

Q1/2011



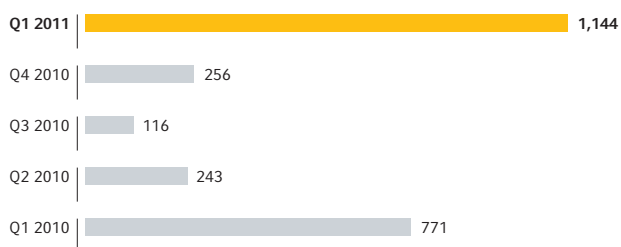
Interim Report as of March 31, 2011

Achieving more together

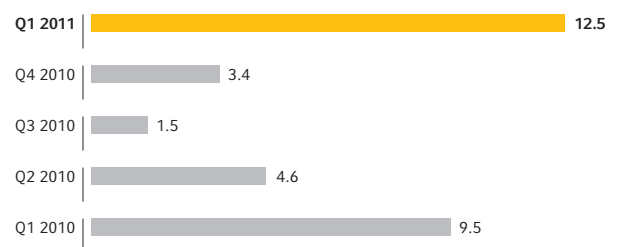
# Key figures

Income statement	1.1.–31.3.2011	1.1.–31.3.2010
Operating profit (€m)	1,144	771
Operating profit per share (€)	0.84	0.65
Pre-tax profit/loss (€m)	1,144	771
Consolidated profit/loss <sup>1</sup> (€m)	985	708
Earnings per share (€)	0.73	0.60
Operating return on equity <sup>2</sup> (%)	14.1	10.2
Cost/income ratio in operating business (%)	59.6	61.0
Return on equity of consolidated profit/loss <sup>1, 2, 3</sup> (%)	12.5	9.5
Balance sheet	31.3.2011	31.12.2010
Total assets (€bn)	697.0	754.3
Risk-weighted assets (€bn)	248.3	267.5
Equity as shown in balance sheet (€bn)	30.4	28.7
Own funds as shown in balance sheet (€bn)	47.8	45.7
Capital ratios		
Core capital ratio (%)	12.7	11.9
Own funds ratio (%)	16.8	15.3
Staff	31.3.2011	31.3.2010
Germany	44,771	45,946
Abroad	13,864	15,324
Total	58,635	61,270
Long/short-term rating		
Moody's Investors Service, New York	A2/P-1	Aa3/P-1
Standard & Poor's, New York	A/A-1	A/A-1
Fitch Ratings, New York/London	A+/F1+	A+/F1+

## Operating profit (€m)



## Return on equity of consolidated profit/loss<sup>1, 2, 3</sup> (%)



<sup>1</sup> Insofar as attributable to Commerzbank shareholders.

<sup>2</sup> Annualized.

<sup>3</sup> The capital base comprises the average Group capital attributable to Commerzbank shareholders without the average revaluation reserve and the cash flow hedge reserve.

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## Letter from the Chairman of the Board of Managing Directors



**Martin Blessing** Chairman of the Board of Managing Directors

*Dear shareholders,*

Commerzbank has got off to a great start in 2011. The continued recovery of the global economy, above all the rapid growth in the emerging nations and the strong economic upturn in Germany, helped us to achieve an operating profit of €1,144m in the first quarter of 2011. The core bank segments once again posted a pleasing performance. Mittelstandsbank made the largest contribution to earnings, followed by Corporates & Markets. However, the Private Customers business and Central and Eastern Europe also succeeded in significantly improving their results. Outside the core bank, the Portfolio Restructuring Unit benefited from further write-ups in the first quarter, while the Asset Based Finance segment recorded a loss. We are continuing our optimization and redimensioning efforts and pushing forward with the strategic repositioning process in this area, for example through the planned integration of Deutsche Schiffsbank into Commerzbank.

One of the major milestones for this quarter is the planned repayment of the lion's share of the silent participations of the Special Fund for Financial Market Stabilization (SoFFin), €14.3bn of the outstanding €16.2bn of which is scheduled to be repaid by the end of June this year. The €11bn required to finance the capital increase is subject to the agreement of our shareholders at the Annual General Meeting. In a first step in April, we placed conditional mandatory exchangeable notes (CoMEN) on the market and have already achieved more than half of the target volume totalling €5.7bn (including the SoFFin component). The transaction also helped us to win the trust of new shareholders. Subject to approval by the Annual General Meeting, the CoMEN will be exchanged for Commerzbank shares following

the Annual General Meeting. In a second step, a capital increase with pre-emptive rights is planned by June 2011. To redeem the silent participations, we will repay around an additional €3.3bn from free regulatory capital, as part of which we will make a one-off payment to SoFFin in the amount of approx. €1bn. We intend to redeem the remaining SoFFin silent participations in full from free regulatory capital by no later than 2014.

The capital increase will strengthen our Tier I equity capital and put us in excellent shape to meet the Basel III requirements. The measures undertaken in the first quarter to optimize our capital structure, which involved raising Basel III-compliant equity in the form of subordinated bonds and share capital, have also bolstered our position in this regard. All in all we are anticipating a core Tier I ratio of 9.7% following completion of the overall transaction. This is in the interests of our shareholders for many reasons. It will increase our financial and strategic flexibility, and also pave the way for a resumption of dividend payments for future financial years, scheduled to begin in 2012.

In so doing, we are keeping our promise to repay the support given to us by the government during the financial crisis as soon as possible. The fact that we were able to return to profit one year earlier than planned in the 2010 financial year is testament to our commitment to this goal and underlines that following the efforts made over the past two years, we have a sound and solid business model. The integration of Dresdner Bank also continues to advance according to plan. Since the beginning of the year we have been converting some former Dresdner Bank branches to our “Branch of the Future” models, and over the Easter holidays we achieved the last major milestone when we successfully migrated the client and product data of the former Dresdner Bank to the Commerzbank platform. The integration is therefore now largely complete.

Dear Shareholders, you can see the great strides we have made forward as we shake off the repercussions of the financial crisis. We are on the right path and will continue to rigorously steer the course of our Roadmap 2012.

*Yours sincerely*  
*Martin Blessing*

Martin Blessing, Chairman of the Board of Managing Directors

## Commerzbank share stable in the first quarter

Commerzbank successfully placed 118.1 million shares with institutional investors via a banking syndicate in mid-January 2011. This was equivalent to 10% minus one share of share capital at that time. The placement was made at a price of €5.30 per share. The share placement was carried out in connection with a measure to optimize the company's capital structure, as part of which hybrid equity instruments (trust preferred securities) issued by companies of the Commerzbank Group were paid in as a contribution in kind in exchange for new shares issued from Commerzbank's authorized capital.

After banking shares came under pressure in the fourth quarter due to the crisis in Ireland, demand picked up again in the first quarter as concerns surrounding the eurozone abated. Recent bond placements by peripheral eurozone countries met with success. This improved sentiment was also reflected in credit default swaps for banks, which were conducted at significantly lower costs versus the beginning of the year. Financial stocks firmed up across Europe, buoyed in particular by the expectation of better corporate earnings.

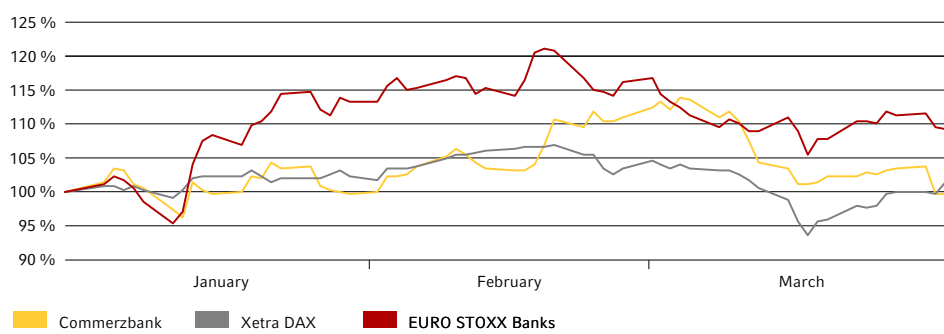
Investors once again turned their attention to the publication of companies' quarterly results at the beginning of February. Positive corporate earnings from Europe's large firms propped up stock market sentiment and helped the DAX to close at a quarterly high of 7,426.81 points on February 18 – the highest level since January 2008.

The Commerzbank share benefited from a better-than-expected result for 2010, pushing it up to its first-quarter high of €6.47 on March 4.

The events in Japan – above all fears of a nuclear meltdown – caused share prices on the Japanese stock market to slump by more than 10% from mid-March while simultaneously dragging down the global markets, with the DAX falling to 6,513.84 points on March 16, its lowest level since October 2010. In addition, political unrest, especially in Libya, prompted investors to shift their assets into what are perceived as safe investments, such as precious metals. This drove the price of silver to its highest level since 1980. These developments coupled with rumours of an impending capital increase weighed on the Commerzbank share price, which closed the quarter at €5.50.

### Commerzbank share vs. performance indices in first quarter 2011

Daily figures, 30.12.2010 = 100



The Commerzbank share shed 1% over the course of the quarter, significantly underperforming the EURO STOXX Bank Index over the same period (+7%). This is in sharp contrast to 2010 when the performance of the Commerzbank share (-5.8 %) was markedly better than that of the EURO STOXX Bank Index (-26.9%). With a daily average of 12.2 million units, trading volumes of the Commerzbank share fell compared to the previous year's comparative quarter. At the trading peak on January 13, 2011, around 48.2 million shares were traded – a figure which should be viewed in connection with the capital increase indicated above. Commerzbank's market capitalization at the end of the first quarter was €7.4bn, compared with €7.5bn at end-March 2010.

We provide our shareholders with comprehensive information. For data on Commerzbank's shares as well as current news, publications and presentations, visit our website at [www.ir.commerzbank.de](http://www.ir.commerzbank.de).

Highlights of the Commerzbank share	1.1.–31.3.2011	1.1.–31.3.2010
<b>Shares outstanding</b> on March 31 in millions	1,338.9	1,181.4
<b>Xetra intraday prices</b> in €		
High	6.47	7.11
Low	5.29	5.33
Closing price as at March 31	5.50	6.34
<b>Daily trading volume</b> <sup>1</sup> in millions		
High	48.2	35.7
Low	4.1	4.0
Average	12.2	12.9
<b>Earnings per share</b> in €	0.73	0.60
<b>Book value per share</b> <sup>2</sup> in € as at March 31	10.07	9.50
<b>Market value/book value</b> as at March 31	0.55	0.67

<sup>1</sup> Total German stock exchanges.

<sup>2</sup> Excluding silent participations, non-controlling interests and cash flow hedges.

# Interim Management Report

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## Business and overall conditions

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### Overall economic situation

The global economy continued its upswing at the beginning of 2011 after having already put on almost 5% the previous year. The emerging economies, above all in Asia but also in Eastern Europe and Latin America, are in a rapid phase of growth, while the Western industrialized nations are also increasingly showing signs of recovery, in spite of the disaster in Japan, the political unrest in North Africa and the debt crisis in the eurozone.

Economic figures in the US are still lagging behind expectations in some areas. However, boosted by more positive labour market news there are growing indications that the recovery on the labour market will also be followed by a sharp rise in company earnings and investments – subject, of course, to the usual delay. This means that the upturn will be broadly supported. The repercussions of the earthquake in Japan on the country's economy are still hard to predict, although a significant drop in production is expected at least for the second quarter.

Growth rates in the eurozone were also extremely divergent in the first few months of 2011. In many countries, national economies are still suffering from the lagging effects of the previously overheated real estate market and the massively higher debt levels of companies and private households. The situation has been compounded by very restrictive financial policies in some countries. Thus, while some countries such as Greece and Ireland have so far been unable to free themselves from the shackles of recession, Germany continued its strong upswing in the first quarter, fuelled by exports and company investments.

The main driver of the German recovery is above all the favourable economic conditions: interest rates are extremely low and global demand is very lively. Furthermore, Germany has not seen a real estate boom in recent years nor have companies and private households indebted themselves to an excessive degree, meaning that there has been no need for a correction. The same applies to its public finances, where there has been much less of a need for consolidation compared to most other eurozone countries. Last but not least, a variety of reforms over the last ten years – especially on the labour market – have made the German economy considerably more competitive.

A number of factors have suppressed a marked increase in private consumption, including the ongoing strong rise in energy prices. This rise has pushed inflation rates in Germany and the eurozone back up over 2%. The ECB reacted to the medium-term threat of inflation by hiking interest rates at the beginning of April. This caused a noticeable rise in government bond yields at the short end, giving the euro additional tailwind against the dollar.

The political unrest in North Africa and the events in Japan had since pushed the debt crisis in the eurozone into the background. Nonetheless, Portugal became the third eurozone country to ask for financial assistance. Politicians reacted to the spreading crisis by approving a long-term rescue mechanism in March. In spite of Portugal's mounting problems, the situation seems to have eased somewhat for the time being, and risk premiums for the larger peripheral countries Italy and Spain have decreased.

The equity market has, however, remained relatively unperturbed by the number of crises around the globe and the turnaround in monetary policy in the eurozone. After noticeable price losses in the wake of the disaster in Japan, the DAX recovered to close March slightly above its level at the beginning of the year, with equity markets benefiting in the first quarter from improved economic indicators in the US and lively M&A activities.

## **Important business policy events in the first quarter of 2011**

### **Optimization of capital structure**

Commerzbank took the following measures to optimize its capital structure in the first quarter of 2011:

In mid-January, Credit Suisse Securities (Europe) Limited (Credit Suisse) acquired from investors hybrid equity instruments (trust preferred securities) issued by companies of the Commerzbank Group, in its own name and for its own account, at prices below the nominal value, and paid them in as a contribution in kind in exchange for new Commerzbank shares issued from Commerzbank's authorized capital. A banking syndicate consisting of Credit Suisse, Citigroup, Goldman Sachs and UBS placed around 118.1 million shares with institutional investors on January 13, 2011. This was equivalent to 10% minus one share of Commerzbank's share capital at that time. The Financial Market Stabilization Fund (SoFFin) maintained its equity interest ratio in Commerzbank of 25% plus one share upon completion of the transaction. To achieve this, around €221m of SoFFin's silent participations from the conditional capital created at the 2009 Annual General Meeting was converted into approx. 39.4 million shares. These two capital measures mean that the number of Commerzbank shares rose to 1,339 million in total.

Concerning the long-term aim of optimizing the Bank's subordinated capital structure in preparation for the transition to Basel III, Commerzbank successfully placed a benchmark subordinated bond with institutional investors at the beginning of March. The euro-denominated issue has a volume of €1.25bn, a term of ten years and a coupon of 7.75% per annum. The issue was over-subscribed by a factor of around 3.5. In a second step, Commerzbank invited investors to submit an exchange offer for two of the subordinated bonds previously issued by the Bank; the offer was not subject to any volume limit. The bonds with a total nominal value of €2,000,000,000 could be exchanged for a new euro-denominated subordinated bond with a term until 2019 and a coupon of 6.375% per annum. A good 61% of the bonds were exchanged.

### **Key changes to shareholder structure**

On January 18, 2011, Allianz SE, Munich, Germany, informed us that, based on Art. 21 para. 1 of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG), its share of voting rights in Commerzbank Aktiengesellschaft, Frankfurt am Main, Germany, had fallen below the 10% threshold on January 17, 2011, amounting to 9.48%.

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### **Credit ratings confirmed following capital increase**

Ratings agencies Standard & Poor's, Fitch Ratings and Moody's confirmed their rating for Commerzbank in connection with the announced capital increase in April 2011.

Nonetheless, Moody's downgraded Commerzbank's long-term rating in advance by two levels from Aa3 to A2 with a stable outlook. The Bank Financial Strength Rating (BFSR) was confirmed at C-. The main factors behind the downgrade are, in Moody's view, the deterioration in the financial strength of Eurohypo AG and a change in Moody's internal methodology, which anticipates an increasingly lower level of systemic support for banks worldwide in the future.

### **Commerzbank plans integration of Deutsche Schiffsbank AG**

On March 23, 2011, Commerzbank Aktiengesellschaft announced that it plans to merge Deutsche Schiffsbank – one of the world's leading ship financing providers – with Commerzbank Aktiengesellschaft. The Deutsche Schiffsbank business model will remain unchanged. Commerzbank currently owns around 92% of the share capital of Deutsche Schiffsbank, with the remaining stake being held by UniCredit. Commerzbank and UniCredit are currently discussing how the merger will take place. The merger is subject to this agreement and the approval of the responsible supervisory authorities.

## **Earnings performance, assets and financial position**

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The Commerzbank Group kicked off the new business year with a very good first quarter. Consolidated profit reached €1bn, while operating earnings even exceeded €1.1bn, with the core bank segments posting a significantly improved result overall. The reduction in assets was also continued, as part of which total assets and risk-weighted assets were reduced by approximately 7% each. The Commerzbank Group had a core Tier I ratio of 11% and a core capital ratio of 12.7% as at end-March, giving it a solid capital basis for the future.

### **Income statement of the Commerzbank Group**

Net interest income fell by 8.4% to €1,727m during the first three months of 2011 compared with the same period the prior year. The non-servicing of profit-related hybrid bonds and participation certificates in particular in the previous year had a positive effect. Lower credit volumes – especially for structured loans – coupled with the reduction in volumes in the Portfolio Restructuring Unit also had a noticeable impact. The deposit business in the Private Customers and Mittelstandsbank segments made a higher contribution dependent on margins compared with the equivalent period in 2010.

Net allocation to loan loss provisions declined significantly by 50.6% to €318m year-over-year. Buoyed by the more favourable economic environment, gross allocations remained below the prior year level, while reversals increased. With the exception of the Corporates & Markets segment – where a net reversal was recorded in the first quarter of 2010 – loan loss provisions were below the previous year's levels in all segments. In the Asset Based Finance segment, however, loan loss provisions remained at a high level at €241m due to the ongoing difficult situation in commercial real estate business.

At €1,020m, net commission income at the end of the first quarter in 2011 was 2% higher than the previous year, although the figure for the comparative period in 2010 contained a higher level of income from non-strategic participations which have since been sold. The increase is mainly attributable to increased revenue from the securities business in the Private Customers segment. While Mittelstandsbank – due to the noticeable upturn in foreign trade – and Central & Eastern Europe generated higher levels of income, the Corporate & Markets segment was unable to repeat the good performance posted the previous year arising primarily from a few large individual transactions.

Net trading income and net income from hedge accounting contracted by around 38% year-over-year to €519m. The Corporates & Markets segment was able to slightly improve its net trading income in spite of the sometimes difficult first quarter and achieved around 90% of the Group net trading result. The decline was attributable primarily to the Portfolio Restructuring Unit, which – while it made a positive contribution – was unable to live up to expectations and match the very good result posted in the prior year period. Net trading income of the Asset Based Finance segment was negative.

Net income from financial investments was up €131m on the previous year to € 12m. The reporting period was primarily characterized by gains on disposals, which were offset by losses from the systematic reduction of risk portfolios, particularly from the decrease in the public finance portfolio in the Asset Based Finance segment. The negative result in the prior year quarter was mainly caused by impairments on positions in the Portfolio Restructuring Unit's ABS book.

Other net income increased by €316m to €338m. This was in connection with the measures taken in January to optimize the Bank's capital structure, in particular by redeeming hybrid instruments that were being traded significantly below their nominal value.

Operating expenses were 2.5% lower than the prior year for the first three months of 2011 at €2,154m. Other operating expenses including ongoing impairments fell by 6.7% to €1,028m, due chiefly to the lower ongoing implementation costs relating to the integration of Dresdner Bank. By contrast, at €1,126m, personnel expenses were 1.7% higher than the prior-year's figure. While ongoing salary payments declined owing to the reduced employee headcount, expenses in connection with pension benefits and performance-related remuneration increased.

As a result of the developments described above, the Commerzbank Group posted an operating profit of €1,144m for the first three months of 2011, an improvement of €0.4bn year-over-year. Pre-tax profit also amounted to €1,144m, compared with €771m in 2010.

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Tax expense for the period under review was €135m, following €55m in the prior year period. Consolidated profit after tax amounted to €1,009m, up 40.9% on the previous year. €24m of consolidated profit after tax was attributable to non-controlling interests and €985m to Commerzbank shareholders.

Operating earnings per share amounted to €0.84 and earnings per share to €0.73 (prior year period: €0.65 and €0.60, respectively).

## Consolidated balance sheet

Total assets of the Commerzbank Group amounted to €697bn as at March 31, 2011. This is the second quarter in a row where Commerzbank succeeded in significantly reducing its total assets – by 7.6% or €57.3bn versus year-end 2010. The decrease resulted from declining fair values for derivatives and the planned reduction of balance sheet volumes and risks.

On the assets side, trading assets decreased substantially. Claims on banks, customer credit volumes and financial investments also fell. The cash reserve sank by €1.4bn to €6.6bn compared to the end of 2010, especially due to lower assets at central banks. Claims on banks fell by €23.1bn to €87.5bn, triggered by a strong contraction in collateralized money market transactions in the form of reverse repos and cash collaterals. Claims on customers rose by only €2.4bn to €330.1bn due to opposing effects. On the one hand, lending business contracted as a result of the portfolio downsizing as part of the new strategic focus on the Bank's core business, while on the other, reverse repos and cash collaterals increased. Trading assets decreased significantly by €24.3bn to €143.5bn compared with year-end 2010 owing to the fall in positive fair values attributable to derivative financial instruments – mainly among interest rate derivatives as a result of rising interest rates. Financial assets fell by €7.5bn to €108.2bn, driven largely by reductions in the Public Financing business.

The key changes on the liabilities side included a decline in Eurohypo's Pfandbrief business, trading liabilities, and bank and customer deposits. Liabilities to banks fell by €8.2bn to €129.5bn, fuelled by a decline in money market trading and cash collateral business. Liabilities to clients sank by €14.7bn to €248.1bn, due in particular to the reduction in short-term liabilities among our corporate customers. Securitized liabilities were also down €9.0bn to €122.4bn, owing largely to the sharp decline in Eurohypo public-sector Pfandbriefe as a result of maturities. Trading liabilities plummeted by €23.8bn to €128.6bn. As with trading assets, this fall was attributable to the decline in negative fair values for derivative financial instruments as a result of interest rate movements.

## Equity

The equity reported in total assets as at March 31, 2011 increased by 6% or €1.7bn versus year-end 2010 to €30.4bn. This rise was driven primarily by ongoing profit in the first quarter as well as measures to optimize our capital structure implemented in mid-January 2011, as part of which hybrid equity instruments were paid into Commerzbank as a capital increase in exchange for a contribution in kind.

As a result of these capital measures, the number of Commerzbank shares increased by around 118.1 million in the first quarter, equivalent to 10% minus one share of Commerzbank's share capital at that time. The Financial Market Stabilization Fund (SoFFin) maintained its equity interest ratio in Commerzbank of 25% plus one share upon completion of the transaction. In addition, SoFFin's silent participations from the conditional capital created at the 2009 Annual General Meeting were converted into approx. 39.4 million shares. Overall, the number of shares increased to 1,339 million units.

Subscribed capital rose by €0.4bn to €3.5bn, the capital reserve climbed by €0.4bn to €1.8bn and retained earnings increased by €1bn to €10.3bn in the first quarter; owing to the SoFFin conversion, overall silent participations fell by €0.2bn to €17bn. As at March 31, 2011, the revaluation reserve, the cash flow hedge reserve and the currency translation reserve had a negative impact on equity of €3bn, approximately €40m lower than the 2010 year-end figure. Within the revaluation reserve, interest-bearing financial assets continued to produce a negative effect of €-1.9bn, a €0.2bn improvement over year-end 2010.

Risk assets as at March 31, 2011, fell by €19.2bn to €248.3bn compared with year-end 2010, in particular due to parameter adjustments and volume decreases. Regulatory core capital fell by €0.3bn to €31.4bn versus the end of 2010. As a result of lower risk assets, however, the core capital ratio rose from 11.9% to 12.7%. Core Tier I capital, which is important in relation to Basel III, amounted to approximately €27.4bn or a ratio of 11%, boosted by the transaction carried out in January 2011 to optimize the capital structure by increasing the so-called hard core capital. Both ratios are thus clearly above our target range. Our own funds ratio was 16.8 % on the reporting date.

## Funding and liquidity

The funding profile is actively managed by Group Treasury on the basis of regular structure analyses. In the first quarter of 2011, Commerzbank had a comfortable liquidity position and the regulatory provisions applicable to liquidity were complied with at all times. As at the reporting date of March 31, 2011, Commerzbank Aktiengesellschaft's key liquidity figure according to the German Liquidity Regulation was significantly higher than the minimum regulatory requirement of 1 at 1.15.

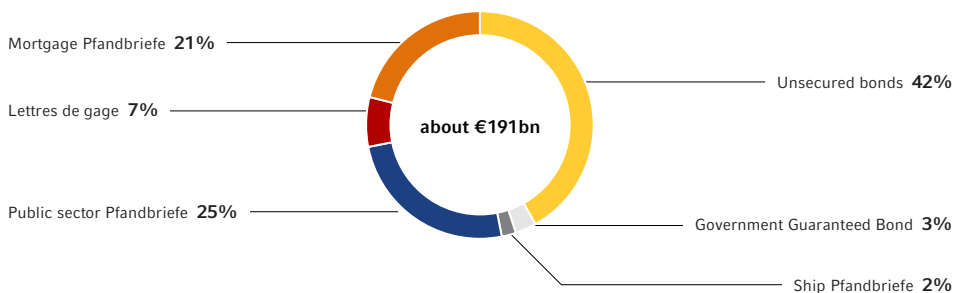
The interest rate environment was heavily influenced by the recovery of the global economy, even though growth patterns differed between individual countries and regions. At the beginning of April, the ECB kicked off the interest-rate turnaround and increased key rates by 25 basis points. Furthermore, in the first quarter, the ECB Council decided to continue to carry out main financing operations and refinancing operations with a special term lasting one reserve maintenance period for as long as necessary, but at least until the end of the sixth reserve maintenance period on July 12 of this year as a volume tender with full allocation and a fixed-interest rate. It also resolved to implement longer-term refinancing operations with a three-month duration as a volume tender with full allocation, whereby the resulting interest rate is indexed to the respective main refinancing rate and thus can only be fixed at the end of the term. On the back of the exit strategy that the ECB started to introduce in 2010, rates on the money market continued their upward trajectory in the first quarter, with the three-month Euribor up from 1.01% to 1.24% and the twelve-month Euribor up from 1.51% to 2%. This development can also be traced back to mounting inflationary pressures.

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Commerzbank also continued to enjoy unrestricted access to the secured and unsecured money and capital markets in the first quarter of 2011 and was able at all times to raise the funds required to achieve a balanced refinancing mix, both in secured and unsecured form. Thanks to its conservative and forward-looking funding strategy, the Bank was not reliant on central bank liquidity facilities in the quarter just ended.

**Capital market funding structure**

as of March 31, 2011

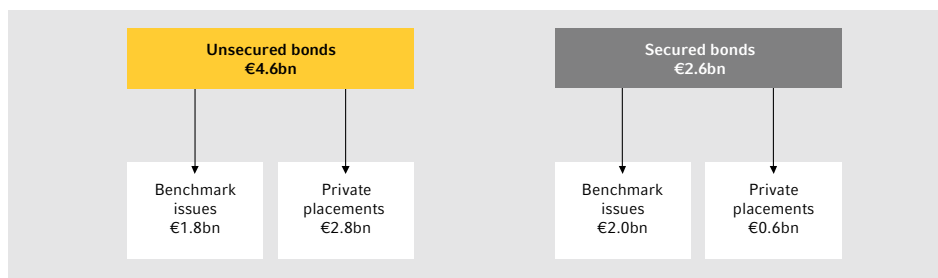


The Bank continued to benefit from a stable deposit base in its private and corporate customer business in the first quarter. The funding spread for long-term unsecured funding on the capital market widened substantially at the beginning of the year in the wake of discussions about laying claims on unsecured debt in the case of restructuring. Subject to seasonal influences, January also saw a number of new issues on the capital market. However, funding spreads in the unsecured segment began to stabilize over the course of the first quarter.

The announcement of Commerzbank Aktiengesellschaft's planned capital measures at the beginning of April had a positive impact on Commerzbank funding spreads.

**Group capital market funding in first quarter 2011**

Volume €7.2bn



Commerzbank raised long-term funds of €7.2bn in the market for secured and unsecured funding transactions during the first quarter. Approximately €4.6bn of this came from unsecured issues and roughly €2.6bn from Pfandbriefe. In the unsecured segment, Commerzbank Aktiengesellschaft was able to increase the senior unsecured benchmark bond issued in March 2010 by €500m. With a total issue volume of around €1.5bn, the Bank's own retail business was the main subscriber to the bond. A number of currency issues denominated in currencies such as the Australian and Canadian dollar were also placed on the capital market, as well as a benchmark subordinated bond amounting to €1.25bn. The issue has a term of

ten years and a coupon of 7.75% and was over-subscribed by a factor of around 3.5. The issue is an important step towards optimizing the Bank's long-term subordinated capital structure (Tier II) in anticipation of the changeover to Basel III.

In the secured sector, Eurohypo AG issued a five-year jumbo mortgage Pfandbrief with a volume of €1.25bn in January. The re-offer spread was 40 basis points above the mid-swap rate; 37% of the issue was subscribed by international investors. This was followed in March by a ten-year syndicated mortgage Pfandbrief with a volume of €500m. In addition, two existing Pfandbrief issues were increased by a total of €250m.

### **Key figures for the Commerzbank Group**

The Commerzbank Group's overall operating return on equity in the first three months of 2011 was 14.1%, compared to 10.2 % in the same period last year. Return on equity based on the consolidated surplus/deficit – i.e. the ratio of consolidated surplus/deficit attributable to Commerzbank shareholders to the average capital employed attributable to them excluding the revaluation and cash flow hedge reserves – amounted to 12.5 % following 9.5 % a year ago. The cost/income ratio – i.e. the ratio of operating expenses to total earnings before deduction of loan loss provisions – fell from 61% to 59.6% year-over-year.



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## Segment reporting

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The core bank segments got 2011 off to a good start and – with the exception of Corporates & Markets – posted some significantly higher operating results in the first three months compared with the same quarter in the previous year. The Corporates & Markets segment nevertheless achieved a good first-quarter operating result in view of the challenging capital market environment. Outside the core bank, the picture was mixed. While Asset Based Finance posted a loss again in the first quarter in spite of lower provisions for possible loan losses, the Portfolio Restructuring Unit succeeded in showing another positive result.

### Private Customers

In the first quarter, Private Customers achieved its best operating result since the integration of Dresdner Bank. The segment's business performance is even more pleasing after adjusting it for effects connected with the sale of non-strategic interests, with income before loan loss provisions up by around 9%. The number of customers remained stable at 11 million.

Net interest income increased slightly by 0.6% year-over-year to €492m, attributable to higher margins in the deposit business. The decrease in loan loss provisions of 38% to €41m was primarily the result of positive economic developments in Germany, while the 4% increase in net commission income to €569m can largely be traced back to improved earnings in the securities business. Other net income contained a negative result of –€22m during the period under review due to payments to offset commissions. In the prior year period, other net income amounted to –€49m. Operating expenses fell by 2.6% to €888m, while personnel expense saw a slight decrease by 1.9% to €353m. A marked decrease of 11% was recorded in other operating expenses at €212m. Overall the Private Customers segment posted an operating profit of €116m, after €23m in the prior year period.

The operating return on equity based on capital employed of €3.4bn climbed significantly to 13.5% (prior year period: 2.6%). The cost/income ratio of 85.0% was markedly lower than in the first quarter of 2010 (91.1%).

## Mittelstandsbank

The economic market environment brightened significantly compared to 2010 and the Mittelstandsbank segment used its stable business model and strong customer base, against a backdrop of further reductions in provisions for possible loan losses, to improve its operating result in the first the quarter by 32% compared with the year-earlier period.

At €515m, net interest income was stable year-over-year. Although the deposit business made a greater contribution to net interest income both due to increased volumes and higher margins, declining lending volumes, in particular resulting from the downsizing of the non-strategic foreign portfolio, could only be partially offset by higher margins compared with the previous year. Given the ongoing positive economic environment, net allocation to loan loss provisions amounted to just €8m for the first three months of 2011. The allocations required for the first quarter were almost completely compensated for by reversals. Net commission income rose to €285m after €272m a year ago, due especially to the noticeable upturn in foreign trade and higher income from related product categories. Net trading income came to €16m, up by €20m on the figure for the first three months of 2010, largely due to remeasurement effects from credit hedge transactions. Net investment income for the reporting period amounted to €-16m, mainly as a result of remeasurement effects from ownership interests. Current net income from entities accounted for using the equity method was €2m in the year under review. Other net income also amounted to €2m compared with €44m in 2010. Operating expenses were up 6.7% year-over-year, from €357m to €381m. While personnel expense rose by 11.9% year-over-year as a result of higher provisions for variable compensation, other operating expenses decreased slightly versus the prior year period. Mittelstandsbank reported an operating profit of €415m for the first three months of the year, an increase of €101m on the equivalent period of 2010.

The operating return on equity based on average capital employed of €5.4bn was 30.5% (prior-year period: 22.8%). At 47.4% (prior-year period: 42.9 %), the cost/income ratio remained at an excellent level.

## Central & Eastern Europe

The countries of Central and Eastern Europe also continued to benefit from an improved economic climate in the first quarter of 2011. The economic recovery in Poland advanced and the situation in the Ukraine stabilized further. The Central & Eastern Europe segment posted a clearly positive operating result overall in the first three months.

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At €157m, net interest income was on a par with the same quarter last year. Loan loss provisions were down by a significant 68.1% to €30m, primarily as a result of the further drop at BRE Bank and Bank Forum. Net commission income rose by €8m compared with the prior year quarter to €55m, driven by the good performance posted by private and corporate customers business in Poland. Net trading income increased on the same quarter the previous year, up from €18m to €26m, due to currency hedging effects. Operating expenses were €18m higher at €144m. This increase can be attributed primarily to the growth-related increase in personnel expenses at BRE Bank.

As a result of the improved market environment and the resulting pleasing business performance and further decrease in loan loss provisions, the Central & Eastern Europe segment achieved an operating profit of €78m in the first three months of 2011 compared with €6m in the prior year period.

The operating return on equity based on average capital employed of €1.7bn was 18.6% (prior-year period: 1.5%). The cost/income ratio was 57.1%, versus 55.8% a year earlier.

## Corporates & Markets

Following the successful realignment of its business model, the Corporates & Markets segment started the 2011 financial year with a good result.

The Equity Markets & Commodities group division posted a very pleasing result and closed the first quarter with the best result since the takeover of Dresdner Bank. The Corporate Finance group division also got the new business year off to a good start. In spite of the difficult trading environment, Fixed Income & Currencies performed in line with expectations and remained stable across all product lines in the first quarter; however, it was unable to match the good result recorded in the first quarter of 2010. At €678m, operating income before loan loss provisions in the first quarter of 2011 was down 6.5% year-over-year. Net interest income fell by €48m on the prior year period to €160m after being positively impacted by individual large transactions in Corporate Finance in the first quarter of 2010. There were no loan loss provisions in the period under review due to reversals of existing valuation allowances. Commission income decreased from €75m to €48m. Net trading income was up 2% year-over-year, from €448m to €456m. This was bolstered in particular by the very good performance of the Equity Markets & Commodities segment. Net income from financial investments and other net income improved by €18m to €4m and by €2m to €10m, respectively. Operating expenses rose by 6.6% to €438m. With an operating profit of €240m, Corporates & Markets remained approximately 28% behind last year's figure in first quarter 2011.

With capital employed down 11.1% to €3.4bn, the operating return on equity was 28% (prior year period: 34.6%). The cost/income ratio was 64.6%, following 56.7% in the prior year period.

## Asset Based Finance

In spite of the economic recovery in the US and Europe, the international real estate and shipping markets are still in a phase of correction, although in most areas a bottom has been reached and prices in some markets are once again beginning to pick up. The situation on the public finance markets also remained bleak. New commitments in real estate financing, which are a key factor in achieving the reduced asset targets and portfolio volumes, amounted to €642m in the first quarter, compared with €1,336m in the same period the previous year. We did not conclude any noteworthy new transactions in either the public finance or ship financing markets in the reporting period.

At €296m, net interest income in the first quarter of 2011 declined year-over-year due to segment portfolio downsizing and increased refinancing costs. While loan loss provisions were down a substantial 25.8% on 2010, the figure of €241m reflects the ongoing difficult situation on the real estate markets, especially in Spain. Net commission income fell by 8% to €81m because of the low volume of new business. Net trading income posted a loss of €86m in the first quarter of 2011, following an almost stable result in the prior year quarter. The valuation for derivatives in accordance with IAS 39 had a negative impact on results in the first quarter of 2011. Net income from financial investments amounted to –€42m in connection with our de-risking of the public finance portfolio (as a result of losses on sales incurred during the portfolio downsizing process). Current net income from entities accounted for using the equity method was –€8m in the period under review. Other net income amounted to €16m compared with €13m in 2010. Operating expenses remained at the prior year level at €154m.

The operating loss was €138m, compared with a loss of €85m in the first three months of 2010.

The operating return on equity based on average capital employed of €5.5bn was –10%, versus –5.3% the previous year. The cost/income ratio increased from 38.8% to 59.9%.

## Portfolio Restructuring Unit

After the holdings of the Portfolio Restructuring Unit (PRU) were reduced by a total of €5.6bn in the 2010 financial year, a further reduction of €1.6bn was achieved in the first quarter of 2011 thanks to proactive restructurings and the exploitation of market opportunities.

Net interest income in the first quarter amounted to €5m. A lower net reversal of €1m was reported for loan loss provisions in the period under review. Net trading income in the first quarter of 2011 remained positive at €61m, due – as in preceding quarters – to active portfolio downsizing and write-ups. Net income from financial investments improved by €112m year-over-year to €18m as a result of the sale of collateralized loan obligations which were carried as available for sale. Operating expenses in the first three months of 2011 amounted to €22m, down €3m on the prior year period.

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In the first quarter of 2011, the PRU segment posted an operating profit of €63m, after €161m the year before.

Average capital employed amounted to €1bn, compared to €1.4bn in the first three months of 2010.

## Others and Consolidation

The Others and Consolidation segment contains the income and expenses which are not attributable to the business segments. The reporting for this segment under Others comprises equity holdings, which are not assigned to business segments, as well as Group Treasury. The costs of the service units are also shown here, which – except for integration and restructuring costs – are charged in full to the segments. Consolidation includes expenses and income items that represent the reconciliation of internal management reporting figures shown in segment reporting with the consolidated financial statements in accordance with IFRS. The costs of the Group management units are also shown here, which – except for integration and restructuring costs – are also charged in full to the segments.

The operating result in the first quarter of 2011 amounted to €370m compared with €19m in the prior year period. Operating income before loan loss provisions climbed from €240m in the first quarter of 2010 to €496m in the first quarter of 2011, due mainly to one-off effects in connection with capital measures taken to optimize the capital structure in the first quarter of 2011 coupled with non-recurrent gains from the partial disposal of a participating interest. Income from Group Treasury partially offset this result, which was unable to match the high level achieved the previous year. The marked reduction in operating expenses by €99m is primarily attributable to lower integration expenses for service and management units as part of the “Growing Together” project. The pre-tax result for the first quarter of 2011 was €370m, after €19m for the equivalent period last year.

## Outlook and opportunities report

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The following information should always be read in conjunction with the Business and Economy section of this interim report as well as the Outlook and opportunities report of the 2010 annual report.

### Future economic situation

The global economic upswing looks set to continue in the months ahead, with the focus likely to shift in favour of the industrialized nations. While momentum is expected to slow in the emerging markets, growth rates should be higher than in previous quarters, especially in the US.

Numerous risk factors remain, however. For example, it is still not completely clear how far-reaching an impact the disaster in Japan and the ensuing consequences will have on the global economy. The same applies to developments in the Arab world: should the unrest spread, exacerbating fears on the markets about a bottleneck in oil supplies, this could drive up the price of oil and put the brakes on the economic recovery. It also remains to be seen how the eurozone debt crisis will develop and whether it can be prevented from infecting the larger peripheral countries of Italy and Spain.

Nevertheless, signs are positive that the recovery in Germany will continue over the course of the year. At an annualized 3%, the country once again looks set to post the highest rate of growth in the eurozone, buoyed by ongoing positive cyclical conditions such as low short-term interest rates and the booming economy. This growth will not be neutralized by the need for corrections due to earlier excesses, as is the case in many other eurozone countries, with economic growth of just 1.7% expected across the eurozone on average.

Future consumer price developments are another factor which are likely to influence the markets in addition to the numerous crises. Since inflation rates in the eurozone look set to remain above 2% for the foreseeable future, the ECB will probably raise its key rate even further. Given the problems in the peripheral eurozone countries, however, the ECB will no doubt proceed with greater caution than in previous rate hike cycles. Capital market returns will likely also trend higher in anticipation of an upcoming interest rate turnaround by the US Federal Reserve over the course of the year, which could help the dollar to gain ground on the euro once more.

### Future situation in the banking sector

In spite of the cautiously optimistic overall economic outlook, Commerzbank is more hesitant with regard to developments in the banking sector. Prospects for the sector are rather limited in some areas of banking business. Banks are also still faced with risks and pressure factors.

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Near-term growth prospects for the sector, particularly for new lending, are somewhat subdued as many governments and private households in Europe are having to deleverage. However, there are differences between countries, and in Germany the market has so far not perceived any signs of excessive debt. Loan loss provisions of some banks decreased significantly in 2010. We expect this downward trend to continue until 2012 for the banking sector as a whole. The growth prospects for banks' net trading income are also fairly limited in the short term, although investment banking business could return to profit overall at any time.

We also assume that competition for retail deposits will intensify over the next few years, which will keep margins in this area under pressure. Many banks will reduce their refinancing volumes through the interbank market. Furthermore, new retail players are entering the market. Some foreign banks, in particular, are being relatively aggressive in terms of deposit conditions in Germany.

It is still too difficult to quantify what the repercussions of the announced or – in some cases – approved regulatory reforms will have on profits. The consequences of the revised liquidity regulation also remain to be seen. A decisive factor here will be whether the reforms prompted by the strong competition for deposits will lead to a substantial rise in banks' refinancing costs.

The additional burden created by the German banking tax and similar provisions introduced in other countries will also only be able to be ascertained once the respective legislative procedures have been completed. As part of the process of reforming European statutory bank guarantee schemes, banks are likely in future to have to pay in substantially higher amounts. Assuming that these additional costs cannot be transferred to customers so as not to hamper competitiveness, this is likely to have an adverse impact on banks' profitability.

In the first half of 2010, the average return on equity for major European banks was around 8% according to ECB figures. This is a clear improvement on the years during the financial crisis.

In general, banks will benefit from declining loan loss provisions and cost savings. This should continue to outweigh the ongoing difficult competitive situation in some business areas and compensate for the problems outlined above. Growth in the sector will thus likely be on the modest side.

## Financial outlook for the Commerzbank Group

### Financing plans

Commerzbank's Group Treasury is responsible for the Group's capital and liquidity management. Clearly defined processes ensure that funding activities are regularly adjusted to reflect changed circumstances. The Commerzbank Group's funding structure is supported in this regard by broad diversification across investor groups, regions, products and currencies.

Long-term funding is mainly assured by means of secured and unsecured capital market products, along with customer deposits that can be regarded as stable and available to the Bank over the long term. Programmes of issues denominated in the US dollar are being prepared within the Commerzbank Group to further improve its already balanced funding mix on the capital market. The Commerzbank Group is planning to raise funds of around €10bn to €12bn in 2011; the funding plan was already over 60% complete as at the end of the first quarter.

The Bank continues to take advantage of private placements and public-sector benchmark transactions when placing unsecured bonds, which are selectively used as a means of broadening the investor base or for covering existing foreign currency-denominated funding requirements.

Secured funding derives primarily from Pfandbriefe which are issued by Eurohypo AG as jumbo issues or via private placements.

Owing to the still challenging refinancing situation in some peripheral countries, we expect the capital market environment to remain tense.

With regular reviews and adjustments to the assumptions made for liquidity management, the Bank will continue to take full account of changes in the market environment and secure a solid liquidity cushion and appropriate funding structure.

#### **Planned investments**

There were no major changes to the planned investments outlined on pages 155 to 157 of the 2010 Annual Report in the first three months of 2011.

#### **Liquidity outlook**

Following an extended phase of historically low key rates, the ECB took a first step in the opposite direction and raised rates by 25 basis points at the beginning of April. The financial markets are expecting this to be followed by up to three similar increases over the course of the current financial year.

In the first quarter of 2011, there was still a considerable discrepancy between the average Eonia rate of approximately 0.7% and the main refinancing rate of 1%. We anticipate an average Eonia rate of around 1.05% for the second quarter as it continues to approach the main refinancing rate of 1.25%. For the third and fourth quarters, we think that the average Eonia rate will rise further in line with the next ECB interest rate hikes expected by the market.

We expect Commerzbank to continue to enjoy unrestricted access to secured and unsecured funding on the money and capital markets. The Bank will benefit here not only from its good standing in the market, but also due to its location in a strong eurozone country. This will also be advantageous for its funding options and thus its funding structure. The Bank also boasts a well developed system of liquidity management, which should enable it to implement the funding goals it has set itself as planned over the next two financial years.

Commerzbank is well prepared for the changed market conditions. The Bank's funding strategy will take account of regulatory changes at the appropriate time and will be implemented accordingly.



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## General statement on the outlook for the Group

We expect the economic environment to remain challenging during the current financial year. The eurozone will continue to see different levels of development from one country to the next. The economy in Germany will once again post above-average growth, which should benefit Commerzbank in terms of earnings and loan loss provisions in particular. Growth in other eurozone countries, meanwhile, will be limited by the government debt crisis and the resultant economic uncertainties.

Nevertheless, we will strive to make operating improvements in all areas on the basis of our business model. We plan to grow further in the Mittelstandsbank and underpin the result posted by Corporates & Markets over the long term. BRE Bank will remain on the growth path in Central and Eastern Europe. We expect to derive greater benefits from the integration in the Private Customers segment as the year progresses. The Asset Based Finance segment will continue to be optimized and downsized, while holdings in the Portfolio Restructuring Unit will be further reduced with a view to optimizing value.

Given a stable market environment, we anticipate an operating profit in the 2011 financial year that is substantially higher than the 2010 figure.

It is still too difficult to quantify what the repercussions of the announced or – in some cases – approved regulatory reforms will have on Commerzbank. The same applies to the regulations regarding the banking tax and the harmonization of statutory deposit guarantee schemes in the EU, which will have a noticeable impact on earnings in the years to come. Based on a stable market environment and excluding possible charges arising in connection with regulatory changes, we expect to achieve the objectives of our Roadmap 2012.

## Supplementary report

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### **Capital measures for repayment of lion's share of SoFFin silent participations**

On April 6, 2011, Commerzbank announced that it plans to repay approximately €14.3bn of the silent participations of the Financial Market Stabilization Fund amounting to €16.2bn by June 2011, thus largely redeeming its outstanding commitment. As part of the repayment of the silent participations, SoFFin will receive a one-off payment of €1.03bn.

In order to repay the silent participations, a package of measures consisting of two stages has been initiated which is geared towards attracting new investors, preserving the interests of existing shareholders and ensuring the best possible transaction security. The two stages combined are to be designed in such a way that they can be used to redeem €11bn of the silent participations.

In a first step, beginning April 6, 2011, conditional mandatory exchangeable notes (CoMEN) with a volume of 1,004,149,984 units were offered to existing shareholders by an international banking syndicate and placed with national and international investors as part of a book-building procedure. Shareholders who held Commerzbank shares at the close of trading on April 6, 2011 were allocated subscription rights within the scope of the CoMEN offering; that is, for each share they were able to acquire one CoMEN. The subscription price for existing shareholders was set at €4.25 per CoMEN as part of the bookbuilding procedure, resulting in an equivalent value of €4.3bn. Around 22% of the subscription rights were exercised. Following the Bank's Annual General Meeting, each CoMEN is to be exchanged for one Commerzbank share entitling shareholders to a share in profits from January 1, 2011. The 1,004,149,984 shares required for this purpose are to be created mid-May 2011 from conditional capital by the Annual General Meeting by converting SoFFin's silent participations. In exchange, SoFFin will receive the gross revenue from placing the CoMEN. To maintain its stake of 25% plus one share, SoFFin will convert around an additional €1.4bn of its silent participations into Commerzbank shares on the basis of the same conditional capital.

In a second step, a capital increase with pre-emptive rights is planned, as part of which the shares delivered in exchange for CoMEN will also be accorded pre-emptive rights. The appropriate measures will be presented to the Annual General Meeting for resolution on May 6, 2011. The new shares are scheduled to be offered to shareholders for subscription from the end of May to early June 2011. The subscription ratio will depend on the definitive number of offered shares. The subscription price is to be determined at a discount to the market price on the day it is set. The new shares to be issued in the second step will also carry a full entitlement to a share in profits from January 1, 2011. It is planned that SoFFin will take part in the capital increase by transferring silent participations to maintain its equity holding.

Against the backdrop of its customer-driven and well-functioning business model and with a view to its good capital base, as part of the overall transaction Commerzbank will be redeeming additional silent participations totalling approximately €3.3bn from free regulatory capital. The necessary approvals have been obtained.

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Combined with the measures in the first and second step, which together amount to €11bn, this will enable the Bank to redeem a total of approximately €14.3bn of SoFFin's silent participations. The remaining €1.9bn of silent participations is scheduled to be redeemed from future free regulatory capital by 2014 at the latest.

After completion of the transaction – calculated on a pro-forma basis as of March 31 – the Bank's core Tier I capital, including the one-off payment to SoFFin in the amount of €1.03bn and the costs of the transaction, was €24.2bn. The core Tier I ratio was 9.7%, the equity Tier I capital – i.e. excluding silent participations – increased to €22.3bn, and the equity Tier I ratio climbed from 4.5% to 9%.

### **Successful completion of IT integration of Dresdner Bank**

Commerzbank has successfully completed the IT integration of Dresdner Bank. The customer and product data of the former Dresdner Bank were successfully transferred to Commerzbank's IT systems over the Easter weekend from April 22–25. This means that customers will now receive the same products and services in all branches. Among the data that will now be administered in the Commerzbank IT systems are the data of around 11 million private customers in Germany who together carry out around five billion transactions per year.

At the end of May 2011, the largest integration project in German banking history will draw to a close. The next milestone will then be to merge around 400 neighbouring branches by end-2012.

# Interim Risk Report

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# Risk-oriented overall bank management

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## 1 Risk management organization

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

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

Risk management activities are split between Credit Risk Management, Market Risk Management, Intensive Care and Risk Controlling and Capital Management. They all have a Group-wide focus and report directly to the CRO. The heads of these four risk management divisions together with the CRO make up the Risk Management Board within Group Management.

More details on the risk management organization at Commerzbank are given in the 2010 Annual Report.

## 2 Risk-taking capability and stress testing

The risk-taking capability analysis is a key part of overall bank management and Commerzbank's Internal Capital Adequacy Assessment Process (ICAAP). The purpose is to ensure that sufficient capital is held for the risk profile of Commerzbank Group. The risk-taking capability approach follows a strict economic view of the Group's assets and liabilities.

Risk-taking capability is monitored at Commerzbank using a gone concern approach that seeks primarily to protect unsubordinated lenders. This objective should be met even in the event of extraordinarily high losses from an unlikely extreme event. The approach assumes a gone concern scenario (gradual winding-down of the Group) that reflects the latest statutory and regulatory developments.

When determining the economically required capital, allowance is made for potential unexpected fluctuations in value. Where such fluctuations exceed forecasts, they represent the actual risk to be covered by available economic capital (capital available for risk coverage). The quantification of capital available for risk coverage reflects a nuanced consideration of the accounting values of assets and liabilities including the economic values of certain items in the balance sheet.

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

In consultation with BaFin and Deutsche Bundesbank, the risk-taking capability approach was updated in the first quarter of 2011 in particular with the aim of implementing Commerzbank's modelling of a gone concern scenario in an even more methodologically consistent manner. This involved the following main changes:

- Modified inclusion of hidden liabilities/reserves
- Additional inclusion of credit spread-related fluctuations in the value of securities in the IFRS category Loans and Receivables (LaR) in the economic capital requirement
- Modified inclusion of economic risks and hidden liabilities/reserves from pension obligations
- Updating of the risk buffer for unquantifiable risks as a result of the risk inventory taken in the fourth quarter of 2010
- Adjustment of the confidence level when determining the economic capital requirement from 99.95% to 99.91%.

Risk-taking capability at Commerzbank Group level is monitored and managed monthly. Risk-taking capability is assessed by means of the utilization level of the capital available for risk coverage. Under this approach, risk-taking capability is taken to be assured as long as the utilization is below 100%. The utilization level remained well below 100% at all times in the first quarter of 2011 and accounted for 52.9 % as at March 31, 2011.

<b>Risk-taking capability Commerzbank Group   €bn</b>	<b>31.3.2011<sup>2</sup></b>	<b>31.12.2010<sup>3</sup></b>
<b>Capital available for risk coverage</b>	<b>38</b>	<b>36</b>
<b>Economically required capital</b>	<b>20</b>	<b>20</b>
thereof for credit risk	13	14
thereof for market risk	5	6
thereof for OpRisk	2	3
thereof for business risk	1	2
thereof diversification between risk types	-3	-4
<b>Utilization level<sup>1</sup></b>	<b>52.9%</b>	<b>56.8%</b>

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

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

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

Macroeconomic stress scenarios are used to test risk-taking capability in the event of adverse changes in the economic environment. The underlying macroeconomic scenarios, which are updated at least every quarter as part of a regular process, describe an unusual but plausible negative economic scenario and are applied across all risk types. In the scenario calculations, the input parameters for the calculation of economic capital required are simulated to reflect the forecast macroeconomic situation. In addition to the amount of capital required, the income statement is also stressed using the macroeconomic scenarios and then, based on this, changes in the capital available for risk coverage are simulated. Risk-taking capability under stress is also assessed on the basis of the utilization level of the capital available for risk coverage. The utilization level under the stressed scenario was well below 100% in the first quarter of 2011. We will keep on enhancing our risk-taking capability and stress testing concept.

The EU-stress test 2011 initiated by the European Banking Authority (EBA) began in mid-March 2011 with the collection of the relevant data from the institutions participating in the stress test. Since the end of April the results and reported data of all participating banks are validated at national authority level. Thereafter, a peer review is executed by European supervisors. The aggregated and bank-specific results are due to be published in June 2011. We assume to pass the EU stress tests again this year, keeping a comfortable capital buffer.

## Default risk

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

### 1 Commerzbank Group by segment (performing loans)

To manage and limit default risks the risk parameters exposure at default (EaD), expected loss (EL), risk density (EL/EaD) and credit VaR (CVaR = economically required capital for credit risk) are used. It should be noted that the confidence level was adjusted from 99.95% to 99.91% and the parameters underwent their regular update. The breakdown of these credit risk figures in the performing loan book (rating levels 1.0 – 5.8) across the segments is as follows:

Credit risk figures by segment as at 31.3.2011	Exposure at default €bn	Expected loss €m	Risk density bp	CVaR €m
<b>Core bank</b>	<b>321</b>	<b>1,089</b>	<b>34</b>	<b>7,792</b>
Private Customers	68	249	36	857
Residential mortgage loans	36	117	33	
Investment properties	5	17	32	
Individual loans	13	60	47	
Consumer and installment loans/ credit cards	11	52	47	
Domestic subsidiaries	2	3	13	
Foreign subsidiaries and other	1	1	8	
Mittelstandsbank	108	399	37	3,395
Financial Institutions	18	53	30	
Corporates Domestic	64	255	40	
Corporates International	26	90	34	
Central & Eastern Europe	27	218	79	746
BRE Group	24	166	70	
CB Eurasija	2	14	82	
Bank Forum	<1	27	811	
Other	2	11	63	
Corporates & Markets	76	197	26	2,245
Germany	28	51	19	
Western Europe	27	77	28	
Central and Eastern Europe	2	7	30	
North America	11	39	34	
Other	8	23	28	
Others and Consolidation	41	27	6	548
<b>Optimization – Asset Based Finance</b>	<b>208</b>	<b>685</b>	<b>33</b>	<b>4,539</b>
Commercial Real Estate	66	400	61	
Eurohypo Retail	16	25	16	
Shipping	23	166	73	
<i>thereof ship financing</i>	18	165	89	
Public Finance	104	93	9	
<b>Downsize – PRU</b>	<b>13</b>	<b>103</b>	<b>78</b>	<b>1,143</b>
<b>Total</b>	<b>543</b>	<b>1,877</b>	<b>35</b>	<b>13,473</b>

Compared to the end of 2010 EaD was reduced at Group level by €19bn to €543bn and EL was reduced by €48bn to €1,877m. Risk density rose slightly by one basis point to 35 basis points.

### 1.1 Private Customers

In the Private Customers segment clients in the areas of private and business customers (including those with financial statements showing a turnover of up to €2.5m) and wealth management are serviced and managed from a risk perspective.

Exposure in the segment mainly relates to residential mortgage loans (€36bn), investment properties (€5bn), individual loans (€13bn) and consumer loans, instalment loans and credit cards (€11bn).



The portfolio delivered a stable performance overall in the first quarter 2011 and its risk density was lowered by one basis point to 36 basis points.

In the first quarter 2011 we were able to increase the volume of construction finance with improved credit profiles, representing significant value-added for the Private Customer portfolio. The macroeconomic environment is expected to be robust in 2011 and we will therefore stick with our plans to increase new business in the areas of real estate financing and business customers. We will also continue to work on end-to-end efficiency gains and managing the granular portfolio, especially in the lower rating classes.

### 1.2 Mittelstandsbank

This segment bundles together the Group's activities with Mittelstand customers (where they are not assigned to Central & Eastern Europe or Corporates & Markets), the public sector and institutional customers. The segment is also responsible for the Group's relationships with domestic and foreign banks, financial institutions and central banks.

The economic environment in the first quarter of 2011 continued to be impacted by good news on the domestic front as well as external shocks including the political turmoil in the Arab world and the implications of the natural disaster in Japan. Germany consolidated its role as the economic motor of Europe, despite remaining highly dependent on export growth. In some areas growth rates have already reached the levels seen before the crisis or even higher levels. The Corporates Domestic sub-portfolio continues to see clear improvements in creditworthiness. This was reflected in positive rating changes for individual customers. The EL and risk density in this area therefore decreased to €255m and 40 basis points respectively by March 31, 2011.

In the Corporates International area, EaD fell to €26bn and EL to €90m in the first quarter of 2011. Risk density also fell to 34 basis points as at March 31, 2011. Overall, EaD was €108bn at the quarter-end. Utilization of credit lines is still below average, partly because of intensified and improved working capital management by companies. As the economic environment continues to improve in 2011, we can therefore expect loan drawdowns to rise with a certain time lag.

For details of developments in the Financial Institutions portfolio see section 2.3.

### 1.3 Central & Eastern Europe

This segment includes the activities of the Group's operating units and investments in Central and Eastern Europe.

The situation in Central and Eastern Europe had already improved considerably in 2010 and the positive economic trend continued in the first quarter of 2011. As a result, the risk density in this segment was further reduced from 84 basis points at the end of 2010 to 79 basis points as at March 31, 2011.

Poland continued to exhibit a stronger economic performance at the beginning of 2011 than other Central and Eastern European countries. We expect further loan growth with good risk/return ratios at our Polish subsidiary BRE Bank, which has an exposure of €24bn.

Economic growth is continuing in Russia. The main growth drivers are commodity-related exports. We were able to reduce the risk density in our Russian loan portfolio to 82 basis points in the first quarter of 2011. The performance of the portfolio from here will depend on developments in commodity prices and the level of the US dollar.

At Bank Forum in Ukraine risk provisions could be reduced significantly in the first quarter of 2011 compared to the previous year. Nevertheless, the risk situation remains problematic in Ukraine owing to the difficult economic and political situation there. Consequently, we are continuing to focus on limiting risk in this challenging market.

#### 1.4 Corporates & Markets

This segment covers client-driven capital markets activities and commercial business with multinationals and selected major customers of Commerzbank Group. The regional focus is on Germany and Western Europe, which continue to account for more than two thirds of exposure; North America accounted for around €11bn as at March 31, 2011.

Overall, the segment's EaD fell by €2bn to €76bn since the beginning of the year, with Markets accounting for €32bn of EaD and Corporates for €44bn. We continue to apply rigorous quality standards in trading and new lending business and expect a further risk reduction in the existing business in 2011.

For details to the developments in the Financial Institutions portfolio see section 2.3.

#### 1.5 Asset Based Finance

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

**Commercial Real Estate** As part of the strategic reduction of existing business (white book), mainly at Eurohypo, there was a further cut in total exposure (EaD) to €66bn (December 31, 2010: €70bn). The main components of exposure are still the sub-portfolios Office (€24bn), Commerce (€20bn) and Residential Real Estate (€8bn). The CRE exposure also contains the Asset Management (Commerz Real) portfolios, which are composed of warehouse assets for funds as well as the typical leasing receivables of the movable property sector.

The decrease in exposure in the first quarter of 2011 is mainly the result of repayments of loans or declining to roll them over, exchange rate fluctuations and market-related transfers to the default portfolio. Bearing in mind the strategic reorientation of Eurohypo up to 2014, our efforts are still focused on reducing existing business. Activity in the investment markets is still moderate; however, it is clearly growing.

Performance in Germany and further core markets such as the UK, Italy, France and increasingly also the USA has been stable to positive, especially for prime assets. Spain remains under pressure. Loans secured on mortgage charges have predominantly reasonable loan to value ratios.

29 Risk-oriented overall bank management

31 Default risk

44 Intensive Care

47 Market risk

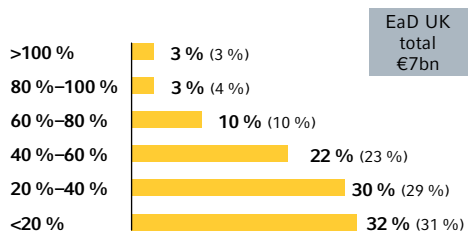
49 Liquidity risk

50 Operational risk

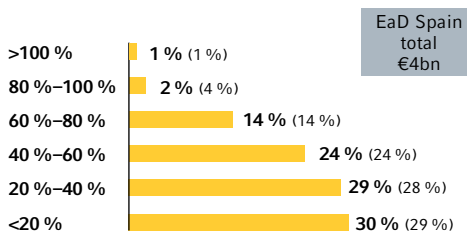
51 Other risks

**Loan to Value – UK<sup>1</sup>**

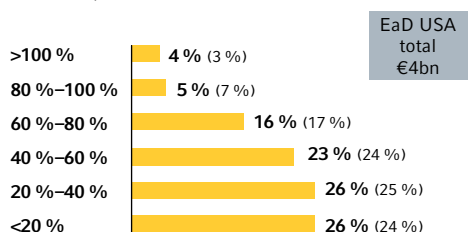
stratified representation

**Loan to Value – Spain<sup>1</sup>**

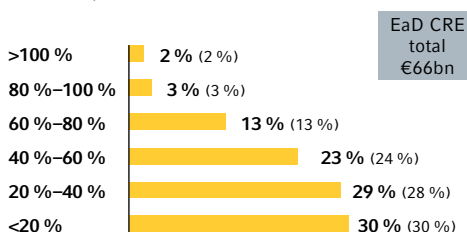
stratified representation

**Loan to Value – USA<sup>1</sup>**

stratified representation

**Loan to Value – CRE total<sup>1</sup>**

stratified representation



<sup>1</sup> Loan to values based on market values; exclusive margin lines and corporate loans; additional collateral not taken into account. All figures relate to business secured by mortgages. Values as of March 2011 (December 2010).

**Eurohypo Retail** Since the transfer of new business activities in retail banking to Commerzbank in 2007, Eurohypo has only been responsible for the existing loan book. There are no strategic plans for new business activity in this area. We are steadily pushing forward the downsizing of the portfolio in a profitable manner. Exposure in the Eurohypo retail portfolio was again cut by just under €1bn in the first quarter 2011 and amounted to €16bn as at March 31, 2011; the focus remains on owner-occupied houses (€10bn) and apartments (€3bn). Given the low loan to value ratios as implied by the remaining time to maturity and generally senior security, the risk in this portfolio is regarded as relatively low, especially against the backdrop of the macroeconomic improvement in Germany.

**Ship Financing** The exposure of Ship Financing (including Deutsche Schiffsbank), which is largely denominated in US dollars, was reduced by €3bn from December 31, 2010 to €18bn, mainly due to the fall in the US dollar. The portfolio is still focused on the three standard types of ship, namely containers (€5bn), tankers (€5bn) and bulkers (€4bn). The remaining €4bn is accounted for by various special tonnages which are well diversified across the different ship segments.

Over the year under review, the strict risk reduction strategy in the existing book resulted in some successful stabilization, which was also driven by restructurings agreed with clients. The expected loss was reduced by €20m from year-end 2010 to €165m, with risk density falling 1 basis point to 89 basis points.

The recovery of the global economy is having a positive effect on several shipping segments. Strong economic growth, especially in Asian emerging markets, is likely to push demand for marine transport higher. Container markets have recovered slightly, with the exception of smaller container ships. The most recently negotiated charter rates indicate an increasingly stable market.

The predicted world economy growth of more than 4% in 2011 and the resulting trade volumes, which will have a knock-on effect on transport demand, continues to be offset by the influx of newly-built ships onto the market and during the last months considerably decreased cargo rates. The potential for recovery therefore remains limited as long as scrappage volumes are relatively low.

Commerzbank plans to fully integrate Deutsche Schiffsbank in 2011. This will bring all ship financing activities under the legal umbrella of Commerzbank.

**Public Finance** Commerzbank's Asset Based Finance segment holds a large part of the government financing positions.

The Public Finance portfolio comprises receivables and securities held in our subsidiaries Eurohypo and EEPK.

Borrowers in the Public Finance business (€66bn EaD) are sovereigns, federal states, regions, cities and local authorities as well as supranational institutions. The main exposure is in Germany and Western Europe.

The remaining Public Finance portfolio in ABF is accounted for by banks (€38bn EaD), where the focus is also on Germany and Western Europe (approximately 92%). Most of the bank portfolio comprises securities/loans which to a large extent are covered by grandfathering, guarantee/maintenance obligations or other public guarantees, or were issued in the form of covered bonds.

The strategy for ABF is to wind down the Public Finance portfolio (government financing and banks) by repayments, maturities and active sales, where these make commercial sense.

The Public Finance Portfolio, which was unwound by €20bn to €109bn in 2010, largely by using maturities and also through some active portfolio reduction, was reduced further in the first quarter to €104bn as at March 31, 2011. The downsizing to below €100bn, initially planned by the end of 2012 will be presumably achieved already in 2011. By the end of 2014 a reduction to below €80bn is aspired.

Sovereign exposure to the crucial countries Greece, Ireland and Portugal across all segments, but predominantly relating to Public Finance, totalled around €3.9bn as at March 31, 2011 (December 31, 2010: €3.9bn).

Sovereign exposures of selected countries   €bn	31.3.2011
Greece	2.9
Ireland	<0.1
Portugal	0.9
Italy	9.4
Spain	3.0

With the increase in the eurozone bailout fund, the heads of government of the eurozone countries sent a clear message of solidarity with the weaker members of the euro. However, if the reform programmes in the crisis-hit countries do not succeed, there could still be a risk of defaults in the medium term and further market turmoil with an indirect impact on the economy and in turn on loan loss provisions cannot be ruled out. We again do not expect any defaults of public entities or banks in OECD countries.

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51 Other risks

### 1.6 Portfolio Restructuring Unit (PRU)

The PRU only manages assets that have been classified as non-strategic by Commerzbank and are therefore being wound down. Bundling allows these positions to be managed uniformly and efficiently. They are mainly structured credit positions (essentially asset-backed securities – ABSs) with a nominal value of €26.3bn as at March 31, 2011, as shown in detail in section 2.1.1.

In the first quarter of 2011 the remaining other positions in the PRU (credit default swaps and tranches on pools of credit default swaps outside the strategic focus of Commerzbank) were further actively immunized against market movements using credit default swaps and standardized credit indices and index tranches. The positions are managed within narrow limits for value at risk and credit spread sensitivities.

## 2 Cross-segment portfolio analysis

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

### 2.1 Structured credit portfolio

**2.1.1 Structured credit exposure PRU** Whereas most asset classes reported declining spreads and spread volatilities in the course of the first quarter of 2011, which took them back to or below the levels of 2010, RMBS transactions from Greece, Spain and Portugal moved in the opposite direction as a result of the sovereign crisis. The ongoing caution on the part of buyers during the period under review which stood in contrast to the positive general economic recovery slowed down the portfolio reduction. Nevertheless, the nominal volume fell from €29bn to €26.3bn in the first quarter of 2011 – also due to exchange losses of the US dollar and pound sterling – while risk values<sup>1</sup> declined from €17.1bn to 15.8bn. Commerzbank remains committed to the value-maximizing reduction of the structured credit portfolio.

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

Structured credit portfolio PRU	31.3.2011		31.12.2010	
	Nominal values	Risk values	Nominal values	Risk values
€bn				
RMBS	4.8	2.8	5.1	3.0
CMBS	0.6	0.4	0.7	0.5
CDO	10.2	6.2	11.1	6.7
Other ABS	2.8	2.4	3.3	2.8
PFI/Infrastructure financing	4.2	3.7	4.3	3.8
CIRC	0.7	0.0	0.7	0.0
Other structured credit positions	3.0	0.3	3.6	0.2
<b>Total</b>	<b>26.3</b>	<b>15.8</b>	<b>29.0</b>	<b>17.1</b>

Overall we expect write-ups over the residual life of these assets, with possible future loss in value of assets such as US RMBSs and US CDOs of ABSs, which have already been written down substantially, to be probably more than compensated by a positive performance from other assets. This forecast is based primarily on the long period that has now passed since the structures were launched, which enables a reliable assessment of the future performance of the portfolio, as well as the general stabilization and recovery respectively in the economies which are of importance for us. The table below shows the breakdown of structured credit exposures by rating, based on the risk values.

Rating breakdown structured credit portfolio   €bn	31.3.2011
AAA	2.5
AA	2.9
A	3.4
BBB	3.8
< BBB	3.2

**Residential Mortgage-backed Securities (RMBSs)** This sub-segment contains all the positions whose interest and principal are secured by private mortgage loans or are contractually linked to their real performance. The mortgage loans themselves are likewise partially or fully secured by the residential property being financed. The total risk value here at the end of the reporting period was €2.8bn (December 31, 2010: €3.0bn).

The holdings of direct and indirect securitizations of US mortgage loans have already been written down by a high percentage. In spite of the loan repayments we are currently receiving in some cases due to the seniority of our investments, the ongoing uncertainty surrounding the sector's future performance is likely to result in further impairments in some cases. The US RMBS portfolio had a risk value of €0.6bn at the end of the reporting period (December 31, 2010: €0.7bn). The mark-down ratio for US RMBS was 71% as at March 31, 2011.

European RMBS positions (risk value €2.2bn) showed a highly differentiated picture during the period under review, one that is familiar from 2010. As the sovereign crisis spilled over from Greece to Ireland, Spain and Portugal in the course of 2010, RMBS transactions from these countries were particularly hard hit by major spread widening and much higher spread volatility compared both to other asset classes and to the levels at the start of 2010. However, despite this market volatility we continue to expect, based on the fundamental and transactional data, that these securitizations will largely be repaid in full.

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Rating breakdown RMBS   €bn	31.3.2011
AAA	1.3
AA	0.3
A	0.6
BBB	0.2
< BBB	0.4

**Commercial Mortgage-backed Securities (CMBSs)** This sub-segment contains all the positions whose interest and principal are secured by commercial mortgage loans or are contractually linked to their real performance. The mortgage loans themselves are likewise partially or fully secured by the commercial property being financed.

The risk value of the CMBS portfolio as at March 31, 2011 was just €0.4bn (December 31, 2010: €0.5bn). The mark-down ratio as at March 31, 2011 was 38%.

**Collateralized Debt Obligations (CDOs)** This sub-segment contains all the positions whose interest and principal are secured by corporate loans and/or bonds and other ABSs, or which are contractually linked to their real performance.

The total risk exposure here at the end of the reporting period fell to €6.2bn (December 31, 2010: €6.7bn), with the help of significant US dollar devaluation effects. The largest share in this sub-segment with 52% of the risk value is accounted for by CDOs, which are predominantly based on lending to corporates in the USA and Europe (CLOs). CLOs are still profiting directly from the stability and recovery seen in the major economies and hence lower actual and forecast defaults, as well as from increased expectations of recovery in the corporate sector. Better portfolio quality and further improved investor demand, especially for senior CLO tranches, resulted in a slight improvement in market values in this sector. The mark-down ratio as at the end of the period was 11%.

A further 40% of the risk value is accounted for by US CDOs of ABSs, which are mostly secured by US subprime RMBSs. Due to our continued adverse assessment of the credit quality of residential mortgages in the US subprime market and our conservative assumptions for the resulting losses, the mark-down ratio is 57%, even though the securitizations held by Commerzbank consist predominantly of the most senior tranches of such CDOs.

Rating breakdown CDO   €bn	31.3.2011
AAA	0.6
AA	1.4
A	0.9
BBB	1.7
< BBB	1.6

**Other ABSs** This sub-segment contains all the positions whose interest and principal are secured by consumer loans (including auto and student loans), lease receivables and other receivables or which are contractually linked to their real performance. The degree of collateralization of these assets varies from very low to very high (for example auto loans) depending on the transaction.

The total risk value in this asset class as at March 31, 2011 was €2.4bn (December 31, 2010: €2.8bn). The largest part of this risk exposure is accounted for by Consumer ABSs and ABSs secured by other US assets, such as securitized receivables from the marketing of film rights and life insurance policies. The exposure to receivables from the marketing of film rights was cut back further during the reporting period. Although our expectations are currently neutral, transaction-specific structural characteristics mean that modest charges against earnings cannot be ruled out. The mark-down ratio of the positions remaining in this sub-segment was 14% at the reporting date.

**PFI/Infrastructure financing** As at March 31, 2011 the risk value of the exposures to Private Finance Initiatives (PFI) was €3.7bn. The portfolio consists of the private financing and the operation of public sector facilities and services, such as hospitals and water supply operations. All lending relates to the UK and has extremely long maturities of more than 10 to over 40 years. The credit risk of the portfolio is more than 80% hedged, mainly with monoline insurers Commerzbank does not currently expect to default.

**Credit Investment Related Conduits (CIRC)/Other structured credit positions** At March 31, 2011 there was only a small €0.3bn risk exposure as the structures are sufficiently capitalized.

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

Structured credit portfolio non-PRU	31.3.2011		31.12.2010	
	Nominal values	Risk values <sup>1</sup>	Nominal values	Risk values <sup>1</sup>
€bn				
Conduit exposure	3.8	3.8	4.3	4.3
Other asset-backed exposures	6.1	5.9	6.5	6.3
<b>Total</b>	<b>9.9</b>	<b>9.7</b>	<b>10.8</b>	<b>10.6</b>

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

**Conduit exposure** The asset-backed commercial paper (ABCP) conduit business of Corporates & Markets, which is not managed by the PRU, amounted to €3.8bn at the end of March 2011 (December 2010: €4.3bn). The fall in volumes is the result of ongoing amortization of ABCP transactions.

In the first quarter of 2011, the two conduits sponsored by Commerzbank, Kaiserplatz and Silver Tower, were consolidated and the transactions from Kaiserplatz were transferred in full to Silver Tower. The majority of the reported positions consist of liquidity facilities/back-up lines granted to Silver Tower. Due to the stability of the markets, the conduit business will continue to be funded almost entirely via commercial paper.



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The underlying receivables of the Bank's ABCP programmes are strongly diversified and reflect the differing business strategies pursued by the sellers of receivables or customers. These receivable portfolios basically do not contain any asset classes directly impacted by the financial crisis. To date we again have not recorded losses on any of these transactions. We do not currently see any need for loan loss provisions in respect of the liquidity facilities/back-up lines.

Rating breakdown conduits non-PRU   €bn	31.3.2011
AAA	0.0
AA	1.6
A	1.9
BBB	0.2
< BBB	0.1

**Other asset-backed exposures** Other ABS positions with a total risk exposure of €5.9bn were held mainly by Eurohypo in Public Finance (€4.9bn) and by Commerzbank Europe (Ireland) (€1.0bn). These were principally government guaranteed securities (€5.0bn), of which around €3.8bn was attributable to student loans guaranteed by the US government. A further €0.9bn related to non-US RMBSs, CMBSs and other mainly European ABS securities.

**2.1.3 Originator positions** In addition to the secondary market positions discussed above, Commerzbank and Eurohypo have in recent years securitized receivables from loans to the Bank's customers with a current volume of €14.0bn, primarily for capital management purposes. This also includes a €1bn securitization of SME loans placed in January 2011. As at March 31, 2011, risk positions of €9.6bn were retained, with by far the largest portion of these positions at €9.1bn attributable to senior tranches which are nearly all rated AAA or AA.

The exposures stemming from the role of originator reflect the perspective of statutory reporting, taking into account a risk transfer recognized for regulatory purposes. In addition to Commerzbank's securitized credit portfolios, securities repurchased on the secondary market and/or tranches retained are also listed. This applies regardless of whether the tranches were structured in the form of a tradeable security.

Securitization pool as at 31.3.2011   €bn	Maturity	Total volume <sup>1</sup>	Commerzbank volume <sup>1</sup>		
			Senior	Mezzanine	First loss piece
Corporates	2013–2027	9.0	8.2	0.2	0.2
MezzCap	2036	0.2	<0.1	<0.1	<0.1
RMBS	2048	0.2	<0.1	<0.1	<0.1
CMBS	2010–2084	4.6	0.9	0.1	<0.1
<b>Total</b>		<b>14.0</b>	<b>9.1</b>	<b>0.3</b>	<b>0.2</b>

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

## 2.2 Leveraged Acquisition Finance (LAF) portfolio

Over the course of the first quarter of 2011 the EaD of the LAF portfolio was cut from €3.4bn to €3.2bn. This was primarily driven by early repayments of existing business – especially refinancings in the capital market and corporate divestments.

Overall, good economic performance in the core operating markets and continued adequate liquidity in the capital markets have resulted in a further improvement in portfolio quality. The geographic focus of the portfolio remains Europe (94%) with a strong concentration in Germany (50%).

For 2011 we expect a recovery in LAF business, provided capital markets remain stable.

Direct LAF portfolio by sector   EaD €bn	31.3.2011
Technology/Electrical industry	0.6
Chemicals/Plastics/Healthcare	0.5
Financial Institutions	0.4
Automotive/Mechanical engineering	0.4
Services/Media	0.4
Consumption	0.4
Transport/Tourism	0.2
Basic materials/Energy/Metals	0.2
Other	0.1
<b>Total</b>	<b>3.2</b>

## 2.3 Financial Institutions and Non-Bank Financial Institutions portfolio

Business in the Financial Institutions portfolio in the first quarter of 2011 continued to be largely determined by the risk-based assessment of country risks at European and international level. Our focus here remains on ongoing, active risk reduction in the overall Financial Institutions portfolio. Exposure was nearly unchanged in the first quarter of 2011 at €96bn (December 31, 2010: €95bn).

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The reduction of the NBF portfolio slowed down somewhat due to new business. The EaD of the sub-portfolio (including ABS and LAF transactions relating to NBFIs as well as NBF assets in the PRU) fell slightly to €37bn. The outlook for the NBF sector remains positive. So far we do not anticipate any significant impact from the natural disaster in Japan on our insurance portfolio (including reinsurers).

FI/NBFI portfolio by region as at 31.3.2011	Financial Institutions			Non-Bank Financial Institutions		
	Exposure at default €bn	Expected loss €m	Risk density bp	Exposure at default €bn	Expected loss €m	Risk density bp
Germany	29	11	4	8	16	20
Western Europe	36	34	10	17	33	20
Central/Eastern Europe	8	31	38	2	14	67
North America	8	1	2	4	39	87
Other	15	34	22	6	11	18
<b>Total</b>	<b>96</b>	<b>111</b>	<b>12</b>	<b>37</b>	<b>113</b>	<b>30</b>

## 2.4 Country classification

The regional breakdown of the exposure corresponds to the Bank's strategic direction and reflects the main areas of its global business activities. Around half of the Bank's exposure relates to Germany, another third to other countries in Europe and 7% to North America. The rest is broadly diversified and split between a large number of countries where we serve German exporters in particular or where Commerzbank has a local presence.

Portfolio by region as at 31.3.2011	Exposure at default €bn	Expected loss €m	Risk density bp
Germany	275	811	30
Western Europe	133	404	30
Central/Eastern Europe	44	296	67
North America	38	106	28
Other	54	260	48
<b>Total</b>	<b>543</b>	<b>1,877</b>	<b>35</b>

## 2.5 Rating classification

The Bank's overall portfolio is split proportionately into the following internal rating classifications based on PD ratings:

Rating breakdown as at 31.3.2011   %	1.0–1.8	2.0–2.8	3.0–3.8	4.0–4.8	5.0–5.8
Private Customers	26	37	25	8	3
Mittelstandsbank	13	53	26	5	2
Central & Eastern Europe	24	38	30	7	3
Corporates & Markets	43	40	14	2	1
Asset Based Finance	37	42	14	4	2
<b>Group<sup>1</sup></b>	<b>35</b>	<b>41</b>	<b>18</b>	<b>4</b>	<b>2</b>

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

## 2.6 Sector classification corporates

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

Sub-portfolio corporates by sectors as at 31.3.2011	Exposure at Default €bn	Expected Loss €m	Risk density Bp
Basic materials/Energy/Metals	25	103	42
Consumption	21	99	48
Automotive	11	41	36
Chemicals/Plastics	11	64	58
Transport/Tourism	11	60	55
Services/Media	10	46	47
Technology/Electrical industry	9	35	38
Mechanical engineering	8	53	68
Construction	4	25	58
Other	20	113	56
<b>Total</b>	<b>130</b>	<b>639</b>	<b>49</b>

## Intensive Care

### 1 Loan loss provisions

Loan loss provisions decreased further in the first quarter of 2011. At €318m the charge fell by €326m, or 50%, compared to the first quarter of 2010 and was also well below the level of the fourth quarter. Loan loss provisions fell in nearly all segments during the reporting period, as the economies of the West continued to recover. The regular parameter update in January 2011 also had a positive effect. The favourable economic trend together with the recalibration of rating methods resulted in a one-off reversal of around €70m of provisions.

The table illustrates the development at segment level:

Loan loss provisions €m	Q1 2011	2010 total	Q4 2010	Q3 2010	Q2 2010	Q1 2010
Private Customers	41	246	46	64	70	66
Mittelstandsbank	8	279	93	-69	94	161
Central & Eastern Europe	30	361	48	127	92	94
Corporates & Markets	0	-27	-14	6	0	-19
Asset Based Finance	241	1,584	412	493	354	325
Portfolio Restructuring Unit	-1	62	10	2	28	22
Others and Consolidation	-1	-6	0	-2	1	-5
<b>Total</b>	<b>318</b>	<b>2,499</b>	<b>595</b>	<b>621</b>	<b>639</b>	<b>644</b>

29	Risk-oriented overall bank management
31	Default risk
44	<b>Intensive Care</b>
47	Market risk
49	Liquidity risk
50	Operational risk
51	Other risks

The Mittelstandsbank reported the most significant decrease in loan loss provisions, with a €153m reduction compared to the first quarter of 2010. This was attributable to several effects: As a result of ongoing favourable economic conditions, there were two thirds fewer new cases compared with the same period in the previous year. At the same time, there was increased success in restructuring problem exposures, which allowed the reversal of some provisions. Furthermore, as a result of the abovementioned updating of parameters the Mittelstandsbank recognized a one-off reversal in portfolio loan loss provisions.

Loan loss provisions in the ABF segment were also €84m less than in the first quarter of 2010, which represents a significant decrease. The decline came from CRE Banking, where loan loss provisions were down significantly from the level of the first quarter of the previous year which was dominated by substantial write-downs in the US portfolio.

Loan loss provisions also exhibited a positive development in the Central & Eastern Europe segment, falling by €64m compared with the same quarter of the previous year. Bank Forum accounted for the largest portion of this decline, as no significant individual cases were reported there in the first quarter of 2011.

Loan loss provisions in Private Customers fell by €25m compared with the first quarter of 2010 as a result of continued favourable external conditions. There were no net loan loss provisions in Corporates & Markets, Portfolio Restructuring Unit and Others and Consolidation in the first quarter of 2011.

Loan loss provisions were below the levels originally expected for the first quarter of 2011. We continue to expect that provisions will not exceed €2.3bn in 2011.

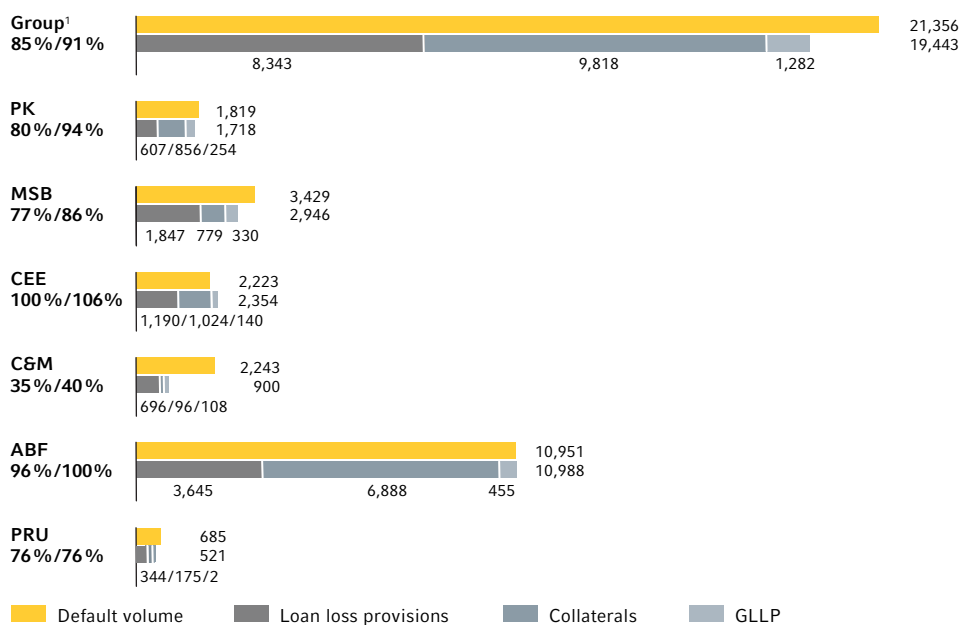
However, the uncertainties concerning developments in the remainder of 2011 have grown considerably as a result of the events in recent months. At present, it is still impossible to predict what impact the natural disaster in Japan will have on the global economy. The unrest and wars in various countries in the Middle East and North Africa could also have an adverse effect on global economic growth. With the increase in the eurozone bailout fund, the heads of government of the eurozone countries sent a clear message of solidarity with the weaker members of the euro. However, if the reform programmes in the crisis-hit countries do not succeed, there could still be a risk of defaults in the medium term and further market turmoil with an indirect impact on the economy and in turn on loan loss provisions cannot be ruled out. Should these risks become reality, it may be necessary to increase loan loss provisions significantly.

## 2 Default portfolio

The volume in the Group's default portfolio slightly declined by €0.3bn during the first quarter of 2011 and was €21.4bn as at March 31, 2011. Compared to March 31, 2010 this means a reduction of €0.5bn. The structure can be seen in detail in the chart below:

### Default portfolio and coverage ratios by segment

€m – excluding/including GLLP



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

With the exception of Asset Based Finance all segments showed a reduced default volume after the first quarter 2011 compared to the previous quarter and compared to the reference value of the previous year. Over the course of the year 2011 we are expecting the default volume to further decline.

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31	Default risk
44	Intensive Care
<b>47</b>	<b>Market risk</b>
49	Liquidity risk
50	Operational risk
51	Other risks

## Market risk

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

The European sovereign debt crisis, expectations of interest rate hikes due to rising inflation and the natural disaster in Japan impacted the markets in the first quarter of 2011. High levels of debt and downgrades of some European sovereigns by rating agencies resulted in increased uncertainty and high volatility on the bond markets.

Not even the resolutions on the new European stabilization mechanism were enough to bring the markets back to normal. This affected the public finance portfolio in the banking book in particular. Interest rates in the core European countries rose further based on the expectation that the European Central Bank will raise key interest rates. The rate hike expectations also boosted the euro on the foreign exchange market while the Japanese natural catastrophe caused the yen to fluctuate sharply.

Despite the difficult market environment, appropriate risk management measures have kept the overall currency risk at Commerzbank at a very low level. The same applies to commodity risk, which in the first quarter of 2011 mainly involved the rising oil price as a result of the unrest in North Africa. On the international equity markets, the clear upward trend from the beginning of the year was derailed by the natural disaster in Japan; however, the markets' recovery is once again back on track.

Commerzbank does not expect the disasters in Japan to cause a long-term shock to growth and global economic performance outside Asia.

We expect robust economic performance in the USA and core Europe this year. Equity markets are therefore likely to climb higher, which will also help the investment certificates business. Despite rising key rates, we expect the structural low interest rate environment to persist in 2011. No rapid solution to the debt crisis can be expected for the countries on the European periphery. This may result in further turmoil in 2011 on the interest rate and currency markets. There are also dangers from rising inflation, especially as a result of higher commodity prices.

We will systematically continue to unwind and optimize critical portfolios and anticipate that, under the market conditions described, the market risk of our portfolio will stay constant or fall slightly.

## 1 Market risk in the trading book

Commerzbank uses an overall market price risk model based on historical simulation (Hist-Sim model) for its internal risk management. This ensures that risk measurement is consistent across the whole Group and complies with the future requirements of Basel III.

Value at risk<sup>1</sup> in the trading book fell slightly in the first quarter of 2011. The decrease of €7.3m to €88.6m was achieved by all risk classes (credit spread, interest rate, currency, equity and commodity risk) with the credit spread VaR components making a significant contribution with a decrease of €5.6m to €38.3m. Measures to reduce risk positions, especially in the Portfolio Restructuring Unit, were rigorously continued in the first quarter of 2011 and have played a significant role in reducing credit spread risks.

The regulatory capital requirement is calculated in consultation with BaFin as before, using the regulator-certified market risk models of Commerzbank (old) and Dresdner Bank. Commerzbank expects the Bundesbank to approve the use of the new market price risk model for regulatory purposes during the course of this year.

## 2 Market risk in the banking book

The main drivers of market risk in the banking book are credit spread risks in the Public Finance portfolio including the positions held by the subsidiaries Eurohypo and Erste Europäische Pfandbrief- und Kommunalkreditbank (EPPK), the Treasury portfolios and equity price risk in the equity investment portfolio. The decision to reduce the Public Finance portfolio continues to be implemented as part of the de-risking strategy.

The diagram below documents the changes in credit spread sensitivities for all securities and derivative positions (excluding loans) in Commerzbank Group. The reduction measures mentioned above, especially in the Public Finance portfolio, and slightly lower market values due to an increase in interest rates in southern European countries cut the overall position in credit spread sensitivity to €75m as at March 31, 2011. Around 75% of the credit spread sensitivity continues to relate to securities positions classified as loans and receivables (LaR). Changes in credit spreads have no impact on the revaluation reserve or the income statement for these portfolios.

### Credit spread sensitivities

Downshift 1 bp | €m



Holdings in the equity investment portfolio were reduced significantly over the year, as planned. Nevertheless, due to higher market values as a result of strong market performance, equity risk in the investment portfolio changed very little.

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



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## Liquidity risk

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

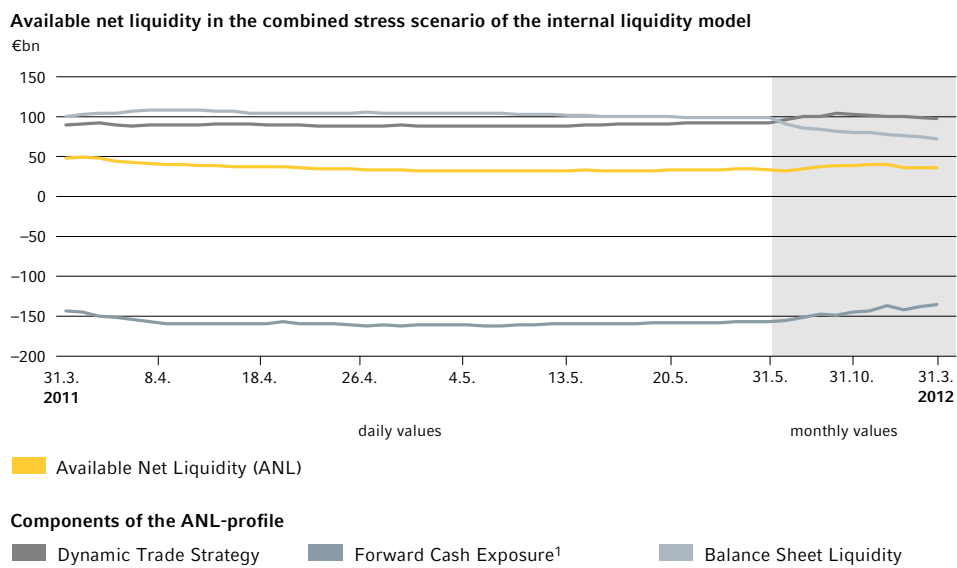
Commerzbank's internal liquidity risk model is the basis for liquidity management and reporting to the Board of Managing Directors. This risk measurement approach calculates the available net liquidity (ANL) for the next twelve months under various scenarios. The calculation is carried out on the basis of deterministic, i.e. contractually agreed, and also statistically expected economic cashflows (forward cash exposure – FCE and dynamic trade strategy – DTS respectively), taking into account realizable assets (balance sheet liquidity – BSL). On March 31, 2011 the volume of freely available assets eligible for discounting at the central bank that were included in ANL modelling as part of balance sheet liquidity was around €100bn.

The stress scenario used by management which forms the basis of modelling allows for the impact of both a bank-specific stress event and a broader market crisis when calculating liquidity and setting limits. The underlying scenarios are derived from the risk tolerance that is determined in accordance with the overall risk strategy and updated if necessary. This also includes a definition of scenarios that are no longer covered by the risk tolerance, such as the complete collapse of key economies like Germany, the US, the UK and major European countries.

The stress scenarios are run daily and reported to management. The underlying assumptions are reviewed regularly and adjusted to reflect changed market conditions as necessary. According to current guidelines these adjustments are documented in a formal process and are, depending on their potential impact, approved by the relevant committees.

These stress scenarios are used to draw up detailed contingency plans. According to the separation of functions described above, Liquidity Risk is responsible for the internal processes while Treasury is responsible for taking the previously documented action.

The graph below of ANL and its subcomponents FCE, DTS and BSL shows that under the stress scenario relevant for management calculated as at March 31, 2011 a sufficient liquidity surplus was available throughout the period analyzed.



<sup>1</sup> Derivative positions of the former Dresdner Bank have almost been fully integrated.

In the first quarter of 2011, the calculated liquidity surpluses were always significantly above the limits set by the Board of Managing Directors. Commerzbank's solvency was therefore sufficient at all times, not only in terms of the external regulatory requirements of the German Liquidity Regulation, but also in terms of internal limit setting. Our liquidity position can therefore continue to be regarded as stable and comfortable.

We benefit from our core business activities in retail and corporate banking and a widely diversified funding base in terms of products, regions and investors in the money and capital markets.

As part of our ongoing reporting and monitoring of liquidity risk we are focussing on actively supporting various regulatory initiatives to bring international liquidity risk standards into line. Furthermore, we are preparing to introduce the liquidity risk ratios defined in Basel III in a cross-divisional project. We are also continuously developing the tools to manage liquidity risk, which include the organization, underlying rules and infrastructure used, in order to increase the granularity and transparency of the items reported.

## Operational risk

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

The total charge to Commerzbank as at the end of the first quarter of 2011 for OpRisk events (losses plus changes in provisions taken against income for operational risks and ongoing litigation) was €21m compared to €37m at the end of the first quarter 2010 (full-year 2010: €274m).

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OpRisk events by segment   €m	Q1 2011	2010 total
Private Customers	18	132
Mittelstandsbank	7	-8
Central & Eastern Europe	0	7
Corporates & Markets	-8	14
Asset Based Finance	2	34
Portfolio Restructuring Unit	0	11
Others and Consolidation	2	84
<b>Group</b>	<b>21</b>	<b>274</b>

The risk weighted assets for operational risks according to the advanced measurement approach (AMA) were €22.5bn at the end of the first quarter 2011 (December 31, 2010: €21.8bn). Of this, roughly 63% related to Private Customers and Corporates & Markets.

Until our newly developed and integrated model is certified by the regulatory authorities (planned for 2011), the capital requirement for both regulatory and internal reporting purposes will still be calculated separately for Commerzbank (old) and Dresdner Bank and reported as a total.

## Other risks

In terms of all other risks, there were no significant changes in the first quarter of 2011 compared to the position reported in detail in the 2010 Annual Report.

### Disclaimer

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

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## Statement of comprehensive income

### Income statement

€m	Notes	1.1.–31.3.2011	1.1.–31.3.2010 <sup>1</sup>	Change in %
Interest income		4,204	4,611	-8.8
Interest expense		2,477	2,725	-9.1
Net interest income	(1)	1,727	1,886	-8.4
Loan loss provisions	(2)	-318	-644	-50.6
Net interest income after provisions		1,409	1,242	13.4
Commission income		1,155	1,183	-2.4
Commission expense		135	186	-27.4
Net commission income	(3)	1,020	997	2.3
Net trading income	(4)	548	865	-36.6
Net income from hedge accounting		-29	-29	0.0
Net trading income and net income from hedge accounting		519	836	-37.9
Net investment income	(5)	12	-119	.
Current net income from companies accounted for using the equity method		0	2	.
Other net income	(6)	338	22	.
Operating expenses	(7)	2,154	2,209	-2.5
Impairments of goodwill and brand names		-	-	.
Restructuring expenses		-	-	.
<b>Pre-tax profit/loss</b>		<b>1,144</b>	<b>771</b>	<b>48.4</b>
Taxes on income	(8)	135	55	.
<b>Consolidated profit/loss</b>		<b>1,009</b>	<b>716</b>	<b>40.9</b>
Consolidated profit/loss attributable to non-controlling interests		24	8	.
Consolidated profit/loss attributable to Commerzbank shareholders		985	708	39.1

<sup>1</sup> Prior-year figures restated (see page 62).

Earnings per share   €	1.1.–31.3.2011	1.1.–31.3.2010	Change in %
Earnings per share	0.73	0.60	21.7

Earnings per share, calculated in accordance with IAS 33, are based on the consolidated profit/loss attributable to Commerzbank shareholders less the expected dividend on the silent participations.

## Condensed statement of comprehensive income

€m	1.1.–31.3.2011	1.1.–31.3.2010	Change in %
Consolidated profit/loss	1,009	716	40.9
Change in revaluation reserve			
Reclassified to income statement	-61	112	.
Change in value not recognized in income statement	145	151	-4.0
Change in cash flow hedge reserve			
Reclassified to income statement	64	50	28.0
Change in value not recognized in income statement	29	0	.
Change in currency translation reserve			
Reclassified to income statement	-	1	-100.0
Change in value not recognized in income statement	-138	171	.
Change in companies accounted for using the equity method	-1	1	.
Other comprehensive income	38	486	-92.2
<b>Total comprehensive income</b>	<b>1,047</b>	<b>1,202</b>	<b>-12.9</b>
Comprehensive income attributable to non-controlling interests	20	81	-75.3
Comprehensive income attributable to Commerzbank shareholders	1,027	1,121	-8.4

Other comprehensive income   €m	1.1.–31.3.2011			1.1.–31.3.2010		
	Before taxes	Taxes	After taxes	Before taxes	Taxes	After taxes
Change in revaluation reserve	151	-67	84	301	-38	263
Change in cash flow hedge reserve	124	-31	93	73	-23	50
Change in currency translation reserve	-138	-	-138	172	0	172
Change in companies accounted for using the equity method	-1	-	-1	1	-	1
<b>Other comprehensive income</b>	<b>136</b>	<b>-98</b>	<b>38</b>	<b>547</b>	<b>-61</b>	<b>486</b>

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## Income statement (by quarter)

€m	2011		2010 <sup>1</sup>		
	1 <sup>st</sup> quarter	4 <sup>th</sup> quarter	3 <sup>rd</sup> quarter	2 <sup>nd</sup> quarter	1 <sup>st</sup> quarter
Net interest income	1,727	1,682	1,633	1,853	1,886
Loan loss provisions	-318	-595	-621	-639	-644
Net interest income after provisions	1,409	1,087	1,012	1,214	1,242
Net commission income	1,020	875	870	905	997
Net trading income	548	384	445	358	865
Net income from hedge accounting	-29	0	-23	-42	-29
Net trading income and net income from hedge accounting	519	384	422	316	836
Net investment income	12	191	-24	60	-119
Current net income from companies accounted for using the equity method	0	32	-5	6	2
Other net income	338	-149	26	-30	22
Operating expenses	2,154	2,164	2,185	2,228	2,209
Impairments of goodwill and brand names	-	-	-	-	-
Restructuring expenses	-	-	-	33	-
<b>Pre-tax profit/loss</b>	<b>1,144</b>	<b>256</b>	<b>116</b>	<b>210</b>	<b>771</b>
Taxes on income	135	-21	-19	-151	55
<b>Consolidated profit/loss</b>	<b>1,009</b>	<b>277</b>	<b>135</b>	<b>361</b>	<b>716</b>
Consolidated profit/loss attributable to non-controlling interests	24	20	22	9	8
Consolidated profit/loss attributable to Commerzbank shareholders	985	257	113	352	708

<sup>1</sup> Prior-year figures restated (see page 62).

## Balance sheet

Assets   €m	Notes	31.3.2011	31.12.2010	Change in %
Cash reserve		6,621	8,053	-17.8
Claims on banks	(10,12,13)	87,524	110,616	-20.9
of which pledged as collateral		88	94	-6.4
Claims on customers	(11,12,13)	330,124	327,755	0.7
of which pledged as collateral		-	-	.
Value adjustment portfolio fair value hedges		7	113	-93.8
Positive fair values attributable to derivative hedging instruments		3,352	4,961	-32.4
Trading assets	(14)	143,508	167,825	-14.5
of which pledged as collateral		14,922	19,397	-23.1
Financial investments	(15)	108,227	115,708	-6.5
of which pledged as collateral		24,517	22,374	9.6
Holdings in companies accounted for using the equity method		720	737	-2.3
Intangible assets	(16)	3,052	3,101	-1.6
Fixed assets	(17)	1,549	1,590	-2.6
Investment properties		1,200	1,192	0.7
Assets held for sale and disposal groups		1,302	1,082	20.3
Current tax assets		635	650	-2.3
Deferred tax assets		3,360	3,567	-5.8
Other assets	(18)	5,773	7,349	-21.4
<b>Total</b>		<b>696,954</b>	<b>754,299</b>	<b>-7.6</b>



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Liabilities and equity   €m	Notes	31.3.2011	31.12.2010	Change in %
Liabilities to banks	(19)	129,453	137,626	-5.9
Liabilities to customers	(20)	248,090	262,827	-5.6
Securitized liabilities	(21)	122,380	131,356	-6.8
Value adjustment portfolio fair value hedges		-295	121	.
Negative fair values attributable to derivative hedging instruments		6,998	9,369	-25.3
Trading liabilities	(22)	128,595	152,393	-15.6
Provisions	(23)	4,592	4,778	-3.9
Current tax liabilities		1,060	1,072	-1.1
Deferred tax liabilities		145	222	-34.7
Liabilities from disposal groups held for sale		832	650	28.0
Other liabilities	(24)	7,264	8,136	-10.7
Subordinated capital	(25)	14,190	12,910	9.9
Hybrid capital	(26)	3,281	4,181	-21.5
Equity		30,369	28,658	6.0
Subscribed capital		3,481	3,047	14.2
Capital reserve		1,750	1,302	34.4
Retained earnings		10,333	9,345	10.6
Silent participations		16,957	17,178	-1.3
Other reserves		-2,957	-2,999	-1.4
Total before non-controlling interests		29,564	27,873	6.1
Non-controlling interests		805	785	2.5
<b>Total</b>		<b>696,954</b>	<b>754,299</b>	<b>-7.6</b>

## Statement of changes in equity

€m	Subscribed capital	Capital reserve	Retained earnings	Silent participations	Other reserves			Total before non-controlling interests	Non-controlling interests	Equity
					Revaluation reserve	Cash flow hedge reserve	Currency translation reserve			
<b>Equity as at 1.1.2010</b>	<b>3,071</b>	<b>1,334</b>	<b>7,878</b>	<b>17,178</b>	<b>-1,755</b>	<b>-1,223</b>	<b>-477</b>	<b>26,006</b>	<b>570</b>	<b>26,576</b>
Total comprehensive income	-	-	1,430	-	24	218	214	1,886	127	2,013
Consolidated profit/loss			1,430					1,430	59	1,489
Change in revaluation reserve					24			24	18	42
Change in cash flow hedge reserve						218		218	12	230
Change in currency translation reserve							212	212	38	250
Change in companies accounted for using the equity method							2	2		2
Dividend paid on silent participations								-		-
Dividend paid on shares								-	-12	-12
Capital increases								-	173	173
Change in ownership interests			5					5		5
Other changes <sup>1</sup>	-24	-32	32					-24	-73	-97
<b>Equity as at 31.12.2010</b>	<b>3,047</b>	<b>1,302</b>	<b>9,345</b>	<b>17,178</b>	<b>-1,731</b>	<b>-1,005</b>	<b>-263</b>	<b>27,873</b>	<b>785</b>	<b>28,658</b>
Total comprehensive income	-	-	985	-	84	93	-135	1,027	20	1,047
Consolidated profit/loss			985					985	24	1,009
Change in revaluation reserve					84			84	0	84
Change in cash flow hedge reserve						93		93		93
Change in currency translation reserve							-134	-134	-4	-138
Change in companies accounted for using the equity method							-1	-1		-1
Dividend paid on silent participations								-		-
Dividend paid on shares								-	0	-
Capital increases	410	423						833		833
Decrease in silent participations				-221				-221		-221
Change in ownership interests								-		-
Other changes <sup>1</sup>	24	25	3					52	0	52
<b>Equity as at 31.3.2011</b>	<b>3,481</b>	<b>1,750</b>	<b>10,333</b>	<b>16,957</b>	<b>-1,647</b>	<b>-912</b>	<b>-398</b>	<b>29,564</b>	<b>805</b>	<b>30,369</b>

<sup>1</sup> Including change in treasury shares, change in derivatives on own equity instruments and changes in the group of consolidated companies.

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As at March 31, 2011 cash flow hedge reserve of €-65m and currency translation reserve of €28m were attributable to assets held for sale and disposal groups.

In January 2011 we increased our share capital by 10% less one share (118,135,291 shares) from authorized capital for non-cash contributions, with shareholders' pre-emptive rights excluded. The new shares were subscribed in their entirety and paid for by non-cash contributions of hybrid equity instruments (trust preferred securities) issued by companies of the Commerzbank Group. The nominal value of the hybrid capital was €0.9bn and it generated one-off income of €0.3bn within group pre-tax profit. Subscribed capital and the capital reserve increased by €0.3bn respectively as a result.

The Financial Market Stabilization Fund (SoFFin) subsequently converted a portion of its silent participations into shares in order to maintain its stake in Commerzbank at 25% plus one share. Thus silent participations with a nominal value of €0.2bn were converted into 39,378,430 shares from the conditional capital approved by the Annual General Meeting (AGM) in 2009.

As at March 31, 2011, the subscribed capital of Commerzbank Aktiengesellschaft pursuant to the Bank's articles of association stood at €3,481m and was divided into 1,338,866,647 no-par-value shares (accounting value per share €2.60). The average number of ordinary shares issued was 1,292,971,720 (March 31, 2010: 1,180,702,819).

On 6 April 2011 we announced in an ad-hoc communication our intention to redeem around €14.3bn of the current €16.2bn of silent participations belonging to SoFFin.

For this purpose we planned to raise capital totalling €11.0bn in two stages:

- Between 6 and 13 April 2011 conditional mandatory exchangeable notes (CoMEN) were placed by means of a bookbuilding procedure. Commerzbank shareholders with the exception of SoFFin received subscription rights for this transaction. All 1,004,149,984 CoMEN were successfully placed at a price of €4.25 each, resulting in total capital raised of €4.3bn. Subject to a resolution of the AGM to this effect on May 6, 2011, and to certain other conditions, the conditional mandatory exchangeable notes will be automatically converted into Commerzbank shares. Moreover, to maintain its stake of 25% plus one share SoFFin will also convert €1.4bn of silent participations.
- In the second stage a capital increase with pre-emptive rights is planned. The resolution on the capital increase is also scheduled for the AGM. To maintain its stake of 25% plus one share SoFFin will again contribute its silent participations in the transaction. The capital increase with pre-emptive rights is due to take place from the end of May to early June 2011. The shares arising from the conversion in the first stage of the transaction will have pre-emptive rights for this share issue.

Further silent participations of €3.27bn will be redeemed from free regulatory capital. Our intention is that the remaining €1.9bn of silent participations will be redeemed from future free regulatory capital by 2014 at the latest. Further information is contained in the Prospectus of April 6, 2011.

## For information: Statement of changes in equity from January 1 to March 31, 2010

€m	Subscribed capital	Capital reserve	Retained earnings	Silent participations	Other reserves			Total before non-controlling interests	Non-controlling interests	Equity
					Revaluation reserve	Cash flow hedge reserve	Currency translation reserve			
<b>Equity as at 1.1.2010</b>	<b>3,071</b>	<b>1,334</b>	<b>7,878</b>	<b>17,178</b>	<b>-1,755</b>	<b>-1,223</b>	<b>-477</b>	<b>26,006</b>	<b>570</b>	<b>26,576</b>
Total comprehensive income	-	-	708	-	242	38	133	1,121	81	1,202
Consolidated profit/loss			708					708	8	716
Change in revaluation reserve					242			242	21	263
Change in cash flow hedge reserve						38		38	12	50
Change in currency translation reserve							132	132	40	172
Change in companies accounted for using the equity method							1	1		1
Dividend paid on silent participations								-		-
Dividend paid on shares								-		-
Capital increases								-		-
Decrease in silent participations								-		-
Change in ownership interests								-		-
Other changes <sup>1</sup>	-2	4	74					76	-66	10
<b>Equity as at 31.3.2010</b>	<b>3,069</b>	<b>1,338</b>	<b>8,660</b>	<b>17,178</b>	<b>-1,513</b>	<b>-1,185</b>	<b>-344</b>	<b>27,203</b>	<b>585</b>	<b>27,788</b>

<sup>1</sup> Including change in treasury shares, change in derivatives on own equity instruments and changes in the group of consolidated companies.

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## Cash flow statement (condensed version)

€m	2011	2010
<b>Cash and cash equivalents as at 1.1.</b>	<b>8,053</b>	<b>10,329</b>
Net cash from operating activities	-9,691	-2,983
Net cash from investing activities	7,483	2,003
Net cash from financing activities	1,041	2
<b>Total net cash</b>	<b>-1,167</b>	<b>-978</b>
Effects from exchange rate changes	-241	143
Effects from non-controlling interests	-24	-8
<b>Cash and cash equivalents as at 31.3.</b>	<b>6,621</b>	<b>9,486</b>

The cash flow statement shows the changes in cash and cash equivalents for the Commerzbank Group. These correspond to the cash reserve line item and consist of cash on hand, balances with central banks, as well as debt issues of public sector borrowers and bills of exchange rediscountable at central banks.

The cash flow statement cannot be considered very informative for the Commerzbank Group. For us the cash flow statement replaces neither liquidity planning nor financial planning, nor is it employed as a management tool.

## Selected notes

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### General information

#### Accounting policies

The interim financial statements of the Commerzbank Group as of March 31, 2011 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 Financial Reporting Standards (IFRS) approved and published by the International Accounting Standards Board (IASB). This report takes particular account of the requirements of IAS 34 relating to interim financial reporting.

In preparing this interim report, we have employed the same accounting policies as in our group financial statements as of December 31, 2010 (see page 214 ff. of our 2010 annual report) unless otherwise required by changes in the law. This interim report takes into account the standards and interpretations that must be applied from January 1, 2011 in the EU.

#### Changes to accounting policies

As at December 31, 2010, we amended the structure of the income statement and balance sheet in accordance with IAS 1.82 and IAS 1.54. The resulting restatement of the quarterly income statements for 2010 related to the reporting of net income from hedge accounting and current net income from companies accounted for using the equity method as separate items.

In addition we harmonized differing reporting structures in connection with the integration of the former Dresdner

Uniform accounting and measurement methods are used throughout the Commerzbank Group in preparing the financial statements. For fully consolidated companies and holdings in companies accounted for using the equity method we predominantly used financial statements prepared as at March 31, 2011. The reporting currency of the consolidated financial statements is the euro. Unless otherwise indicated, all amounts are shown in millions of euros. In the statement of comprehensive income, the balance sheet, the statement of changes of equity and the condensed cash flow statement amounts under €500,000.00 are shown as €0m; where an item is €0.00 this is denoted by a dash. In all other notes both amounts rounded down to €0m and items amounting to zero are indicated by a dash.

Bank in 2010. In the first and second quarter of 2010 we both reclassified items within net interest income and reclassified foreign exchange commission income from net trading income to the commission from payment transactions and foreign business item within net commission income.

The prior-year figures for the items affected by these changes were restated in the quarterly and annual income statements and the notes.

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## Consolidated companies

The following companies were consolidated for the first time in the first quarter of 2011:

Name of company	Equity share and voting rights	Acquisition cost	Assets	Liabilities
	%	€m	€m	€m
Cosmo Finance 2010-1 Ltd., Dublin	0.0	0.0	66.7	66.7
Mandas Receivables No.1 Limited, Jersey	100.0	0.1	0.1	0.0

The first-time consolidations did not give rise to any goodwill that requires to be recognized. They were entities newly formed or acquired, among other things in connection with structured financings.

The following subsidiaries, special purpose entities and funds were sold or liquidated and will therefore no longer be consolidated:

- Sale
  - MS "CPO Barcelona" Offen Reederei GmbH & Co.KG, Hamburg
  - MS "CPO Cadiz" Offen Reederei GmbH & Co.KG, Hamburg
  - MS "CPO Vigo" Offen Reederei GmbH & Co.KG, Hamburg
- Liquidations (including companies which have ceased operating activities and entities that have permanently fallen below our materiality threshold for consolidation or were no longer subject to a consolidation requirement)
  - ALMURUS Grundstücks-Vermietungsgesellschaft mbH, Düsseldorf
  - Commerzbank Capital Ventures Management Limited, London
  - Kaiserplatz Funding LLC, Wilmington/Delaware<sup>1</sup>
  - Kaiserplatz Holdings Ltd., St. Helier/Jersey<sup>1</sup> (sub-group including sub-group subsidiaries)
  - Kleinwort Benson (Canada) Limited, Toronto
  - Mole Finance Inc., George Town/Cayman Islands
  - Parc Continental Ltd., London
  - Southwark Bridge Investments Ltd., London
  - Wisley Inc., George Town/Cayman Islands<sup>2</sup>

<sup>1</sup> No longer needs to be consolidated.

<sup>2</sup> Fell below materiality threshold.

The following companies

- Dresdner Bank Brasil S.A. Banco Multiplo, São Paulo
- Commerz Real Autoleasing GmbH, Hamburg
- Intermarket Bank AG, Vienna
- KGAL GmbH & Co. KG, Grünwald (Munich)
- Magyar Factor Zrt., Budapest
- MS "CPO Alicante" Offen Reederei GmbH & Co.KG, Hamburg
- MS "CPO Ancona" Offen Reederei GmbH & Co.KG, Hamburg
- MS "CPO Bilbao" Offen Reederei GmbH & Co.KG, Hamburg
- MS "CPO Marseille" Offen Reederei GmbH & Co.KG, Hamburg
- MS "CPO Palermo" Offen Reederei GmbH & Co.KG, Hamburg
- MS "CPO Toulon" Offen Reederei GmbH & Co.KG, Hamburg
- MS "CPO Valencia" Offen Reederei GmbH & Co.KG, Hamburg
- Property Invest Italy Srl, Milan
- Transfactor Slovakia a.s., Bratislava

are reported as held for sale in accordance with IFRS 5 as there are plans to sell them and their sale is highly probable within one year. Until the final disposal of the shares is completed we will measure groups held for sale in accordance with the regulations of IFRS 5 and will report their assets and liabilities separately in the relevant balance sheet items and in the statement of changes in equity.

## Notes to the income statement

### (1) Net interest income

€m	1.1.–31.3.2011	1.1.–31.3.2010 <sup>1</sup>	Change in %
Interest income	4,204	4,611	-8.8
Interest income from lending and money market transactions and from securities portfolio (available-for-sale)	296	607	-51.2
Interest income from lending and money market transactions and from securities portfolio (loans and receivables)	3,734	3,815	-2.1
Interest income from lending and money market transactions and from securities portfolio (from applying the fair value option)	24	45	-46.7
Prepayment penalty fees	22	23	-4.3
Gain from the sale of loans and receivables and repurchase of liabilities	94	5	.
Dividends from securities	10	8	25.0
Current net income from equity holdings and non-consolidated subsidiaries	3	4	-25.0
Current income from assets held for sale and from investment properties	21	22	-4.5
Other interest income	-	82	.
Interest expense	2,477	2,725	-9.1
Interest expense from subordinated and hybrid capital and from securitized and other liabilities	2,284	2,607	-12.4
Interest expense from applying the fair value option	13	26	-50.0
Loss on the sale of loans and receivables and repurchase of liabilities	7	10	-30.0
Current expenses from assets held for sale and from investment properties	11	10	10.0
Other interest expense	162	72	.
<b>Total</b>	<b>1,727</b>	<b>1,886</b>	<b>-8.4</b>

<sup>1</sup> Restated (see page 62).

The unwinding effect for the period January 1 to March 31, 2011 was €60m (previous year: €59m).



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## (2) Loan loss provisions

The breakdown of loan loss provisions in the consolidated income statement was as follows:

€m	1.1.–31.3.2011	1.1.–31.3.2010	Change in %
Allocation to provisions	-981	-1,130	-13.2
Reversals of provisions	724	489	48.1
Net balance of direct write-downs, write-ups and amounts recovered on claims written-down	-61	-3	.
<b>Total</b>	<b>-318</b>	<b>-644</b>	<b>-50.6</b>

## (3) Net commission income

€m	1.1.–31.3.2011	1.1.–31.3.2010 <sup>1</sup>	Change in %
Securities transactions	373	360	3.6
Asset management	45	50	-10.0
Payment transactions and foreign business	281	275	2.2
Real estate lending business	43	55	-21.8
Guarantees	41	45	-8.9
Net income from syndicated business	67	63	6.3
Fiduciary transactions	1	1	0.0
Other	169	148	14.2
<b>Total<sup>2</sup></b>	<b>1,020</b>	<b>997</b>	<b>2.3</b>

<sup>1</sup> Restated (see page 62).

<sup>2</sup> Of which commission expense: €135m (previous year: €186m).

## (4) Net trading income

We have split net trading income into three components:

- Net gain/loss on trading in securities, promissory note loans, precious metals and derivative instruments
- Net gain/loss on the measurement of derivative financial instruments that do not qualify for hedge accounting
- Net gain/loss from application of the fair value option (including changes in the fair value of related derivatives).

All financial instruments held for trading purposes are measured at fair value. Fair value is derived from both stock market prices and internal pricing models (primarily net present value and option pricing models). Apart from realized and unrealized gains and losses, net trading income also includes the interest and dividend income related to trading transactions and their funding costs.

€m	1.1.–31.3.2011	1.1.–31.3.2010 <sup>1</sup>	Change in %
Net trading gain/loss	802	669	19.9
Net gain/loss on the measurement of derivative financial instruments	-306	62	.
Net gain/loss from applying the fair value option	52	134	-61.2
<b>Total</b>	<b>548</b>	<b>865</b>	<b>-36.6</b>

<sup>1</sup> Restated (see page 62).

## (5) Net investment income

Net investment income contains net gains/losses on disposal and measurement (impairments) of securities in the loans and receivables and available-for-sale categories, equity holdings,

holdings in companies accounted for using the equity method and subsidiaries.

€m	1.1.–31.3.2011	1.1.–31.3.2010	Change in %
<b>Net gain/loss from interest-bearing business</b>	<b>-24</b>	<b>-137</b>	<b>-82.5</b>
In the available-for-sale category	26	-133	.
Gain on disposals (including reclassification from revaluation reserve) <sup>1</sup>	56	50	12.0
Loss on disposals (including reclassification from revaluation reserve) <sup>1</sup>	-46	-92	-50.0
Net measurement gain/loss <sup>1</sup>	16	-91	.
In the loans and receivables category	-50	-4	.
Gain on disposals	2	3	-33.3
Loss on disposals	-37	-4	.
Net measurement gain/loss <sup>2</sup>	-15	-3	.
<b>Net gain/loss from equity instruments</b>	<b>36</b>	<b>18</b>	<b>100.0</b>
In the available-for-sale category	53	21	.
Gain on disposals (including reclassification from revaluation reserve) <sup>1</sup>	53	23	.
Loss on disposals (including reclassification from revaluation reserve) <sup>1</sup>	-	-2	-100.0
In the available-for-sale category, measured at cost of acquisition	-1	-2	-50.0
Net measurement gain/loss <sup>1</sup>	-14	-1	.
Net gain/loss on disposals and measurement of companies accounted for using the equity method	-2	-	.
<b>Total</b>	<b>12</b>	<b>-119</b>	<b>.</b>

<sup>1</sup> Includes a net €55m (previous year: €17m) of reclassifications from the revaluation reserve created in the financial year 2011.

<sup>2</sup> Includes portfolio valuation allowances of €15m (previous year: €4m) for reclassified securities.

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## (6) Other income

€m	1.1.–31.3.2011	1.1.–31.3.2010	Change in %
<b>Other material items of income</b>	<b>80</b>	<b>44</b>	<b>81.8</b>
Operating lease income	47	36	30.6
Reversals of provisions	33	8	.
<b>Other material items of expense</b>	<b>89</b>	<b>64</b>	<b>39.1</b>
Operating lease expenses	37	38	-2.6
Allocations to provisions	52	26	100.0
<b>Balance of sundry other income/expenses</b>	<b>347</b>	<b>42</b>	<b>.</b>
<b>Total</b>	<b>338</b>	<b>22</b>	<b>.</b>

One-off income of €0.3bn relating to the capital increase in January 2011 was recognized in other income (see page 59).

## (7) Operating expenses

€m	1.1.–31.3.2011	1.1.–31.3.2010	Change in %
Personnel expenses	1,126	1,107	1.7
Operating expenses	918	960	-4.4
Depreciation/amortization of fixed assets and other intangible assets	110	142	-22.5
<b>Total</b>	<b>2,154</b>	<b>2,209</b>	<b>-2.5</b>

Operating expenses for the first quarter of 2011 included integration costs of €70m (previous year: €120m).

## (8) Taxes on income

As at March 31, 2011 Group tax expense came to €135m. Considering pre-tax profit of €1,144m, the Group's effective tax rate was 11.8% (Group income tax rate: 30.85%). The low

Group tax rate resulted primarily from profits being set off against loss carryforwards for which no deferred tax assets (DTAs) had been recognized to date.

## (9) Segment reporting

Segment reporting reflects the results of the operating business segments within the Commerzbank Group. The following segment information is based on IFRS 8 Operating Segments, which follows the so-called management approach. In accordance with this standard, segment information must be prepared on the basis of the internal reporting information that is evaluated by the chief operating decision maker to assess the performance of the operating segments and make decisions regarding the allocation of resources to the operating segments. Within the Commerzbank Group, the function of chief operating decision maker is exercised by the Board of Managing Directors.

Our segment reporting covers six operating segments and the Others and Consolidation segment. This reflects the Commerzbank Group's organizational structure and forms the basis for internal management reporting. The business segments are divided up on the basis of distinctions between products, services and/or customer target groups. As part of the further refinement of the segments' business models slight adjustments were made to the business responsibilities.

Income statement line items were further harmonized in 2010 in the context of the Dresdner Bank integration. This involved firstly harmonizing the reporting of the funding of equity holdings and of income from the investment of equity capital for consolidated subsidiaries. In addition, current net income on companies accounted for using the equity method was reported separately and the foreign exchange commission earnings of the former Dresdner Bank were reported in net commission income. The prior-year comparison figures have been restated accordingly.

- The Private Customers segment set up a new staff department organization in 2011 and now comprises the three group divisions Private, Business and Wealth Management Customers, Direct Banking and Credit. The group divisions Private and Business Customers and Wealth Management were merged to form the new group division Private, Business and Wealth Management Customers. The staff departments of both group divisions are grouped together in a single unit. Customer service on the sales side remains separate for Private and Business Customers in the classic branch business and for wealthy clients in Wealth Management Germany and

abroad. This new group division will also integrate the call centre services of Commerz Direktservice GmbH for the domestic branch network. Direct Banking encompasses the activities of the comdirect bank group, while Credit is the central division responsible for lending operations with the above-mentioned customer groups.

- The Mittelstandsbank segment is divided into Corporate Banking and Financial Institutions. The Corporate Banking division serves small and mid-sized clients, major clients, the public sector and institutional clients and also contains the centre of competence for customers from the renewable energies sector. Our comprehensive service offering includes payments, flexible financing solutions, interest rate and currency management products, professional investment advisory services and innovative investment banking solutions. With our foreign branch offices we act as a strategic partner for both the international activities of our German corporate customers and for international companies with business activities in our home market of Germany. The Financial Institutions division is responsible for relationships with banks and financial institutions in Germany and abroad, as well as with central banks. The strategic focus is on Commerzbank becoming customers' preferred source of trade finance. Against this backdrop the division offers our customers an extensive platform and professional advice and support. Financial Institutions uses a network of over 7,000 correspondent banks, together with business relationships in emerging markets, to support the Group's financing and processing of foreign trade activities on behalf of the Commerzbank Group's customers throughout the world.
- The Central & Eastern Europe segment contains the operations of our Polish subsidiary BRE Bank, Ukraine's Bank Forum, Russia's Commerzbank Eurasija, Hungary's Commerzbank Zrt., our branches in the Czech Republic and Slovakia, and investments in seven microfinance banks and Russia's Promsvyazbank. The activities are grouped together under a management holding company which acts as a centre of competence, operational management unit and interface between the local units and the central departments. The main business focus in the Central and Eastern Europe segment are the private and corporate customer business and customer-driven investment banking.

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- Corporates & Markets consists of three major businesses. Equity Markets & Commodities trades in equities, equity derivatives and commodities products and includes the related distribution capacities. Fixed Income & Currencies handles trading and sales of interest rate and currency instruments together with related derivatives. Corporate Finance provides debt and equity financing and advisory services and includes the central credit portfolio management operations of the Corporates & Markets segment. In addition, Corporates & Markets houses the Group's client relationship management activities with a focus on the 100 biggest German corporates plus foreign and selected domestic insurers.
  - The Asset Based Finance segment groups together the results from the Commercial Real Estate (CRE) Germany, CRE International, Public Finance, Asset Management and Leasing divisions as well as Ship Finance. CRE Germany, CRE International and Public Finance belong almost completely to the Commerzbank subsidiary Eurohypo Aktiengesellschaft along with Eurohypo's retail portfolio. The Asset Management and Leasing area primarily includes the activities of our subsidiary Commerz Real Aktiengesellschaft, and finally Ship Finance groups together the ship financing activities of the Commerzbank Group, which are predominantly located in our subsidiary Deutsche Schiffsbank Aktiengesellschaft.
  - The Portfolio Restructuring Unit (PRU) is responsible for managing down assets related to proprietary trading and investment activities which no longer fit into Commerzbank's client-centric strategy and were discontinued in 2009. The segment's goal is to reduce the portfolio in such a way as to preserve maximum value. The positions managed by this segment initially included asset-backed securities (ABSs) which do not have a state guarantee, other structured credit products, proprietary trading positions in corporate or financial bonds and exotic credit derivatives. These positions were primarily transferred from the Corporates & Markets and former Commercial Real Estate segments to the Portfolio Restructuring Unit.
  - The Others and Consolidation segment contains the income and expenses which are not attributable to the operational business segments. Under Others, the reporting for this segment includes equity holdings which are not assigned to the operating segments as well as Group Treasury. The costs of the service units are also shown here, which – except for integration and restructuring costs – are charged in full to the segments. Consolidation includes expenses and income items that represent the reconciliation of internal management reporting figures shown in segment reporting with the consolidated financial statements in accordance with IFRS. The costs of the Group management units are also shown here, which – except for integration and restructuring costs – are also charged in full to the segments.
- The result generated by each segment is measured in terms of operating profit/loss and pre-tax profit/loss, as well as the return on equity and cost/income ratio. Operating profit/loss is defined as the sum of net interest income after loan loss provisions, net commission income, net trading income and net income from hedge accounting, net income from financial investments, current net income from companies accounted for using the equity method and other net income less operating expenses. In the statement of pre-tax profits, non-controlling interests are included in both the result and the average capital employed. All the revenue for which a segment is responsible is thus reflected in pre-tax profit.
- The return on equity is calculated as the ratio of pre-tax and operating profit to the average amount of capital employed. It shows the return on the capital employed in a given segment. The cost/income ratio in operating business reflects the cost efficiency of the various segments and shows the relationship of operating expenses to income before provisions.
- Income and expenses are reported in the segments by originating unit and at market rates, with the market interest rate method being used in interest rate operations. Net interest income reflects the actual funding costs of the equity capital assigned to the respective business segments. The Group's return on capital employed is allocated to the net

interest income of the various segments in proportion to the average capital employed in the segment. The interest rate corresponds to that of a risk-free investment in the long-term capital market. The average capital employed was calculated using the Basel II system, based on the computed average 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 regulatory capital requirement for risk-weighted assets assumed for segment reporting purposes is 7%.

The segment reporting of the Commerzbank Group shows the segments' pre-tax results. To reduce the impact on operating earnings of specific tax-induced transactions in the Corporates & Markets segment in this reporting, the net interest income of Corporates & Markets includes a pre-tax equivalent of the after-tax income from these transactions. When segment reporting is reconciled with the figures from external accounting this pre-tax equivalent is eliminated in Others and Consolidation.

The carrying amounts of companies accounted for using the equity method were €720m (previous year: €478m) and

were divided over the segments as follows: Private Customers €243m (previous year: €178m), Mittelstandsbank €95m (previous year: €40m), Corporate & Markets €12m (previous year: €17m), Asset Based Finance €306m (previous year: €168m) and Others and Consolidation €64m (previous year: €75m).

The operating expenses shown in the operating result consist of personnel costs, other operating expenses, depreciation of fixed assets and amortization of other intangible assets. Restructuring expenses are reported below the operating profit line in pre-tax profit. Operating expenses are attributed to the individual segments on the basis of cost causation. The indirect expenses arising in connection with internal services are charged to the user of the service or credited to the segment performing the service. The provision of intra-group services is charged at market prices or at full cost.

The tables below contain information on the segments for the first three months of 2011 with comparative figures for the same period in 2010.

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1.1.–31.3.2011	Private Customers	Mittelstands-bank	Central & Eastern Europe	Corporates & Markets	Asset Based Finance	Portfolio Restructuring Unit	Others and Consolidation	Group
€m								
Net interest income	492	515	157	160	296	5	102	1,727
Loan loss provisions	-41	-8	-30	-	-241	1	1	-318
Net interest income after provisions	451	507	127	160	55	6	103	1,409
Net commission income	569	285	55	48	81	-	-18	1,020
Net trading income and net income from hedge accounting	-1	16	26	456	-86	61	47	519
Net investment income	1	-16	4	4	-42	18	43	12
Current net income from companies accounted for using the equity method	6	2	-	-	-8	-	-	0
Other net income	-22	2	10	10	16	-	322	338
<i>Income before provisions</i>	<i>1,045</i>	<i>804</i>	<i>252</i>	<i>678</i>	<i>257</i>	<i>84</i>	<i>496</i>	<i>3,616</i>
<i>Income after provisions</i>	<i>1,004</i>	<i>796</i>	<i>222</i>	<i>678</i>	<i>16</i>	<i>85</i>	<i>497</i>	<i>3,298</i>
Operating expenses	888	381	144	438	154	22	127	2,154
<b>Operating profit/loss</b>	<b>116</b>	<b>415</b>	<b>78</b>	<b>240</b>	<b>-138</b>	<b>63</b>	<b>370</b>	<b>1,144</b>
Impairments of goodwill and brand names	-	-	-	-	-	-	-	-
Restructuring expenses	-	-	-	-	-	-	-	-
<b>Pre-tax profit/loss</b>	<b>116</b>	<b>415</b>	<b>78</b>	<b>240</b>	<b>-138</b>	<b>63</b>	<b>370</b>	<b>1,144</b>
<b>Assets</b>	<b>58,626</b>	<b>73,691</b>	<b>27,246</b>	<b>223,441</b>	<b>225,585</b>	<b>15,068</b>	<b>73,297</b>	<b>696,954</b>
<b>Average capital employed</b>	<b>3,428</b>	<b>5,435</b>	<b>1,679</b>	<b>3,423</b>	<b>5,542</b>	<b>981</b>	<b>11,926</b>	<b>32,414</b>
<b>Operating return on equity<sup>1</sup> (%)</b>	<b>13.5</b>	<b>30.5</b>	<b>18.6</b>	<b>28.0</b>	<b>-10.0</b>			<b>14.1</b>
<b>Cost/income ratio in operating business (%)</b>	<b>85.0</b>	<b>47.4</b>	<b>57.1</b>	<b>64.6</b>	<b>59.9</b>			<b>59.6</b>
<b>Return on equity of pre-tax profit/loss<sup>1</sup> (%)</b>	<b>13.5</b>	<b>30.5</b>	<b>18.6</b>	<b>28.0</b>	<b>-10.0</b>			<b>14.1</b>
Staff (average headcount)	18,804	5,111	9,559	1,786	1,787	41	17,821	54,909

<sup>1</sup> Annualized.

1.1.–31.3.2010 <sup>1</sup>	Private Customers	Mittelstands-bank	Central & Eastern Europe	Corporates & Markets	Asset Based Finance	Portfolio Restructuring Unit	Others and Consolidation	Group
€m								
Net interest income	489	523	159	208	299	23	185	1,886
Loan loss provisions	-66	-161	-94	19	-325	-22	5	-644
Net interest income after provisions	423	362	65	227	-26	1	190	1,242
Net commission income	547	272	47	75	88	-3	-29	997
Net trading income and net income from hedge accounting	1	-4	18	448	-4	282	95	836
Net investment income	9	-3	-1	-14	-2	-94	-14	-119
Current net income from companies accounted for using the equity method	4	-	-	-	-2	-	-	2
Other net income	-49	44	3	8	13	-	3	22
<i>Income before provisions</i>	<i>1,001</i>	<i>832</i>	<i>226</i>	<i>725</i>	<i>392</i>	<i>208</i>	<i>240</i>	<i>3,624</i>
<i>Income after provisions</i>	<i>935</i>	<i>671</i>	<i>132</i>	<i>744</i>	<i>67</i>	<i>186</i>	<i>245</i>	<i>2,980</i>
Operating expenses	912	357	126	411	152	25	226	2,209
<b>Operating profit/loss</b>	<b>23</b>	<b>314</b>	<b>6</b>	<b>333</b>	<b>-85</b>	<b>161</b>	<b>19</b>	<b>771</b>
Impairments of goodwill and brand names	-	-	-	-	-	-	-	-
Restructuring expenses	-	-	-	-	-	-	-	-
<b>Pre-tax profit/loss</b>	<b>23</b>	<b>314</b>	<b>6</b>	<b>333</b>	<b>-85</b>	<b>161</b>	<b>19</b>	<b>771</b>
<b>Assets</b>	<b>66,794</b>	<b>82,773</b>	<b>27,311</b>	<b>308,711</b>	<b>257,697</b>	<b>22,672</b>	<b>80,151</b>	<b>846,109</b>
<b>Average capital employed</b>	<b>3,510</b>	<b>5,500</b>	<b>1,599</b>	<b>3,849</b>	<b>6,461</b>	<b>1,363</b>	<b>8,001</b>	<b>30,283</b>
<b>Operating return on equity<sup>2</sup> (%)</b>	<b>2.6</b>	<b>22.8</b>	<b>1.5</b>	<b>34.6</b>	<b>-5.3</b>			<b>10.2</b>
<b>Cost/income ratio in operating business (%)</b>	<b>91.1</b>	<b>42.9</b>	<b>55.8</b>	<b>56.7</b>	<b>38.8</b>			<b>61.0</b>
<b>Return on equity of pre-tax profit/loss<sup>2</sup> (%)</b>	<b>2.6</b>	<b>22.8</b>	<b>1.5</b>	<b>34.6</b>	<b>-5.3</b>			<b>10.2</b>
Staff (average headcount)	20,250	5,098	9,678	1,956	1,864	59	18,603	57,508

<sup>1</sup> Restated (see page 62).

<sup>2</sup> Annualized.



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### Details for Others and Consolidation

€m	1.1.–31.3.2011			1.1.–31.3.2010 <sup>1</sup>		
	Others	Consolidation	Others and Consolidation	Others	Consolidation	Others and Consolidation
Net interest income	85	17	102	189	-4	185
Loan loss provisions	1	-	1	5	-	5
Net interest income after provisions	86	17	103	194	-4	190
Net commission income	-17	-1	-18	-28	-1	-29
Net trading income and net income from hedge accounting	44	3	47	91	4	95
Net investment income	43	-	43	3	-17	-14
Current net income from companies accounted for using the equity method	-	-	-	-	-	-
Other net income	321	1	322	12	-9	3
<i>Income before provisions</i>	<i>476</i>	<i>20</i>	<i>496</i>	<i>267</i>	<i>-27</i>	<i>240</i>
<i>Income after provisions</i>	<i>477</i>	<i>20</i>	<i>497</i>	<i>272</i>	<i>-27</i>	<i>245</i>
Operating expenses	130	-3	127	235	-9	226
<b>Operating profit/loss</b>	<b>347</b>	<b>23</b>	<b>370</b>	<b>37</b>	<b>-18</b>	<b>19</b>
Impairments of goodwill and brand names	-	-	-	-	-	-
Restructuring expenses	-	-	-	-	-	-
<b>Pre-tax profit/loss</b>	<b>347</b>	<b>23</b>	<b>370</b>	<b>37</b>	<b>-18</b>	<b>19</b>
<b>Assets</b>	<b>73,297</b>	<b>-</b>	<b>73,297</b>	<b>80,151</b>	<b>-</b>	<b>80,151</b>

<sup>1</sup> Restated (see page 62).

Under Consolidation we report consolidation and reconciliation items between the results of the segments and the Other category on the one hand and the consolidated financial statements on the other. This includes the following items among others:

- Measurement effects from the application of hedge accounting to intra-bank transactions as per IAS 39 are shown in Consolidation.
- The pre-tax equivalent from tax-induced transactions allocated to the Corporates & Markets segment in net interest income is eliminated again under Consolidation.
- Net gains and losses from the measurement of own bonds and own shares incurred in the segments are eliminated under Consolidation.
- Other consolidation effects from intragroup transactions are also reported here.
- Integration and restructuring costs of the Group controlling units are reported under Consolidation.

## Results by geographical market

Segmentation on the basis of the registered office of the branch or group company produced the following breakdown:

1.1.–31.3.2011	Germany	Europe excluding Germany	America	Asia	Others	Total
€m						
Net interest income	1,166	493	49	19	–	1,727
Loan loss provisions	–100	–231	23	–10	–	–318
Net interest income after provisions	1,066	262	72	9	–	1,409
Net commission income	911	98	9	2	–	1,020
Net trading income and net income from hedge accounting	233	257	17	12	–	519
Net investment income	–6	17	2	–1	–	12
Current net income from companies accounted for using the equity method	7	–7	–	–	–	0
Other net income	321	16	–1	2	–	338
<i>Income before provisions</i>	<i>2,632</i>	<i>874</i>	<i>76</i>	<i>34</i>	<i>–</i>	<i>3,616</i>
<i>Income after provisions</i>	<i>2,532</i>	<i>643</i>	<i>99</i>	<i>24</i>	<i>–</i>	<i>3,298</i>
Operating expenses	1,676	402	54	22	–	2,154
<b>Operating profit/loss</b>	<b>856</b>	<b>241</b>	<b>45</b>	<b>2</b>	<b>–</b>	<b>1,144</b>
<b>Risk-weighted assets for credit risk</b>	<b>139,307</b>	<b>61,335</b>	<b>9,236</b>	<b>3,961</b>	<b>36</b>	<b>213,875</b>

In 2010 we reported the following results in the geographical markets:

1.1.–31.3.2010 <sup>1</sup>	Germany	Europe excluding Germany	America	Asia	Others	Total
€m						
Net interest income	1,252	509	104	21	–	1,886
Loan loss provisions	–302	–108	–237	3	–	–644
Net interest income after provisions	950	401	–133	24	–	1,242
Net commission income	888	98	9	2	–	997
Net trading income and net income from hedge accounting	369	452	25	–10	–	836
Net investment income	–166	20	27	–	–	–119
Current net income from companies accounted for using the equity method	2	–	–	–	–	2
Other net income	11	–11	1	21	–	22
<i>Income before provisions</i>	<i>2,356</i>	<i>1,068</i>	<i>166</i>	<i>34</i>	<i>–</i>	<i>3,624</i>
<i>Income after provisions</i>	<i>2,054</i>	<i>960</i>	<i>–71</i>	<i>37</i>	<i>–</i>	<i>2,980</i>
Operating expenses	1,754	380	55	20	–	2,209
<b>Operating profit/loss</b>	<b>300</b>	<b>580</b>	<b>–126</b>	<b>17</b>	<b>–</b>	<b>771</b>
<b>Risk-weighted assets for credit risk</b>	<b>151,388</b>	<b>74,346</b>	<b>16,674</b>	<b>4,744</b>	<b>73</b>	<b>247,225</b>

<sup>1</sup> Prior-year figures restated (see page 62).

The tables above show the risk-weighted assets for credit risk rather than total assets.

As a result of the acquisition of Dresdner Bank, a breakdown of Commerzbank Aktiengesellschaft's total income by

products and services can only be made once the new organization's product and service definitions and information systems have been harmonized in the new Commerzbank Group.

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## Notes to the balance sheet

### (10) Claims on banks

€m	31.3.2011	31.12.2010	Change in %
Due on demand	36,621	45,351	-19.2
With a residual term	51,163	65,605	-22.0
up to three months	31,808	45,557	-30.2
over three months to one year	7,401	7,044	5.1
over one year to five years	10,007	10,928	-8.4
over five years	1,947	2,076	-6.2
<b>Total</b>	<b>87,784</b>	<b>110,956</b>	<b>-20.9</b>
of which reverse repos and cash collaterals	46,498	68,687	-32.3
of which relate to the category:			
Loans and receivables	59,085	62,883	-6.0
Available-for-sale financial assets	-	-	.
At fair value through profit or loss	28,699	48,073	-40.3

Claims on banks after deduction of loan loss provisions amounted to €87,524m (previous year: €110,616m).

### (11) Claims on customers

€m	31.3.2011	31.12.2010	Change in %
With an indefinite residual term	21,303	21,098	1.0
With a residual term	317,658	315,774	0.6
up to three months	70,807	59,879	18.3
over three months to one year	39,331	40,818	-3.6
over one year to five years	105,747	110,558	-4.4
over five years	101,773	104,519	-2.6
<b>Total</b>	<b>338,961</b>	<b>336,872</b>	<b>0.6</b>
of which reverse repos and cash collaterals	44,581	29,963	48.8
of which relate to the category:			
Loans and receivables	295,123	308,456	-4.3
Available-for-sale financial assets	-	-	.
At fair value through profit or loss	43,838	28,416	54.3

Claims on customers after deduction of loan loss provisions amounted to €330,124m (previous year: €327,755m).

**(12) Total lending**

€m	31.3.2011	31.12.2010	Change in %
Loans to banks	23,442	23,404	0.2
Loans to customers	294,385	306,912	-4.1
<b>Total</b>	<b>317,827</b>	<b>330,316</b>	<b>-3.8</b>

We distinguish loans from claims on banks and customers such that only claims for which a special loan agreement has been concluded with the borrower are shown as loans.

Interbank money market transactions and reverse repo transactions, for example, are thus not shown as loans. Acceptance credits are also included in loans to customers.

**(13) Loan loss provisions**

Provisions for loan losses are made in accordance with rules that apply Group-wide and cover all discernible credit risks. For loan losses which have already occurred but are not yet

known, portfolio valuation allowances have been calculated in line with procedures derived from the Basel II methodology.

Development of provisioning   €m	2011	2010	Change in %
<b>As at 1.1.</b>	<b>10,072</b>	<b>10,451</b>	<b>-3.6</b>
Allocations	981	1,130	-13.2
Deductions	1,130	890	27.0
Utilization	406	401	1.2
Reversals	724	489	48.1
Change in group of consolidated companies	-	-	.
Exchange rate changes/reclassifications/unwinding	-233	77	.
<b>As at 31.3.</b>	<b>9,690</b>	<b>10,768</b>	<b>-10.0</b>

With direct write-downs, write-ups and recoveries on previously written-down claims taken into account, the allocations and reversals recognized in profit or loss gave rise to provisions of €318m (previous year: €644m) (see Note 2).

Loan loss provisions   €m	31.3.2011	31.12.2010	Change in %
Specific valuation allowances	8,029	8,361	-4.0
Portfolio valuation allowance	1,068	1,096	-2.6
<b>Valuation allowances for on-balance-sheet loan losses</b>	<b>9,097</b>	<b>9,457</b>	<b>-3.8</b>
Specific loan loss provisions	379	384	-1.3
Portfolio loan loss provisions	214	231	-7.4
<b>Provisions for off-balance-sheet loan losses</b>	<b>593</b>	<b>615</b>	<b>-3.6</b>
<b>Total</b>	<b>9,690</b>	<b>10,072</b>	<b>-3.8</b>

For claims on banks, loan loss provisions amounted to €260m (previous year: €340m) and for claims on customers to €8,837m (previous year: €9,117m).

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## (14) Trading assets

The Group's trading activities include trading in:

- Bonds, notes and other interest-rate-related securities
- Shares and other equity-related securities and units in investment funds
- Promissory note loans and other claims
- Foreign exchange and precious metals
- Derivative financial instruments
- Other assets held for trading.

Other trading assets comprise positive fair values of loans for syndication, issuance rights, loans and money market transactions.

All the items in the trading portfolio are shown at their fair value.

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

€m	31.3.2011	31.12.2010	Change in %
Bonds, notes and other interest-rate-related securities	25,646	30,305	-15.4
Promissory note loans	1,859	1,810	2.7
Shares, other equity-related securities and units in investment funds	14,866	11,704	27.0
Positive fair values attributable to derivative financial instruments	100,963	123,743	-18.4
Currency-related derivative transactions	17,970	18,345	-2.0
Interest-rate-related derivative transactions	75,451	97,012	-22.2
Other derivative transactions	7,542	8,386	-10.1
Other trading assets	174	263	-33.8
<b>Total</b>	<b>143,508</b>	<b>167,825</b>	<b>-14.5</b>

Other fair values of derivative financial instruments consist mainly of €4,020m (previous year: €4,125m) equity derivatives and €2,969m (previous year: €3,565m) credit derivatives.

## (15) Financial investments

Financial investments are financial instruments not assigned to any other balance sheet item. They include all bonds, notes and other interest-rate-related securities, shares and other equity-related securities as well as units in investment

funds, equity holdings (including investments in companies and joint ventures not measured using the equity method) and holdings in non-consolidated subsidiaries that are not held for trading purposes.

€m	31.3.2011	31.12.2010	Change in %
Bonds, notes and other interest-rate-related securities <sup>1</sup>	106,254	113,493	- 6.4
Shares, other equity-related securities and units in investment funds	1,194	1,284	- 7.0
Equity holdings	646	807	- 20.0
Holdings in non-consolidated subsidiaries	133	124	7.3
<b>Total</b>	<b>108,227</b>	<b>115,708</b>	<b>- 6.5</b>
of which relate to the category:			
Loans and receivables	66,040	70,435	- 6.2
Available-for-sale financial assets	38,831	41,764	- 7.0
of which measured at amortized cost	411	372	10.5
At fair value through profit or loss	3,356	3,509	- 4.4

<sup>1</sup> Reduced by portfolio valuation allowances for reclassified securities of €66m (previous year: €51m).

In its press release of October 13, 2008, the IASB issued an amendment to IAS 39 relating to the reclassification of financial instruments. In accordance with the amendment, securities in the Public Finance portfolio for which there was no active market were reclassified from the IAS 39 available-for-sale category to the IAS 39 loans and receivables category in the financial years 2008 and 2009. The new carrying amount of these securities was their fair value as at the reclassification date.

The revaluation reserve after deferred taxes for all the securities reclassified in financial years 2008 and 2009 was €-1.0bn as at March 31, 2011 (previous year: €-1.0bn). If these reclassifications had not been made, there would have been a revaluation reserve after deferred taxes of €-2.8bn for these holdings as at March 31, 2011 (previous year: €-2.8bn). Their carrying amount on the balance sheet date was €63.1bn (previous year: €67.1bn) and the fair value €60.5bn (previous year: €64.6bn).

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**(16) Intangible assets**

€m	31.3.2011	31.12.2010	Change in %
Goodwill	2,067	2,081	-0.7
Other intangible assets	985	1,020	-3.4
Customer relationships	533	546	-2.4
Brand names	8	9	-11.1
In-house developed software	215	219	-1.8
Other	229	246	-6.9
<b>Total</b>	<b>3,052</b>	<b>3,101</b>	<b>-1.6</b>

**(17) Fixed assets**

€m	31.3.2011	31.12.2010	Change in %
Land and buildings	858	874	-1.8
Office furniture and equipment	691	716	-3.5
<b>Total</b>	<b>1,549</b>	<b>1,590</b>	<b>-2.6</b>

**(18) Other assets**

€m	31.3.2011	31.12.2010	Change in %
Collection items	204	612	-66.7
Precious metals	780	671	16.2
Leased equipment	212	221	-4.1
Accrued and deferred items	223	340	-34.4
Initial/variation margins	2,391	2,636	-9.3
Other assets	1,963	2,869	-31.6
<b>Total</b>	<b>5,773</b>	<b>7,349</b>	<b>-21.4</b>

**(19) Liabilities to banks**

€m	31.3.2011	31.12.2010	Change in %
Due on demand	54,366	50,179	8.3
With a residual term	75,087	87,447	-14.1
up to three months	44,631	56,284	-20.7
over three months to one year	4,869	4,634	5.1
over one year to five years	13,247	13,315	-0.5
over five years	12,340	13,214	-6.6
<b>Total</b>	<b>129,453</b>	<b>137,626</b>	<b>-5.9</b>
of which repos und cash collaterals	43,309	44,016	-1.6
of which relate to the category:			
Liabilities measured at amortized cost	85,147	95,154	-10.5
At fair value through profit or loss	44,306	42,472	4.3

**(20) Liabilities to customers**

€m	31.3.2011	31.12.2010	Change in %
Savings deposits	6,337	6,556	-3.3
With an agreed period of notice of three months	5,691	5,700	-0.2
over three months	646	856	-24.5
Other liabilities to customers	241,753	256,271	-5.7
Due on demand	138,298	143,807	-3.8
With a residual term	103,455	112,464	-8.0
up to three months	40,457	48,616	-16.8
over three months to one year	16,815	15,624	7.6
over one year to five years	12,194	12,980	-6.1
over five years	33,989	35,244	-3.6
<b>Total</b>	<b>248,090</b>	<b>262,827</b>	<b>-5.6</b>
of which repos und cash collaterals	20,265	18,106	11.9
of which relate to the category:			
Liabilities measured at amortized cost	225,116	243,177	-7.4
At fair value through profit or loss	22,974	19,650	16.9

**(21) 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, commer-

cial paper), index certificates, own acceptances and promissory notes outstanding.

€m	31.3.2011	31.12.2010	Change in %
Bonds and notes issued	108,805	116,270	-6.4
of which Mortgage Pfandbriefe	29,591	28,744	2.9
Public-sector Pfandbriefe	39,161	48,495	-19.2
Money market instruments issued	13,538	15,024	-9.9
Own acceptances and promissory notes outstanding	37	62	-40.3
<b>Total</b>	<b>122,380</b>	<b>131,356</b>	<b>-6.8</b>
of which relate to the category:			
Liabilities measured at amortized cost	118,348	128,150	-7.6
At fair value through profit or loss	4,032	3,206	25.8

Residual maturities of securitized liabilities   €m	31.3.2011	31.12.2010	Change in %
Due on demand	-	62	.
With a residual term	122,380	131,294	-6.8
up to three months	19,018	23,679	-19.7
over three months to one year	24,908	18,011	38.3
over one year to five years	57,010	66,248	-13.9
over five years	21,444	23,356	-8.2
<b>Total</b>	<b>122,380</b>	<b>131,356</b>	<b>-6.8</b>

In the first three months of financial year 2011 new bonds and notes amounting to €16.6bn were issued. In the same period the volume of repayments/repurchases amounted to €0.1bn and the volume of bonds maturing to €23.1bn.



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## (22) Trading liabilities

Trading liabilities show the negative fair values of derivative financial instruments that do not qualify for hedge accounting as well as lending commitments with negative fair value.

Own issues in the trading book and delivery commitments arising from short sales of securities are also included under trading liabilities.

€m	31.3.2011	31.12.2010	Change in %
Currency-related derivative transactions	16,910	19,368	-12.7
Interest-rate-related derivative transactions	78,569	100,479	-21.8
Other derivative transactions	9,620	10,248	-6.1
Certificates and other notes issued	9,814	9,070	8.2
Delivery commitments arising from short sales of securities, negative market values of lending commitments and other trading liabilities	13,682	13,228	3.4
<b>Total</b>	<b>128,595</b>	<b>152,393</b>	<b>-15.6</b>

Other derivative transactions consisted mainly of €5,448m (previous year: €5,803m) in equity derivatives and €3,420m (previous year: €3,782m) in credit derivatives.

## (23) Provisions

€m	31.3.2011	31.12.2010	Change in %
Provisions for pensions and similar commitments	524	539	-2.8
Other provisions	4,068	4,239	-4.0
<b>Total</b>	<b>4,592</b>	<b>4,778</b>	<b>-3.9</b>

## (24) Other liabilities

€m	31.3.2011	31.12.2010	Change in %
Liabilities attributable to film funds	2,180	2,197	-0.8
Liabilities attributable to non-controlling interests	2,188	2,290	-4.5
Accrued and deferred items	459	559	-17.9
Variation margins	233	295	-21.0
Other liabilities	2,204	2,795	-21.1
<b>Total</b>	<b>7,264</b>	<b>8,136</b>	<b>-10.7</b>

**(25) Subordinated capital**

€m	31.3.2011	31.12.2010	Change in %
Subordinated liabilities	12,732	11,256	13.1
Profit-sharing certificates	1,267	1,259	0.6
Accrued interest, including discounts	-122	-187	-34.8
Measurement effects	313	582	-46.2
<b>Total</b>	<b>14,190</b>	<b>12,910</b>	<b>9.9</b>
of which relate to the category:			
Liabilities measured at amortized cost	14,167	12,886	9.9
At fair value through profit or loss	23	24	-4.2

In the first three months of 2011 the volume of new issues of subordinated liabilities was €2.8bn and the volume of buybacks and redemptions was €1.2bn. There were no significant changes in profit-sharing certificates.

**(26) Hybrid capital**

€m	31.3.2011	31.12.2010	Change in %
Hybrid capital	4,041	5,005	-19.3
Accrued interest, including discounts	-1,003	-1,084	-7.5
Measurement effects	243	260	-6.5
<b>Total</b>	<b>3,281</b>	<b>4,181</b>	<b>-21.5</b>
of which relate to the category:			
Liabilities measured at amortized cost	3,281	4,181	-21.5
At fair value through profit or loss	-	-	.

The decline of €0.9bn in the first three months of 2011 was related to the capital increase for non-cash contributions in January 2011 (see page 59).

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## Other notes

### (27) Capital requirements and capital ratios

€m	31.3.2011	31.12.2010	Change in %
Core capital (Tier I)	31,432	31,727	-0.9
Supplementary capital (Tier II)	10,354	9,130	13.4
Tier III capital	-	-	.
<b>Eligible equity</b>	<b>41,786</b>	<b>40,857</b>	<b>2.3</b>

€m	31.3.2011	31.12.2010	Change in %
Capital adequacy requirement credit risk	17,110	18,595	-8.0
Capital adequacy requirement market risk	954	1,059	-9.9
Capital adequacy requirement operational risk	1,797	1,746	2.9
<b>Total capital requirement</b>	<b>19,861</b>	<b>21,400</b>	<b>-7.2</b>
Eligible equity	41,786	40,857	2.3
Core capital ratio (%)	12.7	11.9	
Own funds ratio (%)	16.8	15.3	

### (28) Contingent liabilities and irrevocable lending commitments

€m	31.3.2011	31.12.2010	Change in %
Contingent liabilities	35,704	38,096	-6.3
from rediscounted bills of exchange credited to borrowers	4	3	33.3
from guarantees and indemnity agreements	35,698	38,087	-6.3
from other commitments	2	6	-66.7
Irrevocable lending commitments	58,285	60,566	-3.8

Provisions for contingent liabilities and irrevocable lending commitments have been deducted from the respective items.

**(29) Derivative transactions**

The nominal amounts and fair values in derivatives business (investment and trading books) were as follows:

31.3.2011	Nominal amount by residual term						Fair value	
	due on demand	up to 3 months	over 3 months to 1 year	over 1 to 5 years	over 5 years	Total	positive	negative
€m								
Foreign-currency-based forward transactions	4	636,331	275,691	215,977	123,868	1,251,871	18,538	17,172
Interest-based forward transactions	18	755,042	1,915,700	3,746,936	3,532,805	9,950,501	232,693	239,761
Other forward transactions	1,334	71,462	102,735	216,350	29,399	421,280	7,578	9,658
<b>Total</b>	<b>1,356</b>	<b>1,462,835</b>	<b>2,294,126</b>	<b>4,179,263</b>	<b>3,686,072</b>	<b>11,623,652</b>	<b>258,809</b>	<b>266,591</b>
<i>of which exchange-traded</i>	–	45,322	179,664	52,157	3,625	280,768		
<b>Net position in the balance sheet</b>							<b>104,315</b>	<b>112,097</b>

31.12.2010	Nominal amount by residual term						Fair value	
	due on demand	up to 3 months	over 3 months to 1 year	over 1 to 5 years	over 5 years	Total	positive	negative
€m								
Foreign-currency-based forward transactions	4	559,382	269,866	229,003	128,309	1,186,564	18,960	19,716
Interest-based forward transactions	23	936,704	1,784,901	3,790,639	3,564,154	10,076,421	308,399	316,541
Other forward transactions	1,436	50,654	101,124	206,039	26,255	385,508	8,433	10,295
<b>Total</b>	<b>1,463</b>	<b>1,546,740</b>	<b>2,155,891</b>	<b>4,225,681</b>	<b>3,718,718</b>	<b>11,648,493</b>	<b>335,792</b>	<b>346,552</b>
<i>of which exchange-traded</i>	–	32,089	175,565	45,266	5,595	258,515		
<b>Net position in the balance sheet</b>							<b>128,704</b>	<b>139,464</b>

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

€bn	Fair value		Carrying amount		Difference	
	31.3.2011	31.12.2010	31.3.2011	31.12.2010	31.3.2011	31.12.2010
<b>Assets</b>						
Cash reserve	6.6	8.1	6.6	8.1	–	–
Claims on banks	87.4	110.5	87.5	110.6	–0.1	–0.1
Claims on customers	328.0	327.3	330.1	327.8	–2.1	–0.5
Value adjustment portfolio fair value hedges <sup>1</sup>	0.0	0.0	0.0	0.1	0.0	–0.1
Positive fair values attributable to derivative hedging instruments	3.4	5.0	3.4	5.0	–	–
Trading assets	143.5	167.8	143.5	167.8	–	–
Financial investments	105.6	113.1	108.2	115.7	–2.6	–2.6
Holdings in companies accounted for using the equity method	0.7	0.7	0.7	0.7	–	–
<b>Liabilities</b>						
Liabilities to banks	129.6	137.7	129.5	137.6	0.1	0.1
Liabilities to customers	247.9	262.6	248.1	262.8	–0.2	–0.2
Securitized liabilities	121.9	130.3	122.4	131.4	–0.5	–1.1
Value adjustment portfolio fair value hedges <sup>1</sup>	0.0	0.0	–0.3	0.1	0.3	–0.1
Negative fair values attributable to derivative hedging instruments	7.0	9.4	7.0	9.4	–	–
Trading liabilities	128.6	152.4	128.6	152.4	–	–
Subordinated and hybrid capital	16.6	14.5	17.5	17.1	–0.9	–2.6

<sup>1</sup> The fair value adjustments on portfolio fair value hedges are contained in the relevant balance sheet line items of the hedged items.

In the tables below the financial instruments reported in the balance sheet at fair value are grouped by category. There is also a breakdown according to whether fair value is based

on quoted market prices (Level I), observable market data (Level II) or unobservable market data (Level III).

		Level I	Level II	Level III	Total	Level I <sup>1</sup>	Level II <sup>1</sup>	Level III	Total
<b>Financial assets   €bn</b>		<b>31.3.2011</b>				<b>31.12.2010</b>			
Claims on banks	At fair value through profit or loss	–	28.7	–	28.7	–	48.1	–	48.1
Claims on customers	At fair value through profit or loss	0.5	43.1	0.2	43.8	0.2	27.6	0.6	28.4
Positive fair values from derivative hedging instruments	Hedge accounting	–	3.4	–	3.4	–	5.0	–	5.0
Trading assets	Held for trading	40.0	99.7	3.8	143.5	40.0	123.8	4.0	167.8
of which positive fair values from derivatives		–	99.7	1.3	101.0	–	123.0	0.7	123.7
Financial investments	At fair value through profit or loss	2.9	0.1	0.4	3.4	3.5	–	–	3.5
	Available-for-sale	36.4	1.2	1.2	38.8	38.4	2.1	1.3	41.8
<b>Total</b>		<b>79.8</b>	<b>176.2</b>	<b>5.6</b>	<b>261.6</b>	<b>82.1</b>	<b>206.6</b>	<b>5.9</b>	<b>294.6</b>

<sup>1</sup> Prior-year figures restated (available-for-sale financial investments only).

		Level I	Level II	Level III	Total	Level I <sup>1</sup>	Level II <sup>1</sup>	Level III	Total
<b>Financial liabilities   €bn</b>		<b>31.3.2011</b>				<b>31.12.2010</b>			
Liabilities to banks	At fair value through profit or loss	0.5	43.8	–	44.3	0.6	41.9	–	42.5
Liabilities to customers	At fair value through profit or loss	1.3	21.7	–	23.0	1.3	18.4	–	19.7
Securitized liabilities	At fair value through profit or loss	4.0	–	–	4.0	3.2	–	–	3.2
Negative fair values attributable to derivative hedging instruments	Hedge accounting	–	6.2	0.8	7.0	–	9.4	–	9.4
Trading liabilities	Held for trading	23.3	105.1	0.2	128.6	21.0	130.1	1.3	152.4
of which negative fair values from derivatives		–	105.1	–	105.1	–	130.1	–	130.1
Subordinated capital	At fair value through profit or loss	–	–	–	–	–	–	–	–
<b>Total</b>		<b>29.1</b>	<b>176.8</b>	<b>1.0</b>	<b>206.9</b>	<b>26.1</b>	<b>199.8</b>	<b>1.3</b>	<b>227.2</b>

<sup>1</sup> Prior-year figures restated (trading liabilities only).

In the first quarter of 2011 there were no significant reclassifications between Level I and Level II.

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### (31) Treasury shares

	Number of shares in units	Accounting par value <sup>1</sup> in €1,000	Percentage of share capital
Balance as at 31.3.2011	33,288	87	0.00
Largest number acquired during the financial year	17,638,778	45,861	1.32
Total shares pledged by customers as collateral as at 31.3.2011	12,377,248	32,181	0.92
Shares acquired during the financial year	137,657,812	357,910	
Shares disposed of during the financial year	146,939,859	382,044	

<sup>1</sup> Accounting par value per share €2.60.

### (32) Related party transactions

As part of its normal business activities, the Commerzbank Group does business with related entities and persons. These include parties that are controlled but not consolidated for reasons of materiality, companies accounted for using the equity method, equity holdings, external providers of occupational pensions for employees of Commerzbank Aktiengesellschaft, key management personnel and members of their families as well as companies controlled by these persons. Key management personnel refers exclusively to members of Commerzbank Aktiengesellschaft's Board of Managing Directors and Supervisory Board.

As the guarantor of the Financial Market Stabilization Authority, which administers the Financial Market Stabilization Fund (SoFFin), the German federal government holds a stake of 25% plus one share in Commerzbank Aktiengesellschaft, which gives it the potential to exert significant influence over the Company. As a result the German federal government and entities controlled by it constitute related parties as defined by IAS 24. In the tables below we present relationships with federal government-controlled entities separately from relationships with other related parties.

Assets, liabilities and off-balance-sheet items involving related parties (excluding federal government-controlled entities) were as follows:

€m	31.3.2011	31.12.2010	Change in %
Claims on banks	537	617	-13.0
Claims on customers	1,513	1,359	11.3
Trading assets	1,450	1,285	12.8
Financial investments	79	82	-3.7
Other assets	370	298	24.2
<b>Total</b>	<b>3,949</b>	<b>3,641</b>	<b>8.5</b>
Liabilities to banks	6	5	20.0
Liabilities to customers	1,708	1,607	6.3
Trading liabilities	1,840	2,021	-9.0
Other liabilities	9	16	-43.8
<b>Total</b>	<b>3,563</b>	<b>3,649</b>	<b>-2.4</b>
<b>Off-balance-sheet items</b>			
Guarantees and collaterals granted	659	590	11.7
Guarantees and collaterals received	7	7	0.0

Trading assets and trading liabilities result largely from non-consolidated funds.

The following income and expenses arose from loan agreements with, deposits from and services provided in connection with related parties (excluding federal government-controlled entities):

€m	1.1.–31.3.2011	1.1.–31.3.2010	Change in %
<b>Income</b>			
Interest income	28	16	75.0
Commission income	1	10	-90.0
Trade	-	3	.
<b>Expenses</b>			
Interest expense	30	9	.
Commission expense	7	7	0.0
Trade	13	10	30.0
Write-downs/impairments	-	-	.

The Commerzbank Group conducts transactions with federal government-controlled entities as part of its ordinary business activities on standard market terms and conditions.

Assets and liabilities and off-balance-sheet items in connection with federal government-controlled entities changed as follows in the reporting period:

€m	31.3.2011	31.12.2010	Change in %
Cash reserve	720	1,111	-35.2
Claims on banks	286	726	-60.6
Claims on customers	3,102	2,991	3.7
Trading assets	4,468	5,040	-11.3
Financial investments	6,927	7,079	-2.1
<b>Total</b>	<b>15,503</b>	<b>16,947</b>	<b>-8.5</b>
Liabilities to banks	15,232	15,262	-0.2
Liabilities to customers	59	88	-33.0
Trading liabilities	1,367	1,951 <sup>1</sup>	-29.9
Silent participation	16,207	16,428	-1.3
<b>Total</b>	<b>32,865</b>	<b>33,729</b>	<b>-2.6</b>
<b>Off-balance-sheet items</b>			
Guarantees and collaterals granted	286	298	-4.0
Guarantees and collaterals received	5,000	5,000	0.0

<sup>1</sup> Prior-year figures restated

Income and expenses for transactions with federal government-controlled entities were as follows:

1.1.–31.3.2010   €m	Income	Expenses
Interest	117	24
Commission	-	12
Trade	2	-
Write-downs/impairments	-	-



Frankfurt am Main, May 2, 2011  
The Board of Managing Directors



Martin Blessing



Frank Annuscheit



Markus Beumer



Achim Kassow



Jochen Klösges



Michael Reuther



Stefan Schmittmann



Ulrich Sieber



Eric Strutz



Martin Zielke

## Boards of Commerzbank Aktiengesellschaft

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### Supervisory Board

**Klaus-Peter Müller**  
Chairman

**Uwe Tschäge<sup>1</sup>**  
Deputy Chairman

**Hans-Hermann Altenschmidt<sup>1</sup>**

**Dott. Sergio Balbinot**

**Dr.-Ing. Burckhard Bergmann**

**Dr. Nikolaus von Bomhard**

**Karin van Brummelen<sup>1</sup>**

**Astrid Evers<sup>1</sup>**

**Uwe Foullong<sup>1</sup>**

**Daniel Hampel<sup>1</sup>**

**Dr.-Ing. Otto Happel**

**Sonja Kasischke<sup>1</sup>**

**Prof. Dr.-Ing. Dr.-Ing. E.h.  
Hans-Peter Keitel**

**Alexandra Krieger<sup>1</sup>**

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

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

**Dr. Helmut Perlet**

**Barbara Priester<sup>1</sup>**

**Mark Roach<sup>1</sup>**  
(since January 10, 2011)

**Dr. Marcus Schenck**

**Dr. Walter Seipp**  
Honorary Chairman

<sup>1</sup> Elected by the Bank's employees.

### Board of Managing Directors

**Martin Blessing**  
Chairman

**Frank Annuscheit**

**Markus Beumer**

**Dr. Achim Kassow**

**Jochen Klösiges**

**Michael Reuther**

**Dr. Stefan Schmittmann**

**Ulrich Sieber**

**Dr. Eric Strutz**

**Martin Zielke**

## Review Report<sup>1</sup>

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### To COMMERZBANK Aktiengesellschaft, Frankfurt am Main

We have reviewed the condensed consolidated interim financial statements – comprising the statement of financial position, statement of comprehensive income, condensed statement of cash flows, statement of changes in equity and selected explanatory notes – and the interim group management report of COMMERZBANK Aktiengesellschaft, Frankfurt am Main, for the period from 1 January to 31 March, 2011 which are part of the quarterly financial report pursuant to § (Article) 37x Abs. (paragraph) 3 WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU nor that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Frankfurt am Main, May 2, 2011

PricewaterhouseCoopers  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

Peter Goldschmidt  
Wirtschaftsprüfer  
(German Public Auditor)

Stephan Erb  
Wirtschaftsprüfer  
(German Public Auditor)

<sup>1</sup> Translation of the auditor's review report issued in German language on the condensed consolidated interim financial statements prepared in German language by the management of COMMERZBANK Aktiengesellschaft, Frankfurt am Main. The German language statements are decisive.

## Significant subsidiaries and associates

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### Germany

Atlas Vermögensverwaltungs-Gesellschaft mbH,  
Bad Homburg v.d.H.

comdirect bank AG, Quickborn

Commerz Real AG, Eschborn

Deutsche Schiffsbank AG, Bremen/Hamburg

Eurohypo AG, Eschborn

Süddeutsche Industrie-Beteiligungs-GmbH, Frankfurt am Main

### Abroad

BRE Bank SA, Warsaw

Commerzbank (Eurasija) SAO, Moscow

Commerzbank Europe (Ireland), Dublin

Commerzbank International S.A., Luxembourg

Commerzbank Zrt., Budapest

Commerz Markets LLC, New York

Erste Europäische Pfandbrief- und Kommunalkreditbank AG,  
Luxembourg

Public Joint Stock Company "Bank Forum", Kiev

### Operative foreign branches

Amsterdam, Barcelona, Bratislava, Beijing, Brno (office), Brussels,  
Dubai, Hong Kong, Hradec Králové (office), Košice (office),  
London, Luxembourg, Madrid, Milan, New York, Ostrava (office),  
Paris, Plzeň (office), Prague, Shanghai, Singapore, Tianjin, Tokyo,  
Vienna, Zurich

### Representative Offices and Financial Institutions Desks

Addis Ababa, Almaty, Ashgabat, Baku, Bangkok, Beijing (FI Desk),  
Beirut, Belgrade, Brussels (Liaison Office to the European Union),  
Bucharest, Buenos Aires, Cairo, Caracas, Dubai (FI Desk),  
Ho Chi Minh City, Hong Kong (FI Desk), Istanbul, Jakarta,  
Johannesburg, Kiev, Kuala Lumpur, Lagos, Melbourne,  
Milan (FI Desk), Minsk, Moscow, Mumbai, New York (FI Desk),  
Novosibirsk, Panama City, Riga, Santiago de Chile, São Paulo,  
Seoul, Shanghai (FI Desk), Singapore (FI Desk), Taipei, Tashkent,  
Tripoli, Zagreb

## Disclaimer

### Reservation regarding forward-looking statements

This interim report contains forward-looking statements on Commerzbank's business and earnings performance, which are based upon our current plans, estimates, forecasts and expectations. The statements entail risks and uncertainties, as there are a variety of factors which influence our business and to a great extent lie beyond our sphere of influence. Above all, these include the economic situation, the state of the financial markets worldwide and possible loan losses. Actual results and developments may, therefore, diverge considerably from our current assumptions, which, for this reason, are valid only at the time of publication. We undertake no obligation to revise our forward-looking statements in the light of either new information or unexpected events.





#### 2011/2012 Financial calendar

May 6, 2011	Annual General Meeting
August 10, 2011	Interim Report Q2 2011
November 4, 2011	Interim Report Q3 2011
End-March 2012	Annual Report 2011
Early-May 2012	Interim Report Q1 2012

#### Commerzbank AG

Head Office  
Kaiserplatz  
Frankfurt am Main  
[www.commerzbank.com](http://www.commerzbank.com)

Postal address  
60261 Frankfurt am Main  
Tel. +49 (0) 69 / 136-20  
[info@commerzbank.com](mailto:info@commerzbank.com)

Investor Relations  
Tel. +49 (0) 69 / 136-2 22 55  
Fax +49 (0) 69 / 136-2 94 92  
[ir@commerzbank.com](mailto:ir@commerzbank.com)

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