focus of fund issues last year was on ship funds. A total of six container ship funds with equity of around USD 460m were launched on the market. The Euro Alsace real estate fund in France was fully placed in the first half of year. The Asia Opportunity I real estate certificate fund was 80 % sold during the period under review with a placed equity volume of around USD 220m.

The secondary market turnover from CFB fund units increased from €11.3m to over €35m in the past financial year.

Awards for Commerz Real funds

At the ceremony for the 2008 Scope Awards, funds from Commerz Real won in two categories: hausInvest europa was the winner among the open-ended real estate funds targeting Europe, and CFB funds were awarded the top place among the closed-end funds in the container ships segment. In the case of hausInvest europa the jury acknowledged its clearly defined investment strategy, solid financial structure and its management's renowned financial market expertise. With CFB funds, investors were given the option of investing in latest-generation container ships. This involved the signing of long-term cooperation agreements with market leaders in the shipping sector. In addition, the initiator built extensive hedges into the fund structure.

Structured investments: expanding bank privileges to leasing companies

In its Structured Investments sector Commerz Real specializes in investment and financial solutions for properties and large-scale commercial real estate which do not burden the balance sheet and liquidity. In 2008, agreements were concluded for a volume of €978m. The volume of new business up to October was significantly higher year-on-year. However, business suffered a setback in the fourth quarter as the financial market crisis caused a dearth of funding options. A pickup in the last quarter, traditionally the strongest in the big-ticket segment, consequently failed to materialize and volume fell short of the previous year's level. There are grounds for optimism in the shape of the 2009 Annual Tax Act, which has expanded bank privileges to leasing companies. Tax conditions for the leasing business had deteriorated in the last few years, and the new tax act partially corrects the problem by levelling the playing field.

Potential is also evident in public-private partnerships (PPPs), where Commerz Real has developed expertise and experience over many years in the implementation of construction and infrastructure projects. With the "Partnerships in Germany" initiative launched by the German government and the economic stimulus programme which has since been approved the number of PPP projects should increase over the long term.

Positive effects in equipment leasing by expanding the sales network

Despite the increasingly difficult investment climate in 2008 Commerz Real increased its volume of new business in equipment leasing by 17 % year-on-year, thus consistently pursuing further growth. The focus of its activities was on plant and machinery. This positive trend received support from the continued expansion of Commerz Real's partnership with Commerzbank in corporate customer business and its strengthening of third-party distribution. As part of its international activities BRE Leasing once again made a significant contribution to new business development, thus confirming its position among the leading leasing companies in Poland.

Outlook

In 2009 Commerz Real will primarily concentrate on expanding the sales base for all products, including developing the potential for new customers offered by Commerzbank's takeover of Dresdner Bank. Further objectives include selectively opening up new international markets and expanding the selection of investment products for institutional investors.

Outlook for Commercial Real Estate

Real estate business should remain a growth sector in future with correspondingly high financing requirements. In light of the ongoing international financial crisis and falling real estate prices worldwide we will pursue a more systematic risk management which includes a more selective lending policy. As the general funding options are still subject to certain limitations we anticipate higher funding costs.

Our business model for the Commercial Real Estate segment will be aligned to the new conditions in the market with regard to asset volume, profitability and risk. We will also focus on markets in which we have a competitive advantage and see long-term potential. As of the start of 2009, the CRE segment will include Shipping business which formerly was part of the Mittelstand segment until year end 2008.

Focus on highlights

ANSCHUTZ ENTERTAINMENT GROUP, BERLIN

DETLEF KORNETT's job was complete, as fireworks lit up the sky over the newly completed **O2 WORLD** in Berlin on September 10, 2008. The 17,000-seat arena features a 1,400 square meter LED façade, as well as cutting-edge technology and architecture, making it the most modern muti-function arena in the world. As head of European operations at Anschutz Entertainment Group, one of the global leaders in live entertainment and sporting events with a staff of over 5,000, he was placed in charge. Eurohypo, the real estate and public financing arm of the Commerzbank Group, was there for our client from start to finish to ensure his project was a success – and we will be there for him in the future as well. In 2008, for example, we took over long-term financing for O2 World and are one of its marketing partners, helping the Anschutz Entertainment Group to attract major events to Berlin now and in the future.

Earnings performance, assets and financial position

Income statement of the Commerzbank Group

The earnings performance of the Commerzbank Group was severely impacted by the financial crisis in 2008. In what was a very difficult environment we were able to report a small consolidated surplus. However, at €62m, it was down 96.8 % from the 2007 result. The individual items in the income statement were as follows:

Net interest income rose by 18.0 % to €4.73bn. This very satisfactory increase was driven by almost all segments of the bank, particularly by strong results in the business segment Mittelstandsbank as well as the segments Private Customers and Central and Eastern Europe. We significantly increased both lending and deposit volumes in private customer and corporate banking business.

Due to the difficult economic environment provisions for possible loan losses had to be increased significantly from the previous year's very low level. While provisions in the Private and Business Customers segment fell, there was a significant rise in other segments. Particularly hard hit were the segments Corporates & Markets – as a result of the moratorium on the Icelandic banks and the bankruptcy of Lehman Brothers – and Commercial Real Estate, due to individual credit events in Western Europe. Overall provisions for possible loan losses rose by 287.3 % to €1.86bn. Net interest income after provisions for possible loan losses fell by 18.5 % to €2.87bn.

Net commission income fell 9.7 % to €2.85bn. For one, this reflected lower commission income in the securities and asset management business, which was impacted by difficult conditions in the financial markets. Secondly, in 2007 we recognized extraordinary income of €100m as a result of a judgement by the Federal Court of Justice. In spite of these effects, net commission income on a comparable basis – i.e. after adjustment for the divestments in the international asset management business – would have been around the previous year's level.

The trading result moved from a profit of €879m in 2007 to a loss of €450m in 2008. The main reason for the deterioration was the turmoil in the financial markets during the second half of the year, which generated negative fair value effects. The Public Finance business in particular was hit hard by the collapse of Lehman Brothers and the dramatic widening of spreads. This widening led to substantial costs in 2008 of around €500m on a total return swap agreement on US municipal bonds. This position was closed at the beginning of 2009 with a one-off gain of around €90m. In addition to the above-mentioned costs there were also significant losses in credit trading in 2008.

The net investment result for 2008 was a loss of €665m, after a profit of €126m in the previous year. Income from the sale of investments in associates was once again offset by impairments, particularly on our ABS book. Alongside impairments on our subprime holdings we also had to recognise additional impairments on Corporate CDOs and on Icelandic bank bonds.

We continue to have costs under control. Total operating expenses fell 7.6 % to €4.96bn in 2008. Personnel expense fell by 18.9 % to €2.5bn, mainly due to lower regular and special bonuses, even though the number of staff employed by the Commerzbank Group rose by 6,400 to 43,169 at the end of 2008. However, other operating expense increased by 9.2 % to €2.15bn due to our various growth initiatives.

Consolidated surplus slightly positive

The net result of all the aforementioned income and expenses was an operating loss of €378m, after a profit of €2.51bn in 2007. This decline was mainly due to the upheavals in the financial and real estate markets. The integration of Hypothekenbank in Essen AG into Eurohypo AG led to restructuring expenses of €25m. We therefore posted a pre-tax loss €403m, after a profit of €2.51bn in the previous year. In contrast to 2007 we registered tax income of €465m, thanks to the capitalization of tax loss carryforwards in accordance with IAS 12. Profits attributable to minority interests rose from €8m in 2007 to €59m in 2008.

On the bottom line the consolidated surplus attributable to Commerzbank shareholders came to €3m, compared with €1.92bn in 2007. Of this amount €2m will be paid as a dividend on the silent participation of the government financial market stabilization fund (SoFFin) and €1m will be allocated to retained earnings. The consolidated profit of €0 corresponds to Commerzbank Aktiengesellschaft's distributable profit. Earnings per share are thus down from €2.92 in 2007 to €0. Due to the support received from the German Federal Government's financial market stabilization programme we are not permitted to pay a dividend for the financial years 2008 and 2009 irrespective of our results. The return on equity resulting from the consolidated surplus fell from 15.4 % in the previous year to 0 %. The cost/income ratio rose from 64.2 % in 2007 to 77.0 %.

Consolidated balance sheet

Total assets of the Commerzbank Group rose slightly by 1.4 % during 2008 to €625.2bn. On the assets side, claims on banks dropped by 15.0 % to €63.0bn, while claims on customers rose by 0.5 % to €284.8bn. Assets held for trading rose sharply by 21.5 % to €118.6bn, while those held as financial investments fell by 3.6 % to €127.5bn.

On the liabilities side, we increased our liabilities to banks slightly by 2.7 % to €128.5bn. Customer deposits showed a pleasing increase of 6.9 % to €170.2bn, largely due to the higher volume of private customer deposits. Securitized liabilities were down sharply by 19.4 % to €165.8bn. This revaluation reserve will be amortized over the remaining maturity of the financial instruments. Through the reclassification into the category "loans and receivables" at fair value the revaluation reserve is not affected by the future valuation of these assets. Negative fair values attributable to derivative hedging instruments increased significantly by 44.8 % to €21.5bn. Trading liabilities registered disproportionately higher growth than trading assets, increasing by 36.9 % to €96.2bn.

While subordinated liabilities rose by 5.6 % to €10.0bn, profit-sharing certificates dropped by 16.2 % to €1.1bn. The overall figure reported for subordinated capital is 7.2 % higher than that for the previous year. The total figure for hybrid capital, however, fell by 7.5 % to €3.2bn.

Equity now stands at €19.9bn

We increased equity by 23.4 % to €19.9bn in 2008. This was due substantially to the €8.2bn silent participation of the government financial market stabilization fund (SoFFin). Moreover, as a result of a capital increase in September we succeeded in raising subscribed capital by 9.9 % to €1.9bn and the capital reserve by 15.9 % to €6.6bn. The sharp decline in the revaluation reserve from €903m to €–2.2bn was due primarily to the mark-to-market valuation of our fixed-income portfolio. In particular the sharp rise in spreads on sovereign bonds led to a loss of almost €3bn. This was partly counterbalanced by a positive revaluation reserve of €772m on the equity and investment portfolio at the end of 2008. The revaluation reserve was also affected by the reclassifications carried out in the third and fourth quarters in line with the IASB announcement of 13 October 2008. In accordance with this amendment, securities in the Public Finance portfolio for which there is no active market were reclassified from the IAS 39 Available for Sale (AfS) category to the IAS 39 Loans and Receivables (LaR) category. The Bank has the intention and ability to hold these securities for the foreseeable future or until maturity. The fair value at the date of reclassification is recognized as the new carrying amount of these securities holdings. The securities in question were primarily issued by public sector borrowers (including European and North American municipalities) and financial institutions. At the date of reclassification the nominal value of the selected portfolio was €77bn and the fair value €78bn. The revaluation reserve for the reclassified securities after deferred taxes is €–1.1bn compared with €–0.4bn at 31 December 2007. This revaluation reserve will be amortized over the remaining maturity of the financial instruments. Through the reclassification into the category "loans and receivables" at fair value the revaluation reserve is not affected by the future valuation of these assets. The creation of a portfolio valuation allowance results in a one-off effect of €–25m on the income statement for the financial year 2008.

Risk-weighted assets fell by 11.6 % versus the end of 2007 to €207.4bn. The core capital ratio including the market-risk position and the position for operational risk rose sharply from 6.9 % to 10.1 % due to the increased level of equity and the lower risk-weighted assets, while the total capital ratio rose from 10.8 % to 13.9 %.

Summary of 2008 business performance

The deepening financial crisis had a significant impact on the results of the Commerzbank Group in 2008. Nonetheless, we continued to make solid progress in the year under review. Particularly in our core customer-facing segments Private Customers, Mittelstandsbank and Central and Eastern Europe we achieved significant growth both in the number of customers and their deposits. With the takeover of Dresdner Bank we have also laid the basis for further growth in the future.

Our staff

We aim to be the best bank for our customers – and to achieve this, we must also be the best bank for our employees. They are the ones who work with competence, dedication, reliability and a strong focus on service to make Commerzbank's success happen. This is why we are committed to offering our staff an environment where they can identify and develop their skills to optimal advantage. Central Human Resources under the new name Central Human Resources ("ZHR") are responsible for realizing this goal. Human Resources not only has a new name but a new focus. As well as making operational and structural adjustments, it is now concentrating even more on the strategic aspects of HR work. That means we are playing a more active role in shaping the future and the success of our "internal customers". We thus provide more targeted, ongoing support to the Bank's individual divisions but also to each of its employees.

Strategy and advice – supporting the individual and the whole

Promoting internal talent and potential, optimal and efficient processes, and closeness to our staff are decisive factors in the ever changing, complex world of human resources that help us identify and retain the right people to take the Bank forward into the future. HR work that confines itself to a purely administrative focus will not succeed in meeting this challenge. It needs to look ahead and take appropriate action. The aim, more particularly in critical times, is to win new talented people and create an attractive environment for high achievers, so that we can remain successful in the fiercely contended financial services marketplace.

This is a major reason why our HR activities pursue a long-term approach that is in line with the market and employee-driven. This works by interacting closely with the strategies of the individual business lines, which feed directly into our HR policy concepts and instruments. What is important here is the clear separation of strategic from operational tasks, and advice that is professional and specific to the target group. The three units, Executive Support, Management Support and Talent Management, ensure that employees at all levels up to the Board of Managing Directors are successfully cared for in a manner specifically tailored to the target group.

The biggest operational, as well as strategic, challenge for Human Resources in recent months has been without doubt the takeover of Dresdner Bank. We were closely involved in preparations for the integration from the outset, for instance in structuring and identifying candidates for the first and second levels of management at the new Commerzbank. ZHR will again be actively supporting management in 2009 in successfully shaping the integration process in the various divisions and teams. Of crucial importance to the successful integration of the two banks will be the group-wide negotiations with employee representatives on the compensation agreement and social plan. This is a key responsibility of ours as Human Resources.

Especially against the background of the increasingly difficult market environment and the additional workload in the wake of the takeover of Dresdner Bank, we have demanded much of our employees in the past financial year. The more so the Board of Managing Directors found the decision not to pay a bonus for 2008 to management and employees,

Data on Commerzbank's personnel*

	2008	2007	Change in %
Total staff Group[1]	**43,169**	**36,767**	**17.4**
Permanent staff Group[2]	**39,947**	**33,931**	**17.7**
Total staff Parent Bank[1]	**25,655**	**24,803**	**3.4**
including: based abroad	2,211	2,124	4.1
including: trainees	1,483	1,429	3.8
Permanent staff Parent Bank	**23,184**	**22,639**	**2.4**
Share of women	50.0 %	50.5 %	
Length of service	15.0	15.1	
Average age	41.4	41.2	
Staff turnover ratio Parent Bank in Germany	4.3 %	3.7 %	
Percentage of sick	3.6 %	3.5 %	
Percentage of part-time staff	20.7 %	21.2 %	
Total pensioners and surviving dependents	12,585	12,367	1.8

* Actual number employed; [1] including local staff in representative offices and cleaning and kitchen personnel, excluding staff on maternity leave and long-term sick; [2] employees, excluding trainees, junior executive staff, temporary staff, volunteers, cleaning and kitchen personnel, staff on maternity leave and long-term sick.

a difficult one to take. In view of the financial results there was no alternative however. We are presently working on a new remuneration system which will provide adequate incentives even in a difficult market environment, in order to reward the efforts of our employees appropriately and to raise even more the attractiveness of Commerzbank as an employer.

People for tomorrow – Talent Management

Attracting and keeping young people is essential to Commerzbank's ability to thrive in the future. In order to attract the best, ZHR has reorganized its efforts to groom the next generation of professionals by creating a Talent Management unit. As well as being responsible for both recruitment and career management activities, it is also dedicated to implementing and meshing individual career paths – for next-generation recruits as well as the potential high performers in the Commerzbank Group.

Besides attracting and retaining young people with academic qualifications, who are managed well and enabled to develop their skills further, Commerzbank will in future also have a talent pool of specialists, project and management experts. In order to fill vacant positions even better in future, and above all as quickly as possible, the Bank will keep a precise record of all employees' capabilities and potential as well as their goals and career aims. This will enable us to fill internal vacancies systematically and effectively, thereby considerably reducing the number of external recruitments – and hence the induction time needed for new job entrants. At the same time, we will be able to show employees development prospects and career paths that make Commerzbank an attractive employer over the long term. These include the planning of career steps, such as foreign postings, but also ensuring that employees are qualified and trained with a view to a specific function.

Commerzbank proved again in 2008 that it fulfils its social responsibility in the professional training it provides. Over the last few years Commerzbank has continuously raised the number of new trainees employed in the organization from around 600 in 2007 to around 700 in 2008. As at the end of 2008, we employed a total of 1,550 trainees. This brings the ratio of trainees to total staff at Commerzbank to 7.6 % percent, one of the highest among the Dax 30 companies. To provide the best possible basis for ongoing development, we offer young people, in addition to practical training, theory modules, internal training sessions on the job, workshops and online media. Trainees can select from a range of qualifications: in banking, office communications, dialogue marketing, real estate and IT specialists, as well as dual courses leading to a Bachelor's degree run jointly with professional institutes and the Frankfurt School of Finance & Management.

In August 2008, the Bank and the Frankfurt School of Finance & Management jointly launched a comprehensive new programme for an initial professional qualification. This qualification offensive combines the traditional live banking seminars with online training modules, correspondence lessons and personality development sessions. To support their studies, trainees in all vocations receive a notebook with access to the Internet. The training programme is intended to do more than impart knowledge – it also promotes the personal development of career entrants.

Qualified employees – at all levels

Strategic, employee-focussed qualifications and personnel development efforts must seek to marry employee objectives with those of Commerzbank. This means the Bank must offer the right sort of concepts geared to current needs and act in accordance with these principles. But systematic staff development also involves strategic succession planning that meets long-term needs. The processes required for this were designed and set up in 2008.

360 degree feedback has become an established component of staff development for managers: it provides feedback from various groups (e.g. line managers, peers and direct reports), hence from all angles. For members of the Board of Managing Directors, divisional heads and regional board members, this feedback model was first adopted in 2007 and was extended to cover regional branch managers and divisional managers in 2008. This produced a total of 5,000 feedbacks. This demonstrates the willingness of Commerzbank managers to hold a constructive exchange of information on their personal strengths and development areas. This 360 degree feedback plays a decisive role in a modern and successful understanding of leadership and is an important step towards an even better culture of learning and feedback within the Commerzbank Group.

Up until 2008 Commerzbank managers were prepared for their future tasks within the echelons of management. However, the evolving banking world brings with it new challenges for both management and the management culture. This is why ZHR has completely redesigned its management development programmes and its underlying competency model. The new concept is closely tied to the ComMap career stage model and the ComWerte corporate culture values, and is aligned to the demands of the business segments and divisions. The Commerzbank Management Programme (CMP) now no longer comprises three management circles but four qualification programmes attuned to the various management levels. They are based on the competency model and consist of three components: Audit, Development Programme and Professional Programme. Audit determines the potential of a candidate to take on a management position. The Development Programme prepares employees for management functions with specific regard to the respective target group. The Professional Programme provides incumbent managers with special modules for reflection and improvement of their management performance.

ComMap – mapping out clear perspectives

ComMap – a new model for development and compensation in the Commerzbank Group – will in future be used for all employees not covered by collective wage agreements. Employees who are subject to collective wage agreements, but whose function will later take them outside the sphere of collective agreements, also benefit from this transparent and flexible career model. We prepared the ground for this thoroughly in 2008. Since January 2009, employees have precisely defined job requirement criteria to help them understand their individual develop opportunities and to plan their own careers. Assistance is provided for career paths that take employees both upwards as well as sideways, i.e. switches between a career as a specialist, in project work and management. ComMap also helps Commerzbank to enhance careers as specialists or project team leaders as it also creates opportunities to progress to higher organizational levels. This puts a greater value on the work of specialists who want to progress within their core area without taking on management responsibilities. At the same time, the new development model guarantees a market-based level of compensation.

Health management – good for body and soul

Commerzbank's health management sets standards. Its aim is to promote and protect employees' health. Strategic, long-term occupational health management (OHM) is an important investment, producing benefits for both employees and the organization they work for. Commerzbank's OHM is a particularly strong partner in major areas, such as nutrition, mobility and managing stress. The system relies on the involvement of company doctors, social counsellors, psychologists and a host of others.

A major goal in 2008 was to make staff more aware of the extensive services offered by OHM. Together with the service provider, dbgs GesundheitsService GmbH, Commerzbank's health management offers a wide range of services to employees – from personal advice in personal or professional stress situations, stress management seminars, right through to campaigns and activities to promote healthy nutrition.

Another important element was ensuring protection for non-smokers. Works agreements and regulations ensure comprehensive protection for employees in Head Office and in the branches. The "Im Lot" work-life balance project was and remains an important component: the mental and physical burdens and demands within the Bank are analysed and measures designed to reduce them. Two scientific institutes have already carried out extensive research into which factors are potentially linked to health damage. The project will continue in 2009 and help intensify the level of care we provide our staff.

Health should also be a permanent topic in leadership development programmes. In a pilot seminar last year, managers were sensitized to their personal state of health and trained in the issue of "Health and Managing Staff". In future, sport and health will be more strongly linked under occupational health management.

When there is an acute need for support in the form of health management, we aim to ensure that we react more speedily and more efficiently in future. This is the goal of a new concept that systematically records the needs of people and provides support where it is necessary as soon as possible – by means of prevention and assistance if that is what is required.

Employee surveys – providing clear opinions

Commerzbank uses employee surveys to identify the factors that help to raise staff commitment and thereby promote the success of the business. Once a year Commerzbank staff participate in an anonymous survey. Five questions are used to establish attitudes to issues such as employees' commitment to their own area and to the Bank as a whole. Every three years, there is an additional analysis of strengths and weaknesses resulting in measures to create improvements. This survey was conducted again in 2008, but for the first time covering employees throughout the Group. There was a 69 % response rate at Commerzbank AG. This showed a rise in commitment of seven points to 66. This figure for staff commitment puts Commerzbank amongst the world's top companies.

As diverse as human beings – diversity management

The individuality of our staff members enriches our corporate culture and is a major prerequisite for our success. The Bank has demonstrated for over 20 years that it does not just pay lip service to this concept. Evidence of this includes its signing of the Diversity Charter for Companies in Germany. Fairness and openness towards people with different life experiences, life styles and concepts have led to the Bank offering a diversity of work relationships to its employees and providing them with support that often goes well beyond what is required by law and collective bargaining.

Work-life balance is a good example. A host of flexible part-time working models is just one way of contributing to this. In 2008, the number of places in the Frankfurt day care centre "Kids & Co." was increased by 50 to 170. A pilot project for a second day care centre has started in Düsseldorf with "Locomotion Kids". These centres are a major factor in enabling parents to return to work earlier and for longer hours. This is documented by a scientific study on "Kids & Co.", which also shows how valuable the investment in company-sponsored childcare is to parents as well as the Bank. This evaluation also demonstrates diversity management that continuously reviews its work while keeping an eye on the cost-benefit aspect.

Another factor that is important to reconciling work and family life is the support available for the private care of close relatives. A works agreement on the *Pflegezeitgesetz* (Home Care Leave Act) addressed this need with suitable measures last year.

The women's network "Courage" celebrated its tenth anniversary in 2008 while "Arco", the gay and lesbian employee network, participated in street festivals in Berlin and Frankfurt and in the Christopher Street Day. The "Focus on Fathers" network was actively involved in internal and external events on the issue of fatherhood, such as combining work with parental time. The activities of Commerzbank's networks support the idea of diversity and they are an important point of contact for many employees.

A pilot project was started in Berlin offering secondary school leavers with immigrant backgrounds the opportunity to try out an internship. Participants gained practical knowledge of the Bank over several months and prepared themselves for the selection process to enter bank training. This was a great success as most of the participants were taken on as trainees by the Bank.

Demography the overriding issue in all aspects of HR

Demographic change will have a lasting effect on society, the interaction between people and the world in which we work. All of its manifold impacts on all areas of life also significantly influence the strategic direction of our HR work. This becomes particularly clear in the areas of Talent Management, Health Management and Diversity.

HR management needs to recognize the challenges presented by demographic change at an early stage and identify areas for action. This is why we regularly review the demographic structure of our staff, as we can only initiate targeted action where we have a solid basis of information. Our forward-looking and sustainable HR policies ensure that Commerzbank will still be successful in 10, 20 and 50 years.

Attractive as a brand – successful as a market player

HR work can only be successful if it puts people at the centre of all it does. Good HR work that is focused on strategic goals secures Commerzbank's standing as an attractive employer with a commitment to retaining staff who make a substantial contribution to its success with their skills and dedicated effort. ZHR makes sure that this remains the case by developing concepts today for the Bank of tomorrow.

Our thanks go to all those whose trust and constructive collaboration helped to make our HR work successful in 2008: to managers and staff at all levels, works councils, representatives of senior management, spokesmen and -women for the disabled, and youth delegates.

Above all, we are grateful to all our employees who work so hard to ensure the success of our Bank.

Report on post-balance sheet date events

At the beginning of January, the Special Fund Financial Market Stabilization (SoFFin), Allianz and Commerzbank declared their intention to strengthen the capital base of Commerzbank and Dresdner Bank. The aim was to enable Commerzbank to meet the substantial increase in expectations concerning banks' capital adequacy requirements resulting from the worsening financial crisis. SoFFin has undertaken to provide the new Commerzbank with additional equity in the amount of €10bn. This will be done through a further silent participation in the amount of some €8.2bn and the issue of roughly 295 million ordinary shares at a price of €6 per share. After the transaction, the state will hold 25 % plus one share in the new Commerzbank. The Federal Government will clarify the legal details concerning state aid with the EU Commission.

In addition, Allianz strengthened the capital of Dresdner Bank on completing the takeover by purchasing asset-backed securities with a nominal value of €2bn from Dresdner for a price of €1.1bn. Based on Basel II, this reduces the new Commerzbank's risk-weighted assets by €17.5bn. Allianz will also subscribe a silent participation in the amount of €750m.

The closing of the Dresdner Bank takeover took place in mid-January. Under the terms of the transaction, Allianz received around 163.5 million new Commerzbank shares from a capital increase against non-cash contributions. The capital increase which had been approved in August 2008 was entered in the commercial register. This completed the takeover of Dresdner Bank by Commerzbank, which is now the sole shareholder. Ahead of the merger of Dresdner Bank into Commerzbank planned for the spring of 2009, there had already been major changes in Dresdner Bank's Board of Managing Directors in January 2009. While many former members left the Board, six members of Commerzbank's Board of Managing Directors were appointed to it. In particular, Martin Blessing, Chairman of the Commerzbank Board of Managing Directors was appointed Chairman of Dresdner Bank's Board of Managing Directors.

Also in January, Commerzbank placed Germany's first state-guaranteed bond through a banking syndicate. The benchmark bond was for an amount of €5bn and demand in the market was very high. It has a term of three years and a 2.75 % p.a. coupon; the proceeds will be used to fund Commerzbank's lending business.

The difficult sitution on the financial markets led to further burdens on equity capital at Dresdner Bank in the first quarter of 2009. In order to ensure full actionability right up to the merger, Commerzbank will contribute to Dresdner Bank additional capital in the form of a €4bn payment to reserves further to §272 Section 2 Nr. 4 of the German Commercial Code (HGB). There were no other significant business events.

Outlook and opportunities report

Future economic situation

The global economy is likely to grow only slightly at best in 2009. Real gross domestic product in the industrialized nations will shrink by more than it has since the Second World War and emerging markets will also see only very low growth rates compared with recent years. This holds true especially because the adverse effects of the financial market crisis will ease only gradually. The interest rate cuts by central banks in recent months, which will probably be followed by further measures and expansive policy actions, will only positively impact the economy with the usual time lag, towards the end of the year.

Germany too will see a drop in its real gross domestic product this year of 3 % to 4 %, its sharpest fall since the founding of the Federal Republic. Positive effects from the significant interest rate cuts by the ECB, which is likely to drop its key interest rate to 1 % by the spring, are not likely to emerge until 2010. Not even the stimulus programmes introduced by the Federal Government will be able to prevent this deep recession. But they will at least most likely help to stabilize the economy in the second half of the year. The labour market as well is unlikely to escape the downturn unscathed. By the end of the year, the number of unemployed is set to approach four million again.

In the financial markets, US Treasuries and Bunds should initially benefit from the bad economic news. However, today's very high prices are only justified in the kind of dire environment we are currently experiencing, where investors are expecting a long-lasting recession or even a depression which can at least no longer be excluded. If there are increasing signs in the course of the year that this will not materialize, yields on long-term government bonds are likely to rise again sharply. And the increase in the USA is likely to be greater than in the eurozone, which in turn should add to the appreciation of the dollar against the euro.

Real GDP
percentage change on year

	2008	2009	2010
USA	1.1	–2.5	1.8
Eurozone	0.7	–2.5 to –3.0	0.8
Germany	1.3	–3.0 to –4.0	1.0
Central and Eastern Europe	4.4	–1.0	2.8
Poland	4.8	0.0	3.0

Exchange rates
year-end levels respectively

	2008	2009	2010
Euro-Dollar	1.392	1.120	1.120
Euro-Sterling	0.953	0.850	0.800
Euro-Zloty	4.136	4.400	3.300

The figures for 2009 and 2010 are all Commerzbank forecasts

Future situation in the financial industry

The business environment for banks remains acutely critical. Extensive write-downs and selling – often at a loss – have already noticeably reduced the balance sheet risks arising from securitized US real-estate loans. However, the global economy is also cooling off noticeably at the same time. This has a direct effect on the momentum of the German economy given its high reliance on exports. For the banks, this is likely to result in larger defaults on their lendings while a lower level of investment simultaneously depresses demand for loans. In addition, lower securities prices and trading volumes have an adverse effect on commission income.

In the other direction, the extensive support packages for the banking industry will continue to have a positive effect on banks' capital adequacy and so boost their confidence in each other. This should at the same time strengthen the supply of credit to the corporate sector. The state stimulus packages already passed, as well as the assistance for companies outside the banking sector currently under discussion, should also help to limit the extent of the negative impact on the economy and mitigate the increase in loan defaults.

The banking sector is facing a fundamental reorganization. Many banks will have to adopt new strategies and thoroughly rethink and redimension certain business models, especially in investment banking. Many banks will need to comprehensively restructure in order to adjust their costs to lower earnings levels. This will entail more consolidation within the sector, to some extent through the disappearance of smaller banks but, primarily, through mergers. Initially these are likely to be predominantly national but, in the medium term, cross-border deals could play a role. In addition, there will be fundamental changes in banking regulation, with risks entered into being reported in a more transparent way and more stringent capital adequacy requirements for banking business than in the past. This will reinforce the financial sector's ability to withstand crises while limiting growth in risk-weighted assets.

Earnings outlook for the Commerzbank Group

Provisional outlook for major items in the income statement

We expect higher net interest income year-on-year in 2009 as a result of the takeover of Dresdner Bank. An important driver is lending business whereas we assume that on the liablities side, margins will come under more pressure as a result of the current low level of interest rates. Loan loss provisions should increase again in 2009, as the macroeconomic environment has considerably worsened and the recession will significantly push up the level of insolvencies. As a result of the takeover, we expect a rise in net commission income. On a constant basis, excluding the takeover, net interest income would probably be down on the previous year, especially in view of the ongoing turbulence in the financial markets and lower equity valuations. The biggest uncertainty lies by its very nature in the forecast for the trading result. In view of the still extremely high volatility in financial markets and its impact on the valuation of assets, it is not possible to make a well founded forecast at this time. Operating expenses will be higher due to the first-time consolidation of Dresdner Bank. On an unchanged basis, it looks today as if they would be lower than in 2008 despite our growth programmes, since we are pursuing a strict cost management policy. The integration of Dresdner Bank will also produce synergies. In addition, we expect restructuring outlays of around €2bn in 2009 related to the integration of Dresdner Bank. It is not possible to forecast the expected tax rate in view of all the special factors involved.

Financial outlook for the Commerzbank Group

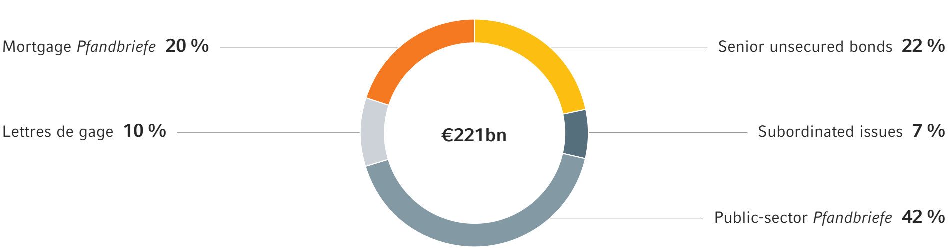
Financing plans

We continue to expect a difficult capital market environment in 2009 with correspondingly high funding costs. Following the takeover of Dresdner Bank, we plan to raise around €20bn in the capital markets in 2009. Of this amount, roughly half will be through secured issues – *Pfandbriefe* and lettres de gage – and half through unsecured issues.

For the unsecured issues, we can also count on the support provided by the Financial Market Stabilization Act/the Special Fund Financial Market Stabilization (SoFFin). Commerzbank has received guarantee commitments of €15bn from SoFFin. The guarantees may be used to issue bonds with maturities of up to three years. In January 2009, Commerzbank issued a three-year bond with a SoFFin guarantee in the amount of €5bn, which was very well received in the market. In addition Commerzbank successfully issued an unguaranteed senior benchmark bond in the capital markets with a volume of €1.5bn and a maturity of 5 years. We have thus already raised half of the funding planned for the whole year from the so-called unsecured segment. The remainder is due to come from private placements, in particular with Commerzbank's institutional and retail customers and, as required, through large-volume bond issues in the institutional market ("benchmarks"). If necessary, more bonds can be issued with a state guarantee.

The equity received by Commerzbank from SoFFin (€16.4bn silent participation and €1.8bn increase in share capital) is available to the Bank for an unlimited period and thus strengthens Commerzbank's long-term funding profile.

Issue profile
as of December 31, 2008



Planned investments

The integration of Dresdner Bank will dominate investment activities over the next few years primarily in the Retail Banking, Mittelstandsbank and Corporates & Markets segments. In 2009, we are planning on investing around €2bn in integrating and structuring a highly competitive and at the same time efficient "New Commerzbank". This will generate annual savings by the year 2012 of up to €2bn when compared with 2008.

Investments by the Bank's various business lines will be closely linked to this programme.

The focus in the Retail Banking segment in 2009 is on merging Commerzbank and Dresdner Bank into the New Commerzbank. The aim is to gradually grow the new bank to become the leading bank for retail customers in Germany. Priority is currently being given to standardizing and developing the product ranges of the two banks and starting to merge the branches. Major investments are planned for migrating the IT infrastructure and in the branches' customer systems. The result after merging the branch networks – which also includes closing and/or amalgamating branches – will be a New Commerzbank which from 2010 will have Germany's strongest branch network under one brand. Implementation of the Branch of the Future project will be taken forward until then. It aims to boost our advisory services and improve the cost efficiency of our branches. Our whole range of services will be consistently directed at meeting our customers' requirements. We are working here on speedily and systematically realizing a uniform market presence for the Commerzbank and Dresdner Bank branch networks. As early as January 2009, i.e. only days after the takeover of Dresdner Bank by Commerzbank, the first joint product was available on the market. We shall continue to invest progressively in this uniform market presence throughout 2009. In direct banking, comdirect bank has started to implement the new complus programme. With complus the direct bank aims to increase the number of its customers by 1 million to 2.3 million by the end of 2013, to raise the customer assets by €20bn and to as a result double pre-tax profits compared to the 2008 result. At the same time successful product strategies will be developed further and the efficient direct banking platform will be used for new concepts in investment advice, pension plan advice and home financings. Products in deposit business will be made available to a broader target group and the market position with respect to above average income households is to be expanded.

In the coming financial year, the Business Segment Mittelstandsbank aims to continue pursuing risk-oriented growth. Part of the investments involved relate to the integration of Dresdner Bank's corporate banking business. Besides optimizing the joint sales structure and building a uniform distribution management system, the focus will be on improving efficiency. We are also planning to continue our sales offensives as part of our growth programme. Having focussed in the past on medium- to large-sized SMEs, we shall mainly be intensifying our efforts to win new customers in the coming year among the smaller *Mittelstand* companies and optimizing our approach to selling to this customer segment. We are also planning in particular to expand our Corporate Finance activities for the *Mittelstand* by designing new and developing existing individual products for a broad range of customers.

In view of the integration of Dresdner Bank, Corporates & Markets is investing in a robust and flexible IT and back-office infrastructure. Only by constantly investing in the appropriate platforms can we guarantee the flexibility, cost-efficiency and ability to control operational risks needed as the basis for a seamless integration, also with a view to serving our customers. In addition, we want to use the eFX and eBond platforms that are well established at Dresdner Bank and provide customers with direct access to online trading, thereby establishing and expanding them in the New Commerzbank. The increased flexibility and presence in this market will be of benefit to our customers.

In equity derivatives, we shall continue setting up the platform for Exchange Traded Funds started in 2008 and intensifying our business in this area.

In Central and Eastern Europe, we shall take advantage of current market conditions to develop operations primarily structurally. The focus at BRE Bank will, besides the reinforcement of business with small and mid-sized companies, be on controlled growth of the mBank business model in Poland, but also in the Czech Republic and Slovakia. mBank exceeded expectations in 2008 in terms of the increase in new customers and deposits. We shall pursue the integration project at Bank Forum and continue to optimize the network of branches and sales outlets.

Liquidity outlook

The main feature of the market in 2008 was volatility. The uncertainty of the markets peaked in the third and fourth quarters triggered by the insolvency of Lehman Brothers. Volatility for virtually all market products rose to new highs, only receding again towards the end of the year following the announcement of government support programmes for the financial sector. The Euribor-Eonia spread reached record levels at the beginning of October 2008 and, although falling, is still above its highs at the beginning and in the middle of 2008. If interest rate levels on the money markets fall as expected, we expect the Euribor-Eonia spread to narrow further in 2009 but still to remain high.

The market for time deposits in the interbank market effectively ground to a halt as a result of the financial market turbulence, with supply and demand in the money market only partially functioning due to the existing uncertainties.

The extensive support measures implemented by central banks have resulted in an improvement at the short end only. Since the beginning of 2009 we have seen a further revival in the money markets, also in longer-term maturities.

We view the current political discussions on reforming the money markets positively, as long as the resulting measures lead to a further recovery in the “free” interbank money market.

The expansion of the list of assets eligible as collateral in Eurosystem credit transactions and the switch by the ECB from variable- to fixed-rate tenders on October 15 put the supply of liquidity to banks on a broader and more secure footing. This substantially improved the banks’ liquidity situation.

Despite the ongoing disruptions in the financial markets, we still do not expect any negative effects on our own liquidity situation – partly because of the strong inflows of customer deposits and adjustments to new business planning.

The assistance obtained from the Special Fund Financial Market Stabilization (SoFFin) further improves the Bank's liquidity situation.

Our detailed liquidity management is based on an internal risk-management model, whose assumptions are constantly monitored and regularly adjusted to prevailing market conditions. Today's stressed market conditions accordingly form the basis for our model. The stress scenarios that we use rest, as a result, on these already stressed market conditions.

The key liquidity ratio according to the standardized approach under the Liquidity Regulation – known until the end of 2007 as Principle II – was constantly maintained throughout the year at a comfortable level between 1.06 and 1.21. The actual figure as at the end of the fourth quarter of 2008 stood at 1.14.

Managing opportunities at Commerzbank

Commerzbank views systematically identifying and taking advantage of opportunities as a core management responsibility. This applies equally to day-to-day competition at an operational level and to identifying the potential for growth or improving efficiency at a strategic level. This way of thinking has led to a three-tier system of managing opportunities at Commerzbank.

1. Central strategic management of opportunities:
   identifying strategic alternative courses of action for the Group as a whole by the Board of Managing Directors and Strategy & Controlling (e.g. developing the portfolio of activities for specific markets and areas of business)

2. Central strategic and operational management of opportunities for the various areas of business:
   defining strategic and operational initiatives for improving growth and efficiency for the various areas of business by those managing them (e.g. developing portfolios of products and customers)

3. Local operational management of opportunities:
   all employees identifying operational opportunities based on customers and transactions (e.g. taking advantage of regional market opportunities and potential for customers)

Regardless of the level at which opportunities for the Group are identified, they will be turned into steps that need to be taken and assessed as part of the annual planning process. The aim here is to further develop the portfolio of the Group's areas of business with a balanced risk/reward profile.

The realization of the opportunities identified and the related strategic and operational measures that need to be taken are the responsibility of the person managing the area of business concerned. Checking the success of such measures is partly carried out with internal controlling and risk controlling instruments and individual agreements on objectives, and partly relies on external assessments (e.g. ratings, results of market research, benchmarking, customer polls, etc.).

Management of opportunities to create innovative solutions for customers is in addition being tied more and more into Commerzbank's corporate culture by means of its internal system of values. Living Commerzbank's values accordingly means taking daily advantage of opportunities for growth.

In addition, Commerzbank has built up an early warning system for issue management within Group Communications. This is where potentially interesting issues that could bring risks as well as opportunities for Commerzbank are identified at an early stage, systematically followed up and passed onto those responsible within the Group.

We have presented the specific opportunities that Commerzbank has uncovered in the sections on the various segments.

General statement on the outlook for the Group

Due to the ongoing severe market turbulence and the extremely volatile general environment in which we operate, it is currently impossible for us to make any well-founded forecasts for the 2009 results. The result for 2009 will however be influenced in particular by the integration of Dresdner Bank, which is likely to be carried out in an environment which continues to be extraordinarily difficult. The integration costs in 2009 should amount to around €2bn.

Given the current dramatic changes in the banking sector in particular, the integration of Dresdner Bank comes at just the right time, since it will help us reach an appropriate cost level once the financial crisis is over and will make our bank even more crisis proof. Alongside the cost synergies, Dresdner Bank will in particular enable us to expand our stable customer business further. However, if the government measures, above all the effects of the interest rate cuts by the ECB, contribute to a recovery in both the German economy as well as in the whole eurozone from 2010 onwards – with Germany potentially set to grow more strongly than the eurozone on the basis of current economic forecasts – the "New Commerzbank" is set to be one of the main beneficiaries.

Risk report 2008

Content

I. Key developments in 2008

Basel II implementation

Commerzbank has reported its capital position under the new Basel II regulations since January 1, 2008. The first official calculation of the capital adequacy requirement for the period ending March 31, 2008 showed the expected reduction in capital required of more than 10 %, despite the first-time application of the capital adequacy requirement for operational risk. This was confirmation that the quality of our credit portfolio has so far been sound.

For Commerzbank however, the primary function of internal rating and control procedures is not to comply with regulatory requirements for certification under the advanced Basel II approach. Rather, these procedures are at the heart of the Bank's credit portfolio management, irrespective of the method of capital adequacy reporting to the regulator. For this reason, previously approved procedures were revised further in 2008, in addition to other parts of our portfolio being approved for the first time. The main aim of these refinements was to achieve more accurate risk forecasts and improve management measures.

One example of this was the upgrading of our overall ratings architecture for corporates. As a result, our new corporates rating system, in place since January 2009, has created a single modular ratings procedure to replace four separate ones for different sizes of corporate customers. The advantages include rolling and consistent valuations that are not based on size, and where ratings do not jump because the size of our corporate customers has changed. Apart from improving discriminatory power, a range of internal and external early-warning indicators have also been implemented. Additionally, our LGD models have been refined in favour of stochastic modelling, rather than a deterministic approach based on collateral realisation rates. This takes account of the fluctuations in recoveries in specific markets and generates recovery rates for a range of collateral cover levels. As a result, there is an incentive to take collateral even where cover exceeds the average recovery rate.

Commerzbank constantly carries out refinements to increase portfolio coverage through modern assessment procedures. We also use improvements from research and development and historic data series to optimize our risk architecture.

Credit portfolio

In the past financial year Commerzbank Group exposure at default (EaD) decreased to €533bn, mainly as a result of a €25bn reduction in Public Finance. It was only in Mittelstandsbank and Central and Eastern Europe that EaD increased, by some €15bn.

Charges against earnings arising from default risks

After setting aside net loan loss provisions of €479m in 2007, the lowest percentage for two decades, we had to more than treble them in 2008 to €1,855m. This rise was due primarily to extraordinary charges caused by the financial crisis (€573m), Commercial Real Estate

(CRE) foreign commitments (€453m) and charges arising from the Bank's ABS portfolio (€101m). The other charges relating to lending totalled €728m and were in line with our expectations.

The subject of impairments on fixed-income products was not a major factor until 2007, when we had to recognize impairments of almost €700m on sub-prime assets. The financial crisis meant that in 2008 we had to absorb impairments through net investment income and net trading income. Available-for-sale holdings were hit by €1,059m (of which some €900m from the ABS portfolio), and trading portfolios, including ABS tranches, by €246m.

The net result of the market-related stress was that charges against earnings arising from default risks almost trebled from €1.16bn in 2007 to €3.16bn in 2008. We exceeded the forecast of €2.8bn made at the time of our third quarter results by 10 %.

Default portfolio

The negative environment also impacted on the default portfolio in loans and receivables (LaR). At Group level, the volume rose from €11.3bn at the end of 2007 to €12.6bn at the end of December 2008. Half of the high €6.5bn inflow, or €3.0bn, was attributable to Commercial Real Estate. The successful workout was reflected in an outflow of €5.1bn and an intensive care contribution to earnings of €280m – still good, despite being halved.

Financial Institutions

After the massive upheaval in the third quarter culminating in the failures of Lehman Brothers and the Icelandic banks and the nationalization of Fannie Mae, Freddie Mac and AIG, the situation for large financial institutions began to stabilize in the fourth quarter thanks to massive state bail-outs.

In spite of early identification and reduction of critical parts of portfolios, we were unable to avoid being affected by the failures of Lehman Brothers and Washington Mutual and the division of the Icelandic banks into "Good and Bad Banks." Although we have reduced our Iceland portfolio by half since 2006, the risks could not be eliminated entirely as markets became more difficult. In the case of Lehman Brothers we were encouraged by the US Treasury Department's rescue of Bear Stearns and for too long shared the market's mistaken belief that Lehman was "too big to fail."

Market risk / revaluation reserve

From a market risk perspective too, 2008 was characterized by turbulence on the financial markets, which increased as the year progressed and came to a head in September with the collapse of Lehman Brothers. In the months that followed the crisis intensified, with credit spreads strongly expanding in all asset classes. After risk premiums rose extremely sharply for financial and corporate bonds, spreads also widened significantly on government bonds (e.g. Greece, Italy, US municipal bonds, recently Japan too). Overall, developments in 2008 led to a significant rise in all relevant risk indicators due to much increased market volatility in all major asset classes, which we were unable to satisfactorily counteract by reducing exposure because of a lack of market liquidity.

As the Bank has a large Public Finance banking book, the revaluation reserve for fixed-income instruments in particular was hard hit to the extent of €2.3bn due to the current market conditions. As a result, the overall revaluation reserve reported a €2.2bn deficit at the end of December 2008, representing a drain on the Bank's reported equity.

Liquidity risks

The situation on the money and capital markets has worsened considerably from the onset of the subprime crisis to the current systemic financial crisis following the bankruptcy of Lehman Brothers. Time deposits are hardly traded on the interbank market, the market for issues practically came to a standstill during the reporting period, Euribor/Eonia spreads have widened sharply, and much smaller volumes are being traded on the equity repo markets. Commerzbank took a string of measures to counteract this situation. The inflow of customer deposits, the ongoing reduction of assets for cash, and efforts to use assets more efficiently to manage the liquidity situation by providing collateral to the ECB are already compensating for the lack of funding from long-term time deposits on the interbank market. The liquidity situation improved when the Bank received the first tranche of SoFFin capital, amounting to €8.2bn, and guarantees of €15bn for refinancing.

Operational risks

The financial industry's OpRisk events available in the ORX database show that periods of extreme market volatility are much more likely to result in major losses due to weaknesses in control processes, an inadequate management overview or fraudulent activities. We therefore focused on monitoring and continually improving control processes in investment banking and implemented measures to limit further the remaining residual risk of human error or fraudulent actions. In 2008, charges against earnings for operational risk and litigation provisions fell to €101m, compared with €140m in 2007.

Due diligence on Dresdner Bank

The due diligence process for the takeover of Dresdner Bank lasted around nine weeks and was completed by the end of August 2008. Our risk management area took a clearly structured and risk-oriented approach to auditing Dresdner Bank's portfolios: with a due diligence team of 60 staff from the risk function and the help of auditors, the relevant portfolios were analyzed and evaluated for their inherent risks. In the sub-segments, this involved drilling down to individual credit commitments or underlying assets using the look-through approach. We also methodically audited various systems, e.g. for setting aside provision for possible loan losses (risk provision) or calculating expected loss. The specific focus of our analysis was to audit and evaluate structured finance, such as asset backed securities, conduits / SIVs, leveraged acquisition finance and other DKIB portfolios.

As a result, we estimated that for the second half of 2008 charges against earnings from the Dresdner Bank sub-group would be €2.2bn in the most realistic case and €4.1bn in the downside case. In fact, Dresdner Bank lost €4.7bn following the collapse of Lehman Brothers, i.e. the figure was even higher than our downside estimate. If we strip out the American and Icelandic banks – risks that we did not see as such at that time – then, without exception, the losses came from the portfolios we had classified as critical. Following the bankruptcy of Lehman Brothers, our forecasts for 2009 have moved towards the downside case.

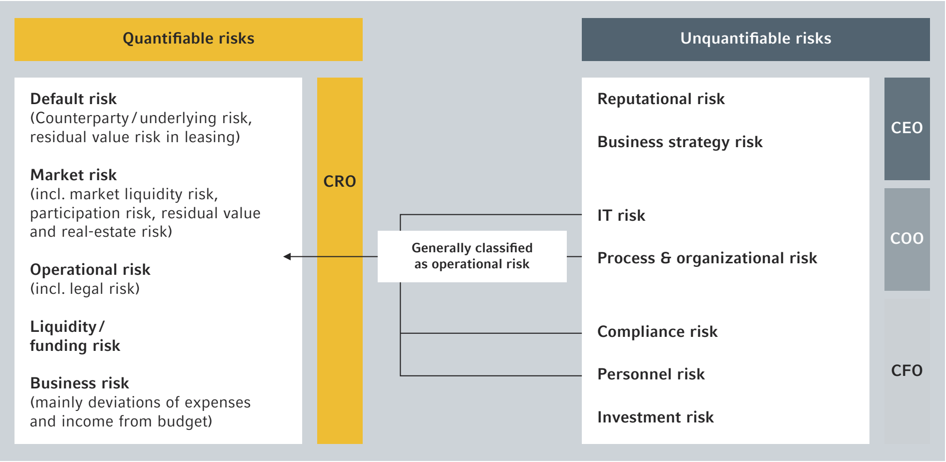
II. Risk-oriented overall bank management

1) Risk management organization

The financial market crisis once again demonstrated that the professional limitation and management of banking risks are critical factors in our business success. Essential prerequisites for successful risk management are identification of all significant risks and risk drivers, independent measurement and assessment of these risks against the background of changing macroeconomic and portfolio-specific conditions, and risk / return-oriented management of risks on the basis of these results and assessments as part of a forward-looking risk strategy. We have made considerable progress in this area in the past few years, which should pay off in the dramatically deteriorating environment.

Commerzbank defines risk as the danger of possible losses or profits foregone due to internal or external factors. Risk management distinguishes between quantifiable risks – those for which a value can normally be given in annual financial statements or in capital backing – and unquantifiable risks such as reputational and compliance risks.

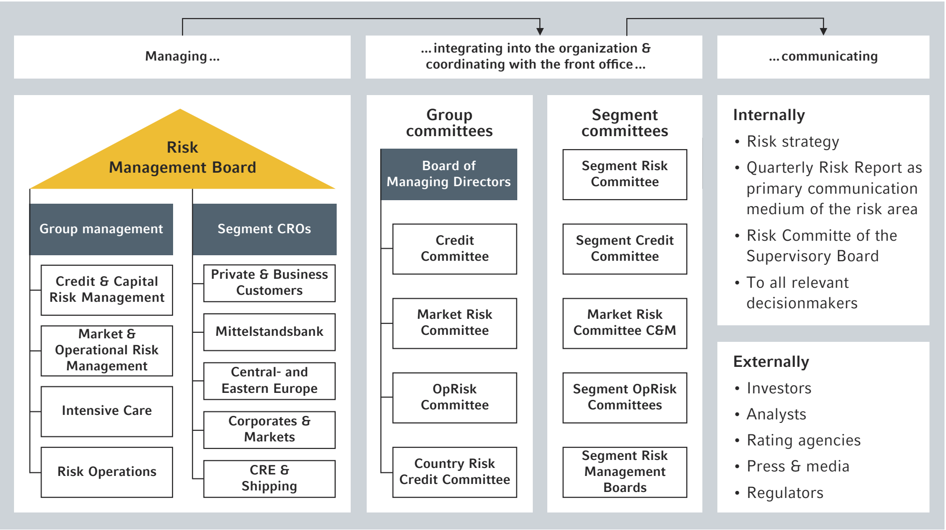
Commerzbank's Board of Managing Directors defines risk policy guidelines as part of its established overall strategy for the Commerzbank Group which is reviewed annually (= business and risk strategy, strategic operating conditions for the Group, segments and business areas). The Group's risk strategy consists of various sub-strategies for the main categories of risk. The integration of business and risk strategies is achieved through key parameters (e.g. regulatory and economic capital backing, exposure at default, expected loss, charges against earnings) which ensure that Commerzbank Group's strategic orientation is in line with its risk management system.



The Chief Risk Officer (CRO) is responsible for quantifiable risks and for implementing the risk policy guidelines established by the Board of Managing Directors throughout Commerzbank Group. The CRO regularly reports to the full Board of Managing Directors and the Risk Committee of the Supervisory Board on the overall risk situation within Commerzbank Group. In addition to responsibility for risk control, the CRO is also responsible for the back office units and therefore for ensuring that lending is approved by two loan officers. The segment CROs are members of the relevant segment's Board of Directors but also have a reporting line to the Group CRO for technical and hierarchical purposes.

The segment CROs, together with the Group CRO and the heads of the risk function within Group management, make up the Risk Management Board; as part of the new Group organization, this board is responsible for timely reporting, cost-effective and proactive risk controlling and management, a uniform risk culture and compliance with regulatory provisions.

The new segmental risk committees are charged with significant tasks in segment-specific risk management and portfolio-oriented monitoring from the risk / return perspective (portfolio batches) and management (sub-portfolio limits, stress scenarios). As a high degree of independence is sought for the segments, the segmental risk committees carry out the Group's supervisory role for the segments.



The Board of Managing Directors has established specific committees to carry out operational implementation of risk management. These committees act within delegated authority and assist the Board in making decisions on risk-related issues. They represent both front office and risk control perspectives, but under the German Minimum Requirements for the Risk Management of Credit Institutions (MaRisk) the risk control side cannot be outvoted.

2) Capital management under Basel II

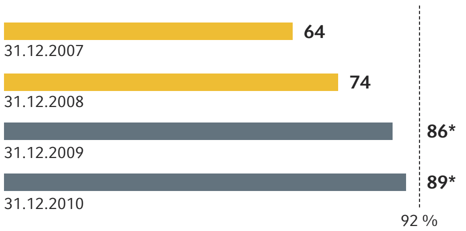
The new regulations under the Basel II Framework on capital adequacy requirements for financial institutions have been in force since January 1, 2008. The rules are based on three overall pillars.

- The first pillar covers the minimum capital adequacy requirements for credit, market and operational risk,
- The second pillar concerns the monitoring process by the banking authorities of the adequacy of the capital base (risk-taking capability) and risk management,
- The third pillar stipulates the disclosure requirements in the form of extended transparency rules.

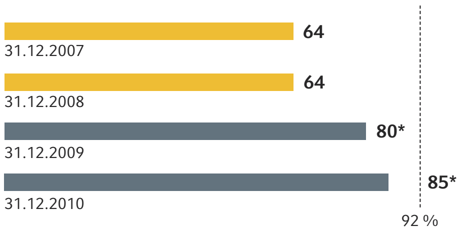
Pillar 1

The new Pillar 1 provisions implemented in Germany in the Solvency Regulation (SolvV) include allowing statistical projection models to be applied for calculating the capital adequacy requirement. On the balance sheet date, Commerzbank reported three-quarters of its credit portfolio using the Advanced Internal Rating Based (AIRB) procedure and received the relevant authorization from the supervisory authorities. This means that for these loans and receivables the internal credit rating plus internal estimates of collateral proceeds are what determines the regulatory capital requirement. For loans and receivables that are not covered by the procedures approved by the supervisory authorities for the AIRB approach the Basel standardized approach for credit risk applies, under which fixed risk weightings are used, based primarily on external estimates of the borrower's credit rating.

EaD Coverage for Group (%)



RWA Coverage for Group (%)



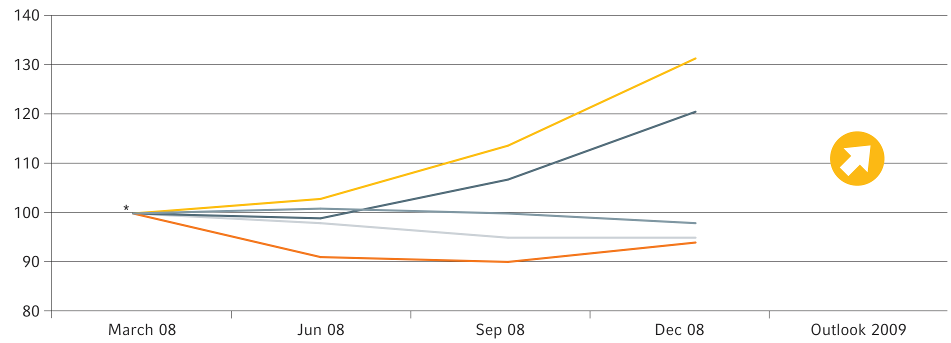
*planned
92 % AIRB has to be achieved by 2012 in accordance with SolvV

Apart from the revised regulations on credit risk, operational risks also had to be taken into account for the first time under Basel II, for which Commerzbank uses the advanced AMA approach (see section VI).

The first official calculation of the capital adequacy requirement on March 31, 2008 produced the expected reduction in the capital requirement of more than 10 %. Despite the first-time application of capital adequacy requirements for operational risk, this confirmed our expectations of the quality of our credit portfolio. Nonetheless, using the risk-sensitive

AIRB approach meant that as the financial crisis worsened over the year the capital requirement for credit risk increased. The first procyclical effects could already be seen by the end of June in large corporates and banks, asset classes that are closely involved with the capital markets. By year-end, the amount of capital committed to Mittelstand business had also grown.

Capital commitment by customer group
in %



Banks Large customers Mittelstand Private customers
International customers

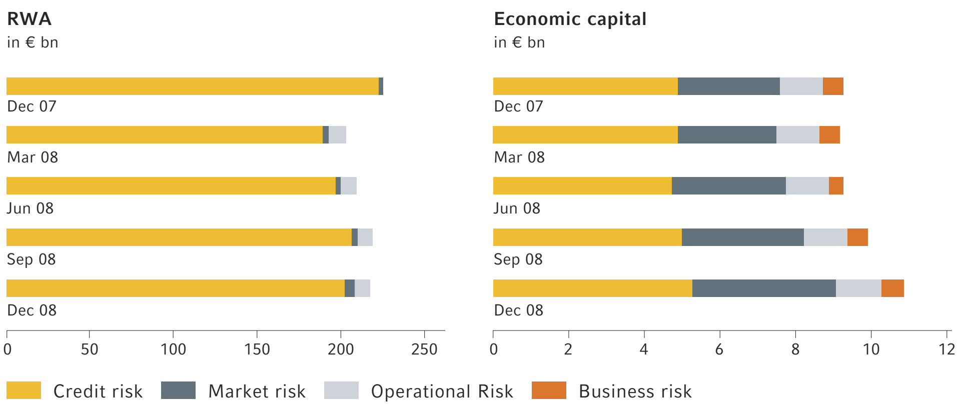
* Further to Basel II

For 2009 we expect economic conditions to significantly sharpen the procyclical effect of Basel II, primarily in Eastern Europe, in Commercial Real Estate (including the shipping portfolio) and in the Mittelstandsbank. As a result, the initial savings in terms of regulatory capital are likely to be more than outweighed, affecting the capital base; GLLPs are also procyclical. The challenge for the regulator is to find suitable measures to prevent these procyclical effects accentuating the economic downturn by creating a "credit crunch."

Pillar 2

The provisions of Pillar 2 have been primarily implemented in Germany in the form of the Minimum Requirements for the Risk Management of Credit Institutions (MaRisk). These relate mainly to securing risk-taking capability and structuring risk strategy and the relevant processes involved.

Commerzbank monitors risk-taking capability using the economic capital model. Apart from the risks in the first pillar, these cover all other risks relevant to Commerzbank that can be measured with this concept, such as interest rate risk in the banking book, risk from equity investment stakes, real estate risk, market liquidity risk and business risk. Furthermore, sectoral and regional concentrations and diversification effects of credit risk plus all dependencies between the individual risk categories are modelled. Commerzbank also quantifies refinancing risk, focusing on securing cash liquidity rather than cushioning losses with equity capital. As a result, this is not part of the economic capital concept. See section IV.2 for further details. Unquantifiable risks are subjected to strict qualitative monitoring in compliance with Pillar II of the Basel Accord and MaRisk. The 99.95 % confidence level we use in the economic model exceeds the 99.90 % specified in Pillar 1. A buffer is also required that is quantified using macroeconomic stress tests. The economic capital requirement thus produced is then compared with the capital available to cover risk.



In comparing the results of the external model (Pillar 1) with the capital requirements under the internal model (Pillar 2), we see a basically comparable trend since March 2008, but it is clear that the external model quantifies market risk as being much lower. We see the market's higher expectations of core capital for banks as a corrective to this incentivization. We will continue to keep a close eye on necessary developments in the external requirements for all types of risk.

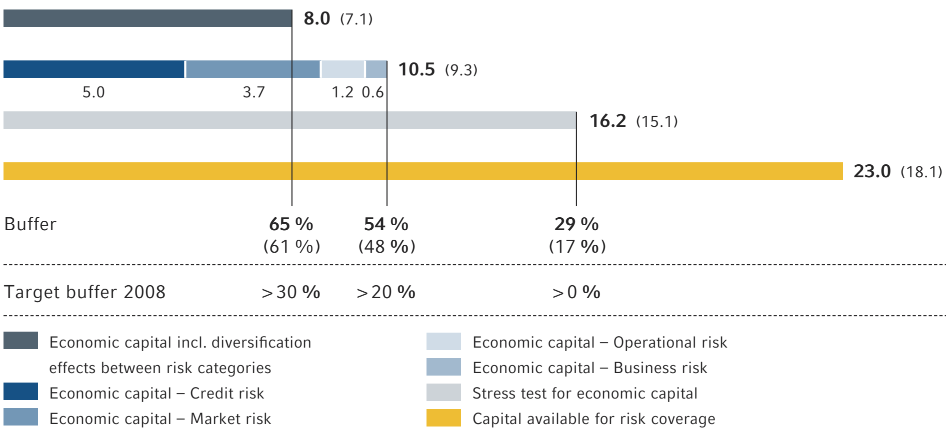
The 2008 risk strategy sets the following target ranges for risk-taking capability. Capital available to cover risk must

a) exceed economic capital by at least 30 %,
b) exceed economic capital assuming all risk categories are fully correlated, by at least 20 %
c) be sufficient to cover economic capital assuming all risk categories are fully correlated, even in the macroeconomic worst-case stress scenario for all risk categories.

The correlation between risk categories seen in normal market phases intensifies in crisis situations, therefore full correlation is deemed to be the most conservative assumption in cases (b) and (c). The worst-case scenario additionally assumes consistent negative economic and market trends for all risk categories, with the associated effects on the relevant risk drivers and parameters.

The capital requirement rose as the year progressed due to worsening parameters and economic forecasts. At the same time, capital available to cover risk fell due to lower income and demands on capital reserves. The unpredictability of the length and extent of the impending economic downturn prompted us to introduce measures to limit and reduce risk as well as strengthen capital available to cover risk by increasing capital and accepting €8.2bn from SoFFin. As a result of these measures, there was an adequate buffer for all three parameters in December 2008, which was still higher than the prior year figure. This meant that the internal limits for risk-taking capability were clearly met.

Risk-taking capability for the Commerzbank Group
in € bn as per December 2008

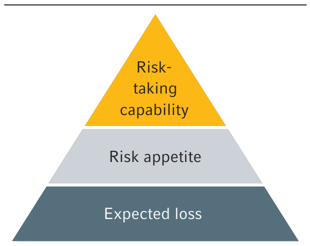


Values in parentheses: December 2007

Pillar 3
The disclosure requirements relate to capital adequacy, risk strategy, and the qualitative and quantitative reporting of risks incurred. Commerzbank is complying with the extended disclosure provisions of SolvV using a separate disclosure report that will be published on the Bank's website for the first time in April 2009 for the year ending December 31, 2008.

3) Risk strategy, risk appetite and operationalization

On the basis of an analysis of its risk-taking capability and its business strategy, Commerzbank defines guidelines and limits for exposure to risk positions as part of its overall risk strategy. In addition to limiting risk and capital consumption, segment management targets are set for minimum returns, maximum use of the Bank's refinancing, and risk appetite, according to profitability. As well as limiting risk, the risk strategy is also used in particular to optimize the risk / reward ratio over the medium term, i. e. strategic asset allocation within the Group and management of correlation and concentration risks across risk categories.



Although compliance with risk-bearing capability is the high-level objective for securing the Bank's continued existence, even under crisis scenarios (the "going concern" principle), it does not replace targeted management of the risk and return profile. Risk appetite is limited at Commerzbank by the requirement that the return before risk should cover the loss stemming from the risk content of our portfolio, as stressed at the 80 % confidence level, as well as the cost of capital. In other words, even in financial years with losses, which only usually occur every five years, our risk positioning should be such that we are at least able to earn the cost of capital. This is how the Bank secures medium-term profitability. For the 2008 financial year however, it became clear that our portfolios were in a serious stress range because of market conditions, in that total charges against earnings of €3.2bn even exceeded the €2.7bn figure for the 5-year stress. A lesson learned from the financial market crisis is that greater account must now be taken of the volatility in charges against earnings in business strategy and portfolio positioning.

The overall risk strategy is broken down in the form of sub-risk strategies for individual types of risk. At segmental level, both expected loss limits (see section III.1) and market risk limits (see section IV) are defined for the operationalization of risk appetite. The aim of the limit process is for operational guidelines to be drawn up in such a way that the segments move in the direction strategically required by the whole Bank with a maximum acceptable degree of freedom.

4) Credit authorities

As part of integration preparations, we also revised our authority regulations and introduced them into the new Commerzbank on February 1, 2009. The specific focus here was to create a close link between credit authorities, lending policy and credit risk strategy. For the first time in 2009 as part of credit policy, we clearly defined for every segment those transactions which are desired ("in policy"), those which require higher authority and are for individual cases only ("exceptions to policy), and those which are not desired ("out of policy") and may therefore only be carried out with the approval of the Board of Managing Directors. This naturally involved setting up clear escalation guidelines for any exceptions to policy. In future we will couple authority levels with the PD rating, which will speed up reactions to changes in client creditworthiness. We are sticking with the current all-in concept for the commitment amount for the time being. However, we are looking to gradually place the focus more on uncovered risk by taking account of the collateral applicable under Basel II in determining authority. With the takeover of Dresdner Bank we have not significantly extended authority levels for the time being due to market conditions.

Authority cluster based on Commerzbank's PD rating | in € m	**1.0 – 1.8**	**2.0 – 2.8**	**3.0 – 3.8**	**4.0 – 4.8**	**5.0 – 5.8**	**6.0 – 6.5**	**New problem loans**
Board of Managing Directors	> 1,000	> 800	> 600	> 400	> 400	> 400	> 100
Credit Committee	1,000	800	600	400	400	400	100
Segment credit committee – Corporates & Markets – Mittelstandsbank – CRE / Shipping	600	400	200	100	50		
Segment credit committee – CEE Corporates	300	200	100	50	20		
Segment credit committee – Private Customers – CEE Private Customers	100	50	30	20	10		
Segment credit committee – Intensive Care	600	400	200	200	100	100	50

5) Risk communication

The most important medium for describing risks within the Commerzbank Group is the internal quarterly risk report or QRR, which gives a detailed overview of the Group's quantifiable risks and forms the basis for reporting to the Board of Managing Directors and the Risk Committee of the Supervisory Board.

Externally our aim is to create trust among the public and private and institutional investors through our policy of transparency and openness regarding risk issues. Since the 2008 interim report, we have therefore greatly expanded our presentations of the Bank's ABS portfolios in line with the recommendations issued by the Financial Stability Forum (FSF) and the Senior Supervisory Group (SSG). In addition, the requirements for disclosing risk ratios became more stringent in 2008 as the result of the new Solvency Regulations (SolvV), which have now taken effect in Germany.

III. Default risk

In credit risk management we have systematically implemented the Basel II parameters. In addition to efficient rating systems, this involves a firmly established, common and uniform standardized understanding of the risk situation, or credit culture. We maintain this culture through a comprehensive training and continuing education program and review portfolio status and migration in regular asset quality reviews.

Rating systems

A good scoring or rating process is characterized by adequate discriminatory power, which means that the methods used must differentiate reliably between "good" and "bad" clients in terms of the Gini coefficient. The results of our scoring or rating processes are the future probability of default (or PD) of our borrowers.

Beyond the default risk rating, correctly assessing the severity of the loss (loss given default, or LGD) is essential for reliable and integrated risk assessment. The loss given default is primarily determined by the expected proceeds from collateral and unsecured loan components and by the outstanding loan amount on the default date (exposure at default, EaD).

Finally, combining the above components yields an assessment of the risk of loss or the expected loss (EL = EaD*PD*LGD) and the loss density or risk density (EL in bp of EaD), which is the ratio of EL to EaD. Both the percentage probability of borrower default (client rating) and the risk density of a loan commitment (credit rating) are assigned to rating classes by using an internal master scale.

The group-wide use of uniform rating processes for each asset class is ensured by Commerzbank's "single point of methodology" rating landscape. This uniform process architecture not only facilitates risk management and monitoring, it also prevents rating arbitrage within the Commerzbank Group.

Credit risk management

Under Basel II, the starting point for monitoring and managing default risks is exposure at default (EaD). EaD produces a standardized measure of value for default risk. All products (including letters of credit, open committed lines, derivatives, etc.) are converted to the default risk of a cash loan based on individual credit conversion factors or CCFs (e. g. undrawn externally committed lines at approx. 50 %). Uncertainty about utilization of contingent liabilities is thus treated conservatively. In order to improve credit quality and reduce credit risk, Commerzbank holds collateral in the form of real estate, financial assets, transfers of title and pledges, which are subject to regular reviews of market value. To calculate the reduction in credit risk collateral-specific discounts are applied, estimated on the basis of historical realisation data and statistical models reviewed by regulatory authorities. Guarantees, warranties and hedging in the form of credit derivatives are also taken into account. For internal control purposes, EaD also represents the best estimate of the maximum credit risk position under IFRS.

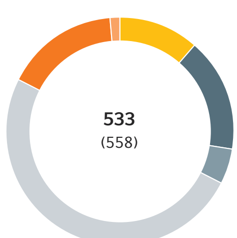
The expected loss on the Bank's EaD thus yields the default risk based on uniform standards, regardless of whether the default is later booked as a loan loss provision, impairment or trading loss. Whereas charges against earnings for the trading book are determined on a daily basis by mark-to-market valuation (or mark-to-index or mark-to-model, if there are no market prices) and are included directly in net trading income, the measurement of banking book positions is a function of whether the positions are booked as loans and receivables (LaR) or available-for-sale (AfS). Provisions for possible loan losses are made in the case of LaR, but with AfS positions balance sheet measurement is more complex. If the impairment in value as indicated by market prices or indices is only temporary in nature, then it is booked to the revaluation reserve as a deduction. However, if the impairment in value is classified as permanent then the position must be impaired. Unlike deductions from the revaluation reserve, impaired market values or index losses have a direct impact on the income statement.

Aside from the absolute limitation of the expected loss through EL limits, credit quality is guaranteed through orientation values for risk density. Furthermore, unexpected losses, bulk risks and concentrations of credit risks are measured and actively managed using an internal credit VaR model. All the above management parameters are part of the credit process, particularly the credit authority regulations.

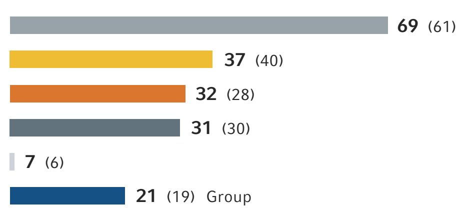
Independent risk controlling reports monthly through the credit monitor to the Credit Committee and Board of Managing Directors on the utilization of limits and changes in default risk. As part of the credit monitor, risk controlling regularly formulates recommended actions and proposed decisions to secure the required target risk structure for the portfolio.

1) Commerzbank Group

Exposure at Default – Breakdown
in € bn as of December 2008



Risk density (Trading and banking book)
in bp as of December 2008



61 (62) Private and Business Customers
86 (80) Mittelstandsbank
27 (19) Central- and Eastern Europe
267 (301) Corporates & Markets (incl. PF&T)
86 (86) Commercial Real Estate
6 (10) Others and Consolidation

Values in parentheses: December 2007

The EaD figures relate to the trading and banking book without the default portfolio (see III.7). In the past year, we reduced the Group portfolio by €25bn to €533bn which was much greater than originally planned. While the focus of the reduction was on Corporates & Markets, specifically Public Finance, we were also able to successfully grow Mittelstandsbank and CEE and increase the EaD by around €15bn. The Group's EL of €1,145m on the reporting date was within the EL limit of €1,160m. Despite the poor operating conditions, risk density only rose by 2 bp. At the 2008 year-end we marginally exceeded the EL limit for Central and Eastern Europe (CEE) and Corporates & Markets. While the Corporates & Markets breach was primarily due to lower risk density, a key factor in CEE was also the volume dynamic, but we systematically slowed this effect because of the market conditions. The change in EaD, EL and risk density by segment (including the trading book, but excluding the default portfolio) was as follows:

As of 31.12.	Exposure at Default in € bn		Risk Density in bp		Expected Loss in € m		EL Limit in € m	
	2008	2007	2008	2007	2008	2007	2008	2007
Private and Business Customers	61	62	37	40	227	246	247	241
Mittelstandsbank	86	80	31	30	268	241	281	241
Central and Eastern Europe	27	19	69	61	185	117	167	127
Corporates & Markets	267	301	7	6	187	191	175	201
Commercial Real Estate	86	86	32	28	274	239	280	260
Others and Consolidation	6	10	7	13	4	13	10	10
Group	**533**	**558**	**21**	**19**	**1,145**	**1,047**	**1,160**	**1,080**

2007 figures adjusted to current structure; see also segment report in the notes to the financial statements

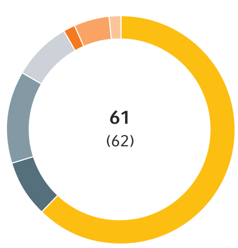
The table below shows for the first time the Group portfolio's credit quality at segment level by IFRS categories. The loans and receivables (LaR) and fair value option (FVO) categories are reported as utilization or market values; we show the EaD in the available-for-sale (AfS) and held-for-trading (HfT) categories. We took advantage in 2008 of the option to recategorize securities from AfS to LaR, which largely explains the change within these two categories.

in € bn		1.0 – 1.8 2007	1.0 – 1.8 2008	2.0 – 2.8 2007	2.0 – 2.8 2008	3.0 – 3.8 2007	3.0 – 3.8 2008	4.0 – 4.8 2007	4.0 – 4.8 2008	5.0 – 5.8 2007	5.0 – 5.8 2008	NR 2007	NR 2008	Total 2007	Total 2008
Private and Business Customers	AfS	2.1	1.4	0.1	0.1	–	0.1	–	–	< 0.1	–	–	< 0.1	2.2	1.6
	LaR	0.6	1.2	35.0	36.7	10.9	9.7	3.7	3.0	2.2	2.2	0.5	0.3	52.9	53.1
	HfT	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	–	< 0.1	< 0.1	< 0.1
Mittelstandsbank	AfS	–0.1	0.4	0.2	0.2	< 0.1	0.5	< 0.1	–	–	< 0.1	–	–	0.1	1.2
	LaR	23.0	14.0	25.5	37.0	15.7	17.7	4.7	4.6	3.3	4.8	0.5	0.4	72.7	78.5
	HfT	1.9	0.5	1.5	1.5	0.4	0.7	0.1	0.1	0.1	0.1	< 0.1	< 0.1	4.0	2.9
Central and Eastern Europe	AfS	–	–	0.1	0.1	0.1	< 0.1	–	< 0.1	–	–	–	–	0.1	0.2
	LaR	1.7	1.9	9.5	13.1	4.7	6.5	2.4	2.6	0.2	0.3	0.1	0.1	18.6	24.5
	HfT	0.2	0.1	0.1	0.1	< 0.1	0.1	< 0.1	< 0.1	–	< 0.1	–	< 0.1	0.3	0.2
Corporates & Markets	AfS	133.6	18.0	10.7	4.7	1.1	0.5	0.2	0.1	0.5	< 0.1	0.3	0.3	146.3	23.6
	LaR	59.4	142.3	22.2	23.8	8.5	7.1	0.9	2.6	1.2	1.6	0.5	0.2	92.6	177.7
	HfT	41.9	37.7	8.4	9.3	2.3	7.7	0.1	0.3	0.4	0.2	0.2	1.0	53.3	56.2
	FVO	0.4	0.2	1.3	1.4	1.2	1.7	0.4	0.7	–	0.1	–	–	3.3	4.1
Commercial Real Estate	LaR	15.1	13.6	38.6	40.3	13.4	17.1	3.1	4.2	0.6	0.5	< 0.1	< 0.1	70.9	75.6
	HfT	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	–	–	< 0.1	–	< 0.1	< 0.1
Others and Consolidation	AfS	3.0	2.1	0.6	0.1	< 0.1	< 0.1	–	–	–	–	1.4	0.2	5.0	2.4
	LaR	2.0	1.6	0.6	0.5	0.2	0.2	0.3	< 0.1	0.2	< 0.1	0.1	0.1	3.4	2.4
	HfT	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	–	–	–	–	< 0.1	< 0.1	< 0.1	< 0.1
Group*	AfS	138.6	22.0	11.6	5.2	1.2	1.1	0.2	0.1	0.5	0.1	1.7	0.6	153.8	29.0
	LaR	101.7	174.6	131.4	151.5	53.3	58.3	15.1	17.0	7.8	9.4	1.8	1.1	311.1	411.9
	HfT	44.0	38.3	10.0	10.9	2.7	8.4	0.3	0.4	0.4	0.3	0.2	1.0	57.6	59.4
	FVO	0.4	0.2	1.3	1.4	1.2	1.7	0.4	0.7	–	0.1	–	–	3.3	4.1
	Total	284.7	235.1	154.3	169.0	58.4	69.6	16.0	18.3	8.7	9.8	3.7	2.7	525.8	504.4

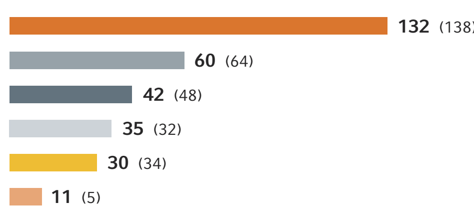
*Not included in the table are subsidiaries CommerzReal, CB Schweiz, CCR and Bank Forum; further differences compared to the previous table are due to the presentation of utilization for LaR and market values for FVO

2) Private and Business Customers

Exposure at Default – Breakdown
in € bn as of December 2008



Risk density*
in bp as of December 2008



- **38** (37) Residential mortgage loans
- **5** (6) Investment properties
- **8** (9) Individual loans
- **5** (5) Consumer loans
- **1** (1) Installment loans
- **3** (3) comdirect
- **<1** (1) Other

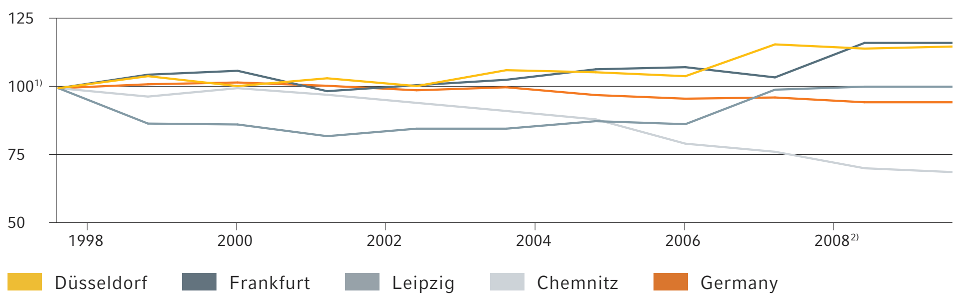
Values in parentheses: December 2007
*Private and Business Customers 37 (40) bp

In the past year we integrated the relevant portion of the loan portfolio of Hypothekenbank in Essen into the Private and Business Customers segment. This inflow to the non-defaulted portfolio, some €5bn EaD, partially reversed the scheduled reduction in holdings.

Given that we are maintaining our strict risk / return-oriented focus on value-creation in new business based on the AIRB capital commitment, we expect another reduction in the portfolio in 2009.

By systematically focusing on responsibilities in Private Customer risk management and fully utilizing an automated and powerful risk classification procedure for new and current business, the expected loss in the banking book at the end of 2008 was kept significantly below the €247m EL limit at €227m. The change in risk provisions was very pleasing, as they not only fell by €77m to stand at €163m net, but were also well below the 2008 expected loss. Because of systematic derisking measures, the risk density in the non-defaulted portfolio improved in the reporting period from 40 bp to 37 bp, principally in the largest "private real estate funding" sub-portfolio, through the inclusion of the Essen Hyp real estate portfolio, which was heavily weighted towards loans secured on first mortgages. As a result of the worsening market conditions, we expect risk density to rise to 40 bp again in 2009, pushing up the expected loss and risk provisions in the segment too.

Price trend single family homes

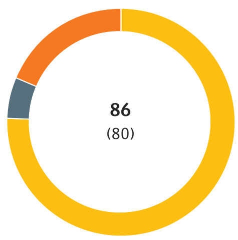


[1] 1998 = Index 100
[2] Forecast

Apart from risk and business-aware management of the current financial crisis, the main challenge in 2009 for Private Customer risk management will be to successfully consolidate the Commerzbank and Dresdner Bank retail portfolios under a uniform credit risk strategy. Because of the market conditions, we see risks primarily in unsecured business customer commitments, less in mortgages to individuals. Unlike some foreign markets, where prices tend to be overinflated, prices for single family houses in Germany have actually been falling since 2003. We therefore see a good buffer in the collateral position of mortgages to private individuals for the PD risks that are rising again due to higher unemployment. Our early detection has been greatly improved through the CORES scoring of behaviour that was applied to all portfolio components in 2008.

3) Mittelstandsbank

Exposure at Default – Breakdown
in € bn as of December 2008



65 (57) Germany
5 (4) Asia
16 (19) Financial Institutions

Risk density*
in bp as of December 2008

Values in parentheses: December 2007
* Mittelstandsbank 31 (30) bp

With a substantial increase in EaD of around 7.5 % during the course of the year and at the same time only a slight decrease in risk density, the segment performed well. The core market Corporates Germany was a key factor in this positive trend, with an increase in EaD of some €8bn to approximately €65bn and a 2bp lower risk density. The risk provisions for the Mittelstandsbank rose sharply year-on-year, as the run rate doubled and income from intensive care halved. The net effect was that risk provisions were only kept well below the €268m expected loss at €179m through a large €58m decrease in GLLPs.

Given the prospect of a strong slowdown in economic activity in Germany, we are expecting negative rating migrations in our core Corporates Germany portfolio in 2009, as borrowers see their credit standing decline. As a result, we are expecting a greater need to restructure, an increase in the number of insolvencies, rising risk densities, a sharply higher EL and consequently rising GLLPs. This means that we expect risk provisions to double in 2009, or possibly increase even more if bulks are hit. A significant part of the credit margin is being eaten up by rising risk costs, placing a strain on the gross margin. We will mitigate the increasing risks by applying risk-limiting measures to our new and existing business (including increasing collateral), but will not significantly restrict our readiness to grant loans to our core target group.

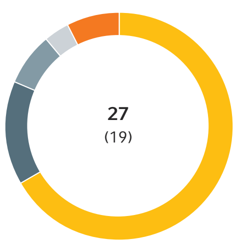
Nonetheless, we need to systematically counter the tighter risk situation through greater risk transparency. There will therefore be a greater need for our customers to provide forward-looking disclosure of their financial circumstances. We expect them to supply up-to-date information on business performance, with budget figures and details on projected cash flows and the change in fluctuating borrowings (net debt to EBITDA). This type of sound forward planning will feed into our customers' ratings. We will also ensure that our experience of the financial crisis is incorporated into the upgrading of our rating and risk management systems. The new Commerzbank's risk function will be deployed throughout Germany by sector for the Mittelstandsbank, providing customers and regional customer advisors with even more professional and solution-oriented expertise for their funding inquiries. We want to be a partner to our established customers and support them in these difficult times; but we can only do this, and only wish to do so, if they consistently give us the necessary in-depth, forward-looking information.

In line with our expectations for Corporates Germany, we also expect a negative rating migration and increased risk density for our borrowers in Asia. We will essentially apply the same measures for mitigating risk as in the domestic Mittelstand business.

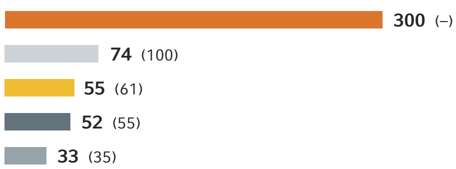
The Mittelstandsbank Financial Institutions portfolio is significantly determined by loans to banks in emerging markets for supporting imports and exports by German firms. We anticipate charges for 2009 in Central and Eastern Europe in particular, as already indicated by a substantial rise in risk density.

4) Central and Eastern Europe (CEE)

Exposure at Default – Breakdown
in € bn as of December 2008



Risk density[1)]
in bp as of December 2008



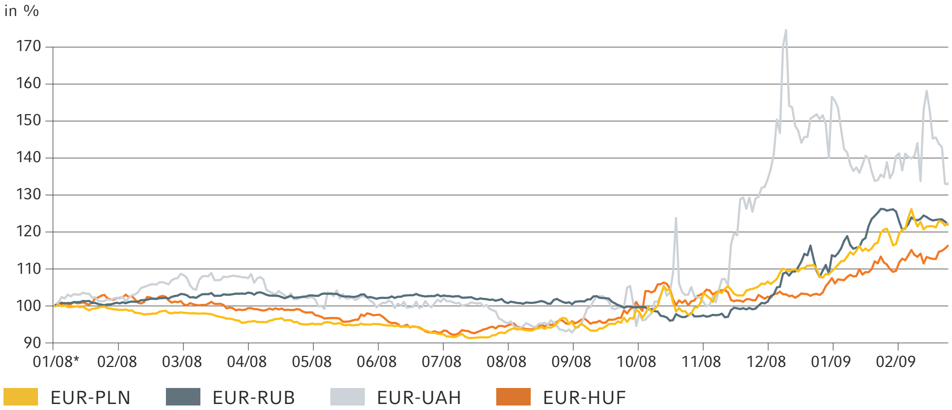
18 (14) BRE Bank*
4 (2) CB Eurasija
2 (2) Prague branch
1 (1) CB Budapest
2 (–) Bank Forum

Values in parentheses: December 2007
* Of which €7bn (4) retail
1) Central and Eastern Europe 69 (61) bp

The global financial crisis has been felt very keenly since the autumn in Commerzbank's activities in Eastern Europe, which have been combined in one segment since 2008. The crisis has led to a drastically reduced supply of liquidity in CEE, so funding is now a key issue for East European banks, as it is scarce and is becoming more expensive.

Since the collapse of Lehman Brothers it has been increasingly hard for East European governments to prevent the slide in their countries' currencies, which previously had effectively fixed exchange rates. Attempts by the Russian central bank to guarantee stability cost it up to one billion dollars a day. This has had a negative impact on the credit ratings of countries and borrowers; foreign currency lending without a natural hedge in particular lost out in terms of calculated debt servicing ability in line with the FX loss. Russia has had the added problem of a slump in commodity prices. In structured trade finance, we began to restructure commitments in the fourth quarter with regard to the sustainability of collateral / resources, in parallel with the market. This change in economic factors has translated into a much greater risk density on East European commitments, particularly since year-end, and increased the level of GLLPs that need to be made.

Currency rate development
in %



* 01.01.2008 = 100 %

To take account of the higher risk content in this environment we broadly stopped taking on new business and began reducing sub-portfolios. For BRE's retail mortgage business in Swiss francs (around 80 % of the total mortgage portfolio, in line with the market), quarterly growth of up to 15 % slumped to 3 % in the fourth quarter and credit terms were tightened considerably. Furthermore, we pressed ahead with portfolio differentiation in all markets by risk class and therefore geared our capacities even more towards the various qualities of our existing business.

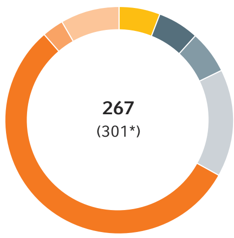
Although the CEE segment currently accounts for only about 5 % of Commerzbank Group's exposure at default (EaD), Central and Eastern Europe accounts for around 16 % of our expected loss (EL), as a result of a higher risk density due to market conditions. Risk provisions in the segment stood at €190m in 2008 (of which BRE Bank €98m and Bank Forum €54m), which was in line with the expected loss level of €185m. In 2008, the CEE segment earned above-average risk margins and reported record results in the first nine months of the year.

With the surprisingly sharp deterioration in economic conditions and exchange rates in CEE from the fourth quarter of 2008, the high proportion of foreign currency loans had a negative impact on Retail and Corporates, apart from Hungary where our subsidiary provides most of its funding in forint.

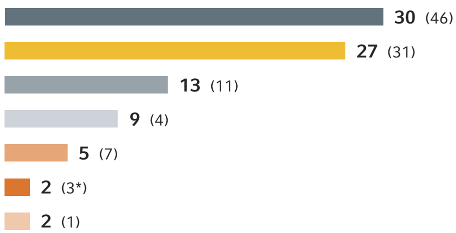
The willingness of CEE governments to provide support boosted key industries. In Russia, the supply of liquidity and specific funding of maturities is provided by state banks, while in Ukraine and Hungary, standby funds come from the IWF. The economies of Poland, Slovakia and the Czech Republic are still relatively stable by comparison.

5) Corporates & Markets (including Public Finance and Treasury)

Exposure at Default – Breakdown
in € bn as of December 2008



Risk density[1)]
in bp as of December 2008



16 (18) Western Europe
16 (9) North America
16 (19) Multinationals
41 (41) Markets
149 (190*) PF Eurohypo
8 (8) EEPK
22 (16) Treasury

Values in parentheses: December 2007
* as per December 2007 incl. Essenhyp
[1)] Corporates & Markets 7 (6) bp

This year the Corporates & Markets segment also includes the Public Finance books of Eurohypo and EEPK for the first time. As a result, this segment now accounts for some 50 % of the Bank's total EaD. With the merger of the former Essen Hyp into Eurohypo and the resulting combination of the books, the previous Essen Hyp portfolio was divided in October 2008 between Commercial Real Estate, Private and Business Customers and Corporates & Markets.

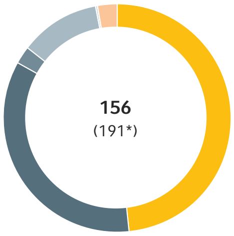
At the end of December 2008, the €267bn EaD in Corporates & Markets was some €34bn below the December 2007 figure, due solely to the decline in Public Finance. Apart from Public Finance, the sector focus is on regulated financial institutions, which account for 50 % of the portfolio. The risk density continued to be low at 6 bp. Critical sectors such as auto manufacturing, mechanical engineering, construction, chemicals and packaging together account for less than 10 %. The risk density for these sectors has already noticeably increased, and we expect to see defaults as the situation worsens.

At 30 bp and 27 bp respectively, the risk density for North America and Western Europe was still just below the Mittelstandsbank level and actually improved year-on-year. Commerzbank's secondary investment portfolio in New York was heavily affected by the disappearance of hedges totalling USD2.8bn due to the collapse of Lehman Brothers. By year-end, USD1.6bn of the exposure had either been re-hedged or sold. USD0.7bn of the remaining USD1.2bn exposure was rated investment grade. The risk density for business with large multinational groups was an acceptable 13 bp on a bank-wide comparative basis, but higher than last year. Due to the large standard lot sizes per customer in this business, there are considerable concentration risks and (for backup lines) refinancing risks; these are managed through credit value at risk (CVaR). There is an individual strategy for closely controlling bulk risk for every commitment beyond a certain size. The margins are often unattractive in the risk-return assessment and are only justified through sustained cross-selling. We will therefore subject all exposures to a critical profitability test in 2009 and systematically reduce bulk risks, which have risen sharply due to the merger with Dresdner Bank.

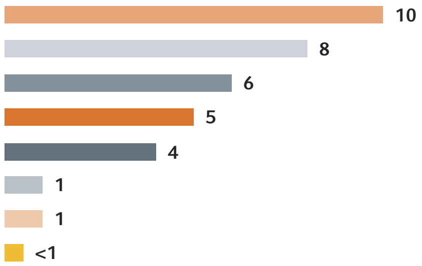
Assets held for trading purposes in the Markets and Treasury sub-segments have a generally excellent credit quality (risk density); see also section IV.

Public Finance sub-segment – portfolio breakdown by region

Exposure at Default – Breakdown
in € bn as of December 2008



Risk density[1)]
in bp as of December 2008

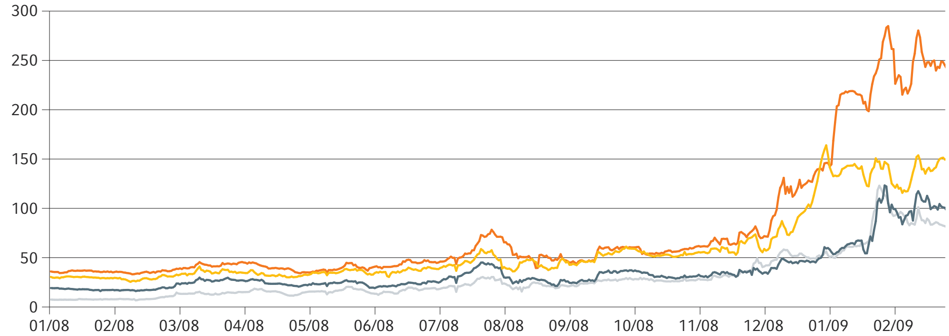


76 Germany
54 Rest of Europe
4 Central- and Eastern Europe
18 North America
0,1 Africa
0,2 Asia (incl. Middle East)
0,1 Central & South America
4 Other

Value in parenthesis: December 2007
* as per December 2007 incl. PF Essenhyp (€79bn)
1) Public Finance 2 (2) bp

As part of the strategic reorganization of Public Finance, we are pushing integration into the market risk management of Corporates & Markets and are also implementing a programme to reduce our portfolio volume and protect earnings. Potential further negative movements in the revaluation reserve must be avoided, bearing in mind the capital base.

Credit Spread Development
in bp

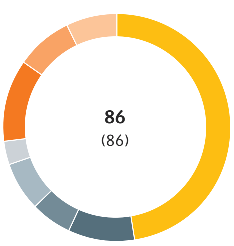


The downward trend on international financial markets also affected the traditionally low-risk Public Finance business in 2008, with risk premiums for European countries such as Italy, Greece or Portugal increasing dramatically as a consequence. The subsequent slide in the price of these countries' government bonds had a considerable negative impact on the revaluation reserve. This greatly affected us, as we had invested heavily in European markets outside Germany. The traditionally low credit margins in Public Finance business bear no reasonable or clear relation to the risks entered into.

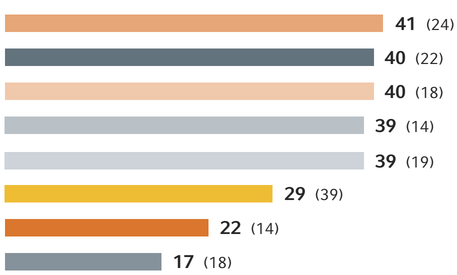
6) Commercial Real Estate (CRE))

With the merger of Essen Hyp into Eurohypo and the resulting combination of the books, the EaD at the balance sheet date stood at €86bn.

Exposure at Default – Breakdown
in € bn as of December 2008



Risk density*
in bp as of December 2008

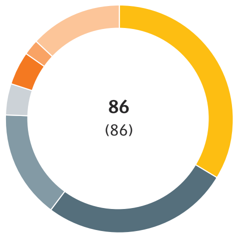


41 (40) Germany
8 (9) UK
5 (5) France
6 (8) Spain
3 (3) Italy
10 (10) Rest of EU
7 (6) USA
6 (5) Other

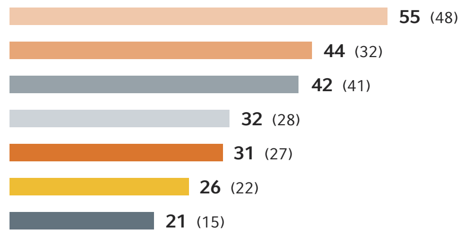
Values in parentheses: December 2007
* Commercial Real Estate 32 (28) bp

Real estate markets came under enormous pressure from the economic environment, and are not expected to recover before the end of 2010. Worldwide investment activities almost came to a standstill at the end of 2008, and because of the market and risk conditions the volume of new commitments in commercial real estate financing fell during the year to €13.7bn, compared with €36.8bn in 2007. New business is expected to fall sharply again in 2009.

Exposure at Default – Breakdown
in € bn as of December 2008



Risk density*
in bp as of December 2008

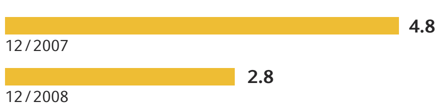


29 (30) Office space
23 (19) Commerce
13 (13) Residential real estate
4 (4) Hotels
4 (4) Markets, exhibition centres, warehouses
2 (3) Construction sites
11 (13) Other

Values in parentheses: December 2007
* Commercial Real Estate 32 (28) bp

For the purposes of strategic planning we focus on new business that creates value at an appropriate level of risk. As many competitors have turned their backs on CRE activities, there is also excellent potential in our core portfolios, even under much tighter lending standards; new business, now significantly lower, is showing a much better risk / return profile than a year ago. Both for new business and in portfolio management, we systematically apply the "look-through" approach for each transaction, regardless of product type, region, asset class or level of the targeted syndication size. The volume in the syndication pipeline fell by €2bn in 2008, while the final hold went up. We do not expect any tangible improvement in liquidity in the securitization markets in the foreseeable future; the syndication market will also stay at a very low level in 2009.

Syndication pipeline CRE
in € bn



CMBS pipeline CRE
in € bn

[1] All exposures in the CMBS-pipeline have now been taken into the final hold due to the present unsatisfactory market situation

The investment grade proportion in the performing portfolio fell noticeably during the year to its current 89 %. In view of the continuing market weaknesses in three hotspots, namely the USA, UK and Spain, the investment grade proportions fell here to 86 %, 89 % and 82 % respectively – the latter after some €2bn was transferred into the default portfolio. This portfolio is being systematically worked off by the intensive care function under uniform management processes.

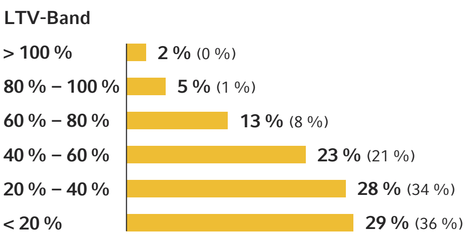
Market values are continuing to fall, driven by rising yields, falling rents and a increasing number of vacant properties. The large falls in market value already seen over the past 12 months will continue in 2009 and are the main reason for the sharp rise in risk densities.

Aside from the three hotspots mentioned, market values have also weakened in France and Italy; in view of economic trends and the substantial fall in investment activity, we expect a rise in risk density in 2009 in Germany, too. We subject all regional sub-portfolios to quarterly scenario analyses for risk densities based on expected rating migrations and market value forecasts for specific types of use. We are countering these developments by applying much stricter lending standards for new business as well as external renewals.

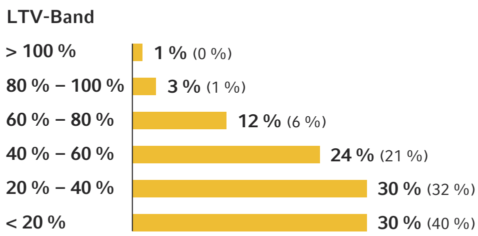
Against this background of market developments, we are focusing primarily on portfolio management. Depending on the legal situation in the various jurisdictions, we are taking every available opportunity (maturities or covenant testing) to restructure and improve the risk / return in our portfolios. This has enabled us to create substantial improvements in our risk position for a range of commitments.

The loans in our portfolio that are secured by a property charge or mortgage still overwhelmingly show acceptable loan to values (LTV), despite further losses in market value having increased the loan-to-value ratios on our existing portfolio. Rises in LTVs also result from the contractual agreement to renew external charges. In hotspot markets the LTVs on weaker commitments are being reviewed and assessed internally during the year, based on which a decision on the next steps is taken. In the United States, for example, the LTVs in the secured lending business are as far as possible moderate, but no more than 75 %. In the UK and Spain and our core business in Germany, LTVs mostly range between 65 % and 75 %. As a result of the limited opportunities for potential purchasers to find finance, market values in the UK and Spain are under more pressure, so the bands will probably shift. In new business, the LTVs in all regions do not exceed this level; in fact, most are below it. In emerging markets we only finance top-class properties in excellent locations, and have dramatically cut back our activities here.

Loan to Value – UK [1), 2), 3)]
stratified representation

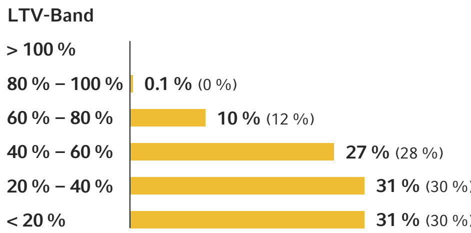


Loan to Value – Spain [1), 2), 3)]
stratified representation

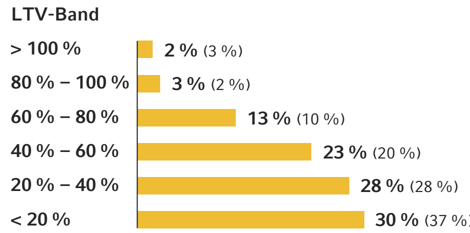


Values in parentheses: March 2008
1) LTVs based on market values
2) Excl. margin lines and corporate loans
3) Additional collateral not takent into account

Loan to Value – USA [1), 2), 3)]
stratified representation



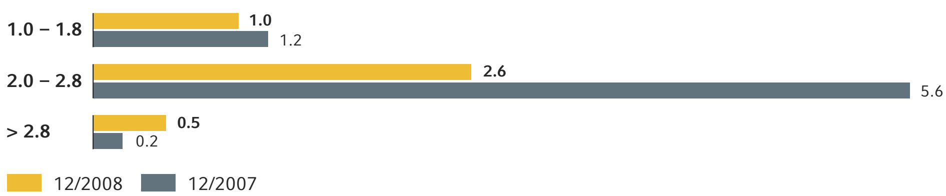
Loan to Value – CRE total [1), 2), 3)]
stratified representation



Values in parentheses: March 2008
1) LTVs based on market values
2) Excl. margin lines and corporate loans
3) Additional collateral not takent into account

The tables shown above include all performing loans in CRE (apart from corporate loans) made without tangible asset collateral (i. e. without mortgages) that that have been extended on large real estate portfolios (e. g. REITS, funds, etc.) against financial covenants or pledged shares. These amount to €4.2bn (12/2007: €7bn). The United States currently accounts for €2.4bn of this (primarily REITS), while the UK accounts for €0.9bn and Spain €0.2bn. All corporate loans have now been classified as "out of policy", and the portfolio is being reduced gradually.

Rating breakdown of Commercial Real Estate corporate loans (performing loans only)
in € bn



7) Intensive care

Trends in risk provisioning / Intensive Care results

Loans and receivables / provisions for possible loan losses

The Group's provisions for possible loan losses in 2008 were dominated by the effects of the negative external operating conditions. Even in the fourth quarter, this resulted in more extraordinary charges against earnings, pushing up risk provisions again to third quarter levels. Corporates & Markets and Commercial Real Estate were again affected by this. Furthermore, major defaults were reported for the first time and quicker than expected, solely due to the impact of the financial market crisis, including in the Mittelstandsbank. The massive slowdown in the economy has reached the Mittelstand, whereas the Private and Business Customer segment still proved to be robust in 2008. In Central and Eastern Europe risk provisions rose in the second half of the year as a result of new cases, again due to the financial crisis.

The trend in risk provisions in the lending business is as follows:

					2007						2008
in € m	Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3	Q4	Full year	Special items
Private and Business Customers	73	66	58	43	240	40	40	43	40	163	
Mittelstandsbank	19	9	–48	–48	–68	11	8	12	148	179	114
Central and Eastern Europe	11	16	10	19	56	17	26	71	76	190	27
Corporates & Markets	18	17	61	35	131	57	42	382	195	676	511
Commercial Real Estate	39	39	26	11	115	50	298	92	178	618	453
Others and Consolidation	0	4	0	1	5	0	0	28	3	31	32
Group	**160**	**151**	**107**	**61**	**479**	**175**	**414**	**628**	**639**	**1,855**	**1,137**
Special items 2008*						34	327	396	380	1,137	

*ABS portfolio, CRE international exposure, special charges due to financial crisis (financial institutions and special cases Mittelstand portfolio), first-time consolidation Bank Forum

Group net risk provisions contained unwinding effects of €133m, principally in the CRE segment.

All in all, the special items in 2008 came to €1,137m, comprising the following components: ABS portfolio €101m, foreign CRE commitments €453m, special charges for the financial crisis €573m, first-time consolidation of Bank Forum €11m.

Although risk provisions in Corporates & Markets were down compared to the peak in the third quarter, in the fourth they still contained significant special charges of some €85m from the default of financial players and charges from the ABS portfolio of around €19m. In the same quarter, Commercial Real Estate also posted more special items of around €156m in total from major specific cases in the foreign portfolio, particularly Spain.

Compared to the historically low result in 2007, credit risk provisions in 2008 more than trebled due to the financial crisis. The results by risk provision component can be seen at segment level as follows:

As of 31.12.	Run rate		IC result		Specific LLP net		Change in GLLP		Total net risk provisions	
in € m	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
Private and Business Customers	302	194	–12	–3	290	190	–51	–28	240	163
Mittelstandsbank	213	444	–407	–207	–194	236	126	–58	–68	179
Central and Eastern Europe	51	145	–25	–35	25	110	31	80	56	190
Corporates & Markets	125	588	–8	14	117	602	19	74	135	676
Commercial Real Estate	262	663	–131	–48	131	615	–20	3	111	618
Others and Consolidation	5	32	0	0	5	32	0	–1	5	31
Commerzbank Group total	**957**	**2,065**	**–583**	**–280**	**374**	**1,784**	**105**	**71**	**479**	**1,855**

The run rate (risk provisions for new cases) more than doubled overall, with only the stable Private and Business Customers segment posting a significant year-on-year fall in 2008. Other units reported a substantial increase. The negative trend was also reflected in the fact that in the Mittelstandsbank, the fourth quarter accounted for disproportionate €142m of the €179m overall result. In the Central and Eastern Europe segment, the rise stemmed from the BRE portfolio, and was also a result of special effects arising from the financial crisis. The defaults of financial players largely accounted for the rise in run rate in Corporates & Markets, with a charge of over €400m. In Commercial Real Estate, €453m of the run rate was attributable to large cases in the foreign portfolios. The Neutral run rate stemmed from the default of a financial player.

As expected, the IC result was down, even adjusting for the positive €164m special effect in 2007 (booked in the Mittelstandsbank). However, with net releases of €280m – still principally from Mittelstandsbank – the positive contribution to earnings was still considerable despite the poor conditions. Charges for general loan loss provisions (GLLPs) were down compared to 2007, due mainly to the release or use of the top level adjustment created in the Mittelstandsbank in 2007 for financial institutions.

The following comparison shows that net risk provisions in 2008 rose in all commitment classes, with the largest rise resulting from defaults of major individual players:

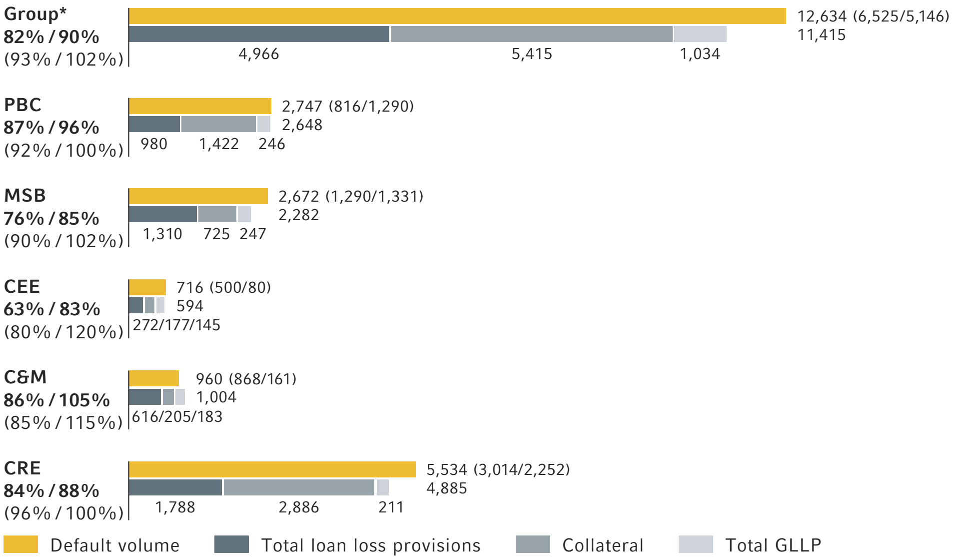
	Individual cases with changes in risk provisioning affecting income							
	≥ €10m < €20m		≥ €20m < €50m		≥ €50m		Individual exposures ≥ €10m total	
	Risk provisions net in €m	Number of exposures	Risk provisions net in €m	Number of exposures	Risk provisions net in €m	Number of exposures	Risk provisions net in €m	Number of exposures
2007	33	12	67	6	–164	1	–64	19
2008	265	24	318	11	695	5	1,278	40

A €64m positive contribution to earnings from commitments with risk provision changes of more than €10m in 2007 contrasted with a net charge of almost €1.3bn in 2008, of which some €700m was attributable to bulk risks with a case-related net risk provision requirement of €50m and more. Overall, two thirds of risk provisions related to charges against earnings of more than €10m were attributable to individual cases in 2008. It is striking that net risk provisions on individual cases below €10m only rose from €438m to €506m. We see this as proof that our lending decision and selection processes are broadly working well.

The negative economic environment also had an impact on the default portfolio in the fourth quarter. At Group level, the volume in December stood at €12.6bn. The high inflow (€6.5bn) was partially offset through operational workout (€5.1bn), and the net rise in the fourth quarter limited to €600m. Overall, the volume in the default portfolio rose year-on-year by €1.4 bn. The increase was dominated by bulk risk, principally in Mittelstandsbank, CRE and Corporates & Markets. However, there was a general increase in new cases, including ones from the granular sector. This was also seen in the Central and Eastern Europe segment for the first time. Aside from the increased inflow, successful and efficient processing proved to be increasingly difficult against the background of the negative trends on the real estate market. Future movements in default volume crucially depend on how the restructuring and processing of individual bulk borrowers goes.

The default portfolio was broken down as follows:

Performance of Default Portfolio
(in € m) – excl. / incl. GLLP



Values in parentheses: December 2007 (additions / disposals vs. December 2007)
*including Others and Consolidation

Total collateral of €5.4bn has been deposited for the default portfolio. In Private and Business Customers this relates almost exclusively to land charges on own-use and rented properties. In the Mittelstandsbank, collateral is divided between various types. Guarantees and mortgage liens on commercial properties cover the largest amounts. In addition, large sections of portfolios are also secured through transfers of title and pledged assets. For the Central and Eastern Europe portfolio, land charges are mainly used as collateral, and for the commercial sector transfers of title and pledges are used. The level of collateral in the Corporates & Markets portfolio principally comprises transfers of title, as well as pledges and assignments. In CRE, almost all collateral relates to charges on commercial property.

Overall, we expect the default portfolio to show a recovery rate of around 18 %, which corresponds to uncovered risk. Almost two-thirds of expected cash flows relate to restructuring commitments which have not yet been called. Assumptions on recovery proceeds are based on statistically proven rates (using the certified LGD model).

In order to avoid an increase in the default portfolio, excesses are closely monitored at Commerzbank. In addition to the 90dpd trigger event, a computer-based excess management system goes into effect even before that point as of the first date of the excess. The following tables shows excesses in the non-default- book as at December 2008:

Segment	EaD				
in € m	>0<=30 days	>30<=60 days	>60<=90 days	>90 days	Group
Private and Business Customers	1,195	166	75	216	1,653
Mittelstandsbank	3,084	424	168	28	3,703
Central- and Eastern Europe	195	69	32	1	297
Corporates & Markets	1,883	116	29	15	2,042
Commercial Real Estate	1,865	78	76	198	2,218
Group*	**8,581**	**879**	**381**	**496**	**10,337**

* incl. Other / Consolidation

In 2008 total foreclosed assets rose year-on-year by €46m to €198m (additions €105m, disposals €58m). This related mainly to real estate positions at the mortgage subsidiary Eurohypo.

Available-for-sale & trading book / impairments

The financial crisis meant that in 2008 our available-for-sale holdings were hit by high charges of €1,059m (of which some €900m from the ABS portfolio). Net trading income, including ABS holdings, was cut by €246m due mainly to the defaults of Icelandic and American financial institutions in the third quarter. The cost of impairments / defaults can be seen from the following table.

in € m		2007	2008
AfS	ABS portfolios	636	916
	Financial Institutions	0	143
HfT	ABS portfolios	48	75
	Financial Institutions	0	171
Total	ABS portfolios	684	991
	Financial Institutions	0	314
	Total	**684**	**1,305**

After absorbing many of the sub-prime effects, we expect impairments to fall in 2009 to around €0.5bn. More details on the ABS and Financial Institution portfolios can be found in section V.

8) Limiting bulk and concentration risks

The target and benchmark for strategic management of credit risk in Commerzbank Group is the risk / return-based target portfolio as defined by the credit-risk strategy, along with the resulting sub-portfolios based on target groups and markets. Concentrations of risk in bulks, countries, target groups and products are restricted through active management, taking the special characteristics of each segment into account. As a central element of risk policy, bulk risks are managed on the basis of economic capital. In this approach, the key variables include portfolio granularity and correlation assumptions relating to segment-specific, sector-specific and country-specific factors.

Borrower units with economic capital consumption of at least €5m are defined as a bulk risk. Borrower units having more than €20m in economic capital consumption are not wanted over the long term and are systematically reduced, in some cases by using modern capital market instruments such as credit default swaps (CDSs). The importance of limiting bulk risks is also indicated by the fact that the Board of Managing Directors specified in its own internal rules that unanimous resolutions are required for any board-level credit decisions involving economic capital consumption in excess of €10m (based on final take).

Current bulks
Economic capital consumption in € m

The economic capital consumption of current bulks rose by year-end due to rating downgrades in the wake of the financial market crisis. Both the number and CVaR consumption of bulks rose significantly from September 2008, and had far exceeded the internal bulk risk limit of €1bn economic capital consumption by year-end.

By merging the commitments with Dresdner Bank, bulk risks in the new Commerzbank as measured by CVaR rose again substantially. The economic developments mean that we see much greater risks, particularly for borrowers with a high debt-to-equity ratio, notably for the major lending portfolio in the automotive supplier sector. As part of the integration process we therefore reviewed our bulk risk strategy and adjusted the entry parameters. In future, not only will commitments with a high CVaR come under bulk risk management, but also those with an LaD above €100m or an EaD higher than €1bn, in order to limit the latent default risk to a maximum amount, even for commitments with higher ratings. The key element of the new bulk risk strategy is that in future, we do not want any individual bulks with an LaD over €400m in the portfolio, irrespective of the customer's creditworthiness. There can only be exceptions to this for government or banking institutions in Germany or temporarily as part of the syndication of highly liquid positions. However, as the markets are currently extremely illiquid, we are currently making almost no use of this.

9) Country risk management

When calculating country risk, Commerzbank measures both transfer risks and the region-specific event risks determined by politics and economics that affect a country's individual economic assets. Country risk management includes all the decisions, measures and processes that draw upon the information provided by risk quantification, and are intended to influence country portfolio structure in order to achieve business and return targets.

Exposure to emerging market countries (country rating ≥ 2.0) by region:

As of 31.12.	Exposure at Default in € bn		Loss at Default in € bn		Risk Density in bp		Expected Loss in € m	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Europe (incl. Turkey)	15.9	20.2	5.7	7.0	40	31	64	63
Asia (incl. Middle East)	6.0	3.8	1.9	1.4	19	41	11	16
Africa	2.0	2.1	0.7	8.0	18	22	4	5
Central and South America	1.4	1.8	0.6	0.8	28	50	4	9
Emerging Markets total	**25.3**	**27.9**	**8.9**	**10.0**	**33**	**33**	**83**	**93**

Apart from limiting the expected loss, limiting the exposure at default and loss at default will in future play a greater role in the limiting process.

Exposure volume in Europe declined during the course of the year thanks to improved ratings for some countries (e.g. Slovakia and Poland) and the fact that they therefore dropped out of country risk management; in fact, there was impressive growth in our exposure in Central and Eastern Europe. The rise in exposure in Asia was due to the expansion in the country limit group.

Because of the financial crisis and the global economic downswing, the risk situation is worsening in many emerging markets. The industrial nations are withdrawing liquidity and the demand for exports is falling sharply, and economic growth can be expected to slow down even further in 2009. The IMF has already put together bail-out packages for Hungary and the Ukraine, and other countries have submitted requests for help. Iceland is a good example of a developed country which has been pushed to the brink of insolvency by its extensive international banking activities.

The countries that are particularly vulnerable to contagion by the financial market crisis include those with high trade deficits, high short-term debt and low currency reserves. Countries that export minerals and agricultural commodities are facing falling export earnings. As a result, the emerging market countries are now growing at a much slower pace than expected just a few months ago. Commerzbank has reacted to these developments by reducing country limits and subjecting portfolios to a critical review.

IV. Market and funding risks

Market price risk (market risk) includes the risk of losses due to changes in market prices (interest rates, spreads, exchange rates, share prices, etc.) or in parameters that affect prices such as volatility and correlations. We also monitor market liquidity risk, which measures the time it takes to close or hedge risk positions to the extent desired.

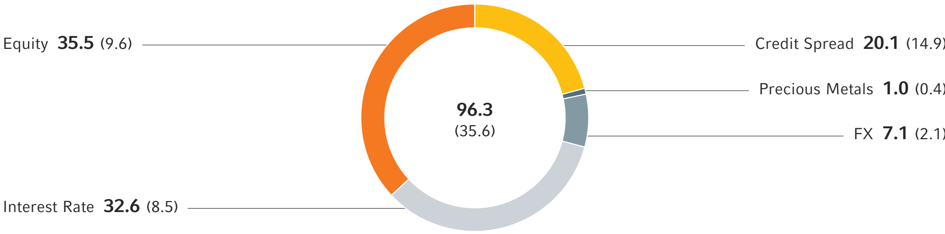
Value at risk (VaR) shows the potential losses that will not be exceeded, allowing for given degrees of probability and holding periods. In addition to the trading book risks covered by the BaFin-certified internal model (including the banking book's currency risk), Commerzbank's credit spread, equity investment and interest rate risks in the banking book are also subject to internal monitoring and limits (including sensitivity limits).

1) Market risk in the trading and banking books

Market risks in the trading book

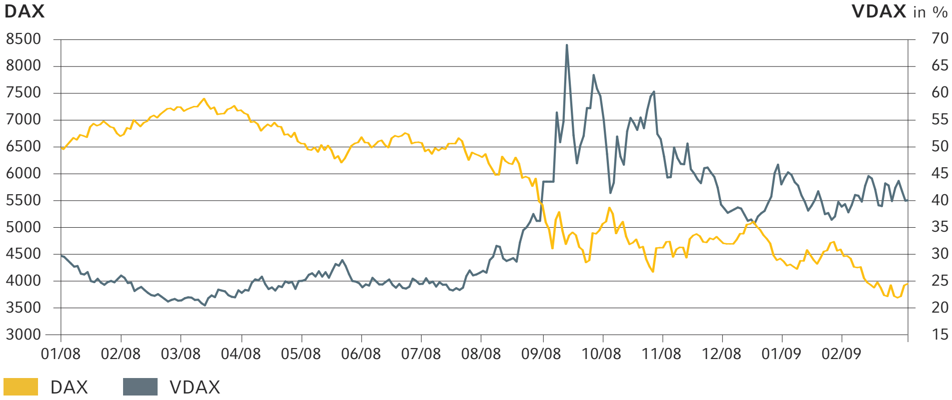
Over the course of the year, market risks in the trading book – measured at a confidence level of 99 % and a holding period of ten days – rose sharply by €60.7m to a value at risk (VaR) of €96.3m. This was caused primarily by the sharp rise in market volatility in all asset classes, and accelerated again in the 4th quarter as a result of greater uncertainty after the Lehman collapse.

Market risk in accordance with the internal model (99%, 10 days)
in € m



Values in parentheses: December 2007

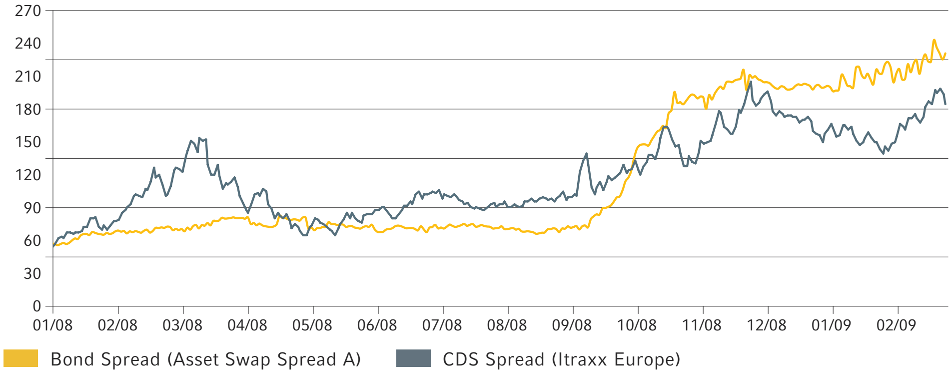
DAX and VDAX



Historic highs in volatility for equities and bonds (credit spreads) in particular resulted, which was reflected in the increase of Commerzbank's risk-relevant parameters, resulting in higher risk values for the value-at-risk calculation. Furthermore, the risk throughout December was significantly increased again through a total return swap on an equity position with Dresdner Bank. Without this position, the rise would only have been €33.5m.

For the remaining underlying positions the Bank continued its business strategy in 2008 of focusing systematically on customer-driven business in Corporates & Markets (ZCM). There were also further reductions in trading risks in the wake of the crisis, particularly in credit derivatives (by reducing CDS positions) and equity derivatives (through hedging).

Credit Spreads (Eurozone)
in bp



On the income side, this hedging in equity derivatives trading brought more good results, even in 2008's falling market. As a result, we were able to partially offset losses in declining warrant and certificate business in the fourth quarter. The Bank achieved higher than expected gross income in 2008 in interest derivatives and FX trading as well.

Credit trading suffered losses from September to December due to the massive market turbulence following the Lehman collapse. This was due to the significant widening of credit spreads and reduction in basis spreads (the difference between bond spreads and credit derivative spreads, see chart). As a result, gains on CDS hedges could not make up for the losses on the underlying bond positions. Overall, credit derivative volume was actively reduced on a gradual basis in 2008, but because of the lack of market liquidity this could not be carried out to the desired extent.

Market risks in the banking book (including equity investments)

The banking books at Commerzbank account for by far the largest exposure in terms of market risk. The key drivers are the positions of the Eurohypo and EEPK subsidiaries in Public Finance, the Treasury portfolios and the equity investments portfolio. Here too there was a significant rise in VaR caused by the very sharp rise in market volatility over 2008.

Overall, a proactive approach to risk analysis and active risk management allowed us to reduce the negative impact on the banking book positions. In the equity investments portfolio, the reduction in holdings and other hedging transactions during the year led to a significant reduction in risk despite much greater volatility on equity markets.

It was also decided to reduce the portfolio in the Public Finance sector to €100bn by the end of 2010. By the end of 2008 this was on course, with assets reduced during the year by 14 % based on nominal value (see chart). This included a total return swap portfolio on

US municipal bonds with a total volume of USD2.1bn. USD200m of this was cut in 2008, and the remaining USD1.9bn was reduced by the beginning of February 2009. Although there was a loss of some €500m on this position in 2008, a gain of around €90m should be recorded for 2009.

EaD Public Finance
in € bn

Credit Spread Sensitivities
in € m

In Treasury and ALCO, the interest rate exposure in the banking book was largely stable during the year. Group Treasury centrally manages interest risk arising from commercial business and the Group's liquidity risk. Interest rate risks also arise from the investment models which are the responsibility of the central ALCO (Asset & Liability Committee), including in particular the investment and refinancing of equity capital as well as the investment of savings and sight deposits.

Overall, market risk in the banking book increased again, mainly due to credit spreads. This was caused by the fact that the reduction in exposure, in terms of volume and maturity, was more than made up for by the increase in volatility.

However, market conditions have sustainably worsened since the stock market crash in October. Due to the lack of market liquidity for some fixed-interest instruments, we have applied a mark-to-model approach for the sub-portfolios affected. For these portfolios, we assume full repayment at maturity (they include US student loans and US municipal bonds).

Given that we expect the current difficult market environment to persist, priority must be given in 2009 to the consistent reduction or hedging of exposure in public finance and equity investments.

Risk management and limitation

Commerzbank defines its market risk limit for value at risk and stress testing at Group level in top down terms, based on economic capital required (risk-taking capability). The limits for the individual business areas and portfolios are then allocated on the basis of the achieved and expected risk/return ratio, market liquidity of assets and the relevant business strategy. The extent to which limits are utilized is reported by the independent risk control unit on a daily basis to the Board of Managing Directors and business area or department managers.

As a result of the financial crisis, the historically high market volatility led to a sharp rise in value at risk figures and consequently to limit breaches at various portfolio levels. Not least due to these limit breaches, the relevant committees decided on reduction measures to be implemented in business areas wherever possible in the current market environment, especially for the trading and banking book portfolios, which are sensitive to credit spreads.

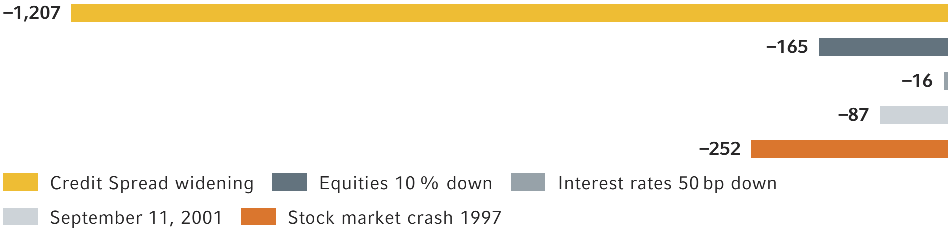
Sensitivity limits for credit spreads were also introduced for the first time in 2008. This serves in particular to limit and manage the potential NPV changes in the revaluation reserve, including the cover fund portfolios of Public Finance. Sensitivity limits restrict the change in the NPV of positions in the event of a variation in the yield or credit spread curves by 1 basis point.

Stress and scenario analyses

The financial crisis itself has highlighted the importance of adequate stress tests and scenario analyses for effective risk management. The Bank carries out comprehensive group-wide stress tests and scenario analyses as part of risk monitoring. The goal is to simulate the impact of crises, extreme market conditions and major changes in correlations and volatilities on Commerzbank's overall market risk position. The effects on the various components of comprehensive income – income statement, revaluation reserve and hidden reserves or liabilities – are also quantified. The bank-wide stress test calculation is based on a combination of historical and anticipatory (synthetic) scenarios for individual asset classes, i. e. equities, interest rates, credit spreads and currencies.

During the financial crisis, anticipatory scenarios in particular were regularly enhanced and adjusted for current market developments and expectations, including those of the Bank's economists, business areas and market risk function.

Stress and scenario analyses
in € m



2) Funding risks

Funding risk refers to the risk that Commerzbank will be unable to meet its current and future payment obligations as and when they fall due (liquidity risk).

Risk management and limitation

With the internally developed liquidity risk measurement approach, the available net liquidity (ANL) for the next twelve months is calculated on the basis of contractual and economic cash flows and compared with liquid assets. The results are then used to produce forecasts for trends in liquidity at different aggregation levels such as currencies, products or business units. The model is supplemented by comprehensive stress analyses. Given the developments in money and capital markets, liquidity management was carried out in 2008 on the basis of stress scenarios. The stress scenarios used by Commerzbank to manage liquidity were and are being adjusted to the current market situation on an anticipatory basis.

To ensure that the Commerzbank Group has sufficient liquidity, Treasury works with the central liquidity management team to carrying out stress analyses and simulations and submits flexible and timely proposals for actions and measures to secure the short, medium and long-term liquidity situation.

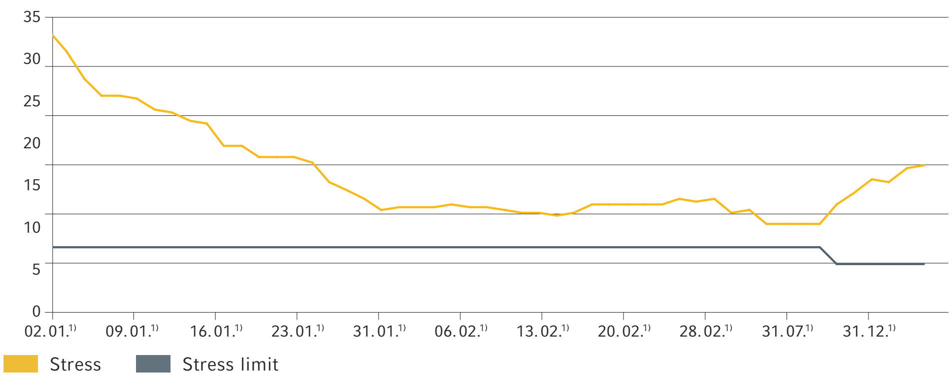
The situation on the money market, capital markets and equity repo markets has worsened considerably from the onset of the subprime crisis to the current systemic financial crisis following the bankruptcy of Lehman Brothers. Time deposits are hardly traded on the interbank market, the market for issues practically came to a standstill during the reporting period, Euribor / Eonia spreads have widened sharply, and much smaller volumes are being traded on the equity repo markets. Commerzbank took a string of measures to counteract this situation.

The inflow of customer funds, ongoing asset reductions for cash, and efforts to use assets more efficiently by delivering collateral to the ECB in order to manage the liquidity situation are already compensating for the lack of funding via long-term time deposits on the interbank market. The liquidity situation improved significantly when the Bank received the first tranche of SoFFin capital, amounting to €8.2bn, and guarantees of €15bn.

This meant that at the year end, in the 2009 stress scenario forecast liquidity available at any one time never fell below €7bn. This stress limit provides a risk buffer for guaranteeing payment transactions.

However, the coordinated approval of various rescue packages by European governments has led to the first tentative signs of a recovery.

Liquidity Forecast (ANL)*)
in €bn



*) As per: 31.12.2008
1) Year 2009

Liquidity risk model

Commerzbank's liquidity risk model has been approved as suitable in principle and ready for certification during the Phase I review by the Bundesbank on behalf of BaFin. We were advised of the final certification and thus the freedom to take advantage of the disclosure provision in the Liquidity Regulation at the end of Phase II of the review, which focused on Eurohypo. The time schedule for the certification of the model is currently being reviewed with BaFin and the Bundesbank in view of the integration of Dresdner Bank.

Other elements of liquidity management

Operating liquidity is secured by Treasury covering intraday payment commitments. The management principle in the long-term area (i.e. over one year) is the stable funding ratio, which shows the extent to which the core business and illiquid assets are financed by stable funding.

V. Special portfolios with special risk content

1) Secondary market ABS portfolios (including non-prime)

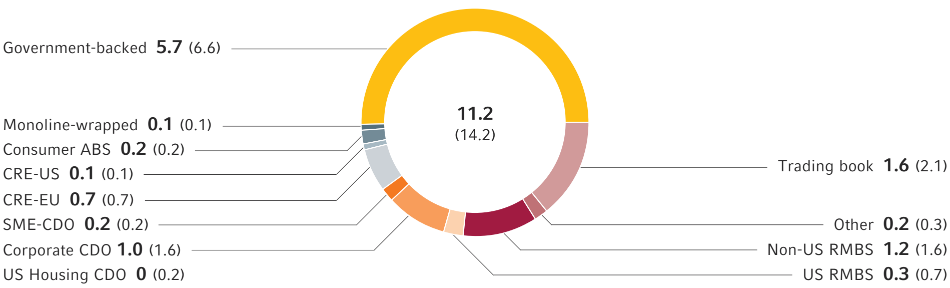
1.1) Investor positions

The volume of ABS credit risks in the banking book based on market values totalled €9.6bn as at December 31, 2008 (prior year: €12.1bn), with an additional €1.6bn in the trading book (prior year: €2.1bn) subject in part to a daily mark-to-market valuation. The fall is due to the disposal of assets and the repayment and expiry of commitments. The slight rise in the US dollar acted against this, causing a modest volume increase. All assets have been fully consolidated in the balance sheet of Commerzbank Group for many years and are subject to ongoing risk monitoring. The following table shows the effects on profit:

in € m	2007	Q 1 2008	Q 2 2008	Q 3 2008	Q 4 2008	Full year 2008
Impairments AfS / trading book	695	244	171	244	333	991
Loan loss provisions	82	34	19	30	18	101
Total	**777**	**278**	**190**	**274**	**351**	**1,092**

Of the €11.2bn market value, only €0.3bn (=2.7%) related to the US non-prime sector at the end of December 2008. Charges incurred in the reporting year totalled €1.5bn, of which €1.0bn were impairments, €0.1bn risk provisions and €0.4bn additional charges for the revaluation reserve.

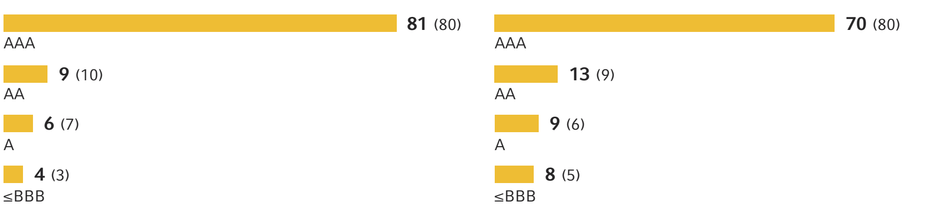
Breakdown of underlying assets by product
market values in € bn



Values in parentheses: December 2007

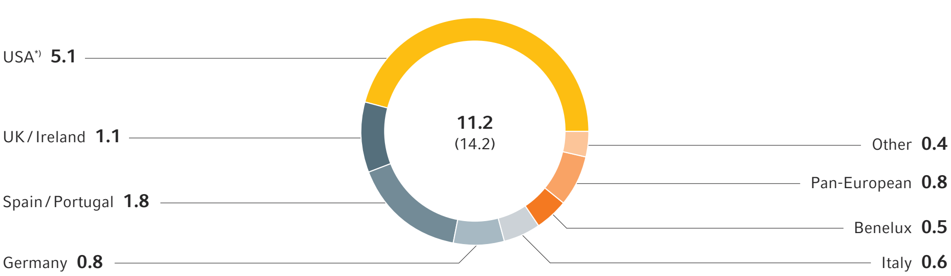
Rating structure of banking book
market values in %

Rating structure of trading book
market values in %



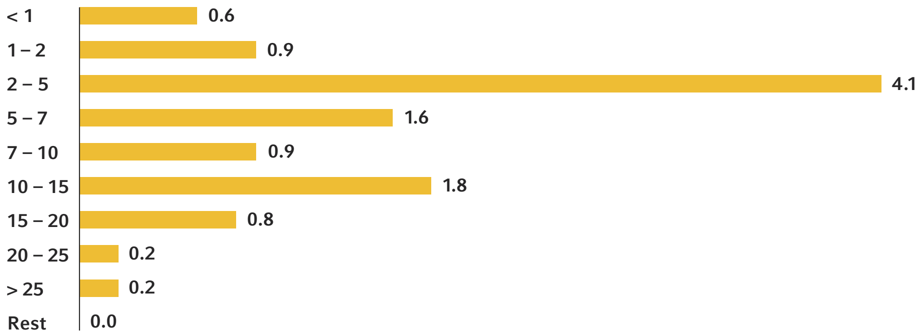
Values in parentheses: December 2007

Breakdown of underlying assets by region
market values in € bn



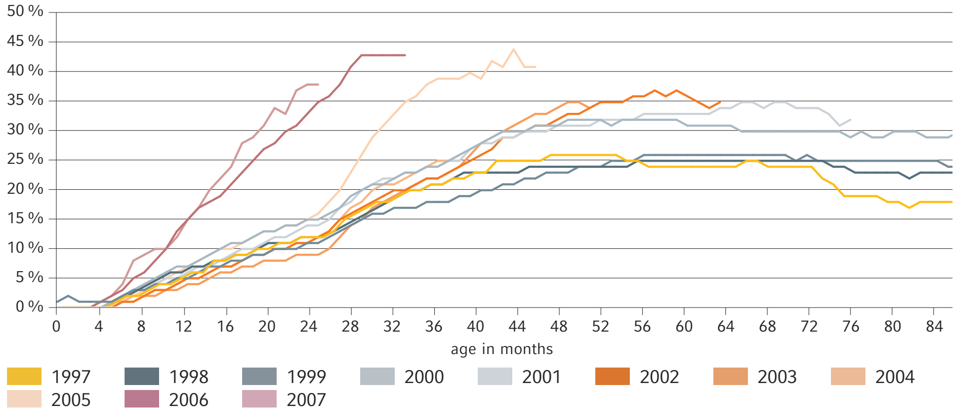
Values in parentheses: December 2007
*) mainly government-backed

Portfolio by maturity
in years | in € bn



Detailed overview of US non-prime portfolio (including Alt-A positions)
Performance significantly deteriorated again in the year as a whole. The losses in the non-prime portfolios reported so far, particularly the critical 2006 and 2007 vintages, are already far above the level of the accumulated overall losses of earlier vintages. Assuming that the delinquencies for these vintages rise on a cumulative basis to more than 40% per portfolio and the loss severity is now more than 60% due to market price erosion, the total default rate for most portfolios must be estimated at 25% or more. Due to continued market price erosion in the real estate sector, the default rate will rise further. This is equivalent to a total loss of capital for all RMBS tranches rated AA or lower and a total loss of capital for mezzanine CDOs, including their AAA tranches (ratings based on the original ratings). For these positions the market values will probably be equal to just the interest payments.

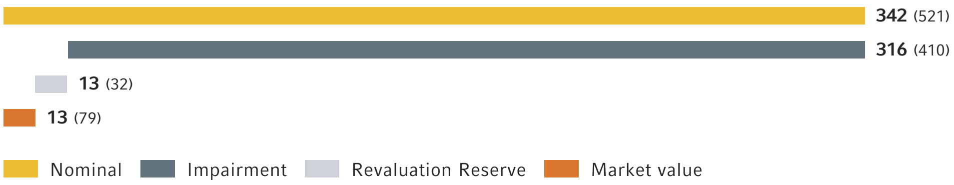
Delinquencies
60 days past due, foreclosure, real estate owned (REO)



The total volume of non-prime and Alt-A underlying assets in Commerzbank Group based on nominal values stood at €1.5bn as of December 31, 2008 (of which CDOs with non-prime / Alt-A underlying assets were €0.3bn). While the RMBS assets are held in Eurohypo and CB Europe, the CDOs are booked in the New York branch. The CDO portfolio has been largely written off. During the reporting year we also reported further significant writedowns on US non-prime / Alt-A RMBS assets, which means that currently their market value is around €0.3bn. More write-downs should be expected in 2009.

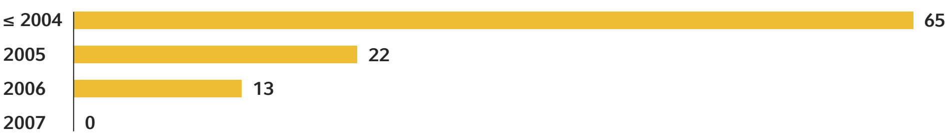
Non-prime CDO portfolio The valuation of the CDO portfolio and the defaults in the portfolio are driven primarily by the performance of the underlying RMBSs. However, since CDOs are actually securitizations of securitizations (two-storey structures) and therefore have even greater leverage, the portfolio is deteriorating – especially as regards the junior tranches. The portfolio now has a market value of only €13m. Charges comprise €316m in impairments and €13m from a change to the revaluation reserve.

Changes in market values
in € m

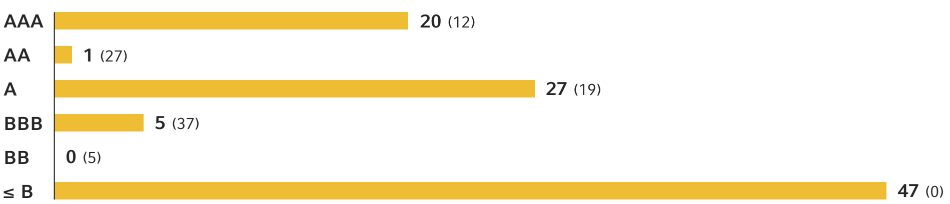


Values in parentheses: December 2007

Vintages
Based on market values | in %



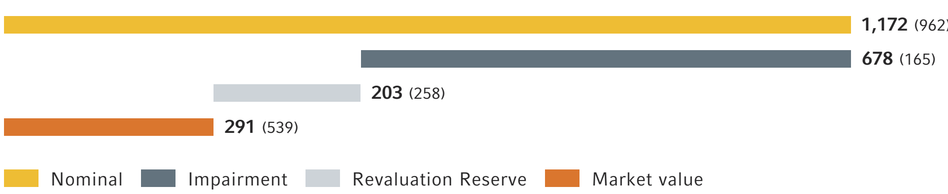
Rating structure
Based on market values, underlying RMBS | in %



Values in parentheses: December 2007

Non-prime RMBS portfolio The performance and valuation of the RMBS non-prime portfolio is a function of both premature (unscheduled) repayments and the default trends in the underlying loans. In spite of the rise in defaults having since slowed down somewhat, losses in the portfolios are rising steadily due to the rise in forced disposals by institutions. Unscheduled repayments, which were at an unusually high level for several years before the collapse, have now fallen below their historic lows, as the chances of refinancing in the US real estate market are virtually non-existent at the moment. Consequently we have written down the US non-prime RMBS portfolio with a nominal volume of €1.2bn to a residual value of €0.3bn (€0.7bn from impairments and a further €0.2bn from the revaluation reserve). Because of steadily worsening fundamental data for the US economy, we are expecting additional impairments in 2009 and market values will likely continue to decline.

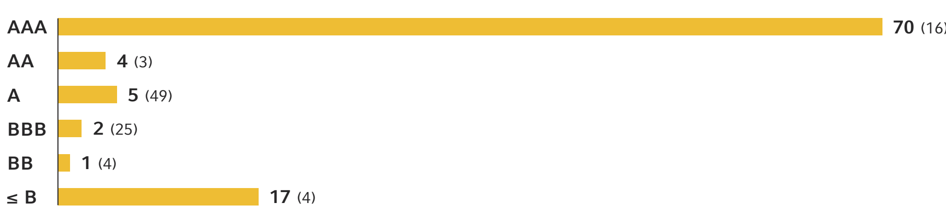
Changes in market values
in € m



Values in parentheses: December 2007

Vintages
Based on market values | in %

Rating structure
Based on market values | in %

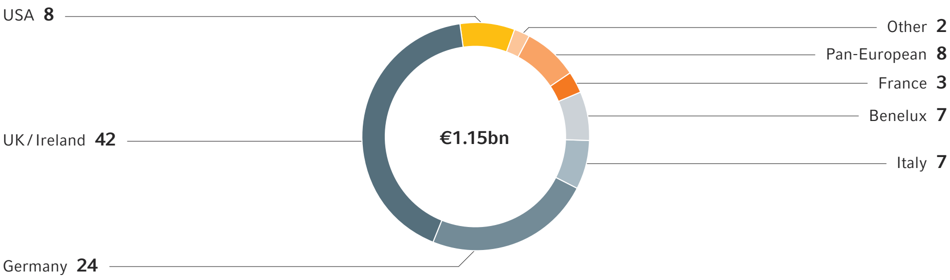


Values in parentheses: December 2007

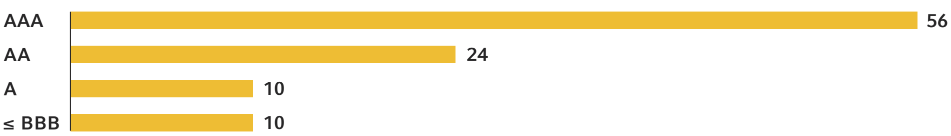
Commercial mortgage-backed securities (CMBSs)
The CMBS portfolio of Commerzbank Group had a market value of €1.15bn as of December 31 (of which €0.4bn in the trading book). In 2008 we had to take impairments in this subportfolio for the first time because of a spill over of the crisis in the US housing market,

which is now affecting the commercial real estate segment. We expect more impairments and write-downs through a charge to the revaluation reserve in 2009.

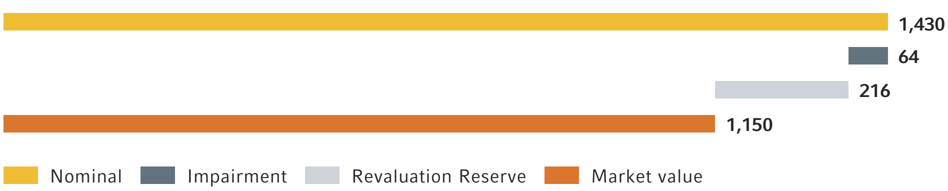
Breakdown by region
in %



Rating structure
Based on market values | in %



Changes in market values
in € m



1.2) ABS positions structured by Commerzbank

Originator positions In the last few years, Commerzbank and Eurohypo have securitized receivables totalling around €23bn (current volume: €17.5bn), largely for reasons of capital management. Just under €9.0bn still remained on our own books as of the end of December 2008. The first loss pieces of these transactions have a risk weighting of 1.250 % and are directly deducted from equity (half each from Tier I and Tier II).

			Commerzbank volume		
Securitization pool in € m	Maturity	Total volume	Senior	Mezzanine	First loss piece
Corporates	2013 – 2027	8,183	7,302	140	156
CMBS	2010 – 2084	8,628	1,250	76	18
RMBS	2048	466	1	18	0
MezzCap	2036	178	13	8	9
Total		**17,455**	**8,566**	**242**	**183**

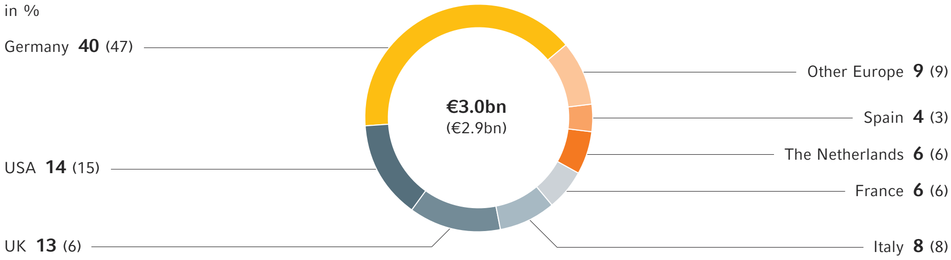
Sponsor positions Commerzbank has made liquidity lines available for its own conduits totalling €1.1bn; a total of €0.6bn had been drawn on these lines as of the reporting date. In addition, Commerzbank has purchased commercial paper totalling €292m in connection with the Kaiserplatz program. Liquidity lines for conduits of other banks total €0.2bn, but had not been drawn on as of the reporting date.

Own conduits | in € m	**liquidity line**	**thereof drawn lines**
Kaiserplatz	532	135
KP Avalon	245	244
MidCABS	223	172
Aspire	83	69
Sub-Holding-Wide-Program-Enh.	48	0
Total	**1,131**	**620**

2) Leveraged acquisition finance

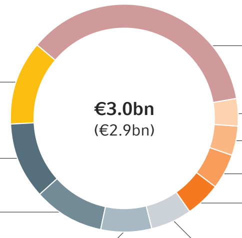
The Commerzbank LBO portfolio stood at €3.0bn as of December 2008 (only acquisition tranches, including €0.3bn assets for the CLO warehouse – this programme was discontinued at the end of September 2008) (December 2007: €2.9bn) and has a regional focus on Europe (86 %). In 2008 this well-structured portfolio (average lot size about €30m) only reported an impairment of some €11m for a single position. Our maximum portfolio limit of 1 % of the Commerzbank Group's EaD plus the portfolio guidelines that were significantly tightened in September have proved successful in the current environment. Given the market environment, proactive LBO portfolio management via the secondary market is only possible to a very limited extent at the moment, if at all.

Breakdown by region
in %



Values in parentheses: December 2007

Breakdown by sector
in %



Values in parentheses: December 2007
*) 19 other sectors with shares of < 4%

3) Financial Institutions

After the massive upheaval in the third quarter culminating in the failures of Lehman Brothers and the Icelandic banks and the nationalization of Fannie Mae, Freddie Mac and AIG, the situation for financial institutions stabilized in the fourth quarter. Despite the relentless economic pressure on financial institutions, the massive state bail-outs began to take effect, thus averting further collapses. The lessons learned from the Lehman Brothers bankruptcy helped greatly in increasing governments' willingness to provide support.

As part of our anticipatory risk management approach we examined our Financial Institutions portfolio for asset classes in danger of default as far back as 2007. The task force investigated banks with a conspicuous risk profile in the following areas: (i) subprime / ABS, (ii) real estate exposure in overheated markets, (iii) refinancing largely by way of wholesale funding, and (iv) mismatching maturities. We then adjusted our credit risk strategies to the new situation and implemented additional risk-minimizing and risk-eliminating measures.

Our countermeasures enabled us to substantially reduce the risks in the FI portfolio whenever market liquidity allowed. Our Financial Institutions portfolio has been reduced by more than €60bn since the beginning of 2007, and in the above categories in danger of default exposure was reduced by more than €5bn.

However, our plans to continue to reduce critical risk assets have been severely hampered by the illiquidity of the global capital markets since the third quarter of 2007. We have nevertheless implemented risk-minimizing measures in the portfolios we have identified as critical. In this difficult situation, the following risk-mitigating measures have helped to improve our risk profile:

- Strengthening collateral agreements with daily margining,
- Shortening maturities,
- Stricter documentation,
- Risk-adequate pricing,
- (Portfolio) hedges.

In spite of the early identification and reduction of critical parts of the portfolio, we were unable to avoid being affected by the failures of Lehman Brothers, Washington Mutual and the division of Icelandic banks into "Good and Bad Banks." The early implementation of countermeasures meant that we successfully managed to halve our Iceland portfolio since 2006, but the risks could not be eliminated entirely when markets

Group Management Report

became more difficult. In the case of Lehman Brothers we were also encouraged by the US Treasury Department's rescue of Bear Stearns and for too long shared the market's mistaken belief that Lehman was "too big to fail."

Another burden which we did not expect to be quite so heavy was the severe market turbulence experienced during the re-hedging process and realization of collateral for the positions affected by Lehman's failure. During our subsequent analysis of the situation and the lessons learned we redefined the risk parameters for bulk risks and risk correlations that apply to our main trading partners.

The EaD of the Financial Institutions portfolio as of December 31, 2008 stood at €144bn (September 30: €140bn). The rise in EaD was mainly attributable to special effects (the Hypo Real Estate (HRE) support package plus an increased willingness to grant loans to our subsidiaries). Without these effects, EaD would have fallen substantially. The risks come from banks, investment banks, insurance companies and (hedge) funds:

	Exposure at Default in € bn	Expected Loss in € m
Banks	115	68
NBFI	27	28
Insurances	2	<1
Total	**144**	**97**

Breakdown by rating class as of December 31, 2008:

PD Rating	Exposure at Default in € bn	Expected Loss in € m	CVaR in € m
1.0 – 1.8	98	5	64
2.0 – 2.8	29	22	156
3.0 – 3.8	13	26	159
4.0 – 4.8	2	18	100
> 4.8	2	26	37
Total	**144**	**97**	**516**

The portfolio is dominated by investments by our mortgage subsidiaries in bonds from issuers with a good credit rating, counterparty risks arising from trading transactions, and commercial real estate financing, mainly secured through land charges, for funds managed by banks. Collateral agreements are used for proactive risk management of derivatives business, and the portfolio's level of coverage by these instruments is being continuously increased as part of our active exposure management approach.

Breakdown by region as of December 31, 2008:

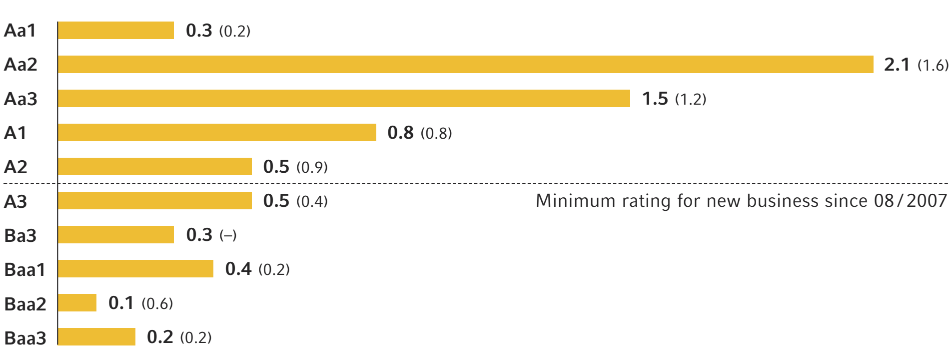
	Exposure at Default in € bn	Expected Loss in € m	CVaR in € m
Africa	2	4	15
Asia / Pacific	10	19	66
Germany	52	13	115
North America	14	7	40
Eastern Europe	7	17	90
Scandinavia	3	1	8
Central and South America	1	4	16
Western Europe	55	32	166
Total	**144**	**97**	**516**

A large component of this business consists of OECD countries with good ratings. The proportion of emerging market regions is primarily the result of processing foreign trade of German Mittelstand companies. The current bank rating system is being reviewed in the light of the lessons learned from the financial market crisis and will be redefined to enable an even more accurate selection of risk.

4) North American municipal bonds

Public Finance has securities investments in the banking book guaranteed by monoline insurers worth approximately €6.6bn (12 / 2007: €6.2bn). The rise was attributable to exchange rate fluctuations. Due to our selective portfolio choices, the underlying ratings (excluding monoliner guarantees) are primarily rated A or better. We have again carefully analyzed the underlying assets, and in the case of the municipal bonds we still do not see any need for impairment as the credit quality is good.

Exposure by underlying rating
in € bn



Values in parentheses: December 2007

5) CDS portfolio

The nominal volume traded on CDS markets rose to more than USD 62,000bn by the end of 2007. As a result of the financial crisis, this volume had fallen by end of June 2008 to almost USD 55,000bn. Since the nominal volumes of CDS transactions by our Bank were kept at a constant €160bn during the past few years, our market share has fallen from around 3% in 2004 to less than 0.5%, which underlines our conservative approach to these markets.

To reduce the systematic risk that derives from counterparty risk in credit derivatives, the financial industry is working hard to establish central clearing houses. These initiatives are quite advanced, particularly in North America. The plans are also making good progress in Europe. In October last year, the EU Commission launched an initiative for introducing new regulations for the derivatives market. The European banking industry and Commerzbank expressly support the establishment of central clearing houses for CDSs.

Counterparty and underlying credit quality

The chart shows our CDS long positions as a combination of counterparty and underlying risk. The greatest risk arises when both risks are sub-investment grade; our share here rose only marginally to 1.8 %, due to rating migrations.

in %	Counterparty		
Underlying	**Investment Grade**	**Sub Investment Grade**	**Total**
Investment Grade	77.3	6.7	84.0
Sub Investment Grade	14.2	1.8	16.0
Total	91.5	8.5	100.0

VI. Operational and other risks

1) Operational risk

Operational risk is defined in the Solvency Regulations (SolvV) as the risk of loss resulting from the inadequacy or failure of internal processes, systems and people or from external events. This definition includes legal risks; it does not cover reputational risks or strategic risks.

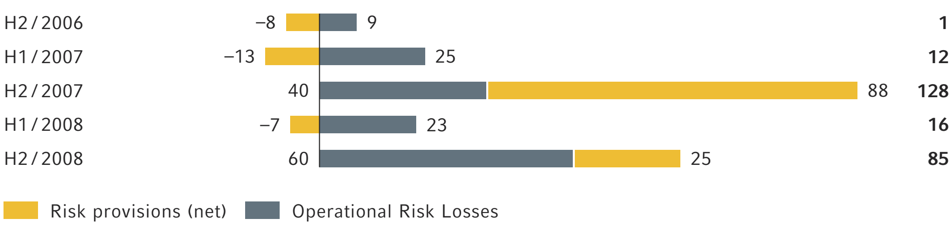
Key trends in 2008

The financial industry's experiences of OpRisk events in the reporting year showed that significant losses due to weaknesses in control processes, an inadequate management overview or fraudulent activities are much more likely to occur in periods of extreme market volatility. We therefore focused on monitoring and continually improving control processes in investment banking and implemented measures to limit the constant residual risk of human error or fraudulent actions. This involved, for example, implementing measures as part of IT security, for the reconciliation process of business confirmations and for monitoring trader portfolios. Activities still outstanding are being implemented for the new Commerzbank's target structure as part of the Dresdner Bank integration.

We also continually upgraded the internal models and methods used to manage operational risk. Another area of focus was implementation of the MaRisk requirements for bank outsourcing and inclusion of outsourced activities into Commerzbank's risk control process.

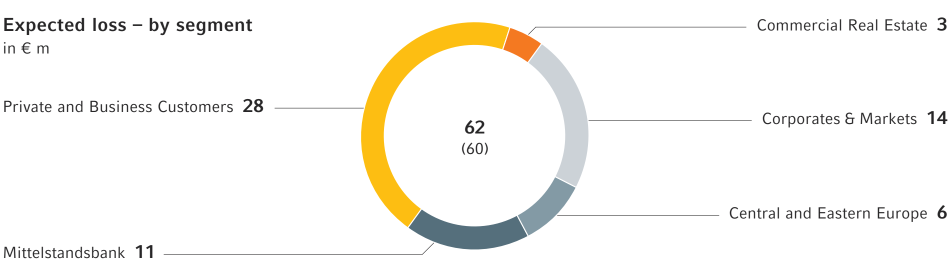
OpRisk losses of €83m were reported in 2008 (2007: €65m), and in addition the provisions for operational risk and ongoing litigation had to be increased by €18m (2007: €75m). The positive trend of losses for the first nine months ended in the fourth quarter, including in particular a €31m loss from the settlement of a trading position with disputed agreements. Nonetheless, the total charge arising from operational risk of €101m was significantly less than the prior year figure (2007: €140m).

Operational Risk Losses
in € m



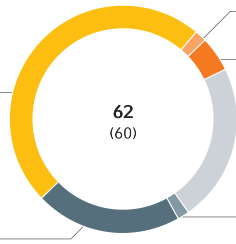
The increased operational risk losses also had an impact on the expected loss, which increased accordingly from €60m in 2007 to €62m in 2008.

Expected loss – by segment
in € m



Values in parentheses: December 2007

Expected loss – by loss event
in € m



Values in parentheses: December 2007

The regulatory capital backing for operational risk according to the advanced measurement approach (AMA) was €760m in 2008. Of this amount, Corporates and Markets, Mittelstandsbank and Private and Business Customers accounted for about 80 %, an amount that has been relatively stable over time. Loss data provided by the Operational Risk Data eXchange Association (ORX), which we regularly use for benchmarking analyses, show comparable risk profiles.

Risk management and limitation

Limiting operational risks differs systematically from limiting market and credit risk, since the portfolio is not made up of individual clients or positions but internal processes. Possibilities for transferring risk via the traditional insurance market are currently available to only a limited degree, and measures to be taken when limits are exceeded are therefore only effective after a certain time lag. The focus for this type of risk must therefore be more on anticipatory management by the segments and cross-divisional units.

The following measures were defined as qualitative goals to further optimize the OpRisk profile in Commerzbank Group:

- Improving the scoring for qualitative OpRisk components of the bonus-and-penalty model and thereby reducing capital adequacy requirement.
- Implementing new governance structures to support proactive risk management in the segments.

Risk-strategic areas were defined in our operational risk strategy for 2009. These included:

- Greater analysis of OpRisk in connection with the financial crisis
- Operational risk in connection with the integration of Dresdner Bank
- Upgrading the OpRisk early warning system
- Analysis and management of risks from product liability

Outsourcing

In 2007 Commerzbank strengthened measures for controlling its outsourcing activities. The revised version of MaRisk that was issued on October 30, 2007 requires banks to carry out risk assessments of their outsourcing arrangements. Banks must form their own view on the materiality of outsourcing measures. Implementing these new requirements was the focus of our efforts in 2008. To this end, an IT-supported application for continuous monitoring of outsourcing-specific risks was implemented as part of a project.

Legal risk

Legal risks are included in operational risk modelling. Management of the Commerzbank Group's legal risks on a worldwide basis is handled by Legal Services (ZRA). The main function of ZRA is to recognize potential losses from legal risks at an early stage, devise solutions for reducing, restricting or avoiding such risks and create the necessary provisions. In the area of legal risk, increasing product complexity has led to an increase in potential losses.

Deposit insurance fund

Commerzbank is a member of the deposit insurance fund of the German Banking Association. Special contributions to this compensation scheme cannot be ruled out at the present time in view of a large loss in 2008.

2) Business risk

Business risk covers the risk of losses due to the negative deviation of income (essentially commissions) and expenses from the budgeted figures and is therefore primarily impacted by basic conditions in market environment, customer behaviour or technological development that have changed relative to the assumptions made for planning purposes.

Business risk is managed by means of clear targets for specific business areas as regards returns as well as cost/income ratios and continuously flexible cost management in the event of non-performance.

3) Other risks

MaRisk requires a holistic view of risk in order to meet the Pillar 2 requirements of the new Basel framework, and hence requires that unquantifiable risk categories which are subject to qualitative management and controlling processes must be also be taken into consideration.

Personnel risks

As in MaRisk, Commerzbank defines four categories of personnel risks:

- Aptitude risk: employees and those standing in for them must have the required knowledge and experience appropriate to their duties, authority and responsibilities. Appropriate training and continuing education programs must be offered to ensure that the level of employee qualifications keeps pace with the current state of development.
- Motivation risk: pay and incentive systems must be designed so that they do not lead to conflicts of interest or inappropriate incentives, especially in the case of senior managers.
- Departure risk: the company must ensure that the absence or departure of employees will not result in long-term disruptions to operations. The criteria governing appointments to managerial staff positions in particular must be defined.
- Bottleneck risk: the quantitative and qualitative staffing of the Bank must be based on internal operating requirements, business activities, strategy and the risk situation.

Strategic risk

Strategic risk is the risk of negative impacts on the achievement of Commerzbank's strategic goals as the result of changes in the market and competitive environment, capital market requirements, regulations or politics, inadequate implementation of Group strategy or inconsistent development of segments and business areas.

Responsibility for strategic corporate management lies with the Board of Managing Directors, which is supported by Strategy and Controlling (ZKE) for strategic issues. Some business policy decisions (acquisition and disposal of equity holdings exceeding 1% of equity) also require the approval of the Risk Committee of the Supervisory Board. In addition, all major investments are subject to careful review by the Investment Resources Allocation Committee (IRC). On the basis of ongoing observation of the market and competitive environment, both German and international, and of the requirements imposed by the regulatory authorities and the capital markets, key changes and developments are continuously analyzed to determine the action that needs to be taken to ensure long-term corporate success.

Reputational risk

We define reputational risk as the risk of losses, falling revenues or reduced corporate value due to business events that erode the confidence of the public, clients, rating agencies, investors or business partners in Commerzbank.

The operational divisions, branches and subsidiaries bear direct responsibility, within the scope of their business operations, for reputational risks arising from their particular activity. Reputational risks may also stem from other types of risk and even intensify those risks. The responsibility of Group Communications (ZKK) for controlling reputational risk ensures that Commerzbank will be aware of market perceptions at an early stage. For this reason, relevant measures and activities relating to business policy are subjected to careful scrutiny. In particular, Commerzbank avoids business-policy measures and transactions which entail significant tax or legal risks, and also environmental and social risks. Major credit decisions are voted on individually with regard to reputational risk. These votes may result in transactions being declined.

Compliance risk

The success of Commerzbank Group depends largely on the trust and confidence of our clients, our present and future shareholders, our staff and the public in the capacity and potential and especially the integrity of our group. This confidence is based particularly on compliance with applicable statutory, regulatory and internal regulations and conformity with customary market standards and codes of conduct in the global business activities of the Group. The Board of Managing Directors has primary responsibility for compliance and has assigned the function to Group Compliance (ZGC). The goal is to identify early on any compliance risks that could call into question the integrity and therefore the success of Commerzbank Group, to prevent such risks if possible, and control them or resolve them properly in the interest of those involved.

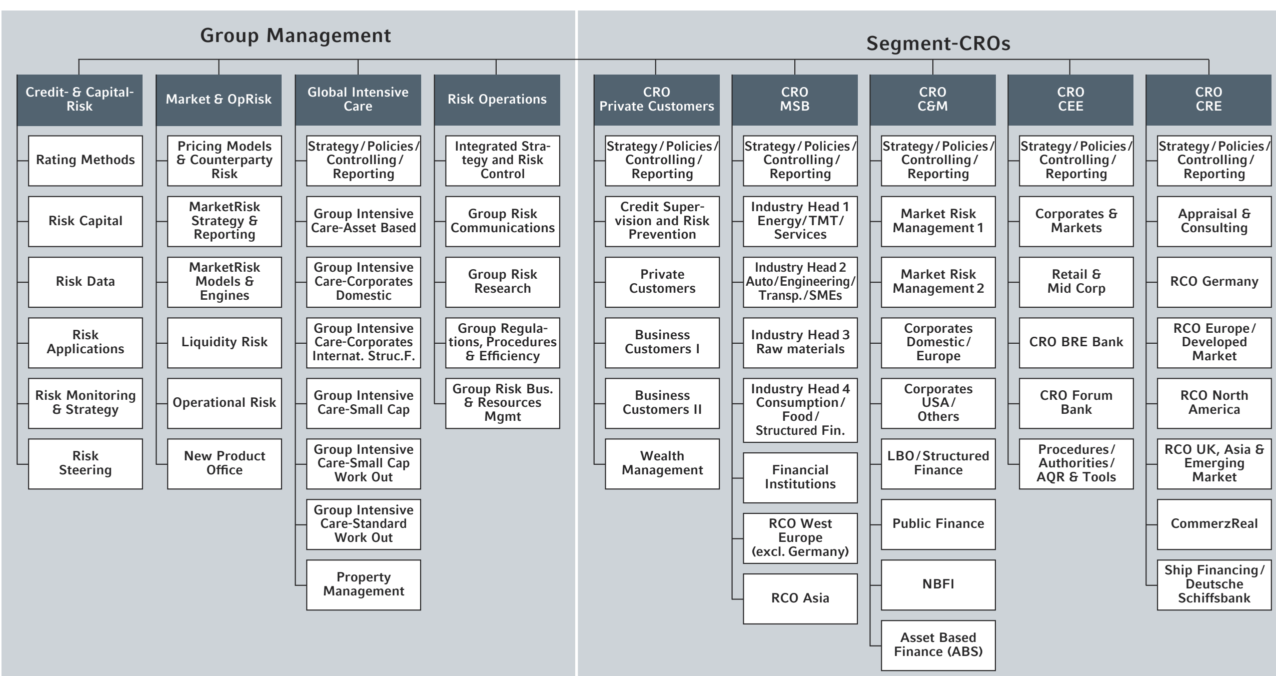
VII. Summary outlook for the new Commerzbank

Restructuring the risk function / risk integration project

The new Commerzbank attaches great importance to a resilient business model and strong risk management procedures. It follows a consistent derisking strategy and will strengthen its risk management process during the restructuring phase. The risk function is spread across nine areas, of which five will carry out this function for the CRO segment and accept responsibility for all quantifiable risks in this segment.

Of the four Corporate Center risk functions, one handles credit risks, while another takes charge of the market and operational risks of the Commerzbank Group; these two teams ensure that the Group applies uniform methods and controlling procedures. Another Corporate Center function is responsible for intensive care management and workouts for all segments. Risk Operations oversees all the Group's risk functions. It implements a uniform risk strategy, carries out macroeconomic risk research, ensures uniform target group-focused use of language in all internal and external risk reports, puts forward proposals for more efficient and cost-effective processes, monitors the budgets, takes charge of cross-segment staff training and qualification, and coordinates all these measures with the banking supervisory authority.

All nine risk functions are headed by the CRO and the Risk Management Board, who is responsible for timely reporting, cost-efficient and proactive risk controlling and management, a uniform risk culture and compliance with all regulatory provisions.



By merging the methods, models, competencies and the risk strategies for the homogenous sub-portfolios of the new Commerzbank, we are well on our way in our preparations for integration. We are aware that the integration of Dresdner Bank into the new Commerzbank presents an enormous challenge for the risk management functions, particularly the downsizing of the portfolios of ABSs / conduits, leverage acquisition finance and CDSs, which have grown considerably due to the incorporation of Dresdner Bank. However, we are well equipped to master these challenges with strength and can rely on a motivated and effective team made up of staff from both banks.

Risk-taking capability

In 2008 we fundamentally reviewed and enhanced our existing economic credit risk capital model. The new Merton model that we began using in January 2009 has led to a much higher CVaR in the Group. We had previously reflected this long-anticipated development through tougher stress scenarios. Significant features of the new model are:

- Improved, more conservative modelling of correlations and bulk risks
- A risk factor model specially designed for the new Commerzbank portfolio
- A module with loss waterfall simulation for structured products.

With the introduction of this new credit risk model we also had to change our risk-taking capability approach to an assessment of economic and regulatory risk weighted assets (RWA). In future, the key reference for analyzing risk-taking capability will be solely the regulatory definition of capital, for both economic and regulatory capital purposes. This will give us a conceptual comparability that is lacking when using a different economic definition of capital available to cover risk. Comparing the RWA with available capital produces regulatory and economic core capital and capital adequacy ratios that also reflect the application of economic stress scenarios. The capital buffer comprises the existing excess cover of the capital requirement under Basel II and the economic capital model. Regulatory and economic management measures are largely harmonized through the new risk-taking capability approach.

We expect the economic conditions to significantly strengthen the procyclical effect of Basel II in 2009 and 2010. This means that the initial savings arising from the Basel II changeover should be fully absorbed, and we do not rule out the possibility of the progressive approach coming under further pressure, even compared to less sophisticated ones. Overall, we consider that an RWA rise of 10 – 20 % would be realistic for the new Commerzbank. In view of this, we are in close exchange with regulators at national and international level to avoid economic trends being intensified as a result of regulation.

Further developments in the management of default risks

Another important pre-requisite for creating a consistent risk management process as quickly as possible in the new Commerzbank is to harmonize our rating platform in such a way that there is just one procedure throughout the Group for every asset class. To do this, all selection decisions have already been taken and the basic procedure agreed with BaFin. The projected plans, including recalibration on common data histories, should be implemented by the end of 2009. Full IT implementation is scheduled to be completed by the end of 2010.

Portfolio	Target Rating method derived from existing rating method
Private customers, freelancers, companies without financial statement	Commerzbank
companies with financial statement	Commerzbank
NBFI	Dresdner Bank
Banks	Enhancement based on Dresdner Bank method with some features of Commerzbank Ratings
Souvereigns	Dresdner Bank
Local authorities	Commerzbank
Commercial Real Estate	Commerzbank
Ship Financing	Deutsche Schiffsbank
Project Finance, Renewable Energies, Leveraged Finance, Infrastructure	Commerzbank
Transfer risk	Dresdner Bank
ABS	Dresdner Bank

In view of the current crisis, a number of procedures have been fundamentally revised as part of this consolidation (e.g. bank ratings). The focus is also on the closer integration of early warning indicators and market data into rating systems. In particular, this means ensuring that future estimates given by our experts (based on the credit analysis of individual cases) are incorporated into the rating result with a sufficient weighting, in addition to available quantitative information (e.g. annual financial statements, account management etc.).

Commerzbank's master scale will be used in Dresdner Bank from 2009, even before the merger. The harmonization of rating nomenclature is a key condition for the integration and establishment of a consistent policy framework.

We will also retain the previous methodical basis of the EL limit at Group and segmental level in 2009. However, extreme market trends and much greater equity capital expectations from external market participants, investors and rating agencies will also be included when the Board of Managing Directors determines the final EL. With a view to the transfer of Dresdner Bank's portfolios into the new Commerzbank, we have decided to wait until the database is standardized before determining the firmly defined EL limit, as we will then have a uniform controlling platform.

Bulk risk limitation and monitoring will be even more important for the new Commerzbank following the integration of Dresdner Bank. We have fundamentally revised the bulk definition for 2009 and adjusted it to the new balance sheet ratios because of the introduction of the new portfolio model, the newly defined risk-taking capability concept and the new Commerzbank portfolio composition. We have also defined upper limits which clearly govern the maximum amounts not to be exceeded for lending limits, uncovered risk and CVaR for individual commitments.

Banks

The impact of the financial market crisis and the worldwide downturn in financial institutions' income and capital position intensified in the fourth quarter of 2008 and will have a significant negative effect on their financial situation in 2009. However, the bank rescue packages and firm commitment shown by the governments and central banks of the industrialized nations to support the financial system have helped ease the situation in the developed markets. We therefore do not expect any further defaults by large market players important to the stability of the system, but further defaults and restructuring are likely with smaller financial institutions. Aside from the direct financial impact of the crisis, the questions surrounding business models that have been in place for a long time encourage us to continue steadily with our policy of reducing risk in accordance with risk/return principles.

Banks in emerging markets, especially local ones, are most at risk of default. Particular pressure is expected to come here in 2009 from a high need to refinance external funding, the recession spilling over into the emerging markets and the impact of currency depreciation in various countries. While countries rich in commodities such as Russia were able to accumulate foreign currency reserves in the boom period and are willing to use these funds to prop up their banking systems, we believe that the situation is critical for banks in countries that do not have this option and are burdened by high budget and current account deficits. This is confirmed by the current crisis in Ukraine.

However, prolonged low commodity prices will also increase default risk in countries that previously had good crisis management, so that we also see greater risk potential there during the year.

For the past few months we have already proactively been reducing our risks in selected emerging markets, and we will continue with this strategy. Generally speaking, our business in emerging markets focuses on low-risk commercial bank-to-bank transactions to promote the import/export activities of our corporate customers.

Non-bank financial institutions

Our insurance portfolio, which was small owing to our strict portfolio selection, has grown considerably through the addition of Dresdner Bank and favours developed markets. We assume that insurance companies are also likely to benefit from the positive effects of the support given to financial markets in the industrialized countries. But smaller insurance companies and niche providers could be quickly deprived of their business foundations if there is a serious dip in profits. We are in particular keeping a critical eye on the effects of the financial crisis on insurance companies' investment portfolios.

The hedge fund industry will also remain under pressure in 2009. Negative factors such as weak performance, limited access to liquidity and high investor redemptions will force the liquidation of more funds during the year. This will not just be limited to small funds; after the Madoff scandal, the overall sector's image has been tarnished even more. There has been no shock to the system yet from these negative developments, as was feared, but this could definitely still occur, as the liquidation of collateral and positions could create a downward spiral with a momentum of its own. Our hedge fund portfolio, including Dresdner Bank, is straightforward, generally well secured, widely diversified and based on funds of funds, so we do not expect any exceptional charges in this area.

Commercial Real Estate

The real estate markets have deteriorated even more sharply with the worsening of the financial market crisis and the recessionary growth prospects for the world's large economies, and this is expected to continue until 2010/2011. Global investment activity practically came to a standstill at the end of 2008. Market values are continuing to fall, driven by rising yields and falling rents. Having slumped in the past twelve months, market

Changes in market values

12 months review		12 months outlook
	>=25 %	
	20 %	
	15 %	
TR	10 %	
	5 %	
BR HK IT MX	0 %	BR TR
BE HU JPN NL PT SG	–5 %	BE CZ DE FR HU IT MX NL PL PT
CZ DE FR PL SE	–10 %	DK ESP RUS UK
DK RUS US	–15 %	JPN US
ESP	–20 %	SE SG
UK	<=–25 %	HK

values are expected to fall by up to another 30 % in the forthcoming year (Spain and UK –10 %, USA –15 %). In the three critical markets, we therefore expect more covenant breaches, and LTVs and ICRs to continue deteriorating. In spite of the quality of the properties in our portfolio and the risk reducing measures that have already been implemented, we expect the number of sub-standard and problem loans to increase further, particularly abroad. However, we believe that our many years of experience in finding workout solutions gives us a competitive edge in coping with the impact of the financial market crisis on the real estate markets.

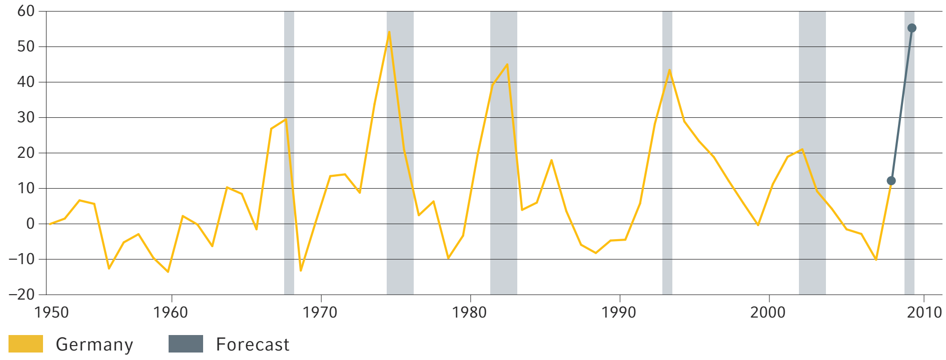
Shipping

The acquisition of Dresdner Bank means that Commerzbank and Dresdner Bank together own 80 % of Deutsche Schiffsbank. The portfolios of all three banks together show a total EaD volume of some €26bn. The portfolio in the new Commerzbank's ship finance segment is regularly reviewed in the quarterly risk report. An analysis of all commitments has taken place. Every individual ship financing package was classified for its risk content by means of a traffic light system, with a focus on weaker elements of the portfolios. Since mid-2008, there has been a significant decline in ship values and charter rates, mainly in the bulk goods and container carrier markets. Continuing over-capacity from ship deliveries as a result of high order book levels has also been a contributory factor, in addition to general world economic developments. As a result, we believe there will be numerous restructurings and increasing defaults.

Corporates

As various analyses have recently shown, the trend in corporate insolvencies has reversed, in that they went up again for the first time in 2008. As the effects of the financial crisis on the real economy are expected to intensify in 2009, the supply of capital for corporates will become more difficult, and as a result the number of insolvencies will rise. Based on past experience, our economists are predicting a rise of around 50 %. Taking credit spread trends of the sub-investment grade as a starting point, the default rate in the next two years in this sector could even reach double-digit figures.

Insolvencies



Change in relation to the previous year in %. Shaded areas mark recessions.

ABS / Conduits / LAF

The new Commerzbank's ABS and LAF portfolio represents the greatest challenge for limiting charges against earnings. For this reason, responsibility for this portfolio in the Corporates & Markets segment was bundled together with other portfolio sections from Public Finance into a Divisional Restructuring Unit (DRU). We will keep a close eye on these toxic portfolios.

	Dec 08			Dec 08	
in € bn	**Notional**	**Market value**		**Notional**	**Market value**
Commerzbank			**Dresdner Bank**		
CDO of ABS & RMBS (thereof US-Non Prime)	3,6 (1,5)	2,1 (0,3)	CDO of ABS & RMBS (thereof US-Non Prime)	6,1 (5,6)	2,9 (2,6)
Conduits	1,1	1,1	Conduits	10,0	10,0
Leveraged Acquisition Finance	3,0	3,0	Leveraged Acquisition Finance	7,6	7,6
Gov. wrapped Student Loans/ABS	5,9	5,7	Monoline hedges and non-monoline hedges	13,7	10,3
Corporate CDO	1,6	1,0	SIV „K2“	4,7	4,7
CMBS/ CRE CDO	1,4	1,2	Other ABS incl. term structures	3,9	3,2
Other	1,6	1,4	CIRC	1,1	1,2
Total Commerzbank	**18,2**	**15,5**	**Total Dresdner Bank**	**47,1**	**39,9**

Market risk

As part of the integration, Commerzbank will be changing over its market risk analysis by the end of 2009 to Dresdner Bank's internal model, also approved by BaFin, known as the delta gamma model.

The Basel II requirements on the incremental risk charge which come into force from 2011 will also be implemented at the same time. We are continuing to model the default and migration risk (credit quality deterioration) of trading positions based on the project launched by Commerzbank in 2008. This involves incorporating the newly defined regulatory requirements (such as eliminating rules for securitizations, and changes in equity prices) which will be implemented in a solution for the new Commerzbank as part of the integration process.

From the market perspective, credit spreads for Commerzbank's positions are still expected to be the main negative factor in 2009, for which developments in Southern and Eastern Europe in particular will be crucial. While in Southern Europe sharply rising government borrowing will place a sustained burden on budgets as a result of government bail-out and stimulus packages and drive up refinancing costs, and therefore the yield premiums for countries such as Italy, Spain, Greece and Portugal, the problems in Eastern Europe are low energy prices, weaker demand from Western Europe and partially home-grown economic or political difficulties. Furthermore, Dresdner Bank's ABS portfolio which has since been consolidated in a special restructuring area, will create additional charges when it is reduced.

Operational risks

We expect charges, including legal risks, to stay high in 2009. Firstly, we anticipate an increasingly difficult environment due to the current financial market crisis and economic recession which, judging by experience, can lead to a rise in actions against the Bank and to a greater likelihood of fraudulent activity. Equally, charges will rise, albeit temporarily, through the acquisition of Dresdner Bank, until both banks' business processes and IT systems have been fully consolidated.

We began harmonizing the Dresdner Bank and Commerzbank advanced measurement and management approach to operational risk at the end of the reporting year. We will continue to use the principles of Commerzbank's existing model and take account of findings from Dresdner Bank's scenario approach. We assume that the transfer to a standardized methodological management concept will be completed during 2009.

IIF Principles of Conduct and Best Practice Recommendations

We take very seriously our share of the responsibility for ensuring that the financial market works well. As such, we welcome the fact that under pressure from the financial market crisis, the Institute of International Finance (IIF) drew up a package of Principles of Conduct in July 2008, which represent a general and binding code of conduct for IIF members, including Commerzbank and Eurohypo, in six areas (risk management, compensation, liquidity, valuation, securitization, disclosure). This code is formalized through Best Practice Recommendations which members are urgently advised to implement, taking account of their structure and business model. The aim of these measures is to avoid in the future the errors that have led to the current financial market crisis.

Together with our auditors, we carried out a gap analysis and checked internal regulations to see which areas of Commerzbank Group require action to comply with the IIF code of conduct and recommendations. In doing so, we also incorporated the requirements of the Counterparty Risk Management Policy Group (the Corrigan report).

The result of the gap analysis showed that the Commerzbank Group already meets most of the requirements. Those which it does not have been consolidated into areas for action and measures drafted to ensure compliance. These are expected to be implemented by the end of 2009.

Future financial market regulation

The international regulation initiatives that began in the wake of the financial market crisis will be continued in 2009. In this regard, the collapse of Lehman Brothers has created a stronger dynamic.

The Basel Committee for Banking Supervision is currently improving identified weaknesses in the Basel framework. Apart from aspects of all three pillars, this includes a stronger capital adequacy requirement for resecuritizations, liquidity lines to conduits, and risks in the trading book compared to the banking book (incremental risk charge). There will be additional burdens on banks, particularly in terms of regulatory market risk measurement.

The Capital Requirements Directive is also being revised at the same time at European level. The changes include in particular securitization, large exposure, transparency and core capital regulations and the Consolidating Supervisor (cooperation between European supervisors).

The 2008 recommendations of the Financial Stability Forum are also of major importance. Germany has undertaken to implement them nationally. The first step involves the amendments to the Minimum Requirements for Risk Management (MaRisk) published for consultation in February 2009. These relate to areas such as stress tests, concentration risks, risk management at Group level, trading transactions, valuation of illiquid positions, liquidity risk management, appropriate involvement of the supervisory body and remuneration systems.

Commerzbank welcomes all regulatory measures that help increase the stability of the financial system, and sees these as complementing its own efforts as described here for effective risk management.

Charges against earnings

For 2009 it is important to note that economic developments and therefore the outlook should be seen as very critical for credit risk provisions in Central and Eastern Europe and in Commercial Real Estate (including the shipping portfolio) and more critical than previously in the Mittelstandsbank. Nonetheless, we expect risk provisions to be slightly below 2008 levels, despite large structural shifts at the new Commerzbank, as we no longer anticipate large financial institutions incurring comparable charges. That said, downside scenarios in the insecure and extremely volatile environment are highly likely to occur; we should not exclude the possibility therefore of risk provisions rising considerably for the new Commerzbank, particularly if significant bulk or event risks occur.

We need to harmonize the methods of determining risk provisions following the integration of Dresdner Bank. For example, uniform LIP factors throughout the Group are being introduced to determine the general loan loss provision, which could result in increases because of the changeover.

In terms of impairment charges arising from available-for-sale holdings and defaults in the trading book, we currently assume that we reached the peak for the new Commerzbank in 2008. We are expecting a large reduction for this area in 2009 under our realistic-case scenario.

In the revaluation reserve, charges against the new Commerzbank's capital base should be well below the €4.6bn total for 2008.

Net risk provisions

For net risk provisions, there will be significant portfolio shifts in addition to a moderate fall. We expect a rise in the Private and Business Customers segment, largely due to adjustments in method and a significant decline in amounts received on claims written off at Dresdner

Bank. As the financial market crisis also reached the real economy, we expect a large rise in insolvencies and restructurings in 2009, and therefore in net risk provisions in the Mittelstandsbank. In Central and Eastern Europe, we expect a significant year-on-year rise in net risk provisions, with Russia, Ukraine and Poland being affected in equal measure. After the exceptionally high charges in the Corporates & Markets segment in 2008, we see risk provisions more than halving in 2009, although they should still be high in the LAF portfolio at Dresdner Bank. For Financial Institutions however, we expect a significant improvement, as state intervention in this area has provided stability. In the CRE & Shipping estimate, we expect more defaults and bulk risks; additionally, the negative effect on earnings from shipping financing and the first-time full consolidation of Schiffsbank needs to be taken into account.

Portfolios in the new Commerzbank's risk focus

Portfolio	EaD[1] Coba/Dreba (in € bn)	Up to year end 2009	business environment
Structured Finance: ABS: **LBO:**	11/32[2] 3/6	Significant burdens expected above all for ABS, Monoliner Structures and LBOs of Dresdner Bank	
Financial Institutions:	61/46	Support programmes of sovereign states and central banks will have positive effects on systemic banks (yellow); challenges for regional banks (red)	
NBFI:	17/17	Higher risks due to illiquidity of markets; deleveraging process is running	
Corporates: Germany: **Foreign:**	67/31 29/16	Clear increase of insolvencies for SMEs and bulk risks. USA with higher risks (red) compared to other international markets and Germany (yellow)	
Central and Eastern Europe:	27/0	Economic downturn, primarily in Russia, Ukraine and Hungary	
Commercial Real Estate:	86/0	Further decrease in market values in all regions and property types. Apart from the hot spots Spain, USA and UK other markets are affected (e.g. France, Italy)	
Shipping:	9/2[3]	Clear reduction in ship values and freight rates for bulk and container markets. Continued overcapacity	
Private and business customers:	62/41	Sound risk situation since 2006. Higher unemployment rate, but stable development since 2009. Traffic light: Private home financing (green), business customers (yellow)	

- Loan loss provisions for the new Commerzbank at the level of 2008 in a market with significant structural changes
- Moderate reduction in burdens from AfS impairments and defaults in the trading book

Total charges against earnings in 2009 in realistic case some 25% below the level of 2008 and in downside case slightly higher than the 2008 level

[1] values based on internal models in each case
[2] ABS Portfolio: market values
[3] without Schiffsbank EaD = €14bn

The above overview shows that in 2009 nearly all portfolios are suffering from the stress caused by market conditions, which is why the Bank's results will be strongly affected by charges against earnings. In times such as these, proactive and robust risk management has a significant impact on the Bank's overall results. We believe that there will be significant easing of risk by 2011 at the latest.

Lessons learned from the financial market crisis

We have learned all kinds of lessons from the financial crisis, beginning with sub-prime, and the impact on value seen so far has highlighted the need for a rethink in many areas. We have therefore concentrated on analyzing the core problems of the crisis as a matter or urgency. As part of integration preparations, we have incorporated our findings into the Bank's revised procedures (risk strategies, credit authority regulations, policies etc.) and into the new Commerzbank's organizational structure (establishing our own Group risk research, making segment CROs responsible for all quantifiable risks, strengthening the market risk function within C&M, etc.).

With the amalgamation of the Dresdner Bank and Commerzbank lending portfolios, the new Commerzbank's bulk risks will also rise both at individual level (borrower units) and portfolio level (portfolios with high default correlations). Apart from the value impact of structured secondary market products, individual bulk risks are the main source for unexpected loss and for the failure of planned risk results. Apart from correlation-oriented portfolio supervision, bulk risk management also aims to supervise individual commitments where there is deemed to be a particularly high individual risk.

For the new Commerzbank, bulk risk management, which was previously based on CVaR, has been revised and expanded by the management parameters LaD and EaD. At the same time, the entry and upper limits of individual bulk risks have been revised, with a clear orientation towards the new Commerzbank's risk-taking capability.

Group Financial Statements

Our Group accounts are drawn up in accordance with the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS), and their respective interpretation by the Standing Interpretations Committee and the International Financial Reporting Interpretation Committee. We have taken account here of all the standards and interpretations that are binding in the European Union for the business year 2008.

Financial Statements of the Commerzbank Group as of December 31, 2008

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Income statement

€ m	Notes	1.1.–31.12.2008	1.1.–31.12.2007	Change in %
Interest received		21,372	21,925	–2.5
Interest paid		16,643	17,918	–7.1
Net interest income	(30)	4,729	4,007	18.0
Provision for possible loan losses	(31, 46)	–1,855	–479	.
Net interest income after provisioning		2,874	3,528	–18.5
Commissions received		3,529	3,832	–7.9
Commissions paid		683	682	0.1
Net commission income	(32)	2,846	3,150	–9.7
Trading profit	(33)	–450	879	.
Net investment income	(34)	–665	126	.
Other result	(35)	–27	196	.
Operating expenses	(36)	4,956	5,366	–7.6
Operating profit		**–378**	**2,513**	.
Restructuring expenses	(37)	25	8	.
Profit from ordinary activities/ Pre-tax profit		**–403**	**2,505**	.
Taxes on income	(38)	–465	580	.
Consolidated surplus	**(39)**	**62**	**1,925**	**–96.8**
Consolidated surplus attributable to minority interests		59	8	.
Consolidated surplus attributable to Commerzbank shareholders		3	1,917	–99.8

Appropriation of profit | € m	Notes	2008	2007	Change in %
Consolidated surplus attributable to Commerzbank shareholders	(39)	3	1,917	–99.8
Proceeds from SoFFin silent participation		–2	–	.
Allocation to retained earnings		–1	–1,260	–99.9
Consolidated profit		**0**	**657**	.

The Special Fund for Financial Market Stabilization (SoFFin) provided Commerzbank Aktiengesellschaft with a silent participation of €8.2bn as at December 31, 2008. Accepting this participation obliges Commerzbank Aktiengesellschaft not to pay any dividend in 2009 or 2010 for the preceding financial years. Last year, a dividend payment of €1.00 per share was made (total distribution: €657m).

Earnings per share | €	Notes	2008	2007	Change in %
Earnings per share	(39)	0.00	2.92	.

The calculation of the earnings per share according to IAS 33 is based on the consolidated surplus attributable to Commerzbank shareholders. In the past financial year and on December 31, 2008, no conversion or option rights were outstanding. No diluted earnings per share are therefore reported.

Balance sheet

Assets I € m	Notes	**31.12.2008**	**31.12.2007**	Change in %
Cash reserve	(8, 42)	6,566	5,157	27.3
Claims on banks	(9, 10, 11, 43, 45, 46, 72)	62,969	74,043	–15.0
Claims on customers	(9, 10, 11, 44, 45, 46, 72)	284,815	283,469	0.5
Positive fair values attributable to derivative hedging instruments	(12, 47)	10,528	8,970	17.4
Assets held for trading purposes	(13, 48, 72)	118,569	97,599	21.5
Financial investments	(14, 49, 52, 72)	127,450	132,192	–3.6
Intangible assets	(15, 50, 52)	1,336	1,265	5.6
Fixed assets	(16, 51, 52)	1,240	1,293	–4.1
Tax assets	(25, 53)	6,698	6,439	4.0
Other assets	(17,18, 54)	5,025	6,047	–16.9
Total		**625,196**	**616,474**	**1.4**

Liabilities and equity I € m	Notes	**31.12.2008**	**31.12.2007**	Change in %
Liabilities to banks	(11, 19, 55, 72)	128,492	125,120	2.7
Liabilities to customers	(11, 19, 56, 72)	170,203	159,187	6.9
Securitized liabilities	(19, 57, 72)	165,827	205,649	–19.4
Negative fair values attributable to derivative hedging instruments	(20, 58)	21,463	14,823	44.8
Liabilities from trading activities	(21, 59)	96,208	70,293	36.9
Provisions	(22, 23, 60)	2,030	2,919	–30.5
Tax liabilities	(25, 61)	3,161	4,945	–36.1
Other liabilities	(18, 62)	2,914	2,946	–1.1
Subordinated capital	(26, 63, 72)	11,836	11,046	7.2
Hybrid capital	(26, 64, 72)	3,158	3,414	–7.5
Equity	(29, 65, 66, 67)	19,904	16,132	23.4
Subscribed capital	(65)	1,877	1,708	9.9
Capital reserve	(65)	6,619	5,709	15.9
Retained earnings	(65)	5,904	6,158	–4.1
SoFFin silent participation	(65)	8,200	–	.
Revaluation reserve	(14, 65)	–2,221	903	.
Valuation of cash flow hedges	(5, 65)	–872	34	.
Reserve from currency translation	(6, 65)	–260	–34	.
Consolidated profit	(65)	–	657	.
Total before minority interests		19,247	15,135	27.2
Minority interests	(65)	657	997	–34.1
Total		**625,196**	**616,474**	**1.4**

Statement of changes in equity

€ m	Subscribed	Capital reserve	Retained earnings capital	SoFFin silent participation	Revaluation reserve[1]	Valuation of cash flow hedges	Reserve from currency translation	Consolidated profit	Total before minority interests	Minority interests	Equity
Equity as of 1.1.2007	**1,705**	**5,676**	**5,139**		**1,746**	**–381**	**–143**	**493**	**14,235**	**1,023**	**15,258**
Consolidated surplus								1,917	1,917	8	1,925
Allocation to retained earnings			1,260					–1,260	–		–
Changes in revaluation reserve					–829				–829	–201	–1,030
Changes arising from cash flow hedges						415			415	118	533
Changes in currency reserve							17		17	7	24
Comprehensive income 2007	**–**	**–**	**1,260**	**–**	**–829**	**415**	**17**	**657**	**1,520**	**–68**	**1,452**
Capital increases									–	24	24
Issue of shares to employees									–		–
Profits/losses in previous year									–	–191	–191
Allocation of profits (minority interests)									–	98	98
Dividend								–493	–493		–493
Changes in holdings in affiliated and other companies			–206						–206		–206
Changes in companies included in consolidation and other changes[2]	3	33	–35		–14		92		79	111	190
Equity as of 31.12.2007	**1,708**	**5,709**	**6,158**	**–**	**903**	**34**	**–34**	**657**	**15,135**	**997**	**16,132**
Consolidated surplus								3	3	59	62
Changes in revaluation reserve					–3,120				–3,120	–183	–3,303
Changes arising from cash flow hedges						–906			–906	–14	–920
Changes in currency reserve							–255		–255	–69	–324
Comprehensive income 2008	**–**	**–**	**–**	**–**	**–3,120**	**–906**	**–255**	**3**	**–4,278**	**–207**	**–4,485**
Capital increases	170	924							1,094		1,094
Issue of shares to employees									–		–
Allocation to retained earnings			1					–1	–		–
Proceeds from SoFFin silent participation								–2	–2		–2
Profits/losses in previous year									–	–8	–8
Allocation of profits (minority interests)									–	53	53
Dividend								–657	–657		–657
Changes in holdings in affiliated and other companies			–223						–223		–223
Changes in companies included in consolidation and other changes[2]	–1	–14	–32	8,200	–4		29		8,178	–178	8,000
Equity as of 31.12.2008	**1,877**	**6,619**	**5,904**	**8,200**	**–2,221**	**–872**	**–260**	**–**	**19,247**	**657**	**19,904**

[1] As of December 31, 2008 this included €0.5m of revaluation reserves of assets held for sale;
[2] including change in treasury shares, change in own derivative equity instruments and proceeds from SoFFin silent participation.

As of December 31, 2008, the subscribed capital of Commerzbank Aktiengesellschaft pursuant to the Bank's Articles of Association stood at €1,879m; it was divided into 722,553,156 no-par-value shares (accounting par value per share: €2.60). After the 224,941 treasury shares held by the Bank on December 31, 2008, are deducted, its subscribed capital amounts to €1,878m.

The Bank made use of the authorization resolved by the Annual General Meeting of May 15, 2008 to purchase its own shares for the purpose of securities trading, pursuant to Art. 71(1) no. 7 of the German Stock Corporation Act (AktG). Gains and losses from trading in the Bank's own shares have no effect on the net profit.

Use was made in the 2008 financial year of the resolution of the Annual General Meeting of May 15, 2008, authorizing the Bank to repurchase its own shares pursuant to Art. 71(1) no. 8 of the German Stock Corporation Act (AktG), for purposes other than securities trading. The purchase was for the purpose of issuing employee shares to staff at selected companies in the Commerzbank group.

Other changes in retained earnings, the revaluation reserve and the valuation 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

€ m	2008	2007
Consolidated surplus	**62**	**1,925**
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	520	–156
Change in other non-cash positions	–899	–1,929
Profit/loss from the sale of assets	665	–126
Profit from the sale of fixed assets	6	2
Other adjustments (net interest income)	–4,729	–4,007
Sub-total	**–4,375**	**–4,291**
Change in assets and liabilities from operating activities after correction for non-cash components:		
Claims on banks	10,823	1,124
Claims on customers	–739	5,062
Securities held for trading purposes	9,757	669
Other assets from operating activities	4,629	–2,093
Liabilities to banks	3,372	–705
Liabilities to customers	11,016	17,973
Securitized liabilities	–39,822	–23,104
Other liabilities from operating activities	–9,346	–1,072
Interest and dividends received (see Note 30)	21,372	21,925
Interest paid	–16,643	–17,918
Income tax paid	–255	–236
Net cash provided by operating activities	**–10,211**	**–2,666**
Proceeds from the sale of:		
Financial investments	2,999	2,874
Fixed assets	293	467
Payments for the acquisition of:		
Financial investments	–4	–385
Fixed assets	–624	–275
Effects of changes in the group of companies included in the consolidation		
Payments from the acquisition of subsidiaries	–71	0
Net cash used by investing activities	**2,593**	**2,681**
Proceeds from capital increases	1,079	0
Dividends paid	–657	–493
Other financing activities (subordinated capital)	8,734	–318
Net cash provided by financing activities	**9,156**	**–811**
Cash and cash equivalents at the end of the previous period	**5,157**	**5,967**
Net cash provided by operating activities	–10,211	–2,666
Net cash used by investing activities	2,593	2,681
Net cash provided by financing activities	9,156	–811
Effects of exchange-rate changes on cash and cash equivalents	–70	–6
Effects of minority interests	–59	–8
Cash and cash equivalents at the end of the period	**6,566**	**5,157**
of which: Cash on hand	892	893
Balances with central banks	5,294	4,069
Debt issued by public-sector borrowers and bills of exchange rediscountable at central banks	380	195

Cash and cash equivalents as at December 31, 2008 include €83m from companies consolidated for the first time.

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 financial investments, the intangible assets 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 and hybrid 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 management tool.

Notes

Consolidated accounting principles

Our consolidated financial statements as of December 31, 2008 were prepared in accordance with Art. 315a (1) of the German Commercial Code (HGB) and Regulation (EC) No. 1606/2002 (IAS Regulation) of the European Parliament and of the Council of July 19, 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). All valid standards and interpretations required in the EU for the financial year 2008 have been applied.

We have not taken into consideration prematurely applying standards and interpretations which are to be implemented only as from January 1, 2009 or later (IFRS 8, revised IFRS 1, 2, 3, 6; IAS 1, 16, 19, 23, 27, 31, 32, 39 and 40; amendments arising from the IASB's annual process of improvement; IFRIC 13, 15, 16, 17). However, we do not expect these to lead to any material effects on accounting or measurement.

The standards and interpretations to be applied for the first time in the 2008 financial year (IFRIC 11 and 14) had no material effect on the consolidated financial statements. IFRIC 12, which has not yet been transposed into European law, also had no material effect on the consolidated financial statements.

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 and the reporting on risk management are to be found in the notes (Note 41 and Notes 75 to 83 respectively).

The consolidated management report, including a separate report on the opportunities and risks related to future developments (risk report) pursuant to Art. 315 of the German Commercial Code (HGB), appears on pages 124 to 184 of our annual report. Unless otherwise indicated, all the amounts are shown in millions of euros.

Accounting and measurement 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 in the income statement for the period to which they may be assigned in economic terms.

Throughout the Commerzbank Group, uniform accounting and measurement methods are used in preparing the financial statements, as explained in the following notes. All material fully consolidated companies prepared their financial statements as of December 31, 2008.

The consolidated financial statements include values which are determined on the basis of estimates and assessments as permitted. The estimates and assessments used are based on past experience and other factors, such as planning and – from the present standpoint – likely expectations and forecasts of future events. Estimates are subject to uncertainties in determining pension obligations and goodwill. Pension obligations are measured based on the projected-unit-credit method for performance-based pension plans. In measuring such obligations, assumptions have to be made in particular regarding long-term trends for salaries, pensions and average life expectancy. Changes in the estimates from year to year and differences from the actual effects each year are shown under actuarial profits and losses. The annual impairment test of goodwill is based on the recognized discounted cash-flow method, which is based on the future cash flows projected in management's latest planning figures. Estimates are also subject to uncertainties regarding deferred taxes, provisions for possible loan losses and when determining fair value, especially when measuring the value of CDOs/RMBSs.

An asset is recognized in the balance sheet if it is probable that there will be future economic benefits for the company, and if its purchase or production costs or another value can be reliably assigned a value.

A liability is recognized in the balance sheet if it is probable that there will be a direct outflow of resources with economic benefits as a result of a present obligation and that the amount to be paid can be reliably assigned a value.

(2) Adjustments to the accounting policies

Basically, we have employed the same accounting policies as for the consolidated financial statements as of December 31, 2007.

In the income statement, income and expenses from operating leases for which the Bank is the lessor were previously recognized under net interest income. Starting in financial year 2008, they are now being recognized under other result. We have adjusted the previous year's figures accordingly. The reclassification for financial year 2007 amounts to €13m.

(3) Consolidated companies

Besides the parent bank, the consolidated financial statements include 167 subsidiaries (2007: 159) in which Commerzbank Aktiengesellschaft directly or indirectly holds more than 50% of the voting rights or exercises control. Of these, 110 have their registered offices in Germany (2007: 101) and 57 elsewhere (2007: 58).

607 subsidiaries and associated companies of minor significance for the Group's asset and financial position and earnings performance have not been included; instead, they have been shown under the financial investments as holdings in subsidiaries or investments. These companies account for less than 0.1% (2007: 0.1%) of the Group's total assets. In the year under review, 28 subsidiaries were included in the consolidation for the first time. The most significant additions and disposals are listed below:

Additions

- Commerzbank Auslandsbanken Holding Nova GmbH, Frankfurt am Main
- Joint Stock Commercial Bank „Forum", Kiev

Disposals

Name	Reason for withdrawal
Caisse Centrale de Réescompte, S.A., Paris	sold
CCR Actions, Paris	sold
CCR Chevrillon-Philippe, Paris	sold
CCR Gestion, Paris	sold
PTE Skarbiec – Emerytura SA, Warschau	sold

We also reported 21 disposals and the merger of Hypothekenbank in Essen AG and Eurohypo Aktiengesellschaft in the year under review.

In addition to the 167 subsidiaries, we fully consolidated in the 2008 financial year 31 special-purpose entities and 17 non-publicly-offered funds in our consolidated financial statements in accordance with IAS 27 and SIC 12; 13 special-purpose entities and non-publicly-offered funds have been included in the consolidation for the first time:

- cominvest ABS active, Luxembourg
- cominvest ABS Opportunity S.A., Luxembourg
- ComStage ETF Commerzbank EONIA INDEX TR, Luxembourg
- ComStage ETF DAX® TR, Luxembourg
- ComStage ETF Dow Jones EURO STOXX® Select Dividend 30 TR, Luxembourg
- ComStage ETF Dow Jones EURO STOXX 50® TR, Luxembourg
- ComStage ETF Dow Jones INDUSTRIAL AVERAGE™, Luxembourg
- ComStage ETF Dow Jones STOXX® 600 TR, Luxembourg
- ComStage ETF MSCI World TRN, Luxembourg
- CoSMO Finance 2008-1 Ltd., Dublin
- ILSP Mutual Fund AG & Co. KG, Vaduz, Liechtenstein
- Semper Finance 2006-1 Ltd., St. Helier/Jersey
- TS Lago One GmbH, Frankfurt am Main

Twelve (2007: eleven) material associated companies – seven of them based in Germany (2007: seven) – are measured using the equity method. Two associated companies were newly included:

- 36th Street Co-Investment, L.P., New York
- KaiserKarree S.a.r.l., Luxembourg

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

- Prospect Poland UK, L.P. St. Helier/Jersey

A full list of all holdings of the Commerzbank Group is published as part of the Notes in the Federal Gazette (elektronischer Bundesanzeiger) and can also be accessed in the electronic company register. It can furthermore be found under our internet address: www.commerzbank.de/InvestorRelations/Unternehmensberichtserstattung

(4) Principles of consolidation

Subsidiaries are companies in which Commerzbank Aktiengesellschaft directly or indirectly holds the majority of the voting rights or where it determines their financial and business policies and is accordingly able to exercise control over them in order to benefit from their activities. Consolidation takes effect from the date on which the Group acquires the majority of the voting rights or gains control over the company concerned.

For the consolidation of the capital accounts, we value 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 revalued 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 revaluation, this is shown as goodwill.

All companies where Commerzbank AG has a significant direct or indirect influence appear in the balance sheet as associated companies. A significant influence is assumed with a share in the voting rights of between 20 % and 50 %. Additional criteria for judging the level of influence include substantial business transactions with the company in question, membership in a management or supervisory board, or involvement in setting the company's business policies.

Associated companies are valued according to the equity method and are shown as holdings in associated companies under the financial investments. The purchase cost of these investments including goodwill are determined at the time of their first inclusion in the consolidated financial statements, applying by analogy the same rules as for subsidiaries. For material 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 IFRS rules applied.

Holdings in subsidiaries not consolidated because of their minor importance and investments are shown at their fair value, or if this cannot be reliably established, at cost under the financial investments.

Consolidation of subsidiaries ends on the date that the Bank loses its control over them. Valuation of associated companies according to the equity method ends on the date that the share in the voting rights falls below 20 %.

The obligation to consolidate special purpose entities under certain circumstances derives from the interpretation of SIC-12. This states that consolidation is required if, in substance,

- the special purpose entity's activities are oriented towards the needs of the company and the latter obtains benefits from this;
- the company is able to decide to obtain the majority of the benefits of the activities of the special purpose entity;
- the company has rights to obtain the majority of the benefits of the activities of the special purpose entity;
- the company retains most of the risks and opportunities.

Within the Commerzbank Group, when special purpose entities are created they are examined to determine if there is an obligation to consolidate them; in addition, a regular review is performed as to the necessity of consolidating the entity. The list of all consolidated special purpose entities is part of the list of holdings.

All receivables and liabilities as well as income and expenses based on business relationships between companies within the Group are eliminated when liabilities and income and expenses are consolidated. Intra-Group book gains or losses registered during the financial year are deducted unless they are of minor importance.

(5) Financial instruments: recognition and measurement (IAS 39)

In accordance with IAS 39, all financial assets and liabilities – which also includes derivative financial instruments – have to be recognized in the balance sheet and valued 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.
Depending on their respective category, financial instruments are recognized in the balance sheet either at (amortized) cost or fair value. Fair value is the amount at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the balance-sheet date. Fair value is determined by the price established for the financial instrument on an active market (mark-to-market). If no market prices are available, fair value is established with the aid of valuation models (mark-to-model), which use market data as their parameters to the greatest extent possible.

The following remarks present an overview of how the rules of IAS 39, in the currently valid version, have been applied within our Group:

a) Categorization of financial assets and liabilities and their valuation

- Loans and receivables:
  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. Valuation is at amortized cost. In the event of an impairment, this will be recognized through the income statement when calculating amortized cost. Premiums and discounts are recognized under net interest income and over the entire lifetime to maturity.

- 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. Valuation is at amortized cost. In the event of an impairment, this will be recognized through the income statement when calculating amortized cost. Premiums and discounts are recognized under net interest income and over the entire lifetime to maturity. In the 2008 financial year Commerzbank Group has again made no use of the category of held-to-maturity financial assets.

- Financial assets or financial liabilities at fair value through profit or loss:

  This category is made up of two sub-categories:

  – Financial assets or liabilities held for trading:
    This category includes financial assets and financial liabilities held for trading purposes (assets held for and liabilities from trading). Financial assets held for trading purposes include original financial instruments (especially interest-bearing securities, equities and promissory notes), precious metals and derivative financial instruments with a positive fair value. Financial liabilities from trading include, in particular, derivative financial instruments with a negative fair value and delivery commitments arising from the short-selling of securities.

    Derivative financial instruments used for hedging purposes are only reported under ssets held for trading/liabilities held for trading 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 trading purposes and liabilities from trading activities are valued at their fair value on each balance-sheet date. The results of this valuation appear under trading profit in the income statement.

    The Commerzbank Group has undertaken transactions where the fair value was established using a valuation method in which not all of the main input parameters were based on observable market parameters. Such transactions are recognized in the balance sheet at the transaction price. The difference between the transaction price and the fair value under the model is termed the day 1 profit or loss. The day 1 profit or loss is not recognized immediately but shown in the income statement pro rata over the term of the transaction. If it is possible to determine a reference price for the transaction on an active market or the main input parameters are based on observable market data, the deferred day 1 profit or loss is directly recognized in the income statement.

  – Designated at fair value through profit or loss:
    Under the fair value option it is permissible to voluntarily value each financial instrument at fair value and reflect the net result of this valuation in the income statement. The decision whether to use the fair value option or not has to be made on the acquisition of the financial instrument and is irrevocable.

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

    – an accounting mismatch will be prevented or significantly 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 that must be separated.

Financial instruments for which the fair value option is employed are shown at their fair value in the appropriate balance-sheet item for their respective category. The results of such measurement appear under trading profit in the income statement.

Further details on how and to what extent the fair value option is used in the Commerzbank-Group can be found in Note 74.

- Available-for-sale financial assets:
  This category comprises all non-derivative financial assets not assignable to one of the above categories or which have been designated as available for sale. Primarily, these are interest-bearing securities, equities and investments. They are valued at fair value. If the fair value of equity instruments cannot be reliably determined, measurement is at amortized cost. 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). Premiums and discounts are recognized under net interest income over the entire lifetime to maturity. 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 impaired, the revaluation reserve has to be adjusted for the impairment, and the amount has to be reflected in the income statement. With write-ups, we distinguish between equity and debt instruments in the available-for-sale portfolio. While equity instruments are written up without affecting income, write-ups for debt instruments are recognized at up to no more than their amortized costs on the income statement.

  Reclassification
  In its press release of October 13, 2008, the IASB issued an amendment for the reclassification of financial instruments. In accordance with the amendment, securities in the Public Finance portfolio for which there is no active market are to be reclassified from the IAS 39 Available for Sale (AfS) category to the IAS 39 Loans and Receivables (LaR) category. For the reclassified portfolio, we intend and are able to hold the securities for the foreseeable future or until maturity. The fair value at the time of the reclassification will be recognized as the new carrying amount of the securities holdings. The securities concerned are primarily issued by public-sector borrowers (including European and North American local authorities and publicly guaranteed asset-backed securities) and financial institutions. The Commerzbank Group has not taken advantage of the opportunity to carry out a retrospective reclassification. The trading portfolio (investment banking business) is not affected by this measure.

- Other financial liabilities:
  All financial liabilities that are not classified as held-for-trading and to which the fair-value option was not applied fall under the category of other financial liabilities.This category includes liabilities to banks and customers and also securitized liabilities. Valuation is at amortized cost. Premiums and discounts are recognized under net interest income over the entire lifetime to maturity.

Net gains or losses include impairments, write-ups, gains realized on disposals, and subsequent recoveries on financial instruments written down in the IAS 39-categories described above. The components are detailed in the notes on net interest income, provision for possible loan losses or net investment income, depending on IAS 39-category.

b) Financial Guarantee contracts
According to IAS 39, a financial guarantee is a contract under which the guarantor is obligated to make certain payments that compensate the party to whom the guarantee is issued for a loss arising in the event a particular debtor does not meet payment obligations on time as stipulated in the original or amended terms of a debt instrument. If Commerzbank is the party to whom the guarantee is issued, the financial guarantee is not recorded in the accounts and only recognized upon determining an impairment to the value of a collateralized asset. As guarantor, the Commerzbank Group recognizes the liability arising from a financial guarantee as soon as it is signed. Initial valuation is at fair value at the time of recognition. Viewed overall, the fair value of a financial guarantee at the time of signature is zero because for fair market contracts the value of the premium agreed generally corresponds to the value of the guarantee obligation. A check is performed for subsequent valuations to determine whether a risk provision is necessary.

Insofar as a financial guarantee is a component of a financing commitment where there is an intention to trade, the financial guarantee also has to be categorized as held for trading. Such financial guarantees are then treated in accordance with the rules for the held-for-trading category (see Note 5a).

c) Embedded derivatives

IAS 39 also regulates the treatment of derivatives embedded in original financial instruments (embedded derivatives). Such financial instruments are also termed 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 index related interest payments. According to IAS 39, under certain conditions the embedded derivative must be shown separately from the original host contract as a stand-alone derivative. Such separation has to be made if the three following conditions are met:

- the characteristics and risks of the embedded derivative are not closely related to those of the original host contract
- the separately shown embedded derivative fulfils the definition of a derivative according to IAS 39; and
- the original host contract is not measured at fair value with changes in fair value recognized in profit or loss.

In this case, the separately shown embedded derivative has to be regarded as part of the trading portfolio and recognized at its fair value. Changes on revaluation have to be shown under the net result on the valuation of derivative financial instruments in the trading profit. The host contract is accounted for and valued applying the rules of the category to which the financial instrument is assigned.

If the above three conditions are not met, the embedded derivative is not shown separately and the hybrid financial instrument is valued as a whole in accordance with the general provisions of the category to which the financial instrument is assigned.

d) 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 trading purposes or liabilities from trading activities) and are valued at their fair value. The result of such valuation is shown under trading profit.

If it can be demonstrated that derivatives are used to hedge risks from non-trading transactions, IAS 39 permits the application of hedge accounting rules under certain conditions. 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. It is above all, the Group's issuing and lending business and the securities portfolio for liquidity management, insofar as these are fixed-income securities, that are subject to this 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 revaluation appear as profit or loss in the income statement under net result on hedge accounting as part of the trading profit. 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 revaluation recognized in the income statement for the hedge and the hedged transaction will balance one another out.

- 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 and for 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 valuation result is that part of the change in the fair value of the hedging derivative that represents an effective hedge against the cash flow-risk arising from the hedged underlying transaction and, after deferred taxes have been taken into consideration, valuation gains and losses are recognized with no effect on the income statement in a separate equity item (valuation result from cash flow hedges). By contrast, the ineffective portion is shown as net result from hedge accounting under trading profit 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 it is established. Documentation must include in particular the 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 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, firstly, that a high degree of effectiveness can be expected from a hedge in the future (prospective effectiveness); secondly, 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 values or the cash flow lies between 0.8 and 1.25. The methods used for determining effectiveness must be disclosed.

(6) Currency translation

Monetary assets and liabilities denominated in foreign currencies and outstanding 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 always translated at the average exchange rates for the period. Non-monetary items such as holdings in consolidated subsidiaries are always translated at historic rates. Translation gains and losses from the consolidation of the capital accounts appear in the balance sheet under equity. On the date such assets are sold, the translation gains or losses are recognized on the income statement under net investment income.

As a result of their economically independent business activity, the financial statements of our consolidated 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 under net result on trading. Hedged expenses and income are translated at the hedging rate.

The following translation rates applied for the currencies that are most important to the Commerzbank Group as of December 31. (amount per €1 in the respective currency):

	2008	2007
USD	1.3917	1.4721
GBP	0.9525	0.73334
CHF	1.4850	1.6547
PLN	4.1535	3.5935

(7) 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.

(8) Cash reserve

The cash reserve comprises cash on hand, balances held at central banks, debt issued by public-sector borrowers and bills of exchange eligible for rediscounting at central banks. 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.

(9) 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 amortized cost. Premiums and discounts are recognized in net interest income over the lifetime of the investment or security. The carrying amounts of claims to which fair value hedge accounting is applied are adjusted for the changes in fair value attributable to the hedged risk. Claims recognized under the fair value option appear at their fair value.

(10) Provision for possible loan losses

We account for the particular default risks arising from the lending business by forming specific 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 as agreed. The valuation allowance corresponds to the difference between the book value of the loan less the present value of the expected future cash flow.

In addition, we cover credit risk by means of portfolio valuation allowances. The level of the portfolio valuation allowances is determined using parameters derived from the Basel II-system.

The total amount of the provision for possible loan losses, insofar as it relates to claims in the balance sheet, is deducted from the respective balance-sheet items. 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 allowances have been formed are written down immediately. Amounts received on written-down claims appear in the income statement under the provision for possible loan losses. Impaired claims are (partially) written down, utilizing any specific valuation allowances, if such claims turn out to be partially or entirely unrecoverable. Portions of impaired claims in excess of the current provision for loan losses are also written down immediately if they are unrecoverable.

(11) 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 both cases. The securities sold under repurchase agreements (spot sale) still appear, and are valued, 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, if they are not the result of trading transactions, 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 recognized and valued 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 valued. The agreed interest payments from reverse repos, if they are not the result of trading transactions, are 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 valued according to the rules of IAS 39. Borrowed securities do not appear in our balance sheet, nor are they valued. We show cash collateral which we have furnished for securities-lending transactions as a claim and collateral received as a liability.

(12) Positive fair values attributable to derivative hedging instruments

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

Listed hedging instruments are measured at market prices; unlisted ones are measured by means of comparable prices and internal valuation models (net present value or option pricing models). The hedge accounting results for fair value hedges appear in the income statement under net result on hedge accounting as part of the trading profit. By contrast, effective portions of the gains and losses on cash flow hedges are recognized under valuation of cash flow hedges in equity.

(13) Assets held for trading purposes

Financial instruments (including precious metals) held for trading purposes, 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. Lending commitments with a positive fair value are also included under this item.

For listed products, market prices are used; for unlisted products, comparable prices, indicative prices of pricing-service providers or other banks (lead managers) or internal valuation models (net present value or option pricing models) are used.

All the realized gains and losses and also the net valuation changes which are not realized appear as part of the trading profit in the income statement. Interest and dividend income from trading portfolios are also shown under this item, as well as the expense of funding them.

(14) Financial investments

Financial investments covers financial instruments that are not allocated to any other balance sheet item. Our financial investments comprises all the bonds, notes and other interest-rate-related securities, shares and other equity-related securities and all the investments and holdings in associated companies, as well as holdings in non-consolidated subsidiaries unless they must be treated as assets held for sale as defined in IFRS 5.

Financial instruments from the loans and receivables category under this balance sheet item are measured at amortized cost.

Investments in associated companies are reported according to the equity method.

Portfolio items categorized as available for sale are reported and measured at their fair value. If the fair value cannot be found on an active market, items are measured by means of comparable prices, indicative prices of pricing-service providers or other banks (lead managers) or internal valuation models (net present value or option pricing models). If, exceptionally, the fair value of equity instruments cannot be reliably determined, they are reported at historic cost less any necessary impairment.

Net changes for portfolio items categorized as available for sale – after deferred taxes have been taken into consideration – are shown in the revaluation reserve under equity. Realized gains and losses are only recognized in the income statement under net investment income when the holdings are sold or in the event of impairment.

Premiums and discounts are recognized in net interest income over the lifetime of the investment or security. Net interest income also shows interest income from bonds, dividends on shares including shares in un-consolidated affiliated companies and current profits or losses from equity investments.

If, however, an effective fair value hedge with a derivative financial instrument exists for financial instruments recognized here, that part of the change in fair value attributable to the hedged risk is shown as part of the trading profit under the net result on hedge accounting. Changes in the fair values of financial investments to which the fair value option has been applied are recognized under net result from applying the fair value option, which is also part of the trading profit.

For financial instruments reported under financial investments, it is necessary to check whether there are any indications according to IAS 39.59 (such as breach of contract, loss event, increased likelikhood of bankruptcy proceedings or insolvency) of a loss incurred after the date of recognition that involve a reduction in the cash flow arising from them. There is an impairment if the net present value of the expected cash flow is lower than the carrying value of the financial instrument concerned. In the event of an impairment, the net change is no longer recognized under equity as part of the revaluation reserve but must be taken through the income statement under net investment income as an impairment charge.

With equity instruments, impairment can pertain when fair value is either significantly or persistently lower than historic cost.

In the Commerzbank Group, equity instruments in the AfS portfolio are written down if their fair value is lower than their historical cost either to a significant degree (≥30%) or for a considerable time (at least nine months). Besides these quantitative trigger events, the qualitative trigger events under to IAS 39.59 are also reviewed.

No write-ups through the income statement may be made for equity instruments categorized as available for sale; instead they should be booked directly to the revaluation reserve. Accordingly, the income statement is only affected in the event of impairment or disposal. With unlisted equity instruments for which it is not possible to regularly determine a fair value and that are therefore recognized at their historical cost less any necessary impairment, no write-ups may ever be made.

If any qualitative trigger events exist (IAS 39.59), debt instruments in the AfS portfolio are individually checked for impairments and, if necessary, restated. To make qualitative trigger events operative, additional indicators for writing down assets have been developed in the Commerzbank Group. For example, debt instruments in the AfS portfolio generally must be written down if the debtor's rating is CCC or lower (see Note 78; S&P rating) and the fair value is lower than amortized cost.

If the reasons for an impairment of debt instruments categorized as available for sale cease to apply, the debt instruments are written up, by a maximum of the amortized costs. The amount exceeding amortized cost must be recognized in the revaluation reserve.

(15) Intangible assets

Under intangible assets, we mainly recognize software, acquired brand names, customer relationships and goodwill. Valuation is at amortized cost.

All goodwill and brand names are allocated at the time of acquisition to the cash-generating units. These assets are then examined no less frequently than on each balance-sheet date with a view to their future economic utility on the basis of cash-generating units. On each balance-sheet date, all goodwill and brand names are examined with a view to their future economic utility on the basis of cash-generating units. The carrying value of the cash-generating units (including any amount allocated for goodwill) is compared with their recoverable value. The recoverable value is the higher of an item's value in use and fair value less cost to sell; it is based on the unit's expected cash flows in accordance with the business plan discounted at a rate of interest reflecting the risk involved. If there are objective indications that the usage originally identified will no longer be achieved, a valuation allowance must initially be made on the unit's goodwill. Any requirement to make a valuation allowance in excess of this amount is distributed pro rata over the unit's other assets.

The intention is that brand names acquired for consideration will be carried forward indefinitely. There are no business or economic reasons why they may not be used indefinitely. The legal protection of the brands can be continued. In addition, the brands are being maintained and expanded by continual marketing efforts. It is therefore reasonable to assume they will make a permanent contribution to the success of the company and to apply an unlimited length of use.

We depreciate acquired customer relationships over a period of two to ten years.

Software is depreciated on a straight-line basis over its foreseeable useful economic life of two to five years under Operating expenses. Software includes both software that has been developed in-house and that has been acquired.

Where the reason for making a valuation allowance in previous financial years ceases to apply, the intangible assets are written up to the maximum of amortized cost/cost of production. Write-ups are not permitted for goodwill.

(16) Fixed assets

The land and buildings, and also office furniture and equipment, shown under this item are capitalized at cost, less regular depreciation. Impairments are made in an amount in which the book value exceeds the higher value of fair value minus disposal costs and the utilization value of the asset.

Where the reason for making a valuation allowance in previous financial years ceases to apply, the assets are written up to the maximum of amortized cost / cost of production.

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

In line with the materiality principle, purchases of low-value fixed assets 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.

(17) 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 defined as agreements where the risks and rewards are substantially transferred to the lessee.

The Group as lessor

- Operating Leasing

  If the risks and rewards of ownership remain substantially with the lessor (operating lease), the item will continue to be reported. Leased objects appear in the consolidated balance sheet under other assets, shown at cost or production cost, less regular depreciation over their useful economic lives or if their value is 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 other result.

  Real-estate leasing agreements have a fixed basic rental period and generally include an option for the lessee to buy. The payments to be made by the lessee are calculated based on the total investment costs less the residual value of the leased asset as determined at the start of the leasing agreement. During the fixed basic rental period the lessee bears all the asset-related costs and the third-party costs of the leasing company. The risk of unexpected or partial loss of the leased asset is borne by the lessor. Leasing agreements for rented vehicles are structured as partially amortizing agreements without a right to tender.

- Finance leases

  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.

  Real-estate leasing agreements have a fixed basic rental period and generally include an option for the lessee to buy. The payments to be made by the lessee are calculated based on the total investment costs less the residual value of the leased asset as determined at the start of the leasing agreement. During the fixed basic rental period the lessee bears all the asset-related costs and the third-party costs of the leasing company. The risk of unexpected or partial loss of the leased asset is borne by the lessor.

  Leasing agreements for moveable assets (vehicles, photocopiers) are structured as partially amortizing agreements with a right to tender and can be terminated. Because the fixed rental period is shorter in relation to the normal length of use in the case of partially amortizing agreements, only part of the total investment costs are depreciated.

  Leases which may be terminated have no fixed rental period. In the event of termination a previously agreed final payment becomes due, which covers the portion of the total investment costs not yet amortized. If notice of termination is not given, the lease rolls over. The risk of unexpected or partial loss of the leased asset is again borne by the lessor.

The Group as lessee

Expenditure on operating leases is always recorded in a linear manner over the life of the leasing agreement and reported under operating expenses. Financing lease agreements where the Commerzbank Group is a lessee are of minor significance.

(18) Investment properties and assets and disposal groups held for sale

Investment properties are defined as land and buildings held for the purpose of earning rental income or because they are expected to increase in value. Commerzbank Group essentially holds properties acquired as a result of the realization of collateral.

Investment properties are valued when recognized using acquisition or production cost, including directly attributable transaction costs, in accordance with IAS 40. The fair value model is used for the subsequent valuation of property held as a financial investment. Fair value is essentially determined based on annually updated valuations conducted by internal experts and on currently achievable market prices. Properties used for commercial purposes are usually valued based on capitalized earnings; individual apartment buildings are generally valued using tangible or comparative value. Gains and losses arising from changes in fair value are shown under other result in the income statement for the period.

Current income and expenses are recognized in net interest income.

Non-current assets and disposal groups that can be sold in their current condition and whose sale is probable must be classified as held for sale. These assets must be valued at fair value less sale costs in cases where this is lower than book value.

In view of their minor significance for the Commerzbank Group, these two categories are shown under other assets and other liabilities.

(19) Liabilities to banks and customers and securitized liabilities

Financial liabilities are recognized at amortized cost. The derivatives embedded in liabilities have been separated from their host debt instrument where this is required, valued at fair value and shown under either assets held for trading purposes or liabilities from trading activities. As part of hedge accounting, hedged liabilities were adjusted for the fair value attributable to the hedged risk. Liabilities for which the fair value option is used are recognized at their fair value.

(20) Negative fair values attributable to derivative hedging instruments

This item shows derivative financial instruments that are used for hedging purposes and qualify for hedge accounting if they have a negative fair value. Hedging instruments are recognized at their fair value. Listed hedging instruments are recognized at their market prices; unlisted ones are recognized on the basis of comparable prices and internal valuation models (net present value or option pricing models). Under the terms of fair value hedges, changes in fair value of hedging instruments are reported as the net result of hedge accounting under trading profit in the income statement. By contrast, we show the effective portions of the gains or losses on cash flow hedges as valuation changes under equity.

(21) Liabilities from trading activities

Derivative financial instruments and lending commitments in the trading book which have a negative fair value, and delivery obligations from short sales of securities, are shown as liabilities from trading activities. Liabilities held for trading are recorded at fair value through profit and loss.

Market prices are applied for listed financial instruments; for unlisted products, comparable prices or internal valuation models (net present value or option pricing models) are used. All realized gains or losses and any unrealized valuation gains or losses form part of trading profit in the income statement. Trading profit also includes interest and dividend income from trading portfolios, less the cost of funding them.

(22) Provisions

A provision must be shown if on the balance sheet date, as the result of an event in the past, a current legal or factual obligation has arisen, an outflow of resources to meet this obligation is likely and it is possible to make a reliable estimate of the amount of this obligation. Accordingly we make provisions for liabilities of uncertain amount to third parties and anticipated losses arising from pending transactions in the amount of the claims expected. The amount recognized as a provision represents the best possible estimate of the expense required to meet the current obligation as at the reporting date. The estimate takes account of risks and uncertainties. Provisions are recognized at their net present value if the effect of discounting is material.

The different types of provisions are allocated via various items in the income statement. Provisions in the lending business are charged to the provision for possible loan losses and the provisions for restructuring to restructuring expenses. Other provisions are generally charged to operating expenses.

(23) Provisions for pensions and similar commitments

The company pension arrangements for current and former employees of Commerzbank Aktiengesellschaft and a number of domestic subsidiaries, together with their surviving dependants, is based on a number of benefit schemes (both defined-benefit and defined contribution plans). Firstly, employees obtain an entitlement to benefits based on an indirect pension commitment (a defined contribution plan). To finance this, the Group, together with its current employees, pays a fixed amount to external pension providers (including the Versicherungsverein des Bankgewerbes a.G. (BVV), Berlin and Versorgungskasse des Bankgewerbes e.V., Berlin).

The amount of current and future pension payments is determined by contributions paid and the related income on the assets. For these indirect systems the accounting standards laid down in in IAS 19 for a defined contribution plan are applied, which means that the contributions paid to the external pension providers are recognized under personnel expenses. No provisions are formed.

Secondly, there are obligations arising from pension entitlements and current payments due to a direct pension commitment on the part of Commerzbank where the amount of the pension payment is fixed and dependent on factors such as age, remuneration and length of service (a defined benefit plan).

For employees entitled to pension benefits who joined Commerzbank AG and other consolidated companies before December 31, 2004 the direct pension claims are based on the rules found in the Commerzbank modular plan for pension benefits, known as CBA. The amount of the benefits under CBA is determined from an initial module for the period up to December 31, 2004, and from a benefit module – possibly augmented by a dynamic module – for each contributory year from 2005 onwards. Staff joining the Bank after January 1, 2005 have been given a commitment under the Commerzbank capital plan for company pension benefits, known as CKA. The amount of the payments under the Commerzbank company pension scheme (CKA) are composed of a contribution-based guaranteed payment for each contributory year from 2005 plus a performance-related bonus. Performance is measured throughout the period that contributions are paid until a pension is due. IAS 19 accounting principles for defined-benefit pension plans are applied to this benefit system, which means that provisions are formed.

In order to meet direct pension liabilities, cover assets were transferred to a legally independent trustee, Commerzbank Pension-Trust e.V. (CPT).

The trust assets held by CPT qualified as plan assets within the meaning of IAS 19.7. Pursuant to IAS 19.54 the transferred assets are to be netted with pension provisions, which leads to a corresponding reduction in pension provisions within the Group.

The pension expenses reported under personnel expenses for the direct pension commitments consist of several components: the service costs, representing the claims earned by members during the financial year; and the interest cost on the net present value of the pension obligations, as the time when the pension obligations will have to be met has moved forward by one period. Set against this, the expected net income from the assets in the scheme reduces the pension expenses. Moreover, the level of pension expenses continues to be affected by the amortization of actuarial gains or losses not previously recognized in the income statement. If the direct pension commitments are changed and this leads to a change in the payment obligation, a retroactively calculated service cost or income has to be reported.

The size of the provision in accordance with IAS 19.54 is therefore as follows:

Cash value of the defined-benefit obligation for direct commitments (DBO)
less fair value of plan assets
less/plus unrecognized actuarial losses or gains
less/plus a not yet recorded service cost to be offset retrospectively, if applicable
= size of the pension provision

For defined-benefit plans the pension provisions and similar obligations (age-related short-time working, early-retirement and anniversary provisions) are calculated annually by an independent actuary using the projected-unit-credit method. This calculation is based on biometric assumptions (for example, Heubeck-Richttafeln 2005G), the current market interest rate for top-quality long-term corporate bonds and on assumptions for staff turnover and career trends as well as future rates of salary and pension increases.

According to IAS 19.92 et seq., any actuarial profits and losses that have not yet been amortized do not have to be recognized until the reporting period in which they exceed or fall below the corridor of 10% of the greater of DBO or the fair value of the plan assets at the beginning of the period. Only that part comprising the amount that falls outside of the corridor divided by the average expected remaining working lives of the employees covered by the plan has to be charged as an expense.

(24) Staff remuneration plans

a) Commerzbank AG

For managers and other selected employees, the Group sets up long-term performance plans (LTPs) every year. In financial year 2008, payments of €8.0m were made under the LTP for 2005. In the previous year, a total of €18,3m was paid out for the LTPs for 2004. The plans still outstanding (LTPs 2006 to 2008) provide remuneration geared to the performance of the share price and the index. Those entitled to participate include employees of Commerzbank Aktiengesellschaft, various domestic companies and selected operating units abroad.

In order to participate in the LTPs those eligible have to invest in Commerzbank shares. The scale of this investment for staff below the level of Board of Managing Directors depends on function group (the possible amount ranges between 100 and 1,200 shares). At least one of the following conditions must be met for payments to be made under the LTPs:

- The following applies for 50% of the staff member's own investment: Commerzbank shares must outperform the Dow Jones Euro Stoxx® banks index. For each one percentage point of outperformance a payment of €10 will be made, up to a maximum of €100 per share.
- The following applies for 50% of the staff member's own investment: Commerzbank shares must rise in absolute terms. For a 25% rise in the share price a payment of €10 will be made; for each additional 3 percentage points an additional €10 will be paid, up to a maximum of €100 per share.

Eligible participants receive a maximum of €100 per share paid out in cash.

Payment of the LTP is dependent upon Commerzbank Aktiengesellschaft paying a dividend in the financial year in which the payment takes place.

The base price of the index for the performance comparison and the base price of the Commerzbank share is determined at the end of March of each issuing year.

- The base price for Commerzbank shares is the average of the daily Xetra closing prices in the 1st quarter of the issuing year, subsequently adjusted for corporate actions.
- The base price for the index is the average of the daily closing prices of the Dow Jones Euro Stoxx® banks index (price index) in the 1st quarter of the issuing year.

After three years, the base prices of the issuing year are compared with the data for the 1st quarter of the year under review to determined whether outperformance of at least one percentage point compared to the Dow Jones Euro Stoxx® banks index was achieved and/or the Commerzbank share price rose by at least 25% compared to the base price.

In the event that none of the exercise criteria have been met after three years have elapsed, the comparison is repeated at annual intervals. The data from the issuing year remain the basis for comparison. If none of the performance targets have been achieved after five years, the plan will terminated. On each occasion that payments are made, members of the Board of Managing Directors invest 50% of the gross payment in Commerzbank shares.

b) Eurohypo AG

Eurohypo managers have a separate long-term incentive plan (LFI) from the financial year 2005. No new LFIs have been launched since 2006. Instead, the members of the Board of Managing Directors of Eurohypo have been eligible to participate in the Commerzbank AG since 2006, and all managers of Eurohypo since 2007. Staff had the right under the LFI to purchase Eurohypo shares if the target variable of pre-tax return on equity reached a certain value. If the targeted value is exceeded or not achieved, the number of shares increases or decreases by 25% per percentage point of the outperformance or the underperformance. The calculation of shares eligible for suscription is based on the average Eurohypo share price in the 2003 financial year. In 2006, the entitlements to shares of Eurohypo gained in 2004 and 2005 were converted on a one-to-one basis into entitlements to Commerzbank AG shares. The 2004 LFI was paid out in cash to all eligible employees in June 2008 at a total of €2m. The basis for this was the price of Commerzbank shares (€23.52 per share) at the end of Commerzbank AG's Annual General Meeting held in May 2008. The earliest payout date for the 2005 LFI will be at the end of the Annual General Meeting of Commerzbank AG at which the appropriation of profit for financial year 2008 will be approved. The long-term incentive plans 2005 will be paid out in shares or cash at Eurohypo's discretion.

c) BRE Bank S.A.

In March 2008, BRE Bank S.A. launched two new share-based remuneration plans for the members of its Management Board. The first plan provides for the subscription of BRE shares and the second for the subscription of Commerzbank shares. The members of the Management Board can participate in these plans from 2009 to 2018. Participation is, however, linked to various conditions, such as BRE Bank's return on equity and its net profit.

While the plan for the subscription of BRE Bank shares has the same conditions every year, subscription of Commerzbank shares is determined each year by their price within the last 30 days of their respective subscription dates. Both plans are to be viewed as share-based remuneration payments settled in the form of equity instruments.

d) Other consolidated companies

In addition, it is possible for selected employees at other consolidated companies (e. g. comdirect bank AG) to participate through private equity models in the performance of the respective companies. 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 companies. Frequently, these are offered at reduced prices and /or in combination with call or put options. In addition, warrants and share subscription rights are also issued. Bonuses are also granted which may either be used to subscribe to shares or paid in cash. The observance of blocking periods and agreements for later repurchase determine whether additional income is received.

e) Accounting and measurement

The staff remuneration plans described here are treated according to the rules of IFRS 2 – Share-based Payment. IFRS 2 distinguishes between share-based payments settled in the form of equity instruments and those 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 majority of the staff remuneration plans described are classified and recognized as cash-settled payment transactions.

- Equity-settled share-based payment transactions
  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 (capital reserve). The fair value at the time the awards are granted – with the exception of the effect of non-market-based exercise conditions – has to be determined and recognized as expense on a straight-line basis over the time during which the employee acquires irrevocable claims to the awards. The amount recognized as expenses may only be adjusted if the estimates made by the Bank regarding the number of equity instruments which will finally be issued change.
  If rights cannot be exercised because the conditions for exercise (e.g. a performance target) are not met, no change is made to the amounts already recognized in equity.

- Cash-settled share-based payment transactions
  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. Any change in the fair value of the provision is reflected in profit or loss. On the date of settlement, therefore, the provision has to correspond as closely as possible to the amount paid to the eligible employees.

- Valuation models
  In order to calculate the fair values of the staff remuneration plans that exist within Commerzbank Group, we have engaged external actuaries. Either a Monte Carlo model or a binominal model is used for valuation purposes.
  A Monte Carlo simulation of 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 generally used for determining the fair value of the options that exist under staff remuneration plans in other consolidated companies. 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 companies in question.

(25) Taxes on income

Current tax assets and liabilities are calculated on the basis of the expected payment to or rebate from each fiscal authority using the current tax rates applicable in the relevant country.

Deferred tax assets and liabilities are formed to reflect differences between the IFRS carrying amounts of assets or liabilities and the taxable value, provided that these temporary differences are expected to increase or reduce future taxes on income and there is no rule against disclosing them. In addition, deferred taxes are shown for both tax loss carryforwards as well as for as yet unused tax credits. The valuation of deferred taxes is based on income tax rates already enacted at December 31, 2008 and applicable in the event of realization of the temporary differences.

Deferred tax assets on tax-reducing temporary differences, unused tax losses and unused tax credits are only recognized if and to the extent that it is probable the same taxable entity will generate tax results in the foreseeable future with respect to the same fiscal authority.

Deferred tax assets and liabilities are recognized and carried – depending on the reason for the deferral – either under taxes on income in the income statement or directly in equity.

Income tax expenses or income are reported under taxes on income in the consolidated income statement.

Deferred tax assets and liabilities have been netted if there is a right to net current taxes on income and the deferred tax assets and liabilities relate to taxes on income levied by the same fiscal authority on the same taxable entity.

The definitions of current and deferred tax assets as well as of current and deferred tax liabilities are set out in Notes 53 and 61.

(26) Subordinated and hybrid capital

Under subordinated and hybrid capital we show issues of profit-sharing certificates, securitized and non-securitized subordinated liabilities as well as hybrid capital instruments. They are shown at amortized cost. Premiums and discounts are recognized under net interest income over the entire lifetime to maturity.

(27) Trust transactions at third-party risk

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.

(28) Contingent liabilities and irrevocable lending commitments

This item mainly shows contingent liabilities arising from guarantees and indemnity agreements as well as irrevocable lending commitments at their nominal value.

Situations where the reporting company acts as guarantor to the creditor of a third party for the fulfilment of a liability of that third party must be shown as guarantees. Indemnity agreements include contractual obligations that involve taking responsibility for a particular outcome or performance.

All obligations that could incur a credit risk must be shown as irrevocable lending commitments provided they are not held for trading. These include obligations to grant loans (for example, lines that have been advised externally to customers), to buy securities or issue guarantees or acceptances.

Provisioning for possible loan losses from contingent liabilities and irrevocable lending commitments is shown as a provision for risks in the lending business.

(29) 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.

Acquisition / sale of the majority interest in other companies

On September 18, 2007 Commerzbank Aktiengesellschaft signed an agreement to purchase 60% plus one share in Bank Forum, Ukraine. The purchase was completed and fully consolidated on March 6, 2008. At the time of the initial consolidation the company had assets of €1.85bn and liabilities of €1.65bn. The purchase price amounted to €438m and was fully paid up in cash. For the shares purchased we have within the framework of purchase price allocation booked the difference (€356m) between acquisition cost and the pro-rata equity capital so far as possible to balance-sheet assets and other individually identifiable values (client relationships, brand name; €24m). The remaining amount (€332m) was treated as goodwill. In financial year 2008 Bank Forum contributed €–0.2m to the consolidated surplus.

The following subsidiaries, funds and special purpose entities were also consolidated for the first time in 2008:

- Commerz Systems GmbH (formerly SOLTRX Solutions for Financial Business GmbH), Frankfurt am Main
- cominvest ABS active, Frankfurt am Main
- Cominvest ABS Opportunity S.A., Luxembourg
- Semper Finance 2006-1 Ltd., St. Helier/Jersey
- ComStage ETF Dax, Luxembourg
- ComStage ETF Comm.B. Eonia Index, Luxembourg
- ComStage ETF DJ Euro Stoxx 50, Luxembourg
- ComStage ETF DJ Euro Select Dividend 30, Luxembourg
- ComStage ETF DJ Industrial Average, Luxembourg
- ComStage ETF DJ Stoxx 600, Luxembourg
- ComStage ETF MSCI World TRN, Luxembourg
- ILSP Mutual Fund AG & Co.KG, Vaduz (Liechtenstein)

These companies have assets of €18.1bn and liabilities of €15.9bn. The purchase costs amounted to €2.8bn in total. A differential amount did not arise.

We also signed an agreement on October 23, 2007 for the sale of our subsidiary Caisse Centrale de Réescompte, S.A., Paris. We sold the company on February 1, 2008. The net income from deconsolidation amounts to €0.2bn.

Special Fund for Financial Market Stabilization (SoFFin)

The Special Fund for Financial Market Stabilization (SoFFin) provided Commerzbank with a silent participation of €8.2bn as at December 31, 2008. Details on this participation may be found in Note 65.

SoFFin is also granting the Commerzbank Group a guarantee for bonds up to a maximum of €15bn. In return, the Bank will pay a commitment fee of 0.1% p.a. of the amount of the guarantee that is not used. A fee of 0.5% p.a. will be charged on guaranteed bonds issued with a maturity of up to 12 months. Maturities of over one year will be subject to a rate of around 0.95%. Bonds guaranteed by SoFFin have a maximum maturity of 36 months.

Notes to the income statement

(30) Net interest income

€ m	2008	2007	Change in %
Interest income from lending and money-market transactions and also from available-for-sale securities portfolio	21,040	21,578	–2.5
Early repayment penalties	35	14	.
Gains from the sale of loans and receivables	–	134	.
Dividends from securities	104	64	62.5
Current result on investments and subsidiaries	66	66	0.0
Current result on investments in associated companies	40	36	11.1
Current income from assets held for sale or as investments	87	33	.
Interest income	21,372	21,925	–2.5
of which:			
Interest income from applying the fair value option	169	173	–2.3
Interest income from investment properties	70	19	.
Interest paid on subordinated and hybrid capital	792	787	0.6
Interest paid on securitized liabilities	7,210	8,364	–13.8
Interest paid on other liabilities	8,585	8,733	–1.7
Losses from the sale of loans and receivables	2	6	–66.7
Current expenses from assets held for sale or as investments	54	28	92.9
Interest expenses	16,643	17,918	–7.1
of which:			
Interest expenses from applying the fair value option	37	56	–33,9
Interest expenses from investment properties	44	12	.
Total	**4,729**	**4,007**	**18.0**

The unwinding effect amounted to €131m in 2008.

Interest margin: The interest margin, based on the average risk-weighted assets in commercial business according to BIS, was 2.83% (previous year: 2.04%).

(31) Provision for possible loan losses

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

€ m	2008	2007	Change in %
Allocation to provisions	–2,839	–1,551	83.0
Reversals of provisions	1,580	1,272	24.2
Direct write-downs	–639	–228	.
Income received on written-down claims	43	28	53.6
Total	**–1,855**	**–479**	**.**

(32) Net commission income

€ m	2008	2007	Change in %
Securities transactions	947	1,155	–18.0
Asset management	544	861	–36.8
Payment transactions and foreign commercial business	607	530	14.5
Real-estate business	412	380	8.4
Guarantees	358	219	63.5
Income from syndicated business	131	123	6.5
Trust transactions at third-party risk	3	6	–50.0
Other income	527	558	–5.6
Commissions received	**3,529**	**3,832**	**–7.9**
Securities transactions	67	70	–4.3
Asset management	142	219	–35.2
Payment transactions and foreign commercial business	64	51	25.5
Real-estate business	81	69	17.4
Guarantees	150	45	.
Income from syndicated business	8	8	0.0
Trust transactions at third-party risk	0	3	.
Other expenses	171	217	–21.2
Commissions paid	**683**	**682**	**0.1**
Net commission income			
Securities transactions	880	1,085	–18.9
Asset management	402	642	–37.4
Payment transactions and foreign commercial business	543	479	13.4
Real-estate business	331	311	6.4
Guarantees	208	174	19.5
Income from syndicated business	123	115	7.0
Trust transactions at third-party risk	3	3	0.0
Other net commission income	356	341	4.4
Total	**2,846**	**3,150**	**–9.7**

Commissions received includes €209m (previous year: €182m) of income and commissions paid include €140m (previous year: €158m) of expenses resulting from transactions with financial instruments that are not recorded at fair value through profit and loss.

The decrease in the asset management item is mainly a result of the deconsolidation of Jupiter International Group and Caisse Centrale de Réescompte.

(33) Trading profit

Trading profit has been split into four components:

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

All financial instruments held for trading purposes are valued at their fair value. We use market prices to value listed products, while internal price models (primarily 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, trading profit also includes the interest and dividend income related to such transactions and their funding expenses.

€ m	2008	2007	Change in %
Net result on trading	738	988	–25.3
Realizations	–136	498	.
Net valuation result	–22	–52	–57.7
Net interest income	896	542	65.3
Net result on the valuation of derivative financial instruments	–1.007	–105	.
Net result on hedge accounting	56	–10	.
Net result from applying the fair value option	–237	6	.
Realizations	–120	19	.
Net valuation result	–117	–13	.
Total	**–450**	**879**	**.**

Net interest income from trading is made up of €5,896m in interest income (previous year: €5,004m) and €5,000m in interest expense (previous year: €4,462m) for funding trading transactions.

The day 1 profit or loss (the difference between the transaction price and the fair value assigned by the model) that was included in the net result on trading changed as follows in the year under review:

€ m	2008
Value as of January 1	–
Allocations recognized on income statement	7
Reversals recognized on income statement	3
Value as of December 31	4

The net result on hedge accounting reflects the gains and losses attributable to the valuation impact of effective hedges in connection with fair value hedge accounting. The net result of hedge accounting also includes the ineffective part of the fair value measurement arising from effective cash flow hedges.

It is broken down as follows:

€ m	2008	2007	Change in %
Fair value hedge Net result on derivatives used as hedging instruments	–4,340	763	.
Net result on hedged items	4,396	–773	.
Cash flow hedge Result of effectively hedged cash flow hedges (ineffective part only)	–	–	.
Total	**56**	**–10**	**.**

(34) Net investment income

Under the net investment income, we show the disposal proceeds the gains and losses (impairments) on available-for- sale securities, investments, holdings in associated companies and holdings in subsidiaries which have not been consolidated.

€ m	2008	2007	Change in %
Net result from interest-bearing business	**–777**	**–480**	**61.9**
in the available-for-sale category	–18	116	.
Gains on disposals (rebooking from the revaluation reserve)[1]	286	343	–16.6
Losses on disposals (rebooking from the revaluation reserve)[1]	–304	–227	33.9
in the loans and receivables category	–34	–6	.
Gains on disposals	4	19	–78.9
Losses on disposals	–38	–25	52.0
Net valuation result	–725	–590	22.9
Net result from equity instruments	**112**	**606**	**–81.5**
in the available-for-sale category	194	281	–31.0
Gains on disposals (rebooking from the revaluation reserve)[1]	263	291	–9.6
Losses on disposals (rebooking from the revaluation reserve)[1]	–69	–10	.
in the available-for-sale category, valued at cost of acquisition	264	410	–35.6
Net valuation result	–346	–85	.
Net result on disposals and valuation of holdings in associated companies	–	–	.
Total	**–665**	**126**	**.**

[1] This includes €–114m of rebookings from the revaluation reserve which relate to the financial year 2008 (previous year: €88m).

The total volume of subprime underlyings in the Commerzbank Group was €1.3bn in nominal terms as at December 31, 2008, of which 34% were held primarily in the form of collateralized debt obligations (CDOs) at Commerzbank AG in New York and London and at CB Europe in Dublin; the rest consisted of Residential Mortgage Backed Securities (RMBSs) at Eurohypo New York.

In financial year 2008 there was a valuation loss of €501m before tax (previous year: €583m) for these subprime-related portfolios.

(35) Other result

The other result primarily comprises allocations to and reversals of provisions, income and expenses from operating leases as well as interim expenses and income attributable to hire-purchase agreements. Expenses and income arising from building and architects' fees occur in connection with the construction management of our sub-group Commerz Real AG. Other taxes are also included in this item.

€ m	2008	2007	Change in %
Material other expenses	**376**	**423**	**–11.1**
Expenses from operating leases	175	178	–1.7
Expenses arising from building and architects' services	47	83	–43.4
Allocations to provisions	126	135	–6.7
Hire-purchase expenses and interim costs	28	27	3.7
Material other income	**435**	**589**	**–26.1**
Income from operating leases	182	191	–4.7
Reversals of provisions	134	265	–49.4
Hire-purchase proceeds and interim income	37	36	2.8
Income from building and architects' services	55	91	–39.6
Income from disposal of fixed assets	27	6	.
Balance of sundry other expenses/income	–86	30	.
Other result	**–27**	**196**	**.**

(36) Operating expenses

The Group's operating expenses of €4,956m consist of personnel expenses of €2,499m, other expenses of €2,149m, and depreciation on office furniture and equipment, property, and on other intangible assets of €308m. The expenses break down as follows:

Personnel expenses:

€ m	2008	2007	Change in %
Wages and salaries	2,366	2,867	–17.5
Expenses for pensions and other employee benefits	133	215	–38.1
of which:			
Contributions to BVV and Versorgungskasse des Bankgewerbes	58	55	5.5
Company pension scheme	75	160	–53.1
Total	**2,499**	**3,082**	**–18.9**

Personnel expenses include €322m expenses for social-security contributions (previous year: €324m).

Other expenses:

€ m	2008	2007	Change in %
Expenses for office space	557	521	6.9
IT expenses	484	423	14.4
Compulsory contributions, consulting, other operating and company-law expenses	448	418	7.2
Advertising, PR and promotional expenses, consulting	250	234	6.8
Workplace expenses	197	188	4.8
Sundry expenses	213	184	15.8
Total	**2,149**	**1,968**	**9.2**

The auditors' fee (excluding VAT) of €20.8m, recognized as expenses in Germany in the financial year, breaks down as follows:

€ 1,000	2008	2007	Change in %
Audit of financial statements	11,905	10,149	17.3
Provision of other certificates or assessments	6,468	2,660	.
Tax consulting services	224	326	–31.3
Other services	2,156	599	.
Total	**20,753**	**13,734**	**51.1**

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

€ m	2008	2007	Change in %
Office furniture and equipment	135	175	–22.9
Property	39	43	–9.3
Other intangible assets	134	98	36.7
Total	**308**	**316**	**–2.5**

The depreciation of property includes a decrease in value of €8m (previous year: €19m).

(37) Restructuring expenses

€ m	2008	2007	Change in %
Expenses for restructuring measures introduced	25	8	.
Total	**25**	**8**	**.**

The restructuring expenses of €25m are related to the integration of Hypothekenbank in Essen AG into Eurohypo AG. The most important cost factors are in relation to the IT and personnel areas.

(38) Taxes on income

Income-tax expenses break down as follows:

€ m	2008	2007	Change in %
Current taxes on income	242	503	–51.9
Tax expenses/income for the current year	236	461	–48.8
Tax expenses/income for the previous year	6	42	–85.7
Deferred taxes on income	–707	77	.
Tax expenses/income due to change in temporary differences and loss carryforwards	–142	253	.
Tax rate differences	–158	24	.
Tax income from previously unrecognized tax carryforwards	–407	–200	.
Total	**–465**	**580**	**.**

The combined income tax rate applicable to Commerzbank Aktiengesellschaft and its German subsidiaries was 30.9%.

In light of the takeover of Dresdner Bank AG which was completed on January 12, 2009 and the funding provided by the Special Fund for Financial Market Stabilization (SoFFin), the time horizon for operational planning has been substantially extended, with restructuring expenses and synergy effects as well as interest and principal payments to SoFFin being taken into account. This has led to a corresponding extension of the tax-planning time horizon for measuring deferred tax claims and in turn a change in accounting estimates as defined in IAS 8. The result has been a retroactive capitalization of deferred tax claims on tax loss carryforwards in the consolidated domestic companies amounting to €407m.

Deferred tax liabilities include €45m for the release of deferred taxes arising from loss carryforwards of foreign Group units which were utilized in the past financial year.

In financial year 2008, as part of the agreement on the Dresdner Bank takeover, it was decided that the cominvest Group would be sold. The tax expenses for the subsidiaries held for sale at December 31, 2008 is €0.03m in relation to the sale of the shareholdings and €9.7m in relation to ordinary activities.

The following reconciliation shows the connection between net pre-tax profit according to IFRS and taxes on in-come in the past financial year.

The Group income-tax rate selected as a basis for the reconciliation is made up of the corporate income-tax rate of 15.0% applied in Germany, plus the solidarity surcharge of 5.5%, and an average rate of 15.0% for trade earnings tax. The German income-tax rate is roughly 30.9%.

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

As at December 31, 2008 the Group tax ratio was 115.4% (2007: 23.2%).

€ m	2008	2007
Net pre-tax profit according to IFRS	**–403**	**2,505**
Group's income-tax rate (%)	30.9	39.4
Calculated income-tax payments in financial year	**–124**	**987**
Effects due to differing tax rates affecting income during periods in question	–158	–179
Impact of 2008 tax reform	–	203
Impact of the recognition of deferred taxes on loss carryforwards due to updated long-term planning	–407	–200
Effects from non-deductible operating expenses and tax-exempt income	180	–315
Deferred tax assets not recognized	34	67
Effects of additions and deductions for trade earnings tax	20	3
Other effects	–10	14
Taxes on income	**–465**	**580**

The table below shows the value of the current and deferred taxes resulting from items that were directly credited or debited to equity:

Taxes on income not recognized in the income statement | € m	31.12.2008	31.12.2007	Change in %
Current taxes on income	36	9	.
Deferred taxes on income	1,605	351	.
Valuation differences from cash flow hedges	585	165	.
Revaluation reserve	1,071	713	50.2
Other	–51	–527	–90.3
Total	**1,641**	**360**	**.**

(39) Basic earnings per share

	31.12.2008	31.12.2007	Change in %
Operating profit (€ m)	–378	2,513	.
Consolidated surplus attributable to Commerzbank shareholders (€ m)	3	1,917	–99.8
Average number of ordinary shares issued (units)	677,026,389	656,626,962	3.1
Operating profit per share (€)	–0,56	3.83	.
Earnings per share (€)	0,00	2.92	.

The earnings per share, calculated in accordance with IAS 33, are based on the consolidated surplus attributable to Commerzbank shareholders.

In the past financial year and on December 31, 2008, no conversion or option rights were outstanding. It was not necessary to calculate diluted earnings.

(40) Cost/income ratio

	2008 in %	2007 in %	Change in % points
Cost/income ratio before restructuring expenses	77.0	64.2	12.8

The cost/income ratio represents the quotient formed by operating expenses and income before provisioning.

(41) Segment reporting

Segment reporting reflects the results of the operational business lines within the Commerzbank Group. It is based on our internal management information, which is compiled every month in accordance with IFRS rules.

Commerzbank changed its structure in financial year 2008. From that point onwards "Public Finance and Treasury" ceased to exist as a separate segment. The Public Finance business has now been allocated to the Corporates & Markets segment for segment reporting purposes.

The previous year's figures were restated in line with the new reporting.

In our segment reporting, we report on six segments:

- "Private and Business Customers" includes branch business with private individuals, professional and commercial clients, private banking, the activities of comdirect bank, the retail banking of Eurohypo and the Asset Management department (cominvest).
- "Mittelstandsbank" presents the results of corporate banking in Germany, the Asian region and the Financial Institutions department.
- The segment "Central and Eastern Europe" comprises the operations of our subsidiaries and branches in the "Central and Eastern Europe" region.
- "Corporates & Markets" comprises equity and bond-trading activities, trading in derivative instruments, interest-rate and currency management, as well as corporate finance. In addition, this segment is responsible for business involving multinational companies. The branches and subsidiaries in Western Europe, America and Africa are also included in this segment. The Public Finance business which forms part of this segment includes Erste Europäische Pfandbrief- und Kommunalkreditbank in Luxembourg, the public-sector lending business of Eurohypo and Group Treasury.
- "Commercial Real Estate" presents the results of Commerz Real and Eurohypo's commercial real-estate activities.
- "Others and Consolidation" registers the income and expenses which do not fall within the area of responsibility of the operational business lines. Also included here are the income and expenses required to reconcile the internal accounting control variables used in the segment reporting of the operational business lines to the relevant external accounting data. In addition, this segment covers equity participations which are not assigned to the operational business lines as well as the international asset management activities (Commerzbank Europe Ireland and CAM Asia Pacific).

The result generated by each individual segment is measured in terms of the operating profit and the pre-tax profit, as well as 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 segment. 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 participations, which are 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 segments 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 in 2008 using the Basel II system, based on the established average amount of risk-weighted assets and the capital charges for market risk positions (risk-weighted asset equivalents). At Group level, investors' capital is shown, which is used to calculate the return on equity. The capital backing for risk-weighted assets which we assume for segment reporting purposes is 6%.

Direct and indirect expenditure form 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. 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

2008 financial year | € m	**Private and Business Customers**	**Mittelstandsbank**	**Central & Eastern Europe**	**Corporates & Markets**	**Commercial Real Estate**	**Others and Consolidation**	**Total**
Net interest income	1,382	1,266	661	473	827	120	4,729
Provision for possible loan losses	–162	–179	–190	–676	–618	–30	–1,855
Net interest income after provisioning	1,220	1,087	471	–203	209	90	2,874
Net commission income	1,460	610	197	164	418	–3	2,846
Trading profit	–1	5	93	–457	–17	–73	–450
Net investment income	–37	–7	69	–374	–473	157	–665
Other result	–16	–87	29	116	–81	12	–27
Revenue before provisioning	*2,788*	*1,787*	*1,049*	*–78*	*674*	*213*	*6,433*
Revenue after provisioning	*2,626*	*1,608*	*859*	*–754*	*56*	*183*	*4,578*
Operating expenses	2,075	740	555	934	480	172	4,956
Operating profit	**551**	**868**	**304**	**–1,688**	**–424**	**11**	**–378**
Restructuring expenses	–	–	–	25	–	–	25
Pre-tax profit	**551**	**868**	**304**	**–1,713**	**–424**	**11**	**–403**
Average equity tied up	**1,554**	**2,869**	**1,595**	**3,388**	**3,577**	**1,785**	**14,768**
Operating return on equity (%)	**35.5**	**30.3**	**19.1**	**–49.8**	**–11.9**	**.**	**–2.6**
Cost/income ratio in operating business (%)	**74.4**	**41.4**	**52.9**	**–1,197.4**	**71.2**	**.**	**77.0**
Return on equity of pre-tax profit (%)	**35.5**	**30.3**	**19.1**	**–50.6**	**–11.9**	**.**	**–2.7**
Staff (average no.)	11,980	4,359	9,538	2,360	1,624	9,378	39,239

Breakdown, by segment

2007 financial year | € m	Private and Business Customers	Mittel-standsbank	Central & Eastern Europe	Corporates & Markets	Commercial Real Estate	Others and Conso-lidation	Total
Net interest income	1,296	1,082	395	371	845	18	4,007
Provision for possible loan losses	–240	68	–56	–131	–115	–5	–479
Net interest income after provisioning	1,056	1,150	339	240	730	13	3,528
Net commission income	1,575	645	172	162	411	185	3,150
Trading profit	4	1	94	730	33	17	879
Net investment income	–8	–18	25	–176	–194	497	126
Other result	–24	–30	12	61	31	146	196
Revenue before provisioning	*2,843*	*1,680*	*698*	*1,148*	*1,126*	*863*	*8,358*
Revenue after provisioning	*2,603*	*1,748*	*642*	*1,017*	*1,011*	*858*	*7,879*
Operating expenses	2,202	768	370	1,084	564	378	5,366
Operating profit	**401**	**980**	**272**	**–67**	**447**	**480**	**2,513**
Restructuring expenses	–	–	–	8	–	–	8
Pre-tax profit	**401**	**980**	**272**	**–75**	**447**	**480**	**2,505**
Average equity tied up	**2,478**	**2,331**	**865**	**3,470**	**4,267**	**31**	**13,442**
Operating return on equity (%)	**16.2**	**42.0**	**31.4**	**–1.9**	**10.5**	**.**	**18.7**
Cost/income ratio in operating business (%)	**77.5**	**45.7**	**53.0**	**94.4**	**50.1**	**.**	**64.2**
Return on equity of pre-tax profit (%)	**16.2**	**42.0**	**31.4**	**–2.2**	**10.5**	**.**	**18.6**
Staff (average no.)	11,711	4,181	5,437	2,212	1,610	9,645	34,796

Quarterly results, by segment

1st quarter 2008 | € m	**Private and Business Customers**	**Mittelstandsbank**	**Central & Eastern Europe**	**Corporates & Markets**	**Commercial Real Estate**	**Others and Consolidation**	**Total**
Net interest income	329	289	121	56	204	20	1,019
Provision for possible loan losses	–40	–11	–17	–57	–50	–	–175
Net interest income after provisioning	289	278	104	–1	154	20	844
Net commission income	395	145	47	39	108	–2	732
Trading profit	–1	5	34	137	2	–4	173
Net investment income	–4	–2	39	–103	–84	128	–26
Other result	–	–	4	17	–2	15	34
Revenue	*679*	*426*	*228*	*89*	*178*	*157*	*1,757*
Operating expenses	532	194	105	283	121	87	1,322
Operating profit	**147**	**232**	**123**	**–194**	**57**	**70**	**435**
Restructuring expenses	–	–	–	25	–	–	25
Pre-tax profit	**147**	**232**	**123**	**–219**	**57**	**70**	**410**

2nd quarter 2008 | € m	**Private and Business Customers**	**Mittelstandsbank**	**Central & Eastern Europe**	**Corporates & Markets**	**Commercial Real Estate**	**Others and Consolidation**	**Total**
Net interest income	343	299	150	124	209	49	1,174
Provision for possible loan losses	–40	–8	–26	–42	–298	–	–414
Net interest income after provisioning	303	291	124	82	–89	49	760
Net commission income	405	144	56	31	95	–14	717
Trading profit	–4	–2	35	343	0	3	375
Net investment income	–5	–3	21	14	–119	6	–86
Other result	–	8	2	16	26	39	91
Revenue	*699*	*438*	*238*	*486*	*–87*	*83*	*1,857*
Operating expenses	542	193	146	328	135	29	1,373
Operating profit	**157**	**245**	**92**	**158**	**–222**	**54**	**484**
Restructuring expenses	–	–	–	–	–	–	–
Pre-tax profit	**157**	**245**	**92**	**158**	**–222**	**54**	**484**

Quarterly results, by segment

3rd quarter 2008 | € m	Private and Business Customers	Mittel-standsbank	Central & Eastern Europe	Corporates & Markets	Commercial Real Estate	Others and Conso-lidation	Total
Net interest income	346	324	206	84	213	38	1,211
Provision for possible loan losses	–43	–12	–71	–382	–92	–28	–628
Net interest income after provisioning	303	312	135	–298	121	10	583
Net commission income	346	150	49	56	121	–2	720
Trading profit	2	–5	30	–263	–1	–60	–297
Net investment income	–4	–	1	–209	–143	126	–229
Other result	–2	3	–1	7	–15	–7	–15
Revenue	*645*	*460*	*214*	*–707*	*83*	*67*	*762*
Operating expenses	527	197	144	191	139	39	1,237
Operating profit	**118**	**263**	**70**	**–898**	**–56**	**28**	**–475**
Restructuring expenses	–	–	–	–	–	–	–
Pre-tax profit	**118**	**263**	**70**	**–898**	**–56**	**28**	**–475**

4th quarter 2008 | € m	Private and Business Customers	Mittel-standsbank	Central & Eastern Europe	Corporates & Markets	Commercial Real Estate	Others and Conso-lidation	Total
Net interest income	364	354	184	209	201	13	1,325
Provision for possible loan losses	–39	–148	–76	–195	–178	–2	–638
Net interest income after provisioning	325	206	108	14	23	11	687
Net commission income	314	171	45	38	94	15	677
Trading profit	2	7	–6	–674	–18	–12	–701
Net investment income	–24	–2	8	–76	–127	–103	–324
Other result	–14	–98	24	76	–90	–35	–137
Revenue	*603*	*284*	*179*	*–622*	*–118*	*–124*	*202*
Operating expenses	474	156	160	132	85	17	1,024
Operating profit	**129**	**128**	**19**	**–754**	**–203**	**–141**	**–822**
Restructuring expenses	–	–	–	–	–	–	–
Pre-tax profit	**129**	**128**	**19**	**–754**	**–203**	**–141**	**–822**

Results, by geographical market

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

2008 financial year | € m	Europe including Germany	America	Asia	Other countries	Total
Net interest income	4,267	385	76	1	4,729
Provision for possible loan losses	–1,439	–379	–39	2	–1,855
Net interest income after provisioning	2,828	6	37	3	2,874
Net commission income	2,851	–32	26	1	2,846
Trading profit	–320	–153	21	2	–450
Net investment income	–93	–573	1	–	–665
Other result	–52	–	25	–	–27
Revenue	*5,214*	*–752*	*110*	*6*	*4,578*
Operating expenses	4,772	109	69	6	4,956
Operating profit	**442**	**–861**	**41**	**0**	**–378**
Risk-weighted assets	193,625	9,709	3,955	148	207,437

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

2007 financial year | € m	Europe including Germany	America	Asia	Other countries	Total
Net interest income	3,665	278	56	8	4,007
Provision for possible loan losses	–387	–99	5	2	–479
Net interest income after provisioning	3,278	179	61	10	3,528
Net commission income	3,052	73	26	–1	3,150
Trading profit	851	8	13	7	879
Net investment income	691	–543	–22	–	126
Other result	183	3	10	–	196
Revenue	*8,055*	*–280*	*88*	*16*	*7,879*
Operating expenses	5,145	153	61	7	5,366
Operating profit	**2,910**	**–433**	**27**	**9**	**2,513**
Risk-weighted assets according to BIS[1)]	**223,744**	**7,419**	**2,774**	**639**	**234,576**

1) excluding market risk

Notes to the balance sheet

(42) Cash reserve

We include the following items in the cash reserve:

€ m	31.12.2008	31.12.2007	Change in %
Cash on hand	892	893	–0.1
Balances with central banks	5,294	4,069	30.1
Debt issued by public-sector borrowers and bills of exchange rediscountable at central banks	380	195	94.9
Total	**6,566**	**5,157**	**27.3**

The balances with central banks include claims on the Bundesbank totalling €4,136m (previous year: €3,108m). The average minimum reserve requirement for the period December 2008 to January 2009 amounted to €3,161m (previous year: €2,933m).

Minimum reserve requirements are measured against average credit balances, so there were no restrictions on access to balances held at the Deutsche Bundesbank.

(43) Claims on banks

	total			due on demand		other claims	
€ m	31.12.2008	31.12.2007	Change in %	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Banks in Germany	29,504	32,362	–8.8	8,524	6,648	20,980	25,714
Banks outside Germany	33,731	41,696	–19.1	10,516	16,663	23,215	25,033
Total	**63,235**	**74,058**	**–14.6**	**19,040**	**23,311**	**44,195**	**50,747**
of which relate to the category: Loans and receivables	63,235	74,058	–14.6				
Available-for-sale financial assets	–	–	.				
Applying the fair value option	–	–	.				

The claims on banks include €13,981m (previous year: €19,599m) of loans to municipalities extended by the mortgage banks.

Claims on banks after provisions for possible loan losses amount to €62,969m (previous year: €74,043m).

(44) Claims on customers

The claims on customers break down as follows:

€ m	31.12.2008	31.12.2007	Change in %
Claims on customers in Germany	180,121	192,384	–6.4
Claims on customers outside Germany	110,027	97,025	13.4
Total	**290,148**	**289,409**	**0.3**
of which relate to the category: Loans and receivables	286,030	286,740	–0.2
Available-for-sale financial assets	–	–	.
Applying the fair value option	4,118	2,669	54.3

Loans collateralized by real estate (loans with an LTV of up to 60%) and mortgage loans in an amount of €117,035m (previous year: €116,974m) as well as public sector loans of the mortgage banks in an amount of €51,304m (previous year: €57,421m) are included in claims on customers.

Claims on customers after provisions for possible loan losses were €284,815m (previous year: €283,469m).

(45) Total lending

€ m	31.12.2008	31.12.2007	Change in %
Loans to banks	30,089	33,770	–10.9
Loans to customers	283,564	282,792	0.3
Total	**313,653**	**316,562**	**–0.9**

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. Acceptance credits are also included in loans to customers.

(46) 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. For loan losses which have already occurred but have not yet come to our attention, portfolio valuation allowances were calculated in line with procedures derived from the Basel II system.

	Valuation allowances and provisions for specific risks		Valuation allowances an provisions for portfolio risks		Total		
€ m	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	Change in %
As of 1.1.	**5,434**	**7,066**	**973**	**852**	**6,407**	**7,918**	**–19.1**
Allocations	2,483	1,317	356	234	2,839	1,551	83.0
Deductions	2,850	2,971	280	110	3,130	3,081	1.6
of which: utilized	1,550	1,806	–	3	1,550	1,809	–14.3
of which: reversals	1,300	1,165	280	107	1,580	1,272	24.2
Changes in consolidated companies	31	–4	–	–	31	–4	.
Exchange-rate changes/transfers[1]	–87	26	–15	–3	–102	23	.
Provision for possible loan losses as of 31.12.	**5,011**	**5,434**	**1,034**	**973**	**6,045**	**6,407**	**–5.7**

[1] As of this year we are allocating portfolio valuation allowances for smaller exposures acutely vulnerable to default, to specific rather than portfolio valuation allowances. As a result we have adjusted the previous year's figures and reallocated €43m from portfolio to specific valuation allowances.

With direct write-downs, write-ups and income received on previously written-down claims taken into account, the allocations and reversals reflected in the income statement gave rise to a provision of €1,855m (previous year: €479m). The provision for possible loan losses in 2008 includes an unwinding effect amounting to €131m.

Provision for possible risks was formed for:

€ m	**31.12.2008**	**31.12.2007**	Change in %
Claims on banks	266	15	.
Claims on customers	5,333	5,940	–10.2
Provision to cover balance-sheet items	**5,599**	**5,955**	**–6.0**
Provisions for specific risks from lending business	232	252	–7.9
Provisions for portfolio risks from lending business	214	200	7.0
Provision to cover off-balance-sheet items	**446**	**452**	**–1.3**
Total	**6,045**	**6,407**	**–5.7**

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

€ m	Specific valuation allowances and provisions for lending business	Loan losses[1] in 2008	Net allocation[2] to valuation allowances and provisions in lending business
Customers in Germany	3,650	1,832	220
Companies and self-employed	3,023	1,466	99
Manufacturing	682	188	166
Construction	250	157	–7
Distributive trades	264	163	40
Services, incl. professions, and others	1,827	958	–100
Other retail customers	627	366	121
Customers outside Germany	**1,128**	**324**	**733**
Corporate and retail customers	1,128	324	733
Public sector	–	–	–
Provision for customer credit risk	**4,778**	**2,156**	**953**
Banks in Germany	14	1	14
Banks outside Germany	219	32	216
Provision for bank credit risk	**233**	**33**	**230**
Total	**5,011**	**2,189**	**1,183**

[1] Direct write-downs, utilized valuation allowances and utilized provisions in lending business.
[2] Allocation less reversals and less write-ups.

Data on provision for credit risk:

in %	2008	2007
Allocation ratio[3]	0.59	0.15
Write-off ratio[4]	0.68	0.63
Cover ratio[5]	1.92	2.02

[3] Net provisioning (new provisions less reversals of valuation allowances and provisions in lending business, plus the balance of direct write-downs, write-ups and income received on previously written-down claims) as a percentage of total lending.
[4] Defaults (utilized valuation allowances and provision for commercial loans, plus the balance of direct write-downs, write-ups and income received on previously written-down claims) as a percentage of total lending.
[5] Existing provisions (level of valuation allowances and provisions in lending business) as a percentage of total lending.

Total lending = claims arising from special loan agreements with borrowers (Note 45)

(47) Positive fair values attributable to derivative hedging instruments

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

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

€ m	31.12.2008	31.12.2007	Change in %
Positive fair values from effective fair value hedges	5,680	4,602	23.4
Positive fair values from effective cash flow hedges	4,848	4,368	11.0
Total	**10,528**	**8,970**	**17.4**

(48) Assets held for trading purposes

The Group's trading activities include trading in bonds, notes and other interest-rate-related securities, shares and other equity-related securities, promissory notes, foreign exchange, precious metals and derivative financial instruments and lending commitments.

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.

€ m	31.12.2008	31.12.2007	Change in %
Bonds, notes and other interest-rate-related securities	17,352	21,118	–17.8
Money-market instruments	1,132	1,143	–1.0
issued by public-sector borrowers	235	10	.
issued by other borrowers	897	1,133	–20.8
Bonds and notes	16,220	19,975	–18.8
issued by public-sector borrowers	3,117	4,383	–28.9
issued by other borrowers	13,103	15,592	–16.0
Promissory notes	1,110	1,144	–3.0
Loans and positive market values of lending commitments	1,650	1,023	.
Shares and other equity-related securities	5,475	10,265	–46.7
Positive fair values attributable to derivative financial instruments	92,982	64,049	45.2
Currency-related transactions	17,382	6,680	.
Interest-rate-related transactions	63,159	50,235	25.7
Other transactions	12,441	7,134	74.4
Total	**118,569**	**97,599**	**21.5**

€19,535m (previous year: €26,713m) of the bonds, notes and other interest-rate-related securities and also shares and other equity-related securities were listed securities.

Financial assets and liabilities are netted and the net amount recognized in the balance sheet where there is a legally enforceable netting right and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

(49) Financial investments

The financial investments represent financial instruments not assigned to any other category. They include all bonds, notes and other interest-rate-related securities, shares and other equity-related securities not held for trading purposes, investments, holdings in associated companies valued at equity and holdings in subsidiaries not included in the consolidation.

€ m	31.12.2008	31.12.2007	Change in %
Bonds, notes and other interest-rate-related securities	123,938	127,109	–2.5
Money-market instruments	7,685	1,068	.
issued by public-sector borrowers	0	471	.
issued by other borrowers	7,685	597	.
Bonds and notes	116,253	126,041	–7.8
issued by public-sector borrowers	57,814	65,819	–12.2
issued by other borrowers	58,439	60,222	–3.0
Shares and other equity-related securities	1,999	2,757	–27.5
Investments	1,093	1,876	–41.7
of which: in banks	318	330	–3.6
Holdings in associated companies	296	308	–3.9
of which: in banks	227	250	–9.2
Holdings in subsidiaries	124	142	–12.7
of which: in banks	3	6	.
Total	**127,450**	**132,192**	**–3.6**
of which: at equity participations in associated companies	296	308	–3.9
of which relate to the category: Loans and receivables	83,563	–	.
Available-for-sale financial assets	41,534	131,060	–68.3
of which: valued at amortized cost	576	578	–0.3
Applying the fair value option	2,057	824	.

Fair values of listed financial investments:

€ m	31.12.2008	31.12.2007	Change in %
Bonds, notes and other interest-rate-related securities	97,347	109,558	–11.1
Shares and other equity-related securities	999	1,845	–45.9
Investments	641	1,440	–55.5
Total	**98,987**	**112,843**	**–12.3**

We applied the IASB amendment dated October 13, 2008 (see note 5) in financial year 2008 as follows:

On September 30 and November 30, 2008, securities from the Public Finance portfolio previously classified as "Available for Sale" were reclassified as "Loans and Receivables".

On the reclassification dates, the nominal value of the selected holdings was €45bn and €32bn respectively, and the fair value €44bn and €34bn respectively. The revaluation reserve for the reclassified securities after deferred taxes was €–1.1bn, compared with €–0.4bn as at December 31, 2007. This negative figure will stay in the revaluation reserve and be reversed over the remaining term of maturity of the reclassified securities. If this reclassification had not been carried out, there would have been a revaluation reserve after deferred taxes of €–1.3bn for these holdings as at December 31, 2008; as at December 31, 2008, the carrying amount was €79,9bn and the fair value €79,5bn.

The creation of a general loan loss provision (GLLP) results in a one-off effect of €25m in the income statement for the financial year 2008.

The transactions have average effective yields of between 1.0% and 16.9% and are expected to generate an in-flow of funds of €107bn.

(50) Intangible assets

€ m	31.12.2008	31.12.2007	Change in %
Goodwill	1,006	894	12.5
Assets developed in-house (software)	55	50	10.0
Other intangible assets	275	321	–14.3
Total	**1,336**	**1,265**	**5.6**

Goodwill arising from companies shown at equity is contained in holdings in associated companies (€3m). The year-on-year increase in goodwill is mainly due to our purchase of Joint Stock Commercial Bank Forum, Kiev.

Other intangible assets include €153m (previous year: €168m) for software and €122m (previous year: €153m) for customer relationships and brand names. We wrote down Eurohypo's brand name by €40m.

(51) Fixed assets

€ m	31.12.2008	31.12.2007	Change in %
Land and buildings	786	799	–1.6
Office furniture and equipment	454	494	–8.1
Total	**1,240**	**1,293**	**–4.1**

(52) Changes in book value of fixed assets and investments

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

	Intangible assets			Fixed assets	
€ m	Goodwill	Assets developed in-house (software)	Other intangible assets	Land and buildings	Office furniture and equipment
Book value as of 1.1.2007	**1,287**	**59**	**334**	**836**	**552**
Cost of acquisition/production as of 1.1.2007	2,097	227	884	1,236	2,976
Additions in 2007	–	13	79	43	134
Disposals in 2007	1,032	2	34	49	101
Transfers/changes in consolidated companies	–30	2	10	–12	–32
Cost of acquisition/production as of 31.12.2007	1,035	240	939	1,218	2,977
Write-ups in 2007	–	–	–	–	–
Cumulative write-downs as of 1.1.2007	810	168	550	400	2,424
Changes in exchange rates	–	–	3	–7	6
Additions in 2007	–	23	75	43	175
Disposals in 2007	650	1	13	14	91
Transfers/changes in consolidated companies	–19	–	3	–3	–31
Cumulative write-downs as of 31.12.2007	141	190	618	419	2,483
Book value as of 31.12.2007	**894**	**50**	**321**	**799**	**494**
Cost of acquisition/production as of 1.1.2008	1,035	240	939	1,218	2,977
Changes in exchange rates	–87	–2	–23	–50	–22
Additions in 2008	340	22	85	55	122
Disposals in 2008	2	–	167	34	294
Transfers/changes in consolidated companies	–200	–1	613	22	–602
Cost of acquisition/production as of 31.12.2008	1,086	259	1,447	1,211	2,181
Write-ups in 2008	–	–	–	–	–
Cumulative write-downs as of 1.1.2008	141	190	618	419	2,483
Changes in exchange rates	–	–2	–12	–32	–18
Additions in 2008	–	17	116	39	135
of which: unscheduled	–	–	40	6	15
Disposals in 2008	–	–	136	1	261
Transfers/changes in consolidated companies	–61	–1	586	–	–612
Cumulative write-downs as of 31.12.2008	80	204	1,172	425	1,727
Book value as of 31.12.2008	**1,006**	**55**	**275**	**786**	**454**

€ m	Investments	Holdings in associated companies	Holdings in subsidiaries
Cost of acquisition as of 1.1.2007	1,349	147	225
Additions in 2007	361	–	34
Disposals in 2007	192	8	30
Transfers/changes in consolidated companies	–	–	55
Cost of acquisition as of 31.12.2007	1,518	139	284
Write-ups in 2007	–	–	–
Cumulative write-downs as of 1.1.2007	362	4	93
Additions in 2007	73	–	2
Disposals in 2007	8	4	4
Transfers / changes in consolidated companies / changes in exchange rates	9	–	52
Cumulative write-downs as of 31.12.2007	436	–	143
Cumulative changes from the fair value or at equity valuation	794	169	1
Fair value as of 1.1.2007	**1,850**	**298**	**133**
Fair value as of 31.12.2007	**1,876**	**308**	**142**
Cost of acquisition as of 1.1.2008	1,518	139	284
Additions in 2008	59	16	21
Disposals in 2008	89	3	43
Transfers / changes in consolidated companies	–9	8	–14
Cost of acquisition as of 31.12.2008	1,479	160	248
Write-ups in 2008	–	–	–
Cumulative write-downs as of 1.1.2008	436	–	143
Additions in 2008	89	–	11
of which: unscheduled	89	–	11
Disposals in 2008	9	–	31
Transfers / changes in consolidated companies / changes in exchange rates	3	–	2
Cumulative write-downs as of 31.12.2008	519	–	125
Cumulative changes from the fair value or at equity valuation	133	136	1
Fair value as of 1.1.2008	**1,876**	**308**	**142**
Fair value as of 31.12.2008	**1,093**	**296**	**124**

(53) Tax assets

€ m	31.12.2008	31.12.2007	Change in %
Current tax assets	**684**	**985**	**–30.6**
in Germany	642	944	–32.0
Abroad	42	41	2.4
Deferred tax claims	**6,014**	**5,454**	**10.3**
tax claims affecting net income	2,686	3,457	–22.3
tax claims not affecting net income	3,328	1,997	66.6
Total	**6,698**	**6,439**	**4.0**

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 IFRS and their values for tax purposes in accordance with the local tax regulations for consolidated companies and future income-tax relief arising from tax loss carryforwards and as yet unused tax credits. For the following tax loss carryforwards no deferred tax assets position was created nor was any existing deferred tax assets position restated as at December 31, 2008 due to the limited planning horizon and the resulting insufficient probability of their being utilized.

Tax loss carryforwards | € m	31.12.2008	31.12.2007	Change in %
Corporation tax/Federal tax	**387**	**2,777**	**–86.1**
Can be carried forward within an unlimited period	304	2,777	–89.1
Can be carried forward within a limited period	83	–	.
of which: expire in the subsequent reporting period	–	–	.
Trade earnings tax/Local tax	**246**	**2,463**	**–90.0**
Can be carried forward within an unlimited period	242	2,463	–90.2
Can be carried forward within a limited period	4	–	.
of which: expire in the subsequent reporting period	–	–	.

We view the deferred tax claims on tax loss carryforwards of Commerzbank's New York branch (€179m) and Eurohypo's New York branch (€183m) as having retained their value despite the losses incurred in 2007 and 2008 as the losses were mainly a result of the financial market crisis that started in 2007. We assume that these branches will once again achieve operating profits when the US economy recovers, enabling them to utilize the loss carryforwards within the planning horizon. German Group companies (deferred tax claims amounting to €734m) and other Group units (€105m) also incurred tax losses in 2008 from the financial market crisis that can be utilized within the planning horizon.

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

€ m	31.12.2008	31.12.2007	Change in %
Fair values of derivative hedging instruments	2,216	1,844	20.2
Assets held for trading purposes and liabilities from trading activities	313	738	−57.6
Claims on banks and customers	268	495	−45.9
Financial investments	1,104	845	30.7
Provisions	135	201	−32.8
Liabilities to banks and customers	25	65	−61.5
Sundry balance-sheet items	715	795	−10.1
Tax loss carry-forwards	1,238	471	.
Total	**6,014**	**5,454**	**10.3**

(54) Other assets

Other assets mainly comprise the following items:

€ m	31.12.2008	31.12.2007	Change in %
Collection items	764	958	−20.3
Precious metals	815	991	−17.8
Leased equipment	358	291	23.0
Assets held for sale	684	2,346	−70.8
Investment properties	909	266	.
Sundry assets, including deferred items	1,495	1,195	25.1
Total	**5,025**	**6,047**	**−16.9**

Held-for-sale assets as of December 31, 2008 broke down as follows:

€ m	31.12.2008	31.12.2007	Change in %
Claims on banks	38	568	−93.3
Claims on customers	2	353	−99.4
Assets held for trading purposes	0	27	.
Financial investments	179	1,127	−84.1
Fixed assets	290	2	.
Other assets	175	269	−34.9
Total	**684**	**2,346**	**−70.8**

Changes in the leased equipment and in assets held for sale and as a financial investment break down as follows:

€ m	Leased equipment	Assets held for sale	Investment properties
Cost of acquisition / production as of 1.1.2007	326	282	305
Changes in exchange rates	–	–	–
Additions in 2007	136	951	28
Disposals in 2007	86	79	61
Transfers / changes in consolidated companies	2	1,294	1
Cost of acquisition / production as of 31.12.2007	378	2,448	273
Cumulative write-downs as of 1.1.2007	67	122	–
Changes in exchange rates	–	–	–
Additions in 2007	56	–	–
Disposals in 2007	36	12	–
Transfers / changes in consolidated companies	–	–	–
Cumulative write-downs as of 31.12.2007	87	110	–
Cumulative changes from the fair value valuation	–	8	–7
Fair value as of 1.1.2007	**259**	**160**	**289**
Fair value as of 31.12.2007	**291**	**2,346**	**266**
Cost of acquisition / production as of 1.1.2007	378	2,448	273
Changes in exchange rates	–3	–13	–
Additions in 2008	150	238	17
Disposals in 2008	18	1,585	107
Transfers / changes in consolidated companies	–3	–364	814
Cost of acquisition / production as of 31.12.2008	504	724	997
Cumulative write-downs as of 1.1.2008	87	110	–
Changes in exchange rates	–	–	–
Additions in 2008	64	40	–
of which: unscheduled	4	–	–
Disposals in 2008	2	110	–
Transfers / changes in consolidated companies	–3	–	–
Cumulative write-downs as of 31.12.2008	146	40	–
Cumulative changes from the fair value valuation	–	–	–88
Fair value as of 1.1.2008	**291**	**2,346**	**266**
Fair value as of 31.12.2008	**358**	**684**	**909**

(55) Liabilities to banks

	total		
€ m	31.12.2008	31.12.2007	Change in %
Banks in Germany	62,817	67,075	–6.3
Banks outside Germany	65,675	58,045	13.1
Total	**128,492**	**125,120**	**.**
of which relate to the category:			
Liabilities measured at amortized cost	128,479	125,110	2.7
Applying the fair value option	13	10	.

of which:	due on demand		other liabilities	
€ m	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Banks in Germany	6,097	11,971	56,720	55,104
Banks outside Germany	13,797	13,842	51,878	44,203
Total	**19,894**	**25,813**	**108,598**	**99,307**

(56) Liabilities to customers

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

	total		
€ m	31.12.2008	31.12.2007	Change in %
Customers in Germany	139,133	128,160	8.6
Corporate customers	84,753	82,549	2.7
Retail customers and others	47,894	38,569	24.2
Public sector	6,486	7,042	–7.9
Customers outside Germany	31,070	31,027	0.1
Corporate and retail customers	29,080	28,923	0.5
Public sector	1,990	2,104	–5.4
Total	**170,203**	**159,187**	**6.9**
of which relate to the category:			
Liabilities measured at amortized cost	169,848	159,003	6.8
Applying the fair value option	355	184	.

	Savings deposits		Other liabilities			
			due on demand		with agreed lifetime or period of notice	
€ m	31.12.2008	31.12.2007	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Customers in Germany	**7,658**	**9,030**	**44,137**	**40,860**	**87,338**	**78,270**
Corporate customers	67	56	23,523	23,388	61,163	59,105
Retail customers and others	7,591	8,971	19,897	16,356	20,406	13,242
Public sector	0	3	716	1,116	5,770	5,923
Customers outside Germany	**2,163**	**1,297**	**13,746**	**14,413**	**15,161**	**15,317**
Corporate and retail customers	2,162	1,296	13,424	13,789	13,494	13,838
Public sector	1	1	323	624	1,666	1,479
Total	**9,821**	**10,327**	**57,883**	**55,273**	**102,499**	**93,587**

Savings deposits break down as follows:

€ m	31.12.2008	31.12.2007	Change in %
Savings deposits with agreed period of notice of three months	9,131	9,639	–5.3
Savings deposits with agreed period of notice of more than three months	690	688	0.3
Total	**9,821**	**10,327**	**–4.9**

(57) 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.

The nominal interest paid on money-market paper ranges from 0.05% to 11.00% (previous year: 0.54% to 59.9%); for bonds and notes, from 0.03% to 15.11% (previous year: 0.01% to 60.0%). The original maturity periods for money-market paper are up to one year. €124bn (previous year: €148bn) of the bonds and notes have an original lifetime of more than four years. Mortgage Pfandbriefe in an amount of €30,953m (previous year: €31,926m) and public-sector Pfandbriefe in an amount of €88,695m (previous year: €110,457m) are included in securitized liabilities.

	total		of which: issued by mortgage banks	
€ m	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Bonds and notes issued	154,801	191,882	130,026	162,129
Money-market instruments issued	10,923	13,621	–	2,988
Own acceptances and promissory notes outstanding	103	146	79	136
Total	**165,827**	**205,649**	**130,105**	**165,253**
of which relate to the category: Liabilities measured at amortized cost	164,560	204,555	130,105	165,253
Applying the fair value option	1,267	1,094	–	–

The following table presents the most important bonds and notes issued in the 2008 financial year:

Equivalent € m	Currency	Issuer	Interest rate %	Maturity date
1,000	EUR	Eurohypo Aktiengesellschaft	4.750	2018
1,000	EUR	Eurohypo Aktiengesellschaft	4.500	2013
1,000	EUR	Eurohypo Aktiengesellschaft	4.142	2011
1,000	EUR	Eurohypo Aktiengesellschaft	3.292	2011
1,000	EUR	Eurohypo Aktiengesellschaft	3.292	2010

(58) 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 valued at their fair value. For the most part, interest-rate and interest-rate/currency swaps are used as hedging instruments.

€ m	31.12.2008	31.12.2007	Change in %
Negative fair values from effective fair value hedges	14,787	9,870	49.8
Negative fair values from effective cash flow hedges	6,676	4,953	34.8
Total	**21,463**	**14,823**	**44.8**

(59) Liabilities from trading activities

Liabilities from trading activities show the negative fair values of financial instruments not employed as hedging instruments in connection with hedge accounting as well as lending commitments with negative market values. Delivery commitments arising from short sales of securities are also included under liabilities from trading activities.

€ m	31.12.2008	31.12.2007	Change in %
Currency-related transactions	15,707	5,602	.
Interest-rate-related transactions	63,351	50,674	25.0
Delivery commitments arising from short sales of securities and negative market values of lending commitments	4,414	4,742	−6.9
Sundry transactions	12,736	9,275	37.3
Total	**96,208**	**70,293**	**36.9**

Financial assets and liabilities are netted and the net amount recognized in the balance sheet where there is a legally enforceable netting right and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

(60) Provisions

Provisions break down as follows:

€ m	31.12.2008	31.12.2007	Change in %
Provisions for pensions and similar commitments	195	538	–63.8
Other provisions	1,835	2,381	–22.9
Total	**2,030**	**2,919**	**–30.5**

a) Provisions for pensions and similar commitments

Pension obligations are calculated out annually by independent actuaries, applying the projected unit credit method. The calculations are based on the following assumptions:

in %	31.12.2008	31.12.2007
Calculatory interest rate	6.00	5.50
Change in salaries	2.50	2.50
Adjustment to pensions	1.60	1.60
Expected returns from plan assets	5.50	4.50

Based on these assumptions the pension obligations changed as follows:

€ m	2008	2007	2006	2005	2004
Pension obligations as of January 1	**2,331**	**2,513**	**2,078**	**1,797**	**1,644**
Allocation to provisions for pensions	182	218	206	190	149
Service cost	42	51	45	32	29
Interest cost	117	96	98	84	71
Cost of early retirement and part-time scheme for older staff	19	37	23	29	16
Amortization of actuarial losses	4	34	40	45	33
Pension payments	–153	–139	–141	–115	–110
Actuarial gains/losses	–112	–387	–51	193	82
Other changes (exchange rates, transfers, consolidated companies, contractual terms)	19	126	421	13	32
Pension obligations as of December 31	**2,267**	**2,331**	**2,513**	**2,078**	**1,797**
of which: completely or partially funded by plan assets	2,108	1,907	2,030	2,007	1,717
of which: not funded by plan assets	159	424	483	71	80

Pension costs in the year under review amount to €75m (previous year: €160m), of which €68m relates to the allocation to provisions for pensions (previous year: €142m). The amount of €68m represents the balance of the allocations to pension provisions (€182m) less income expected from plan assets (€114m).

The expected return on plan assets is based on long-term yields in the capital market at the balance sheet date for fixed-interest securities and on past market performance for other investments.

The plan assets changed as follows:

€ m	2008	2007	2006	2005	2004
Fair value as of January 1	**1,864**	**1,650**	**140**	**147**	**139**
Allocation / withdrawal	277	203	1,423	–9	3
Expected income from plan assets	114	76	38	5	5
Difference between expected and current income	–183	–65	49	–3	–
Pension payments	–	–	–	–	–
Fair value as of Dezember 31	**2,072**	**1,864**	**1,650**	**140**	**147**
Current income from plan assets	–69	11	87	2	5

No allocation to plan assets in 2009 was planned at the time these statements were prepared.

The breakdown of plan assets is as follows:

in %	31.12.2008	31.12.2007
Liquid assets	8.5	9.8
Equities	10.0	20.3
Fixed-income securities	67.5	68.0
Investment funds	0.0	0.5
Other	14.0	1.4

The pension provisions changed as follows in the past financial year:

€ m	as of 1.1.2008	Pension payments	Additions	Change in plan assets[1]	Transfers/ changes in consolidated companies	as of 31.12.2008
Pension entitlements of active and former employees and Pension entitlements of pensioners	442	111	152	388	17	**112**
Early retirement	86	24	12	–	1	**75**
Part-time scheme for older staff	10	18	18	3	1	**8**
Total	**538**	**153**	**182**	**391**	**19**	**195**

[1] As far as taken into account within the framework of determining provisions.

The pension provisions changed as follows in the past financial year:

€ m	2008	2007	2006	2005	2004
Pension obligations (projected unit credit)	**2,267**	**2,331**	**2,513**	**2,078**	**1,797**
Less fair value from plan assets	2,072	1,864	1,650	140	147
Unrecognized actuarial gains/losses (–) and service income/cost (–) to be recalculated	–	71	–251	–351	–155
Provisions for pensions	**195**	**538**	**612**	**1,587**	**1,495**

b) Other provisions

Changes in other provisions:

€ m	as of 1.1.2008	Allocation	Utilization	Reversals	Transfers/ changes in consolidated companies	as of 31.12.2008
Personnel area	**983**	275	689	104	–58	**407**
Restructuring measures	**258**	25	98	15	2	**172**
Specific risks in lending business	**252**	147	12	117	–38	**232**
Portfolio risks in lending business	**200**	163	–	144	–5	**214**
Bonuses for special savings schemes	**91**	46	51	1	–	**85**
Legal proceedings and recourse claims	**236**	149	36	50	29	**328**
Sundry items	**361**	196	141	39	20	**397**
Total	**2,381**	**1,001**	**1,027**	**470**	**–50**	**1,835**

The provisions in the personnel area include provisions for anniversaries, which by nature are long-term and are utilized gradually over the following reporting periods. The provisions formed to cover restructuring measures have an average remaining term to maturity of two years and are expected to be utilized by 2010. Most of the other provisions listed here have a remaining term of maturity of up to one year.

(61) Tax liabilities

€ m	31.12.2008	31.12.2007	Change in %
Current income-tax liabilities	**627**	**944**	**–33.6**
Income-tax liabilities to tax authorities	128	390	–67.2
Provisions for income taxes	499	554	–9.9
Deferred income-tax liabilities	**2,534**	**4,001**	**–36.7**
Tax liabilities affecting net income	811	2,357	–65.6
Tax liabilities not affecting net income	1,723	1,644	4.8
Total	**3,161**	**4,945**	**–36.1**

Provisions for taxes on income are possible tax liabilities for which no final formal assessment notes have been received or for risks involved in tax audits. The liabilities to tax authorities represent payment obligations from current taxes towards German and foreign tax authorities. Deferred taxes 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 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:

€ m	31.12.2008	31.12.2007	Change in %
Assets held for trading purposes and liabilities from trading activities	278	103	.
Fair values of derivative hedging instruments	1,636	1,952	–16.2
Financial investments	33	132	–75.0
Claims on banks and customers	76	89	–14.6
Liabilities to banks and customers	184	258	–28.7
Securitized liabilities	–	489	.
Sundry balance-sheet items	327	978	–66.6
Total	**2,534**	**4,001**	**–36.7**

(62) Other liabilities

Other liabilities of €2,914m (previous year: €2,946m) include obligations arising from still outstanding invoices, deductions from salaries to be passed on and deferred liabilities. In addition, this item includes liabilities in the amount of €329m (previous year: €1,423m) which stand in relation to assets yet to be disposed of as well as borrowed funds from minority interests amounting to €675m.

Liabilities relating to held-for-sale assets as of December 31, 2008 broke down as follows:

€ m	31.12.2008	31.12.2007	Change in %
Liabilities to banks	2	135	.
Liabilities to customers	–	574	.
Securitized liabilities	–	307	.
Subordinated and hybrid capital	5	54	.
Other liabilities	322	353	–8.8
Total	**329**	**1,423**	**–76.9**

(63) Subordinated capital

Subordinated capital breaks down as follows:

€ m	31.12.2008	31.12.2007	Change in %
Subordinated liabilities	**10,006**	**9,478**	**5.6**
of which: Tier-III capital as defined in Art. 10(7), KWG	25	100	–75.0
of which: maturing within two years	2,366	1,771	33.6
Profit-sharing certificates outstanding	**1,124**	**1,341**	**–16.2**
of which: maturing within two years	652	502	29.9
Deferred interest, including discounts	225	244	–7.8
Valuation effects	481	–17	.
Total	**11,836**	**11,046**	**7.2**
of which relate to the category: Liabilities measured at amortized cost	11,836	11,046	7.2
Applying the fair value option	–	–	.

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-2008, the following major subordinated liabilities were outstanding:

Start of maturity	€ m	Currency in m	Issuer	Interest rate	Maturity date
2006	1,250	1,250 EUR	Commerzbank AG	4.125	2016
2007	750	750 EUR	Commerzbank AG	5.625	2017
2000	600	600 EUR	Commerzbank AG	6.500	2010
1999	550	550 EUR	Commerzbank AG	4.750	2009
2001	500	500 EUR	Commerzbank AG	6.125	2011
2008	500	500 EUR	Commerzbank AG	6.250	2014
1999	300	300 EUR	Commerzbank AG	6.250	2009
2001	250	250 EUR	Commerzbank AG	5.900	2011
2003	250	250 EUR	Eurohypo AG	5.000	2016
2003	220	220 EUR	Eurohypo AG	5.000	2014
2006	177	300 CAD	Commerzbank AG	4.500	2016
1999	157	150 GBP	Commerzbank AG	6.625	2019
2002	150	150 EUR	Eurohypo AG	5.750	2012

In the year under review, the interest paid by the Group for subordinated liabilities totalled €528m (previous year: €486m). Deferred interest expenses for interest due but not yet paid are shown at €226m (previous year: €212m).

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 payments are made only 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-2008, the following major profit-sharing certificates were outstanding:

Start of maturity	€ m	Issuer	Interest rate	Maturity date
2000	320	Commerzbank AG	6.375	2010
1996	256	Commerzbank AG	7.900	2008[1]
1999	150	Commerzbank AG	6.375	2009

[1] Repayment takes place in 2009

Interest to be paid for the 2008 financial year on the profit-sharing certificates outstanding amounts to €90m (previous year: €117m). Deferred interest expenses for interest due but not yet paid are shown at €78m (previous year: €110m).

(64) Hybrid capital

€ m	31.12.2008	31.12.2007	Change in %
Hybrid capital	3,038	3,281	–7.4
Deferred interest, including discounts	107	117	–8.5
Valuation effects	13	16	–18.8
Total	**3,158**	**3,414**	**–7.5**
of which relate to the category: Liabilities measured at amortized cost	3,158	3,414	–7.5
Applying the fair value option	–	–	.

At end-2008, the following material hybrid capital instruments were outstanding:

Start of maturity	€ m	Currency in m	Issuer	Interest rate	Maturity date
2006	1,000	1,000 EUR	Commerzbank Capital Funding Trust I	5.012	unlimited lifetime
2006	840	800 GBP	Commerzbank Capital Funding Trust II	5.905	unlimited lifetime
2003	600	600 EUR	Eurohypo Capital Funding Trust I	6.445	unlimited lifetime
2006	300	300 EUR	Commerzbank Capital Funding Trust III	5.250	unlimited lifetime
2005	300	300 EUR	Eurohypo Capital Funding Trust II	4.482	unlimited lifetime

In the 2008 financial year, interest payable on hybrid capital in an amount of €174m accrued (previous year: €184m).

(65) Equity structure

€ m	31.12.2008	31.12.2007	Change in %
a) Subscribed capital	1,877	1,708	9.9
b) Capital reserve	6,619	5,709	15.9
c) Retained earnings	5,904	6,158	–4.1
d) SoFFin silent participation	8,200	–	.
e) Revaluation reserve	–2,221	903	.
f) Valuation of cash flow hedges	–872	34	.
g) Reserve from currency translation	–260	–34	.
h) Consolidated profit	–	657	.
Total before minority interests	**19,247**	**15,135**	**27.2**
Minority interests	657	997	–34.1
Equity	**19,904**	**16,132**	**23.4**

a) Subscribed capital

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

	Units
Number of shares outstanding on 1.1.2008	**656,931,150**
plus: treasury shares on 31.12. of the previous year	237,391
Issue of new shares (including shares issued to employees)	65,384,615
Number of shares issued on 31.12.2008	**722,553,156**
less: treasury shares on balance-sheet date	224,941
Number of shares outstanding on 31.12.2008	**722,328,215**

Before treasury shares are deducted, the subscribed capital stands at €1,879m.

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

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

	31.12.2008		31.12.2007	
	€ m	1,000 units	€ m	1,000 units
Shares issued	1,879	722,553	1,709	657,168
·/. Treasury shares	1	225	1	237
= Shares outstanding (subscribed capital)	1,878	722,328	1,708	656,931
+ Shares not yet issued from authorized capital	662	254,615	832	320,000
Total	**2,540**	**976,943**	**2,540**	**976,931**

The number of authorized shares is 977,168 thousand units (previous year: 977,169 thousand units). The accounting par value of the authorized shares is €2,541m (previous year: €2,541m).

As of December 31, 2008, 6,178 thousand shares (previous year: 2,886 thousand shares) had been pledged with the Group as collateral. This represents 0,9% (previous year: 0.4%) of the shares outstanding on the balance-sheet date.

Securities transactions in treasury shares pursuant to Art. 71(1), nos. 1 and 7 of the German Companies Act (AktG)

	Number of shares in units	Accounting[1)] par value in €1,000	Percentage of share capital
Portfolio on 31.12.2008	224,941	585	0.03
Largest total acquired during the financial year	6,809,285	17,704	0.94
Total shares pledged by customers as collateral on 31.12.2008	6,177,602	16,062	0.85
Shares acquired during the financial year	282,279,168	733,926	–
Shares disposed of during the financial year	282,291,618	733,958	–

1) accounting par value per share €2.60

The Bank is obliged in accordance with the Financial Market Stabilization Fund, represented by the Financial Market Stabilization Authority, that neither itself nor any of its affiliated companies will buy back shares or other components of its liable equity capital (except as specified under Art. nos. 2, 4 (commission on purchase) or Art. 7 of the German Stock Corporation Act (AktG)).

b) Capital reserve

The capital reserve shows, in addition to premiums from the issue of shares, fair values of share-based remuneration transactions in equity instruments that have not yet been exercised. 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 parent company 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 €5,901m (previous year: €6,155m) of other revenue reserves.

d) SoFFin silent participation

The participation by the silent partner, the Financial Market Stabilization Fund, represented by the Financial Market Stabilization Authority, in the amount of €8.2bn was paid in as at December 31, 2008. This silent participation is based on the agreement dated December 19, 2008 on forming a silent participation between the Financial Market Stabilization Fund, represented by the Financial Market Stabilization Authority, and Commerzbank Aktiengesellschaft. Commerzbank Aktiengesellschaft is obliged in accordance with the Financial Market Stabilization Fund, represented by the Financial Market Stabilization Authority, not to pay any dividend for the preceding year in the financial years from January 1, 2009 to December 31, 2009 and from January 1, 2010 to December 31, 2010. Interest of 9% p.a. will be paid with a coupon on the silent participation, which will be 100% eligible for Tier 1 capital. Redemption of the silent participation will be at nominal value. In 2009 and 2010, the bank will not pay a dividend for the previous respective financial year. In years when a dividend is paid, the interest rate applicable to the silent participation will increase. The interest premium to be paid in such a case will be based on the total amount of the cash dividend paid out. For every (approximately) €4.4m cash dividend paid, the interest rate will rise by 0.01 percentage points. In accordance with IFRS the silent participation will be recognized separately under equity, and the remuneration paid to SoFFin will be directly set off against equity without affecting the income statement. The costs for 2008 amount to €2m.

e) Revaluation reserve

The results of revaluing the financial investments at fair value, with deferred taxes taken into consideration, appear under this equity item. Gains or losses appear in the income statement only when the asset has been disposed of or impaired.

f) Valuation of cash flow hedges

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

g) Reserve from currency translation

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

(66) 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:

€ m	Conditional capital 1.1.2008	Additions	Expiring/ used	Conditional capital 31.12.2008	of which: used conditional capital	of which: available lines
Convertible bonds/bonds with warrants/profit-sharing rights	403	832	403	832	–	–
Total	**403**	**832**	**403**	**832**	**–**	**–**

As resolved by the AGM of May 15, 2008, the Bank's share capital has been conditionally increased by up to €416,000,000.00 divided into 160,000,000 no-par-value bearer shares (Conditional Capital 2008/I). The conditional capital increase will only be carried out to the extent that holders/creditors of convertible bonds, convertible profit-sharing certificates or warrants attached to bonds or profit-sharing certificates issued or guaranteed by May 14, 2013 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) of the German Companies Act – Aktiengesetz) on the basis of the AGM's authorization of May 15, 2008 (Authorization 2008/I) exercise their conversion or option rights or meet their related obligation to exercise their conversion rights and to the extent that the conditional capital is required under the terms and conditions of the bonds or profit-sharing rights (with conversion or option rights).

As resolved by the AGM of May 15, 2008, the Bank's share capital has been conditionally increased by up to €416,000,000.00 divided into 160,000,000 no-par-value bearer shares (Conditional Capital 2008/II). The conditional capital increase will only be carried out to the extent that holders/creditors of convertible bonds, convertible profit-sharing certificates or warrants attached to bonds or profit-sharing certificates issued or guaranteed by May 14, 2013 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) of the German Companies Act – Aktiengesetz) on the basis of the AGM's authorization of May 15, 2008 (Authorization 2008/II) exercise their conversion or option rights or meet their related obligation to exercise their conversion rights and to the extent that the conditional capital is required under the terms and conditions of the bonds or profit-sharing rights (with conversion or option rights).

The conditional capital increase in accordance with the authorization by the AGM of May 30, 2003 of up to €403,000,000.00 expired as at May 30, 2008.

(67) Authorized capital

Date of AGM resolution	Original amount € m	Used in previous years for capital increases € m	Used in 2008 for capital increases € m	Authorization expired € m	Remaining amount € m	Date of expiry
12.05.2004	225	–	–	–	225	30.04.2009
12.05.2004	225	–	–	–	225	30.04.2009
17.05.2006	170	–	170	–	0	30.04.2011
17.05.2006	200	–	–	–	200	30.04.2011
17.05.2006	12	–	–	–	12	30.04.2011
Total	**832**	**–**	**170**	**–**	**662**	

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 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) of the German Companies Act – 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 contributions 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) of the German Companies Act – 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, 2011, through the issue of new no-par-value shares against cash, in either one or several tranches, but by a maximum amount of €1.00 (authorized capital 2006/I). 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.

The Board of Managing Directors is authorized, with the approval of the Supervisory Board, to increase the Company's share capital by April 30, 2011, through the issue of new no-par-value shares against cash or contributions in kind, in either one or several tranches, but by a maximum amount of €200,000,000.00 (authorized capital 2006/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) of the German Companies Act – 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 provided the capital increase is made against contributions in kind for the purpose of acquiring companies or investments 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, 2011, through the issue of new no-par-value shares against cash, in one or several tranches, but by a maximum amount of €12,000,000.00 (authorized capital 2006/III) and thus exclude shareholders' subscription rights for the purpose of issuing employee shares to staff of the Commerzbank Aktiengesellschaft and to companies in which the Commerzbank Aktiengesellschaft directly or indirectly holds an interest (group companies as defined in Art. 18(1) of the German Companies Act – Aktiengesetz).

In financial year 2008, the authorization resolved by the Annual General Meeting held on May 17, 2006 (Art. 4(7) of the Articles of Association of Commerzbank Aktiengesellschaft) to increase the share capital by issuing new no-par-value shares against cash was (partially) utilized to raise authorized capital in the amount of €169,999,999.00.

(68) The Bank's foreign-currency position

On December 31, 2008, the Commerzbank Group had the following foreign-currency assets and liabilities (excluding fair values of derivatives):

			31.12.2008			31.12.2007	Change
m €	USD	PLN	GBP	Others	**Total**	**Total**	in %
Cash reserve	384	587	10	405	1,386	1,113	24.5
Claims on banks	16,220	484	6,259	5,614	28,577	16,901	69.1
Claims on customers	36,552	4,772	9,397	18,069	68,790	58,290	18.0
Assets held for trading purposes	5,549	2,513	499	1,187	9,748	9,496	2.7
Financial investments	25,079	1,852	2,287	4,500	33,718	29,834	13.0
Other balance-sheet items	3,927	315	592	1,456	6,290	5,307	18.5
Foreign-currency assets	**87,711**	**10,523**	**19,044**	**31,231**	**148,509**	**120,941**	**22.8**
Liabilities to banks	30,935	1,205	8,932	8,866	49,938	35,696	39.9
Liabilities to customers	13,170	7,149	983	5,210	26,512	21,027	26.1
Securitized liabilities	20,729	14	2,325	8,271	31,339	34,674	-9.6
Liabilities from trading activities	408	1,221	75	552	2,256	1,542	46.3
Other balance-sheet items	2,994	250	1,619	1,695	6,558	8,634	-24.0
Foreign-currency liabilities	**68,236**	**9,839**	**13,934**	**24,594**	**116,603**	**101,573**	**14.8**

Due to exchange-rate changes the consolidated balance-sheet total expanded in the 2008 financial year by €5bn (previous year: decline of €13bn). Total lending decreased by €3bn (previous year: decline of €7bn).

The open balance-sheet positions are matched by foreign-exchange forward contracts and currency swaps of congruent maturity.

Notes to financial instruments

(69) Derivative transactions

The tables below show the Commerzbank Group's business with derivative financial instruments as of the balance-sheet date.

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 counter-parties. 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 expenses which would be incurred by the Bank or the counterparty in order to replace the originally concluded contracts with business having the same financial value. From the bank's point of view, a positive fair value thus indicates the maximum potential counterparty-specific default risk that existed from derivative transactions on the balance-sheet date.

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 jurisdiction in question, should the counterparty 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 collateral). 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 79.5% of the exposure for the derivatives contracts and collateral covered by the process of risk-reducing techniques.

The following overview shows the nominal amounts and the fair values of the derivative business broken down by interest-rate-based contracts, currency-based contracts and contracts based on other price risks and the maturity structure of these transactions. Fair values appear as the sum totals of the positive and negative amounts per contract, from which no pledged collateral has been deducted and no possible netting agreements have been taken into consideration because these affect all products. By definition, no positive fair values exist for options sold. The nominal amount represents the gross volume of all sales and purchases. The maturity dates listed for the transactions are based on the remaining period to maturity, taking the maturity of the contract and not the maturity of the underlying.

31.12.2008	Nominal amount Remaining lifetimes				Fair value	
€ m	under 1 year	1–5 years	more than 5 years	total	positive	negative
Foreign-currency-based forward transactions						
OTC products	320,079	137,066	56,581	513,726	17,856	16,294
Foreign-exchange spot and forward contracts	202,694	23,075	405	226,174	7,693	5,638
Interest-rate and currency swaps	51,465	96,684	52,719	200,868	8,135	8,794
Currency call options	31,299	7,859	1,722	40,880	1,955	–
Currency put options	33,420	9,237	700	43,357	–	1,759
Other foreign-exchange contracts	1,201	211	1,035	2,447	73	103
Products traded on a stock exchange	1,270	13	–	1,283	–	–
Currency futures	1,270	13	–	1,283	–	–
Currency options	–	–	–	–	–	–
Total	**321,349**	**137,079**	**56,581**	**515,009**	**17,856**	**16,294**
Interest-based forward transactions						
OTC products	1,664,086	2,084,115	2,143,295	5,891,496	72,020	84,151
Forward-rate agreements	462,651	6,504	–	469,155	1,095	991
Interest-rate swaps	1,166,959	2,008,008	2,069,764	5,244,731	67,418	79,052
Call options on interest-rate futures	18,194	32,346	32,337	82,877	3,264	–
Put options on interest-rate futures	14,978	32,806	38,757	86,541	–	3,535
Other interest-rate contracts	1,304	4,451	2,437	8,192	243	573
Products traded on a stock exchange	71,760	4,212	721	76,693	–	–
Interest-rate futures	70,427	4,176	633	75,236	–	–
Interest-rate options	1,333	36	88	1,457	–	–
Total	**1,735,846**	**2,088,327**	**2,144,016**	**5,968,189**	**72,020**	**84,151**
Other forward transactions						
OTC products	63,258	114,051	24,715	202,024	13,634	12,812
Structured equity/index products	6,718	9,997	2,348	19,063	3,483	2,126
Equity call options	9,585	5,406	570	15,561	4,022	–
Equity put options	10,119	5,289	426	15,834	–	4,918
Credit derivatives	27,316	92,263	21,371	140,950	5,402	5,184
Precious metal contracts	8,656	446	–	9,102	256	343
Other transactions	864	650	–	1,514	471	241
Products traded on a stock exchange	40,855	22,916	1,615	65,386	–	–
Equity futures	2,597	–	–	2,597	–	–
Equity options	37,333	22,427	1,615	61,375	–	–
Other futures	556	269	–	825	–	–
Other options	369	220	–	589	–	–
Total	**104,113**	**136,967**	**26,330**	**267,410**	**13,634**	**12,812**
Total immatured forward transactions						
OTC products	2,047,423	2,335,232	2,224,591	6,607,246	103,510	113,257
Products traded on a stock exchange	113,885	27,141	2,336	143,362	–	–
Total	**2,161,308**	**2,362,373**	**2,226,927**	**6,750,608**	**103,510**	**113,257**

31.12.2007	Nominal amount Remaining lifetimes				Fair value	
€ m	under 1 year	1–5 years	more than 5 years	total	positive	negative
Foreign-currency-based forward transactions						
OTC products	349,005	127,046	60,858	536,909	7,492	6,607
Foreign-exchange spot and forward contracts	201,480	15,900	354	217,734	2,264	2,230
Interest-rate and currency swaps	46,864	90,207	56,954	194,025	4,218	3,423
Currency call options	50,153	9,566	2,139	61,858	992	–
Currency put options	49,381	11,271	396	61,048	–	895
Other foreign-exchange contracts	1,127	102	1,015	2,244	18	59
Products traded on a stock exchange	1,147	60	–	1,207	–	–
Currency futures	1,147	60	–	1,207	–	–
Currency options	–	–	–	–	–	–
Total	**350,152**	**127,106**	**60,858**	**538,116**	**7,492**	**6,607**
Interest-based forward transactions						
OTC products	1,565,969	1,992,914	2,134,394	5,693,277	58,297	64,433
Forward-rate agreements	226,666	6,538	–	233,204	119	120
Interest-rate swaps	1,297,161	1,907,036	2,052,323	5,256,520	56,115	62,018
Call options on interest-rate futures	18,424	36,754	32,629	87,807	1,649	–
Put options on interest-rate futures	15,122	38,207	41,332	94,661	–	2,014
Other interest-rate contracts	8,596	4,379	8,110	21,085	414	281
Products traded on a stock exchange	89,728	5,248	2,134	97,110	–	–
Interest-rate futures	66,888	4,364	1,307	72,559	–	–
Interest-rate options	22,840	884	827	24,551	–	–
Total	**1,655,697**	**1,998,162**	**2,136,528**	**5,790,387**	**58,297**	**64,433**
Other forward transactions						
OTC products	83,850	148,283	26,499	258,632	7,230	9,334
Structured equity/index products	14,463	12,768	2,965	30,196	1,642	3,608
Equity call options	17,566	15,111	1,259	33,936	4,219	–
Equity put options	19,433	16,652	873	36,958	–	4,427
Credit derivatives	24,822	102,692	21,402	148,916	856	859
Precious metal contracts	7,304	727	–	8,031	353	296
Other transactions	262	333	–	595	160	144
Products traded on a stock exchange	76,270	52,269	2,605	131,144	–	–
Equity futures	5,608	–	–	5,608	–	–
Equity options	70,236	51,937	2,605	124,778	–	–
Other futures	310	211	–	521	–	–
Other options	116	121	–	237	–	–
Total	**160,120**	**200,552**	**29,104**	**389,776**	**7,230**	**9,334**
Total immatured forward transactions						
OTC products	1,998,824	2,268,243	2,221,751	6,488,818	73,019	80,374
Products traded on a stock exchange	167,145	57,577	4,739	229,461	–	–
Total	**2,165,969**	**2,325,820**	**2,226,490**	**6,718,279**	**73,019**	**80,374**

Breakdown of derivatives business, by borrower group: The following table shows the positive and negative fair values of the Commerzbank Group's derivative business broken down by the respective counterparty. The Commerzbank Group conducts derivative business primarily with counterparties who have excellent credit ratings. A large portion of the fair values is concentrated in banks and financial institutions based in OECD countries.

	31.12.2008		31.12.2007	
	Fair value		Fair value	
€ m	positive	negative	positive	negative
OECD central governments	351	169	173	81
OECD banks	93,700	105,777	45,915	51,864
OECD financial institutions	1,679	3,277	24,610	25,722
Other companies, private individuals	7,343	3,708	1,992	2,468
Non-OECD banks	437	326	329	239
Total	**103,510**	**113,257**	**73,019**	**80,374**

We have reduced the volume of credit derivatives by 5.4% compared to the previous year. Consequently the volume where the Commerzbank Group is a buyer of protection or a seller of protection amounts to €72,659m or €68,291m as of the balance sheet date. 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:

	31.12.2008		31.12.2007	
	Nominal		Nominal	
€ m	Buyer of protection	Seller of protection	Buyer of protection	Seller of protection
OECD central governments	3,957	6,389	2,557	8,470
OECD banks	4,789	4,875	4,938	5,361
OECD financial institutions	7,798	6,798	8,782	7,894
Other companies, private individuals	55,134	49,814	56,986	53,508
Non-OECD banks	981	415	252	168
Total	**72,659**	**68,291**	**73,515**	**75,401**

(70) Use made of derivative financial instruments

	31.12.2008		31.12.2007	
	Fair value		Fair value	
€ m	positive	negative	positive	negative
Derivative financial instruments used for trading purposes	79,053	77,579	58,582	59,969
Hedging derivatives that cannot be used for hedge accounting	13,929	14,215	5,467	5,582
Derivatives used as hedging instruments	10,528	21,463	8,970	14,823
for fair value hedge accounting	5,680	14,787	4,602	9,870
for cash flow hedge accounting	4,848	6,676	4,368	4,953
Total	**103,510**	**113,257**	**73,019**	**80,374**

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 5, 12, 13, 20 and 21, we have described the above-mentioned criteria.

(71) Assets pledged as collateral

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

€ m	31.12.2008	31.12.2007	Change in %
Liabilities to banks	64,279	73,844	–13.0
Liabilities to customers	7,999	4,589	74.3
Securitized liabilities	355	1,378	–74.2
Liabilities from trading activities	–	1,499	.
Total	**72,633**	**81,310**	**–10.7**

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

€ m	31.12.2008	31.12.2007	Change in %
Claims on banks and customers	18,727	18,895	–0.9
Assets held for trading purposes and financial investments	57,248	64,710	–11.5
Other assets	5	–	
Total	**75.980**	**83,605**	**–9.1**

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

(72) Maturities, by remaining lifetime

	Remaining lifetimes as of 31.12.2008				
€ m	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	19,040	18,964	8,916	10,148	6,167
Claims on customers	20,454	46,306	27,275	98,238	97,875
Bonds, notes and other interest-rate-related securities and promissory notes from assets held for trading purposes	–	1,691	2,096	8,344	6,331
Bonds, notes and other interest-rate-related securities held in financial investments	–	12,903	5,384	34,682	70,969
Total	**39,494**	**79,864**	**43,671**	**151,412**	**181,342**
Liabilities to banks	19,894	70,252	13,677	11,398	13,271
Liabilities to customers	57,883	55,056	18,517	12,826	25,921
Securitized liabilities	218	23,823	29,848	84,576	27,362
Subordinated and hybrid capital [1]	–	396	1,556	3,832	8,384
Total	**77,995**	**149,527**	**63,598**	**112,632**	**74,938**

[1] excl. deferred interest and discounts (€332m) and valuation effects (€494m)

	Remaining lifetimes as of 31.12.2007				
€ m	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	23,311	17,733	11,437	13,609	7,968
Claims on customers	21,058	47,377	28,060	93,516	99,398
Bonds, notes and other interest-rate-related securities and promissory notes from assets held for trading purposes	–	1,529	2,057	9,659	9,017
Bonds, notes and other interest-rate-related securities held in financial investments	–	7,028	9,527	39,077	71,477
Total	**44,369**	**73,667**	**51,081**	**155,861**	**187,860**
Liabilities to banks	25,813	68,059	6,902	10,031	14,315
Liabilities to customers	55,273	55,454	8,952	14,336	25,172
Securitized liabilities	134	25,184	39,536	107,013	33,782
Subordinated and hybrid capital [1]	–	82	1,011	5,006	8,001
Total	**81,220**	**148,779**	**56,401**	**136,386**	**81,270**

[1] excl. deferred interest and discounts (€361m) and valuation effects (€–1m)

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

(73) 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. Where market prices are available for a financial instrument, these are used to measure them. If there are no market prices, we apply measurement methods to such instruments. These mainly comprise option pricing models and net present value methods.

Specific balance sheet items are measured at the Commerzbank Group as follows:

We recognize face value as the fair value of the cash reserve. As there are frequently no market prices available for claims on banks their fair value has to be determined with valuation models. A major portion of the claims on banks has an original term of less than one year. For simplicity's sake, the balance sheet figure is taken as the fair value in these cases.

As market prices are also frequently unavailable for determining the fair value for claims on customers valuation methods are employed here as well. Usually the net present value method is used. It determines the fair value by assigning a net present value to a financial instrument by discounting its contractual cash flows. The discount rate takes both the yield curve (free of risk) and the credit spread specific to the claim in question into account. If no market data are available for the credit spreads, the spreads are determined on the basis of internal ratings, taking into account any collateral provided, so that separate spreads are used for each transaction. The discount rate is also adjusted by a flat premium that takes the costs of administration and risk capital into account.

The fair value of hedging instruments (for both assets and liabilities) is determined using either net present value or option pricing models. The input parameters used for these models are the relevant market data observed on the reporting date.

The fair values are also determined for the derivative financial instruments included in trading assets/liabilities using net present value or option pricing models and relevant market data observed on the reporting date. To determine the fair value of non-derivative financial instruments the price quoted on the stock exchange is used whenever possible. If there are no prices available on the stock exchange, the instruments are valued applying normal market procedures (valuation methods) based on instrument-specific market parameters. The net present value method is used most often.

To determine the fair value of financial investments, market prices are also used. If these are not available, the net present value method is used. For shares in private companies and in private companies not listed, for which no reliable valuation can be undertaken, we have in exceptional cases used the purchase price.

Usually valuation models are used to determine the fair value of liabilities to customers and banks as there are generally no market prices available. As with the claims, many of the liabilities to banks have an original term of less than one year, so that, for simplicity's sake, the balance sheet figure is considered to be the fair value in these cases.

Most of the time for securitized liabilities there is a market price available which can be taken to determine the fair value. If there is no market price, the net present value method is usually used.

Whenever possible, market prices are used to determine the fair value of subordinated and hybrid capital. If there are no market prices, valuation models are employed.

	Fair value		Book value		Difference	
€ bn	31.12.2008	31.12.2007	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Assets						
Cash reserve	6.6	5.2	6.6	5.2	–	–
Claims on banks	63.0	73.9	63.0	74.0	0.0	–0.1
Claims on customers	284.2	281.3	284.8	283.5	–0.6	–2.2
Hedging instruments	10.5	9.0	10.5	9.0	–	–
Assets held for trading purposes	118.6	97.6	118.6	97.6	–	–
Financial investments	126.9	132.2	127.5	132.2	–0.6	–
Liabilities						
Liabilities to banks	127.1	124.9	128.5	125.1	–1.4	–0.2
Liabilities to customers	169.4	158.3	170.2	159.2	–0.8	–0.9
Securitized liabilities	164.0	205.0	165.8	205.6	–1.8	–0.6
Hedging instruments	21.5	14.8	21.5	14.8	–	–
Liabilities from trading activities	96.2	70.3	96.2	70.3	–	–
Subordinated and hybrid capital	11.9	14.2	15.0	14.5	–3.1	–0.3

In net terms, the difference between the book value and fair value amounted for all items to €5.9bn as of December 31, 2008 (previous year: €–0.3bn).

The valuation models used for determining fair value are usually based on observable market data. In some cases, however, not all of the required parameters can be observed on the markets, so internal estimates must be used as well. This also affects financial instruments that are recognized at fair value in the balance sheet. The internal estimates used in the valuation models are carefully selected from the range of available alternative assumptions that could also be used as acceptable parameters.

If the valuation of the financial instruments recognized in the balance sheet at fair value as at December 31, 2008 was carried out using figures at the extreme end of the aforementioned range of alternative assumptions, this would mean an increase of €173m or decrease of €214m in the fair value in the income statement.

Owing to unrealized changes in the valuation of financial instruments, for whose valuation non-observable parameters were used, a loss of €119m was shown in the income statement for financial year 2008. This change in fair value is not based solely on changes to internal estimates but also on changes in observable market data which are also included in the model.

(74) Information on financial assets and financial liabilities, for which the fair value option is applied

In the Commerzbank Group, the fair value option is primarily used to avoid accounting mismatches arising from securities and loans hedged with interest-rate or credit derivatives. This also applies to structured debt instruments we have issued which have been hedged with interest-rate or foreign-currency derivatives. It is also used for financial instruments whose management and performance is evaluated on a fair value basis and for financial instruments with embedded derivatives.

Applying the fair value option produces the following values as broken down by balance sheet item:

€ m	31.12.2008	31.12.2007	Change in %
Claims on customers	4,118	2,669	54.3
Financial investments	2,057	824	.
Assets, total	**6,175**	**3,493**	**76.8**
Liabilities to banks	13	10	30.0
Liabilities to customers	355	184	92.9
Securitized liabilities	1,267	1,094	15.8
Liabilities, total	**1,635**	**1,288**	**26.9**

All told, the result of the measurement from applying the fair value option amounts to €–237m (previous year: €6m; see Note 33).

Of the total claims of €4,118m measured at fair value, €3,451m (previous year: €2,493) was hedged by credit derivatives. In the past financial year, the amount of the change to the fair value of the claims brought about as a result of changes in default risk was €–507m (previous year: €–43m) and cumulatively amounted to €–545m (previous year: €–38m); the change in the fair value of the related risk-limiting credit derivatives during the financial year 2008 amounted to €381m (previous year: €47m) and accumulated €424m (previous year: €43m).

For liabilities to which the fair value option was applied the change in fair value for credit-risk reasons was €–176m for the 2008 financial year (previous year: €–18m). The cumulative change was €–191m (previous year: €–15m). The repayment amount for the financial liabilities measured at their fair value is €1,776m (previous year: €1,359m).

The credit risk-specific changes in the fair value of the claims and liabilities are essentially calculated as changes to the fair values less the value changes resulting from market conditions.

Risk management

(75) Risk management

The Commerzbank Group's value-based overall bank management involves taking on risks in a targeted manner and managing them professionally. The core functions of Commerzbank risk management are therefore to identify all key risks for the Group, measure these risks as accurately as possible and manage the risk positions based on these results.

Commerzbank defines risk as the danger of possible losses or profits foregone, which may be caused by internal or external factors. A basic distinction is made in risk management between quantifiable, or measurable, and unquantifiable types of risk.

The Bank's Board of Managing Directors sets risk-policy guidelines for the Group as part of the annually reviewed overall risk strategy it has established, consisting of various sub-strategies for the key types of risk. The overall risk strategy is based on the business strategy, also defined by the Board of Managing Directors, which ensures that the strategic orientation of the Group is in line with its risk management policy.

At Board level the Chief Risk Officer (CRO) is responsible for controlling all of the quantifiable risks (especially credit, market, liquidity and operational risk) of the Commerzbank Group, and for establishing and implementing the overall risk strategy. As part of his responsibility at Group level for the operative credit function, the CRO also assumes the management function for all credit risks.

The Chairman of the Board of Managing Directors (CEO) bears responsibility for controlling risks related to the Bank's business strategy and reputational risks. The Chief Financial Officer (CFO) assumes responsibility for controlling compliance risk (investor protection, insider guidelines, money laundering, etc.).

The Board of Managing Directors and the Supervisory Board are informed promptly about the Bank's risk situation by means of comprehensive, objective reports.

(76) Group risk strategy

The Group risk strategy, which has to be reviewed annually, determines how the Group deals with all quantifiable and unquantifiable risks, codified in detail in the sub-risk strategies.

The unquantifiable risks are subjected to strict qualitative monitoring in line with Pillar II of the Basel Accord and the MaRisk minimum requirements.

The individual quantifiable risks are managed by specifying target values or defining limits. The central management variables for Commerzbank Group are:

Expected Loss (EL)
This is determined for default and operational risks and is based on the risk parameters standard under Basel II: the probability of default by the counterparty (PD), the collateral held (LGD – loss given default) and the likely amount of the claim at the time of default (EaD – exposure at default). The expected loss corresponds to the average loss expected from portfolio defaults within a year, and is hence reflected in the risk provisioning across the economic cycle.

Value at risk (VaR)
Unlike loan defaults and losses arising from operational risks, changes in market prices and business risks can affect the Bank both positively and negatively. There is therefore no expected loss. Instead, the risk is that negative price changes have a certain probability of occurring, thus resulting in losses. We restrict this risk by setting VaR limits in order to avoid holding positions that may lead to losses equal to or greater than the VaR with a certain probability (confidence level).

Economic capital
Economic capital is the term used to describe the amount of capital required with a probability of 99.95% to cover all unexpected losses arising from risk positions. Economic capital is made up of default risk, market risk (including investment and real-estate risk), operational risks and business risk. It takes into account correlations and diversification effects both within and between the types of risk. It is calculated for all types of risk at a uniform confidence level of 99.95% (which corresponds to the Commerzbank target rating of A+) and a holding period of one year.

(77) Risk-taking capability, expected and unexpected loss

Risk-taking capability

Risk-taking capability is monitored by comparing the Commerzbank Group's aggregate bank-wide risk (measured as economic capital at a confidence level of 99.95% and a holding period of one year) with the capital available to cover risk (primarily equity components). The goal of this comparison is to establish which potential unexpected losses can be covered from the Bank's own funds without serious negative business consequences, and to understand and manage the dependencies of individual risk drivers.

In the base case, the available capital for risk coverage must be at least 20% higher than the economic capital (without taking account of the diversification effects between risk categories). As part of the Bank's overall risk strategy, the capital buffer requirement is broken down into specific sub-targets for individual portfolios. By making this strategy an essential part of business operations, any management measures that may be required can be implemented at an early stage. The buffer target at Group level was met throughout the reporting period.

In addition, by way of a dynamic approach, various risk-specific and multi-risk stress and scenario analyses are performed. In particular, negative economic and market developments are identified along with their impact on the relevant risk drivers and parameters, and the consequences for Commerzbank's portfolios are analyzed and action plans determined. The aim of this analysis is to guarantee Commerzbank's risk-taking capability even in cases of stress. In other words, consumption of economic capital must never exceed the available capital for risk coverage, even in a stress situation; if this is not the case, suitable measures must be taken. In addition, the restriction of risk appetite based on the medium-term (over 5 years) profitability of the segments plays a key role in determining the risk parameters, especially the EL and VaR limits.

Expected loss by type of risk and segment

The expected loss (EL) for a transaction at risk of default is based on the forecast loss at default (LAD) and probability of default (PD) for the transaction, which are in turn derived from the rating given to the customer in question. Input parameters used in determining the LAD include, in addition to the claims still to be repaid, credit lines expected to be drawn and forecast collateral proceeds and recovery rates. Technically speaking the expected loss is the product of PD and LAD and is equal to the statistical loss that can be expected on the basis of the reference date within a one-year period. The expected loss is taken into account in the calculation as standard risk costs and hence reflected in risk provisioning.

The expected loss from operational risk is calculated on the basis of the average statistical losses to be expected, taking into account the amount of those losses.

Unlike loan losses and losses arising from operational risks, market price risks and business risks basically have the same effect in both directions. An expected profit or loss cannot therefore be assumed. The gains or losses produced by uncertain future changes in market prices – such as changes in commission-earning business – are therefore defined as entirely unexpected.

The following table shows the expected loss for the various types of risk, by segment of the Commerzbank Group.

	Default risk		Market risk		Operational risk		Business risk		**Total**	
€ m	**31.12.2008**	**31.12.2007**	**31.12.2008**	**31.12.2007**	**31.12.2008**	**31.12.2007**	**31.12.2008**	**31.12.2007**	**31.12.2008**	**31.12.2007**
Private and Business Customers	227	246	–	–	28	26	–	–	255	272
Mittelstandsbank	268	241	–	–	11	10	–	–	279	251
Central and Eastern Europe	185	117	–	–	6	6	–	–	191	123
Corporates & Markets	187	191	–	–	14	16	–	–	201	207
Commercial Real Estate	274	239	–	–	3	2	–	–	277	241
Others and Consolidation	4	13	–	–	–	–	–	–	4	13
Group	**1,145**	**1,047**	**–**	**–**	**62**	**60**	**–**	**–**	**1,207**	**1,107**

Unexpected loss by type of risk and segment

Management of the expected losses (ELs) is supplemented by limits for unexpected losses (ULs). Unexpected losses are determined at the level of the Group as a whole and at segment level for all types of risk using an internal economic capital model and gives the amount of the loss that will not be exceeded with a probability of 99.95%. Commerzbank calculates the unexpected loss at a confidence level of 99.95% that is derived from the probability of default for Commerzbank's target rating of A1 (Moody's).

The unexpected loss specified in the table takes into account diversification and concentration effects within each type of risk but not between the types of risk.

	Default risk		Market risk		Operational risk		Business risk		**Total**	
€ m	**31.12.2008**	**31.12.2007**	**31.12.2008**	**31.12.2007**	**31.12.2008**	**31.12.2007**	**31.12.2008**	**31.12.2007**	**31.12.2008**	**31.12.2007**
Private and Business Customers	574	738	158	66	430	384	138	168	1,300	1,356
Mittelstandsbank	1,151	964	36	27	201	230	71	98	1,459	1,319
Central and Eastern Europe	589	407	27	17	146	143	30	31	792	598
Corporates & Markets	1,092	1,053	1,586	679	314	400	109	91	3,101	2,223
Commercial Real Estate	1,640	1,564	43	17	85	73	43	34	1,811	1,688
Others and Consolidation	18	57	1,707	1,762	1	11	175	154	1,901	1,984
Group	**5,064**	**4,783**	**3,557**	**2,568**	**1,177**	**1,241**	**566**	**576**	**10,364**	**9,168**

(78) Default risks

The Commerzbank rating and scoring methods, in use for all key credit portfolios, form the basis for measuring default risks. Both the calibration of the probabilities of default assigned to the individual counterparties or loans and the evaluation of collateral are based on analysis of historical data from the Commerzbank portfolio. The basis for the annual recalibration of the methods is the experience of the current year.

Rating distribution

The Commerzbank rating method comprises 25 rating levels for loans not in default (1.0 to 5.8) and five default classes (6.1 to 6.5). The CB master scale assigns each rating category exactly one range of probabilities of default, which is stable over time and free of overlap. The percentages of the groups in each rating category were calculated with respect to exposure at default (EaD).

The rating methods are subject to an annual validation and recalibration so that they reflect the latest projection bearing in mind all actual observed defaults.

Commerzbank AG rating	PD and EL mid-point as percentage	PD and EL range as percentage
1.0	0	0
1.2	0.01	0 – 0.02
1.4	0.02	0.02 – 0.03
1.6	0.04	0.03 – 0.05
1.8	0.07	0.05 – 0.08
2.0	0.11	0.08 – 0.13
2.2	0.17	0.13 – 0.21
2.4	0.26	0.21 – 0.31
2.6	0.39	0.31 – 0.47
2.8	0.57	0.47 – 0.68
3.0	0.81	0.68 – 0.96
3.2	1.14	0.96 – 1.34
3.4	1.56	1.34 – 1.81
3.6	2.10	1.81 – 2.40
3.8	2.74	2.40 – 3.10
4.0	3.50	3.10 – 3.90
4.2	4.35	3.90 – 4.86
4.4	5.42	4.86 – 6.04
4.6	6.74	6.04 – 7.52
4.8	8.39	7.52 – 9.35
5.0	10.43	9.35 – 11.64
5.2	12.98	11.64 – 14.48
5.4	16.15	14.48 – 18.01
5.6	20.09	18.01 – 22.41
5.8	47.34	22.41 – 99.99
6.1	100	Imminent insolvency
6.2		Restructuring
6.3		Restructuring with recapitalization/ partial waiving of claims
6.4		Cancellation without insolvency
6.5		Insolvency

Commerzbank AG rating	S&P	S&P	IFD scale*	
1.0 – 2.0	AAA; AA+, AA, AA-; A+, A, A-	AAA; AA; A	I	Investment grade
2.2 – 2.8	BBB+, BBB, BBB-	BBB	I; II	Investment grade
3.0 – 3.6	BB+, BB, BB-	BB	III; IV	Non-investment grade
3.8 – 5.0	B+, B, B-	B	IV; V	Non-investment grade
5.2 – 5.8	CCC+; CCC to CC-	CCC	VI	Non-investment grade
6.1 – 6.5	C, D-I, D-II			Default

* IFD = Initiative Finanzstandort Deutschland; Source: Commerzbank

Consistent with the master scale method, the default ranges assigned to the ratings within the Commerzbank master scale remain unchanged for the purpose of comparability (stable over time and for the portfolio). For better orientation, external ratings are shown as well. A direct reconciliation is not possible however, because for external ratings the observed default rates fluctuate from year to year and sometimes even between different portfolios.

	Private and Business Customers	Mittelstands-bank	Central and Eastern Europe[1]	Corporates & Markets	Commercial Real Estate
in %	**31.12.2008**	**31.12.2008**	**31.12.2008**	**31.12.2008**	**31.12.2008**
R 1	58.7	44.6	18.2	81.6	45.6
R 2	31.1	43.7	60.1	12.6	43.3
R 3	6.3	10.2	19.7	3.0	9.7
R 4	1.8	0.7	0.2	0.2	1.3
R 5	0.6	0.3	0.0	0.0	0.1
No rating	1.5	0.5	1.8	2.6	0.0
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

[1] excl. BRE Bank and Bank Forum

The authority to grant credit of individual employees and committees (Board of Managing Directors, credit committee, subcredit committee) are graduated by rating group. The most important control variables for the default risk are the expected losses (EL) derived from the ratings.

The credit risk strategy sets target values for individual subportfolios. This ensures that the expected risk provision is kept in line with the strategic orientation of the Bank, for example as regards the target rating from rating agencies or the target portfolio quality and structure.

Expected and unexpected loss for credit risks by segment

Credit risks are calculated at the portfolio level with the aid of the internal credit portfolio model. Using the model enables us to state the probability of possible losses in the lending business and in turn prepare key data for managing and monitoring risk. A major output from this model is for example the unexpected loss (UL), which estimates the amount of unexpected losses under extremely adverse economic scenarios and accordingly provides a key figure in addition to the expected loss (EL) for monitoring risk. Besides the quantitative statements that can be made with the aid of this model about the loan portfolio as a whole, the most important output that the credit portfolio model gives us is the ability to allocate the total risk on specific transactions, customers and business lines to the originating units.

Many data and parameters closely linked to the Basel II requirements are included in the credit portfolio model. These are, first, the transaction and customer data on the amount of the commitment, the credit rating and business sector involved and, second, pure model parameters, too, which provide information on the correlation and, accordingly, the potential diversification effects between various sectors and countries.

Besides the probability of default (PD) for each borrower, the most important figure is the expected exposure at default (EaD) for all of that borrower's transactions. The factors for calculating the EaD include, besides the pure volume of credit, open lines, guarantees and letters of credit and the credit calculation factors (CCFs) for the various types of credit. By taking collateral and guarantees into account and applying recovery factors to the unsecured portions, it is possible to determine the loss given default (LGD) for each transaction. The expected loss for each transaction is ultimately the product of PD, LGD and EaD.

	EaD (€ bn)		Expected Loss (€ m)		Unexpected Loss (€ m)	
	31.12.2008	**31.12.2007**	**31.12.2008**	**31.12.2007**	**31.12.2008**	**31.12.2007**
Private and Business Customers	61	62	227	246	574	738
Mittelstandsbank	86	80	268	241	1,151	964
Central and Eastern Europe	27	19	185	117	589	407
Corporates & Markets	267	301	187	191	1,092	1,053
Commercial Real Estate	86	86	274	239	1,640	1,564
Others and Consolidation	6	10	4	13	18	57
Group	**533**	**558**	**1,145**	**1,047**	**5,064**	**4,783**

(79) Market risk

Market price risks (market risks) cover the risk of losses as a result of changes in market prices (interest rates, spreads, currency rates, equity prices and commodities) or parameters which influence prices such as volatilities and correlations. In the Commerzbank definition, risks from equity investments in the banking book and equity event risk (modelling equity risk beyond VaR, such as the insolvency of the issuer) also represent market risks. We also consider market liquidity risk which covers situations where the Bank is prevented from selling trading positions at short notice or hedging them to the desired extent due to inadequate market liquidity.

Market risk is managed by means of a sophisticated system of limits, combined with reliable and optimized methods for measuring and monitoring.

Commerzbank uses economic capital (risk-taking capability) and business expectations to establish its market-risk limits which ensures a risk/return-based management 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 the business segments.

For the daily quantification and monitoring of market risk, especially that arising in proprietary trading, 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.

The overall market risk is calculated on the basis of a historical simulation while the specific interest-rate risk (specific market risk) is calculated by means of the variance-covariance method. At the parent bank, its foreign branches and the Luxembourg subsidiary Commerzbank International S.A., Luxembourg, we use an internal model to calculate the underlying capital requirements for the general and specific market risk.

The reliability of the internal model is checked on a regular basis by carrying out backtesting. The aim is to meet supervisory requirements and 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.

The table below shows the market risk of the Group's trading portfolio, broken down by the segments where proprietary trading is conducted. The value at risk shows the potential losses which will not be exceeded with a 99% degree of probability for a holding period of 10 days:

	Group (excl. investments)	
€ m	**2008**	**2007**
Minimum	26.9	21.5
Median	43.5	33.2
Maximum	150.9	69.6
Year-end figure	**96.3**	**35.6**

Because the value-at-risk concept forecasts potential losses under "normal" market conditions, Commerzbank also calculates stress tests to cover possible extreme scenarios. Stress tests are intended to simulate the impact of crises, extreme market conditions and major changes in correlations and volatilities.

Stress tests per division, individually adjusted to the risk factors of each portfolio, form part of daily reporting. Stress tests performed across portfolios simulate the impact of historical and conceivable future crisis scenarios on the Group as a whole. The overall picture is rounded off by monthly specific scenario analyses for each investment category (e.g. hypothetical interest-rate, equity, foreign-exchange and credit-spread scenarios).

The impact of an interest-rate shock on the economic value of the Group's banking book is simulated every month. In accordance with the Banking Directive, the German Financial Supervisory Authority (BaFin) has prescribed a uniform unexpected change in interest rates to be used by all banks. The applicable change in interest rates is currently +130 basis points and –190 basis points. The maximum fall as a result of these changes in interest rates as at year-end amounts to €570m. This translates into a decline in equity of 2.3%, which is well below the limit of 20% defined for so-called outlier banks.

(80) Operational risk

Operational risk is the risk of losses occurring as a consequence of the inappropriateness or failure of internal procedures or systems or people or from external events. Analogous to the definition under the Solvency Regulation (SolvV), this also covers legal risks, e.g. risks from unsatisfactory contractual agreements or changes to the legal framework.

The Operational Risk Committee is kept regularly informed on the risk situation. It deals in particular with the management of operational risks within the Group. The aim is to optimize the expected loss from OpRisk from a cost/benefit point of view and to minimize the potential for unexpected loss. In so doing, the Operational Risk Committee takes an end-to-end view of the processes within the the Bank with the aim of recognizing risks in a timely manner. The Operational Risk Committee also deals with anything relating to the implementation of AMA (the Advanced Management Approach) in the the Group and arising from MaRisk (the Minimum Requirements for Risk Management) for OpRisk. It is in particular responsible for the implementation of the guidelines under section 280 SolvV, which is the operational responsibility of Risk Strategy/Market and Operational Risk Control (ZMO).

The Global Operational Risk Forum, as a sub-committee of the Operational Risk Committee, acts as a discussion platform for OpRisk managers in the Group on all technical issues related to operational risks. Responsibility for managing the operational risks rests with the individual Group entities while ZMO is in charge of controlling.

The Group's operational risk profile, expressed in terms of the expected loss per event category under section 287 SolvV, shows that around 72% of the expected loss falls into the two event categories of "Product-related losses" and "Procedural errors". With the product-related losses, losses arising from advisory work in particular have increased significantly. ZMO conducts regular benchmarking of values to data from the operational risk data exchange ORX and public data; these show comparable distributions.

		2008		2007[1]	
		in € m	in %	in € m	in %
Internal fraud	Internal theft and fraud	4.1	5	4.2	6
External fraud	External theft and fraud	7.0	8	4.1	6
System failures	Technical and system failures	0.4	1	0.8	1
Material damage	Wilful destruction and terrorism	0.0	0	0.0	0
	Disasters and other events	0.1	0	0.0	0
	Accidents and public safety	0.1	0	0.1	0
Product-related losses					
	Appropriateness, disclosure and fiduciary duties	1.8	2	16.6	25
	Illegal business or market practices	1.7	2	2.5	4
	Product errors	1.2	1	0.6	1
	Advisory function	15.3	18	7.4	11
	Customer selection, lending and customer limit	0.0	0	0.1	0
	Customer error	0.0	0	0.4	1
Procedural errors					
	Entering, processing & managing transactions	48.8	59	25.7	39
	Customer acquisition and documentation	0.1	0	1.1	2
	Customer account management	0.1	0	0.7	1
	Monitoring and reporting	2.7	3	0.7	1
Errors relating to employment conditions					
	Events occurring within the context of employee conditions	0.0	0	0.1	0
	Safety of work environment	0.0	0	0.0	0
	Discrimination and exclusion at workplace	0.0	0	0.3	1
Group		**83.4**	**100**	**65.4**	**100**

[1] In 2008 additional events emerged which affected financial year 2007 but had no impact on the 2007 income statement.

(81) 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:

31.12.2008 **Portfolio**	Holding period	Confidence level: 99% Banking book € m	Trading book € m	Overall interest-rate risk € m
Group	10 days	97.3	43.3	101.2

31.12.2007 **Portfolio**	Holding period	Confidence level: 99% Banking book € m	Trading book € m	Overall interest-rate risk € m
Group	10 days	70.3	20.3	71.9

(82) 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. Besides obtaining collateral and applying a uniform lending policy, the Bank has entered into a number of master netting agreements to minimize credit risks: these give the Bank the right to net claims on and liabilities to a customer in the event of the default or insolvency of that customer.

In terms of book values, the credit risks relating to the claims on customers were as follows on December 31, 2008:

	Claims	
€ m	**31.12.2008**	**31.12.2007**
Customers in Germany	**180,121**	**192,384**
Companies and self-employed	73,920	73,651
Manufacturing	14,778	12,960
Construction	2,203	1,247
Distributive trades	6,003	6,091
Services incl. professions and others	50,936	53,353
Public sector	45,917	51,341
Other retail customers	60,284	67,392
Customers outside Germany	**110,027**	**97,025**
Corporate and private customers	98,431	84,686
Public sector	11,596	12,339
Sub-total	**290,148**	**289,409**
less valuation allowances	–5,333	–5,940
Total	**284,815**	**283,469**

In terms of book values, the credit risks relating to contingent liabilities and irrevocable lending commitments were as follows on December 31, 2008:

	Contingent liabilities, irrevocable lending commitments	
€ m	31.12.2008	31.12.2007
Customers in Germany	**35,023**	**30,662**
Banks	597	171
Companies and self-employed	33,028	28,706
Manufacturing	10,785	7,514
Construction	1,911	612
Distributive trades	3,347	3,318
Services incl. professions and others	16,985	17,262
Public sector	388	387
Other retail customers	1,010	1,398
Customers outside Germany	**48,249**	**50,735**
Banks	7,844	5,201
Corporate and private customers	39,604	44,536
Public sector	801	998
Sub-total	**83,272**	**81,397**
less provisions	–364	–380
Total	**82,908**	**81,017**

(83) Liquidity ratio of Commerzbank Aktiengesellschaft

Since January 2008 Commerzbank Aktiengesellschaft's liquidity ratio has been determined on the basis of the Liquidity Regulation (LiqV). LiqV replaces the previously applicable Principle II and specifies the liquidity required of banks for payment purposes under section 11 KWG. The liquidity of a bank is considered adequate if the liquidity ratio determined is not lower than 1. The liquidity ratio is the ratio between the funds available from the reporting date up to the end of the following month (first maturity bracket) and the outflows expected during this period.

The concept under LiqV implemented as the standard approach was applied in 2008 in Commerzbank Aktiengesellschaft.

As of December 31, 2008, the liquidity ratio worked out by Commerzbank Aktiengesellschaft was 1.14 (previous year: 1.18). Excess liquidity from the first maturity bracket reached €19.5bn (previous year: €21.8bn).

Liquidity ratios of Commerzbank Aktiengesellschaft in 2008:

	Month-end level		Month-end level
January	1.21	July	1.21
February	1.17	August	1.13
March	1.14	September	1.13
April	1.17	October	1.06
May	1.16	November	1.07
June	1.21	December	1.14

Other notes

(84) Subordinated assets

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

a€ m	31.12.2008	31.12.2007	Change in %
Claims on banks	112	112	0.0
Claims on customers	229	157	45.9
Bonds and notes	653	537	21.6
Other equity-related securities	–	41	.
Total	**994**	**847**	**17.4**
of which: banks in which an equity investment exists	–	–	.

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.

(85) Contingent liabilities and irrevocable lending commitments

€ m	31.12.2008	31.12.2007	Change in %
Contingent liabilities	**33,035**	**29,459**	**12.1**
from rediscounted bills of exchange credited to borrowers	2	8	–75.0
from guarantees and indemnity agreements	32,695	29,129	12.2
Credit guarantees	4,166	3,497	19.1
Other guarantees	20,949	19,581	7.0
Letters of credit	7,517	5,997	25.3
Guarantees for ABS securitizations	13	–	.
Other warranties	50	54	–7.4
Other commitments	338	322	5.0
Irrevocable lending commitments	**49,873**	**51,558**	**–3.3**
Book credits to banks	1,403	1,149	22.1
Book credits to customers	46,358	48,993	–5.4
Credits by way of guarantee	1,872	1,100	70.2
Letters of credit	240	316	–24.1

Remaining lifetimes of contingent liabilities andirrevocable lending commitments

€ m	31.12.2008	31.12.2007	Change in %
Total	**82,908**	**81,017**	**2.3**
due on demand	2,460	3,062	–19.7
less than three months	24,082	24,165	–0.3
more than three months, but less than one year	14,511	12,665	14.6
more than one year, but less than five years	35,290	34,306	2.9
more than five years	6,565	6,819	–3.7

In this tables, provision for risks arising from these liabilities has been deducted from the respective items.

(86) Volume of managed funds

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

	31.12.2008		31.12.2007	
	Number of funds	Fund assets € bn	Number of funds	Fund assets € bn
Retail investment funds	369	23.5	397	35.5
Equity-based and balanced funds	170	6.3	208	14.6
Bond-based funds	73	3.9	95	6.7
Money-market funds	29	6.9	19	10.6
Other[1]	97	6.4	75	3.6
Special funds	234	16.9	245	18.6
Property-based funds	2	0.0	1	0.0
Total	**605**	**40.4**	**643**	**54.1**

[1] includes fund-of-funds and retirement funds

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

	31.12.2008		31.12.2007	
	Number of funds	Fund assets € bn	Number of funds	Fund assets € bn
Germany	326	25.6	331	30.5
United Kingdom	1	0.0	–	–
Other European countries	278	14.8	312	23.6
Total	**605**	**40.4**	**643**	**54.1**

(87) Genuine repurchase agreements (repo and reverse repo transactions) and cash collaterals

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

In securities-lending transactions, the counterparty may provide collateral in the form of, for example, liquidity, so the Group avoids the credit risk. The provision of collateral for a lending transaction is known as "cash collateral out" and the receipt of collateral as "cash collateral in". In addition, cash collateral out is provided as collateral in connection with derivative transactions.

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

€ m	31.12.2008	31.12.2007	Change in %
Genuine repurchase agreements as a borrower (repo agreements)			
Liabilities to banks	26,244	30,463	–13.8
Liabilities to customers	7,989	5,230	52.8
Cash collateral in			
Liabilities to banks	4,764	9,084	–47.6
Liabilities to customers	955	1,985	–51.9
Total	**39,952**	**46,762**	**–14.6**
Genuine repurchase agreements as a lender (reverse repo agreements)			
Claims on banks	8,978	12,725	–29.4
Claims on customers	6,586	6,632	–0.7
Cash collateral out			
Claims to banks	13,779	8,150	69.1
Claims to customers	2,534	1,891	34.0
Total	**31,877**	**29,398**	**8.4**

The carrying amount of securities covered by repurchase agreements as of December 31, 2008, was €33,867m (previous year: €34,478m). The carrying value of the associated liabilities (collateral) was €34,233m (previous year: €35,693m).

(88) 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 the financial investments, 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.

€ m	31.12.2008	31.12.2007	Change in %
Lent securities	1,097	8,646	–87.3
Borrowed securities	1,699	3,795	–55.2

The carrying value of securities lent out was €1,097m (prior year: €8,646m), compared to associated liabilities (collateral) of €5,719m (prior year: €11,069m).

(89) Collateral received

Collateral received for which there is a right to sell on or pledge even where the provider does not default is broken down as follows:

€ m	31.12.2008	31.12.2007	Change in %
Total amount of collateral received	17,724	21,635	–18.1
of which: Sold on or pledged again	7	76	–90.8
of which: Subject to an obligation to return	–	–	.

The transactions were carried out at the normal standard terms for security lending and repurchase transactions and loan transactions.

(90) 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:

€ m	31.12.2008	31.12.2007	Change in %
Claims on banks	1	9	–88.9
Claims on customers	95	108	–12.0
Other assets	435	658	–33.9
Assets on a trust basis at third-party risk	**531**	**775**	**–31.5**
Liabilities to banks	13	30	–56.7
Liabilities to customers	518	745	–30.5
Liabilities on a trust basis at third-party risk	**531**	**775**	**–31.5**

(91) 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 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 comprise 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 hybrid capital and minority interests, less deduction items such as goodwill, equity investments and intangible assets. Supplementary capital comprises outstanding profit-sharing certificates and subordinated long-term liabilities. Tier III capital consists of short-term subordinated liabilities.

Commerzbank seeks to achieve the following objectives in managing its capital:

- Adherence to the statutory minimum capital requirements at Group level and in all Group companies
- Provision of sufficient reserves to guarantee the bank's freedom of action at all times
- Strategic allocation of Tier 1 capital to business segments and divisions in order to exploit growth opportunities

The key capital ratio monitored by Commerzbank is the core capital ratio. The Bank's specifications for the capital ratio far exceed the minimum statutory requirements. The Bank's risk appetite and market expectations play an important role in determining the capital ratio target. The Bank has defined a comfort zone for Tier 1 capital, which is currently 6.5 – 7.5%. It has also defined a comfort zone for the equity ratio as a supplementary back-up condition; this is currently 10.5 – 11.5%.

The Tier 1 capital is allocated via a regular process which takes account of the Bank's strategic direction, profitable new business opportunities in the core business of each banking department as well as risk appetite issues.

All measures relating to the Bank's capital – whether the issue of equity or any potential repurchase of shares – are proposed by the Bank's central asset-liability committee and approved by the Board of Managing Directors, subject to the authorization granted by the AGM.

In the past year Commerzbank met the statutory minimum capital requirements at all times.

The structure of the Commerzbank Group's capital yields the following picture:

€ m	31.12.2008	31.12.2007	Change in %
Core capital (Tier I)			
Subscribed capital	1,877	1,708	9.9
Reserves, minority interests, treasury shares	9,920	11,736	−15.5
SoFFin silent participation	8,200	0	.
Hybrid capital	3,038	3,079	−1.3
Other	−535	−190	.
Total	**22,500**	**16,333**	**37.8**
Supplementary capital (Tier II)			
Hybrid capital	–	202	.
Profit-sharing rights	467	1,330	−64.9
Reserves in securities (amount reported: 45%)	–	315	.
Subordinated liabilities	8,424	6,485	29.9
Other	−534	807	.
Total	**8,357**	**9,139**	**−8.6**
Tier III capital	**25**	**102**	**−75.5**
Eligible equity	**30,882**	**25,574**	**20.8**

as of 31.12.2008 | according to Basel II	**Capital charges in %**			**Total**
€ m	**<20**	**from 20 to under 100**	**100 and more**	
Commercial business	12,327	83,817	98,543	194,687
Derivatives business	2,118	3,880	6,753	12,751
Risk-weighted assets, total	**14,445**	**87,697**	**105,296**	**207,438**
Risk-weighted market-risk position multiplied by 12.5				4,891
Risk-weighted market-risk position for operational risk multiplied by 12.5				9,495
Total items to be risk-weighted				221,824
Eligible own funds				30,882
Core capital ratio				10.1
Own funds ratio				13.9

as of 31.12.2008 | according to BIS	**Capital charges in %**			**Total**
€ m	**<20**	**from 20 to under 100**	**100 and more**	
Commercial business	19,202	43,018	165,181	227,401
Derivatives business	4,617	2,558	–[1]	7,175
Risk-weighted assets, total	**23,819**	**45,576**	**165,181**	**234,576**
Risk-weighted market-risk position multiplied by 12.5				2,850
Risk-weighted market-risk position for operational risk multiplied by 12.5				–
Total items to be risk-weighted				237,426
Eligible own funds				25,574
Core capital ratio				6.9
Own funds ratio				10.8

[1] Pursuant to section 13 in conjunction with section 4 Principle I the maximum risk weighting is 50%.

Reconciliation of reported capital with eligible equity

31.12.2008 | € m	Core capital/ Equity	Supplementary/ subordinated capital	Tier III capital	**Total**
Reported in balance sheet	19,904	11,811	25	31,740
Revaluation reserve	36			36
Valuation of cash flow hedges	872			872
Consolidated profit	–			–
Minority interests not to be shown in core capital (incl. revaluation reserve, valuation of cash flow hedges) and changes in consolidated companies and goodwill	–442			–442
Hybrid capital non-innovative	600			600
Hybrid capital innovative	2,438	–		2,438
Parts of subordinated capital not eligible due to limited remaining lifetime		–2,219		–2,219
Reallocation to Tier III capital				–
Latent revaluation reserves for securities		–		–
General provisions/ reserves for defaults		–		–
Other differences	–908	–1,235	–	–2,143
Eligible equity	**22,500**	**8,357**	**25**	**30,882**

(92) Securitization of loans

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 loans or securities and to entire portfolios of loans or securities. As a rule, security is furnished by means of a synthetic securitization by credit default swap (CDS) and/or by credit-linked notes (CLN). We can hereby achieve three important goals:

1. risk diversification (reduction of credit risks in the portfolio, especially bulk risks),
2. easing the burden on equity capital (through the transfer of credit risks to investors a reduction in the regulatory equity capital requirements according to the Solvency Regulation) and
3. funding (use of securitizations as an alternative funding instrument to senior bearer bonds).

By the end of the 2008 financial year, the Commerzbank Group (Commerzbank Aktiengesellschaft and three subsidiaries) had launched six securitization programmes as the buyer of protection.

The range of legal maturity dates stretches from 10 to 76 years. All told, credits to customers of €10.2bn had been covered by end-December 2008. This eased the burden on the Bank's risk-weighted assets by €3.4bn.

Name of transaction	Buyer of protection	Year transacted	Duration of transaction in years	Type of claim	Volume of credit € m	Reduction of risk-weighted assets € m
CoCo Finance 2006-1	Commerzbank AG, Commerzbank International S.A., Commerzbank (Eurasija) SAO	2006	10	National and international larger corporates	4,456	1,194
CoSMO Finance 2007-1	Commerzbank AG	2007	20	Mittelstand customers	1,996	687
CoSMO Finance 2008-1	Commerzbank AG	2008	14	Mittelstand customers	1,493	552
Provide GEMS 2002-1 PLC	Eurohypo AG	2002	45	Residential real-estate portfolio	491	133
Semper Finance 2006-1	Eurohypo AG	2006	76	Project Castle – commercial real-estate portfolio	1,019	398
Semper Finance 2007-1	Eurohypo AG	2007	36	Commercial real-estate portfolio	710	429
					10,165	**3,393**

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

	2008			2007		
	Total	male	female	total	male	female
Group	39,239	21,436	17,803	34,796	18,585	16,211
in Germany	26,661	13,197	13,464	26,292	13,015	13,277
outside Germany	12,578	8,239	4,339	8,504	5,570	2,934

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: 60%) of the standard working time.

	Total		male		female	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
Trainees	1,293	1,241	534	513	759	728

(94) Related party transactions

a) Business relationships

As part of its normal business Commerzbank AG and/or its consolidated companies do business with related persons and companies. They include parties that are controlled but not consolidated for reasons of materality, associated companies, external service providers of occupational pensions for Commerzbank AG employees, key management personnel and their dependants as well as companies controlled by people in this group. Key management personnel refers exclusively to members of Commerzbank AG's Board of Managing Directors and Supervisory Board.

Assets and liabilities and off-balance-sheet items in connection with related parties changed as follows in the year under review:

€ m	01.01.2008	Additions	Disposals	Changes in consolidated companies	31.12.2008
Claims on banks	**–**	**622**	**–**	**–**	**622**
Subsidiaries	–	–	–	–	–
Associated companies and companies in which an equity investment exists	–	622	–	–	622
Claims on customers	**274**	**343**	**402**	**670**	**885**
Subsidiaries	166	288	289	163	328
Associated companies and companies in which an equity investment exists	102	52	111	506	549
Key management personnel	6	3	2	–	7
Other related persons/companies	–	–	–	1	1
Assets held for trading purposes	**11**	**393**	**363**	**–**	**41**
Subsidiaries	–	384	363	–	21
Associated companies and companies in which an equity investment exists	11	9	–	–	20
Financial investmens	**94**	**12**	**67**	**–2**	**37**
Subsidiaries	44	12	15	–5	36
Associated companies and companies in which an equity investment exists	50	–	50	–	–
Other related persons/companies	–	–	2	3	1
Total	**379**	**1,370**	**832**	**668**	**1,585**
Liabilities to banks	**26**	**231**	**1**	**–**	**256**
Subsidiaries	–	–	–	–	–
Associated companies and companies in which an equity investment exists	26	231	1	–	256
Liabilities to customers	**619**	**1,982**	**700**	**–16**	**1,885**
Subsidiaries	109	419	408	–12	108
Associated companies and companies in which an equity investment exists	35	170	180	63	88
Key management personnel	126	29	111	–8	36
Other related persons/companies	349	1,364	1	–59	1,653
Total	**645**	**2,213**	**701**	**–16**	**2,141**
Guarantees and collateral granted to	**380**	**–**	**56**	**–2**	**322**
Subsidiaries	2	–	–	–2	–
associated companies and companies with	–	–	–	–	–
Key management personnel	–	–	–	–	–
other related persons/companies	378	–	56	–	322
Guarantees and collateral received from	**–**	**93**	**83**	**–**	**10**
Subsidiaries	–	90	81	–	9
associated companies and companies with	–	3	2	–	1
Key management personnel	–	–	–	–	–
other related persons/companies	–	–	–	–	–

Liabilities to customers include €1.2bn for external pension providers under other related companies.

The following income and expenses arose from loan agreements with deposits from and services provided in connection with related parties:

2008 | € m	**Expenses**	**Income**
Unconsolidated subsidiaries		
Interest	1	19
Commission income	1	11
Trade	10	1
Write-downs/Impairments	–	–
Associated companies and companies in which an equity investment exists		
Interest	2	39
Commission income	6	–
Trade	11	2
Write-downs/Impairments	1	–
Key management personnel		
Interest	4	–
Commission income	–	–
Trade	–	–
Write-downs/Impairments	–	–
Other related persons or companies		
Interest	81	–
Commission income	–	1
Trade	–	–
Write-downs/Impairments	–	–
Totals		
Interest	88	58
Commission income	7	12
Trade	21	3
Write-downs/Impairments	1	–

On the balance sheet date, the aggregate amount of loans and contingent liabilities granted to key management personnel was as follows:

€ 1,000	01.01.2008	Additions	Disposals	Changes in consolidated companies	31.12.2008
Board of Managing Directors	5,198	2,257	889	–210	6,356
Supervisory Board	809	76	144	–427	314
Claims on customers	**6,007**	**2,333**	**1,033**	**–637**	**6,670**

Members of the Board of Managing Directors have been granted cash advances and loans with terms ranging from on demand up to a final due date of 2032 and at interest rates ranging between 4.3% and 5.5%, and in selected instances overdrafts at rates up to 10.0%. Collateral security is provided on normal market terms, if necessary through land charges or rights of lien.

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 final due date of 2030 and at interest rates ranging between 5.0% and 5.4%. Collateral security is provided on normal market terms, if necessary through land charges or rights of lien.

With the exception of rental guarantees the companies of the Commerzbank Group did not have any contingent liabilities relating to members of the Board of Managing Directors and the Supervisory Board in the year under review.

b) Remuneration of key management personnel

A detailed description of the remuneration system for the members of the Board of Managing Directors and for members of the Supervisory Board is provided in the remuneration report. This forms part of the management report and appears on pages 31 ff of the annual report for the year ending December 31, 2008.

The total remuneration for the members of the Board of Managing Directors and the Supervisory Board is as follows:

€ 1,000	31.12.2008	31.12.2007
Board of Managing Directors	12,207	17,612
Supervisory Board	1,962	3,031

The total remuneration for the Board of Managing Directors includes amongst others remuneration in kind granted within the standard scope (essentially remuneration in kind from vehicle use and insurance taxes and social security contributions). For the financial year 2008 no variable remuneration was granted.

The following table shows the remuneration in the form of basic salary, variable remuneration, remuneration for serving on the boards of consolidated companies included in the consolidated financial statements of Commerzbank AG, pay-outs from long-term performance plans (LTPs) and other remuneration of the individual members of the Board of Managing Directors. The variable remuneration is shown subject to the annual financial statements of Commerzbank Aktiengesellschaft for the 2008 financial year being approved in their present form.

€ 1,000		Basic salary[2]	Variable Remuneration[3]	Remuneration for serving on boards	Payouts of share-based remuneration plans[4]	Other[5]	Total
Klaus-Peter Müller	2008[1]	317	–	119	200	35	671
	2007	760	1,709	167	500	84	3,220
Martin Blessing	2008	500	–	43	100	86	729
	2007	480	1,155	79	250	82	2,046
Frank Annuscheit	2008	480	–	23	40	51	594
	2007[1]	–	–	–	–	–	–
Markus Beumer	2008	480	–	18	–	365	863
	2007[1]	–	–	–	–	–	–
Wolfgang Hartmann	2008	480	–	77	100	112	769
	2007	480	794	80	250	111	1,715
Dr. Achim Kassow	2008	480	–	246	100	277	1,103
	2007	480	862	270	–	45	1,657
Bernd Knobloch	2008[1]	360	–	20	615	4,137	5,132
	2007	480	864	10	–	72	1,426
Klaus M. Patig	2008	–	–	–	–	–	–
	2007[6]	40	–	–	–	2,307	2,347
Michael Reuther	2008	480	–	78	–	71	629
	2007	480	1,072	8	–	71	1,631
Dr. Stefan Schmittmann	2008[1]	80	–	8	–	7	95
	2007	–	–	–	–	–	–
Dr. Eric Strutz	2008	480	–	95	100	41	716
	2007	480	988	92	250	42	1,852
Nicholas Teller	2008[1]	200	–	14	100	592	906
	2007	480	813	61	250	114	1,718
Total	**2008**	**4,337**	**–**	**741**	**1,355**	**5,774**	**12,207**
	2007	**4,160**	**8,257**	**767**	**1,500**	**2,928**	**17,612**

1 Pro rata for the period since being appointed or up to the date of departure from the Board
2 Owing to the participation of the Special Fund for Financial Market Stabilization (SoFFin), the maximum limit for the remuneration of all members of the Board of Managing Directors active as at the reporting date and Mr Müller was €500 thousand. In the case of Mr Müller, his remuneration as a member of the Supervisory Board of €148 thousand (excl. VAT) also has to be taken into account.
3 Payable in the following year subject to approval of the annual financial statements. In 2007 the variable remuneration included €767 thousand of payments already received for serving on the boards of consolidated companies. For purposes of better comparison, remuneration for serving on boards is now stated separately.
4 The LTP 2004 was paid out in 2007 and the LTP 2005 and Eurohypo AG's Longterm Incentive Plan 2004 were paid out in 2008, the year under review.
5 The heading Other covers payment in kind in the year under review. In the year under review Mr Knobloch received €4,040 thousand and Mr Teller €548 thousand, which was promised to them under their severance agreements. Mr Beumer and Mr Kassow received assistance with moving expenses.
6 Mr Patig left the Board of Managing Directors at the end of January 2007.

The active members of the Board of Managing Directors had and have participated in the long-term performance plans (LTPs) which are described in detail in Note 24 and represent a share-based form of remuneration. In order to take part in the various plans, the members of the Board of Managing Directors on the basis of their individual decisions have invested in up to 2,500 shares of Commerzbank Aktiengesellschaft and the Chairman in up to 5,000 shares of Commerzbank Aktiengesellschaft per plan at current market prices.

The following table shows the number of shares (corresponding to a "virtual" option per share) per individual active member of the Board and per respective current LTP, as well as the fair values at the time the share-based payment was granted and the fair values as of the valuation date, December 31, 2008. Provisions for the LTPs 2006 to 2008 amounting to €42 thousand have been formed pro-rata for possible future payment obligations to members of the Board on the basis of the fair values as of December 31, 2008. In financial year 2008 provisions of €137 thousand for the LTP were reversed.

Current long-term performance plans

	LTP	Number of participating shares	Attributable fair value when the shares were granted in € 1,000	as of 31.12.2008 in € 1,000	pro rata provisions as of 31.12.2008 in € 1,000
Martin Blessing	2008	5,000	173	44	6.4
	2006	2,500	79	10	2.9
	2006	2,500	87	–	–
Frank Annuscheit	2008	2,500	87	22	3.2
	2007	1,200	38	5	1.4
	2006	1,200	42	–	–
Markus Beumer	2008	2,500	87	22	3.2
	2007	–	–	–	–
	2006	–	–	–	–
Wolfgang Hartmann	2008	2,500	87	22	3.2
	2007	2,500	79	10	2.9
	2006	2,500	87	–	–
Dr. Achim Kassow	2008	2,500	87	22	3.2
	2007	2,500	79	10	2.9
	2006	2,500	87	–	–
Michael Reuther	2008	2,500	87	22	3.2
	2007	2,500	79	10	2.9
	2006	–	–	–	–
Dr. Stefan Schmittmann	2008	–	–	–	–
	2007	–	–	–	–
	2006	–	–	–	–
Dr. Eric Strutz	2008	2,500	87	22	3.2
	2007	2,500	79	10	2.9
	2006	2,500	87	–	–
Sum	**2008**	**20,000**	**695**	**176**	**25.6**
	2007	**13,700**	**433**	**55**	**15.9**
	2006	**11,200**	**390**	**–**	**–**
Total		**44,900**	**1,518**	**231**	**41.5**

The potential remuneration stemming from participation in the LTPs 2006 to 2008 could deviate considerably from the figures shown in the table above or could even be completely released, because the final pay-out amounts are not fixed until the end of the term of each LTP (please refer to Note 24 concerning terms of payout). In February 2009 the members of the Board of Managing Directors renounced all the shares under the LTP 2008 and can therefore no longer receive any payments from this plan. Further details are available in the management report.

The first pay-out for the LTP 2005, which were based on the values of the first quarter of 2008, resulted in a payment obligation for the amount achieved under the terms of the plan. The LTP 2005 was terminated in June 2008 by means of a cash payment of €40 per participating share. The payments made to members of the Board of Managing Directors, who had participated in this plan are listed below. The payments are contained in the total remuneration amount above.

Paid out long-term performance plan

LTP 2005	Number of participating shares	Amount in € 1,000
Klaus-Peter Müller	5,000	200
Martin Blessing	2,500	100
Frank Annuscheit	1,000	40
Wolfgang Hartmann	2,500	100
Dr. Achim Kassow	2,500	100
Dr. Eric Strutz	2,500	100
Nicholas Teller	2,500	100
Total	**18,500**	**740**

Mr Knobloch also received a payment of €615 thousand in the year under review from entitlements under Eurohypo's Longterm Incentive Plan 2004, which had been granted to him in 2004 for his work as Chairman of the Board of Managing Directors of Eurohypo Aktiengesellschaft.

Payments to former members of the Board of Managing Directors and their surviving dependents amounted to €6,533 thousand in the year under review (previous year: €5,410 thousand).

For present and former members of the Board of Managing Directors or their surviving dependents the Bank has established a retirement benefit plan: assets to hedge this were transferred to Commerzbank Pensions-Trust e.V. as part of a contractual trust arrangement. As at December 31, 2008, the defined benefit obligations for active members of the Board of Managing Directors amounted to €8.1m (previous year: €21.0m) and for former members of the Board of Managing Directors or their surviving dependants €69.4m (previous year: €59.1m).

After deducting the plan assets and taking account of actuarial gains and losses, the provisions for pension obligations (defined benefit liabilities) as at December 31, 2008 amounted to €0.2m (previous year: €1.0m) for active members of the Board of Managing Directors and €1.6m (previous year: €2.8m) for former members of the Board of Managing Directors or their surviving dependants.

We refer to the section headed Other Regulations in the remuneration report for information on regulations for payments stemming from termination of employment for the active members of the Board of Managing Directors.

Remuneration for members of the Supervisory Board is regulated in Art. 15 of the Articles of Association of Commerzbank Aktiengesellschaft. Members of the Supervisory Board will receive total remuneration for financial year 2008 of €1,677 thousand net (previous year: €2,547 thousand). Of this figure, the basic remuneration and the remuneration for serving on committees amounts to €1,240 thousand (previous year: €2,307 thousand) and attendance fees to €437 thousand (previous year: €240 thousand). Attendance fees are for participating in the meetings of the Supervisory Board and its six committees (Presiding, Audit, Risk, Nomination, Conciliation and Social Welfare Committees) which met in the year under review. VAT of €285 thousand (previous year: €484 thousand) to be paid on the overall remuneration of the members of the Supervisory Board is refunded by Commerzbank Aktiengesellschaft. Accordingly the total remuneration of members of the Supervisory Board amounted to €1,962 thousand (previous year: €3,031 thousand).

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, 2008.

(95) Share-based payments plans

In financial year 2008 we reversed provisions for share-based remuneration plans and in turn booked income of €8m (previous year: expense of €27m). For cash-settled plans we recognized income of €12m (previous year: expense of €27m). For plans settled with equity instruments, by contrast, there was an expense of €3m (previous year: €0m). As at December 31, 2008, the share-based payments reserve in equity amounted to €2m (previous year: €1m) and the provision that was formed €8m (previous year: €49m).

The following provides more information on Commerzbank AG's share-based long-term performance plan (LTPs) and Eurohypo's long-term incentive plan (LFI).

Further companies also offer their staff share-based remuneration plans which are settled with cash and equity instruments. The expense for these plans in 2008 was €6m (previous year: €15m). Of this amount, €5m was for new remuneration plans launched by BRE Bank S.A. in the year under review. For the other consolidated companies €2m was recognized as provisions (previous year: €11m) and €2m (previous year: €1m) as a reserve in equity as at 31 December 2008. The decrease in provisions is a result of the payout of remuneration plans after the CCR Group was sold.

Long-term performance plans of Commerzbank AG

As at December 31, 2008 the provision for the LTP was €1m (previous year: €21m). Due to poor development of the performance criteria which are linked to LTP payouts, a total of €11m of the provisions were reversed in the year under review (previous year: an expense of €12m). In addition, the provision for the payout under the 2005 LTP was utilized (€8m).

More details and conditions on the LTP are available in Note 24 of this annual report. In accordance with IFRS 2, all LTPs are recognized as cash-settled remuneration plans.

The estimated fair values as of December 31, 2008 and the change in the number of rights under the LTPs during the year are shown in the tables below:

LTP	Date of grant	Fair value per award as of	
in €		31.12.2008	31.12.2007
2005	April 1, 2005	–	81.12
2006	April 1, 2006	–	18.53
2007	April 1, 2007	3.90	20.55
2008	May 1, 2008	8.87	–

Number of awards | in units	2008	2007
Outstanding at beginning of year	**886,300**	**738,400**
Granted during the year	434,250	370,050
Forfeited during the year	82,850	39,600
Exercised during the year	204,200	182,550
Expired during the year	–	–
Outstanding at year-end	**1,033,500**	**886,300**

The expected remaining lifetimes of the awards outstanding at year-end vary from 39 months to 40 months.

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

	31.12.2008	31.12.2007
Volatility of the Commerzbank share price	54%–56%	31% – 47%
Volatility of the Euro Stoxx Banks Index	32% – 33%	17% – 30%
Correlation of Commerzbank share price to index	83% – 84%	80% – 88%
Commerzbank dividend yield	0.9%	2.9% – 3.5%
Dividend yield of DJ Euro Stoxx Banks Index	2.0%	3.3%
Risk-free interest rate	2.2%	4.0% – 4.6%
Staff turnover	4.5%	4.5%

The volatility is based on the historical volatility of the Commerzbank share price and the Dow Jones (DJ) Euro Stoxx Banks Index.

The correlation is based on the period before valuation day, taking into account the remaining term of the plans.

Eurohypo AG's long-term incentive plan (LFI)

As at December 31, 2008 the provision for the LFI was €5m (previous year: €17m). Due to poor development of the performance criteria which are linked to LFI payouts, a total of €3m of the provisions were released in the year under review (previous year: provisions of €0m).

The reduction in provisions is also due to their being utilized to pay out the LFI (€4m) and being offset with hedges (€5m). More details and conditions on the LFI are explained in Note 24 of this annual report. In accordance with IFRS 2, the LFI has to be recognized as a cash-settled remuneration plan.

(96) Other commitments

Uncalled payment commitments on shares towards Group external entities and non consolidated entities amount to €4.9m (previous year: €0.4m).

The Bank is responsible for the payment of assessments of up to €173m to Liquiditäts-Konsortialbank (Liko) GmbH, Frankfurt am Main. 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 €5,351m (previous year: €1,556m).

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

(97) Lessor and lessee figures

Lessor figures – operating leasing –

Commerzbank is a lessor on operating leases. The leases include, in particular, real estate and vehicles rented out as of the balance-sheet date.

The following minimum leasing payments stemming from noncallable leases will accrue to the Commerzbank Group over the next few years from operating leases granted:

Due date | € m	**31.12.2008**	**31.12.2007**
In under 1 year	184	127
In 1 to 5 years	689	401
In more than 5 years	410	318
Total	**1,283**	**846**

No conditional leasing installments have been agreed in the leasing agreements.

Lessor figures – finance leasing –

Commerzbank is a lessor on finance leases. The leases include, in particular, real estate and office furniture and equipment (e.g. vehicles, copying machines) rented as of the balance-sheet date.

€ m	**31.12.2008**	**31.12.2007**
Outstanding leasing payments	1,823	1,238
+ guaranteed residual values	28	82
= minimum leasing payments	1,851	1,320
+ non-guaranteed residual values	21	13
= gross investments	1,872	1,333
– unrealized financial income	207	156
= net investments	1,665	1,177
– net present value of non-guaranteed residual values	16	11
= net present value of minimum leasing payments	1,649	1,166

The minimum leasing payments include the total leasing installments to be paid by the lessee from the leasing agreement plus the guaranteed residual value. The non-guaranteed residual value is estimated at the beginning of the leasing agreement and reviewed as of the effective date on a regular basis. The unrealized financial income is equivalent to the interest implicit in the leasing agreement between the effective date and the end of the contract.

The gross total rental payments and net present values of the minimum leasing payments from noncallable finance leasing agreements are broken down as follows:

Remaining lifetimes as of 31.12.	Gross investments		Net present value of minimum leasing payments	
€ m	2008	2007	2008	2007
In under 1 year	590	471	504	397
In 1 to 5 years	1,140	809	1,021	715
In more than 5 years	142	53	124	54
Total	**1,872**	**1,333**	**1,649**	**1,166**

Lessee figures – operating leasing –

The Group's existing obligations arising from operating leases involve rental and leasing agreements for buildings, office furniture and equipment and led in the financial year 2008 to expenses of €338m (previous year: €283m). Of this amount €36m relates to rental and leasing agreements that can be terminated. For rental and leasing agreements that cannot be terminated, the following expenses are forecast for future years:

Due date | € m	31.12.2008	31.12.2007
In under 1 year	346	478
In 1 to 5 years	1,139	1,801
In more than 5 years	1,075	1,277
Total	**2,560**	**3,556**

Subletting agreements have been signed for buildings no longer in use in the Commerzbank Group. These leases are of noncallable duration. The following income will accrue to the Commerzbank Group in the next few years from these leases:

Due date | € m	31.12.2008	31.12.2007
In under 1 year	24	17
In 1 to 5 years	50	48
In more than 5 years	10	8
Total	**84**	**73**

(98) 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	Registered office
AFÖG GmbH & Co. KG	Frankfurt am Main
BRE Bank Hipoteczny SA	Warsaw
BRE Bank SA	Warsaw
BRE Leasing Sp. z o.o.	Warsaw
comdirect bank Aktiengesellschaft	Quickborn
Commerz (East Asia) Ltd.	Hong Kong
Commerzbank (Eurasija) SAO	Moscow
Commerzbank (Switzerland) AG	Zurich
Commerzbank (South East Asia) Ltd.	Singapore
Commerzbank Asset Management Asia Ltd.	Singapore
Commerzbank Capital Markets Corporation	New York
Commerzbank Europe (Ireland)	Dublin
Commerzbank Europe Finance (Ireland) plc	Dublin
Commerzbank Inlandsbanken Holding GmbH	Frankfurt am Main
Commerzbank International S.A.	Luxembourg
Commerzbank Zrt.	Budapest
CommerzTrust GmbH	Frankfurt am Main
Erste Europäische Pfandbrief- und Kommunalkreditbank Aktiengesellschaft in Luxemburg	Luxembourg
Eurohypo Aktiengesellschaft	Eschborn
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

(99) Corporate Governance Code

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

Boards of Commerzbank Aktiengesellschaft

Supervisory Board

Dr. h.c. Martin Kohlhaussen
Chairman (until May 15, 2008)

Klaus-Peter Müller
Chairman (since May 15, 2008)

Uwe Tschäge*
Deputy Chairman

Hans-Hermann Altenschmidt*

Dott. Sergio Balbinot

Dr.-Ing. Burckhardt Bergmann
(since May 15, 2008)

Herbert Bludau-Hoffmann*

Karin van Brummelen*
(since May 15, 2008)

Astrid Evers*

Uwe Foullong*

Daniel Hampel*

Dr.-Ing. Otto Happel

Dr. jur. Heiner Hasford
(until May 15, 2008)

Sonja Kasischke*

Prof. Dr.-Ing. Dr.-Ing. E.h. Hans-Peter Keitel
(since May 15, 2008)

Wolfgang Kirsch*
(until May 15, 2008)

Alexandra Krieger*
(since May 15, 2008)

Friedrich Lürßen

Werner Malkhoff*
(until May 15, 2008)

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

Klaus Müller-Gebel

Dr. Sabine Reiner*
(until May 15, 2008)

Barbara Priester*
(since May 15, 2008)

Dr. Marcus Schenk
(since May 15, 2008)

Prof. Dr. Jürgen Strube
(until May 15, 2008)

Dr. Klaus Sturany
(until May 15, 2008)

Dr.-Ing. E.h. Heinrich Weiss

Dr. Walter Seipp
Honorary Chairman

*) elected by the Bank's employees

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Klaus-Peter Müller
Chairman (until May 15, 2008)

Martin Blessing
Chairman (since May 15, 2008)

Frank Annuscheit

Markus Beumer

Wolfgang Hartmann

Dr. Achim Kassow

Bernd Knobloch
(until September 30, 2008)

Michael Reuther

Dr. Stefan Schmittmann
(since November 01, 2008)

Dr. Eric Strutz

Nicholas Teller
(until May 31, 2008)

Responsibility statement by the Management Board

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit and loss of the group, and the management report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.

Frankfurt am Main, March 10, 2009
The Board of Managing Directors

Martin Blessing	Frank Annuscheit	Markus Beumer
Wolfgang Hartmann	Achim Kassow	Michael Reuther
Stefan Schmittmann	Eric Strutz	

Group Auditors' report[1]

We have audited the consolidated financial statements prepared by the 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, 2008. 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 § 315a Abs. [paragraph] 1 HGB are the responsibility of the parent company's management. 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 management, 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 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 11, 2009

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

sgd. Lothar Schreiber
(Wirtschaftsprüfer)
(German Public Auditor)

sgd. Clemens Koch
(Wirtschaftsprüfer)
(German Public Auditor)

[1] Translation of the auditors' report issued in German language on the consolidated financial statements prepared in German language by the management of Commerzbank Aktiengesellschaft, Frankfurt am Main.

Further information

We have listed the members of our Central Advisory Board, the members of our Regional Advisory Committees broken down by federal state, and the seats held on statutory supervisory boards by and memberships of similar supervisory bodies of members of the Board of Managing Directors, the Supervisory Board and Commerzbank AG staff. The section concludes with a glossary of key terms used in finance.

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Düsseldorf
Chairman of the Board of Managing Director
ThyssenKrupp Technologies AG
Essen

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Redevco Europe
Real Estate
Investment & Development
Düsseldorf

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Harsewinkel

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Peter Kölln KGaA
Elmshorn

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Remscheid

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Duderstadt

Klaus M. Patig
Königstein

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Wolfsburg

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Frankfurt am Main

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Bad Homburg

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Bielefeld

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OTTO (GmbH & Co. KG)
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President
Kiel Institute for the World Economy
Kiel

Dr. Dr. h.c. Edmund Stoiber
Bavarian *Ministerpräsident* (retired)
Lawyer
Wolfratshausen

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E.R. Capital Holding GmbH & Cie. KG
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Franz Haniel & Cie. GmbH
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Dresdner Bank AG
Frankfurt

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Wilh. Werhahn KG
Neuss

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President and Chief Executive Officer
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Stuttgart
Dr. Ing. h.c. F. Porsche AG
Stuttgart

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Bietigheim-Bissingen

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Tognum AG
Friedrichshafen

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Chief Financial Officer
Rudolf WILD GmbH & Co. KG
Heidelberg-Eppelheim

Karl Friedrich
Erbprinz von Hohenzollern
Executive Vice President
Fürst von Hohenzollern Group
Sigmaringen

Hans Ulrich Holdenried
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Hewlett-Packard GmbH
Böblingen
(until 31.12.2008)

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Georg von Holtzbrinck GmbH
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Mannheimer Morgen / Dr. Haas GmbH
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Robert Bosch GmbH
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Glatt GmbH
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Wutöschingen AG & Co. KG
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WALDRICH COBURG GmbH
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Herzogenaurach

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Käserei Champignon Hofmeister GmbH & Co. KG
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tegut… Gutberlet Stiftung & Co.
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General Manager
Papierfabrik Adolf Jass
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Chairman of the Supervisory Board
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Hanover

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Hanover

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Chief Executive
Kaufmännische Krankenkasse – KKH
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(Stiebel Eltron Group)
Holzminden

Dr. Günter Mahlke
Hanover

Assessor jur.
Ernst Andreas Pfingsten
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Cellesche Zeitung
Schweiger & Pick Verlag
Pfingsten GmbH & Co. KG
Celle

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Inh. E. Rädecke GmbH & Co.
Uelzen

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Managing Partner
Augendum Vermögens-
verwaltungs GmbH
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Hanover

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General Manager
TUI Dienstleistungs GmbH
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Steinhoff International Holdings Ltd.
Johannesburg / South Africa

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Papenburg

Mecklenburg-Western Pomerania

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Greifswald

North Rhine-Westphalia

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Managing Partner
von Arnim Private Consulting GmbH
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ALTANA AG
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Dipl.-Kaufmann
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Tax Consultant
in cooperation with
FRH Rechtsanwälte Steuerberater
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Deutsche Gesetzliche
Unfallversicherung e.V. (DGUV)
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Bergisch Gladbach

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Herzog von Croÿ'sche Verwaltung
Dülmen

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Marxen

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Cologne

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and Tax Consultant
Managing Partner
BDO Westfalen-Revision GmbH
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Generali Investments Deutschland
Kapitalanlagegesellschaft mbH
Cologne

Rainer Gölz
Managing Partner
WITTE Automotive GmbH
Velbert

Claes Göransson
General Manager
Vaillant GmbH
Remscheid

Rüdiger Andreas Günther
Member of the Board
of Managing Directors/CFO
Arcandor AG
Essen

Klaus Hamacher
Deputy Chairman
Deutsches Zentrum für
Luft- und Raumfahrt e.V.
Cologne

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 Warenhandelsgesellschaft
Mülheim an der Ruhr

Dr. Volker G. Heinke
Member of the Board
Department Investments and Finances
Kirchliche Zusatzversorgungskasse
Rheinland-Westfalen
Dortmund

Klaus Hellmann
Managing Partner
Hellmann Worldwide
Logistics GmbH & Co. KG
Osnabrück

Hermann Hövelmann
Managing Partner
Mineralquellen und Getränke
H. Hövelmann GmbH
Duisburg

Dr. jur. Stephan J. Holthoff-Pförtner
Lawyer and Notary
Partner
Hopf-Unternehmensgruppe
Essen

Dr. Dieter Köster
Chairman of the
Board of Managing Directors
Köster AG
Osnabrück

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

Hans-Joachim Küpper
Chairman of the Advisory Board
Küpper Group
General Manager
August Küpper GmbH & Co. KG
Velbert / Heiligenhaus

Kurt Küppers
Managing Partner
Hülskens Holding GmbH & Co. KG
Wesel

Assessor Georg Kunze
Landesdirektor des Landesverbands
Rheinland-Westfalen der gewerblichen
Berufsgenossenschaften
Düsseldorf

Dipl.-Kaufmann Ulrich Leitermann
Member of the Boards
of Managing Directors
SIGNAL IDUNA Group
Dortmund / Hamburg

Prof. Dr. Dirk Lepelmeier
General Manager
Nordrheinische Ärzteversorgung
Düsseldorf

Dr. Thomas Loesche
General Manager
Loesche GmbH
Düsseldorf

Dr. Burkhard Lohr
Member of the Board
of Managing Directors / CFO
HOCHTIEF AG
Essen

Tim Henrik Maack
Chairman
ERCO GmbH
Lüdenscheid

Lawyer Dr. Luitwin Mallmann
General Manager
Verband der Metall- und
Elektro-Industrie
Nordrhein-Westfalen e.V.
Düsseldorf

Dipl.-Kaufmann Helmut Meyer
Member of the Board
of Managing Directors
DEUTZ AG
Cologne

Götz Nafe
General Manager
Steinhaus GmbH
Remscheid

Friedrich Neukirch
Chairman
Klosterfrau Deutschland GmbH
Cologne

Dipl.-Kaufmann
Dipl.-Ing. Benedikt Niemeyer
Chairman
SCHMOLZ + BICKENBACH KG
Düsseldorf

Dipl.-oec. Bernd Pederzani
Chairman of the
Shareholders' Committee of
EUROPART Holding GmbH
Hagen

Dipl.-Kaufmann Eberhard Pothmann
Executive Vice President
Vorwerk & Co. KG
Wuppertal

Dipl.-Kaufmann Ulrich Reifenhäuser
Managing Partner
Reifenhäuser GmbH & Co. KG
Maschinenfabrik
Troisdorf

Gerhard Riemann
Chairman
Imperial Logistics International GmbH
Duisburg

Robert Röseler
Chairman of the Board
of Managing Directors
ara Shoes AG
Langenfeld

Martin Rohm
Member of the Boards
of Managing Directors
Volkswohl Bund Versicherungen
Dortmund

Dr. Jürgen Rupp
Member of the Board
of Managing Directors
RAG Aktiengesellschaft
Herne

Dipl.-Kaufmann Albert Sahle
Managing Partner
Sahle Wohnen GmbH & Co. KG
Greven

Dr. Petra Schlüsener
Managing Partner
Pergan GmbH
Bocholt

Peter Nikolaus Schmetz
Chairman of the Advisory Board
Schmetz Capital Management GmbH
Aachen

Prof. Dr. Christoph M. Schmidt
President
Rheinisch-Westfälisches Institut für Wirtschaftsforschung (RWI Essen)
Essen

Henning Schmidt
Chairman
Landgard eG
Straelen

Dr. Peter Schörner
Chairman
Evonik Immobilien GmbH
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 of the Supervisory Board
Wincor Nixdorf AG
Paderborn

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Member of the Advisory Board
bofrost* Group
Straelen

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Managing Partner
A. Sutter GmbH
Essen

Dr. Gunter Tautorus
Managing Partner
eltromat Tautorus GmbH & Co. KG
Leopoldshöhe

Detlef Thielgen
Chief Financial Officer
Executive Vice President
UCB S.A.
Brussels / Belgium

Dipl.-Ing. TU Olaf Tünkers
Managing Partner
Tünkers Maschinenbau GmbH
Ratingen

Dipl.-Volkswirt Antonius Voß
Member of the Board
of Managing Directors
RWE Power AG
Essen

Dipl.-Kaufmann Hilmar Welpelo
Chief Financial Officer
Aug. Winkhaus GmbH & Co. KG
Telgte

Jörg Wieck
General Manager
Amand Group
Düsseldorf

Sebastian Wirtz
Partner
Grünenthal GmbH
Aachen

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

Xaver Zimmerer
Managing Partner
InterFinanz GmbH & Co. KG
Düsseldorf

Johannes Zurnieden
General Manager, CEO
Phoenix Reisen GmbH
Bonn

Rhineland-Palatinate

Hubertus von Baumbach
Member of the Executive Board
Boehringer Ingelheim GmbH
Ingelheim am Rhein

Benoît Claire
Chairman of the Board
of Managing Directors
Coface Deutschland AG
Mainz

Dipl.-Kaufmann Folkhart Fissler
Managing Partner
VESTA GmbH
Idar-Oberstein

Frank Gotthardt
Chairman of the Board
of Managing Directors
CompuGROUP Holding AG
Koblenz

Alois Kettern
Chairman of the Board
of Managing Directors
WASGAU Produktions & Handels AG
Pirmasens

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

Matthäus Niewodniczanski
General Manager
Bitburger Holding GmbH
Bitburg

Klaus Rübenthaler
Member of the
Board of Managing Directors
Schott AG
Mainz

Dr. Wolfgang Schmitt
Chairman of the Board
of Managing Directors
KSB AG
Frankenthal

Hans Georg Schnücker
Chairman
Verlagsgruppe Rhein Main
Mainz

Dipl. oec. Berta Schuppli
Partner
Helvetic Grundbesitzverwaltung GmbH
Wiesbaden

Hans Joachim Suchan
Administrative Director
ZDF
Mainz

Saarland

Wendelin von Boch-Galhau, lic. oec.
Member of the Supervisory Board
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Mettlach

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

Anne Brück
Managing Partner
Brück GmbH
Saarbrücken

Dipl.-Kaufmann Christian Erhorn
Business Manager
Saarbrücker Zeitung
Verlag und Druckerei GmbH
Saarbrücken

Sanitätsrat
Dr. med. Franz Gadomski
President
Ärztekammer des Saarlandes
Saarbrücken

Saxony

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

Linden Blue
Chairman
Spezialtechnik Dresden GmbH
Dresden

Karl Gerhard Degreif
Member of the Board
of Managing Directors
Stadtwerke Chemnitz AG
Chemnitz

Dr. Wolfgang Gross
Managing Partner
f i t GmbH
Hirschfelde

Dr. Detlef Hamann
General Manager
Dresden Chamber of Industry
and Commerce
Dresden

Honorargeneralkonsul Prof. e.h.
Dr.-Ing. Klaus-Ewald Holst
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of Managing Directors
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Leipzig

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Managing Partner
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anlagen GmbH
Chemnitz,
HEGENSCHEIDT-MFD GmbH
Erkelenz,
NILES-SIMMONS-
HEGENSCHEIDT GmbH
Chemnitz,
Chairman / CEO
SIMMONS-MACHINE-TOOL
CORPORATION
Albany, N.Y.,
Chairman
NSH-CHINA TECHNOLOGY
INDUSTRIES
Nanchang, Jiangxi Province, China

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

Wolfgang Schmid
General Manager
Qimonda Dresden GmbH & Co. OHG
Dresden

Dipl.-Betriebswirt Oliver Scholz
Member of the Board
of Managing Directors
Scholz AG
Essingen

Thilo von Selchow
Chairman of the Board
of Managing Directors
ZMD Zentrum Mikroelektronik
Dresden AG
Dresden

Rolf Steinbronn
Chief Executive
AOK PLUS – Die Gesundheitskasse
für Sachsen und Thüringen
Dresden

Holger Tanhäuser
Administrative Director
Mitteldeutscher Rundfunk
Leipzig

Dr. Marc Zoellner
Managing Partner
Accumulatorenwerke HOPPECKE
Carl Zoellner & Sohn GmbH
Brilon-Hoppecke / Zwickau

Saxony-Anhalt

Dr.-Ing. Klaus Hieckmann
Managing Partner
Symacon GmbH
Magdeburg / Barleben

Hans Hübner
Managing Director
Hübner Group
Neugattersleben

Dipl.-Ing. Ali Memari Fard
Chairman
CEMAG Anlagenbau Dessau GmbH
Dessau

Schleswig-Holstein

Hans-Julius Ahlmann
Managing Partner
ACO Severin Ahlmann GmbH & Co. KG
Büdelsdorf

Stefan Dräger
Chairman of the Board
of Managing Directors
Drägerwerk Verwaltungs AG
Lübeck

Lothar-Joachim Jenne
Managing Partner
Max Jenne Arzneimittel-
Grosshandlung KG
Kiel

Prof. Dr. Klaus Murmann
Chairman Emeritus
Sauer-Danfoss Inc.
Neumünster
Lincolnshire, Illinois / USA
Nordborg / Denmark

Stephan Schopp
Business Manager
Schwartauer Werke
GmbH & Co. KG aA
Bad Schwartau

Thuringia

Reinhard Böber
General Manager
Glatt Ingenieurtechnik GmbH
Weimar

Dr. Albert Michael Geiger
General Manager
GEIGER Services GmbH
Tambach-Dietharz
Thuringia

Matthias Grafe
General Manager
Grafe Advanced Polymers GmbH
Blankenhain

Andreas Krey
Chairman
LEG Thüringen mbH
Erfurt

Dr. Hans-Werner Lange
Chairman of the Board
of Managing Directors
TUPAG-Holding AG
Mühlhausen / Thuringia

Dr.-Ing. Michael Militzer
Chairman of the Board
of Managing Directors
MITEC Automotive AG
Eisenach

Minister retired
Andreas Trautvetter
Business Manager
Hamburgisches
WeltWirtschaftsInstitut
Thuringia Branch
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, of the German Commercial Code (HGB)
As of 10.03.2009

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

Martin Blessing

a) **within Commerzbank Group:**
Commerzbank Auslandsbanken Holding AG
Chairman

Frank Annuscheit

a) **within Commerzbank Group:**
comdirect bank AG

Markus Beumer

a) ThyssenKrupp Services AG
within Commerzbank Group:
Commerz Real AG
Deputy Chairman

Wolfgang Hartmann

a) **within Commerzbank Group:**
Eurohypo AG

Dr. Achim Kassow

a) AMB Generali Holding AG*
ThyssenKrupp Steel AG
within Commerzbank Group:
comdirect bank AG
Chairman
Commerzbank Auslandsbanken Holding AG

b) Allianz Global Investors GmbH
within Commerzbank Group:
BRE Bank SA
Commerzbank International S.A.
Chairman
Commerzbank (Schweiz) AG
President
COMMERZ PARTNER Beratungsgesellschaft für Vorsorge- und Finanzprodukte mbH
Chairman

Michael Reuther

a) **within Commerzbank Group:**
Eurohypo AG

b) **within Commerzbank Group:**
Commerzbank Capital Markets Corporation
Erste Europäische Pfandbrief- und Kommunalkreditbank AG
Chairman

Dr. Stefan Schmittmann

a) Deutsche Schiffsbank AG
Chairman
Schaltbau Holding AG
Verlagsgruppe Weltbild GmbH
within Commerzbank Group:
Commerz Real AG
Chairman
Commerz Real Investmentgesellschaft mbH
Chairman
Dresdner Bank AG
(since 19.01.2009)
Eurohypo AG

b) KGAL Allgemeine Leasing GmbH & Co.
Chairman

Dr. Eric Strutz

a) ABB AG
BVV Versicherungsverein des Bankgewerbes a.G.
RWE Power AG
within Commerzbank Group:
Commerzbank Auslandsbanken Holding AG
Deputy Chairman
Dresdner Bank AG
(since 19.01.2009)

* listed company outside group (pursuant to no. 5.4.5, German Corporate Governance Code)

b) Mediobanca – Banca di Credito Finanziario S.p.A.*

within Commerzbank Group:

Commerzbank Auslandsbanken Holding Nova GmbH
Chairman

Commerzbank Inlandsbanken Holding GmbH
Chairman

Commerzbank International S.A.

Erste Europäische Pfandbrief- und Kommunalkreditbank AG

Former members of the Board of Managing Directors

Klaus-Peter Müller

see seats under "Members of the Supervisory Board of Commerzbank AG"

Bernd Knobloch

a) **within Commerzbank Group:**

Commerz Real AG
Chairman

Commerz Real Investmentgesellschaft mbH
Chairman

b) **within Commerzbank Group:**

Eurohypo Investment Banking Ltd.

Nicholas Teller

a) EUREX Clearing AG

EUREX Frankfurt AG

b) Air Berlin PLC
Non-executive director

EUREX Zürich AG

Members of the Supervisory Board of Commerzbank AG

Information pursuant to Art. 285, no. 10, of the German Commercial Code (HGB)
As of 31.12.2008

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

Klaus-Peter Müller

a) Fraport AG*
(since May 2008)

Fresenius SE*
(since May 2008)

Linde AG*

Steigenberger Hotels AG

within Commerzbank Group:

Eurohypo AG
Chairman (until November 2008)

b) Assicurazioni Generali S.p.A.*

KfW Kreditanstalt für Wiederaufbau

Liquiditäts-Konsortialbank GmbH

Parker Hannifin Corporation*

within Commerzbank Group:

Commerzbank International S.A.
President (until April 2008)

Uwe Tschäge

./.

Hans-Hermann Altenschmidt

b) BVV Pensionsfonds
(since July 2008)

BVV Pensionskasse

BVV Unterstützungskasse

Dott. Sergio Balbinot

a) Deutsche Vermögensberatung AG

within group:

AachenMünchener Lebensversicherung AG

AachenMünchener Versicherung AG

AMB Generali Holding AG

b) **within group:**

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

Europ Assistance Holding

Future Generali India Insurance Co. Ltd.

Future Generali India Life Insurance Co. Ltd.

Generali Asia N.V.

Generali China Insurance Company Ltd.

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 Investments SpA

Generali (Schweiz) Holding

Generali PPF Holding BV
Chairman

La Centrale Finanziaria Generale S.p.A. (since 01.07.2008)

La Estrella S.A.

Migdal Insurance Holding Ltd.

Migdal Insurance & Financial Holdings Ltd.

Participatie Maatschappij Graafschap Holland N.V.

Transocean Holding Corporation

* listed company outside group (pursuant to no. 5.4.5, German Corporate Governance Code)

Dr.-Ing. Burckhard Bergmann

a) Allianz Lebensversicherungs-AG
Deputy Chairman

E.ON Energie AG

MAN Ferrostaal AG

b) OAO Gazprom

Nord Stream AG

OAO Novatek
(since 03.10.2008)

Telenor
(since 29.05.2008)

Accumulatorenwerke Hoppecke
Carl Zoellner & Sohn GmbH

Jaeger Beteiligungsgesellschaft
mbH & Co. KG
Chairman

Herbert Bludau-Hoffmann

./.

Karin van Brummelen

./.

Astrid Evers

./.

Uwe Foullong

a) DBV-Winterthur Holding AG

DBV-Winterthur
Lebensversicherung AG

Daniel Hampel

./.

Dr.-Ing. Otto Happel

./.

Sonja Kasischke

./.

**Prof. Dr.-Ing. Dr.-Ing. E.h.
Hans-Peter Keitel**

a) Hochtief AG

National-Bank AG

b) EQT Infrastructure Limited

RAG Stiftung

Alexandra Krieger

./.

Friedrich Lürßen

a) Atlas Elektronik GmbH

b) Finanzholding der
Sparkasse in Bremen
Deputy Chairman

MTG Marinetechnik GmbH
Chairman

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

a) E.ON Ruhrgas AG

LANXESS AG*

LANXESS Deutschland GmbH

within group:

ThyssenKrupp Elevator AG
Chairman

ThyssenKrupp Stainless AG
Chairman

ThyssenKrupp Steel AG

ThyssenKrupp Reinsurance AG
Chairman

b) Hoberg & Driesch GmbH
Chairman

within group:

ThyssenKrupp Acciai
Speciali Terni S.p.A.

ThyssenKrupp (China) Ltd.

ThyssenKrupp Risk and
Insurance Services GmbH
Chairman

Klaus Müller-Gebel

a) comdirect bank AG
Deputy Chairman

Deutsche Schiffsbank AG

Eurohypo AG
Deputy Chairman

Barbara Priester

./.

Dr. Marcus Schenck

a) **within group:**

E.ON Ruhrgas AG

b) **within group:**

Aviga GmbH
Chairman

E.ON Audit Services GmbH
Chairman

E.ON IS GmbH
Deputy Chairman

E.ON Risk Consulting GmbH
Chairman

NFK Finanzcontor GmbH
Chairman

OAO OGK 4

Dr.-Ing. E.h. Heinrich Weiss

a) DB Mobility Logistics AG
(since 05.09.2008)

Deutsche Bahn AG

Voith AG

within group:

SMS Demag AG
Chairman

b) Thyssen-Bornemisza Group

Bombardier Inc.

* listed company outside group (pursuant to no. 5.4.5, German Corporate Governance Code)

Former members of the Supervisory Board

Dr. h.c. Martin Kohlhaussen

a) HOCHTIEF AG
Chairman

ThyssenKrupp AG

Dr. jur. Heiner Hasford

a) D.A.S. Deutscher Automobil Schutz – Allgemeine Rechts-schutz-Versicherungs-AG

ERGO Versicherungsgruppe AG

Europäische Reiseversicherung AG
Chairman

Hamburg-Mannheimer Sachversicherungs-AG
(since 06.03.2008)

MAN AG

Nürnberger Beteiligungs-AG

VICTORIA Lebensversicherung AG
(until 10.03.2008)

VICTORIA Versicherung AG

Wolfgang Kirsch

./.

Werner Malkhoff

./.

Dr. Sabine Reiner

./.

Prof. Dr. Jürgen Strube

a) Allianz Deutschland AG

BASF AG
Chairman

Bayerische Motorenwerke AG
Deputy Chairman

Bertelsmann AG
Deputy Chairman

Fuchs Petrolub AG
Chairman

Hapag-Lloyd AG

Linde AG
(until 03.07.2008)

Dr. Klaus Sturany

a) Bayer AG

Hannover Rückversicherung AG

Heidelberger Druckmaschinen AG

b) Österreichische Industrieholding AG

Employees of Commerzbank AG

Information pursuant to Art. 340a, (4), no. 1,
of the German Commercial Code (HGB)
As of 10.03.2009

Heiko Burchardt

Ellerhold AG

Dr. Detlev Dietz

cominvest Asset Management GmbH

Commerz Real AG

Commerz Real Investment-gesellschaft mbH

Martin Fischedick

Borgers AG

cominvest Asset Management GmbH

Commerz Real AG

Commerz Real Investment-gesellschaft mbH

Bernd Förster

SE Spezial Electronic AG

Bernd Grossmann

Textilgruppe Hof AG

Herbert Huber

Saarländische Investitionskreditbank AG

Klaus Kubbetat

Goodyear Dunlop Tires Germany GmbH

Pensor Pensionsfonds AG

Erhard Modrejewski

Braunschweiger Baugenossenschaft eG

Dr. Thorsten Reitmeyer

Commerz Real Investment-gesellschaft mbH

Commerz Real AG

Jörg Schauerhammer

Herlitz AG

Herlitz PBS AG

Dirk Wilhelm Schuh

GEWOBA Wohnen und Bauen AG

Martin Zielke

comdirect bank AG

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.

American Depositary Receipts (ADR)
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.

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 trading purposes
Under this balance-sheet item, securities, promissory notes, foreign exchange, precious metals, loans and lending commitments, 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.

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.

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.

Collateralised Debt Obligations (CDOs)
ABS backed by a portfolio of different securities, especially loans and other securitized debt.

Commercial Mortgage Backed Securities (CMBS)
ABS secured by commercial real estate.

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 amongst others 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.

Deferred taxes
Deferred taxes according to IAS 12 are future tax burdens or tax reductions resulting from temporary differences and from unused tax losses and tax credits. Such temporary differences include differences in value of an asset or liability between the commercial balance sheet and the balance sheet for tax purposes (liability method) which balance each other out in later financial years and result in actual tax effects. Deductible temporary differences and unused tax losses and tax credits lead to deferred tax assets, while taxable temporary differences lead to latent tax liabilities. Latent tax assets / tax liabilities must be reported separately from the actual tax assets / tax liabilities.

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 procedure for valuating participations that are shown as associated companies in the consolidated financial statements. 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 and built-in losses 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 Financial Reporting Standards (IFRS)/International Accounting Standards (IAS)
Accounting regulations approved by the International Accounting Standards Board. The objective of financial statements prepared according to IFRS/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.

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 its meet liabilities.

Liabilities from trading activities
Under this balance-sheet item, the derivative instruments and loan commitments held for trading purposes 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.

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.

Residential Mortgage Backed Securities (RMBS)
ABS secured by retail residential real estate.

Return on equity
This is calculated by the ratio between a profit amount and the average amount of

equity; 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 booked under financial assets and equity investments appear, with no effect on the income statement. The figures shown in the balance sheet are after taking account of deferred taxes.

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). 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
The shareholder value concept 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 1997/98 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 its fair value or, if this cannot be reliably established, at amortized cost.

Subprime
Refers in contrast to prime, to the segment of borrowers with low credit standing. Presently the term subprime is mostly used in order to describe the segment of the US retail residential mortgage market consisting of borrowers with low credit standing.

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.

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Five-year overview

Income statement (€ m)	2008	2007	2006	2005	2004
Net interest income	4,729	4,007	3,937	3,167	3,013
Provision for possible loan losses	–1,855	–479	–878	–521	–836
Net commission income	2,846	3,150	2,927	2,415	2,250
Trading profit [1]	–450	879	1,111	685	545
Net investment income	–665	126	770	647	339
Other result	–27	196	–14	26	193
Operating expenses	4,956	5,366	5,204	4,662	4,493
Operating profit	–378	2,513	2,649	1,757	1,011
Regular amortization of goodwill	–	–	–	–	83
Restructuring expenses	25	8	253	37	132
Expenses arising from special factors	–	–	–	–	–
Pre-tax profit	–403	2,505	2,396	1,720	796
Taxes on income	–465	580	595	427	353
Profit/loss attributable to minority interests	–59	–8	–197	–106	–81
Consolidated surplus [2]	3	1,917	1,604	1,187	362
Key figures					
Earnings per share (€)	0.00	2.92	2.44	1.97	0.61
Dividend total (€ m)	–	657	493	328	150
Dividend per share (€)	–	1.00	0.75	0.50	0.25
Operating return on equity (%)	–2.6	18.7	21.8	17.2	9.9
Return on equity of consolidated surplus (%) [2] (%)	0.0	15.4	14.2	12.8	4.0
Operating cost/income ratio (%)	77.0	64.2	59.6	67.2	70.9
Balance sheet (€ bn)	**31.12.2008**	31.12.2007	31.12.2006	31.12.2005	31.12.2004
Balance-sheet total	625.2	616.5	608.3	444.9	424.9
Total lending	313.7	316.6	316.4	164.6	160.5
Liabilities	464.5	490.0	495.8	329.7	307.7
Equity [3]	19.9	16.1	15.3	13.5	11.0
Capital ratios (%)					
Core capital ratio	10.1	6.9	6.7	8.0	7.5
Own funds ratio	13.9	10.8	11.1	12.5	12.6
Long/short-term rating					
Moody's Investors Service, New York	Aa3/P-1	Aa3/P-1	A2/P-1	A2/P-1	A2/P-1
Standard & Poor's, New York	A/A-1	A/A-1	A-/A-2	A-/A-2	A-/A-2
Fitch Ratings, London	A/F1	A/F1	A/F1	A-/F2	A-/F2

[1] Including net result on hedge accounting. [2] Insofar as attributable to Commerzbank shareholders. [3] Including minority interests.

Commerzbank worldwide

- Foreign branches
- Representative offices
- Group companies and major foreign holdings

2009/2010 Financial calendar	
May 8, 2009	Interim Report Q1 2009
May 15, 2009	Annual General Meeting
Early-August 2009	Interim Report Q2 2009
Early-November 2009	Interim Report Q3 2009
November 25, 2009	Investors’ Day
Mid-February 2010	Annual Results Press Conference
End-March 2010	Annual Report 2009

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