

Q3/2011



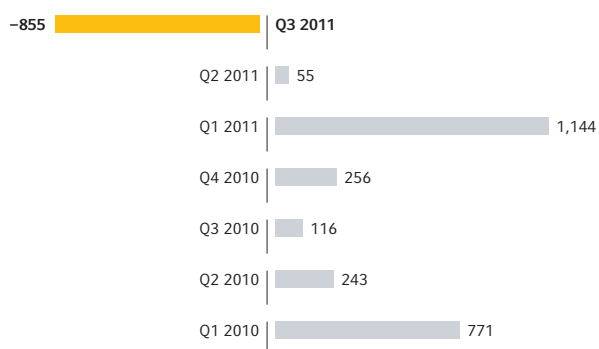
Interim Report as of September 30, 2011

Achieving more together

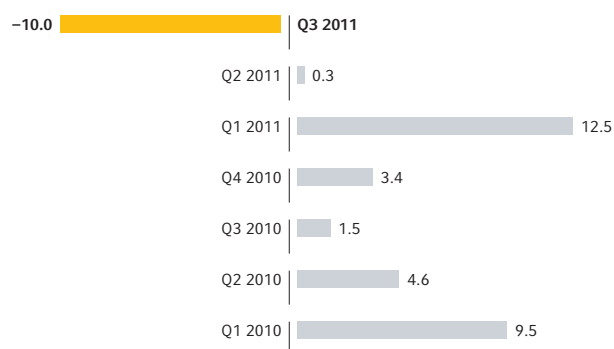
# Key figures

Income statement	1.1.–30.9.2011	1.1.–30.9.2010
Operating profit (€m)	344	1,130
Operating profit per share (€)	0.12	0.96
Pre-tax profit/loss (€m)	344	1,097
Consolidated profit/loss <sup>1</sup> (€m)	322	1,173
Earnings per share (€)	0.11	0.99
Operating return on equity <sup>2</sup> (%)	1.5	4.9
Cost/income ratio in operating business (%)	82.1	68.6
Return on equity of consolidated profit/loss <sup>1,2,3</sup> (%)	1.4	5.2
Balance sheet	30.9.2011	31.12.2010
Total assets (€bn)	738.2	754.3
Risk-weighted assets (€bn)	244.2	267.5
Equity as shown in balance sheet (€bn)	24.9	28.7
Own funds as shown in balance sheet (€bn)	41.6	45.7
Capital ratios		
Tier I capital ratio (%)	11.0	11.9
Core Tier I capital ratio <sup>4</sup> (%)	9.4	10.0
Equity Tier I capital ratio <sup>5</sup> (%)	8.6	3.9
Total capital ratio (%)	15.3	15.3
Staff	30.9.2011	30.9.2010
Germany	45,035	45,706
Abroad	13,728	14,055
Total	58,763	59,761
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. <sup>4</sup> The core Tier I capital ratio is the ratio of core Tier I capital (ordinary shares, retained earnings and silent participations) to risk-weighted assets. <sup>5</sup> The equity Tier I capital ratio is the ratio of Tier 1 capital (core Tier I capital excluding silent participations) to risk-weighted assets.

# Contents

<b>4</b>	<b>To our Shareholders</b>
4	Letter from the Chairman of the Board of Managing Directors
7	Our share
<b>9</b>	<b>Interim Management Report</b>
10	Business and overall conditions
11	Earnings performance, assets and financial position
18	Segment reporting
24	Outlook and opportunities report
28	Events after the reporting period
<b>29</b>	<b>Interim Risk Report</b>
30	Risk-oriented overall bank management
32	Default risk
46	Intensive care
48	Market risk
51	Liquidity risk
53	Operational risk
54	Other risks
<b>55</b>	<b>Interim Financial Statements</b>
56	Statement of comprehensive income
60	Balance sheet
62	Statement of changes in equity
65	Cash flow statement (condensed version)
66	Selected notes
95	Boards of Commerzbank Aktiengesellschaft
96	Review report
<b>97</b>	<b>Significant subsidiaries and associates</b>

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



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

*Dear Shareholders,*

The European sovereign debt crisis deepened in the third quarter of 2011. Most European banks had already taken write-downs on Greek sovereign bonds in the second quarter and had to do so again in the third quarter.

The uncertainty on the financial markets triggered by the sovereign debt crisis, together with the austerity policies in a number European countries, is likely to exert an increasing drag on the real economy. Germany has so far benefited from the competitiveness of its corporate sector, particularly SMEs. However, some leading economic indicators are now pointing downwards in Germany, suggesting that economic growth is likely to weaken.

The politicians are currently working on a solution to the debt crisis. The European Stability Mechanism or ESM is intended to make it possible to provide up to €750bn in guaranteed loans from the EU member states, the EFSF (European Financial Stability Facility) and the IMF. In addition the effective size of the EFSF is to be boosted further to over one trillion euro via a leverage mechanism.

Liquidity support would therefore be available if a country was unable to fund itself on the markets. However, this can only be a temporary solution. Greek government debt also needs to be restructured to reduce the country's borrowings back to a sustainable level. Private creditors, including the banks, need to contribute to this and accept a debt write-down. In this context it is important to ensure that banks have sufficient capital resources to cope with the potential consequences. These measures represent an important step towards giving the financial markets the security they need and limiting the risk of contagion to the real economy as far as possible. However, in the longer term it will be essential to reduce government deficits in Europe. Many countries still have a lot to do in this regard.

In the third quarter too, Commerzbank's results were affected by a write-down on Greek government bonds in the amount of €800m. We have written down our securities held as loans and also wrote down the securities in the available for sale portfolio to market value. We also continued to cut back our European sovereign debt portfolio in the third quarter and will continue with this process. As a result of these measures Commerzbank recorded an operating loss of €-855m in the third quarter of 2011.

After nine months of the year the performance of the core bank continues to be very satisfactory. The Mittelstandsbank has benefited from the success of German SMEs and once again made the largest contribution to Group earnings. Results improved in the Private Customer business due to the synergies from the integration of Dresdner Bank. The Central & Eastern Europe segment performed well, particularly on account of the good performance of our subsidiary BRE Bank in Poland. Our Corporates & Markets segment also reported a stable operating profit compared to the previous year in spite of challenging markets. As a result we generated a very solid operating profit of €3.0bn in the customer-facing core bank, more than double last year's level. The impact of the sovereign debt crisis was meanwhile reflected in our Asset Based Finance segment. A 52% write-down was taken on our holdings of Greek sovereign debt and the segment therefore recorded a significant loss after nine months. Together with the loss in the Portfolio Restructuring Unit segment the Group therefore recorded an operating profit of €344m for the first nine months of 2011.

As at 30 September 2011 we reported a Tier I ratio of 11.0%. The Core Tier I ratio was 9.4%. The European Banking Authority (EBA) announced new requirements for bank capital at the end of October, which will come into force from mid-2012. This gives banks some time to take appropriate action to reach the Core Tier I ratio of 9%, after valuing government bonds of the European Economic Area at market value, as required by the EBA. In its scenario the EBA has calculated a preliminary capital requirement of €2.9bn for Commerzbank to reach this ratio. We can meet the required capital ratio by, for example, reducing risk assets in non-core areas, selling non-strategic assets or by means of retained earnings and we do not intend to tap new state funds.

We continue to expect a result significantly ahead of 2010 for the core bank in the current year. However, the result at Group level will depend on developments in the European sovereign debt crisis. We have achieved some important strategic objectives in our “Roadmap 2012” programme. Alongside the good performance of the core bank, this includes the deleveraging of the balance sheet and risk assets and the integration of Dresdner Bank, with further significant potential for synergies. Due to the current market conditions, which have deteriorated markedly relative to the original assumptions as a result of the sovereign debt crisis, there is also likely to be a negative impact on the Group’s profitability next year. We continue to be committed to our original operating profit target of €4bn for the Group, but on account of the market environment we will be unable to reach this target next year. However, we do expect a good operating result for the core bank.

*Yours sincerely*  
*Martin Blessing*

Martin Blessing, Chairman of the Board of Managing Directors

## Commerzbank share price also negatively affected by European sovereign debt crisis

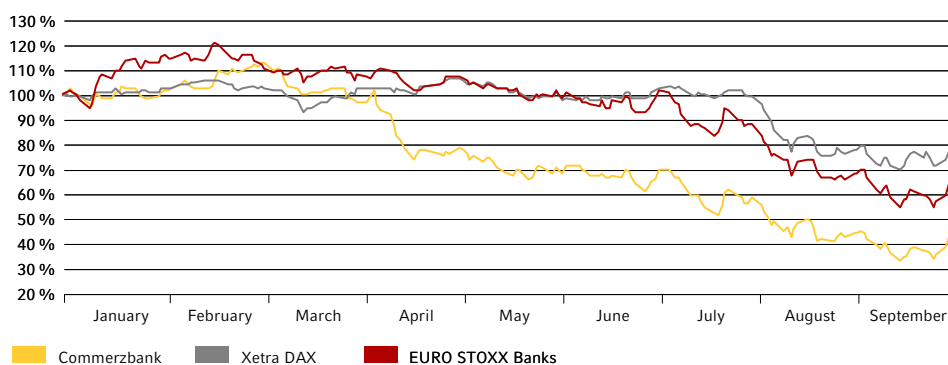
In the third quarter of 2011 all of the world's major stock market indices fell. The DAX recorded its largest quarterly loss since the autumn of 2002, falling by over 25%. The share prices of the European financial sector were hit particularly heavily and economically sensitive companies and other cyclical sectors such as commodities and construction were also among the biggest losers. Banks' credit default swap rates, which represent the cost of insuring against a credit default, rose sharply in the third quarter.

The main reasons for the heightened levels of uncertainty on the financial markets were the sovereign debt crisis, which dominated the entire third quarter, and the associated fears of a recession. The downgrade of the USA's credit rating at the beginning of August was a further shock. At the same time the markets in Europe increasingly focused on the likelihood of a Greek default and on whether the crisis would spread to other countries. The market also focused on Italy after its sovereign credit rating was downgraded. Against this whole backdrop there was extreme uncertainty among investors.

While the Commerzbank share price largely performed in line with the DAX in the first quarter, in the second quarter the share price fell by around 30%, which was largely due to the two-stage capital increase. In the third quarter the share price again performed in line with the EURO STOXX Banks index.

### Commerzbank share vs. Performance indices in the first nine months of 2010

Daily figures, 30.12.2010 = 100



In the year to date the Commerzbank share price has fallen by 57.3% from €4.45 at the end of 2010 to €1.90 at 30 September 2011. The EURO STOXX Banks was down by 34.5% and the DAX by 20.4% over the same period.

The daily turnover of Commerzbank shares – in terms of the number of shares traded – rose sharply in the first nine months of 2011 compared with the same period last year (+ 464%).

The average daily turnover of Commerzbank shares was 50.1 million (2010: 10.8 million). On the peak trading day of 18 August 162.9 million Commerzbank shares were traded on the German stock exchanges. Commerzbank's market capitalization was €9.7bn at the end of the third quarter, compared with €6.6bn at the end of 2010. The weighting of Commerzbank in the DAX was 1.82%.

At the end of the third quarter the proportion of buy recommendations by analysts who regularly report on Commerzbank was 47%, while 42% recommended holding Commerzbank shares. Only 11% recommended selling or underweighting our shares, a significant decline compared with the comparable figure at the end of 2010 (42%).

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.–30.9.2011	1.1.–30.9.2010
Shares issued on September 30 in millions	5,113.4	1,181.4
<b>Xetra intraday prices in €<sup>1</sup></b>		
High	5.18	5.91
Low	1.46	4.27
Closing price on September 30	1.90	4.87
<b>Daily trading volume<sup>2</sup></b> in millions		
High	165.6	35.7
Low	4.1	3.4
Average	50.1	10.8
<b>Earnings per share (EPS) in €</b>	0.11	0.99
<b>Book value per share<sup>3</sup> in €</b> on September 30	4.19	8.61
<b>Market value/book value</b> on September 30 <sup>1</sup>	0.45	0.57

<sup>1</sup> For comparative purposes the share price for all periods before 8 June 2011 has been adjusted for the effect of the subscription rights issued in the course of the capital increase.

<sup>2</sup> Total on all German stock exchanges.

<sup>3</sup> Excluding silent participations and minority interests.



10	Business and overall conditions
11	Earnings performance, assets and financial position
18	Segment reporting
24	Outlook and opportunities report
28	Events after the reporting period

# Interim Management Report

## **10 Business and overall conditions**

- 10 Overall economic situation
- 10 Important business policy events

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

- 12 Income statement
- 13 Balance sheet
- 15 Funding and liquidity
- 17 Key figures

## **18 Segment reporting**

- 18 Private Customers
- 19 Mittelstandsbank
- 20 Central & Eastern Europe
- 20 Corporates & Markets
- 21 Asset Based Finance
- 22 Portfolio Restructuring Unit
- 23 Others and Consolidation

## **24 Outlook and opportunities report**

- 24 Future economic situation
- 24 Future situation in the banking sector
- 25 Financial outlook
- 27 General statement on the outlook for the Group

## **28 Events after the reporting period**

## Business and overall conditions

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### Overall economic situation

The recovery in the world economy which was on track until mid-year weakened noticeably in the third quarter. Even in the emerging market economies there are growing signs that economic growth, which has until now outpaced the industrialised countries by a considerable margin, is slowing appreciably.

The situation has improved a little in both Japan and the USA. Japan has recovered surprisingly quickly from the disruption to output after the earthquake in March; in August industrial production was already almost back to the level of the beginning of the year. In the US total output barely increased in the first half of the year, but the economy is unlikely to fall into recession, as feared by some in the markets. Instead growth looks set to rebound in the third quarter.

The situation in the euro area and Germany, however, has deteriorated markedly. Business confidence has dipped significantly in recent months. This may be partly due to the weakening of demand from outside the euro area. However, the negative impact of the sovereign debt crisis, which has worsened once again since the summer, is becoming ever more inescapable. In the peripheral countries the economies are increasingly being hit by their governments' fiscal austerity. Greece and Portugal at least are already in recession and Italy and Spain are not far behind. In Germany economic growth is likely to have been robust again in the third quarter, particularly since many companies' order books are full and as a result works holiday shutdowns were often cancelled this year. However, the leading indicators are now also pointing downwards in Germany; the underlying pace of economic growth has therefore already probably slowed.

In recent months the situation on the capital markets has been largely determined by the deteriorating world economic outlook and the renewed deterioration of the sovereign debt crisis. Since the middle of the year Italy and Spain have come under increasing pressure on the financial markets. The intervention of the ECB, which has been buying these two countries' government bonds since the beginning of August, has prevented a further deterioration in the crisis for now. The impact that both any deterioration in the crisis as well as any further fiscal austerity packages could have on the real economy is causing increasing uncertainty on the financial markets. This was seen unmistakably in the third quarter: share prices fell sharply, particularly in the euro area, Bund yields reached new record lows and the euro lost ground against the US dollar.

### Important business policy events

#### Commerzbank passes European banking stress test in July 2011

In mid-July the European Banking Authority (EBA) published the results of this year's European bank stress test. As expected, Commerzbank passed the stress test. In both of the scenarios used in the test, the Bank had a Core Tier I ratio significantly above the 5% required by the EBA. The Core Tier I ratio calculated according to EBA standards was 8.9% in the baseline stress scenario, and 6.4% in the "adverse" stress scenario, the much more stringent criteria introduced in this year's stress test.

10	Business and overall conditions
11	Earnings performance, assets and financial position
18	Segment reporting
24	Outlook and opportunities report
28	Events after the reporting period

### **Wider range of products and advisory services for corporate customers**

Commerzbank has broadened its advisory offering for corporate customers with effect from 1 July 2011 by opening 65 advisory centres across Germany. The change gives corporate customers access to all their advisors in a single location. This means shorter communication paths, higher quality of advice and an improved service. These new services are a response by the Bank to the strong demand for customised solutions. The advisory centres specialise in the needs of the self-employed, business owners and companies with an annual turnover of up to €2.5m.

Commerzbank has also taken another step towards internationalising its corporate customer business. After the award of its licence by the Swiss financial regulator the Zurich branch has been able to offer the full corporate banking product range since August 2011. The Zurich branch has longstanding business relationships with Swiss companies. Until now these companies have largely been serviced from Germany. With the upgrade of the Zurich branch we can now offer the full range of services – from cash management through to investment banking – directly in Switzerland.

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

As announced a year ago Commerzbank completed the sale of its Brazilian subsidiary Dresdner Bank Brasil S.A. Banco Múltiplo to Canada's Scotiabank at the end of September. The transaction was approved by the supervisory authorities. Based in São Paulo, Banco Múltiplo is mainly focused on investment banking activities. As at the end of 2010 the bank had total assets of €237m and 37 employees. The Commerzbank representative office in São Paulo, which primarily supports the Bank's corporate customers with trade finance services and payment products, will not be affected by the transaction. Similarly unaffected is Commerzbank's Brazilian investment banking arm, with its activities in equity derivatives, commodities, currency and bond trading for private banks and institutional clients.

### **Changes in the Commerzbank Board of Managing Directors**

At its meeting on 9 August 2011 Commerzbank's supervisory board acceded to Eric Strutz's request not to extend his mandate as Chief Financial Officer, which expires at the end of March 2012. Eric Strutz has held leading functions at Commerzbank for a decade or more, first as head of Group Strategy and Controlling and then as Chief Financial Officer. He has been a member of the Commerzbank Board of Managing Directors since April 2004. Eric Strutz will continue to carry out his existing responsibilities until the end of his contract.

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

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After a very strong first quarter the European sovereign debt crisis represented a significant burden for the Commerzbank Group as the year progressed, even though the core bank segments continued to perform well. The core bank therefore achieved an operating profit of €3.0bn in the first nine months of the year. This is more than double the level in the same period last year. Rising income and a sharp fall in loan loss provisions as well as lower operating expenses contributed to this result. The core bank consists of the entire Group excluding the Asset Based Finance and Portfolio Restructuring Unit segments.

The deepening of the European sovereign debt crisis necessitated significant write-downs on Greek sovereign bonds of €1.6bn in the second and third quarters, which impacted on the Asset Based Finance segment. As a result the operating profit of the Commerzbank Group fell to only €344m in the first three quarters of 2011 compared with €1,130m in the prior-year period. Commerzbank had a stable liquidity position in the first nine months of the year. The funding plan for 2011 had already been more than met by the end of September. Commerzbank also made further progress in reducing its risk assets during the reporting period; they fell by 8.7% to €244.2bn. The public finance portfolio of the countries affected by the European debt crisis fell by €3.7bn in the first three quarters of 2011. Against the backdrop of the successful capital increase and the subsequent repayment of SoFFin's silent participation the Commerzbank Group had a Core Tier 1 ratio of 9.4% and a Tier 1 Capital ratio of 11.0% at 30 September 2011.

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

Net interest income fell by 5.0% year-on-year to €5,106m during the first nine months of this financial year. This was primarily due to the planned reduction in our public finance and commercial real estate portfolios in the Asset Based Finance segment, as well as reduced lending volumes outside Germany. In contrast, the deposit business of the Private Customers, Mittelstandsbank and CEE segments generated higher contributions than in the prior-year period thanks to an increase in margins. Income also arose from restructured loans.

The net allocation to loan loss provisions fell significantly by 47.0% compared with the same period of 2010 to €1,009m. Due to the more favourable economic conditions gross allocations remained below the levels of the previous year, while at the same time reversals were on the previous years' level. With the exception of the Corporates & Markets segment – where a net reversal was recorded in the prior year period – loan loss provisions were down substantially from the previous year's levels in all segments. In the Asset Based Finance segment loan loss provisions nevertheless remained high at €728m, owing to the persistently difficult situation in the commercial real estate business.

At €2,792m, net commission income was almost unchanged from the previous year, even though the figure for the first nine months of 2010 included income from non-strategic subsidiaries which have since been sold. A decline in commission income from the securities business was counterbalanced by higher income from restructuring of loans and from foreign trade and associated product categories.

Net trading income and net income on hedge accounting fell by 8.0% during the period under review to €1,448m. The fall was particularly marked in the Portfolio Restructuring Unit, where last year's result was boosted by disposals and write-ups, whereas a loss was recorded in 2011. The Others and Consolidation segment, by contrast, achieved a significant rise in income in Group Treasury.

10	Business and overall conditions
11	Earnings performance, assets and financial position
18	Segment reporting
24	Outlook and opportunities report
28	Events after the reporting period

The refinement of the valuation models for interest rate hedging boosted income by €324m. The Corporates & Markets segment increased its net trading income to over €1bn – in spite of the very challenging market environment in the third quarter. This resulted firstly from the strong business performance in the Equity Markets & Commodities division during the first two quarters and secondly from the valuation of own liabilities at market value in accordance with IFRS.

Net income from financial investments was badly hit by the developing European sovereign debt crisis. It came to €–2,209m, compared with €–83m in the first nine months of 2010. Our total write-down on Greek government bonds amounts to €1,558m. This includes both our holdings in the IAS 39 loans and receivables category, which we have written down by 50%, and our holdings designated as available-for-sale, which have been written down to current market value. In addition, losses were incurred on disposals during the period under review, deriving from the planned reduction of parts of the public finance portfolio in the Asset Based Finance segment. The negative result in the prior year period was also primarily caused by losses on disposals from the public finance portfolio.

Other net income rose by €389m to €407m. This was connected with the measures implemented in January to optimise the capital structure, primarily by redeeming hybrid instruments that were trading significantly below their nominal value.

Operating expenses amounted to €6,220m for the first nine months of 2011, down 6.1% on the same period of the previous year. Other operating expenses including depreciation fell by 12.0% to €2,903m, due chiefly to the lower ongoing implementation costs as expected relating to the integration of Dresdner Bank. Personnel expenses were around the same level as the previous year at €3,317m. While regular salary payments fell because of the decrease in the number of employees, expenditure on occupational pensions and performance-related remuneration increased.

As a result of the developments described above, the Commerzbank Group posted an operating profit of €344m in the first nine months of 2011, compared with €1,130m in the same period last year. Pre-tax profit also came to €344m, compared with €1,097m in the same period of 2010.

There was tax income of €54m for the period under review, compared with tax income of €115m in the first nine months of 2010. Consolidated profit after tax amounted to €398m, compared with €1,212m in the first nine months of 2010. €76m of consolidated profit after tax was attributable to non-controlling interests and €322m to Commerzbank shareholders.

Operating earnings per share amounted to €0.12 and earnings per share to €0.11. In the prior-year period the comparable figures were €0.96 and €0.99 respectively.

## Consolidated balance sheet

The total assets of the Commerzbank Group amounted to €738.2bn as at 30 September 2011. This represented a fall of 2.1% or €16.1bn compared with the year-end 2010. The decline was the result of a planned reduction in risk assets, which was largely offset by movements in market values of derivatives and increased balances at central banks.

On the assets side the reduction was mainly reflected in claims on customers and financial investments. The cash reserve rose by €8.8bn compared with year-end 2010 to €16.8bn as a result of an increase in balances held at central banks. Claims on banks fell by €8.9bn to €101.7bn as a result of a decline in business with domestic and foreign banks. Claims on customers fell by €14.8bn to €313.0bn, although there were some opposing effects here. On the one hand lending declined owing to the focus on the Bank's strategic core business, while on the other reverse repos and cash collaterals rose. Trading assets rose significantly by €14.0bn to €181.9bn compared with year-end 2010 owing to an increase in positive fair values attributable to derivative financial instruments – mainly interest rate derivatives due to the fall in interest rates. Financial investments fell by €13.0bn to €102.7bn as a result of reductions in the public finance business.

On the liabilities side the main effect was a decrease in liabilities to banks and in Eurohypo's securitised liabilities. Liabilities to banks fell by €14.4bn to €123.2bn, primarily due to a decline in money market business and sight deposits. Liabilities to customers remained virtually unchanged at €262.2bn. Securitised liabilities fell by €14.6bn to €116.8bn, largely as a result of maturing public-sector Pfandbriefe at Eurohypo. Trading liabilities rose significantly by €17.0bn to €169.4bn. As with trading assets, this rise was due to the rise in negative fair values of derivative financial instruments as a result of interest rate movements.

### Equity

Commerzbank carried out a number of capital measures during the reporting period. In the first quarter, hybrid equity investments were acquired as a contribution in kind in exchange for new Commerzbank shares in order to optimise the capital structure. A two-stage capital increase amounting to €11.0bn was executed in the second quarter. This increased the number of outstanding Commerzbank shares to 5,113.4m. The Financial Market Stabilization Fund (SoFFin) maintained its stake of 25% plus one share in Commerzbank after the transactions. Including an amount of around €3.3bn out of free regulatory capital, Commerzbank repaid a total of €14.3bn of silent participations to SoFFin. The €1.03bn one-off payment to SoFFin in connection with the repayment of its silent participations and the costs of the capital measure, which amounted to approx. €0.2bn, were recognised after tax directly in equity.

Primarily as a result of these measures the equity reported in the balance sheet at 30 September 2011 fell by 13.2% or €3.8bn compared with the year-end 2010 to €24.9bn. The capital increase triggered a significant shift in the different components of equity. In the first nine months of the year subscribed capital rose by €2.1bn to €5.1bn and the capital reserve by €9.6bn to €10.9bn. Retained earnings fell by €0.6bn to €8.7bn, largely as a result of the recognition of the compensation payment to SoFFin in equity. In contrast, the silent participations decreased significantly following their partial repayment to SoFFin, falling by €14.5bn to €2.7bn, of which the SoFFin silent participations accounted for €1.9bn.

10	Business and overall conditions
11	Earnings performance, assets and financial position
18	Segment reporting
24	Outlook and opportunities report
28	Events after the reporting period

As at 30 September 2011 the revaluation reserve fell by €0.3bn to €-2.1bn, reflecting in particular a substantial fall in the market values of Italian bonds. Together with the negative results from the cash flow hedge reserve and the currency translation reserve, this amounted to a total subtraction of €3.4bn from equity, €0.4bn more than at year-end 2010.

As at 30 September 2011, risk-weighted assets fell by €23.3bn compared with the year-end 2010 to €244.2bn, mainly owing to a decline in volumes and parameter adjustments. Regulatory Tier I capital decreased by €4.8bn compared with the end of 2010 to €27.0bn. This was again largely the result of the partial repayment of the SoFFin silent participations out of free regulatory capital of around €3.3bn and the one-off payment of €1.03bn made to SoFFin. The Tier I capital ratio continues to be stable at 11.0%, compared with 11.9% at 31 December 2010. Core Tier I capital, which is a key variable under Basel III, came to around €23.0bn, or a ratio of 9.4%. The capital increase boosted the core components of Tier I capital in particular, which pushed up the Equity Tier I capital ratio from 3.9% to 8.6%. Our Total capital ratio was 15.3% on the reporting date.

## Funding and liquidity

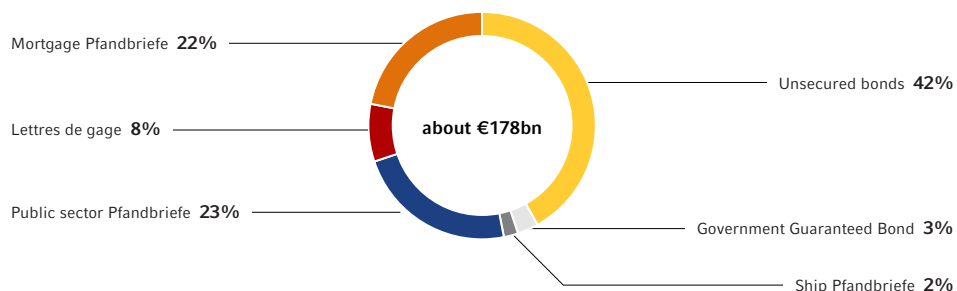
After the ECB's rate hikes in April and July this year market expectations were initially for further rate hikes, but these expectations have now reversed as a result of the deteriorating economic outlook in the euro area. In the third quarter the yield curve flattened further. As a result the spread between three-month and twelve-month Euribor fell from 61 basis points at the end of June to 53 basis points at the end of September.

Commerzbank's funding profile is actively managed by Group Treasury on the basis of regular structural analyses. In the first nine months of the year the Bank had a stable liquidity position. This was reflected in the Bank's liquidity reserve, consisting of assets eligible for central bank borrowing and balances with central banks, which amounted to €76.2bn. The regulatory provisions applicable to liquidity were complied with at all times. As at the reporting date of 30 September 2011, Commerzbank Aktiengesellschaft's key liquidity ratio according to the German Liquidity Regulation was 1.10, higher than the minimum regulatory requirement of 1.00.

Commerzbank had good access to the money and capital markets during the reporting period and was at all times able to raise the funds required for a balanced funding mix. Thanks to its conservative and forward-looking funding strategy, the Bank has not needed to draw on central bank liquidity facilities during the current financial year.

### Group capital market funding structure

as of September 30, 2011

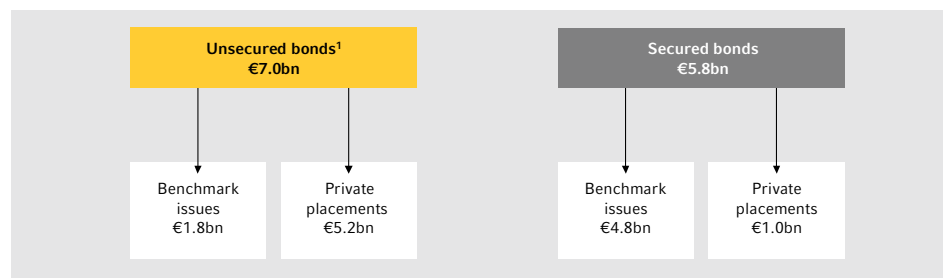


In the year to date Commerzbank again benefited from a stable deposit base in its private and corporate customer business. This has been all the more important against the backdrop of the volatile market environment in 2011. Banks' credit default swap and secondary market bond spreads widened steadily over the course of the year (with considerable fluctuations in both directions), most recently on unsecured instruments in particular. The uncertainty generated by the sovereign debt crisis was one of the main drivers of this trend.

As the Commerzbank Group focused its unsecured issues on private placements and tapped the Pfandbrief market in high volumes, the average funding spread of issues increased only slightly compared with the previous year.

### Group capital market funding in the first nine months of 2011

Volume €12.8bn



<sup>1</sup> including €1.9bn in subordinated bonds

Commerzbank was able to raise long-term funds of €12.8bn by the end of the third quarter. Of the total, €5.1bn came from senior unsecured issues, €5.8bn from Pfandbriefe and lettres de gage and €1.9bn from subordinated bonds. This means that the Commerzbank Group's overall funding needs of around €10-12bn for the full year 2011 have been met after only nine months.

In the unsecured segment Commerzbank Aktiengesellschaft increased the senior unsecured benchmark bond issued in the previous year by €500m. The Bank also placed a number of foreign currency issues denominated in currencies including the Australian dollar and Canadian dollar on the capital market, as well as a €1.25bn benchmark subordinated bond. This issue has a term of ten years and carries a coupon of 7.75% and was oversubscribed by a factor of around 3.5. The issue is an important step in optimising the Bank's long-term subordinated capital structure (Tier II) in anticipation of the transition to Basel III.



10	Business and overall conditions
11	Earnings performance, assets and financial position
18	Segment reporting
24	Outlook and opportunities report
28	Events after the reporting period

In the secured segment the issue volume in the first nine months of 2011 was focused on the following products: €5.0bn mortgage Pfandbriefe, €0.5bn public-sector Pfandbriefe, €0.2bn ship Pfandbriefe and €0.1bn lettres de gage.

Overall Eurohypo AG's benchmark issuance amounted to €4.8bn. €3.8bn of this related to three jumbo mortgage Pfandbriefe with maturities of two, three and five years. All of the issues enjoyed strong demand from foreign investors. In addition a €500m syndicated mortgage Pfandbrief with a ten-year maturity was issued in March. The Bank also topped up several existing benchmark Pfandbrief issues by a total of €500m.

### Key figures for the Commerzbank Group

The main profitability ratios of the Commerzbank Group were down significantly in the first nine months of 2011 on the same period last year, primarily as a result of the high write-downs associated with the European sovereign debt crisis. The operating return on equity fell from 4.9% in the same period of last year to 1.5%. The return on equity based on the consolidated surplus was 1.4%, compared with 5.2% in the first three quarters of 2010. Although costs were almost unchanged, the cost/income ratio rose to 82.1%. It stood at 68.6% for the same period of 2010.

## Segment reporting

The core bank produced a very satisfactory result in the first nine months of 2011, increasing operating profit by €1.7bn year-on-year to €3.0bn. However, losses were recorded outside the core bank. While the result of the Portfolio Restructuring Unit was hit by indirect effects from the European sovereign debt crisis, the significant loss in the Asset Based Finance segment derived primarily from write-downs on our holdings of Greek government bonds.

### Private Customers

€m	1.1.–30.9.2011	1.1.–30.9.2010	Change in %
Income before provisions	2,963	2,961	0.1
Loan loss provisions	110	200	-45.0
Operating expenses	2,587	2,701	-4.2
<b>Operating profit/loss</b>	<b>266</b>	<b>60</b>	<b>.</b>

In the Private Customers segment the technical integration of Dresdner Bank was completed in the first nine months of the year. This primarily involved the migration of customer and product data. In spite of the associated adjustment costs for our relationship managers in the branches, we succeeded in maintaining income almost unchanged compared with the same period a year ago. Operating profit was €266m compared with €60m in 2010. Customer numbers remained stable at 11 million.

Income before loan loss provisions remained at around the previous year's level in the first nine months of the year at €2,963m. Adjusting for the non-strategic investments we sold, income before loan loss provisions rose by around 3%. Net interest income rose by 1.9% compared with the same period last year to €1,503m, primarily driven by higher margins in the deposit business. Net commission income fell by 4.8% to €1,430m, mainly as a result of a decline in revenues from the volume-based securities business. This reflected a cautious attitude on the part of customers as a result of the uncertainty on the financial markets. The other result came to €7m in the first nine months of the year, which represented an increase of €56m compared with the same period of 2010. It included an effect from the sale of the collection agency of the former Dresdner Bank. Loan loss provisions fell by 45% to €110m, which largely reflected the stable economy in Germany. Operating expenses fell by 4.2% to €2,587m. This included a slight fall in personnel expenses by 0.5% to €1,044m; other operating expenses fell by a more substantial 14.3% to €630m. Overall the Private Customers segment posted a pre-tax profit of €266m, compared with €60m in the same period of last year.

The operating return on equity based on capital employed of €3.4bn climbed significantly to 10.6% (prior-year period: 2.3%). At 87.3%, the cost/income ratio was below the figure for the first nine months of 2010 (91.2%).

10	Business and overall conditions
11	Earnings performance, assets and financial position
18	Segment reporting
24	Outlook and opportunities report
28	Events after the reporting period

## Mittelstandsbank

€m	1.1.–30.9.2011	1.1.–30.9.2010	Change in %
Income before provisions	2,421	2,389	1.3
Loan loss provisions	34	186	-81.7
Operating expenses	1,131	1,071	5.6
<b>Operating profit/loss</b>	<b>1,256</b>	<b>1,132</b>	<b>11.0</b>

In an economic environment that remained stable compared with the first nine months of 2010, particularly in our domestic market of Germany, and against the backdrop of a stable business model and a strong customer base, the Mittelstandsbank segment increased its operating profit by 11.0% year-on-year in the first nine months of the year.

Income before loan loss provisions came to €2,421m in the period under review, which was at a similar level to the prior-year figure. While there was a very satisfactory increase in income from the direct customer business, this was offset by negative valuation effects compared with the same period last year. At €1,626m, net interest income was 4.4% higher than in the same period of 2010. The contribution made by the deposit business increased due to higher margins, but in the lending business a slight decline in volumes was not wholly compensated by an increase in margins compared with the previous year. Corporate customers remain very cautious in drawing down their credit lines. Net commission income rose to €823m as a result of strong foreign trade and higher income from related product categories, and also as a result of increasing demand from SMEs for capital market products, compared with €733m in the first three quarters of 2010. Net trading income came to €8m, down by €24m on the figure for the first nine months of 2010, largely due to remeasurement effects from credit hedge transactions contained in the 2010 result. Net investment income for the reporting period amounted to €-43m, mainly as a result of remeasurement effects on ownership interests. This compared with a figure of €41m in the previous year. Other net income amounted to €-2m compared with €25m in the prior year period.

Thanks to the robust economic environment in Germany in the first nine months of the year, net allocations to loan loss provisions were just €34m in the period under review. The prior-year result contained net allocations of €186m.

Operating expenses stood at €1,131m, up 5.6% on the previous year's figure of €1,071m. While personnel expenses rose by 8.3% year-on-year as a result of higher provisions for variable compensation and pension expenses, other operating expenses decreased by 10.0% versus the prior-year period.

Overall the Mittelstandsbank segment generated a pre-tax profit of €1,256m; compared with the same period of 2010 this represented an increase of 11.0%.

The operating return on equity based on average capital employed of €5.3bn was 31.8% (prior-year period: 27.2%). The cost/income ratio again reached an excellent level, at 46.7% (prior-year period: 44.8%).

## Central & Eastern Europe

€m	1.1.–30.9.2011	1.1.–30.9.2010	Change in %
Income before provisions	772	722	6.9
Loan loss provisions	68	313	-78.3
Operating expenses	435	427	1.9
<b>Operating profit/loss</b>	<b>269</b>	<b>-18</b>	<b>.</b>

The Central and Eastern European countries benefited from improved economic conditions in the first nine months of the year. However, the first effects of the European sovereign debt crisis also began to make themselves felt in this region in the third quarter. Against the backdrop of what is still a generally positive environment, combined with comparatively low loan loss provisions, the segment generated operating profit of €269m in the first nine months of the year, compared with €-18m in the same period in 2010.

Income before loan loss provisions increased further from what was already a high level to €772m, mainly owing to the good performance of our Polish subsidiary BRE Bank. Increased margins in the deposit business combined with higher income from lending led to a rise in net interest income at BRE. Net commission income benefited from strong product demand in the private customer business.

The good economic conditions led to a substantial fall in loan loss provisions to €68m, down from €313m in the prior-year period.

Operating expenses remained virtually unchanged at €435m compared with €427m in the same period last year.

The pre-tax profit generated by the Central & Eastern Europe segment amounted to €269m in the first nine months of 2011, up €287m on the same period of 2010.

The operating return on equity based on average capital employed of €1.7bn was 20.9% (prior-year period: -1.5%). The cost/income ratio was 56.3% compared with 59.1% in the first nine months of 2010.

## Corporates & Markets

€m	1.1.–30.9.2011	1.1.–30.9.2010	Change in %
Income before provisions	1,837	1,794	2.4
Loan loss provisions	90	-13	.
Operating expenses	1,190	1,245	-4.4
<b>Operating profit/loss</b>	<b>557</b>	<b>562</b>	<b>-0.9</b>

Conditions in the capital markets business continued to be largely driven by the European sovereign debt crisis. While in the first half of the year the effects were largely felt in the fixed income markets, in the third quarter the downgrade of the US credit rating and increased recessionary fears led to a massive increase in volatility on the global equity markets.

10	Business and overall conditions
11	Earnings performance, assets and financial position
18	Segment reporting
24	Outlook and opportunities report
28	Events after the reporting period

After a very good first half of 2011 and a weaker third quarter, largely as a result of market conditions and to a lesser extent caused by seasonal factors, the Corporates & Markets segment achieved an operating profit of €557m in the first nine months of the year, compared with €562m in the same period of 2010.

The Corporate Finance division largely maintained its income in the period under review, although the decline in primary market activity left its mark in the third quarter in particular. Income in the Equity Markets & Commodities division rose in the period under review, but fell in the third quarter compared with the previous quarter due to the difficult market environment. Fixed Income & Currencies continued to be severely impacted by the crisis, which led to reduced liquidity on the markets. The results of this division include a gain of €213m from the remeasurement of own liabilities.

As a result of the performance of the individual divisions set out above, income before loan loss provisions rose by €43m to €1,837m for the first nine months of 2011.

Loan loss provisions amounted to €90m in the first nine months of 2011. Due to reversals of provisions, income of €13m from loan loss provisions was recorded for the same period last year.

Operating expenses fell significantly in the period under review, by €55m compared with the first nine months of 2010 to €1,190m, driven mainly by cost synergies in the back office functions.

With capital employed falling by 17.9% to €3.1bn, the operating return on equity was 23.6% (prior-year period: 19.5%). The cost/income ratio was 64.8% compared with 69.4% in the same period of 2010.

## Asset Based Finance

€m	1.1.-30.9.2011	1.1.-30.9.2010	Change in %
Income before provisions	-1,384	879	.
Loan loss provisions	728	1,172	-37.9
Operating expenses	441	443	-0.5
<b>Operating profit/loss</b>	<b>-2,553</b>	<b>-736</b>	.

The ABF segment continued to be affected by the deepening European sovereign debt crisis in the third quarter. In this environment we took further write-downs on our holdings of Greek sovereign bonds in the third quarter. Reflecting our strategic decision to passively run off the public finance portfolio in a risk-sensitive manner we did not conduct any new business on the government financing markets during the period under review, except for the purposes of cover pool management and to meet contractual obligations. We also continued with our de-risking process, even if it entailed taking losses on disposal. In view of the global economic slowdown in recent months, business on the international real estate and shipping markets was very mixed. Some markets continued to improve, whereas in others – such as the Spanish real estate market, for example – conditions remained difficult. New commitments in respect of real estate lending, which is one of the main areas targeted in the asset reduction process, amounted to €2.0bn in the first three quarters compared with €3.7bn in the same period of 2010. Against the backdrop of the developments set out above the segment reported an operating loss of €2,553m in the first nine months of 2011, compared with a loss of €736m in the first nine months of 2010.

As a result of the European sovereign debt crisis income before loan loss provisions was also negative at €-1,384m, compared with income of €879m in the prior year. Net interest income amounted to €792m during the reporting period, down 12.1% from the previous year because of the asset reduction and higher funding costs. Net commission income was down 5.6% on the previous year's level at €237m due to the fall in new business volumes. Following a positive result in the equivalent period in 2010, there was a net trading loss of €74m in the first nine months of 2011 due to the valuation of derivatives in accordance with IAS 39. Net investment income amounted to €-2,348m. This mainly reflected write-downs on our Greek government bond portfolio, with losses incurred on the disposal of assets in connection with the de-risking of the public finance portfolio also having an impact.

At €728m, loan loss provisions were below last year's very high level, but they still reflected the ongoing problems in the real estate and shipping markets.

Operating expenses remained at virtually the same level as last year at €441m. The pre-tax loss was €2,553m compared with a pre-tax loss of €769m in the same period of 2010.

The operating return on equity based on average capital employed of €5.4bn was -63.0%, compared with -15.3% in the previous year.

### Portfolio Restructuring Unit

€m	1.1.-30.9.2011	1.1.-30.9.2010	Change in %
Income before provisions	-51	705	.
Loan loss provisions	-21	52	.
Operating expenses	55	83	-33.7
<b>Operating profit/loss</b>	<b>-85</b>	<b>570</b>	.

The results of the Portfolio Restructuring Unit in the first nine months of the year, and particularly in the third quarter, were driven by macroeconomic volatility, deriving primarily from the European sovereign debt crisis. This led to a negative trend in market values within parts of the structured credit portfolio. The PRU segment reported an overall operating loss of €-85m in the reporting period, compared with a profit of €570m in the same period of 2010.

Income before provisions fell year-on-year from €705m to €-51m. This was due primarily to the performance of long-dated transactions as a result of the fall in interest rates combined with an altered risk appetite on the market for the hedging counterparties of these transactions. There were also negative market valuation effects on certain portfolios. These developments were reflected in a fall in net trading income by €752m compared with the previous year.

As there was no significant need for loan loss provisions during the period, there were net reversals of loan loss provisions of €21m in the first nine months of the year. In the first nine months of 2010 net provisions of €52m were recognised.

Operating expenses totalled €55m, a fall of €28m compared with the same period last year.

10	Business and overall conditions
11	Earnings performance, assets and financial position
18	Segment reporting
24	Outlook and opportunities report
28	Events after the reporting period

The PRU segment reported a pre-tax loss of €85m in the first nine months of the year, compared with a pre-tax profit of €570m in the same period of 2010.

The overall portfolio under management at the end of the reporting period was €12.0bn, a fall of €2.1bn compared with the year-end 2010. This reduction was achieved through proactive restructuring, exploitation of market opportunities and the natural amortisation of assets.

Average capital employed came to €0.9bn, compared with €1.3bn in the first nine 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 that are not assigned to business segments, as well as Group Treasury. The costs of the service units which – except for integration and restructuring costs – are charged in full to the segments are also shown here. Consolidation includes expense and income items that represent the reconciliation of internal management reporting figures shown in segment reporting with the IFRS consolidated financial statements. The costs of the Group management units which are charged in full to the segments, except for integration and restructuring costs, are also reported under this heading.

The segment reported operating profit of €634m in the first nine months of 2011, compared with a loss of €440m in the prior-year period. Operating income before loan loss provisions rose from €206m in the first nine months of 2010 to €1,015m in the same period of 2011. The increase of €809m was mainly due to one-off effects connected with the capital measures implemented in the first quarter of 2011 to optimise the capital structure along with one-off income in Group Treasury from a refinement of the valuation models for interest rate hedging transactions in the third quarter of 2011. Income was also generated from the disposal of equity investments. The marked drop in operating expenses, which fell by €271m, was principally attributable to declining integration costs for the service and management units in connection with the “Growing Together” project. Pre-tax profit for the first nine months of 2011 was €634m, compared with a loss of €440m for the equivalent period of 2010.

## Outlook and opportunities report

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

### Future economic situation

The decline in leading indicators around the world in recent months suggests that the recovery in the world economy will continue to slow. This also applies to the emerging markets, where many central banks have raised interest rates sharply and which are also being hit by weaker demand from the industrialised countries.

Among the industrialised countries the outlook for the USA is among the most favourable. The leading indicators have stabilised here recently and the data available so far points to a moderate pace of growth. Even if the continuing economic imbalances suggest that this is unlikely to represent the beginnings of a robust recovery, the indications currently are that the US economy will not slide back into another recession.

The euro area economy, however, is likely to be increasingly hit by the sovereign debt crisis, as the peripheral countries may have to intensify their fiscal austerity even further. Combined with the high level of uncertainty as to whether or not the crisis will worsen, this is likely to hold back the economy increasingly in the entire single currency area. On top of this there is the weaker world economic backdrop. As a result the euro area economy is likely to contract in the last quarter of 2011 and the first quarter of 2012. The German economy will also continue to lose momentum; however, due to its stronger position in the world economy and its less restrictive fiscal policy it is likely to avoid recession.

The greatest risk for the economy remains an escalation in the sovereign debt crisis caused by a default by one or more euro countries. This could trigger an uncertainty shock similar to the one seen after the bankruptcy of the US investment bank Lehman Brothers and at the very least plunge the eurozone economy – and possibly even the entire world economy – into a deep recession.

In view of the fairly poor economic outlook it is not impossible that the central banks will loosen monetary policy further. As a result we do not expect any rate hikes in the USA for the foreseeable future and the ECB could even cut its base lending rate around the turn of the year. As a result of this, and also of the sovereign debt crisis which is likely to continue simmering, Bund yields are likely to remain very low over the coming year and the euro will probably continue to tend towards weakness.

### Future situation in the banking sector

Against the backdrop of the forecast economic environment set out above and the sharp increase in uncertainty on the financial markets the flight to safe assets has left the yield curve very flat in Germany. At the same time the spreads on the bonds of the European peripheral countries have risen substantially.



10	Business and overall conditions
11	Earnings performance, assets and financial position
18	Segment reporting
24	Outlook and opportunities report
28	Events after the reporting period

We continue to see the greatest risks for the banking sector in a further escalation of the European sovereign debt crisis, with a potential default by individual countries. European banks are among the main creditors of the EU states. In this context politicians have emphasized that private creditors need to play a bigger role in resolving the debt problems. If we also throw into the balance that proposed new regulations will further increase banks' capital requirements and costs – particularly in respect of their funding – the outlook for the current year and 2012 is subdued.

With the deepening of the crisis banks' confidence in each other has also dissipated again, so that the interbank market is no longer a reliable source of funding. As a result we expect competition for customer deposits to intensify further, with a corresponding impact on net interest income. As uncertainty on the financial markets is likely to remain elevated, we expect that the results from commission-based activities with private customers could also be weaker this year and next.

The incipient economic slowdown will also have an impact on business with SMEs. However, in most cases companies are in a stronger financial position than before the last crisis, particularly in Germany. Corporate bankruptcies will continue to decline in Germany in the near term. We therefore believe that the challenges facing the banks from this angle are likely to be easily manageable. However, risks in the foreign lending business are expected to increase, as economies are in many cases performing worse outside Germany.

The increased market volatility and the uncertain outlook for the future is also likely to leave its mark on investment banking. If the recessionary tendencies in many markets in the world increase the major international corporate customers will be unable to escape this trend. While the global financial groups benefited from a thriving international M&A business and large capital raisings in the first half of 2011, transaction volumes already fell significantly in the third quarter. IPOs have also been postponed due to the sharp fall in share prices. All of this will hold back the earnings potential of the commission business in investment banking.

In terms of operating expenses many banks have carried out job reduction programmes since 2008, but some institutions have already announced further cutbacks in staff. The banks are likely to seek further cost cuts via this route. A rapid fall in loan loss provisions is also currently fairly unlikely. Even if the outlook for banking profitability is therefore worse than it was only a short time ago, the sector as a whole should remain profitable – provided the European debt crisis does not escalate.

## Expected 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 our funding activities are regularly adjusted to reflect changing circumstances. The Commerzbank Group's funding structure can rely in this on 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. For 2011 as a whole the Commerzbank Group's funding needs are around €10-12bn, which has already been more than met by the end of September with €12.8bn raised by that date.

In the coming financial year maturing capital market issues will again not have to be rolled over in their entirety due to the ongoing deleveraging of the balance sheet. The original funding plan for 2012 envisages secured and unsecured issues of €8-10bn. Although the funding plan has already been met for the current financial year, we will continue to actively exploit further opportunities in the fourth quarter to reduce the volume of funding that needs to be raised next year. In this context we successfully issued a €800m 2-year bond in October.

To further diversify an already balanced funding mix in the capital market, a US dollar issuing programme has been established by Commerzbank, which will be used for an issue when the market environment is favourable.

In placing unsecured bonds, the Bank continues to rely on private placements as well as public benchmark transactions, the latter also for the purpose of selectively broadening the investor base. Secured funding is mainly through Pfandbriefe which are issued by Eurohypo AG as benchmark issues or through private placements.

Due to the ongoing debates surrounding the euro and sovereign debt crisis we expect the environment on the financial markets to remain volatile. By regularly reviewing and adjusting the assumptions we use for liquidity management, the Bank will continue to respond actively to changes in the market environment in order to secure a solid liquidity cushion and an appropriate funding structure.

#### **Planned investments**

In the period under review there has been no significant change in the planning shown on pages 155–157 of the 2010 annual report.

#### **Liquidity outlook**

After the ECB's rate hikes in April and July 2011 market expectations for further rate hikes have now reversed as a result of the deteriorating economic outlook in the euro area. However, the negative expectations for the economy in the euro area are counterbalanced by a rise in inflation, which at 3% in September was well above the ECB's upper limit of 2%. The ECB therefore faces a conflict, on the one hand to meet its primary objective of price stability, and on the other not to exacerbate the slowdown in the economy. In this highly uncertain environment the ECB decided at the beginning of October to continue or reintroduce its unconventional monetary measures, for example the 1-year tender. Base rates were not changed. We expect the ECB to continue to monitor current developments closely and take further appropriate measures quickly if necessary. In terms of providing liquidity to the banks we expect that the ECB will allocate unlimited funds in its open market operations at least until July 2012.

We expect that Commerzbank will continue to enjoy unrestricted access to secured and unsecured funding on the money and capital markets. Besides the Bank's good standing in the market, the location in a strong euro member state is a further advantage. This improves funding opportunities, and hence the funding structure. In addition the Bank benefits from its solid liquidity management. Accordingly, we expect that we will continue to be able to achieve our funding goals as planned in future.

10	Business and overall conditions
11	Earnings performance, assets and financial position
18	Segment reporting
24	Outlook and opportunities report
28	Events after the reporting period

Commerzbank is well prepared for changing market conditions. The Bank's funding strategy takes account of regulatory changes promptly and implements these accordingly. As part of the ongoing development of liquidity risk monitoring and liquidity management we are involved in working on various regulatory initiatives to harmonize international liquidity risk standards. Commerzbank is analysing the impact of the liquidity risk ratios defined in Basel III and engaging actively in constructive dialogue with the supervisory authorities.

## General statement on the outlook for the Group

The final quarter of the current financial year will depend to a large extent on developments in the European sovereign debt crisis. Macroeconomically there will be clear signs of a slow-down in the euro area and the financial markets are likely to continue to be gripped by a high level of uncertainty combined with high volatility. We therefore expect an extremely challenging environment.

This applies in particular to the ABF and PRU segments which do not belong to the bank's core business, but also to the core bank segment Corporates & Markets, whose performance is closely linked to the financial markets. Overall we believe that the uncertainties are currently so high that we cannot reliably forecast the result for the income development of the Commerzbank Group. However, we are confident that loan loss provisions for this financial year should be less than €1.7bn. For the segments ABF and PRU we expect a significant loss for the year as a whole. In contrast the core bank as a whole on the basis of its business model, should be able to profit from its customer oriented set up also in the fourth quarter. We therefore expect an operating profit for the core bank which is significantly above that for the year 2010.

The Bank already indicated in its interim report at 30 June 2011 that the profit targets for 2012 formulated in 2009 are dependent on stable market conditions. Commerzbank was originally aiming for an operating profit of €4.0bn in 2012 before adjusting for any regulatory changes, of which €3.6bn was to come from the core bank. It currently appears that the uncertainties on the markets – strongly influenced by the European debt crisis – are set to continue. Customer activities – especially in securities business – should continue to remain low and growth in the lending business is likely to remain subdued. In addition it is to be expected that funding costs will rise – particularly in the Asset Based Finance segment. This development will significantly affect the revenue development of the Commerzbank Group. Against this backdrop the Bank no longer expects that the profitability target set out in "Roadmap 2012" can be achieved in the coming year. Commerzbank does continue to expect that costs will not exceed €7.7bn, as set out in Roadmap 2012. With respect to loan loss provisions we anticipate that these will be below €1.8bn in 2012.

Commerzbank has already met a number of significant strategic targets of Roadmap 2012 in spite of the upheaval on the markets. Going forward we will continue to focus on our customer-oriented business model and on reducing risks and non-strategic assets and realising the synergies from the takeover of Dresdner Bank.

## Events after the reporting period

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The euro rescue package agreed at the EU summit on 26 October 2011 also contained a number of specific demands relating to the banks. Alongside the debt write-down of 50% on Greek sovereign debt the capital requirements for systemically relevant banks were adjusted by the European Banking Authority (EBA). In this respect the EBA requires a Core Tier I ratio of 9% including the market valuation of the sovereign government debt of the European Economic Area.

In its scenario the EBA calculated a preliminary capital requirement of €2.9bn for Commerzbank to reach this ratio. Commerzbank will provide information about the specific measures it proposes to take in order to reach the EBA target in due time.

# Interim Risk Report

## **30 Risk-oriented overall bank management**

- 30 Risk management organisation
- 30 Risk-taking capability and stress testing

## **32 Default risk**

- 32 Commerzbank Group by segment
- 38 Cross-segment portfolio analysis

## **46 Intensive care**

- 46 Loan loss provisions
- 47 Default portfolio

## **48 Market risk**

- 49 Market risk in the trading book
- 49 Market risk in the banking book
- 50 Market liquidity risk

## **51 Liquidity risk**

- 51 Management and monitoring
- 51 Quantification of liquidity risk and stress testing
- 52 Further development of liquidity risk management and Basel III

## **52 Operational risk**

## **54 Other risks**

## Risk-oriented overall bank management

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### 1 Risk management organisation

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

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

Risk management activities are split between Credit Risk Management, Market Risk Management, Intensive Care and Risk Controlling and Capital Management. 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.

Details on the risk management organisation at Commerzbank may be found 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 at all times.

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

When determining the economic capital required, allowance is made for potential unexpected fluctuations in value. Where such fluctuations exceed forecasts, they have to be covered by available economic capital to absorb unexpected losses (capital available for risk coverage). The quantification of capital available for risk coverage is based on a nuanced view of the accounting values of assets and liabilities and considers the economic evaluation 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 required, allowance is made for all types of risk classified as material by Commerzbank Group 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 reflects the effect of portfolio-specific interrelationships. The confidence level in the economic capital model is in line with the underlying gone concern assumptions and ensures the risk-taking capability concept is internally consistent.

30 Risk-oriented overall bank management

32 Default risk

46 Intensive care

48 Market risk

51 Liquidity risk

53 Operational risk

54 Other risks

Risk-taking capability at Commerzbank Group level is monitored and managed monthly. It is assessed by means of the utilisation level of the capital available for risk coverage and is taken to be assured as long as utilisation is below 100%. In 2011, the utilisation level always remained well under 100% and was 79.1% as at 30 September 2011.

Risk-taking capability Commerzbank Group   €bn	30.9.2011 <sup>2</sup>	30.6.2011 <sup>2</sup>	31.12.2010 <sup>3</sup>
<b>Capital available for risk coverage</b>	<b>29</b>	<b>33</b>	<b>36</b>
<b>Economically required capital</b>	<b>23</b>	<b>19</b>	<b>20</b>
thereof for credit risk	13	13	14
thereof for market risk	9	5	6
thereof for OpRisk	2	2	3
thereof for business risk	2	2	2
thereof diversification between risk types	-4	-3	-4
<b>Utilization level<sup>1</sup></b>	<b>79.1%</b>	<b>58.8%</b>	<b>56.8%</b>

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

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

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

Macroeconomic stress scenarios are also used to check risk-taking capability in the face of assumed adverse changes in the economic environment. The underlying scenarios, which are updated at least every quarter as part of the control process, show exceptional, but plausible negative developments in the economy and are applied across all risk types. In the scenario calculations, the input parameters for the calculation of economic capital required are simulated to reflect the forecast macroeconomic situation. In addition to the amount of capital required, the income statement is also stressed using the macroeconomic scenarios and then, based on this, changes in the capital available for risk coverage are simulated. The risk-taking capability in stress scenarios is also assessed by means of the utilisation level of the capital available for risk coverage. In 2011, the utilisation level in stress scenarios also remained below 100%. The development of our risk-taking capability and stress testing concept remains our focus.

In the following sections please find details regarding the risks Commerzbank is exposed to, beginning with the most important, namely default risk.

## Default risk

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

### **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 with a confidence level of 99.91%) as well as All-In for bulk risk are used. The credit risk parameters are distributed in the performing loan book (rating levels 1.0 – 5.8) as follows over the segments:



30 Risk-oriented overall bank management

32 Default risk

46 Intensive care

48 Market risk

51 Liquidity risk

53 Operational risk

54 Other risks

Credit risk figures by segment as at 30.9.2011	Exposure at default €bn	Expected loss €m	Risk density bp	CVaR €m
<b>Core bank</b>	<b>322</b>	<b>1,143</b>	<b>35</b>	<b>7,858</b>
Private Customers	68	251	37	734
Residential mortgage loans	36	108	30	
Investment properties	6	20	34	
Individual loans	11	64	57	
Consumer and instalment loans/ credit cards	12	54	44	
Domestic subsidiaries	2	3	17	
Foreign subsidiaries and other	1	1	6	
Mittelstandsbank	116	456	39	3,722
Financial Institutions	21	90	43	
Corporates Domestic	81	312	38	
Corporates International	14	54	39	
Central & Eastern Europe	26	210	81	675
BRE Group	22	159	72	
CB Eurasija	2	20	113	
Bank Forum	<1	20	669	
Other	2	11	58	
Corporates & Markets	71	184	26	2,020
Germany	27	55	20	
Western Europe	24	68	28	
Central and Eastern Europe	3	5	18	
North America	10	34	35	
Other	6	22	35	
Others and Consolidation	41	43	10	706
<b>Optimization – Asset Based Finance<sup>1</sup></b>	<b>192</b>	<b>689</b>	<b>36</b>	<b>4,259</b>
Commercial Real Estate	62	355	58	
Eurohypo Retail	15	23	15	
Shipping	22	199	90	
<i>thereof ship financing</i>	18	198	107	
Public Finance <sup>1</sup>	93	112	12	
<b>Downsize – PRU</b>	<b>13</b>	<b>113</b>	<b>90</b>	<b>1,111</b>
<b>Total<sup>1</sup></b>	<b>526</b>	<b>1,945</b>	<b>37</b>	<b>13,228</b>

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

Compared to the end of 2010, EaD decreased at Group level by €36bn to €526bn and EL remained virtually unchanged at €1,945m. Risk density rose slightly to 37 basis points. This does not include inflation-induced valuations of securities holdings mostly classified as loans and receivables with a volume of approximately €0.5bn.

### 1.1 Private Customers

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

Exposure in the segment mainly relates to residential mortgage loans (€36bn), investment properties (€6bn), individual loans (€11bn), and consumer loans, instalment loans and credit cards (€12bn).

On the whole, the portfolio progressed steadily in the third quarter of 2011. The risk density of the book fell slightly to 37 basis points.

In the first nine months of 2011, the credit profile in the new residential mortgage loan business improved further and made an important value contribution to the private customer portfolio. We expected a slight worsening in the macroeconomic environment by the end of the year, but are continuing with the expansion of new business in private real estate funding and business customers.

### **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 third quarter of 2011 was dominated by a gradual slowdown in global economic activity. It is currently almost impossible to predict the intensity and timing of the impact of the sovereign debt crisis on the real economy. Large sectors such as mechanical engineering and the automotive industry have still not experienced any slowdown and the level of incoming orders is still good.

In general, the current economic situation is manifesting itself in the Corporates Domestic sub-portfolio as a sideways movement within the portfolio. The positive rating migration for individual customers continued in the third quarter of 2011, albeit at a slightly slower pace. Risk density in this area stood at a value of 38 basis points as at 30 September 2011, which is still low for the Mittelstand financing area.

EaD in Corporates International changed to €14bn and EL to €54m after the first three quarters of 2011. Risk density stood at 39 basis points as at 30 September 2011. At the end of the third quarter, overall EaD in Mittelstandsbank was €116bn.

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 economic situation of the Central and Eastern European economies has been characterised by continued uncertainty as a result of the sovereign debt crisis. However, due to rigorous risk management, risk density in this segment was maintained at a stable level (81 basis points) compared to the end of 2010.

Economic growth in Poland has slowed down. Uncertainty in relation to the euro has had a negative impact on the Polish currency and the zloty has depreciated by around 9% since the end of 2010. Despite the gloomier economic outlook, we anticipate further profitable loan growth for our subsidiary, BRE Bank, primarily in corporate customer and consumer lending business, due to improvements in operational risk management.

In Russia we continue to expect stable GDP growth of 3.5% in 2011. To achieve continued stability in the quality of the portfolio, we are focusing on selected new business with blue chips in key industries. The tendency towards lower margins in the corporate sector makes it difficult to complete transactions with attractive risk/return ratios.

30 Risk-oriented overall bank management

32 Default risk

46 Intensive care

48 Market risk

51 Liquidity risk

53 Operational risk

54 Other risks

Economic momentum remains weak in Ukraine. However the risk management measures adopted have led to a continued decrease in risk density at Bank Forum. We anticipate further success in restructuring non-performing loans as a result of the Internal Restructuring Unit which was established in 2010. In this challenging market our focus remains on limiting risk, which is why new business is possible only on a very selective basis.

#### 1.4 Corporates & Markets

This segment covers client-driven capital market 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 €10bn as at 30 September 2011.

Overall, the segment's EaD fell by €7bn to €71bn versus the beginning of the year, with Markets accounting for €29bn of EaD and Corporates for €42bn. We continue to insist on high quality in trading and new lending business and expect to further reduce risk in the portfolios in 2011.

For details of 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.

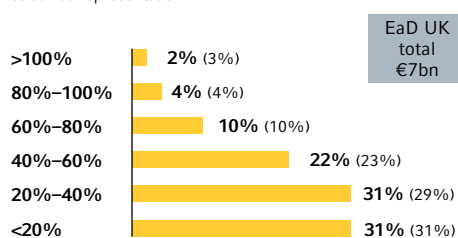
**Commercial Real Estate** Efforts to reduce existing business, mainly at Eurohypo, are ongoing. Total exposure (EaD) has been decreased by €8bn to €62bn year-to-date. The portfolio composition by type of use remains unchanged with significantly subdued levels of new business. The main components of exposure are the sub-portfolios office (€23bn), commerce (€19bn) and residential real estate (€7bn). 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 exposure reduction in the third quarter of 2011 is in particular the result of loan repayments, exchange rate fluctuations and market-related transfers to the default portfolio.

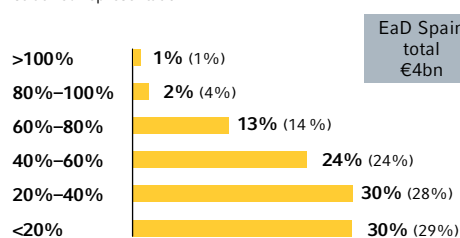
The environment for real estate markets has overall worsened. The escalation of the sovereign debt crisis, tensions in the financial markets and the expected economic slowdown in the euro zone have also had an impact on the real estate markets. While the markets continued to recover in the third quarter of 2011, albeit unevenly, the increased uncertainty is gradually being reflected in the renewed caution demonstrated by investors and users. Market players will continue to focus on prime properties. The recovery in the German real estate market identifiable so far in 2011 will lose some of its momentum in the wake of the deteriorating economic outlook. The same applies to the UK and the US, where the poor economic momentum has hindered a widespread recovery in the real estate markets. The commercial real estate markets in Spain and in Portugal are continuing to experience a period of correction, which will last at least into the beginning of next year.

Loans secured by mortgage charges have reasonable loan to value ratios.

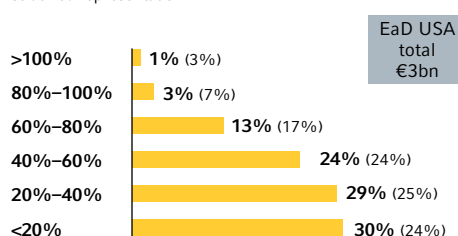
**Loan to Value – UK<sup>1</sup>**  
stratified representation



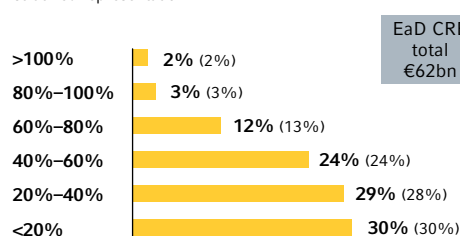
**Loan to Value – Spain<sup>1</sup>**  
stratified representation



**Loan to Value – USA<sup>1</sup>**  
stratified representation



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



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

**Eurohypo Retail** Eurohypo manages only its existing loan book (legacy portfolio). There are no strategic plans for new business activity in this area. Activities remain focused directly on portfolio reduction in a profitable manner. The exposure was cut further by almost €1bn in the third quarter of 2011 and amounted to €15bn as at 30 September 2011; the focus remains on owner-occupied houses (€9bn) and condominiums (€3bn). Given the lower loan to value ratios due to the residual terms to maturity, the risk in this portfolio is regarded as relatively low, especially against the backdrop of subdued fundamental macroeconomic data in Germany.

**Ship financing** The exposure of ship financing (including Deutsche Schiffsbank), which is largely denominated in US dollars, decreased from €21bn to €18bn compared with 31 December 2010. The focus of the portfolio remains on the three standard types of ship, namely containers (€6bn), tankers (€5bn) and bulkers (€4bn). The remaining exposure is accounted for by various special tonnages which are well diversified across the different ship segments.

The strategy of systematic risk reduction in existing portfolios resulted in a greater degree of stabilisation during the period under review. As a result of a change in methodology, however, the expected loss increased by €13m to €198m versus year-end 2010 and risk density by 17 basis points to 107 basis points.

30 Risk-oriented overall bank management

32 Default risk

46 Intensive care

48 Market risk

51 Liquidity risk

53 Operational risk

54 Other risks

The global economy continued to grow in the third quarter, albeit at a significantly slower pace. As the demand and prices for energy rise, LPG tankers and selected segments of the offshore sectors benefit from the economic climate. Strong economic growth, especially in Asian emerging markets, is likely to drive up long-term demand for marine transport. However, current economic data indicates that risks are increasing. High fleet growth and declines in transport volumes, partly caused by the weather, and the resolution of temporary effects, such as the interim storage of oil on tankers, contributed to difficulties in the bulker and tanker segment during the first nine months of this year. Charter rates in the container shipping sector did not always cover the cost of loan servicing in most size categories at the end of the third quarter. The predicted growth in the world economy of 4% in 2011 and 2012 and the resulting growth in trade, which will have a knock-on effect on transport demand, continue to be offset by the influx of newly built ships onto the market. Given the comparably low scrappage potential, it can be assumed that charter rates in the majority of shipping segments will remain under pressure.

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

**Public Finance** Commerzbank's Asset Based Finance segment holds a large proportion of Public Finance positions. The Public Finance portfolio comprises receivables and securities held in our subsidiaries Eurohypo and Erste Europäische Pfandbrief und Kommunalkreditbank (EPPK).

Borrowers in the Public Finance business (€59bn 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 (€34bn EaD), where the focus is also on Germany and Western Europe (approximately 93%). Most of the bank portfolio comprises securities/loans which to a large extent are covered by grandfathering, guarantor/institutional liability 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 and maturities but also through selective active sales.

The Public Finance portfolio, which was decreased by €20bn to €109bn in 2010, largely by using maturities and also through active portfolio reduction measures, was further reduced in the year to date and amounted to €93bn as at 30 September 2011 (including non-impaired portion of Greek bonds in LaR and AfS). We are still targeting a reduction in the Public Finance exposures to below €80bn by the end of 2014.

The future performance of the Public Finance area is currently very hard to predict, because it is strongly dependent on the further developments in the sovereign debt crisis and the associated political decisions.

### 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. These consist of structured credit positions (essentially asset-backed securities – ABSs) with a nominal value of €24.5bn as at 30 September 2011, as shown in detail in section 2.1.1.

The complete winding down of the other PRU positions (credit default swaps and tranches on pools of credit default swaps outside the strategic focus of Commerzbank) has been finalised in the second quarter of 2011.

## 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** The trend of widening spreads and increasing spread volatility which started at the end of the second quarter continued in the third quarter across all asset classes, with spreads reaching levels higher than those at the end of 2010. This was mainly caused by the unresolved European sovereign debt crisis, although the pessimistic economic outlook for the largest economies also contributed to the market trend. The resulting reluctance among potential buyers reinforced investor passivity, which is traditional during the holiday period. Against this backdrop we continued to pursue the value-maximising reduction process at a slower pace, while risk values declined from €14.4bn to €14.1bn.

Structured credit portfolio PRU	30.9.2011		30.6.2011		31.12.2010	
	Nominal values	Risk values <sup>1</sup>	Nominal values	Risk values <sup>1</sup>	Nominal values	Risk values <sup>1</sup>
€bn						
RMBS	4.3	2.4	4.5	2.6	5.1	3.0
CMBS	0.6	0.4	0.6	0.4	0.7	0.5
CDO	9.9	5.9	9.5	5.7	11.1	6.7
Other ABS	2.1	1.8	2.2	1.9	3.3	2.8
PFI/Infrastructure financing	4.2	3.6	4.1	3.6	4.3	3.8
CIRC	0.0	0.0	0.6	0.0	0.7	0.0
Other structured credit positions	3.4	0.1	2.3	0.2	3.6	0.2
<b>Total</b>	<b>24.5</b>	<b>14.1</b>	<b>23.8</b>	<b>14.4</b>	<b>29.0</b>	<b>17.1</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.

Overall we expect write-ups over the residual life of these assets, with possible future write-downs on assets such as US RMBSs and US CDOs of ABSs, which have already been written down substantially, to be more than compensated by a positive performance from other assets. This forecast is based primarily on the long period that has now passed since

30 Risk-oriented overall bank management

32 Default risk

46 Intensive care

48 Market risk

51 Liquidity risk

53 Operational risk

54 Other risks

the structures were launched, which enables a reliable assessment of the future performance of the portfolio. The following table shows the breakdown of structured credit exposures by rating, based on the risk values.

Rating breakdown structured credit portfolio   €bn	30.9.2011
AAA	1.4
AA	2.7
A	3.4
BBB	3.8
< BBB	2.9

**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 €2.4bn (31 December 2010: €3.0bn).

The holdings of direct and indirect securitisations 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 €0.5bn at the end of the reporting period (31 December 2010: €0.7bn). The mark-down ratio for US RMBSs was 74% as at 30 September 2011.

During the quarter under review, European RMBS positions (risk value of €1.5bn) showed significantly widening spreads and higher volatilities as a result of the sovereign debt crisis, particularly in the case of RMBS transactions relating to southern European countries. This market induced volatility of values is faced by expectations, based on the fundamental and transactional data, that these securitisations will mostly be repaid in full.

Rating breakdown RMBS   €bn	30.9.2011
AAA	0.8
AA	0.4
A	0.6
BBB	0.2
< BBB	0.4

**Commercial mortgage-backed securities (CMBSs)** This sub-segment contains all positions whose interest and principal are secured by commercial mortgage loans or are contractually linked to their real development. 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 30 September 2011 was just €0.4bn (31 December 2010: €0.5bn). The mark-down ratio as at 30 September 2011 was 41%.

**Collateralised debt obligations (CDOs)** This sub-segment contains all the positions whose interest and principal are secured by corporate loans and bonds or other ABSs, or which are contractually linked to their real development.

The total risk exposure for this asset class increased to €5.9bn during the third quarter of 2011 due to the effect of the US dollar appreciation (31 December 2010: €6.7bn). The largest share in this sub-segment with 51% of the risk value was accounted for by CDOs, which are predominantly based on corporate loans in the USA and Europe (CLOs). CLOs are still profiting from lower expectations of default and increased expectations of recovery in the corporate sector. Better portfolio quality and further improved investor demand, especially for senior CLO tranches, resulted in more positive fundamental valuations in this portfolio. However, this segment has also suffered in the third quarter from spread widening and increased volatility and the resulting lower market values. The mark-down ratio as at the end of the period was 13%.

A further 44% 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 was 56%, even though the securitisations held by Commerzbank consist predominantly of the most senior tranches of such CDOs.

Rating breakdown CDO   €bn	30.9.2011
AAA	0.3
AA	1.4
A	0.9
BBB	1.8
< BBB	1.5

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

The total risk value in this asset class as at 30 September 2011 was €1.8bn (31 December 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 securitised receivables from the marketing of film rights and life insurance policies. Although our expectations are currently neutral, transaction-specific structural characteristics mean that modest charges against earnings in this area cannot be completely ruled out. The mark-down ratio of the positions remaining in this sub-segment was 16% at the reporting date.

**PFI/Infrastructure financing** As at 30 September 2011 the risk value of the exposures to private finance initiatives (PFI) was €3.6bn. The portfolio consists of the private financing and the operation of public sector facilities and services, such as hospitals and water and electricity 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. The valuation takes into account the latent risk of default.



30 Risk-oriented overall bank management

32 Default risk

46 Intensive care

48 Market risk

51 Liquidity risk

53 Operational risk

54 Other risks

**Credit investment related conduits (CIRCs)/Other structured credit positions** As at 30 September 2011 there was no longer any risk exposure in this area, as Commerzbank had run down its remaining exposure during the second quarter without incurring any losses.

Other structure credit positions include engagements that are to a large extent hedged through counterparties showing a predominantly good or very good credit rating. An increase in the nominal exposure of €1.4bn during the quarter under review is attributable to existing contractual obligations as well as the increase of the US dollar against the euro. This did not result in an increase in risk values. In total the risk value of the other structured credit positions is less than €0.1bn as at the reporting date.

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

Structured credit portfolio non-PRU	30.9.2011		30.6.2011		31.12.2010	
	Nominal values	Risk values	Nominal values	Risk values	Nominal values	Risk values
€bn						
Conduit exposure	3.6	3.6	3.7	3.7	4.3	4.3
Other asset-backed exposures	6.1	5.8	5.9	5.7	6.5	6.3
<b>Total</b>	<b>9.7</b>	<b>9.4</b>	<b>9.6</b>	<b>9.4</b>	<b>10.8</b>	<b>10.6</b>

**Conduit exposure** The asset-backed commercial paper (ABCP) conduit business of Corporates & Markets, which is not managed by PRU, amounted to €3.6bn at the end of September 2011 (December 2010: €4.3bn). The fall in volumes is due to the ongoing amortisation and winding down of ABCP transactions.

In the first quarter of 2011, the two conduits sponsored by Commerzbank, Kaiserplatz and Silver Tower, were consolidated and all transactions from Kaiserplatz were transferred to Silver Tower. The majority of the reported positions consist of liquidity facilities/back-up lines granted to Silver Tower. Due to the stability of the markets, non-amortising transactions in the conduit business will continue to be fully financed by commercial papers.

In this Commerzbank sponsored conduit, Commerzbank structures, arranges and securitises almost exclusively ABS transactions of core customers of Mittelstandsbank and Corporates & Markets. However, this portfolio also contains a securitisation of in-house loan receivables, which is currently already around 90% amortised.

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 there are no recorded losses on any of these transactions. Currently Commerzbank does not see any need for loan loss provisions in respect of the liquidity facilities/back-up lines.

Rating breakdown conduits non-PRU   €bn	30.9.2011
AAA	0.0
AA	1.6
A	1.9
BBB	0.0
< BBB	0.1

**Other asset-backed exposures** Other ABS positions with a total risk exposure of 5.8bn were held mainly by Eurohypo in Public Finance (€5.0bn) and by Commerzbank Europe (Ireland) (€0.9bn). These were principally government guaranteed securities (€5.0bn), of which about €3.9bn were attributable to US Government Guaranteed Student Loans. A further €0.8bn was related to non-US RMBSs, CMBSs and other mainly European ABS papers.

**2.1.3 Originator positions** Apart from its role as investor, Commerzbank also acts as an originator of securitisations of its own customer receivables. Commerzbank and Eurohypo have in recent years securitised loan receivables from the Bank's customers with a current volume of €9.0bn, primarily for capital management purposes. As at the reporting date on 30 September 2011, risk positions of €5.3bn were retained, with by far the largest portion of these positions (€4.9bn) 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 recognised for regulatory purposes. In addition to Commerzbank's securitised 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 tradable security.

Securitization pool as at 30.9.2011   €bn	Maturity	Total volume <sup>1</sup>	Commerzbank volume <sup>1</sup>		
			Senior	Mezzanine	First loss piece
Corporates	2013–2027	4.5	4.1	0.2	0.1
MezzCap	2036	0.2	<0.1	<0.1	<0.1
RMBS	2048	0.2	<0.1	<0.1	<0.1
CMBS	2012–2084	4.1	0.8	<0.1	<0.1
<b>Total</b>		<b>9.0</b>	<b>4.9</b>	<b>0.3</b>	<b>0.1</b>

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

## 2.2 Leveraged Acquisition Finance (LAF) portfolio

Over the course of the first nine months of 2011 the EaD of the LAF portfolio has stabilised at €3.3bn. Repayments of loans in the portfolio – especially as a result of reselling the company or refinancing via high yield bonds – were offset by new business on a selective basis.

The good economic performance in our core operating markets in the first half of 2011 resulted in a further improvement in portfolio quality. The geographic focus of the portfolio still remains on Europe (94%), with a strong concentration in Germany (47%). On the whole, the portfolio companies are not particularly dependent on the developments in problem countries in the euro zone. Emphasis will continue to be placed on maintaining the diversified portfolio structure by sector and region in addition to the granularity of the credit portfolio. This will also help limit the impact on portfolio quality should the economy lose momentum going forward.

30 Risk-oriented overall bank management

32 Default risk

46 Intensive care

48 Market risk

51 Liquidity risk

53 Operational risk

54 Other risks

The uncertainty in the capital markets since July 2011 is characterised in the LAF segment in particular by a drop in new business with higher margins and tighter market liquidity. We therefore expect subdued development of the LAF business for the remainder of 2011.

Direct LAF portfolio by sector   EaD €bn	30.9.2011
Technology/Electrical industry	0.5
Financial Institutions	0.5
Consumption	0.4
Automotive/Mechanical engineering	0.4
Services/Media	0.4
Chemicals/Plastics/Healthcare	0.4
Basic materials/Energy/Metals	0.3
Transport/Tourism	0.2
Other	0.3
<b>Total</b>	<b>3.3</b>

### 2.3 Financial Institutions portfolio

In the first nine months of 2011 the focus of the financial institutions sub-portfolio continued to be on evaluation of country risks with due attention to rating aspects and their incorporation into business and risk strategy. This became even more important in the third quarter due to uncertainties surrounding the European sovereign debt situation. The emphasis in the period under review was on facilitation of new business with clients of an adequate rating level and general proactive risk reduction across the whole portfolio. The downsizing of the Financial Institutions portfolio in the area of public finance since end-2010 was largely offset by trade finance activities at Mittelstandsbank performed on behalf of our customers.

The portfolio figures have been adjusted in line with the change in the delineation of our Financial Institutions portfolio in the second quarter of 2011; exposures to selected institutions, such as the Federal Reserve Bank, the European Central Bank and selected European issuing banks, which are classified as “exceptional debtors” under our risk strategy, were excluded from the isolated version of the Financial Institutions portfolio. This exclusion resulted in a reduction of EaD in the amount of €13bn as at 30 June 2011. These exposures are still included in full in the presentation of our Group portfolio in the section “Commerzbank Group by segment”.

The NFBI portfolio continues to operate within the risk strategy framework and is conducting an increasing amount of attractive new business. The EaD of the sub-portfolio (including ABS and LAF transactions relating to NBFIs as well as NBFi assets in the PRU) fell slightly to €32bn. The outlook for the NFBI sector is largely positive and, as we anticipated, the natural disaster in Japan did not have a significant negative impact on our insurance portfolio.

FI portfolio by region as at 30.9.2011	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	19	11	6	10	20	21
Western Europe	30	39	12	14	31	22
Central and Eastern Europe	9	51	56	1	8	56
North America	2	1	4	5	47	102
Other	18	50	28	2	3	13
<b>Total</b>	<b>78</b>	<b>185</b>	<b>24</b>	<b>32</b>	<b>110</b>	<b>34</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 8% to North America. The rest is broadly diversified and is split between a large number of countries where we serve German exporters in particular or where Commerzbank has a local presence.

Portfolio by region as at 30.9.2011	Exposure at default €bn	Expected loss €m	Risk density bp
Germany	261	749	29
Western Europe	124	445	36
Central and Eastern Europe	43	291	67
North America	44	137	31
Other	54	323	60
<b>Total</b>	<b>526</b>	<b>1,945</b>	<b>37</b>

The table below shows the exposure in Greece, Ireland, Italy, Portugal and Spain based on the member state of the head office or the object.

EaD <sup>1</sup> as at 30.9.2011 €bn	Sovereign	Banks	CRE	Corporates/ Other	Total
Greece <sup>2</sup>	1.4	0.4	0.2	0.1	2.1
Ireland	0.0	0.9	0.2	0.8	1.9
Italy	7.9	1.1	2.4	2.9	14.3
Portugal	0.9	0.5	2.0	0.3	3.7
Spain	2.8	5.2	4.2	3.2	15.4

<sup>1</sup> Without exposure of ship financing.

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

In the third quarter of 2011 a write-down of €0.8bn was recognised in the income statement on the bonds issued and guaranteed by Greece. Details are shown in the Notes to the Interim Report.

30 Risk-oriented overall bank management

32 Default risk

46 Intensive care

48 Market risk

51 Liquidity risk

53 Operational risk

54 Other risks

## 2.5 Rating classification

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

Rating breakdown as at 30.9.2011   %	1.0–1.8	2.0–2.8	3.0–3.8	4.0–4.8	5.0–5.8
Private Customers	28	46	18	5	4
Mittelstandsbank	13	58	23	4	2
Central & Eastern Europe	22	39	32	5	2
Corporates & Markets	47	37	13	2	2
Asset Based Finance	31	46	15	5	2
<b>Group<sup>1</sup></b>	<b>33</b>	<b>45</b>	<b>16</b>	<b>4</b>	<b>2</b>

<sup>1</sup> Including PRU as well as 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 30.9.2011	Exposure at Default €bn	Expected Loss €m	Risk density bp
Basic materials/Energy/Metals	26	126	49
Consumption	21	106	50
Chemicals/Plastics	11	47	42
Automotive	11	34	31
Transport/Tourism	10	69	66
Technology/Electrical industry	10	40	38
Services/Media	10	53	54
Mechanical engineering	8	31	40
Construction	5	20	45
Other	18	86	48
<b>Total</b>	<b>130</b>	<b>613</b>	<b>47</b>

## Intensive care

### 1 Loan loss provisions

In the first three quarters of 2011 loan loss provisions fell by nearly one half to €1.0bn versus the prior-year period. While loan loss provisions rose in the third quarter compared to the first two quarters, at €413m they were still considerably below the level recorded in the prior-year period. The development in the segments was as follows:

Loan loss provisions   €m	2011				2010	2010				
	Q1-Q3	Q3	Q2	Q1	total	Q4	Q1-Q3	Q3	Q2	Q1
Private Customers	110	34	35	41	246	46	200	64	70	66
Mittelstandsbank	34	51	-25	8	279	93	186	-69	94	161
Central & Eastern Europe	68	32	6	30	361	48	313	127	92	94
Corporates & Markets	90	59	31	0	-27	-14	-13	6	0	-19
Asset Based Finance	728	254	233	241	1,584	412	1,172	493	354	325
Portfolio Restructuring Unit	-21	-17	-3	-1	62	10	52	2	28	22
Others and Consolidation	0	0	1	-1	-6	0	-6	-2	1	-5
<b>Total</b>	<b>1,009</b>	<b>413</b>	<b>278</b>	<b>318</b>	<b>2,499</b>	<b>595</b>	<b>1,904</b>	<b>621</b>	<b>639</b>	<b>644</b>

Loan loss provisions in Private Customers decreased by €90m in the first three quarters of 2011 compared with the prior-year period while market conditions continued to be stable. In Mittelstandsbank, loan loss provisions fell even more sharply in the reporting period. With a reduction of €152m the level recorded in the prior-year period was undershot by 80%. Releases of provisions in the first half of the year were the main driver behind this positive development. As expected, net loan loss provisions increased in the third quarter versus the previous two quarters, but at €51m were still at a low level.

In the Central & Eastern Europe segment, loan loss provisions also strongly fell in the first three quarters. Previous year's figure was undershot by €245m. The decrease was primarily attributable to Bank Forum, where a net release was recognised in the first three quarters; risk provision at BRE Bank also fell significantly in the period under review.

In the Corporates & Markets segment, where specific provisions for individual cases predominate, loan loss provisions for the first three quarters of 2011 remained moderate at €90m; this was, however, an increase on the prior-year period.

Loan loss provisions in the Asset Based Finance segment amounted to €728m in the first three quarters, down by almost €450m on the first three quarters of 2010. This noticeable decrease was attributable primarily to CRE Banking, where loan loss provisions for the US portfolio fell significantly versus the prior-year period.

The Portfolio Restructuring Unit recorded a net release of €21m in the first three quarters of 2011, driven chiefly by a cash inflow in the third quarter resulting from an individual case. Loan loss provisions in the segment shrank by €73m compared with the same period in 2010.

30	Risk-oriented overall bank management
32	Default risk
46	Intensive care
48	Market risk
51	Liquidity risk
53	Operational risk
54	Other risks

After three quarters the Group's loan loss provisions for 2011 are thus down significantly on the level of the prior-year period. This decrease was driven by developments in the first six months of the year, which were fuelled by extremely favourable economic conditions. After the expected increase in loan loss provisions for the third quarter, we anticipate a further increase in the final three months of the year. Based on current assumptions, we nevertheless forecast that for 2011 as a whole they will still be around one third below the year-earlier figure, at €1.7bn.

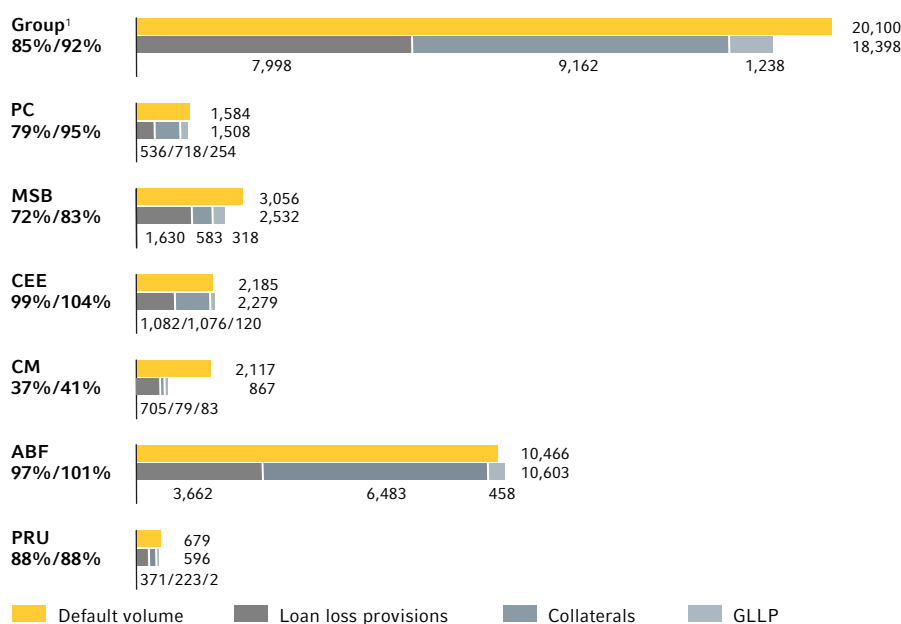
However, if we see defaults at financial institutions and a sharp economic downturn in the fourth quarter, fuelled by the continued escalation of the sovereign debt crisis, it is possible that higher loan loss provisions may be necessary under certain circumstances.

## 2 Default portfolio

The default portfolio was reduced significantly by a total of €1.6bn in the first three quarters of 2011 and amounted to €20.1bn. The portfolio includes receivables in the LaR category, but not impaired securities. The structure can be seen in detail below:

### Default portfolio and coverage ratios by segment

€m – excluding/including GLLP



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

Since the beginning of the year all segments showed a reduced default volume. The largest cutback with more than €800m was observed in the Mittelstandsbank. Other drivers were the Private Customers segment with a reduction of almost €300m and the Corporates & Markets segment, showing a decrease in default volume of more than €250m. Provided that the economic surrounding conditions do not massively worsen we currently expect the default volume to further decline.

## 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.

In the third quarter of 2011, the markets were influenced by the worsening European sovereign debt crisis. Rating agencies made further downgrades to the ratings of various states or announced rating reviews, respectively. Other factors such as the weak economic performance in some core industrial countries and global fears of recession contributed to high volatility in the markets.

This high level of uncertainty led to a flight into quality investments on the bond markets and thus to declining interest rates, in particular for German Bunds and US treasuries. By contrast, the yield on bonds from many southern European countries continued to increase significantly.

In the third quarter of 2011, this increased volatility was also evident in the equity markets and led to sharply falling prices on almost all relevant stock exchanges. This also applied to prices on the German equities market.

Due to the significant increase in volatility on the financial markets the value at risk limit for market risks in regard to economic capital exposure was temporarily exceeded on Group level during the third quarter. Through the development of measures that were approved by the Board of Managing Directors and were immediately implemented the overdraft was no longer in existence by the end of the third quarter.

On the foreign exchange markets, problems relating to the European debt crisis and expectations that the ECB would continue to hold key interest rates at a low level triggered a loss of confidence in the euro, which resulted in its devaluation against the major currencies. The Swiss franc in particular benefited from the high level of uncertainty, which led the Swiss National Bank to directly intervene on the foreign exchange market. Commodity markets were affected by record highs and severe market fluctuations in gold and precious metals.

The greatest risk for the economies of the industrialised nations still comes from an escalation of the sovereign debt crisis and therefore a recession in the euro zone during the winter months of 2011/2012 cannot be excluded. In addition it is likely that interest rates will remain low and there will be a high demand for quality investments. Yields on bunds should hit new lows by the end of the year. The interest rate advantage of US treasuries should grow due to an improving US economy.

In the foreign exchange markets, Commerzbank expects that the US dollar will make gains against the euro as a result of the widening interest rate gap. The ongoing uncertainty emanating from the sovereign debt crisis may also reduce confidence in the euro even further.

The equity markets will likely not be able to avoid the imminent recession in the euro zone. An important prerequisite for positive performance in the equity markets is the resolution of the European sovereign debt crisis.



30	Risk-oriented overall bank management
32	Default risk
46	Intensive care
<b>48</b>	<b>Market risk</b>
51	Liquidity risk
53	Operational risk
54	Other risks

On the commodity markets, precious metals should remain at a high level due to their “safe havens” status. However, Commerzbank still expects strong market fluctuations.

Against the backdrop of the market environment described above, Commerzbank does not expect a significant improvement in market risk indicators before the end of the year.

## 1 Market risk in the trading book

Commerzbank uses an overall market price risk model based on historical simulation (Hist-Sim model) to calculate value at risk<sup>1</sup> (VaR) for its internal management. This ensures that risk measurement is consistent across the whole Group.

In the third quarter of the year, the market price risk model was systematically developed and expanded to cover credit spread and ABS components. Additional components were integrated in accordance with the requirements of Basel 2.5. The main components are stressed VaR, equity event VaR and incremental risk charge. Commerzbank is thus already prepared for future regulatory model requirements. Stressed VaR is an indicator that shows how positions affected by market risk would behave in a crisis situation. In order to do this, current positions are valued with market data from a crisis period specified by the regulator. Equity event VaR is a measurement that focuses on particularly large stock price movements, such as those caused by a company default. Incremental risk charge depicts the risk relating to bond products as a result of rating downgrades and borrower defaults.

Value at risk in the trading book rose significantly in the third quarter of 2011. The increase of €65.0m to €117.6m was mainly a result of credit spread risk. Other risk classes were also affected. The sharply rising volatilities on the markets in the third quarter along with the escalating debt crisis were the main cause of the significant increase in VaR. These severe market fluctuations had a particular impact on market risk in Corporates & Markets and PRU. Credit spread risk rose by €22.7m to €58.2m in the third quarter and dominates market risk at Commerzbank. The trend was exacerbated as a result of model extensions in the third quarter.

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. In the third quarter, the model was audited by the regulators. Commerzbank expects to see results from its use of the new market price risk model for regulatory purposes during the course of the current year.

## 2 Market risk in the banking book

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

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

The diagram below documents the development of credit spread sensitivities for all securities and derivative positions (excluding loans) in Commerzbank Group in the banking book. The reduction measures mentioned above, especially in the Public Finance portfolio, and slightly lower market values due to higher interest rates in southern European countries led to a decline in credit spread sensitivity to an overall position of €72m as at 30 September 2011. Roughly 77% of credit spread sensitivity still relates to securities positions classified as loans and receivables (LaR).

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#### Credit spread sensitivities

Downshift 1 bp | €m



### 3 Market liquidity risk

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

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

In the third quarter of 2011 Commerzbank deposited €0.6bn in economic capital to cover market liquidity risk. Securities more liable to liquidity risk include in particular asset-backed securities and specific positions in the equity investment portfolio. Long-term schedules to manage down these positions have been established for both portfolios.

30	Risk-oriented overall bank management
32	Default risk
46	Intensive care
48	Market risk
51	Liquidity risk
53	Operational risk
54	Other risks

## 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 terms.

### 1 Management and monitoring

Group Treasury at Commerzbank is responsible for managing liquidity risks. Additional information on this subject can be found in the section funding and liquidity of the Interim Report. By contrast, liquidity risks occurring during the period are monitored by the independent risk function using internal liquidity risk models. Key decisions on liquidity risk management and monitoring are made by the central Asset Liability Committee. At the operating level, there are additional sub-committees which are responsible for dealing with liquidity risk issues at the local level as well as for methodological issues regarding the quantification and limitation of liquidity risks that are of lesser significance for the Group.

### 2 Quantification of liquidity risk and stress testing

Commerzbank's internal liquidity risk model mentioned above 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 from a specific date based on various scenarios. Commerzbank's available net liquidity is calculated for various stress scenarios and made up of the following three components: deterministic, i.e. contractually agreed cash flows (forward cash exposure – FCE), statistically expected economic cash flows for the relevant scenario (dynamic trade strategy – DTS), and the realisable assets in the relevant scenario (balance sheet liquidity – BSL).

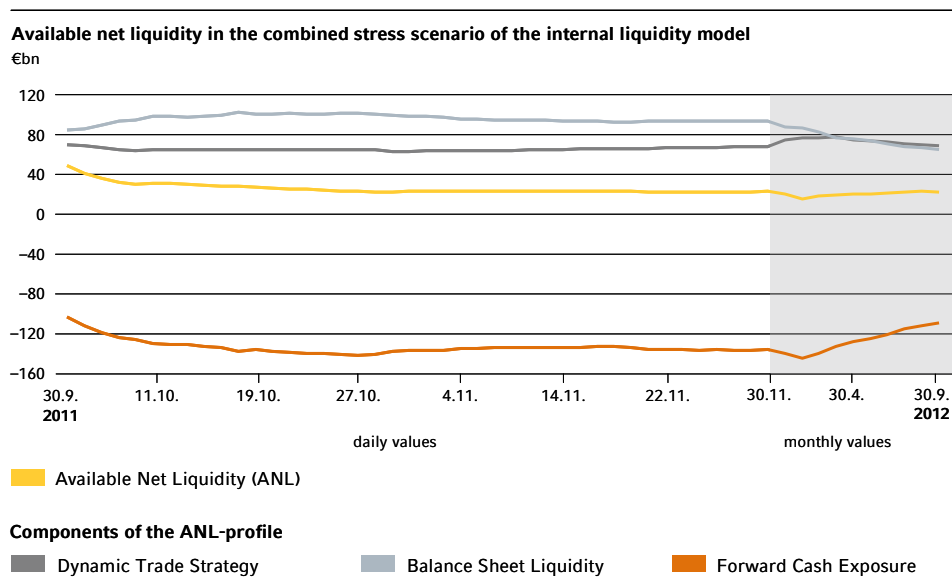
The management relevant stress scenario which underlies the modelling allows for the impact of both a bank-specific stress event and a broader market crisis when calculating liquidity and setting limits. This stress scenario is derived from the risk tolerance that is determined in accordance with the overall risk strategy and updated as required. This also includes the definition of scenarios that are no longer covered by the risk tolerance.

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

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

The described stress scenarios form the basis for detailed contingency planning. According to the separation of functions described above, the liquidity risk department 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 30 September 2011, a sufficient liquidity surplus was available throughout the period analysed.



In the first three quarters of 2011, the calculated liquidity surpluses were always above the limits set by the Board of Managing Directors, despite a market environment marked by the European debt crisis. The same applies to the fulfilment of our compliance with the external regulatory requirements of the German Liquidity Regulation. Commerzbank's refinancing situation remained unchanged in the third quarter. The various available sources of refinancing were comparable to those in previous quarters. Here, we again 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 at 30 September 2011, the volume of freely available, central bank eligible assets after haircut and included in ANL modelling as part of balance sheet liquidity was around €76.2bn.

### 3 Further development of liquidity risk management and Basel III

As part of the further development of liquidity risk monitoring and ongoing reporting, we are focusing on supporting various regulatory initiatives to harmonise international liquidity risk standards. Commerzbank takes into account the effect of the liquidity risk ratios defined in Basel III and is actively taking part in constructive dialogue with the supervisory authorities. In addition, the Bank is expanding the available analysis options for liquidity risk reporting through continuous development of its existing tools, consisting of the reporting organisation, the underlying rules and the infrastructure used.

30	Risk-oriented overall bank management
32	Default risk
46	Intensive care
48	Market risk
51	Liquidity risk
53	Operational risk
54	Other risks

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

## Operational risk

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

Due to events observed in the market in connection with manipulation in investment banking, a project was initiated aimed at auditing processes and controls in the trading environment in order to again analyse the potential risk of fraud.

The total charge to Commerzbank at the end of the third quarter of 2011 for OpRisk events (losses plus changes in provisions for operational risks and ongoing litigation) was €106m compared to €274m for the whole of 2010.

OpRisk events by segment €m	Q1-Q3 2011	Q3 2011	Q2 2011	Q1 2011	2010 total
Private Customers	70	40	12	18	132
Mittelstandsbank	10	-4	7	7	-8
Central & Eastern Europe	4	4	0	0	7
Corporates & Markets	-3	3	2	-8	14
Asset Based Finance	10	5	3	2	34
Portfolio Restructuring Unit	0	0	0	0	11
Others and Consolidation	15	11	2	2	84
<b>Group</b>	<b>106</b>	<b>59</b>	<b>26</b>	<b>21</b>	<b>274</b>

The risk weighted assets (RWA) for operational risks using the advanced measurement approach (AMA) amounted to €24.2bn as at the end of the first three quarters of 2011 (31 December 2010: €21.8bn). Of this, roughly 63% related to Private Customers and Corporates & Markets.

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

## Other risks

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

### **Disclaimer**

Commerzbank's risk measurement methods and models which are the basis for the calculation of the figures shown in this report are state-of-the-art and 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.

56	Statement of comprehensive income
60	Balance sheet
62	Statement of changes in equity
65	Cash flow statement
66	Selected notes

## Interim Financial Statements

<b>56</b>	<b>Statement of comprehensive income</b>
56	Income statement
57	Condensed statement of comprehensive income
59	Income statement (by quarter)
<b>60</b>	<b>Balance sheet</b>
<b>62</b>	<b>Statement of changes in equity</b>
<b>65</b>	<b>Cash flow statement (condensed version)</b>
<b>66</b>	<b>Selected notes</b>
66	General information
69	Notes to the income statement
80	Notes to the balance sheet
88	Other notes
<b>95</b>	<b>Boards of Commerzbank Aktiengesellschaft</b>
<b>96</b>	<b>Review Report</b>

## Statement of comprehensive income

### Income statement

€m	Notes	1.1.–30.9.2011	1.1.–30.9.2010 <sup>1</sup>	Change in %
Interest income		12,792	13,920	- 8.1
Interest expense		7,686	8,548	- 10.1
Net interest income	(1)	5,106	5,372	- 5.0
Loan loss provisions	(2)	- 1,009	- 1,904	- 47.0
Net interest income after provisions		4,097	3,468	18.1
Commission income		3,211	3,216	- 0.2
Commission expense		419	444	- 5.6
Net commission income	(3)	2,792	2,772	0.7
Net trading income	(4)	1,510	1,668	- 9.5
Net income from hedge accounting		- 62	- 94	- 34.0
Net trading income and net income from hedge accounting		1,448	1,574	- 8.0
Net investment income	(5)	- 2,209	- 83	.
Current net income from companies accounted for using the equity method		29	3	.
Other net income	(6)	407	18	.
Operating expenses	(7)	6,220	6,622	- 6.1
Impairments of goodwill and brand names		-	-	.
Restructuring expenses		-	33	- 100.0
<b>Pre-tax profit/loss</b>		<b>344</b>	<b>1,097</b>	<b>- 68.6</b>
Taxes on income	(8)	- 54	- 115	- 53.0
<b>Consolidated profit/loss</b>		<b>398</b>	<b>1,212</b>	<b>- 67.2</b>
Consolidated profit/loss attributable to non-controlling interests		76	39	94.9
Consolidated profit/loss attributable to Commerzbank shareholders		322	1,173	- 72.5

<sup>1</sup>Prior-year figures restated (see page 66).

Earnings per share   €	1.1.–30.9.2011	1.1.–30.9.2010	Change in %
Earnings per share	0.11	0.99	- 88.9

Earnings per share, calculated in accordance with IAS 33, are based on the consolidated profit/loss attributable to Commerzbank shareholders. No conversion or option rights

were outstanding in the current year or comparable prior-year period. The figure for diluted earnings was therefore identical to the undiluted figure.



56	Statement of comprehensive income
60	Balance sheet
62	Statement of changes in equity
65	Cash flow statement
66	Selected notes

## Condensed statement of comprehensive income

€m	1.1.–30.9.2011	1.1.–30.9.2010	Change in %
Consolidated profit/loss	398	1,212	- 67.2
Change in revaluation reserve			
Reclassified to income statement	350	- 66	.
Change in value not recognised in income statement	- 667	- 104	.
Change in cash flow hedge reserve			
Reclassified to income statement	174	212	- 17.9
Change in value not recognised in income statement	- 18	- 61	- 70.5
Change in currency translation reserve			
Reclassified to income statement	1	21	- 95.2
Change in value not recognised in income statement	- 248	165	.
Change in companies accounted for using the equity method	- 2	1	.
Other comprehensive income	- 410	168	.
<b>Total comprehensive income</b>	<b>- 12</b>	<b>1,380</b>	<b>.</b>
Comprehensive income attributable to non-controlling interests	23	112	- 79.5
Comprehensive income attributable to Commerzbank shareholders	- 35	1,268	.

3 <sup>rd</sup> Quarter   €m	1.7.–30.9.2011	1.7.–30.9.2010	Change in %
Consolidated profit/loss	- 664	135	.
Change in revaluation reserve			
Reclassified to income statement	180	- 61	.
Change in value not recognised in income statement	- 935	274	.
Change in cash flow hedge reserve			
Reclassified to income statement	51	82	- 37.8
Change in value not recognised in income statement	- 37	- 10	.
Change in currency translation reserve			
Reclassified to income statement	1	21	- 95.2
Change in value not recognised in income statement	- 76	- 194	- 60.8
Change in companies accounted for using the equity method	- 1	- 1	0.0
Other comprehensive income	- 817	111	.
<b>Total comprehensive income</b>	<b>- 1,481</b>	<b>246</b>	<b>.</b>
Comprehensive income attributable to non-controlling interests	- 38	57	.
Comprehensive income attributable to Commerzbank shareholders	- 1,443	189	.

Other comprehensive income   €m	1.1.–30.9.2011			1.1.–30.9.2010		
	Before taxes	Taxes	After taxes	Before taxes	Taxes	After taxes
Change in revaluation reserve	- 382	65	- 317	- 240	70	- 170
Change in cash flow hedge reserve	234	- 78	156	219	- 68	151
Change in currency translation reserve	- 247	-	- 247	186	-	186
Change in companies accounted for using the equity method	- 2	-	- 2	1	-	1
<b>Other comprehensive income</b>	<b>- 397</b>	<b>- 13</b>	<b>- 410</b>	<b>166</b>	<b>2</b>	<b>168</b>

The breakdown of other comprehensive income for the third quarter of 2011 was as follows:

Other comprehensive income   €m	1.7.–30.9.2011			1.7.–30.9.2010		
	Before taxes	Taxes	After taxes	Before taxes	Taxes	After taxes
Change in revaluation reserve	- 1,007	252	- 755	220	- 7	213
Change in cash flow hedge reserve	36	- 22	14	92	- 20	72
Change in currency translation reserve	- 75	-	- 75	- 173	-	- 173
Change in companies accounted for using the equity method	- 1	-	- 1	- 1	-	- 1
<b>Other comprehensive income</b>	<b>- 1,047</b>	<b>230</b>	<b>- 817</b>	<b>138</b>	<b>- 27</b>	<b>111</b>

56	Statement of comprehensive income
60	Balance sheet
62	Statement of changes in equity
65	Cash flow statement
66	Selected notes

## Income statement (by quarter)

€m	2011			2010 <sup>1</sup>			
	3 <sup>rd</sup> quarter	2 <sup>nd</sup> quarter	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	1,589	1,790	1,727	1,682	1,633	1,853	1,886
Loan loss provisions	- 413	- 278	- 318	- 595	- 621	- 639	- 644
Net interest income after provisions	1,176	1,512	1,409	1,087	1,012	1,214	1,242
Net commission income	844	928	1,020	875	870	905	997
Net trading income	298	664	548	384	445	358	865
Net income from hedge accounting	55	- 88	- 29	0	- 23	- 42	- 29
Net trading income and net income from hedge accounting	353	576	519	384	422	316	836
Net investment income	- 1,267	- 954	12	191	- 24	60	- 119
Current net income from companies accounted for using the equity method	16	13	0	32	- 5	6	2
Other net income	59	10	338	- 149	26	- 30	22
Operating expenses	2,036	2,030	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>- 855</b>	<b>55</b>	<b>1,144</b>	<b>256</b>	<b>116</b>	<b>210</b>	<b>771</b>
Taxes on income	- 191	2	135	- 21	- 19	- 151	55
<b>Consolidated profit/loss</b>	<b>- 664</b>	<b>53</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	23	29	24	20	22	9	8
Consolidated profit/loss attributable to Commerzbank shareholders	- 687	24	985	257	113	352	708

<sup>1</sup> Prior-year figures restated (see page 66).

## Balance sheet

Assets   €m	Notes	30.9.2011	31.12.2010	Change in %
Cash reserve		16,846	8,053	.
Claims on banks	(10,12,13)	101,682	110,616	- 8.1
of which pledged as collateral		74	94	- 21.3
Claims on customers	(11,12,13)	312,990	327,755	- 4.5
of which pledged as collateral		-	-	.
Value adjustment portfolio fair value hedges		137	113	21.2
Positive fair values of derivative hedging instruments		5,193	4,961	4.7
Trading assets	(14)	181,859	167,825	8.4
of which pledged as collateral		26,412	19,397	36.2
Financial investments	(15)	102,664	115,708	- 11.3
of which pledged as collateral		37,081	22,374	65.7
Holdings in companies accounted for using the equity method		639	737	- 13.3
Intangible assets	(16)	2,997	3,101	- 3.4
Fixed assets	(17)	1,472	1,590	- 7.4
Investment properties		937	1,192	- 21.4
Assets held for sale and disposal groups		1,144	1,082	5.7
Current tax assets		447	650	- 31.2
Deferred tax assets		4,021	3,567	12.7
Other assets	(18)	5,212	7,349	- 29.1
<b>Total</b>		<b>738,240</b>	<b>754,299</b>	<b>- 2.1</b>

56 Statement of comprehensive income

60 Balance sheet

62 Statement of changes in equity

65 Cash flow statement

66 Selected notes

Liabilities and equity   €m	Notes	30.9.2011	31.12.2010	Change in %
Liabilities to banks	(19)	123,194	137,626	- 10.5
Liabilities to customers	(20)	262,193	262,827	- 0.2
Securitised liabilities	(21)	116,798	131,356	- 11.1
Value adjustment portfolio fair value hedges		835	121	.
Negative fair values of derivative hedging instruments		10,960	9,369	17.0
Trading liabilities	(22)	169,429	152,393	11.2
Provisions	(23)	4,010	4,778	- 16.1
Current tax liabilities		988	1,072	- 7.8
Deferred tax liabilities		139	222	- 37.4
Liabilities from disposal groups held for sale		480	650	- 26.2
Other liabilities	(24)	7,565	8,136	- 7.0
Subordinated capital	(25)	13,409	12,910	3.9
Hybrid capital	(26)	3,371	4,181	- 19.4
Equity		24,869	28,658	- 13.2
Subscribed capital		5,113	3,047	67.8
Capital reserve		10,923	1,302	.
Retained earnings		8,734	9,345	- 6.5
Silent participations		2,687	17,178	- 84.4
Other reserves		- 3,356	- 2,999	11.9
Total before non-controlling interests		24,101	27,873	- 13.5
Non-controlling interests		768	785	- 2.2
<b>Total</b>		<b>738,240</b>	<b>754,299</b>	<b>- 2.1</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	-	-	322	-	-318	156	-195	-35	23	-12
Consolidated profit/loss			322					322	76	398
Change in revaluation reserve					-318			-318	1	-317
Change in cash flow hedge reserve						156		156		156
Change in currency translation reserve							-193	-193	-54	-247
Change in companies accounted for using the equity method							-2	-2		-2
Dividend paid on silent participations								-		-
Dividend paid on shares								-	-26	-26
Change in accounting par value	-2,142	2,142						-		-
Capital increases	4,184	7,470						11,654		11,654
Withdrawal from retained earnings			-875					-875		-875
Decrease in silent participations				-14,491				-14,491		14,491
Change in ownership interests			4					4	-12	-8
Other changes <sup>1</sup>	24	9	-62					-29	-2	-31
<b>Equity as at 30.9.2011</b>	<b>5,113</b>	<b>10,923</b>	<b>8,734</b>	<b>2,687</b>	<b>-2,049</b>	<b>-849</b>	<b>-458</b>	<b>24,101</b>	<b>768</b>	<b>24,869</b>

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

56	Statement of comprehensive income
60	Balance sheet
62	Statement of changes in equity
65	Cash flow statement
66	Selected notes

As at 30 September 2011, €3m of the cash flow hedge reserve and €-106m of the currency translation reserve 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) for non-cash contributions; this increase was taken from authorised capital 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 instruments returned was €0.9bn and generated non-recurring income of €0.3bn within group pre-tax profit. Subscribed capital and the capital reserve each increased by €0.3bn as a result.

The Financial Market Stabilisation 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.

The capital measures announced in an ad-hoc release on 6 April 2011 and approved by the Commerzbank AGM on 6 May 2011 were as follows:

- Between 6 and 13 April 2011 Conditional Mandatory Exchangeable Notes (CoMEN) were placed with investors by means of a book building procedure. Commerzbank shareholders with the exception of SoFFin received subscription rights for this placement. All 1,004,149,984 CoMEN were successfully placed at a price of €4.25, representing a total issue volume of €4.3bn, and were automatically converted into Commerzbank shares on 12 May 2011. In order to maintain its stake of 25% plus

one share SoFFin converted silent participations in the amount of €1.4bn into 334,716,661 no-par-value shares.

- A capital increase with pre-emptive rights was carried out in June 2011 and 1,826,771,821 no-par-value shares were issued from authorised capital at a price of €2.18 per share, representing a total issue volume of €4.0bn. The shares arising from the conversion of the CoMEN in the first stage of the capital increase had pre-emptive rights for this share issue. To maintain its stake of 25% plus one share SoFFin again converted silent participations of €1.3bn into 608,923,940 no-par-value shares.

In addition to the repayment of €11.0bn of silent participations as a result of the capital measures, a further €3.27bn of silent participations were repaid to SoFFin in June out of free regulatory capital.

In connection with the capital measures a one-off payment of €1.03bn was agreed with SoFFin to compensate it for the early repayment of the silent participations. This payment is reported in equity (after deducting the resulting tax effects of €155m) as a withdrawal from retained earnings. The costs incurred for the capital increases were €181m (after deducting tax effects of €38m) which were deducted directly from the capital reserve. As the calculation of taxes is based on a provisional tax estimate for the whole of 2011, these items may still change.

As at 30 September 2011, the subscribed capital of Commerzbank Aktiengesellschaft pursuant to the Bank's articles of association stood at €5,113m and was divided into 5,113,429,053 no-par-value shares (accounting value per share €1.00). The change in the accounting par value per share from €2.60 to €1.00 was resolved at the AGM on 6 May 2011. The average number of ordinary shares issued was 2,964,190,612 (30 September 2010: 1,179,429,359).

**For information: Statement of changes in equity from 1 January to 30 September 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	-	-	1,173	-	-194	139	150	1,268	112	1,380
Consolidated profit/loss			1,173					1,173	39	1,212
Change in revaluation reserve					-194			-194	24	-170
Change in cash flow hedge reserve						139		139	12	151
Change in currency translation reserve							149	149	37	186
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>	-8	-22	70					40	78	118
<b>Equity as at 30.9.2010</b>	<b>3,063</b>	<b>1,312</b>	<b>9,121</b>	<b>17,178</b>	<b>-1,949</b>	<b>-1,084</b>	<b>-327</b>	<b>27,314</b>	<b>760</b>	<b>28,074</b>

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



56	Statement of comprehensive income
60	Balance sheet
62	Statement of changes in equity
<b>65</b>	<b>Cash flow statement</b>
66	Selected notes

## 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	1,312	- 10,815
Net cash from investing activities	10,769	7,293
Net cash from financing activities	- 3,115	- 1,015
<b>Total net cash</b>	<b>8,966</b>	<b>- 4,537</b>
Effects from exchange rate changes	- 97	98
Effects from non-controlling interests	- 76	- 39
<b>Cash and cash equivalents as at 30.9.</b>	<b>16,846</b>	<b>5,851</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 30 September 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 19 July 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) and their interpretation by the International Financial Reporting Interpretations Committee (IFRIC). 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 consolidated financial statements as at 31 December 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 1 January 2011 in the EU.

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 30 September 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 in 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 zero items are indicated by a dash.

#### Changes to accounting policies

As of 31 December 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 harmonised differing reporting structures in connection with the integration of the former Dresdner

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

56	Statement of comprehensive income
60	Balance sheet
62	Statement of changes in equity
65	Cash flow statement
66	Selected notes

## Consolidated companies

The following companies were consolidated for the first time as of 30 September 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
Hurley Investments No.3 Limited, London	100.0	0.0	1,300.4	410.3
Mandas Receivables No.1 Limited, Jersey	100.0	0.1	0.1	0.0
Mantilla Investments Limited, London	100.0	865.3	1,579.5	279.4
Premium Management Immobilien Anlagen, Frankfurt	93.4	1,105.3	1,187.7	3.5

The entities listed above were newly formed or acquired, often in the course of structured financing transactions.

We have also decided to include all active ComStage ETF funds and SICAV funds in the consolidated financial statements. This applies both to newly established funds and to those which were previously not included for materiality reasons. This led to the consolidation of a further 89 funds with equity shares of between 18.2% and 100.0%. The assets of these funds amounted to €2,956m and the liabilities to €15m. The first-time consolidations did not give rise to any goodwill requiring to be recognised as an asset.

The following companies were sold or liquidated and are therefore no longer consolidated:

- Disposals
  - Commerz Real Autoleasing GmbH, Hamburg
  - Commerz Real LeasingService GmbH&Co. KG, Hamburg
  - Dresdner Bank Brasil S.A. Banco Múltiplo, São Paulo
  - Intermarket Bank AG, Vienna
  - Magyar Factor Zrt., Budapest
  - Mantilla Investments Limited, London
  - 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
  - CoCo Finance 2006-1 plc, Dublin
  - Commerzbank Capital Ventures Management Limited, London
  - Dresdner Capital LLC III, Wilmington/Delaware
  - Dresdner Kleinwort Capital Investment Trust Limited, London
  - Idilias SPC (Silo II), George Town/Cayman Islands
  - Kaiserplatz Funding LLC, Wilmington/Delaware<sup>1</sup>
  - Kaiserplatz Holdings Ltd., St. Helier/Jersey<sup>1</sup> (sub-group including subsidiaries)
  - Kleinwort Benson (Canada) Limited, Toronto
  - Mole Finance Inc., George Town/Cayman Islands
  - Parc Continental Ltd., London
  - Portland Capital Ltd., St. Helier/Jersey
  - Shannon Capital plc., Dublin
  - Southwark Bridge Investments Ltd., London
  - Valorem LLC, New York
  - Vendome Lease S.A., Paris
  - 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 company was merged into a Commerzbank Group consolidated company during the current financial year:

- FI Pro-City Immobilien GmbH, Eschborn

The following companies:

- FM LeasingPartner GmbH, Bissendorf Kr Osnabrück
- 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

### Impact of the European sovereign debt crisis

At the emergency eurozone summit on 21 July 2011, the banks and insurance companies agreed to make a contribution to supporting Greece. According to calculations by the IIF (Institute of International Finance), the agreed bond swap led to an impairment of 21% on instruments due to mature by 2020. At the crisis summit on 26 October 2011, the heads of state and government agreed on a 50% haircut on Greek bonds. As of 30 September 2011, we therefore applied an impairment of 50% on our Greek government bonds in the loans and receivables category (LaR), and wrote down available-for-sale securities (AfS) to the lower of cost or fair market value. After the write-down, these bonds are recognised at an average of 48% of their nominal volume.

In the Commerzbank Group, the acquisition cost of Greek government bonds as at 30 September 2011 before adjusting for the total write-down of 50% was €3,007m (including accrued interest). Of this, €376m related to available-for-sale bonds and €2,631m to securities that were reclassified to the loans and receivables category in 2008 and 2009. The subsequent write-down of 50% as of 30 September 2011 totalled €1,558m. On the basis of our measurement methodology this resulted in a €1,309m write-down in the value of securities in the LaR category (€1,322m including portfolio valuation allowances made in prior years). The

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.

In addition an office building was reclassified from investment properties to assets held for sale in the second quarter of 2011.

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.

In the case of KGAL GmbH&Co. KG, Grünwald (Munich) however, the contractual negotiations with potential buyers were halted and a sale is no longer expected in the near future. As a result, the company has been accounted for using the equity method since 30 September 2011.

carrying amount of these securities was therefore €1,322m as at 30 September 2011.

The write-down under IAS 39.67 of the remaining bonds in the AfS category to the lower of cost or fair value (market value as at 30 September 2011) led to a €249m expense in the current financial year with a carrying amount of €127m as at 30 September 2011.

We also executed hedging transactions to protect our portfolio against interest rate risk and to offset the effects of fluctuations in inflation. To do so, we applied the accounting and measurement practices of IAS 39.85 ff. The remeasurement effects, totalling €404m, resulted both from the aforementioned write-downs and the partial unwinding of these financial instruments. The new total carrying value therefore stood at €494m. The partial unwinding also impacted on the derivatives used to date for hedging purposes, affecting net trading income by €-136m.

Thus, we have made adequate provision for current discernable default risks associated with the European debt crisis. Due to the continuing uncertainty in the eurozone and the potential consequences this may have for the world economy and financial markets, there is a possibility of further impacts on the Commerzbank Group in future, however.

56	Statement of comprehensive income
60	Balance sheet
62	Statement of changes in equity
65	Cash flow statement
66	Selected notes

## Notes to the income statement

### (1) Net interest income

€m	1.1.–30.9.2011	1.1.–30.9.2010 <sup>1</sup>	Change in %
Interest income	12,792	13,920	- 8.1
Interest income from lending and money market transactions and from the securities portfolio (available-for-sale)	930	909	2.3
Interest income from lending and money market transactions and from the securities portfolio (loans and receivables)	11,405	12,192	- 6.5
Interest income from lending and money market transactions and from the securities portfolio (from applying the fair value option)	95	90	5.6
Prepayment penalty fees	66	106	- 37.7
Gain on the sale of loans and receivables and repurchase of liabilities	144	1	.
Dividends from securities	40	41	- 2.4
Current net income from equity holdings and non-consolidated subsidiaries	29	72	- 59.7
Current income from assets held for sale and from investment properties	83	59	40.7
Other interest income	-	450	- 100.0
Interest expense	7,686	8,548	- 10.1
Interest expense from subordinated and hybrid capital and from securitised and other liabilities	7,084	8,072	- 12.2
Interest expense from applying the fair value option	27	56	- 51.8
Loss on the sale of loans and receivables and repurchase of liabilities	47	63	- 25.4
Current expenses from assets held for sale and from investment properties	57	50	14.0
Other interest expense	471	307	53.4
<b>Total</b>	<b>5,106</b>	<b>5,372</b>	<b>- 5.0</b>

<sup>1</sup> Prior-year figures restated (see page 66).

The unwinding effect for the period 1 January to 30 September 2011 was €163m (previous year: €176m).

## (2) Loan loss provisions

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

€m	1.1.–30.9.2011	1.1.–30.9.2010	Change in %
Allocation to provisions	-2,444	-3,448	-29.1
Reversals of provisions	1,625	1,639	-0.9
Net balance of direct write-downs, write-ups and amounts recovered on claims written-down	-190	-95	100.0
<b>Total</b>	<b>-1,009</b>	<b>-1,904</b>	<b>-47.0</b>

## (3) Net commission income

€m	1.1.–30.9.2011	1.1.–30.9.2010	Change in %
Securities transactions <sup>1</sup>	891	956	-6.8
Asset management <sup>1</sup>	111	129	-14.0
Payment transactions and foreign business	855	842	1.5
Real estate lending business	148	143	3.5
Guarantees	109	128	-14.8
Net income from syndicated business	220	182	20.9
Fiduciary transactions	4	3	33.3
Other	454	389	16.7
<b>Total<sup>2</sup></b>	<b>2,792</b>	<b>2,772</b>	<b>0.7</b>

<sup>1</sup> Prior-year figure restated.

<sup>2</sup> Of which commission expense: €419m (prior year: €444m).

## (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 remeasurement of derivative financial instruments that do not qualify for hedge accounting
- Net gain/loss from applying 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). We use basis swap spreads to value interest rate derivatives. Apart from realised and unrealised gains and losses, net trading income also includes the interest and dividend income related to trading transactions and their funding costs.

56	Statement of comprehensive income
60	Balance sheet
62	Statement of changes in equity
65	Cash flow statement
66	Selected notes

€m	1.1.–30.9.2011	1.1.–30.9.2010	Change in %
Net trading gain/loss	415	1,763	-76.5
Net gain/loss on the remeasurement of derivative financial instruments	872	-231	.
Net gain/loss from applying the fair value option	223	136	64.0
<b>Total</b>	<b>1,510</b>	<b>1,668</b>	<b>-9.5</b>

### (5) Net investment income

Net investment income contains gains/losses on disposals and remeasurement 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.–30.9.2011	1.1.–30.9.2010	Change in %
<b>Net gain/loss from interest-bearing business</b>	<b>-2,183</b>	<b>-201</b>	<b>.</b>
In the available-for-sale category	-364	-117	.
Gain on disposals (including reclassification from revaluation reserve) <sup>1</sup>	260	214	21.5
Loss on disposals (including reclassification from revaluation reserve) <sup>1</sup>	-361	-335	7.8
Net remeasurement gain/loss <sup>1</sup>	-263	4	.
In the loans and receivables category	-1,819	-84	.
Gain on disposals	6	4	50.0
Loss on disposals	-119	-88	35.2
Net remeasurement gain/loss <sup>2</sup>	-1,706	-	.
<b>Net gain/loss on equity instruments</b>	<b>-26</b>	<b>118</b>	<b>.</b>
In the available-for-sale category	85	167	-49.1
Gain on disposals (including reclassification from revaluation reserve) <sup>1</sup>	96	168	-42.9
Loss on disposals (including reclassification from revaluation reserve) <sup>1</sup>	-11	-1	.
In the available-for-sale category, measured at acquisition cost	47	-28	.
Net remeasurement gain/loss <sup>1</sup>	-47	-13	.
Net gain/loss on disposals and remeasurement of companies accounted for using the equity method	-111	-8	.
<b>Total</b>	<b>-2,209</b>	<b>-83</b>	<b>.</b>

<sup>1</sup> This includes a net €125m of reclassifications from the revaluation reserve created in the financial year 2011 (previous year: €286m).

<sup>2</sup> Includes portfolio valuation allowances of €32m (prior year: €1m) for reclassified securities.

**(6) Other income**

€m	1.1.–30.9.2011	1.1.–30.9.2010	Change in %
<b>Other material items of income</b>	<b>247</b>	<b>213</b>	<b>16.0</b>
Operating lease income	98	139	-29.5
Reversals of provisions	149	74	.
<b>Other material items of expense</b>	<b>226</b>	<b>244</b>	<b>-7.4</b>
Operating lease expenses	74	125	-40.8
Allocations to provisions	152	119	27.7
<b>Balance of sundry other income/expenses</b>	<b>386</b>	<b>49</b>	<b>.</b>
<b>Total</b>	<b>407</b>	<b>18</b>	<b>.</b>

Non-recurring income of €0.3bn relating to the capital increase in January 2011 was recognised in other income (see page 66).

**(7) Operating expenses**

€m	1.1.–30.9.2011	1.1.–30.9.2010	Change in %
Personnel expenses	3,317	3,324	-0.2
Other operating expenses	2,550	2,898	-12.0
Depreciation/amortisation of fixed assets and other intangible assets	353	400	-11.8
<b>Total</b>	<b>6,220</b>	<b>6,622</b>	<b>-6.1</b>

Operating expenses up to 30 September 2011 included integration costs of €163m (previous year: €415m).

**(8) Taxes on income**

Group tax revenue was €54m as at 30 September 2011. With pre-tax profit of €344m the Group's effective tax rate was therefore -15.7% (Group income tax rate: 30.85%). Group tax revenue stemmed mainly from the retrospective recognition of deferred tax assets in a foreign branch. The

offsetting of loss carryforwards, for which no deferred tax assets had been recognised, also helped to reduce tax. An opposite tax effect resulted from current tax expense in foreign branches and subsidiaries.



56	Statement of comprehensive income
60	Balance sheet
62	Statement of changes in equity
65	Cash flow statement
66	Selected notes

## (9) Segment reporting

Segment reporting reflects the results of the operating business segments within the Commerzbank Group. The segment information below is based on IFRS 8 Operating Segments, which adopts 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 organisational 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. In 2011, assets were allocated based on this refined customer segmentation. We have restated the prior-year comparison figures accordingly.

- The Private Customers segment set up a new staff department organisation in 2011 and now comprises the three group divisions Private Customers, Direct Banking and Credit. Customer service on the sales side remains separate for Private and Business Customers in the classic branch business and for Wealth Management for wealthy clients in Germany and abroad. The new Private Customers group division also integrates the call centre services of Commerz Direktservice GmbH for the domestic branch network. Direct Banking encompasses the activities of the comdirect bank group, while the Credit division comprises the loan processing centres for Commerzbank Aktiengesellschaft in Germany.
- The Mittelstandsbank segment is divided into the three group divisions Mittelstand Germany, Corporate Banking & International, and Financial Institutions. The Mittelstand Germany division serves small and mid-sized customers, the public sector and institutional clients. Our comprehensive service offering includes payments, flexible financing solutions, interest rate and currency management products, professional investment advisory services and innovative investment banking solutions.

In the Corporate Banking & International division we concentrate on serving corporate customers with a turnover of over €500m. Smaller companies with a strong capital market affinity or significant operations outside Germany are also included within this division and it also contains the competence centre for customers from the Renewable Energies sector. 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. 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 all Commerzbank Group customers throughout the world.

- The Central & Eastern Europe segment comprises 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 competence centre and platform for further growth in Central and Eastern Europe. As an operational management entity, it also acts as an interface between the local units and Commerzbank's central departments. The main business focus in Central and Eastern Europe is on Commerzbank's core competences in universal banking and direct banking.
- 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 comprises 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 Commercial Real Estate (CRE) Germany, CRE International, Public Finance, Real Estate Asset Management 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. Real Estate Asset Management 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. Equity holdings which are not assigned to the operating segments as well as Group Treasury are reported under Others. The costs of the service units which – except for integration and restructuring costs – are charged in full to the segments are also shown here. 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 profit/loss 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 income (operating profit/loss and pre-tax profit/loss) 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 shows the actual funding costs for business-specific equity holdings allocated to the relevant 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 is 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.

56	Statement of comprehensive income
60	Balance sheet
62	Statement of changes in equity
65	Cash flow statement
66	Selected notes

The carrying amounts of companies accounted for using the equity method were €639m (previous year: €783m) and were divided over the segments as follows: Private Customers €240m (previous year: €185m), Mittelstandsbank €100m (previous year: €40m), Corporate & Markets €31m (previous year: €18m), Asset Based Finance €187m (previous year: €465m) and Others and Consolidation €81m (previous year: €75m).

The operating expenses reported under operating profit/loss contain personnel expenses, other operating expenses as well as write-downs on fixed assets and other intangible assets. Restructuring expenses are reported

below the operating profit line in pre-tax profit/loss. 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 and 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 as of 30 September 2011 and on the comparative figures for the previous financial year.

<b>1.1.–30.9.2011</b>	Private Custo- mers	Mittel- stands- bank	Central & Eastern Europe	Corporates & Markets	Asset Based Finance	Portfolio Restruc- turing Unit	Others and Consoli- dation	Group
€m								
Net interest income	1,503	1,626	494	527	792	25	139	5,106
Loan loss provisions	-110	-34	-68	-90	-728	21	-	-1,009
Net interest income after provisions	1,393	1,592	426	437	64	46	139	4,097
Net commission income	1,430	823	165	218	237	-	-81	2,792
Net trading income and net income from hedge accounting	5	8	81	1,028	-74	-86	486	1,448
Net investment income	2	-43	11	34	-2,348	11	124	-2,209
Current net income from companies accounted for using the equity method	16	9	-	13	-14	-	5	29
Other net income	7	-2	21	17	23	-1	342	407
<i>Income before provisions</i>	<i>2,963</i>	<i>2,421</i>	<i>772</i>	<i>1,837</i>	<i>-1,384</i>	<i>-51</i>	<i>1,015</i>	<i>7,573</i>
<i>Income after provisions</i>	<i>2,853</i>	<i>2,387</i>	<i>704</i>	<i>1,747</i>	<i>-2,112</i>	<i>-30</i>	<i>1,015</i>	<i>6,564</i>
Operating expenses	2,587	1,131	435	1,190	441	55	381	6,220
<b>Operating profit/loss</b>	<b>266</b>	<b>1,256</b>	<b>269</b>	<b>557</b>	<b>-2,553</b>	<b>-85</b>	<b>634</b>	<b>344</b>
Impairments of goodwill and brand names	-	-	-	-	-	-	-	-
Restructuring expenses	-	-	-	-	-	-	-	-
<b>Pre-tax profit/loss</b>	<b>266</b>	<b>1,256</b>	<b>269</b>	<b>557</b>	<b>-2,553</b>	<b>-85</b>	<b>634</b>	<b>344</b>
<b>Assets</b>	<b>58,869</b>	<b>86,769</b>	<b>25,981</b>	<b>258,240</b>	<b>216,624</b>	<b>15,164</b>	<b>76,593</b>	<b>738,240</b>
<b>Average capital employed</b>	<b>3,355</b>	<b>5,263</b>	<b>1,714</b>	<b>3,149</b>	<b>5,407</b>	<b>906</b>	<b>11,122</b>	<b>30,916</b>
<b>Operating return on equity<sup>1</sup> (%)</b>	<b>10.6</b>	<b>31.8</b>	<b>20.9</b>	<b>23.6</b>	<b>-63.0</b>			<b>1.5</b>
<b>Cost/income ratio in operating business (%)</b>	<b>87.3</b>	<b>46.7</b>	<b>56.3</b>	<b>64.8</b>				<b>82.1</b>
<b>Return on equity of pre-tax profit/loss<sup>1</sup> (%)</b>	<b>10.6</b>	<b>31.8</b>	<b>20.9</b>	<b>23.6</b>	<b>-63.0</b>			<b>1.5</b>
Staff (average headcount)	18,663	5,171	9,588	1,815	1,715	34	17,766	54,752

<sup>1</sup> Annualised.

56	Statement of comprehensive income
60	Balance sheet
62	Statement of changes in equity
65	Cash flow statement
66	Selected notes

<b>1.1.–30.9.2010</b>	Private Customers	Mittelstands-bank	Central & Eastern Europe	Corporates & Markets	Asset Based Finance	Portfolio Restructuring Unit	Others and Consolidation	Group
€m								
Net interest income	1,475	1,558	484	547	901	62	345	5,372
Loan loss provisions	-200	-186	-313	13	-1,172	-52	6	-1,904
Net interest income after provisions	1,275	1,372	171	560	-271	10	351	3,468
Net commission income	1,502	733	153	194	251	6	-67	2,772
Net trading income and net income from hedge accounting	4	32	57	948	-23	666	-110	1,574
Net investment income	18	41	7	60	-211	-33	35	-83
Current net income from companies accounted for using the equity method	11	-	-	1	-9	-	-	3
Other net income	-49	25	21	44	-30	4	3	18
<i>Income before provisions</i>	<i>2,961</i>	<i>2,389</i>	<i>722</i>	<i>1,794</i>	<i>879</i>	<i>705</i>	<i>206</i>	<i>9,656</i>
<i>Income after provisions</i>	<i>2,761</i>	<i>2,203</i>	<i>409</i>	<i>1,807</i>	<i>-293</i>	<i>653</i>	<i>212</i>	<i>7,752</i>
Operating expenses	2,701	1,071	427	1,245	443	83	652	6,622
<b>Operating profit/loss</b>	<b>60</b>	<b>1,132</b>	<b>-18</b>	<b>562</b>	<b>-736</b>	<b>570</b>	<b>-440</b>	<b>1,130</b>
Impairments of goodwill and brand names	-	-	-	-	-	-	-	-
Restructuring expenses	-	-	-	-	33	-	-	33
<b>Pre-tax profit/loss</b>	<b>60</b>	<b>1,132</b>	<b>-18</b>	<b>562</b>	<b>-769</b>	<b>570</b>	<b>-440</b>	<b>1,097</b>
<b>Assets</b>	<b>61,191</b>	<b>84,488</b>	<b>25,748</b>	<b>327,912</b>	<b>248,086</b>	<b>18,074</b>	<b>82,390</b>	<b>847,889</b>
<b>Average capital employed</b>	<b>3,509</b>	<b>5,542</b>	<b>1,623</b>	<b>3,837</b>	<b>6,425</b>	<b>1,250</b>	<b>8,638</b>	<b>30,824</b>
<b>Operating return on equity<sup>1</sup> (%)</b>	<b>2.3</b>	<b>27.2</b>	<b>-1.5</b>	<b>19.5</b>	<b>-15.3</b>			<b>4.9</b>
<b>Cost/income ratio in operating business (%)</b>	<b>91.2</b>	<b>44.8</b>	<b>59.1</b>	<b>69.4</b>	<b>50.4</b>			<b>68.6</b>
<b>Return on equity of pre-tax profit/loss<sup>1</sup> (%)</b>	<b>2.3</b>	<b>27.2</b>	<b>-1.5</b>	<b>19.5</b>	<b>-16.0</b>			<b>4.7</b>
Staff (average headcount)	19,883	5,137	9,769	1,881	1,850	54	18,443	57,017

<sup>1</sup> Figures restated (see page 66).

<sup>2</sup> Annualised.

### Details for Others and Consolidation

€m	1.1.–30.9.2011			1.1.–30.9.2010		
	Others	Consolidation	Others and Consolidation	Others	Consolidation	Others and Consolidation
Net interest income	121	18	139	345	–	345
Loan loss provisions	–	–	–	6	–	6
Net interest income after provisions	121	18	139	351	–	351
Net commission income	–80	–1	–81	–66	–1	–67
Net trading income and net income from hedge accounting	437	49	486	–67	–43	–110
Net investment income	124	–	124	36	–1	35
Current net income from companies accounted for using the equity method	5	–	5	–	–	–
Other net income	337	5	342	9	–6	3
<i>Income before provisions</i>	<i>944</i>	<i>71</i>	<i>1,015</i>	<i>257</i>	<i>–51</i>	<i>206</i>
<i>Income after provisions</i>	<i>944</i>	<i>71</i>	<i>1,015</i>	<i>263</i>	<i>–51</i>	<i>212</i>
Operating expenses	384	–3	381	669	–17	652
<b>Operating profit/loss</b>	<b>560</b>	<b>74</b>	<b>634</b>	<b>–406</b>	<b>–34</b>	<b>–440</b>
Impairments of goodwill and brand names	–	–	–	–	–	–
Restructuring expenses	–	–	–	–	–	–
<b>Pre-tax profit/loss</b>	<b>560</b>	<b>74</b>	<b>634</b>	<b>–406</b>	<b>–34</b>	<b>–440</b>
<b>Assets</b>	<b>76,593</b>	<b>–</b>	<b>76,593</b>	<b>82,390</b>	<b>–</b>	<b>82,390</b>

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

- Remeasurement 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 remeasurement gains/losses on own bonds and 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.

56	Statement of comprehensive income
60	Balance sheet
62	Statement of changes in equity
65	Cash flow statement
66	Selected notes

### Results by geographical markets

The segmentation of results on the basis of the registered office of the branch or group company produced the following breakdown:

1.1.–30.9.2011	Germany	Europe excluding Germany	America	Asia	Others	Total
€m						
Net interest income	3,413	1,452	174	67	–	5,106
Loan loss provisions	– 507	– 561	60	– 1	–	– 1,009
Net interest income after provisions	2,906	891	234	66	–	4,097
Net commission income	2,455	272	37	28	–	2,792
Net trading income and net income from hedge accounting	877	515	31	25	–	1,448
Net investment income	– 1,936	– 277	5	– 1	–	– 2,209
Current net income from companies accounted for using the equity method	29	–	–	–	–	29
Other net income	359	51	– 8	5	–	407
<i>Income before provisions</i>	<i>5,197</i>	<i>2,013</i>	<i>239</i>	<i>124</i>	<i>–</i>	<i>7,573</i>
<i>Income after provisions</i>	<i>4,690</i>	<i>1,452</i>	<i>299</i>	<i>123</i>	<i>–</i>	<i>6,564</i>
Operating expenses	4,861	1,138	143	78	–	6,220
<b>Operating profit/loss</b>	<b>– 171</b>	<b>314</b>	<b>156</b>	<b>45</b>	<b>–</b>	<b>344</b>
<b>Risk-weighted assets for credit risk</b>	<b>133,025</b>	<b>62,478</b>	<b>8,559</b>	<b>4,197</b>	<b>19</b>	<b>208,278</b>

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

1.1.–30.9.2010	Germany	Europe excluding Germany	America	Asia	Others	Total
€m						
Net interest income	3,492	1,681	203	– 4	–	5,372
Loan loss provisions	– 854	– 717	– 316	– 17	–	– 1,904
Net interest income after provisions	2,638	964	– 113	– 21	–	3,468
Net commission income	2,381	326	51	14	–	2,772
Net trading income and net income from hedge accounting	275	1,332	– 19	– 13	– 1	1,574
Net investment income	– 77	– 53	43	4	–	– 83
Current net income from companies accounted for using the equity method	3	–	–	–	–	3
Other net income	– 37	42	10	3	–	18
<i>Income before provisions</i>	<i>6,037</i>	<i>3,328</i>	<i>288</i>	<i>4</i>	<i>– 1</i>	<i>9,656</i>
<i>Income after provisions</i>	<i>5,183</i>	<i>2,611</i>	<i>– 28</i>	<i>– 13</i>	<i>– 1</i>	<i>7,752</i>
Operating expenses	5,217	1,164	167	74	–	6,622
<b>Operating profit/loss</b>	<b>– 34</b>	<b>1,447</b>	<b>– 195</b>	<b>– 87</b>	<b>– 1</b>	<b>1,130</b>
<b>Risk-weighted assets for credit risk</b>	<b>157,180</b>	<b>69,395</b>	<b>13,977</b>	<b>4,941</b>	<b>57</b>	<b>245,550</b>

Instead of non-current assets we report the risk-weighted assets for credit risks here.

## Notes to the balance sheet

### (10) Claims on banks

€m	30.9.2011	31.12.2010	Change in %
Due on demand	41,179	45,351	- 9.2
With a residual term	60,755	65,605	- 7.4
up to three months	36,529	45,557	- 19.8
over three months to one year	12,977	7,044	84.2
over one year to five years	9,569	10,928	- 12.4
over five years	1,680	2,076	- 19.1
<b>Total</b>	<b>101,934</b>	<b>110,956</b>	<b>- 8.1</b>
of which reverse repos and cash collaterals	63,996	68,687	- 6.8
of which relate to the category:			
Loans and receivables	55,679	62,883	- 11.5
Available-for-sale financial assets	-	-	.
At fair value through profit or loss	46,255	48,073	- 3.8

Claims on banks after deduction of loan loss provisions amounted to €101,682m (previous year: €110,616m).

### (11) Claims on customers

€m	30.9.2011	31.12.2010	Change in %
With an indefinite residual term	28,662	21,098	35.9
With a residual term	292,895	315,774	- 7.2
up to three months	57,817	59,879	- 3.4
over three months to one year	33,599	40,818	- 17.7
over one year to five years	102,083	110,558	- 7.7
over five years	99,396	104,519	- 4.9
<b>Total</b>	<b>321,557</b>	<b>336,872</b>	<b>- 4.5</b>
of which reverse repos and cash collaterals	35,324	29,963	17.9
of which relate to the category:			
Loans and receivables	289,309	308,456	- 6.2
Available-for-sale financial assets	-	-	.
At fair value through profit or loss	32,248	28,416	13.5

Claims on customers after deduction of loan loss provisions amounted to €312,990m (previous year: €327,755m).



56	Statement of comprehensive income
60	Balance sheet
62	Statement of changes in equity
65	Cash flow statement
66	Selected notes

## (12) Total lending

€m	30.9.2011	31.12.2010	Change in %
Loans to banks	26,955	23,404	15.2
Loans to customers	285,573	306,912	-7.0
<b>Total</b>	<b>312,528</b>	<b>330,316</b>	<b>-5.4</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 that 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	2,444	3,448	-29.1
Deductions	2,911	3,172	-8.2
Utilisation	1,286	1,533	-16.1
Reversals	1,625	1,639	-0.9
Change in group of consolidated companies	-	-29	-100.0
Exchange rate changes/reclassifications/unwinding	-310	-222	39.6
<b>As at 30.9.</b>	<b>9,295</b>	<b>10,476</b>	<b>-11.3</b>

With direct write-downs, write-ups and recoveries on written-down claims taken into account, the allocations and

reversals recognised in profit or loss resulted in provisions of €1,009m (30 September 2010: €1,904m) (see Note 2).

Loan loss provisions   €m	30.9.2011	31.12.2010	Change in %
Specific valuation allowances	7,761	8,361	-7.2
Portfolio valuation allowances	1,058	1,096	-3.5
<b>Provisions for on-balance-sheet loan losses</b>	<b>8,819</b>	<b>9,457</b>	<b>-6.7</b>
Specific loan loss provisions	296	384	-22.9
Portfolio loan loss provisions	180	231	-22.1
<b>Provisions for off-balance-sheet loan losses</b>	<b>476</b>	<b>615</b>	<b>-22.6</b>
<b>Total</b>	<b>9,295</b>	<b>10,072</b>	<b>-7.7</b>

For claims on banks, loan loss provisions amounted to €252m (previous year: €340m) and for claims on customers to €8,567m (previous year: €9,117m).

**(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 currencies and precious metals,
- Derivative financial instruments and
- Other assets held for trading.

Other assets held for trading comprise positive fair values of loans for syndication and emission rights as well as loans and money market trading 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	30.9.2011	31.12.2010	Change in %
Bonds, notes and other interest-rate-related securities	25,231	30,305	- 16.7
Promissory note loans	1,344	1,810	- 25.7
Shares, other equity-related securities and units in investment funds	10,000	11,704	- 14.6
Positive fair values of derivative financial instruments	144,949	123,743	17.1
Currency-related derivative transactions	22,428	18,345	22.3
Interest-rate-related derivative transactions	112,944	97,012	16.4
Other derivative transactions	9,577	8,386	14.2
Other trading assets	335	263	27.4
<b>Total</b>	<b>181,859</b>	<b>167,825</b>	<b>8.4</b>

Other transactions involving positive fair values of derivative financial instruments consisted mainly of €4,336m (previous year: €4,125m) equity derivatives and €4,771m (previous year: €3,565m) credit derivatives.

56	Statement of comprehensive income
60	Balance sheet
62	Statement of changes in equity
65	Cash flow statement
66	Selected notes

## (15) Financial investments

Financial investments are financial instruments not assigned to any other balance sheet item. They comprise bonds, notes and other interest-rate-related securities, shares and other equity-related securities not used for trading purposes, as

well as units in investment funds, equity holdings (including companies not accounted for using the equity method and joint ventures) and holdings in non-consolidated subsidiaries.

€m	30.9.2011	31.12.2010	Change in %
Bonds, notes and other interest-rate-related securities <sup>1</sup>	100,092	113,493	- 11.8
Shares, other equity-related securities and units in investment funds	1,732	1,284	34.9
Equity holdings	701	807	- 13.1
Holdings in non-consolidated subsidiaries	139	124	12.1
<b>Total</b>	<b>102,664</b>	<b>115,708</b>	<b>- 11.3</b>
of which relate to the category:			
Loans and receivables <sup>1</sup>	63,570	70,435	- 9.7
Available-for-sale financial assets	34,777	41,764	- 16.7
of which measured at amortised cost	431	372	15.9
At fair value through profit or loss	4,317	3,509	23.0

<sup>1</sup> Reduced by portfolio valuation allowances for reclassified securities of €83m (previous year: €51m).

In its press release of 13 October 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 financial assets category to the IAS 39 loans and receivables category in the financial years 2008 and 2009. The fair value at the date of reclassification was recognised as the new carrying amount of these securities.

The revaluation reserve after deferred taxes for all the securities reclassified in financial years 2008 and 2009 was €-0.8bn as at 30 September 2011 (previous year: €-1.0bn). Without these reclassifications, the revaluation reserve for these portfolios after deferred taxes would have been €-4.1bn (previous year: €-2.8bn) as at 30 September 2011; the carrying amount of these portfolios on the balance sheet date was €60.5bn (previous year: €67.1bn) and the fair value €55.8bn (previous year: €64.6bn).

**(16) Intangible assets**

€m	30.9.2011	31.12.2010	Change in %
Goodwill	2,078	2,081	-0.1
Other intangible assets	919	1,020	-9.9
Customer relationships	508	546	-7.0
Brand names	9	9	0.0
In-house developed software	200	219	-8.7
Other	202	246	-17.9
<b>Total</b>	<b>2,997</b>	<b>3,101</b>	<b>-3.4</b>

**(17) Fixed assets**

€m	30.9.2011	31.12.2010	Change in %
Land and buildings	840	874	-3.9
Office furniture and equipment	632	716	-11.7
<b>Total</b>	<b>1,472</b>	<b>1,590</b>	<b>-7.4</b>

**(18) Other assets**

€m	30.9.2011	31.12.2010	Change in %
Collection items	65	612	-89.4
Precious metals	1,094	671	63.0
Leased equipment	205	221	-7.2
Accrued and deferred items	335	340	-1.5
Initial/variation margins receivable	1,652	2,636	-37.3
Other assets	1,861	2,869	-35.1
<b>Total</b>	<b>5,212</b>	<b>7,349</b>	<b>-29.1</b>

**(19) Liabilities to banks**

€m	30.9.2011	31.12.2010	Change in %
Due on demand	52,950	50,179	5.5
With a residual term	70,244	87,447	-19.7
up to three months	38,931	56,284	-30.8
over three months to one year	5,440	4,634	17.4
over one year to five years	11,947	13,315	-10.3
over five years	13,926	13,214	5.4
<b>Total</b>	<b>123,194</b>	<b>137,626</b>	<b>-10.5</b>
of which repos und cash collaterals	41,950	44,016	-4.7
of which relate to the category:			
Liabilities measured at amortised cost	80,800	95,154	-15.1
At fair value through profit or loss	42,394	42,472	-0.2

56	Statement of comprehensive income
60	Balance sheet
62	Statement of changes in equity
65	Cash flow statement
66	Selected notes

## (20) Liabilities to customers

€m	30.9.2011	31.12.2010	Change in %
Savings deposits	6,876	6,556	4.9
With an agreed period of notice of three months	6,143	5,700	7.8
over three months	733	856	-14.4
Other liabilities to customers	255,317	256,271	-0.4
Due on demand	135,852	143,807	-5.5
With a residual term	119,465	112,464	6.2
up to three months	59,948	48,616	23.3
over three months to one year	12,634	15,624	-19.1
over one year to five years	12,612	12,980	-2.8
over five years	34,271	35,244	-2.8
<b>Total</b>	<b>262,193</b>	<b>262,827</b>	<b>-0.2</b>
of which repos und cash collaterals	35,218	18,106	94.5
of which relate to the category:			
Liabilities measured at amortised cost	224,250	243,177	-7.8
At fair value through profit or loss	37,943	19,650	93.1

## (21) Securitised liabilities

Securitised liabilities consist of bonds and notes, including mortgage and public-sector Pfandbriefe, money market instruments (e.g. certificates of deposit, euro notes,

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

€m	30.9.2011	31.12.2010	Change in %
Bonds and notes issued	103,063	116,270	-11.4
of which Mortgage Pfandbriefe	29,455	28,744	2.5
Public-sector Pfandbriefe	35,758	48,495	-26.3
Money market instruments issued	13,689	15,024	-8.9
Own acceptances and promissory notes outstanding	46	62	-25.8
<b>Total</b>	<b>116,798</b>	<b>131,356</b>	<b>-11.1</b>
of which relate to the category:			
Liabilities measured at amortised cost	112,693	128,150	-12.1
At fair value through profit or loss	4,105	3,206	28.0

Residual maturities of securitised liabilities   €m	30.9.2011	31.12.2010	Change in %
Due on demand	-	62	-100.0
With a residual term	116,798	131,294	-11.0
up to three months	18,005	23,679	-24.0
over three months to one year	18,177	18,011	0.9
over one year to five years	59,480	66,248	-10.2
over five years	21,136	23,356	-9.5
<b>Total</b>	<b>116,798</b>	<b>131,356</b>	<b>-11.1</b>

In the first nine months of 2011, major new issues with a total volume of €57.7bn (of which €0.6bn from top-ups) were floated. In the same period the volume of redemptions/

repurchases amounted to €2.3bn and the volume of bonds maturing to €72.0bn.

**(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 values.

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

€m	30.9.2011	31.12.2010	Change in %
Currency-related derivative transactions	24,764	19,368	27.9
Interest-rate-related derivative transactions	112,720	100,479	12.2
Other derivative transactions	11,041	10,248	7.7
Certificates and other notes issued	6,789	9,070	- 25.1
Delivery commitments arising from short sales of securities, negative market values of lending commitments and other trading liabilities	14,115	13,228	6.7
<b>Total</b>	<b>169,429</b>	<b>152,393</b>	<b>11.2</b>

Other derivative transactions consisted mainly of €5,281m (previous year: €5,803m) in equity derivatives and €5,286m (previous year: €3,782m) in credit derivatives.

**(23) Provisions**

€m	30.9.2011	31.12.2010	Change in %
Provisions for pensions and similar commitments	461	539	- 14.5
Other provisions	3,549	4,239	- 16.3
<b>Total</b>	<b>4,010</b>	<b>4,778</b>	<b>- 16.1</b>

**(24) Other liabilities**

€m	30.9.2011	31.12.2010	Change in %
Liabilities attributable to film funds	2,200	2,197	0.1
Liabilities attributable to non-controlling interests	2,796	2,290	22.1
Accrued and deferred items	346	559	- 38.1
Variation margins payable	237	295	- 19.7
Other liabilities	1,986	2,795	- 28.9
<b>Total</b>	<b>7,565</b>	<b>8,136</b>	<b>- 7.0</b>

56	Statement of comprehensive income
60	Balance sheet
62	Statement of changes in equity
65	Cash flow statement
66	Selected notes

## (25) Subordinated capital

€m	30.9.2011	31.12.2010	Change in %
Subordinated liabilities	12,196	11,256	8.4
Profit-sharing certificates	1,016	1,259	-19.3
Accrued interest, including discounts	-283	-187	51.3
Remeasurement effects	480	582	-17.5
<b>Total</b>	<b>13,409</b>	<b>12,910</b>	<b>3.9</b>
of which relate to the category:			
Liabilities measured at amortised cost	13,385	12,886	3.9
At fair value through profit or loss	24	24	0.0

In the first nine months of 2011, the volume of new issues for subordinated liabilities amounted to €3.1bn and the volume of repurchases/repayments €1.2bn. Additionally,

issues with a total volume of €0.9bn matured in the period. There were no significant changes recorded for profit-sharing certificates.

## (26) Hybrid capital

€m	30.9.2011	31.12.2010	Change in %
Hybrid capital	4,045	5,005	-19.2
Accrued interest, including discounts	-1,130	-1,084	4.2
Remeasurement effects	456	260	75.4
<b>Total</b>	<b>3,371</b>	<b>4,181</b>	<b>-19.4</b>
of which relate to the category:			
Liabilities measured at amortised cost	3,371	4,181	-19.4
At fair value through profit or loss	-	-	.

€0.9bn of the decline in the first nine months of 2011 were related to the capital increase for non-cash contributions in January 2011 (see page 63).

## Other notes

### (27) Capital requirements and capital ratios

€m	30.9.2011	31.12.2010	Change in %
Tier I capital	26,909	31,727	- 15.2
Tier II capital	10,340	9,130	13.3
Tier III capital	-	-	.
<b>Eligible equity</b>	<b>37,249</b>	<b>40,857</b>	<b>- 8.8</b>

€m	30.9.2011	31.12.2010	Change in %
Capital adequacy requirement credit risk	16,662	18,595	- 10.4
Capital adequacy requirement market risk	938	1,059	- 11.4
Capital adequacy requirement operational risk	1,934	1,746	10.8
<b>Total capital requirement</b>	<b>19,534</b>	<b>21,400</b>	<b>- 8.7</b>
Eligible equity	37,249	40,857	- 8.8
Tier I capital ratio (%)	11.0	11.9	
Total capital ratio (%)	15.3	15.3	

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

€m	30.9.2011	31.12.2010	Change in %
Contingent liabilities	36,957	38,096	- 3.0
from rediscounted bills of exchange credited to borrowers	3	3	0.0
from guarantees and indemnity agreements	36,887	38,087	- 3.2
from other commitments	67	6	.
Irrevocable lending commitments	57,969	60,566	- 4.3

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



56	Statement of comprehensive income
60	Balance sheet
62	Statement of changes in equity
65	Cash flow statement
66	Selected notes

## (29) Derivative transactions

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

30.9.2011	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	9	439,199	215,713	174,369	99,265	928,555	23,118	25,010
Interest-based forward transactions	18	618,848	2,018,564	3,273,128	2,996,250	8,906,808	355,302	361,288
Other forward transactions	538	95,157	53,366	215,511	30,693	395,265	9,691	11,156
<b>Total</b>	<b>565</b>	<b>1,153,204</b>	<b>2,287,643</b>	<b>3,663,008</b>	<b>3,126,208</b>	<b>10,230,628</b>	<b>388,111</b>	<b>397,454</b>
<i>of which exchange-traded</i>	–	63,120	112,943	43,482	6,874	226,419		
<b>Net position in the balance sheet</b>							<b>150,142</b>	<b>159,485</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>

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

€bn	Fair value		Carrying amount		Difference	
	30.9.2011	31.12.2010	30.9.2011	31.12.2010	30.9.2011	31.12.2010
<b>Assets</b>						
Cash reserve	16.8	8.1	16.8	8.1	–	–
Claims on banks	101.5	110.5	101.7	110.6	–0.2	–0.1
Claims on customers	311.2	327.3	313.0	327.8	–1.8	–0.5
Value adjustment portfolio fair value hedges <sup>1</sup>	0.0	0.0	0.1	0.1	–0.1	–0.1
Positive fair values of derivative hedging instruments	5.2	5.0	5.2	5.0	–	–
Trading assets	181.9	167.8	181.9	167.8	–	–
Financial investments	98.0	113.1	102.7	115.7	–4.7	–2.6
Holdings in companies accounted for using the equity method	0.6	0.7	0.6	0.7	–	–
<b>Liabilities</b>						
Liabilities to banks	122.9	137.7	123.2	137.6	–0.3	0.1
Liabilities to customers	262.2	262.6	262.2	262.8	0.0	–0.2
Securitised liabilities	116.4	130.3	116.8	131.4	–0.4	–1.1
Value adjustment portfolio fair value hedges <sup>1</sup>	0.0	0.0	0.8	0.1	–0.8	–0.1
Negative fair values of derivative hedging instruments	11.0	9.4	11.0	9.4	–	–
Trading liabilities	169.4	152.4	169.4	152.4	–	–
Subordinated and hybrid capital	12.5	14.5	16.8	17.1	–4.3	–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.

56	Statement of comprehensive income
60	Balance sheet
62	Statement of changes in equity
65	Cash flow statement
66	Selected notes

In the tables below, financial instruments at fair value through profit or loss are grouped by balance sheet item and category. They are broken down 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>30.9.2011</b>				<b>31.12.2010</b>			
Claims on banks	At fair value through profit or loss	–	46.3	–	46.3	–	48.1	–	48.1
Claims on customers	At fair value through profit or loss	0.4	31.6	0.2	32.2	0.2	27.6	0.6	28.4
Positive fair values of derivative hedging instruments	Hedge accounting	–	5.2	–	5.2	–	5.0	–	5.0
Trading assets of which positive fair values from derivatives	Held for trading	35.4	143.5	3.0	181.9	40.0	123.8	4.0	167.8
		–	143.2	1.7	144.9	–	123.0	0.7	123.7
Financial investments	At fair value through profit or loss	4.1	–	0.2	4.3	3.5	–	–	3.5
	Available-for-sale	30.3	3.5	1.0	34.8	38.4	2.1	1.3	41.8
<b>Total</b>		<b>70.2</b>	<b>230.1</b>	<b>4.4</b>	<b>304.7</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 assets 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>30.9.2011</b>				<b>31.12.2010</b>			
Liabilities to banks	At fair value through profit or loss	0.1	42.3	–	42.4	0.6	41.9	–	42.5
Liabilities to customers	At fair value through profit or loss	1.4	36.5	–	37.9	1.3	18.4	–	19.7
Securitised liabilities	At fair value through profit or loss	4.1	–	–	4.1	3.2	–	–	3.2
Negative fair values of derivative hedging instruments	Hedge accounting	–	10.1	0.9	11.0	–	9.4	–	9.4
Trading liabilities of which negative fair values from derivatives	Held for trading	20.7	148.5	0.2	169.4	21.0	130.1	1.3	152.4
		–	148.5	–	148.5	–	130.1	–	130.1
Subordinated capital	At fair value through profit or loss	–	–	–	–	–	–	–	–
<b>Total</b>		<b>26.4</b>	<b>237.4</b>	<b>1.1</b>	<b>264.9</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 nine months of 2011 we reclassified €0.7bn of available-for-sale financial assets (bonds of public sector and private issuers) from Level I to Level II, as no quoted prices

on active markets could be obtained for these securities. Beyond these, there were no other significant reclassifications between Level I, Level II and Level III.

**(31) Treasury shares**

	Number of shares in units	Accounting par value <sup>1</sup> in €1,000	Percentage of share capital
Balance as at 30.9.2011	–	–	–
Largest number acquired during the financial year	33,123,677	33,124	0.65
Total shares pledged by customers as collateral as at 30.9.2011	35,529,927	35,530	0.69
Shares acquired during the financial year	838,402,281	838,402	
Shares disposed of during the financial year	847,717,616	847,718	

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

**(32) Related party transactions**

As part of its normal business activities, the Commerzbank Group does business with related parties. 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 Stabilisation Authority, which administers the Special Fund for Financial Market Stabilisation (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 following 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	30.9.2011	31.12.2010	Change in %
Claims on banks	402	617	– 34.8
Claims on customers	1,800	1,359	32.5
Trading assets	–	1,285	– 100.0
Financial investments	69	82	– 15.9
Other assets	395	298	32.6
<b>Total</b>	<b>2,666</b>	<b>3,641</b>	<b>– 26.8</b>
Liabilities to banks	5	5	0.0
Liabilities to customers	1,768	1,607	10.0
Trading liabilities	–	2,021	– 100.0
Other liabilities	24	16	50.0
<b>Total</b>	<b>1,797</b>	<b>3,649</b>	<b>– 50.8</b>
<b>Off-balance-sheet items</b>			
Guarantees and collaterals granted	651	590	10.3
Guarantees and collaterals received	7	7	0.0

56	Statement of comprehensive income
60	Balance sheet
62	Statement of changes in equity
65	Cash flow statement
66	Selected notes

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.–30.9.2011	1.1.–30.9.2010	Change in %
<b>Income</b>			
Interest income	126	96	31.3
Commission income	5	6	-16.7
Goods and services	-	12	-100.0
<b>Expenses</b>			
Interest expense	44	44	0.0
Commission expense	24	26	-7.7
Goods and services	45	46	-2.2
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	30.9.2011	31.12.2010	Change in %
Cash reserve	5,270	1,111	.
Claims on banks	492	726	-32.2
Claims on customers	2,287	2,991	-23.5
Trading assets	5,704	5,040	13.2
Financial investments	6,624	7,079	-6.4
<b>Total</b>	<b>20,377</b>	<b>16,947</b>	<b>20.2</b>
Liabilities to banks	14,479	15,262	-5.1
Liabilities to customers	585	88	.
Trading liabilities	750	1,951 <sup>1</sup>	-61.6
Silent participation	1,937	16,428	-88.2
<b>Total</b>	<b>17,751</b>	<b>33,729</b>	<b>-47.4</b>
<b>Off-balance-sheet items</b>			
Guarantees and collaterals granted	75	298	-74.8
Guarantees and collaterals received	5,000	5,000	0.0

<sup>1</sup> Prior-year figure restated.

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

1.1.–30.9.2011   €m	Income	Expenses
Interest	259	195
Commission	-	36
Goods and services	6	-
Write-downs/impairments	-	-

Frankfurt am Main, 1 November 2011

The Board of Managing Directors



Martin Blessing



Frank Annuscheit



Markus Beumer



Jochen Kjosges



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**

**Beate Hoffmann<sup>1</sup>**  
(since 6 May 2011)

**Sonja Kasischke<sup>1</sup>**  
(until 6 May 2011)

**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 10 January 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**  
(until 12 July 2011)

**Jochen Klösges**

**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 30 September 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, November 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,  
Frankfurt am Main

comdirect bank AG, Quickborn

Commerz Real AG, Eschborn

Deutsche Schiffsbank AG, Bremen/Hamburg

Eurohypo AG, Eschborn

### 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

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## 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.



#### 2012 Financial calendar

February 23, 2012	Annual Results Press Conference
End-March 2012	Annual Report 2011
Early-May 2012	Interim Report Q1 2012
May 23, 2012	Annual General Meeting
Early-August 2012	Interim Report Q2 2012
Early-November 2012	Interim Report Q3 2012

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