

financial statements and management report 2003

COMMERZBANK AG

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management report of commerzbank ag

The overall conditions for our business activities remained difficult in 2003. Above all, we had to contend with further flat economic performance. There was another increase in the number of insolvencies and, up to the autumn, companies' propensity to invest was at a low level. As from mid-year, we were able to benefit from the recovery in the stock markets.

Balance-sheet total contracts to €250bn

In the course of the year, the balance-sheet total of Commerzbank AG declined by 11.3% to €250.4bn. This contraction was partly due to the sharp appreciation of the euro, which reduced the business volume translated into our currency by €9bn. We cut our risk-weighted assets by another 13.9% to €114.9bn. For the most part, we restricted this reduction to weak-margin business – in other words interbank lending as well as bonds, notes and other fixed-income securities. The decline in claims on customers, however, was primarily caused by exchange-rate movements.

After last year's sharp reduction, we raised our holdings of shares and other variable-yield securities by 38.4% to just over €8bn. The increase was mainly due to the transfer of our interests in Mediobanca, Banca Intesa and Santander Central Hispano from our Luxembourg subsidiary Commerzbank International S.A. to Commerzbank AG. On the other hand, we lowered our interest in Korea Exchange Bank from 32.6% to 14.8% by selling some of the shares we held and by not participating in a capital increase. We have also cut our stake in Banque Marocaine du Commerce Extérieur from 10% to just under 5%.

Holdings in affiliated companies receded by 32.3%. Here, the impact of our revaluation measures last autumn can be felt, in which we wrote down almost one billion euros on the book values of Eurohypo and Jupiter International Group. In addition, several subsidiaries have paid back unneeded equity funds to Commerzbank AG, thereby lowering their book values. Moreover, we have sold both ADIG-Investment Luxemburg and CommerzLeasing und Immobilien within the Group to subsidiaries.

Fixed assets contracted by 27%, as we continued to forgo many investments as part of our strict cost-management.

Customers' deposits up slightly

While, parallel to the reduction of risk-weighted assets, liabilities to banks shrank by 18.0% and securitized liabilities by 24.7%, we lifted customers' deposits by 2.8% to €83.6bn. Part of this success can be traced back to our campaign for gaining new customers, in which we offered an interest rate of 3.1% last summer for a six-month investment period.

Commerzbank AG operating in the black

As in the previous year, the profit and loss account very clearly reveals our successful cost management. But on the income side as well, we can speak of a change of trend in 2003, as overall we achieved a 4.6% increase in revenues to €4.2bn.

The performance of the individual items was uneven, though. Net interest income was 4.6% stronger than in 2002, reaching €2.8bn. The decline in interest received as a result of lower volume was more than offset by an even sharper drop in the interest paid.

At €1.3bn, net commission income fell a mere 0.8% short of its year-earlier level. We fared better than a year previously as regards revenues from syndicated business. In foreign commercial business as well, in which we maintained our excellent market share of 16%, we registered higher commission income. In other areas, however, we had to accept slight declines.

The net income from financial transactions of €134m was more than double that in 2002. Since mid-year, when securities markets began to pick up again, we particularly benefited from our strength in equity transactions. But foreign-exchange dealings also registered further improvement in a year-on-year comparison, making an encouraging contribution to the overall result.



Success with cost-cutting offensives and risk management

All told, operating expenses were down by 9.7% to €3.7bn. We have therefore fully achieved the goals of our two cost-cutting offensives. We brought personnel expenses down by 5.9% to €2.0bn. At end-2003, we had a workforce of altogether 25,260 people, a good 3,00 fewer than a year earlier. We reduced other operating expenses by 13.7% to €1.3bn and depreciation on office equipment and buildings by 14.9% to €352m.

The balance on other operating income and expenses, which showed a plus of practically €59m, was 7% down on the previous year.

The development of provisioning was very positive for us. Whereas we had to use €1.5bn for this purpose in 2002, only €486m was needed last year. And we achieved this remarkable result even though the economic setting was again tight in 2003. We attribute the decline in our provisioning needs to further improvements in our risk management and especially to the reduction of bulk risks. We have also systematically scaled back "latently endangered" credits. In this way, we have not been involved in several of the major cases of insolvency that have occurred in recent years.

In the 2003 financial year as well, we availed ourselves of the legal option of cross-compensation, offsetting expenses and income from lending business against those for securities in the liquidity reserve. For that reason, the item Provision for possible loan losses also includes the result on the securities portfolio held for liquidity purposes, i.e. the balance on price gains and losses as well as write-downs and write-ups. We continue to apply the strict lower-of-cost-or-market principle in measuring these securities.

Annual results influenced by special factors

The result from ordinary activities, representing the balance on all the income and expense items described, is €417m, compared with €311m in the previous year.

For the measures adopted under our second cost-cutting offensive, which were only resolved in March 2003, we have recognized restructuring expenses of €72m in the profit and loss account.

Our revaluation measures last autumn led to a loss of €2.3bn. It is included in the item Expenses arising from special factors. In this revaluation initiative, we wrote down the unrealized losses identified in our securities and investments portfolio per September 30, 2003. This entailed reducing the book values of listed investments which were still higher than their market values to a value that can be realized in the market. This relates to both industrial participations and holdings in financial institutions.

The net result after restructuring expenses and expenses arising from special factors is a minus figure of €2.1bn, compared with a plus of €153m a year previously.

Despite the posted loss, tax expenses came to €237m. For one thing, we have released deferred accrued taxes; for another, our profitable foreign branches have paid tax.

The net loss for the year of €2.3bn will be balanced by a withdrawal from the capital reserve, which means that we are posting a distributable profit of zero. For this reason, no dividend will be paid in respect of the 2003 financial year. Holders of our profit-sharing certificates, however, will receive a full payment. This expense is covered in our 2003 interest position.



Equity reduced by revaluation measures

Once our clean-up measures were announced, we immediately effected a capital increase in an actual amount of €761m. Our subscribed capital accordingly increased from €1.4bn to €1.6bn. This capital increase was necessary in order to offset the great loss due to write-downs, which had an impact on the capital reserve. At end-2003, our equity stood at altogether €8.4bn, as against €10.0bn a year previously.

In view of the lower volume of risk-weighted assets, the Bank's capital ratios declined only marginally. The core capital ratio reached 7.4%, compared with 7.5% a year earlier, and our own funds ratio 12.3% compared with 12.7%.

Outlook for 2003

In February 2004, we reached agreement with SchmidtBank to take over its branch business. In concrete terms, we are acquiring 70 branches and 29 self-service centres in Bavaria, Thuringia and Saxony. Thanks to this transaction, our customer base will expand by 10% or so. In addition, there are roughly 4,000 corporate customers. We expect the newly acquired business activities to be profitable by 2005.

For 2004, we envisage economic growth of 2% and we think that the DAX will continue to climb. This means that we expect improved overall conditions for our business. Through the efforts we have made to rein in costs and through our revaluation measures, we have put our Bank back on course.

Under these conditions, it should be possible to improve our results substantially in 2004. We expect significantly higher net interest income, rising commission revenues and a better trading profit. Given the modest economic upswing, we see further easing on the provisioning front.

risk report

I. Risk-oriented overall management of Commerzbank

1) Risk-policy principles

Commerzbank regards the professional treatment of risks as an important core competency and an integral part of a value-oriented overall Bank management.

Apart from the **risk strategy** formulated by the Bank's Board of Managing Directors, the basis for monitoring and steering risk at Commerzbank A is a comprehensive **risk manual**, presenting the organizational guidelines, responsibilities and procedures of the Bank's overall risk-management system. Both frameworks are regularly examined and adjusted to accommodate internal and external developments. This creates the basis for a uniform standard throughout the Bank in dealing with all the major types of risk. Responsibility for implementing the risk strategy is borne by the Chief Risk Officer (CRO), who is a member of the Board of Managing Directors.

Commerzbank's system for the early recognition and monitoring of risk is geared to identifying risks in good time and to taking measures to counteract such risks in the sense of a proactive management and control of risk. The methods applied to measure, steer and aggregate all types of risk are continually being refined and regularly adapted to Commerzbank-specific requirements and current market conditions. Comprehensive, objective reporting enables the Board of Managing Directors as well as shareholders and market participants regularly to assess the Bank's risk situation.

As an elementary feature of the steering of risk and earnings, the systematic portrayal of risk provides the basis for business activities at Commerzbank to be appropriately backed with capital and through its integration into the management of economic capital, it helps bring about an optimal allocation of capital and a sustained increase in the Bank's market value.

2) Risk categories

For the purpose of risk management, the following types of risk are distinguished at Commerzbank:

Credit risk is the risk of losses or lost profits due to unexpected defaults or unexpected deterioration in the creditworthiness of counterparties. In addition to

this, credit risk covers above all issuer risk, counterparty risk and country risk.

The **general market risk** represents the potential loss of a portfolio due to changes in share prices, exchange rates, precious-metal/commodity prices or interest rates in the market as a whole and their volatilities. The **specific market risk (spread risk)** covers the risk of loss due to changes in price of individual interest-rate and equity-based financial instruments relative to changes in the relevant market indices – which are reflected by the general market risk.

For risk-management purposes, the **risks arising from equity holdings** of Commerzbank are also subsumed under market risk. They result from changes in the valuation of listed and non-listed equity holdings, which may be due to issuer-specific factors or also to general market movements.

Liquidity risk, also understood in the narrower sense as the solvency or refinancing risk, is the risk of the Bank not being able to meet its current and future payment commitments. The market-liquidity risk describes the risk of the Bank being unable to settle or hedge its trading positions on time to the desired extent due to the market situation.

Operational risk is the risk of loss resulting from inadequate or defective internal processes and systems, human and technical failures, or from external events. The adopted definition is geared to the current supervisory discussion and consequently also includes legal risks arising from inadequate contractual agreements or from the overall legal framework as part of operational risk.

Business risk is understood by Commerzbank as the risk of unexpected negative developments in results, which may be due to unforeseeable changes in business volume or the margin situation on account of changed overall conditions such as the market environment, customers' behaviour or technological developments.

Strategic risk is the risk of unexpected negative developments in results stemming from previous or future fundamental business-policy decisions. These may take the form of decisions with regard to business lines or business associates or the choice of a local strategic approach.

Reputational risk is the danger of losses or lower earnings on account of publicized business occurrences which erode the confidence of the public or business associates in the Bank. Reputational risk may result from other types of risk or may arise alongside these.

3) Integration of risk and capital management into the Bank's overall management

A close meshing of risk and earnings components is especially important for value-based overall Bank management. Apart from guaranteeing that the entire Bank has a capital base that is adequate for its risk profile, the objective of overall management of the Bank is to allocate the resource equity as optimally as possible – in other words, to use it in business lines which yield a strong return, even with risk taken into consideration.

All the Bank's risks – insofar as they are quantifiable – are aggregated in a risk-taking capability calculation and the overall risk figure worked out for the Bank is set off against its risk capital. The purpose of this comparison is to ascertain whether the Bank is in a position to anticipate potential unexpected losses without serious negative effects on its business opportunities and to cushion their impact. In order to distinguish it from other definitions of capital used in accounting and for regulatory purposes, the calculated risk is also referred to as **economic capital**, as it is economically necessary for cushioning unexpected fluctuations in results.

Commerzbank calculates economic capital by taking market risk, credit risk, operational risk and – in the year under review for the first time – also business risk into consideration. In the case of market risk, a further distinction is made between market risk in the trading book and in the banking book as well as that arising from equity holdings. As, in addition to the regulatory core capital that is tied up (KWG Principle I), the individual need of the various business lines for economic capital is identified, it is generally possible to work out risk-adjusted performance.

In order to achieve a more sophisticated risk/return-based overall Bank management, Commerzbank's Board of Managing Directors resolved in the year under review that the economic capital concept should be integrated into the management of business lines. In this connection, a project for steering via economic capital was implemented at Commerzbank, drawing upon external verification and validation of the economic-capital approach which was applied. This confirmed that the models used met the market standard. In addition last year, key parameters for quantifying and aggregating economic capital were adjusted to a more conservative view of risk. To ensure compatibility between the various risk categories, all types of risk are scaled consistently over a twelve-month period. Last year, the confidence level of 99.95% used here was far more conservative (previous year: 99.80%).

II. Risk-management/risk-control organization

The organizational structure of risk management and risk control at Commerzbank provides the basis for an effective risk- and return-based steering of the overall Bank. **Risk management** implies all the measures appropriate for increasing the Bank's market value on the basis of an active and conscious management of all risks by the risk-management units. **Risk control**, however, comprises the identification, quantification, limitation and monitoring, as well as the reporting, of risks. On the basis of the quantitative and qualitative assessments, risk control also provides recommendations and impulses for the operative steering of the front-office units.

Responsibility for the implementation at Commerzbank of the risk-policy guidelines laid down by the Board of Managing Directors lies with the **Chief Risk Officer (CRO)**, who in this function regularly informs the **Board of Managing Directors** and the **Risk Committee of the Supervisory Board** about the Bank's overall risk situation. In addition to assuming responsibility for Risk Control (ZRC), the CRO is also in charge of Global Credit Operations (ZCO) and Credit Operations Private Customers (ZCP).

For the operative implementation of risk management, the Board of Managing Directors have delegated functions to specific committees, which support them in making decisions on all risk-relevant issues:



- The **Credit Committee** – chaired by the CRO, and made up of equal numbers of front- and back-office personnel – is responsible for the entire credit risk at the individual and portfolio level. Within the overall hierarchy of loan approval powers, it decides all of Commerzbank's lending commitments of up to 2% of its liable equity and also issues a recommendation on all the lending decisions to be taken by the Board of Managing Directors. In addition to the Credit Committee, further head-office and regional sub-credit committees exist which, depending on the size of the commitment, can take lending decisions independently.
- The **Risk Committee**, chaired by the CRO, is responsible for issues related to the monitoring of all the major types of risk, as well as their aggregation as part of the economic-capital approach and for the Bank's overall risk situation; it also helps the Board of Managing Directors in formulating the risk strategy.
- As a sub-committee of the Risk Committee, the **New Product Committee** is made up of representatives of various trading units and service departments and is chaired by the head of ZRC. It is responsible for approving the introduction of new products and markets.
- The **Operational Risk Committee** (OpRiskCo), chaired by ZRC, performs its function as a sub-committee of the Risk Committee in dealing with all the broader issues relating to operational risk.
- The **Asset Liability Committee** (ALCO), chaired by the Board member responsible for treasury, determines the Bank's asset/liability and liquidity strategy and policy.

1. Risk control

Overall responsibility for risk control throughout the Bank for all types of risk lies with Risk Control (ZRC), which reports directly to the CRO.

The core functions of ZRC within the risk-control process include the ongoing identification, evaluation and monitoring of market, credit, business and operational risks in particular and also their proactive control. To ensure uniform risk standards, ZRC works out internal guidelines for dealing with all the major

types of risk, also establishing and refining adequate methods for quantifying risk. In addition, ZRC is responsible for internal and external risk reporting and performs within the Bank an advisory function on all risk-relevant issues and with regard to the conception of the risk strategy.

Apart from implementing risk-related supervisory requirements, ZRC concentrates on preparing information for the Board of Managing Directors and producing quantitative risk analyses and key ratios for steering trading portfolios. A central role here is played by the aggregation of all types of risk throughout the Bank to form an overall risk position and the development of an ever more sophisticated risk- and return-oriented overall Bank management as part of the economic-capital approach.

2. Risk management: the operative credit function (back office)

Commerzbank sees itself as a pioneer in implementing throughout the Bank the organizational pattern and structuring of operations called for by the "Minimum requirements for the lending business of credit institutions" (MaK). Last year, the restructuring of credit risk management along MaK lines, begun in 2002, was completely concluded worldwide. As required by MaK, the independence of lending decisions from the front office has been ensured by the systematic separation of sales and risk assessment/risk decision-making in every phase of the credit process and up to management board level.

For corporate customers, financial institutions and banks worldwide, as well as for private customers abroad, the operative credit function (back office) has been concentrated on the Global Credit Operations (ZCO) banking department. For retail customer business in Germany, the back-office function is performed by the Credit Operations Private Customers (ZCP) department. Both departments are organized along decentralized lines and monitor risk closely; they report directly to the CRO.

In both corporate and retail business, credit-approval powers are clearly structured according to the principle of committee decision-making. All committees, in which the two sides are equally represented, are chaired by credit-analysis and approval specialists. Below management board level, a credit may not be granted if the representative of the back-office side votes against it. At each level of approval,

the front-office side has the possibility of declaring its disagreement. The decision is then taken at the next highest level.

Thanks to the existence of a distinct interface for the intensive treatment of commitments which are latently endangered to a great extent and also to the firm responsibility of the credit side for intensive treatment commitments, problem credits can be treated intensively at an early stage. For this purpose, units have been installed both at head office and at the regional level specializing in the handling of such commitments. The prime goal of this intensive treatment is to improve the Bank's risk position and, wherever possible, to return the intensive-treatment loans to the better credit brackets. In cases in which it is thought possible to improve the Bank's risk position considerably through operative action, the Bank seeks a lead-manager role, drawing upon its entire expertise. Above all in cases where the Bank can exert little influence, alternative exit possibilities are increasingly sought. In particular, this includes the identification of credits in poor risk categories which can be reduced through secondary-market activities and the introduction of the respective measures. Secondary-market activities help to mitigate risk, taking into account the cost/benefit ratio, and also to release tied-up capital.

In addition to their traditional credit function, ZCP and ZCO maintain their own head-office risk-management departments for operative credit portfolio management. Their core functions are to analyse the development of relevant parts of portfolios and sectors (volume, risk concentration, risk/return ratio, provisioning) and also the development of solutions for making portfolios more dynamic and improving them. Transactions are closely coordinated between front- and back-office teams.

3. Risk management: operative risk-steering of market units (front office)

Within the scope of their business activities, the individual divisions of the Bank bear immediate responsibility for risk and earnings. Risk management in the narrower sense – i.e. the operative steering of risk – is handled for the various types of risk – with the exception of credit risk – on a local basis by the relevant market units. These local risk units are also responsible within their division for implementing and observing the Bank's risk standards.

Responsibility for steering operational risk – insofar as systems, processes and technology are affected – is borne by the head-office service departments. The steering of legal risk is entrusted to the Legal Services staff department (ZRA), while responsibility for strategic risk lies with the Strategy and Controlling staff department (ZKE).

4. Internal risk reporting

Prompt, objective reporting is of special significance in managing risk. The central information medium and steering instrument for internal purposes is the monthly risk report produced by the Risk Control department, which is presented by the CRO to the Risk Committee, the Board of Managing Directors and the Risk Committee of the Supervisory Board.

The monthly risk report contains detailed evaluations and presentations of all the major types of risk at Commerzbank, aggregating them – insofar as they are quantifiable – into an overall risk position. As part of the calculation of risk-taking capability, the identified risks are set off against the regulatory and economic capital for risk coverage. If necessary, the report is adjusted to accommodate current developments and presents the latest status of major projects relevant for risk (e.g. Basel II, MaK). At the same time, it forms the basis for presenting risk data to supervisory bodies and rating agencies.

5. Internal auditing

The functioning and adequacy of all risk-control and risk-management activities are examined by the Internal Auditing staff department (ZRev) in accordance with the Minimum requirements for the organization of the internal auditing function (MaIR). Internal Auditing forms an integral part of the Bank's risk-control and risk-management system and works, free from directives and external influence, as a unit independent of business processes with the goal of identifying risk at an early stage and monitoring it. In the course of its auditing activities, it monitors compliance with both internal and supervisory standards such as the Minimum requirements for the trading activities of credit institutions (MaH).

The main emphasis in internal auditing is on testing and assessing the effectiveness of both security measures built into the work process and existing internal checks, as well as on reporting on the struc-



ture, functioning and adequacy of risk monitoring to the Bank's management and the Group units affected. Risk-oriented auditing includes the recognition, analysis, limitation, limit monitoring and reporting of credit and market risk, as well as the establishment and limitation of operational risk.

6. Implementation of developments in supervision:

Basel II and MaK

For Commerzbank's risk strategy, the changes in the overall framework of banking supervision are also of crucial importance. Currently, the main factors here are the introduction of the Minimum requirements for the lending business of credit institutions (MaK) and the implementation of the New Basel Capital Accord (Basel II).

A principal goal of the **New Capital Accord of the Basel Committee on Banking Supervision (Basel II)** is to promote the security and stability of the banking and financial system. In addition to the risks involved having to be reflected in the capital backing provided for credits, the other central elements of Basel II requirements are the elaboration of banks' internal systems of control, their monitoring by the supervisory authorities and market discipline. According to current plans, banks are supposed to implement the new capital accord by end-2006.

The introduction of the new capital requirements will lead to a convergence of the regulatory and the economic views of risk; it makes possible an analysis of risk at the portfolio level and thus also lays the basis for a risk-adjusted steering of the overall Bank. For implementing the Basel II requirements, a project team was set up in the Risk Control department in 2001, which coordinates the implementation of the Basel II requirements throughout the Bank.

In addition to the technical and substantive implementation of Basel II, the project is already looking into the time "afterwards", i.e. the impact of the new capital adequacy rules after Basel II, and is instigating the relevant activities. Through its participation in international and national bodies such as the Institute of International Finance (IIF) and the risk-policy committee of the Bundesverband deutscher Banken (Association of German Banks), Commerzbank is also involved in the substantive discussion for developing the rules further.

The **Minimum requirements for the lending business of credit institutions (MaK)**, published by the German Financial Supervisory Authority in 2002, define qualitative standards for the organization of credit business to be met by German banks by June 30, 2004. Should adjustments be necessary in the IT area, the deadline for implementation can be extended until end-2005.

The requirements mainly focus on ensuring an adequate risk environment, within which credit business may be conducted. Banks are obliged, therefore, to create and internally implement the overall conditions for establishing the appropriate organization and procedures for credit business and also for the development of methods for identifying, steering and monitoring credit risk.

Prominent among the overall conditions is the formulation of a credit-risk strategy, in which credit activities are defined for an appropriate planning period. Here, the existing credit-risk strategy has been refined in accordance with regulatory requirements with the cooperation of the market and credit units. This also took into account the Bank's risk-taking capability as well as an analysis of the given business situation and the related risks.

The core requirement of MaK as regards organization is the separation of front- and back-office functions. The credit-risk control function consists of an independent monitoring of risk at the portfolio level and independent reporting. Here, Commerzbank has already met the standards for loan-approval procedures and the organizational separation of front- and back-office functions. More far-reaching requirements, such as the implementation of risk-classification methods have similarly already been met, but they are being made more sophisticated in order to achieve a constant improvement in the methods applied.

For the purpose of realizing further MaK requirements, a detailed target/performance comparison and analysis of the fields of activity were drawn up for Commerzbank's entire lending business pursuant to Art. 19, (1), German Banking Act – KWG. Drawing upon these findings, the Bank has begun to build up a comprehensive data warehouse to store the combined MaK and Basel II data for the implementation of the necessary adjustments in the IT area.

The MaK project, launched at end-2002, was meshed even more closely with the existing Basel II project in the year under review in order to guarantee a consistent database for implementation throughout the Bank.

III. Risk-control/risk-management process

1) Monitoring and controlling of credit risk

The credit-risk strategy elaborated with a view to the Minimum requirements for the lending business of credit institutions (MaK) describes the planned lending activities, thus creating important strategic impulses. With the Bank's general risk appetite taken into consideration, the starting point in this respect is a critical analysis of the strengths and weaknesses of the current credit portfolio. Complemented by a forward-looking evaluation of the opportunities and risks in the target markets, this provides the framework for the definition of a risk/return-oriented target portfolio together with the related planning of measures.

In the realization of the targeted risk/reward profile, this "benchmark portfolio" forms the basis for portfolio-management activities throughout the Bank. Apart from the acquisition of new customers from specific target groups, these also include the conscious use of asset trading, credit derivatives and asset-backed securities (ABS), thereby covering the entire spectrum of the initiatives of business lines. In order to ensure that actions conform to the credit-risk strategy and to restrict concentrations of risk, Risk Control establishes risk ceilings for sections of portfolios and concentration risks (business lines, sectors, products and regions). As part of a comprehensive controlling process, utilization of these caps is subjected to constant independent monitoring and reporting.

Internal rating system

For many years, Commerzbank has drawn upon detailed rating and scoring procedures for checking creditworthiness and standardizing credit decisions. These are binding for our branches and subsidiaries in Germany and elsewhere. Borrowers are assigned to ten different rating levels, ranging from 1.0 (exceptionally good creditworthiness) to 5.5 (very weak creditworthiness) as well as two rating levels for problem loans (6.0 for pre-work-out commitments and 6.5 for work-out commitments).

The internal rating procedures are continually being further developed and undergo a regular validation procedure, in which adequate methods are used to check the ability of every rating system to classify risks properly. In order to ensure that all of the Bank's lending commitments are covered by ratings and that the rating procedures are applied uniformly throughout the Group with the various accounting standards taken into consideration, permanent professional checks and documentation assume a key role.

Commerzbank has accepted the structural change in the German credit market and the statutory requirements expected on account of the Basel capital adequacy rules as an opportunity and is currently subjecting its existing rating systems to efficient professional and technical checks and also revision. The aim is to secure and build upon our strategic competitive edge by consistently realizing risk-adjusted pricing on the basis of best-practice rating tools. To achieve these ambitious goals, the Bank is taking extensive measures in the credit-risk area in order to recognize the Basel II Internal Ratings-Based (IRB) Advanced Approach.

Assessing creditworthiness in corporate business

The rating for *Mittelstand* clients based in Germany is calculated with the help of an expert system Codex, which analyses the key figures of the financial statements, but also takes qualitative company data into account.

Commerzbank regards its rating system for corporate business as a distinct competitive advantage and decided last year to pursue a stronger mathematical-statistical approach, in addition to the assessment of experts, in the methods it applies in rating corporate customers. In 2004, these models will be refined and combined with the existing methods. It is Commerzbank's aim to achieve better portfolio diversification and thereby reduce its cost of capital and average margins.

Assessing creditworthiness in retail business

In its retail lending, Commerzbank has successfully used application scoring procedures and rating methods for assessing the creditworthiness of both dependently employed borrowers and business customers for several years now. All of these methods are computer-based and draw upon acknowledged and highly reliable, predominantly mathematical-statistical methods for the early recognition of risk.



In addition, Commerzbank has introduced a behavioural-scoring procedure on a nationwide basis, which – monitoring in-payments and the customer's payment record – makes a permanent and fully automatic monitoring and adjustment of limits possible for over one million customers maintaining accounts for payment transactions. It is to be extended to business customers who do not have to prepare a balance sheet.

The procedures that are relevant for ratings, whose employment depends, for example, on the customer group in question or the use to which the credit is to be put, have been added to step by step. The behavioural scoring developed by Commerzbank has been steadily refined in order to make possible a constant computer-based evaluation of the creditworthiness of dependently employed borrowers. Even today, therefore, a regulatory requirement has been met which will become effective in 2007 when the new Basel Accord is implemented. As a rule, it is not necessary for borrowers to become actively involved in this process (e.g. by making available income statements, etc.) insofar as this does not violate statutory requirements.

Quantification of credit-portfolio risk

Commerzbank's internal credit-risk model is of key importance for risk monitoring, portfolio management and steering sales efforts. It provides important data for quantifying credit risk in moving towards an overall Bank management based on economic capital. The portfolio model's range of application stretches from the global monitoring of portfolios throughout the Bank to measuring the risk contributions for individual transactions. As a result, the results produced by the model are reflected in risk measurement and sales management in a variety of ways.

The main result produced by the portfolio model is the so-called loss distribution, permitting probability statements on possible losses in credit business. From this, both the expected loss (EL) and the credit value-at-risk (credit VaR) as the measure of unexpected loss (UL) are derived. For a given confidence level, the credit VaR represents an upper estimate of the extent to which the potential loss of a credit portfolio may exceed the expected loss. At the same time, the credit VaR for the portfolio represents the credit-risk portion of the Bank's economic capital. In a revision of the parameters designed to produce a more conservative approach to risk, the confidence level used has been raised from 99.80% to 99.95%.

Quantification of the credit value-at-risk at Commerzbank is based on the CreditRisk+™ model, which is widely used in banking; however, it has been substantially refined and adapted to the specific requirements of Commerzbank. The model makes possible, for instance, a risk-adjusted redistribution of the portfolio and diversification effects right down to individual customer level on the basis of conditional expectations. In this way, the relative share of the overall credit risk borne by the individual units can be determined at various levels of aggregation.

A variety of risk factors and parameters are included in the model. Apart from estimates of the exposure to be expected in the case of default and the conservative recognition of collateral, guarantees and netting agreements, these also incorporate such statistical quantities as default rates, recovery rates and sectoral correlations. As part of the ongoing modification of the model, the input parameters for calculating risk were altered in 2003. In particular, further results of the statistical methods of estimation implemented as part of the Basel II project were integrated into the model. Together with the raising of the confidence level, this led to a marked increase in the credit VaR as well as a slight rise in the expected loss.

For portfolio-management purposes, the expected loss and credit VaR shares of individual sectors are additionally worked out and a loss-at-default value is assigned to each sector. The risk volume (loss-at-default [LaD]) of an individual transaction is defined as the forecast loss in the case of a customer's default – with collateral and recovery factors taken into consideration. It may therefore be interpreted as a risk-adjusted credit volume.

The risk data discussed up to now make it possible to assess credit risk for a one-year time frame (risk measurement). These variables provide key information for portfolio management, the calculation of risk-taking capability and the implementation of the credit-risk strategy between the two poles of risk and return.

For longer time frames, the portfolio model is used to work out standard risk costs and economic capital costs as well, which provide sales personnel with customer-specific signals. The standard risk costs are used in calculating the return-on-equity (RoE) at the level of the individual transaction. As part of the transition, begun in 2003, to the economic value added as the control variable, the economic capital costs are successively being integrated into the steering of

business relationships with individual customers. To an increasing extent, they are being used in the Bank's risk-adjusted pricing and define a system of incentives in the acquisition of new and follow-up business. In this way, it is ensured that the portfolio targets established by the Bank under its credit-risk strategy are already observed at the loan origination level.

Credit-approval powers

The basis for managing credit risk throughout the Group is a structure of rating-related credit approval powers. Credit decisions for individual borrowers or groups of borrowers are made on the basis of either the aggregated exposure pursuant to Art. 19, (2), German Banking Act – KWG (borrower unit), or a larger economic risk entity. The Board of Managing Directors has delegated credit decisions up to a maximum amount of 2% of the liable equity to the central credit committee chaired by the CRO. Sub-credit committees at head office (up to 1% of liable equity) for banks, corporate and retail customers and regional sub-credit committees on the corporate and retail side in Germany and abroad complete the picture of credit-approval powers. The credit committees are made up of representatives of the front and back office in equal numbers.

By way of preparation for the MaK, the credit-approval powers delegated *ad personam* were scaled back, according to the degree of creditworthiness, to a low euro figure in the double-digit millions and the lending powers of the committee were strengthened. The result in terms of risk underlines the success of this structure of credit-approval powers.

Monitoring of credit risk for trading activities

In Commerzbank's management of the Group's credit risks arising from trading activities, special attention is paid to counterparty and issuer risk. A system of limits is used to monitor whether daily utilization remains within the set framework. The system of limits directly intervenes in trading systems and ensures that credit exposure arising from trading activities is monitored globally, in real time, and right around the clock.

The size of the credit risk for trading activities is worked out using simulation methods, which project credit risks on to the future. Here, the risk-mitigating effects of netting agreements are taken into consideration, as is the effect of collateral agreements. In addition

to such information, trading units are provided with data on whether the relevant limits are available. Only if the so-called pre-deal limit check has confirmed that free trading lines are available may deals be concluded. Limit breaches are reported daily to the management. By means of a graduated procedure, such overruns are brought back within the set limits.

Development of risk and risk provisioning

Doubtful credit exposures are classified by rating and kept in a special IT system, which makes it possible to process individual transactions effectively and to monitor risks. Discernible credit risks are taken account of by forming the appropriate provisions. For latent risks general provisions are formed. For concrete creditworthiness risks – which are indicated by the rating – provision is made, applying uniform standards, by means of specific valuation allowances on the scale of the potential loss. The amount of provisioning required for problem loans (rating of 6.0 to 6.5) is gauged by the unsecured part of the exposure. An individual assessment of the borrower in terms of future payments is also incorporated into the calculation of the need for provisioning.

In international credit business, the economic and political situation of the country is also reflected in the overall assessment of a borrower. For loans to borrowers with an enhanced country risk (transfer or event risk), provisions are formed, if necessary, on the unsecured exposure, reflecting the relevant internal country rating, in the form of provision for country or individual risks, with priority always given to the latter type.

The conservative approach to working out provisioning needs was retained in 2003 as well, which is reflected in the fact that the actual amount required fell considerably short of the budgeted figure. In addition, thanks to active risk management, the problem of major increasingly latent risks could be reduced.

Country risk

In view of the international character of Commerzbank's business activities, the monitoring and management of country risk is especially important. The essential core of country-risk monitoring is formed by a well-established so-called traffic-lights system which points the direction for future business activities and lending.



Country ratings are worked out and constantly updated by the Corporate Communications and Economic Research staff department, which is independent of the market side. Under the traffic-lights system, groups of countries with a rating of 3.0 and lower and a certain minimum exposure are covered.

The system distinguishes between commercial banking, investment banking and equity holdings, on the one hand, and short and medium/long-term exposures, on the other. For risk optimization purposes, the Bank has extended its controlling for a number of countries to so-called total exposure. This takes account not only of the net country exposure but also of the claims in a non-risk country on the foreign outlets and subsidiaries of a parent company based in a risk country.

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The monitoring of country risk/exposure occurs at monthly intervals. A reporting system is used for possible discrepancies between the projected trends and the actual development of the Bank's exposure, enabling counter-measures to be taken promptly. Country-risk reports appear at periodic intervals, describing the development of individual countries and regions and establishing guidelines for future lending. In this way, we achieve risk-oriented control and geographical diversification in our exposure abroad.

Sectoral and bulk risks

Sectors are similarly managed by means of a limits/traffic-lights system. The internal assessment (scoring system) and the degree to which a sectoral limit has been exhausted determine the colour of the traffic lights, which steers sales efforts, using resources economically, and indicates where the Bank seeks new business and where its commitment is deemed to be large enough. In the case of bulk risks, the traffic lights are determined by the use of economic capital, with use of more than €20m representing a critical ceiling for borrower groups.

In addition to steering new business activities, Global Credit Operations performs active portfolio management (exits, disposal, and above all risk coverage) in close coordination with the front office and trading units. Apart from the steering of new business by means of selective instructions with regard to lending, therefore, the creation of a more dynamic portfolio is a major feature of the management of sectoral risk.

Use of credit derivatives

Commerzbank looks upon products which transfer credit risk as an important instrument for managing such risk, taking portfolio-management aspects into consideration. The Bank's credit-trading activities are primarily in proprietary trading as a market maker, above all for credit default swaps (CDS). At the same time, Commerzbank offers its customers structured, derivative credit products.

In addition to trading activities, Commerzbank employs credit derivatives in its banking book, with the focus on both limiting risk and selectively taking on credit risk. For this purpose, a team has been set up in credit derivative trading specially to hedge major credit exposures in the banking book. This team uses the centralized risk-management platform of the trading section and – observing the internal credit guidelines – also invests in credit derivative products in order to diversify the portfolio and make use of open credit lines. Through deliberate investment in these products, extra earnings potential is tapped and new asset classes explored.

Securitization transactions

Commerzbank AG is one of the leading issuers of ABS/MBS transactions in Europe. Its issuing activity is mainly concentrated on the structuring of synthetic securitizations. In these, the credit risks of the securitization pool are hedged by credit default swaps against third parties and transferred to investors by placing credit-linked notes. In addition to synthetic structures, balance-sheet claims are also securitized to a lesser extent in the form of a true sale securitization. Here, the claims – arising from trade bills – are legally assigned to a special-purpose entity, which then, for its part, issues securities. Up to now, mainly private and commercial mortgage loans and corporate credits have found their way into the securitization pool.

Commerzbank uses securitizations as defined by the new Basel capital accord (Basel II) as an originator for the significant transfer of credit risk, taking into consideration portfolio-management effects and in order to achieve a better diversification of risk. In addition, the Bank is active to a reasonable extent as an investor (in accordance with the Basel II definition) in ABS instruments.

Reporting for credit risk

For credit risk, Commerzbank uses an intranet-based management information system, CoMKIS. As an integral part of Group-wide credit-risk control, CoMKIS makes it possible to present the main steering parameters and important risk data; it can also be used to perform individual evaluations, such as rating- or sector-based portfolio analyses. In this way, analyses of weak points may be made on the basis of various search criteria and early-recognition indicators can be defined and evaluated. In addition, new indicators are provided for measuring portfolio quality. These are, for instance, rating-migration analyses, including the related upgrade/downgrade ratios.

The CoMKIS information, covering both German and foreign credit business, is incorporated into the credit section of the monthly risk report. The risk-management units of the Bank's branches in Germany and elsewhere have direct intranet access to CoMKIS. The control information available through CoMKIS permits a detailed analysis of portfolio developments over time and serve as a basis for launching risk-limiting measures.

Credit risk arising from trading transactions is reported on the basis of the Minimum requirements for the trading activities of credit institutions (MaH). Limit breaches are reported daily to the management. In addition, the management is informed every month about the largest drawings in off-balance business. Furthermore, limits and exposures are reported by type of business, maturity of transaction, country, risk classification and counterparty category. Portfolio reports are also prepared on a regular basis for certain groups of counterparties.

2) Monitoring and controlling of market risk

At Commerzbank, a model for the internal management of specific interest-rate risks has been used since 2001. In 2002, it became one of the first banks to receive approval from the German Financial Supervisory Authority to work out the capital backing required for specific interest-rate risks on the basis of this internal model. This permits the Bank to save a significant amount of capital as far as this type of risk is concerned. In order to measure the capital required to cover general and specific market risk, Commerzbank applies an internal model, that is also used at the Parent Bank and its foreign branches. It covers the equity (including residual risk), interest-rate and foreign-exchange risk categories.

Value-at-risk approach

The value-at-risk (VaR) method is the procedure currently used by the majority of all internationally active banks for measuring market risk. The value-at-risk indicates the maximum loss in value of a portfolio with a given degree of probability (confidence level). It is assumed that the composition of the portfolio remains unchanged during the holding period. A value-at-risk of €1m at a 99% confidence level and a one-day holding period means that a loss of more than €1m within one day will only occur with a probability of no more than 1%.

Historical simulation for general market risk

In order to calculate the value-at-risk of trading portfolios, the historical simulation method is employed at Commerzbank for the general market risk. Changes in interest rates, currencies, equity prices and volatility are incorporated directly into the historical simulation. A special advantage of this method is that it is fairly easy to calculate the overall risk on the basis of the individual results for lower portfolio levels.

Variance-covariance approach for specific risk

Credit trading has become increasingly important in recent years. Here the variance-covariance method is practical, since it always employs simple approximations for the risk factors themselves and, unlike historical simulation, is robust as regards the historical market data.



Back-testing

In order to assess and steadily improve the forecasting quality of the internal market-risk model and also to meet supervisory requirements, the reliability of the VaR methods that are applied is regularly checked. This begins with a retrospective comparison of the forecast risks with the profits and losses which would have occurred under the assumption of unchanged positions (so-called "clean back-testing").

Accordingly, the VaR – based on a 1-day holding period – at the 99% confidence interval should be exceeded by such a loss in merely 1% of all the trading days that are examined. The total number of these exceptions is used by the supervisory authorities in evaluating internal risk models. Upon this basis, regulatory capital is calculated.

In the 2003 financial year, one exception was noted due to a sharp rise in euro and US dollar interest-rate curves on June 17, 2003. This outcome is in line with statistical expectations and underlines the quality of the risk model used.

Apart from this approach, Commerzbank uses a series of additional methods for assessing and refining its risk model. These tests confirm the validity and forecasting power of Commerzbank's internal models.

Stress testing and sensitivity analysis

As the value-at-risk method mostly fails to take extreme market movements into account, the quality and reliability of risk quantification are complemented by additional analyses. Among other things, these analyses consist of stress tests and, using stress scenarios, evaluate the scale of losses under extreme market conditions, such as those which could be observed in past crisis situations.

The stress tests that are employed as part of daily reporting differ from business line to business line and are adapted to accommodate individual portfolios. In addition, a so-called global test was introduced in the year under review, in which several historical crisis scenarios – such as the 1992 currency crisis, September 11, 2001 – and their impact are simulated at regular intervals throughout the Bank.

The stress tests are complemented by various sensitivity analyses. These reveal the sensitivity with which the performance of a portfolio responds to a change in the risk factors – such as interest rates. The findings of the global stress tests and the sensitivity analyses are regularly presented to the Risk Committee and the Board of Managing Directors.

Interest-rate risk

Commerzbank's interest-rate risk results not only from the already identified general market risk of the trading books, but also from investment-book positions. In the banking book, interest-rate risks mainly arise through different maturities for the Bank's assets and liabilities – for example, due to the short-term funding of long-dated credits. In measuring interest-rate risks, we include both balance-sheet interest items and the related hedging transactions.

As in the treatment of the trading book, the interest-rate risk of the banking book is measured using a net present value approach according to the historical simulation method (value-at-risk). This makes it possible to compare the interest-rate risk arising from both the trading book and the banking book and also to present the results in aggregated form, with portfolio effects included.

Procedure for setting and monitoring limits

Commerzbank has developed a comprehensive system of limits for restricting market risk. It is based on the already-specified risk ratios as well as on other factors such as sensitivity ratios for traded products. The market-risk limits are determined by the Board of Managing Directors or the Risk Committee. The global market-risk limits have been assigned to specific sub-portfolios within the respective trading units and may only be altered by means of a formal process for changing limits.

The daily monitoring of market risk examines the risk figures that have been generated in order to ascertain the utilization of limits and possible breaches. The risk controllers responsible for the individual trading areas constantly monitor the open trading positions and the ensuing risk. Apart from monitoring the overall positions, ZRC also examines all proprietary-trading transactions to ensure that prices reflect market conditions in accordance with the MaH rules.

Reporting for market risk

Close cooperation between risk controllers at both the head-office and local levels ensures that decision makers on the Board of Managing Directors and at trading units are kept promptly informed. The local controllers report the risk figures that they have worked out to all decision makers within the trading units. At head office, these figures are collected and aggregated to form a risk figure for the Bank as a whole. The Board of Managing Directors is informed daily – for one thing, by means of the so-called flash risk report, representing a preliminary form of information on the value-at-risk, and, for another, by the MaH report containing not only the risk figures but also the profit-and-loss data for all the relevant portfolio levels. In addition, all the market risks of the banking and trading books are included in the monthly risk report.

In the year under review, Commerzbank's market-risk reporting was extended to cover the so-called market risk hot spots, which every second week present both the Risk Committee and the Board of Managing Directors with a detailed picture of the current exposure in the Bank's trading and banking books. In this connection, retroactively calculated data, such as the value-at-risk, are complemented by forward-looking forecast scenarios, in order to simulate their impact on current positions.

3) Monitoring and controlling of equity holding risk

The monitoring of equity holding risk is performed by Risk Control, whereas the steering of such risks is handled by two different units of the Bank. Private equity business is coordinated by Securities (ZGS), while Strategy and Controlling (ZKE) is responsible for all the strategic and other equity holdings.

As far as new acquisitions of interests are concerned, the potential risks are analysed in advance by means of due diligence measures. However, already-existing equity investments are steered on the basis of regular reports from the enterprises in question. In addition to these measures, the market risk stemming from the Bank's listed equity investments, together with the risk from non-listed investments, is quantified – similarly to the calculation of trading positions –, monitored, and reported to the Board of Managing Directors by Risk Control.

4) Monitoring and controlling of liquidity risk

Liquidity risk

Group Treasury (ZGT) is responsible for managing liquidity risk. The task of liquidity management is to guarantee that Commerzbank is solvent at all times, not only under normal conditions but also in stress situations. ZGT prepares liquidity balances and makes cash-flow forecasts, which are subjected to constant examination in the course of the year. On the basis of these analyses, the future need for borrowed funds is worked out. The aim is to achieve efficient liquidity management by raising funds regularly and to cover the Bank against market fluctuations. The measures adopted by ZGT in this connection are geared closely to the Basel II proposals:

- ZGT pursues a policy of long-term matched maturities in financing; in other words, long-term credits are largely funded at long term.
- ZGT maintains substantial liquidity portfolios in the leading currency centres. Apart from eligible (commercial) credits and bills, the portfolios are made up exclusively of prime-quality securities, which may be pledged with central banks in order to raise short-term liquidity. At end-2003, the Bank had a liquidity reserve (unused security) of €21bn.

In accordance with supervisory requirements (Principle II), an institution's liquidity is deemed adequate if the weighted liquid assets available to it within 30 days cover the weighted payment obligations callable during this period. In 2003 (2002), the liquidity coefficient lay between 1.09 (1.13) and 1.18 (1.31) and was thus at all times well above the value of 1.0 required by the supervisory authorities. This shows that Commerzbank easily met the supervisory requirements for liquidity at all times.

For internal steering purposes, ZGT regularly makes a projection of the development expected for Principle II over the next twelve months. This is based on information about planned trading activities, indications from foreign outlets and reports on the performance of customer-related business.

At the same time, the structure of the balance sheet is analysed from the qualitative standpoint, applying the stable funding concept so that measures can be adopted in good time to deal with any gaps that are identified between stable assets and stable funding.



Liquidity-risk measurement

Last year, the liquidity-risk project initiated early in 2002 was successfully brought to a conclusion. The main objective of this project, run by ZRC in close cooperation with ZGT, was the daily calculation of the expected cash flow from all positions of the Parent Bank. Here, the expected payments are calculated under the assumption of both normal and – in terms of liquidity – “stressed” market conditions. Similarly on a daily basis, the assets are worked out that can readily be made liquid and are available for closing liquidity gaps. By means of these data and the key ratios established on their basis, ZGT will be put in a position to manage the Bank’s liquidity position even more efficiently (beyond the requirements of Principle II). At the same time, the implementation of this first stage of the project has already met the major requirements of Basel II with regard to the controlling of liquidity risk.

Market-liquidity risk

Commerzbank monitors market-liquidity risk with the aid of the liquidity VaR that is based on the results of historical simulation. This liquidity VaR is defined as the possible loss during the period in which a portfolio is being entirely liquidated in terms of risk, at a given level of probability (confidence level). Unlike the one-day VaR described in the section “Monitoring and controlling of market risk”, it also takes into account the period needed to square the specific positions in terms of risk, which means to sell, cover or hedge them by means of the relevant transactions.

In quantifying such risk, we take into consideration the market liquidity of the underlying transactions by means of portfolio-specific selling or squaring strategies. These strategies indicate the percentage of a portfolio which, if necessary, could be squared in terms of risk and in how many days. The selling strategies employed are regularly updated in consultations with the respective banking departments.

5) Monitoring and controlling of operational risk

Operational risk management framework

Last year, Commerzbank’s existing operational risk management framework was made more detailed through the addition of sets of rules, elaborated and firmly established. As a result, the Operational Risk Committee formed in 2002 and those responsible for the Bank’s individual organizational units per-

formed their duties in terms of identifying, analysing, reporting and managing operational risk, in particular as regards the implementation of the Basel Committee’s “Sound practices for the management and supervision of operational risk” of February 2003.

Operational risk methods

In order to calculate equity in accordance with Basel II by applying the Advanced Measurement Approach (AMA) in the future, we focused in the year under review on the main quantitative and qualitative methods for achieving this goal, taking account of the Basel requirements published to date. The structural collection of loss data – in line with Basel II – from operational risk was maintained and stepped up. Throughout the Bank, all the losses stemming from operational risk that exceed €5,000 are systematically collected and centrally evaluated.

The first findings were shared with and analysed by Operational Riskdata eXchange Association, Zurich (ORX). Through ORX, it is possible to exchange data both for the purpose of benchmarking with international participants and for modelling the risk or the need for capital.

Furthermore, a pilot study in quality self-assessment was launched in individual areas of commercial banking and investment banking, for which methods and a system were worked out. This intranet-based tool integrated into the pool of loss data was used for the first time for investment-banking processes and will be extended to other areas of Commerzbank in 2004. This year, too, so-called key risk indicators are to be incorporated, which permit statements regarding the risk of future potential losses.

The combination of loss data and qualitative information in an operational-risk controlling system paves the way for the creation of operational-risk profiles for the individual business and service units. At the same time, mathematical-statistical approaches to risk modelling have been refined on the basis of collected loss data and the technical conditions have been met for their integration into the Bank’s overall risk architecture.

As some of the requirements have not yet been specified clearly in the Basel II consultative papers, we are also ensuring that it will be possible to implement the standardized approach or a planned so-called partial use – i.e. preparations are being made to

use both the AMA and the standardized approach for various Group units. By participating in the relevant national and international bodies, Commerzbank is continuing to play an active role in the debate on such issues.

Business contingency and continuity planning

By means of regular self-assessments, the Bank creates for itself a standardized overview of the emergency measures for which the units subject to MaH assume responsibility. In addition, the Bank conducts numerous emergency tests in which, for example, the failure of the entire trading and service centre or individual locations or systems are simulated. For this purpose, business contingency managers have been appointed at the various units.

Moreover, in a central business contingency policy the responsibilities of the diverse head-office departments and individual units are described. Starting in the year under review, these responsibilities are being adjusted to meet the requirements of the MaK and also the Sound Practices Paper.

6) Monitoring and controlling business risk

In line with their immediate responsibility for risk and earnings, the individual divisions of the Bank also take charge of the operative management of business risks which occur in their area of activity.

As part of the overall steering of the Bank, business risk was included last year for the first time in the calculation of economic capital. Business risk is worked out using an earnings-volatility model based on the historical monthly deviations of the actual from the planned result for fee income. As with the procedure applied for other types of risk, the calculation is based on a confidence level of 99.95% and a one-year time frame.

7) Monitoring and controlling legal risk

The management of Commerzbank's legal risk worldwide is entrusted to Legal Services (ZRA). The central function of ZRA is to recognize potential losses arising

from legal risk at an early stage and to devise solutions for reducing, restricting or avoiding such risks. In this connection, ZRA produces guidelines and standard contracts for the entire Bank, which are implemented in close cooperation with business lines and branches. In addition to implementing and monitoring these uniform standards, ZRA advises all units of the Bank with regard to legal issues. The duties of ZRA also include informing the Board of Managing Directors and head-office departments about the impact of major legal changes and risks, as well as regularly adapting the Group's guidelines and specimen contracts to new legal overall conditions.

8) Monitoring and controlling strategic risk

Responsibility for the strategic steering of Commerzbank lies with the Board of Managing Directors, with support in the case of strategic issues provided by Strategy and Controlling (ZKE). Some business-policy decisions also require the approval of the Supervisory Board.

As strategic risk cannot be measured and controlled in quantitative terms, the management of such risk is subject to qualitative controlling. Constant observation of German and international competitors leads to an analysis of the major changes and developments, with conclusions being derived for the Bank's strategic positioning.

9) Monitoring and controlling reputational risk

Reputational risk cannot be measured with the aid of quantitative methods either and it, too, is subject to qualitative controlling. As reputational risk may also primarily result from the wrong handling of other risk categories, the functioning and appropriateness of the risk-management system for all types of risk is important. In addition, Commerzbank avoids business-policy measures and transactions which entail extreme tax or legal risks, or violate business-policy principles published in either the articles of association or other declarations.



IV. Summary and outlook

Commerzbank's risk-management and risk-control system made an important contribution to the Bank's overall result in 2003 as well. It is suited to identifying risks in good time which would endanger the Bank's existence or impair its development and it is able to control such risks in a professional manner.

The methods used to present and control risk were continually refined in the past business year, the focus being placed on credit risk and the integration of operational risk. The projects to implement the new supervisory provisions (Basel II, MaK) were maintained according to plan, with all the organizational MaK requirements now successfully implemented. Under the internal Basel II project, the ground has basically been prepared for the sophisticated IRB Advanced Approach to be applied as well as the advanced AMA approach (for operational risk).

The management of credit risk from a single source with head-office and regional units and a professional intensive treatment section has proved its worth and – in addition to a marked reduction in credit volume and limits in some regions and sectors – has led to the loan portfolio being restructured to bring it into line with the credit-risk strategy.

The further expansion of portfolio-management activities together with the integration of economic capital into the overall Bank management will be a main feature of risk-related activities in 2004; through an improved risk and return-oriented management of the Bank, it will make a major contribution towards increasing shareholder value.

In order to be able to guarantee Commerzbank's core competency in risk management and controlling in the future as well, the Bank will continue to make every effort to maintain its high level in this area. Commerzbank believes that professional risk management and controlling represent a significant competitive edge.

Commerzbank AG's balance sheet as of December 31, 2003

Assets (in € m)		31.12.2003	31.12.2002
Cash reserve			
a) cash on hand	814		867
b) balances with central banks	4,086		5,405
including: with Deutsche Bundesbank	3,467		(4,267)
		4,900	6,272
Debt issued by public-sector borrowers, and bills of exchange rediscountable at central banks			
a) treasury bills and discountable treasury notes, as well as similar debt issues by public-sector borrowers	1,154		836
including: rediscountable at Deutsche Bundesbank	2		(38)
b) bills of exchange	324		331
including: rediscountable at Deutsche Bundesbank	322		(320)
		1,478	1,167
Claims on banks			
a) payable on demand	13,638		12,379
b) other claims	46,201		59,351
		59,839	71,730
Claims on customers		111,933	118,716
including: secured by mortgages on real estate	19,811		(20,875)
communal loans	4,373		(4,503)
Bonds and other fixed-income securities			
a) money-market instruments			
aa) issued by public-sector borrowers	414		360
including: rediscountable at Deutsche Bundesbank	(-)		(-)
ab) issued by other borrowers	1,034		838
including: rediscountable at Deutsche Bundesbank	(-)		(-)
	1,448		1,198
b) bonds and notes			
ba) issued by public-sector borrowers	16,239		26,580
including: rediscountable at Deutsche Bundesbank	12,596		(14,406)
bb) issued by other borrowers	19,023		16,517
including: rediscountable at Deutsche Bundesbank	4,181		(3,105)
	35,262		43,097
c) bonds and notes issued by Commerzbank	2,631		3,096
nominal amount €2,462m		39,341	47,391
Shares and other variable-yield securities		8,037	5,809
Investments (subsidiaries, associated companies and trade investments)		2,762	2,585
including: investment in banks	2,225		(1,719)
investment in financial-service institutions	0		(0)
Holdings in affiliated companies		7,742	11,432
including: in banks	1,385		(1,842)
in financial-service institutions	48		(63)
Assets held on a trust basis		57	160
including: loans at third-party risk	57		(160)
Recovery claims on federal and Länder authorities under post-war currency reform acts including bonds in exchange for the former		159	209
Fixed assets		938	1,284
Bank's holding of its own shares	notional value: €10.7m	50	109
Other assets		8,700	10,764
Deferred items			
a) difference arising from consolidation pursuant to Art. 250, (3) of the German Commercial Code – HGB	156		201
b) other deferred items	3,818		3,929
		3,974	4,130
Deferred taxes pursuant to Art. 274, (2), German Commercial Code – HGB		452	550
Total Assets		250,362	282,308

Liabilities and Shareholders' Equity (in € m)	31.12.2003	31.12.2002
Liabilities to banks		
a) payable on demand	27,042	22,660
b) with agreed periods or periods of notice	82,290	110,634
	109,332	133,294
Liabilities to customers		
a) savings deposits,		
aa) with agreed period of notice of three months	10,992	10,860
ab) with agreed period of notice of more than three months	631	707
	11,623	11,567
b) other liabilities		
aa) payable on demand	30,596	29,978
ab) with agreed periods or periods of notice	41,358	39,760
	71,954	69,738
	83,577	81,305
Securitized liabilities		
a) bonds and notes issued	19,829	22,825
b) other securitized liabilities	5,737	11,128
	25,566	33,953
including:		
ba) money-market instruments	5,411	(10,942)
bb) own acceptances and promissory notes outstanding	71	(186)
Liabilities on a trust basis	57	160
including: loans at third-party risk	57	(160)
Other liabilities	8,442	8,349
Deferred items		
a) difference arising from consolidation pursuant to Art. 340e, (2), 2 of the German Commercial Code – HGB	112	143
b) other deferred items	2,072	1,624
	2,184	1,767
Provisions		
a) provisions for pensions and similar commitments	1,246	1,232
b) provisions for taxation	94	188
c) other provisions	3,644	3,317
	4,984	4,737
Commerzbank Foundation	27	26
Subordinated liabilities	5,466	6,414
Profit-sharing certificates outstanding	2,110	2,110
including: maturing in less than two years	512	(256)
Fund for general banking risks	205	205
Capital and reserves		
a) subscribed capital	1,554	1,410
(conditional capital €403m)		
b) capital reserve	4,697	6,363
c) revenue reserves		
ca) legal reserve	3	3
cb) reserve for the Bank's own shares	50	109
cd) other revenue reserves	2,108	2,049
	2,161	2,161
d) distributable profit	–	54
	8,412	9,988
Total Liabilities and Shareholders' Equity	250,362	282,308
1. Contingent liabilities		
a) contingent liabilities from rediscounted bills of exchange credited to borrowers	2	4
b) liabilities from guarantees and indemnity agreements	21,422	24,236
	21,424	24,240
2. Other commitments		
c) irrevocable lending commitments	33,262	39,703
	33,262	39,703

Commerzbank AG's profit and loss account for the period from January 1 to December 31, 2003

in € m		2003	2002
Interest income from			
a) lending and money-market transactions	7,402		9,665
b) fixed-income securities and government-inscribed debt	1,295		1,530
		8,697	11,195
Interest paid		-6,527	-8,959
		2,170	2,236
Current income from			
a) shares and other variable-yield securities		170	298
b) investments (subsidiaries, associated companies, and trade investments)		45	79
c) holdings in affiliated companies		283	240
		498	617
Income from profit-pooling and from partial or full profit-transfer agreements		117	1
Commissions received		1,563	1,589
Commissions paid		-268	-283
		1,295	1,306
Net income from financial transactions		134	60
Other operating income		258	254
General operating expenses			
a) personnel expenses			
aa) wages and salaries	-1,598		-1,688
ab) compulsory social-security contributions, expenses for pensions and other employee benefits	-409		-445
of which: for pensions	-166		(-197)
		-2,007	-2,133
b) other administrative expenses		-1,299	-1,504
		-3,306	-3,637
Depreciation on and value adjustments to intangible and fixed assets		-352	-414
Other operating expenses		-199	-191
Write-downs of and value adjustments to claims and certain securities, and additions to provisions for possible loan losses		-486	-1,547
Income from additions to investments, holdings in affiliated companies and securities treated as fixed assets		312	1,843
Expenses from the transfer of losses		-24	-217
Result from ordinary activities before restructuring expenses and expenses arising from special factors		417	311
Restructuring expenses		-72	-158
Expenses arising from special factors		-2,405	-
Result from ordinary activities after restructuring expenses and expenses arising from special factors		-2,060	153
Taxes on income		-234	-94
Other taxes		-3	-5
		-237	-99
Net income/net loss for the year		-2,297	54
Withdrawals from the capital reserve		-2,297	-
Withdrawals from revenue reserves			
b) from reserve for the Bank's own shares		-59	-
d) from other revenue reserves		-	-15
		-59	-15
Allocation to revenue reserves			
b) to reserve for the Bank's own shares		-	15
d) to other revenue reserves		59	-
		59	15
Distributable profit		-	54



notes

General information

(1) Accounting principles

The annual financial statements of Commerzbank Aktiengesellschaft as of December 31, 2003, were prepared in accordance with the provisions of the German Commercial Code (*Handelsgesetzbuch* – HGB) in combination with the regulation on the accounting of banks (RechKredV) and with due regard to the provisions of the German Stock Corporation Act (*Aktien-gesetz* – AktG).

The annual financial statements consist of the balance sheet, income statement and notes. In addition, a management report has been included (including a risk report) pursuant to Art. 289, HGB, which appears on pages 2 to 19.

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

(2) Accounting and measurement methods

The cash reserve appears in nominal figures.

Debt issued by public-sector borrowers, and bills of exchange rediscountable at central banks are shown in discounted form.

Claims on banks and claims on customers appear at their nominal values, with the loan-loss provisions that have been formed deducted. Differences between the acquisition cost and the nominal amount which have interest character are assigned to deferred items and recognized on a pro-rata basis over their entire lifetime as interest income.

Bonds, notes and other fixed-income securities as well as shares and other variable-yield securities held for trading and liquidity purposes appear – according to the rules for current assets, with the strict lower-of-cost-or-market principle applied – at the lower of acquisition cost and ascribed value. Securities held as fixed assets are treated in accordance with the diluted lower value principle (Note 5).

In accordance with the rules for fixed assets, investments and holdings in affiliated companies are carried at cost. Where a permanent impairment of value seemed likely, we have made the relevant non-sched-

uled depreciation. Insofar as the reasons for the write-down no longer apply, we make a write-up amounting to no more than the depreciation.

We show expenses and income (write-ups) in net form – insofar as these stem from the portfolio held for trading purposes, they appear under Net income from financial transactions, while those from the liquidity portfolio are shown under Write-downs of and value adjustments to claims and certain securities, and additions to provisions for possible loan losses.

Securities-lending transactions are shown according to the principles of Art. 340b, (2), HGB for genuine repurchase agreements. Lent securities remain as such in our balance sheet, whereas borrowed securities do not appear there.

Tangible assets are carried at their cost of acquisition or production and, insofar as they are subject to wear and tear, they are regularly depreciated. For the underlying economic usefulness and depreciation rates, we consult the tables published by the fiscal authorities. Minor-value items are written off immediately in the year of acquisition. Non-scheduled depreciation and write-offs are effected in the case of permanent impairments in value.

We make use of the option to form a deferred tax item pursuant to Art. 274, (2), HGB.

Liabilities are shown in the balance sheet at the respective amounts to be repaid. The difference between the amount to be repaid and the amount paid out is recognized as a deferred item and appears on a pro-rata basis in the profit and loss account. We recognize long-dated discounted liabilities (zero-coupon bonds) at their present value.

Provisions for pensions are formed according to actuarial principles, applying a calculatory interest rate of 6% in calculating our pension liabilities according to the “normal entry-age” method, which is acceptable for tax purposes. In order to evaluate our obligations under early retirement and part-time schemes for older staff, we have recourse to methods permissible under tax rules. Provisions for taxes and other provisions are formed according to reasonable commercial judgement. Provisions for contingent losses from pending transactions have been formed in the commercial balance sheet.

The Bank's internal pension commitments (direct commitments) were cancelled as of December 31, 2004. All the pension expectancies acquired up to that point will remain intact. According to the opinion of an independent actuary, the cancellation had no effect on the balance sheet and profit and loss account in 2003.

We provide for the risks associated with banking business by forming specific valuation allowances, country valuation allowances, global valuation allowances and provisions. We adopt a cautious provisioning approach, applying strict criteria. In addition, we have formed reserves pursuant to Art. 340f, HGB, and the fund for general bank risks pursuant to Art. 340g, HGB, to cover special risks arising from the business lines of banks.

Derivative financial instruments (swaps, forward rate agreements, options) are used both to hedge balance-sheet items and for trading purposes. On the balance-sheet date, the derivative financial instruments are valued individually. However, to a reasonable extent, the results are netted against the results for other transactions within the same valuation unit. If there are net revenues, these are not recognized in accordance with the realization principle. On the other hand, a provision for contingent losses from pending transactions is formed in accordance with the imparity principle in the case of net expenses.

In the profit and loss account, we make use in the financial statements as of December 31, 2004, of the setting-off options pursuant to Art. 340c, (2), HGB and Art. 340f, (3), HGB.

(3) Currency translation

Foreign currencies are translated into the reporting currency in accordance with the provisions of Art. 340h, HGB. We translate items in the balance sheet and the profit and loss account which are denominated in foreign currencies, as well as pending spot foreign-exchange transactions, at the middle spot rate on the balance-sheet date; forward foreign-exchange transactions are translated at the forward rate. Assets treated as fixed assets – investments and holdings in affiliated companies – which are not specially covered by either liabilities or forward transactions in the same currency are translated at the rate of the date of purchase. The financial statements of our branches abroad which are denominated in foreign currencies are translated into the reporting currency at the middle spot rate on the balance-sheet date. Pursuant to Art. 340h, (2), HGB, losses and gains from currency translation are reflected in the profit and loss account.



Notes to the balance sheet

(4) Maturities of claims and liabilities, by remaining lifetime

€ m	31.12.2003	31.12.2002
Other claims on banks	46,201	59,351
with a remaining lifetime of		
less than three months	37,474	51,596
more than three months, but less than one year	6,749	5,794
more than one year, but less than five years	1,192	1,569
more than five years	786	392
Other claims on banks	111,933	118,716
with indeterminate lifetime	12,123	12,933
with a remaining lifetime of		
less than three months	30,652	29,881
more than three months, but less than one year	9,175	11,565
more than one year, but less than five years	22,614	24,592
more than five years	37,369	39,745

Of the bonds, notes and other fixed-income securities in an amount of €39,341m (previous year: €47,391M), €10,080m will mature during the 2004 financial year.

€ m	31.12.2003	31.12.2002
Liabilities to banks		
with agreed lifetime or period of notice	82,290	110,634
with a remaining lifetime of		
less than three months	57,193	84,718
more than three months, but less than one year	8,511	11,437
more than one year, but less than five years	5,309	5,098
more than five years	11,277	9,381
Savings deposits		
with agreed period of notice of more than three months	631	707
with a remaining lifetime of		
less than three months	56	62
more than three months, but less than one year	106	131
more than one year, but less than five years	324	324
more than five years	145	190
Other liabilities to customers		
with agreed lifetime or period of notice	41,358	39,760
with a remaining lifetime of		
less than three months	34,021	32,314
more than three months, but less than one year	1,738	1,666
more than one year, but less than five years	1,062	1,203
more than five years	4,537	4,577
Other securitized liabilities	5,737	11,128
with a remaining lifetime of		
less than three months	3,928	8,348
more than three months, but less than one year	1,651	2,780
more than one year, but less than five years	158	–
more than five years	0	–

Of the €19,828m of bonds and notes issued (previous year: €22,825m), €4,640m will fall due in the 2004 financial year.

(5) Marketable securities

€ m	marketable		listed on a stock exchange		not listed	
	31.12.2003	31.12.2002	31.12.2003	31.12.2002	31.12.2003	31.12.2002
Bonds, notes and other fixed-income securities	39,341	47,391	30,659	40,852	8,682	6,539
Shares and other variable-yield securities	7,345	5,063	7,003	4,943	342	120
Investments	2,636	2,444	2,536	1,770	100	674
Holdings in affiliated companies	6,339	9,438	324	225	6,015	9,213

Under Shares and other variable-yield securities, investment fund shares of €132m are shown as a financial investment; these may be used solely to meet obligations arising from old-age pensions and part-time work schemes for older staff.

A contractually agreed, mutual obligation to make further contributions exists here, or a right to demand repayment, between Commerzbank AG and Commerzbank Pension-Trust e.V.

(6) Relations with affiliated companies and equity investments

€ m	Affiliated companies		Investments	
	31.12.2003	31.12.2002	31.12.2003	31.12.2002
Claims on banks	3,589	5,207	926	918
Claims on customers	12,708	10,688	7	12
Bonds, notes and other fixed-income securities	1,330	793	1,130	–
Liabilities to banks	4,430	6,773	48	44
Liabilities to customers	1,236	2,511	15	12
Securitized liabilities	723	204	–	–
Liabilities on a trust basis at third-party risk	40	6	–	–
Subordinated liabilities	332	335	–	–

(7) Trust business

€ m	31.12.2003	31.12.2002
Claims on banks	1	9
Claims on customers	56	151
Assets held on a trust basis	57	160
Liabilities to banks	50	81
Liabilities to customers	7	79
Liabilities on a trust basis	57	160



(8) Changes in book value of fixed assets

€ m	Fixed assets	Securities held as financial investments	Investments ^{*)}	Holdings in affiliated companies ^{*)}
Cost of acquisition/production as of 1.1.2003	3,414	0		
Additions in 2004	60	132		
Disposals in 2004	206	0		
Transfers/Changes in exchange rates	-22	0		
Cost of acquisition/production as of 31.12.2003	3,246	132		
Cumulative write-downs/changes in exchange rates	2,308	0		
Additions in 2003	0	0		
Residual book values 31.12.2003	938	132	2,762	7,742
Residual book values 31.12.2002	1,284	0	2,585	11,432
Write-downs in 2004	352	0		

*) Use was made of the option to present an aggregate figure, pursuant to Art. 34, (3), RechKredV.

Of the land and buildings with an overall book value of €90m (previous year: €102m), the Bank uses premises of €72m (previous year: €81m) for its own purposes.

Office furniture and equipment of €848m (previous year: €1,182m) is included in Fixed assets.

The decline in Holdings in affiliated companies mainly relates to value adjustments in order to clean up our portfolio of investments and capital reductions at subsidiaries.

(9) Other assets

Other assets of €8,700m (previous year: €10,764m) comprise such assets as cannot be assigned to any other balance-sheet item.

They mainly include premiums paid for option contracts and caps, floors and collars amounting to €7,299m (previous year: €7,990m), as well as security paid, cheques and other collection items received.

(10) Deferred tax items

Deferred tax items are formed in accordance with the provisions of Art. 274, (2), HGB on temporary differences in results between evaluation under the German Commercial Code and that performed for tax purposes.

The capitalized deferred tax item of €452m (previous year: €550m) appears in the balance sheet under the respective heading.

The deferred tax item relates to capitalized deferred taxes on provisions that are not recognized for impending losses from pending transactions in Germany, which still have to be formed in accordance with the German Commercial Code.

(11) Subordinated assets

€ m	31.12.2003	31.12.2002
Claims on banks	59,839	71,730
of which: subordinated	656	322
Claims on customers	111,933	118,716
of which: subordinated	152	138
Bonds and notes		
a) by other issuers	19,023	16,517
of which: subordinated	81	53
b) own bonds	2,631	3,096
of which: subordinated	12	2
Shares and other variable-yield securities	8,037	5,809
of which: subordinated	125	48
Total	1,026	563

(12) Repurchase agreements

The book value of the securities pledged under repurchase agreements, which appear in the balance sheet, is €23,891m (previous year: €25,673m).

(13) The Bank's foreign-currency position

On the balance-sheet date, the aggregate amount of foreign-currency assets was €62,854m (previous year: €75,387m). Foreign-currency liabilities amounted to €61,777m (previous year: €83,906m) on the balance-sheet date.

(14) Security pledged for own liabilities

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

€ m	31.12.2003	31.12.2002
Treasury bills	5	50
Claims on customers and banks	11,212	10,850
Securities	34,450	37,375
Total	45,667	48,275

The furnishing of security in order to borrow funds took the form of genuine securities repurchase agreements. At the same time, security was furnished for funds borrowed for fixed specific purposes and in connection with open-market transactions.



(15) Other liabilities

Other liabilities of €8,442m (previous year: €8,349m) include amounts which cannot be assigned to any other balance-sheet item.

They mainly include premiums for option business and interest-rate caps amounting to €7,219m (previous year: €7,119m) and well as collateral received as security.

(16) Provisions

The increase in other provisions was due in particular to the net allocation to provisions for contingent losses of €431m from pending financial transactions in the trading book, while there was a net decline in the provisions towards third parties for restructuring measures.

Other provisions include restructuring provisions of €190m (previous year: €281m).

(17) Subordinated liabilities

In the event of insolvency or winding-up, the subordinated liabilities of €5,466m (previous year: €6,414m) may only be repaid after the claims of all non-subordinate creditors have been met. Until such time, no repayment obligation or claims to interest payments exist.

The commitments arising from the bonds and notes are subordinated commitments of the issuer, which will be met on an equal basis with all the issuer's other subordinated liabilities.

In the financial year, interest paid on subordinated liabilities amounted to €327m (previous year: €366m).

As of December 31, 2003, the following fund-raising measures exceeded 10% of the aggregate amount for this item:

Code number	Currency	Amount in € m	Interest rate	Maturity date
WKN 223445	Euro	590	6.50%	12.7.2010
WKN 159353	Euro	550	4.75%	21.4.2009

The issuer cannot be obliged by creditors to make premature repayment. The conditions for subordinated liabilities find application. Conversion into capital or into another form of debt is not laid down in the contractual agreements.

(18) Profit-sharing certificates outstanding

Of the profit-sharing rights outstanding which appear in the balance sheet, €1,564m (previous year: €1,802m) count as liable equity funds as defined in Art. 10, (5a), KWG.

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

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

Volume in € m	Interest rate	Maturing on 31.12.	
409	7.25%	2005	Profit-sharing certificate with warrants WKN 803366 <i>Warrant exercise period expired</i>
320	6.38%	2010	Registered profit-sharing certificate WKN 803205
256	9.50%	2003	Profit-sharing certificate with warrants *) WKN 803279 <i>Warrant exercise period expired</i>
256	9.15%	2004	Profit-sharing certificate WKN 803330
256	7.90%	2008	Profit-sharing certificate WKN 816120
255	EUR 12-month Libor +0.6%	2006	Profit-sharing certificate with warrants WKN 803625 <i>Warrant exercise period expired</i>
150	6.38%	2009	Profit-sharing certificate WKN 816406
100	7.00%	2009	Profit-sharing certificate WKN 816407
50	7.53%	2014	Registered profit-sharing certificate WKN 422785
25	7.56%	2014	Registered profit-sharing certificate WKN 422720
10	7.24%	2009	Registered profit-sharing certificate WKN 422714
10	7.50%	2009	Registered profit-sharing certificate WKN 423280
8	7.24%	2009	Registered profit-sharing certificate WKN 422721
5	7.52%	2009	Registered profit-sharing certificate WKN 423289
2 110			

*) Repayment on June 30, 2004

The Board of Managing Directors was authorized by the AGM resolution on May 31, 2002, to issue in the period up to April 30, 2007, in one or several tranches, bearer profit-sharing certificates in an aggregate nominal amount of up to €1bn.

The profit-sharing certificates issued must meet the provisions of Art. 10, (5), KWG. They may have a maturity of up to 15 years. Shareholders' subscription rights may be excluded entirely if the profit-sharing certificates are bond-like in character.



(19) Equity

€ m		
Equity as of 31.12.2003		8,412
a) Subscribed capital		1,554
b) Capital reserve		4,697
c) Revenue reserves		2,161
ca) Legal reserve	3	
cb) Reserve for treasury shares	50	
cc) Other revenue reserves	2,108	
d) Distributable profit		–

a) Subscribed capital

The subscribed capital of Commerzbank AG (share capital) of €1,554,430,813 is evidenced in the form of bearer shares and was divided as of December 31, 2003, into 597,858,005 no-par-value shares (notional value per share: €2.60). No preferential rights or restrictions on the payment of dividends exists.

	Subscribed capital
€ m	
as of 31.12.2002	1,410
Issue of shares to employees	6
Capital increase	138
as of 31.12.2003	1,554

b) Capital reserve

In the capital reserve, premiums from the issue of Commerzbank AG shares are shown. Additional cash payments from the issue of conversion and option rights entitling holders to purchase Commerzbank AG shares are also recognized here.

	Capital reserve
€ m	
as of 31.12.2002	6,363
Issue of shares to employees	8
Capital increase	623
Withdrawal to balance net loss for the year	–2,297
as of 31.12.2003	4,697

c) Revenue reserves

€ m	Total	Legal reserve	Reserve for treasury shares	Other revenue reserves
as of 31.12.2002	2,161	3	109	2,049
Changes in portfolio of treasury shares	–	–	–59	59
as of 31.12.2003	2,161	3	50	2,108

We draw attention to the comments under Note 22 with regard to the reserve for treasury shares.

(20) Authorized capital

Year of resolution	Original authorized capital € m	Remaining authorized capital € m	Expiring on	Special conditions
1999	175.0 (Art. 4, (3), Articles of Association)	175.0	April 30, 2004	Shareholders' subscription rights may be excluded for fractional amounts and for offering subscription rights to the holders of conversion or option rights.
1999	175.0 (Art. 4, (6), Articles of Association)	149.5	April 30, 2004	Shareholders' subscription rights may be excluded for fractional amounts and for offering subscription rights to the holders of conversion or option rights. In addition, the Board of Managing Directors may, with the approval of the Supervisory Board, exclude shareholders' subscription rights insofar as the capital increase is made against contributions in kind for the purpose of acquiring companies or interests in companies.
1999	86.0 (Art. 4, (7), Articles of Association)	0.0	April 30, 2004	The Board of Managing Directors may, with the approval of the Supervisory Board, restrict shareholders' subscription rights in accordance with Art. 186, (3), 4, AktG.
2002	30.0 (Art. 4, (4), Articles of Association)	24.0	April 30, 2007	The Board of Managing Directors may, with the approval of the Supervisory Board, restrict shareholders' subscription rights in order to issue shares to the Bank's staff.
2002	65.0	–		
as of 31.12.2003	531.0	348.5		

In the financial year, authorized capital of €144.7m was used for the capital increases which were effected.



(21) Conditional capital

€ m	Conditional capital	Added in financial year	Conditional capital	of which	
	31.12.2002		31.12.2003	used conditional capital	available lines
Total	200	403	603	–	603

As resolved by the AGM of May 21, 1999, the Bank's share capital has been conditionally increased by up to €200m. Such conditional capital increase will only be effected to the extent that the holders of the convertible bonds, bonds with warrants or profit-sharing rights – carrying conversion or option rights – to be issued by April 30, 2004, by either Commerzbank AG or companies in which Commerzbank AG directly or indirectly holds a majority interest exercise their conversion or option rights, or the holders of the convertible bonds or convertible profit-sharing rights to be issued by April 30, 2004, by either Commerzbank AG or companies in which Commerzbank AG directly or indirectly holds a majority interest meet their obligation to exercise their conversion rights.

As resolved by the AGM of May 30, 2003, the Bank's share capital has been conditionally increased by up to €403m. Such conditional capital increase will only be effected to the extent that the holders or creditors of the convertible bonds, bonds with warrants or profit-sharing rights – carrying conversion or option rights – to be issued by May 30, 2008, by either Commerzbank AG or companies in which Commerzbank AG directly or indirectly holds a majority interest (group companies as defined in Art. 18, (1) AktG) exercise their conversion or option rights, or the holders or creditors of the convertible bonds or convertible profit-sharing rights to be issued by May 30, 2008, by either Commerzbank AG or companies in which Commerzbank AG directly or indirectly holds a majority interest (group companies as defined in Art. 18, (1), AktG) meet their obligation to exercise their conversion rights.

(22) Treasury shares

	Number of shares*) in units	Notional value in €1,000	Percentage of share capital
Portfolio on 31.12.2003	3,489,912	9,074	0.58
Largest total acquired during the financial year	12,259,172	31,874	2.05
Shares pledged by customers as collateral on 31.12.2003	6,250,476	16,251	1.05
Shares acquired during the financial year	209,128,980	543,735	–
Shares disposed of during the financial year	217,902,240	566,546	–

*) notional value per share €2.60

The AGM on May 30, 2003 authorized us, pursuant to Art. 71, (1), no. 7, AktG, to purchase and sell the Bank's shares for the purpose of securities trading. The authorization is valid until October 31, 2004. The aggregate amount of shares acquired for this purpose may not exceed 5% of the share capital of Commerzbank AG at the end of any given day.

The lowest price at which the Bank may purchase one of its shares is fixed at the mean value for the price established by the closing auction for the Commerzbank share in Xetra trading (or a similar successor system) on the trading day prior to the respective purchase on the Frankfurt Stock Exchange, less 10%, and the highest price at this price established by the closing auction, plus 10%.

The average purchase price in the past financial year was €12.91 (previous year: €13.21), and the average selling price €12.75 (previous year: €13.31). The lower proceeds from the above transactions were recognized as expenses during the financial year.

For the Commerzbank shares held in the Bank's portfolio at year-end, a reserve of €50m (previous year: €109m) was formed.

The AGM on May 30, 2003 also authorized us, pursuant to Art. 71, (1), no. 8, AktG, to purchase the Bank's shares, in one or in several tranches, for purposes other than securities trading. The authorization is limited to a volume of at most 10% of the share capital and is valid until October 31, 2004.

We did not use this authorization in the current financial year.



Notes to the income statement

(23) Revenues, by geographical market

€ m	2003	2002
Germany	8,777	10,608
Europe (excl. Germany)	1,774	2,176
America	424	687
Asia	103	189
Africa	72	55
Total	11,150	13,715

The aggregate amount covers the following items of the profit and loss account: Interest income, Current income from shares and other variable-yield securities, Invest-

ments, Holdings in affiliated companies, Commissions received, Net income from financial transactions and Other operating income.

(24) Other operating income

Other operating income of €258m (previous year: €254m) mainly relates to revenues from the reversal of no longer required provisions not related to lending and to tax refunds.

(25) Other operating expenses

Other operating expenses of €199m (previous year: €191m) mainly relates to expenses from allocations to provisions not related to lending.

(26) Administrative and agency services

The following major administration and agency services were performed for third parties:

- Custody account administration
- Agency services for insurance and home loan savings plans
- Portfolio management
- Fiduciary services
- Investment business

Other notes

(27) Contingent liabilities

€ m	31.12.2003	31.12.2002
Contingent liabilities	21,424	24,240
a) Contingent liabilities from bills of exchange credited to borrowers	2	4
b) Liabilities from guarantees and indemnity agreements	21,422	24,236
of which: Credit guarantees	2,938	2,531
Other guarantees	12,831	13,777
Letters of credit	5,653	7,928

(28) Other commitments

€ m	31.12.2003	31.12.2002
Irrevocable lending commitments	33,262	39,703
Book credits to banks	30,329	37,022
Book credits to customers	1,752	1,737
Credits by way of guarantee	1,162	673
Letters of credit	19	271

(29) Other financial commitments

On December 31, 2003, the existing commitments arising from rental and leasing agreements amounted to altogether €2,110m for subsequent years; €1,370m of this relates to commitments to affiliated companies.

Payment commitments for equities, shares in private limited companies and other interests amounted to €4m (previous year: €17m) on the balance-sheet date.

Due to our participation in Liquiditäts-Konsortialbank mbH, Frankfurt, we are responsible for the payment of assessments of €38m (previous year: €38m) in accordance with Art. 26, GmbHG.

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



(30) Letter of comfort

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

Name	Seat
ADIG-Investment Luxemburg S.A.	Luxembourg
ATBRECOM Limited	London
BRE Bank SA	Warsaw
BRE Leasing Sp. z o.o.	Warsaw
Caisse Centrale de Réescompte, S.A.	Paris
CBG Commerz Beteiligungsgesellschaft mbH	Frankfurt am Main
CCR Chevrillon-Philippe	Paris
CCR Gestion	Paris
CCR Gestion Internationale	Paris
CICM Fund Management Limited	Dublin
comdirect bank Aktiengesellschaft (sub-group)	Quickborn
COMINVEST Asset Management GmbH	Frankfurt am Main
Commerz (East Asia) Ltd.	Hong Kong
Commerz Advisory Management Co. Ltd.	British Virgin Islands
Commerz Asset Management (UK) plc	London
Commerz Asset Management Asia Pacific Pte Ltd.	Singapore
Commerz Asset Management Holding GmbH	Frankfurt am Main
Commerz Equity Investments Ltd.	London
Commerz Europe (Ireland), Inc.	Wilmington/Delaware
Commerz Futures, LLC.	Wilmington/Delaware
Commerz International Capital Management (Japan) Ltd.	Tokyo
Commerz Securities (Japan) Company Ltd.	Hong Kong/Tokyo
Commerzbank (Budapest) Rt.	Budapest
Commerzbank (Eurasija) SAO	Moscow
Commerzbank (Nederland) N.V.	Amsterdam
Commerzbank (South East Asia) Ltd.	Singapore
Commerzbank (Switzerland) Ltd	Zurich
Commerzbank Asset Management Asia Ltd.	Singapore
Commerzbank Auslandsbanken Holding AG	Frankfurt am Main
Commerzbank Belgium S.A. N.V.	Brussels
Commerzbank Capital Markets Corporation	New York
Commerzbank Europe (Ireland) Unlimited	Dublin
Commerzbank Europe Finance (Ireland) plc	Dublin
Commerzbank Inlandsbanken Holding AG	Frankfurt am Main
Commerzbank International S.A.	Luxembourg
Commerzbank Overseas Finance N.V.	Curaçao
CommerzLeasing und Immobilien AG (sub-group)	Düsseldorf
Erste Europäische Pfandbrief- und Kommunalkreditbank Aktiengesellschaft in Luxemburg	Luxembourg
European Bank for Fund Services GmbH (ebase)	Haar near Munich
Gracechurch TL Ltd.	London
Hypothekenbank in Essen AG	Essen

Name	Seat
Intermarket Bank AG	Vienna
Jupiter Administration Services Limited	London
Jupiter Asset Management (Asia) Limited	Hong Kong
Jupiter Asset Management (Bermuda) Limited	Bermuda
Jupiter Asset Management Limited	London
Jupiter Asset Managers (Jersey) Limited	Jersey
Jupiter International Group plc	London
Jupiter Unit Trust Managers Limited	London
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH&Co., Objekt Jupiter KG	Düsseldorf
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH&Co., Objekt Luna KG	Düsseldorf
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH&Co., Objekt Neptun KG	Düsseldorf
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH&Co., Objekt Pluto KG	Düsseldorf
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH&Co., Objekt Uranus KG	Düsseldorf
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH&Co., Objekt Venus KG	Düsseldorf
P.T. Bank Finconesia	Jakarta
RHEINHYP-BRE Bank Hipoteczny SA	Warsaw
Stampen S.A.	Brussels
Transfinance a.s.	Prague
Tyndall Holdings Limited	London
Tyndall International Holdings Limited	Bermuda
Tyndall Investments Limited	London
Tyndall Trust International I.O.M. Limited	Isle of Man
von der Heydt-Kersten & Söhne	Wuppertal-Elberfeld

(31) Corporate Governance Code

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



(32) Forward transactions

€ m	Nominal amount			Fair value		
		Remaining lifetimes				
	under 1 year	1-5 years	more than 5 years	total	positive	negative
31.12.2003						
Foreign-currency-based forward transactions						
OTC products						
Foreign-exchange forward contracts	208,952	13,258	511	222,721	5,645	7,025
Interest-rate and currency swaps	46,734	79,315	52,286	178,335	4,432	4,681
Currency call options	32,494	5,943	1,159	39,596	1,022	–
Currency put options	29,118	5,168	1,221	35,507	–	1,045
Other foreign-exchange contracts	–	–	–	–	–	–
Products traded on a stock exchange						
Currency futures	–	–	–	–	–	–
Currency options	–	–	–	–	–	–
Total	317,298	103,684	55,177	476,159	11,099	12,751
Interest-based futures transactions						
OTC products						
Forward-rate agreements	200,860	2,616	–	203,476	91	71
Interest-rate swaps (same currency)	753,189	839,477	691,534	2,284,200	42,203	41,871
Call options on interest-rate futures	22,063	49,443	46,234	117,740	2,399	–
Put options on interest-rate futures	14,098	55,482	49,013	118,593	–	2,625
Structured interest-rate products	2,555	8,867	6,496	17,918	801	419
Products traded on a stock exchange						
Interest-rate futures	63,244	2,351	3,888	69,483	–	–
Interest-rate options	97,852	2,679	4,688	105,219	–	–
Total	1,153,861	960,915	801,853	2,916,629	45,494	44,986
Other forward transactions						
OTC products						
Structured equity/index products	1,919	5,208	1,181	8,308	872	773
Equity call options	7,724	9,346	685	17,755	2,810	–
Equity put options	8,117	11,519	763	20,399	–	2,878
Credit derivatives	6,902	86,242	8,551	101,695	1,472	1,482
Precious metal contracts	–	–	–	–	–	–
Other transactions	–	–	–	–	–	–
Products traded on a stock exchange						
Equity futures	4,112	9	–	4,121	–	–
Equity options	20,826	5,104	86	26,016	–	–
Other futures	–	–	–	–	–	–
Other options	–	–	–	–	–	–
Total	49,600	117,428	11,266	178,294	5,154	5,133
Total immatured forward transactions						
OTC products	1,334,725	1,171,884	859,634	3,366,243	61,747	62,870
Products traded on a stock exchange	186,034	10,143	8,662	204,839	0	0
Total	1,520,759	1,182,027	868,296	3,571,082	61,747	62,870

(33) The Bank's staff

On average, we employed 25,292 people (previous year: 27,760) last year, who were deployed as follows:

		total		male		female	
		FT	WF	FT	WF	FT	WF
AG in Germany	2003	21,023	22,885	10,431	11,355	10,592	11,530
	2002	23,150	25,111	11,483	12,456	11,667	12,655
AG abroad	2003	2,373	2,407	1,548	1,570	825	837
	2002	2,616	2,649	1,623	1,643	993	1,006
AG total	2003	23,396	25,292	11,979	12,925	11,417	12,367
	2002	25,766	27,760	13,106	14,099	12,660	13,661

The figures for full-time staff (FT) include part-time personnel with the time actually worked. The average time worked by part-time staff is 55% (previous year: 58%). The figures for the workforce (WF) also cover all part-time staff. Trainees are not included in the employee figures.

		total	male	female
		Trainees	2003	1,403
	2002	1,526	576	950

(34) Board of Managing Directors and Supervisory Board

In the past financial year, the following aggregate remuneration was paid to the members of the Board of Managing Directors and the Supervisory Board:

	2003	2002
	€1,000	€1,000
Members of Board of Managing Directors	6,536	9,543
Members of Supervisory Board	520	613
Former members of the Board of Managing Directors and their surviving dependents	7,022	7,567
Total	14,078	17,723

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

	31.12.2003	31.12.2002
	€1,000	€1,000
Members of Board of Managing Directors	2 770	4 501
Members of Supervisory Board	1 631	1 294
Total	4 401	5 795

Interest at normal market rates is paid on the advances and loans granted to members of the Board of Managing Directors and to members of the Supervisory Board.

On December 31, 2003, provisions for pensions for present and former members of the Board of Managing Directors and their surviving dependents amounted to €58m (previous year: €59m).



(35) Seats on supervisory boards and similar bodies

Members of the Board of Managing Directors of Commerzbank AG

Information pursuant to Art. 285, no. 10, HGB

As of December 31, 2003

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

Klaus-Peter Müller

- a) Ford Deutschland Holding GmbH
Ford-Werke AG
Linde AG^{*)}
Steigenberger Hotels AG
- b) Assicurazioni Generali S.p.A.^{*)}
Parker Hannifin Corporation^{*)}
within Commerzbank Group:
Commerzbank International S.A.
(Chairman)
Commerzbank (Switzerland) Ltd
(Chairman)

Martin Blessing

- a) AMB Generali Holding AG^{*)}
Eurohypo AG^{*)}
Heidelberger
Druckmaschinen AG^{*)}
ThyssenKrupp Services AG
within Commerzbank Group:
comdirect bank AG
(Chairman)
Commerzbank Inlandsbanken
Holding AG
(Chairman)

b) **within Commerzbank Group:**

- CFM Commerz Finanz
Management GmbH i.L.
(Chairman)
- COMMERZ PARTNER Beratungs-
gesellschaft für Vorsorge- und
Finanzprodukte mbH
(Chairman)

Mehmet Dalman

- a) Deutsche Börse AG^{*)}
- b) Tosca Limited
(Non-executive director)
within Commerzbank Group:
Commerzbank Capital
Markets Corporation
(Chairman)
Commerz Securities
(Japan) Company Ltd.
(Chairman)

Wolfgang Hartmann

- a) ProSiebenSat.1 Media AG^{*)}
Vaillant GmbH
within Commerzbank Group:
Commerz Grundbesitz-
gesellschaft mbH
(Chairman)
Commerz Grundbesitz-
Investmentgesellschaft mbH
(Chairman)
Commerz Grundbesitz
Spezialfondsgesellschaft mbH
(Chairman)
CommerzLeasing und
Immobilien AG
(Chairman)
- b) **within Commerzbank Group:**
Commerzbank (Nederland) N.V.
(Chairman)

Andreas de Maizière

- a) ABB AG
Borgers AG
efiport (Educational Financial
Portal) AG
MAN AG^{*)}
RAG Saarberg AG
Rheinische Bodenverwaltung AG
(Chairman)
RWE Power AG
Thyssen Krupp Stahl AG
within Commerzbank Group:
Hypothekenbank in Essen AG
- b) Arenberg-Schleiden GmbH
(Chairman)
BVV Versicherungsverein
des Bankgewerbes a.G.
within Commerzbank Group:
BRE Bank SA
(Deputy chairman)
Commerzbank (Eurasija) SAO
(Chairman)

Klaus M. Patig

- a) Ferrostaal AG
G. Kromschröder AG^{*)}
(Deputy chairman)
within Commerzbank Group:
COMINVEST
Asset Management GmbH
(Chairman)
Pensor Pensionsfonds AG
(Deputy chairman)

- b) Fördergesellschaft für Börsen und Finanzmärkte in Mittel- und Osteuropa mbH

within Commerzbank Group:

ADIG-Investment
Luxemburg S.A.
(Chairman)

AFINA Bufete de Socios
Financieros S.A.

Caisse Centrale de
Réescompte S.A.
(Chairman)

Commerzbank Capital
Markets Corporation

Commerzbank Europe
(Ireland) Unlimited
(Chairman)

Commerz Asset Management
(UK) plc
(Chairman)

Commerz Securities
(Japan) Company Ltd.

Jupiter International Group plc
(Chairman)

Korea Exchange Bank
(Non-standing director)

Montgomery Asset
Management, LLC

Dr. Eric Strutz)**

a) **within Commerzbank Group:**

comdirect bank AG
COMINVEST
Asset Management GmbH
Commerzbank Auslandsbanken
Holding AG
Commerzbank Inlandsbanken
Holding AG
CommerzLeasing und
Immobilien AG
(Deputy chairman)
Hypothekenbank in Essen AG

- b) Banca Intesa S.p.A. *)

within Commerzbank Group:

Commerzbank International S.A.
Erste Europäische Pfandbrief-
und Kommunalkreditbank AG

Nicholas Teller

a) **within Commerzbank Group:**

Commerzbank Auslandsbanken
Holding AG
(Chairman)
Commerz Unternehmens-
beteiligungs-AG

- b) **within Commerzbank Group:**

BRE Bank SA

**Former members of the
Board of Managing Directors**

Dr. Axel Frhr. v. Ruedorffer

- a) Allgemeine Kreditversicherung
Coface AG
(Deputy chairman)

Allgemeine Kredit Coface
Holding AG
(Deputy chairman)

AUDI AG*)

Commerz Unternehmens-
beteiligungs-AG
(Chairman)

within Commerzbank Group:

Hypothekenbank in Essen AG
(Chairman)

- b) AKA Ausfuhrkredit-
Gesellschaft mbH
(2nd deputy chairman)

Avis Europe plc*)

HANNOVER Finanz GmbH

Mediobanca – Banca di Credito
Finanziario S.p.A. *)

Stiebel Eltron-Gruppe
(Chairman)

Viking Schiffsfinanz AG

Viking Ship Finance
(Overseas) Ltd.

within Commerzbank Group:

Erste Europäische Pfandbrief-
und Kommunalkreditbank AG
(Chairman)

*) listed company outside group

**) the appointment to the Board of Managing Directors resolved by the Supervisory Board will take effect as from April 1, 2004.



Members of the Supervisory Board of Commerzbank AG

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

Dr. h.c. Martin Kohlhaussen

- a) Bayer AG
 - Heraeus Holding GmbH
 - HOCHTIEF AG
 - Infineon Technologies AG (Deputy chairman)
 - KARSTADT QUELLE AG (until May 2003)
 - Linde AG (until May 2003)
 - Schering AG
 - ThyssenKrupp AG
- b) Verlagsgruppe
 - Georg von Holtzbrinck GmbH

Uwe Tschäge

–

Hans-Hermann Altenschmidt

–

Dott. Sergio Balbinot

- a) **within group:**
 - Aachener und Münchener Lebensversicherung AG
 - Aachener und Münchener Versicherung AG
 - AMB Generali Holding AG
- b) **within group:**
 - Banco Vitalicio de España, C.A. de Seguros y Réaseguros
 - Europ Assistance Holding
 - Generali China Life Insurance Co. Ltd.

Generali España, Holding de Entidades de Seguros, S.A. (Chairman)

Generali Finance B.V.

Generali France S.A. (Deputy chairman) (formerly: Generali France Holding S.A.)

Generali Holding Vienna AG (Deputy chairman)

Generali (Schweiz) Holding

Generali Sigorta S.A. (Deputy chairman) (until July 31, 2003)

G. F. Participations, S.A. (Chairman) (since August 13, 2003)

La Estrella S.A.

Migdal Insurance Co. Ltd.

Migdal Insurance Holdings Ltd.

Participatie Maatschappij Graafschap Holland N.V.

Transocean Holding Corporation

Herbert Bludau-Hoffmann

–

Astrid Evers

–

Uwe Foullong

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

Daniel Hampel

–

Dr.-Ing. Otto Happel

- a) mg technologies AG

Dr. jur. Heiner Hasford

- a) D.A.S. Deutscher Automobil Schutz – Allgemeine Rechtsschutz-Versicherungs-AG
- ERGO
- Versicherungsgruppe AG*)
- Europäische Reiseversicherung AG (Chairman)
- MAN AG*) (since May 2003)
- MAN Nutzfahrzeuge AG (until April 2003)
- Nürnberger Beteiligungs-AG*)
- VICTORIA
- Lebensversicherung AG
- VICTORIA Versicherung AG
- WMF Württembergische Metallwarenfabrik AG*)
- b) American Re Corporation

Sonja Kasischke

–

Wolfgang Kirsch

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

Werner Malkhoff

–

Klaus Müller-Gebel

- a) comdirect bank AG (Deputy chairman)
- Deutsche Schiffsbank AG (Deputy chairman)
- Eurohypo AG
- Holsten-Brauerei AG

Dr. Sabine Reiner

–

Dr. Erhard Schipporeit

- a) HDI Privatversicherung AG
(until July 16, 2003)

HDI V.a.G.

Talanx AG

(since June 27, 2003)

within group:

Degussa AG

E.ON Energie AG

(until April 3, 2003)

VIAG Telecom AG

Ruhrgas AG

(since March 25, 2003)

- b) Connect Austria GmbH
(until December 31, 2003)

within group:E.ON Risk Consulting GmbH
(Chairman)**Prof. Dr.-Ing. Ekkehard Schulz**

- a) AXA Konzern AG*)

Deutsche Bahn AG

MAN AG*)

RAG AG

RWE Plus AG

(until September 30, 2003)

TUI AG*)

within group:ThyssenKrupp Automotive AG
(Chairman)ThyssenKrupp Services AG
(Chairman)*(formerly: ThyssenKrupp
Materials AG)*ThyssenKrupp Steel AG
(Chairman)

- b) **within group:**

ThyssenKrupp Budd Company

Prof. Dr. Jürgen F. Strube

- a) Allianz Lebens-
versicherungs AG*)

BASF AG*)

(Chairman)

(since May 6, 2003)

Bayerische Motorenwerke AG*)

Bertelsmann AG

Fuchs Petrolab

(Chairman)

(since June 5, 2003)

Hapag-Lloyd AG

HOCHTIEF AG*)

(until June 4, 2003)

Linde AG*)

Dr. Klaus Sturany

- a) Hannover Rück-
versicherungs AG*)

HOCHTIEF AG*)

RAG AG

within group:Heidelberger Druckmaschinen AG
(Chairman)

(since September 12, 2003)

RWE Dea AG

(until October 31, 2003)

RWE Power AG

RWE Solutions AG

(until September 30, 2003)

RWE Energy AG

(since October 1, 2003)

RWE Umwelt AG

(since July 18, 2003)

- b) **within group:**

RWE Innogy Holdings plc

RWE Thames Water plc

RWE Trading GmbH

Dr.-Ing. E.h. Heinrich Weiss

- a) Deutsche Bahn AG

Ferrostaal AG

HOCHTIEF AG*)

Voith AG

within group:

SMS Demag AG

(Chairman)

- b) Thyssen-Bornemisza Group

within group:

Concast AG

(Chairman)

Concast Holding AG

(Chairman)

**Former members of
Supervisory Board****Heinz-Werner Busch**

–

Oswald Danzer

–

Hans-Georg Jurkat

- b) BVV Versicherungsverein des
Bankgewerbes a.G.

Detlef Kayser

- b) BVV Versicherungsverein des
Bankgewerbes a.G.

Dieter Klinger

–

Dr. Torsten Locher

–

*) listed company outside group



Mark Roach

a) FIDUCIA
Informationszentrale AG

Werner Schönfeld

–

Alfred Seum

–

Hermann Josef Strenger

–

**Employees of
Commerzbank AG**

Information pursuant to Art. 340a, (4),
no. 1, HGB
As of December 31, 2003

Jürgen Berger

CFM Commerz Finanz
Management GmbH i.L.

Manfred Breuer

Isola AG
Schumag AG

Bernd Förster

SE Spezial Electronic AG

Herbert Huber

Saarländische Investitions-
kreditbank AG

Andreas Kleffel

Honsel Management GmbH

Dr. Sebastian Klein

COMINVEST
Asset Management GmbH
CFM Commerz Finanz
Management GmbH i.L.
CommerzLeasing und
Immobilien AG

Wojciech Kostrzewa

Hochtief Construction AG (HTC)

Peter Kroll

SchmidtBank AG

Klaus Kubbetat

CommerzLeasing und
Immobilien AG

Ulrich Leistner

COMINVEST
Asset Management GmbH
Commerz Grundbesitz-
Investmentgesellschaft mbH
CommerzLeasing und
Immobilien AG

Burkhard Leffers

Kolbenschmidt Pierburg AG

Dr. Dirk Mattes

CFM Commerz Finanz
Management GmbH i.L.
COMMERZ PARTNER Beratungs-
gesellschaft für Vorsorge- und
Finanzprodukte mbH
MEWA Textil-Service AG & Co.
Management OHG

Wilhelm Nüse

Rasmussen GmbH

Michael Schmid

CommerzLeasing und
Immobilien AG

Dr. Friedrich Schmitz

COMINVEST
Asset Management GmbH

Dr. Gert Schorrardt

Carmeile AG

Frank Schulz

Woba Dresden GmbH

Monika Serreck

Spielbanken Niedersachsen
GmbH

Dr. Rainer Wedel

JC INSITU
Beteiligungsgesellschaft mbH

Martin Zielke

COMINVEST
Asset Management GmbH
Commerz Grundbesitz-
Investmentgesellschaft mbH
COMMERZ PARTNER Beratungs-
gesellschaft für Vorsorge- und
Finanzprodukte mbH
ConCardis GmbH

(36) Holdings in consolidated companies

Affiliated companies included in the consolidation

Name	Seat	Share of capital held in %	of which: indirectly in %		Equity in 1,000	Result in 1,000
Atlas-Vermögensverwaltungs-Gesellschaft mbH	Bad Homburg v.d.H.	100.0		€	691,667	– ²⁾
ATBRECOM Limited	London	100.0	100.0	€	11	10 ¹⁾
TOMO Vermögensverwaltungs-gesellschaft mbH	Frankfurt am Main	100.0	100.0	€	22,778	–
Zweite Umbra Vermögensverwaltungs-gesellschaft mbH	Frankfurt am Main	100.0	100.0	€	46	–
BRE Bank SA	Warsaw	72.2		ZI	1,583,287	1,836 ⁴⁾
BRE Leasing Sp.z o.o.	Warsaw	100.0	100.0	ZI	28,037	2,519
Intermarket Bank AG	Vienna	54.8	54.8	€	16,194	2,195 ¹⁾
RHEINHYP-BRE Bank Hipoteczny SA	Warsaw	50.0	50.0	ZI	140,912	7,685 ¹⁾
Transfinance a.s.	Prague	100.0	100.0	CZK	195,477	45,623 ¹⁾
Caisse Centrale de Réescompte, S.A.	Paris	99.6		€	170,315	22,506
CCR Actions	Paris	92.0	92.0	€	1,872	8,368 ¹⁾
CCR Chevrillon-Philippe	Paris	85.0	85.0	€	2,661	700 ¹⁾
CCR Gestion	Paris	96.0	96.0	€	7,037	3,979
CCR Gestion Internationale	Paris	100.0	100.0	€	2,514	801 ¹⁾
Commerz (East Asia) Ltd.	Hong Kong	100.0		€	44,801	2,042
Commerz Asset Management (UK) plc	London	100.0		£	184,091	–1,410
Jupiter International Group plc (sub-group)	London	100.0	100.0	£	180,581	18,510
Jupiter Asset Management Limited	London	100.0	100.0			
Jupiter Unit Trust Managers Limited	London	100.0	100.0			
Tyndall Holdings Limited	London	100.0	100.0			
Jupiter Administration Services Limited	London	100.0	100.0			
Tyndall Investments Limited	London	100.0	100.0			
Tyndall International Holdings Limited	Bermuda	100.0	100.0			
Jupiter Asset Management (Asia) Limited	Hong Kong	100.0	100.0			
Jupiter Asset Management (Bermuda) Limited	Bermuda	100.0	100.0			
Jupiter Asset Management (Jersey) Limited i.L.	Jersey	100.0	100.0			
Jupiter Asset Managers (Jersey) Limited	Jersey	100.0	100.0			
Tyndall Trust International I.O.M. Limited	Isle of Man	100.0	100.0			
Tyndall International Group Limited	Bermuda	100.0	100.0			
Lanesborough Limited	Bermuda	52.9	52.9			
NALF Holdings Limited	Bermuda	100.0	100.0			
The New Asian Property Fund Limited	Bermuda	66.8	66.8			
Commerz Asset Management Holding GmbH	Frankfurt am Main	100.0		€	505,574	190,979
ADIG-Investment Luxemburg S.A.	Luxembourg	100.0	100.0	€	46,972	20,473
CICM Fund Management Limited	Dublin	100.0	100.0	€	4,578	2,203
COMINVEST Asset Management GmbH	Frankfurt am Main	100.0	100.0	€	121,351	74,248



Affiliated companies included in the consolidation

Name	Seat	Share of capital held in %	of which: indirectly in %	Equity in 1,000	Result in 1,000
Commerz Asset Management Asia Pacific Pte Ltd.	Singapore	100.0	100.0	S\$ 29,152	1,367
Commerz Advisory Management Co. Ltd.	British Virgin Islands	100.0	100.0	TWD 472,241	350,079 ¹⁾
Commerzbank Asset Management Asia Ltd.	Singapore	100.0	100.0	S\$ 31,284	22,009
Commerz International Capital Management (Japan) Ltd.	Tokyo	100.0	100.0	¥ 467,375	-48,952
European Bank for Fund Services GmbH (ebase)	Haar near Munich	100.0	100.0	€ 39,018	-3,142
CBG Commerz Beteiligungsgesellschaft Holding mbH	Bad Homburg v.d.H.	100.0		€ 6,137	- ²⁾
CBG Commerz Beteiligungsgesellschaft mbH	Frankfurt am Main	100.0	100.0	€ 12,244	6,048
Commerz Business Consulting AG	Frankfurt am Main	100.0		€ 3,899	- ²⁾
Commerz Equity Investments Ltd.	London	100.0		£ 50,012	3,704
Commerz Futures, LLC.	Wilmington/Delaware	100.0	1.0	US-\$ 15,145	-1,298
Commerz Grundbesitzgesellschaft mbH	Wiesbaden	100.0		€ 109,147	21,748
Commerz Grundbesitz-Investmentgesellschaft mbH	Wiesbaden	75.0	75.0	€ 46,033	28,979
Commerz Securities (Japan) Company Ltd.	Hong Kong/Tokyo	100.0		¥ 7,534,302	-1,024,817
Commerz Service Gesellschaft für Kundenbetreuung mbH	Quickborn	100.0		€ 26	- ²⁾
Commerzbank (Budapest) Rt.	Budapest	100.0		Ft. 14,933,298	1,793,537
Commerzbank (Eurasija) SAO	Moscow	100.0		Rbl 1,169,041	520,412
Commerzbank (South East Asia) Ltd.	Singapore	100.0		€ 125,514	18,612
Commerzbank Auslandsbanken Holding AG	Frankfurt am Main	100.0		€ 3,571,458	46,316
Commerzbank (Nederland) N.V.	Amsterdam	100.0	100.0	€ 227,097	-9,971
Commerzbank (Switzerland) Ltd	Zurich	100.0	100.0	sfr. 207,159	23,374
Commerzbank International S.A.	Luxembourg	100.0	100.0	€ 1,154,812	65,066
Commerzbank Belgium S.A. N.V.	Brussels	100.0		€ 44,923	4,037
Commerzbank Capital Markets (Eastern Europe) a.s.	Prague	100.0		CZK 533,318	134,931
Commerzbank Capital Markets Corporation	New York	100.0		US-\$ 190,136	9,023
Commerzbank Europe (Ireland) Unlimited	Dublin	44.0	4.0	€ 534,348	24,097 ⁴⁾
Commerz Europe (Ireland), Inc.	Wilmington/Delaware	100.0	100.0	US-\$ 5	1
Commerzbank Europe Finance (Ireland) plc	Dublin	100.0	100.0	€ 47	2
Commerzbank Immobilien- und Vermögensverwaltungsgesellschaft mbH	Frankfurt am Main	100.0		€ 30	- ²⁾
Commerzbank Inlandsbanken Holding AG	Frankfurt am Main	100.0		€ 2,482,491	-523,919
comdirect bank Aktiengesellschaft (sub-group)	Quickborn	58.7	58.7	€ 559,531	31,984
comdirect ltd.	London	100.0	100.0		
comdirect private finance AG	Quickborn	100.0	100.0		¹⁾
Commerzbank Overseas Finance N.V.	Curaçao	100.0		€ 1,089	910
CommerzLeasing und Immobilien AG (sub-group)	Düsseldorf	100.0	94.5	€ 97,223	18,844
ASTRIFA Mobilien-Vermietungsgesellschaft mbH	Düsseldorf	100.0	100.0		

Affiliated companies included in the consolidation

Name	Seat	Share of capital held in %	of which: indirectly in %	Equity in 1,000	Result in 1,000
CFB Commerz Fonds Beteiligungs-gesellschaft mbH	Düsseldorf	100.0	100.0		
CFB Verwaltung und Treuhand GmbH	Düsseldorf	100.0	100.0		
COBA Vermögensverwaltungs-gesellschaft mbH	Düsseldorf	100.0	100.0		
CommerzProjektconsult GmbH	Frankfurt am Main	100.0	100.0		
CommerzImmobilien GmbH	Düsseldorf	100.0	100.0		
CommerzBaucontract GmbH	Düsseldorf	100.0	100.0		
CommerzBaumanagement GmbH	Düsseldorf	100.0	100.0		
CommerzBaumanagement GmbH und CommerzImmobilien GmbH GbR – Neubau Molegra	Düsseldorf	100.0	100.0		
CommerzLeasing Mobilien GmbH	Düsseldorf	100.0	100.0		
CommerzLeasing Auto GmbH	Düsseldorf	100.0	100.0		
CommerzLeasing Mietkauf GmbH	Düsseldorf	100.0	100.0		
FABA Vermietungsgesellschaft mbH	Düsseldorf	95.0	95.0		
Hansa Automobil Leasing GmbH	Hamburg	100.0	100.0		1)
NESTOR GVG mbH&Co. Objekt ITTAE Frankfurt KG	Düsseldorf	100.0	95.0		
NOVELLA GVG mbH	Düsseldorf	100.0	100.0		
SECUNDO GVG mbH	Düsseldorf	100.0	100.0		
CORECD Commerz Real Estate Consulting and Development GmbH	Berlin	100.0	48.8 €	999	– 1)2)
Erste Europäische Pfandbrief und Kommunal-kreditbank Aktiengesellschaft in Luxemburg	Luxembourg	75.0	€	53,743	4,372
Gracechurch TL Ltd.	London	100.0	€	20,049	263
Hypothekenbank in Essen AG	Essen	51.0	€	665,039	81,170
Montgomery Asset Management, LLC	San Francisco/ Wilmington	100.0	0.3 US-\$	11,479	–9,440
OLEANDRA Grundstücks-Vermietungs-gesellschaft mbH&Co., Objekt Jupiter KG	Düsseldorf	100.0	€	13,640	1,889
OLEANDRA Grundstücks-Vermietungs-gesellschaft mbH&Co., Objekt Luna KG	Düsseldorf	100.0	€	1,918	302
OLEANDRA Grundstücks-Vermietungs-gesellschaft mbH&Co., Objekt Neptun KG	Düsseldorf	100.0	€	6,396	1,412
OLEANDRA Grundstücks-Vermietungs-gesellschaft mbH&Co., Objekt Pluto KG	Düsseldorf	100.0	€	21,750	2,923
OLEANDRA Grundstücks-Vermietungs-gesellschaft mbH&Co., Objekt Uranus KG	Düsseldorf	100.0	€	23,818	4,596
OLEANDRA Grundstücks-Vermietungs-gesellschaft mbH&Co., Objekt Venus KG	Düsseldorf	100.0	€	13,374	4,623
P.T. Bank Finconesia	Jakarta	51.0	Rp.	182,894,000	33,512,000
Service-Center Inkasso GmbH Düsseldorf	Düsseldorf	100.0	€	125	– 1)2)
Stampen S.A.	Brussels	99.4	€	11,001	204
von der Heydt-Kersten & Söhne	Wuppertal-Elberfeld	100.0	€	5,113	1,621



Associated companies included in the consolidation at equity

Name	Seat	Share of capital held in %	of which: indirectly in %		Equity in 1,000	Result in 1,000
Capital Investment Trust Corporation	Taipei/Taiwan	24.3	5.0	TWD	1,338,191	348,405
Commerz Unternehmensbeteiligungs-Aktiengesellschaft	Frankfurt am Main	40.0		€	118,609	22,965
ComSystems GmbH	Düsseldorf	49.0	49.0	€	-492	-592
COMUNITY Immobilien AG	Düsseldorf	49.9	49.9	€	-6,294	-14,154
Deutsche Schiffsbank Aktiengesellschaft	Bremen/Hamburg	40.0	40.0	€	372,787	49,055
Eurohypo Aktiengesellschaft	Frankfurt am Main	31.8	31.8	€	4,736,542	292,206
ILV Immobilien-Leasing Verwaltungsgesellschaft Düsseldorf mbH	Düsseldorf	50.0	47.0	€	28,124	-
IMMOPOL GmbH & Co. KG	Munich	40.0	40.0	€	0	-8,197
KEB Commerz Investment Trust Management Co. Ltd.	Seoul	45.0		₩	32,483,672	3,193,152
Prospect Poland UK, L.P.	St. Helier/Jersey	39.1	1.2	US-\$	4,505	-2,955
Second Interoceanic GmbH	Hamburg	24.8	24.8	€	102,207	37

Other major companies not included in the consolidation

Name	Seat	Share of capital held in %	of which: indirectly in %		Equity in 1,000	Result in 1,000
ALNO Aktiengesellschaft	Pfullendorf	28.7		€	15,709	-9,888 ⁵⁾
Regina Verwaltungsgesellschaft mbH	Munich	25.0	25.0	€	403,847	79,462

Holdings in major incorporated companies pursuant to Art. 285, no. 11, final half-sentence, HGB

Name	Seat	Share of capital held in %	of which: indirectly in %
Al Wataniya	Casablanca	9.0	
Banque Marocaine du Commerce Extérieur	Casablanca	5.0	
Heidelberger Druckmaschinen Aktiengesellschaft	Heidelberg	10.0	6.0 ^{**)}
Korea Exchange Bank	Seoul	14.8	
Linde Aktiengesellschaft	Wiesbaden	10.0	
MAN Aktiengesellschaft	Munich	6.8	6.1 ^{**)}
Unibanco – União de Bancos Brasileiros S.A.	São Paulo	5.1	2.5 ^{**)}
Willy Vogel Beteiligungsgesellschaft mbH	Berlin	19.0	19.0 ^{**)}

***) The indirect holdings are shown on the basis of the calculated shares held.

Affiliated companies not included in the consolidation due to their minor importance

Name	Seat	Share of capital held in %	of which: indirectly in %
Achte Umbra Beteiligungsgesellschaft mbH	Frankfurt am Main	100.0	100.0
AFINA Bufete de Socios Financieros S.A.	Madrid	48.7	4)
AFÖG Vermögensverwaltungsgesellschaft mbH	Frankfurt am Main	100.0	
Alternative Asset Management S.A.	Luxembourg	100.0	100.0
AMBRESA Sp.z.o.o.	Warsaw	99.9	99.9
AMBRESA Sp.z.o.o.-BRELLA Sp. Komandytowa	Warsaw	99.7	99.7
ATMECO Participation S.a.r.l.	Luxembourg	100.0	100.0
Beteiligungsgesellschaft für Industrie und Handel mbH	Frankfurt am Main	100.0	
BeVerwal Beteiligungs- und Verwaltungsgesellschaft mbH	Frankfurt am Main	100.0	
BRE Corporate Finance SA	Warsaw	100.0	100.0
BRE Finance France S.A.	Paris	100.0	100.0
BRE International Finance B.V.	Amsterdam	100.0	100.0
BRE Locum Sp.z o.o.	Lódz	62.0	62.0
BREL-FIN Sp.z o.o.	Warsaw	100.0	100.0
BRELIM Sp.z o.o.	Warsaw	100.0	100.0
BRELINVEST Sp.z o.o.	Warsaw	100.0	100.0
BRELINVEST Sp.z o.o. Fly 1 Sp. Komandytowa	Warsaw	99.8	99.8
BRELINVEST Sp.z o.o. Fly 2 Sp. Komandytowa	Warsaw	99.8	99.8
CB Building Kirchberg GmbH	Düsseldorf	100.0	6.0
CB Finance Company B.V.	Amsterdam	100.0	
CB Fund Management Company S.A.	Luxembourg	100.0	100.0
CB Lux Kirchberg GmbH	Frankfurt am Main	100.0	
Chevillon Philippe Assurance CPA	Paris	100.0	100.0
CCR Courtages	Paris	100.0	100.0
Centrum Rozliczen i Informacji CERI Sp. z o.o.	Warsaw	100.0	100.0
CFM Commerz Finanz Management GmbH i.L.	Frankfurt am Main	100.0	2)
COBA Atlas-Participacoes S/C Ltda.	Rio de Janeiro	100.0	100.0
CommerzLeasing Ceska republika s.r.o.	Prague	100.0	100.0
CMMAM LLC	Delaware	100.0	2.9
COLLEGIUM GLASHÜTTEN Zentrum für Kommunikation GmbH	Glashütten	100.0	2)
Commercium Vermögensverwaltungsgesellschaft m.b.H.	Hamburg	100.0	
Commerz Export Finance Ltd.	London	100.0	
Commerz Financial Products S.A.	Paris	100.0	100.0
Commerz Grundbesitz – Gestao de Centros Comerciais Sociedade Unipessoal, Lda.	Lisbon	100.0	100.0
Commerz Grundbesitz-Spezialfondsgesellschaft mbH	Wiesbaden	100.0	100.0
Commerz Keyes Avenue Properties (Pty) Ltd.	Johannesburg	100.0	
Commerz Management Services Ltd.	Dublin	100.0	
Commerz Nominees Ltd.	London	100.0	
Commerz Overseas Services Ltd.	London	100.0	
Commerz U.S. Holding, Inc.	Wilmington/Delaware	100.0	
Commerzbank International Trust (Jersey) Ltd.	St. Helier/Jersey	100.0	20.0
Commerzbank International Trust (Singapore) Ltd.	Singapore	100.0	80.0
Commerzbank Properties South Africa (Pty) Ltda.	Johannesburg	100.0	


Affiliated companies not included in the consolidation due to their minor importance

Name	Seat	Share of capital held in %	of which: indirectly in %
Commerzbank Rio de Janeiro Servicos Ltda.	Rio de Janeiro	100.0	
Commerzbank São Paulo Servicos Ltda.	São Paulo	100.0	
Commerzbank U.S. Finance, Inc.	Wilmington/Delaware	100.0	
Dom Inwestycyjny BRE Banku SA	Warsaw	100.0	100.0
DOMINO Projektentwicklungsgesellschaft mbH & Co Objekt Taunustor KG	Frankfurt am Main	100.0	100.0
DOMINO Projektentwicklungsgesellschaft mbH & Co Objekt Neue Mainzer Straße KG	Frankfurt am Main	100.0	100.0
Dreizehnte Commercium Vermögensverwaltungsgesellschaft mbH	Frankfurt am Main	100.0	
Dritte Commercium Vermögensverwaltungsgesellschaft mbH	Frankfurt am Main	100.0	1.0
Dritte Umbra Vermögensverwaltungsgesellschaft mbH	Frankfurt am Main	100.0	1.0
eCard S.A.	Warsaw	52.0	52.0
Elfte Commercium Vermögensverwaltungsgesellschaft mbH	Frankfurt am Main	100.0	
Erste StorCom AG	Frankfurt am Main	100.0	
Essen Hyp Immobilien GmbH	Essen	100.0	100.0
FAMCO SA	Warsaw	100.0	100.0
FIDES Trust Company Ltd.	Luxembourg	100.0	10.0
Forum Algarve-Gestao de Centro Comercial Sociedade Unipessoal, Lda.	Lisbon	100.0	100.0
Forum Almada-Gestao de Centro Comercial Sociedade Unipessoal, Lda.	Lisbon	100.0	100.0
Forum Montijo - Gestao de Centro Commercial Sociedade Unipessoal, Lda.	Lisbon	100.0	100.0
Frega Vermögensverwaltungsgesellschaft mbH	Frankfurt am Main	100.0	
Handelsgest S.A.R.L.	Luxembourg	100.0	25.0
Haus am Kai 2 O.O.O.	Moscow	100.0	100.0
Hibernia Eta Beteiligungsgesellschaft mbH	Frankfurt am Main	100.0	
Hibernia Omega Beteiligungsgesellschaft mbH	Frankfurt am Main	100.0	
Hibernia Sigma Beteiligungsgesellschaft mbH	Frankfurt am Main	100.0	
Hibernia Zeta Beteiligungsgesellschaft mbH	Frankfurt am Main	100.0	
Hildegund Ltd.	London	100.0	
Immobilien Expertise GmbH	Essen	100.0	100.0
Immobilien-gesellschaft Ost Hägle spol.s.r.o.	Prague	100.0	
Immobilienverwaltungs- und Vertriebsgesellschaft Villen am Glienicker Horn mbH	Berlin	100.0	
Immobilienverwaltungsgesellschaft Kampffmeyer Villa mbH	Berlin	100.0	
Indugest S.A.R.L.	Luxembourg	100.0	25.0
Junghofstrasse Atrium Verwaltungs-GmbH	Wiesbaden	100.0	100.0
L.I.A. Leasinggesellschaft für Immobilien und Anlagegüter mbH (Teilkonzern)	Düsseldorf	100.0	0.1 ²⁾
Mädler-Passage Leipzig Grundstück GmbH & Co. KG	Leipzig	87.5	
Mädler-Passage Leipzig Grundstück Verwaltung GmbH	Leipzig	88.0	
Magyar Factor Rt.	Budapest	100.0	100.0
MOTO CAMPEON KG	Düsseldorf	99.9	99.9
Neuma Vermögensverwaltungsgesellschaft mbH	Hamburg	69.0	

Affiliated companies not included in the consolidation due to their minor importance

Name	Seat	Share of capital held in %	of which: indirectly in %
OFFICINA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0	100.0
Pensor Pensionsfonds AG	Mülheim an der Ruhr	51.0	
Polfactor SA	Warsaw	100.0	100.0
Prima Property Trust Managers Ltd.	Johannesburg	51.0	
Promes Sp.z o.o.	Gdansk	99.9	99.9
PTE Skarbiec-Emerytura SA	Warsaw	100.0	100.0
RAVENNA Gdansk Sp. z o.o.	Warsaw	100.0	100.0
RAVENNA Kraków Sp. z o.o.	Warsaw	100.0	100.0
RAVENNA Szczecin Sp. z o.o.	Warsaw	100.0	100.0
Regensburg Arcaden Verwaltungs-GmbH	Regensburg	100.0	100.0
Regina Finanz- und Versicherungsvermittlung GmbH	Essen	100.0	100.0
Schunk GmbH	Willich	51.0	51.0
Sechste Commercium Vermögensverwaltungsgesellschaft mbH	Frankfurt am Main	100.0	
Service Point Sp.z o.o.	Warsaw	100.0	100.0
SIGURD EBS Ltd.	London	100.0	
Skarbiec Asset Management Holding SA	Warsaw	100.0	100.0
SOLTRX Solutions for financial business GmbH	Frankfurt am Main	51.0	
TC TrustCenter Verwaltungsgesellschaft mbH	Hamburg	100.0	
TIGNATO Beteiligungsgesellschaft mbH & Co. Köln Turm Media Park KG	Düsseldorf	100.0	100.0
Transfinance Slovakia AS	Bratislava	100.0	100.0
Vierte Commercium Vermögensverwaltungsgesellschaft mbH	Frankfurt am Main	100.0	
Vierte Umbra Vermögensverwaltungsgesellschaft mbH	Frankfurt am Main	100.0	100.0
Wijkertunnel Beheer III B.V.	Amsterdam	100.0	
Winning Partners Limited	Hong Kong	100.0	
Zweite Commercium Vermögensverwaltungsgesellschaft mbH	Frankfurt am Main	100.0	1.0
Zwölfte Commercium Vermögensverwaltungsgesellschaft mbH	Frankfurt am Main	100.0	


Associated companies not included at equity in the consolidation due to their minor importance

Name	Seat	Share of capital held in %	of which: indirectly in %
ABC Gestion	Paris	30.0	30.0
Argor Heraeus S.A.	Mendrisio	26.5	26.5
AV America Grundbesitzverwaltungsgesellschaft mbH	Frankfurt am Main	25.0	
BillBird S.A.	Kracków	45.4	45.4
BREL-AL Sp. z o.o.	Warsaw	37.5	37.5
BREL-MAR Sp.z o.o.	Warsaw	25.0	25.0
BRELBUD Sp.z o.o.	Warsaw	25.0	25.0
CARBONARIA Beteiligungsgesellschaft mbH & Co Kokerei Schwelgern KG	Duisburg	50.0	50.0
Clearing Bank Hannover Aktiengesellschaft i.L.	Hanover	20.0	
Commerzbank Aktiengesellschaft von 1870 i.L.	Hamburg	37.9	
Commerz GOA Realty Management I, LLC	Atlanta	49.0	49.0
COMMERZ PARTNER Beratungsgesellschaft für Vorsorge- und Finanzprodukte mbH	Frankfurt am Main	50.0	
C&W Projektentwicklungsgesellschaft mbH & Co. Objekt Bad Homburg, Siemensstr. KG	Bad Homburg v.d.H.	25.5	25.5
Deutsche Gesellschaft für Immobilienanlagen "America" mbH i.L.	Bad Homburg v.d.H.	25.0	
Europartners Holding S.A.	Luxembourg	50.0	1.3
Exploitatiemaatschappij Wijkertunnel C.V.	Amsterdam	33.3	33.3
Gesellschaft für Kreditsicherung mbH	Berlin	26.7	
GMF German Mittelstand Fund GmbH	Frankfurt am Main	23.5	23.5
GOPA Gesellschaft für Organisation, Planung und Ausbildung mbH	Bad Homburg v.d.H.	24.8	24.8
Hibernia Beta Beteiligungsgesellschaft mbH	Frankfurt am Main	28.6	
HOSTRA Beteiligungsgesellschaft mbH	Düsseldorf	33.3	
Immobilien Vermietungsgesellschaft Borchert & Co., Objekt Aquarius KG	Düsseldorf	99.5	³⁾
Immobilien Vermietungsgesellschaft Borchert & Co., Objekt Aries KG	Düsseldorf	99.5	³⁾
Immobilien Vermietungsgesellschaft Borchert & Co., Objekt Geminus KG	Düsseldorf	99.5	³⁾
Immobilien Vermietungsgesellschaft Borchert & Co., Objekt Halle Riegel KG	Düsseldorf	99.5	³⁾
Immobilien Vermietungsgesellschaft Borchert & Co., Objekt Halle, Markt 11 KG	Düsseldorf	99.5	³⁾
Immobilien Vermietungsgesellschaft Borchert & Co., Objekt Hohe Straße KG	Düsseldorf	99.5	³⁾
Immobilien Vermietungsgesellschaft Borchert & Co., Objekt Pforzheim KG	Düsseldorf	99.5	³⁾
Immobilien Vermietungsgesellschaft Borchert & Co., Objekt Taurus KG	Düsseldorf	99.5	³⁾
Kapelaansdijk I BV.	Amsterdam	25.0	25.0
Koppelenweg I BV	Hoevelaken	33.3	33.3
Liegenschaft Hainstraße GbR	Frankfurt am Main	50.0	50.0
LUX Leasing S.A.	Luxembourg	50.0	50.0
Microfinance Bank MIRO SA	Bucharest	20.8	
Montrada GmbH	Bad Vilbel	50.0	

**Associated companies not included at equity in the consolidation due to their minor importance**








Name	Seat	Share of capital held in %	of which: indirectly in %
Reederei MS "E.R. India" Beteiligungsges.mbH & Co.KG	Hamburg	27.5	27.5
MS "Meta" Stefan Patjens GmbH & Co KG	Drochtersen	30.5	30.5
Partner Immobiliendienst GmbH	Wiesbaden	24.0	24.0
pdv.com Beratungs-GmbH	Bremen	30.0	
ProCredit Bank AD	Sofia	20.0	
ProCredit Bank Sh.A.	Tirana	20.0	
SOMENTEC Software AG	Langen	35.7	35.7
STE TRESOFI	Paris	20.0	20.0
TC TrustCenter AG	Hamburg	25.0	
Tele-Tech Investment Sp.z o.o.	Warsaw	24.0	24.0
The World Markets Company GmbH i.L.	Frankfurt am Main	25.2	
TV-Tech Investment Sp. z o.o.	Warsaw	40.0	40.0
WST-Broker-GmbH	Frankfurt am Main	36.0	
Xtrade S.A.	Warsaw	24.9	24.9

- 1) Included in the consolidation for the first time in the financial year
- 2) Profit-and-loss transfer agreement
- 3) Voting rights of less than 50%
- 4) Pursuant to Art. 290, (2), nos. 1 and 2, HGB
- 5) Intended for further disposal pursuant to Art. 296, (1), no. 3, HGB

Currency translation rates
 (in units for €1)

Ft	262.50000	US-\$	1.26300
¥	135.05000	₩	1,506.32000
Kč	32.41000	Zl	4.70190
£	0.70480	Rbl	36.91000
Rp.	10,602.00000	TWD	42.74000
sfr	1.55790	HKD	9.80490
S\$	2.14500		

Frankfurt am Main, March 5, 2004
 The Board of Managing Directors



auditors' report

We have audited the financial statements, including the books of account and the management report of Commerzbank AG for the business year from January 1 to December 31, 2003. The preparation and the content of the financial statements and management report according to the rules of the German Commercial Code and the supplementary regulations in the Articles of Association are the responsibility of the Board of Managing Directors. Our responsibility is to express an opinion, based on our audit, on the financial statements, including the accounting, and on the management report.

We conducted our audit of the annual financial statements in accordance with Art. 317, HGB, and the generally accepted standards promulgated by the Institut der Wirtschaftsprüfer in Deutschland (IDW). These standards require that we plan and perform the audit to obtain reasonable assurance that errors and misstatements which would have a significant impact on the presentation of the view of the net assets, financial position and earnings performance presented by the financial statements, in accordance with the principles of orderly accounting, and by the management report, are recognized. In determining the procedure for the audit, we take into consideration our knowledge of the business activity of the Company and of its economic and legal environment as well as expectations of possible errors. In the course of the audit, the effectiveness of the internal system of control and also confirmation of the data used in accounting, the financial statements and the management report are mainly

judged on the basis of samples. The audit includes an assessment of the accounting principles that have been applied and of the main views of the Board of Managing Directors, as well as an opinion on the overall presentation of the financial statements and the management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, the financial statements, in accordance with the principle of orderly accounting, give a true and fair view of the net assets, financial position and earnings performance. On the whole, the management report provides an accurate impression of the Company's position and suitably presents the risks of future development.

Frankfurt am Main, March 8, 2004

PwC Deutsche Revision
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(Friedhofen)	(Rausch)
Wirtschaftsprüfer	Wirtschaftsprüfer
(German public auditor)	(German public auditor)

boards of commerzbank aktiengesellschaft

Supervisory Board

Dr. Walter Seipp
Honorary Chairman

Dr. h.c. Martin Kohlhaussen
Chairman

Uwe Tschäge*)
Deputy Chairman

Hans-Hermann Altenschmidt*)

Dott. Sergio Balbinot

Herbert Bludau-Hoffmann*)

Astrid Evers*)

Uwe Foullong

Daniel Hampel*)

Dr.-Ing. Otto Happel

Dr. jur. Heiner Hasford*)

Sonja Kasischke*)

Wolfgang Kirsch*)

Werner Malkhoff*)

Klaus Müller-Gebel

Dr. Sabine Reiner*)

Dr. Erhard Schipporeit

Prof. Dr.-Ing. Ekkehard Schulz

Prof. Dr. Jürgen F. Strube

Dr. Klaus Sturany

Dr.-Ing. E.h. Heinrich Weiss

The following members left the
Supervisory Board on May 30, 2003,
when their period of office ended:

Hans-Georg Jurkat
Deputy Chairman

Heinz-Werner Busch

Oswald Danzer

Detlef Kayser

Dieter Klinger

Dr. Torsten Locher

Mark Roach

Werner Schönfeld

Alfred Seum

Hermann Josef Strenger

*) *since May 30, 2003*

Board of Managing Directors

Klaus-Peter Müller
Chairman

Martin Blessing

Mehmet Dalman

Wolfgang Hartmann

Andreas de Maizière

Klaus M. Patig

Dr. Axel Frhr. v. Ruedorffer
(until May 30, 2003)

Dr. Eric Strutz *(as of April 1, 2004)*

Nicholas Teller *(since April 1, 2003)*



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The Group annual report (in accordance with the International Financial Reporting Standards) appears in German and English, also in an abridged version.

COMMERZBANK

