

Financial Statements and Management Report 2007

Commerzbank AG

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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.

Financial Statements and Management Report 2007 of Commerzbank AG

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Management Report of Commerzbank AG

Business and overall conditions

With growth again at just under 5 %, 2007 was another very good year for the global economy. However, the outlook worsened considerably in the course of the year. In view of the crisis on the real-estate markets and all the turbulence this has triggered on the financial markets, the US economy is threatening to slide into recession, and the economy has weakened noticeably in the other industrialized countries. This has to date left emerging markets appearing relatively unimpressed. The Asian emerging markets in particular continue to report unchanged high rates of growth.

Also the German economy did not succeed in maintaining the high pace of growth in the course of the last year. Private consumption suffered from the VAT increase and the significant rise in the cost of energy and foodstuffs. In addition, the rate hikes by the ECB were reflected in a slowdown in capital expenditure. But, at an average figure for the year of 2.5 %, the economy once again achieved growth that was clearly above average.

The crisis on the US real-estate markets hit the performance of the capital markets in the second half of the year. Government bonds benefited in particular from the flight by investors to safe investments. Although the yields on German government bonds rose significantly up to the middle of the year as a result of the ongoing rate hikes by the ECB, they dropped back by year-end roughly to the level where they had started out the year. While the equity markets were able to stay close to their record highs despite all the uncertainty, albeit with occasionally sharp fluctuations, the spreads on bonds not issued by governments widened significantly. In view of the increasing fears of a recession in the US, the euro continued to soar against the dollar.

Successful year for Commerzbank

Despite the difficulties facing the financial markets, Commerzbank AG made good progress in 2007. Particularly in its core segments, *Mittelstandsbank* as well as Private and Business Customers, the Bank continued to grow and improve profitability. The Board of Managing Directors is therefore proposing a higher dividend based on this good performance.

Commerzbank continued to strengthen its international presence, opening its 23rd foreign branch, in Dubai in the autumn of 2007. The aim is to participate in the region's rapidly growing economic potential and serve as a local point of contact for both German and Arabian customers. The new office will provide a broad range of banking services for companies and institutional investors. In the fourth quarter of 2007, branch offices also opened in Baku and Addis Ababa.

The refocus of our asset-management activities on the home market has been largely completed. After selling off our UK subsidiary, Jupiter International Group, in the spring, we were able to announce the sale of the French Caisse Centrale de Réécompte in October. This transaction was completed in the first quarter of 2008.

An important decision taken in the year under review was the 100 % takeover of Hypothekbank in Essen AG (Essen Hyp), which was agreed in the autumn of 2007. Essen Hyp has been a wholly-owned subsidiary since the beginning of 2008, and this creates the opportunity for us to restructure the Commerzbank Group's public finance activities. Essen Hyp will be merged with Eurohypo, creating one of Europe's leading banks for public finance.

Earnings performance, assets and financial position

Commerzbank maintains roughly 820 branch offices in Germany, forming a comprehensive network from which to offer its private and corporate customers a broad range of services and advisory activities. We also have subsidiaries active in specialized markets such as leasing, asset management and real estate. Outside of Germany, the Bank has 23 branch offices, 28 representative offices and 11 major subsidiaries, which focus primarily on corporate banking, although retail banking is also offered in select locations. An overview of our international branch network is available on the cover page 3 of this report.

Profit and loss account

The Bank's good performance is reflected in the 14.9 % rise in earnings to €6.0bn. The changes in individual items are set out below.

Interest income from lending, money market business, fixed-income securities and government-inscribed debt increased sharply, by 21.9 % to €11.9bn. This was primarily attributable to the *Mittelstandsbank* segment. In domestic corporate banking, lending and deposit volumes both improved. Our retail business profited from a marked increase in customer deposits, although the general trend toward higher market interest rates caused interest expenses to rise 29.5 % to €9.7bn.

Current income from shares and other variable-yield securities was 9.4 % higher, at €594m, due to higher dividend yields. Current income from investments and holdings in affiliated companies, on the other hand, decreased due to the disposal of a number of investments and the conversion of Commerzbank (Nederland) into a branch of Commerzbank AG.

Income from profit-pooling and from partial or full profit-transfer agreements doubled year-on-year, to €935m. We received Commerzbank Inlandsbanken Holding's 2007 earnings and 2006 dividend in the initial transfer under the profit transfer agreement with Eurohypo. Furthermore, comdirect bank contributed a substantially higher dividend. The newly created Commerz Real AG also contributed to the increase in this item as the earnings from Commerz Grundbesitz Gruppe, which were previously recognized as income from holdings in affiliated companies, now fall under the existing profit-transfer agreement with Commerz Leasing und Immobilien.

We were pleased with the increase in commission income, which grew 18.7 % to €2.2bn in 2007. This was attributable primarily to securities business with our customers during a phase of considerable stock-market growth. We also recorded significant expansion in guarantees and asset management. In syndication business and payment processing, income remained on par with the previous year. With commission expenses in the reporting year of €265m, net commission income was 18.1 % higher at €1.9bn.

Net income from trading activities, which includes Commerzbank AG's trading activities in equity, fixed income, Group treasury and foreign exchange, rose 6.0 % year-on-year to €212m in 2007. The largest contributors were foreign exchange, equity and Group treasury. Fixed income suffered from the impact of the US subprime crisis, and significant impairments were required in this area.

Other operating income improved substantially, rising 72.9 % to €320m. Contributing factors included the release of provisions not related to lending and higher rental income. At the same time, other operating expenses were reduced from €364m to €252m, boosting the net result for other operating income from -€179m to €68m.

Despite increasing the number of employees from 24,327 to 24,803, we managed to limit the rise in personnel expenses. These were 2.7 % higher at €2.3bn, as a result of salary rises and slightly larger bonus payments. Social insurance contributions and expenses for pensions and other employee benefits were 6.2 % lower, benefiting from a shift in the social insurance age limits.

Other administrative expenses saw a more substantial 10.9 % rise to €1.3bn, due primarily to the increase in spending for advertising and marketing as well as consulting fees. The charge for depreciation and amortization of intangible assets and tangible assets was 14.8 % lower, at €167m.

In 2006, after recognizing restructuring expenses of €215m in the profit and loss account, pre-tax profit was €506m. No significant restructuring costs occurred in 2007, so pre-tax profit was considerably higher, at €826m. After deducting taxes in an amount of €169m, net income for the year (distributable profit) was €657m, as compared to €493m in the previous year. At the Annual General Meeting, the Bank will propose an increase in the dividend from €0.75 to €1.0 per Commerzbank share.

Balance sheet of Commerzbank AG

The total assets of Commerzbank AG increased sharply, by 18.8 % to €324.5bn, over the course of 2007. Claims on banks rose 30.2 % to €99.5bn, and claims on customers increased 6.9 % to €118.8bn. Bonds and other fixed-income securities saw a 28.3 % increase to €58.9bn, while shares and other variable-yield securities rose 49.0 % to €11.2bn.

Investments were 22.0 % higher, at €760m, with the largest single addition attributable to the indirect acquisition of a 0.75 % stake in EADS N.V. via Dedalus GmbH & Co. KGaA. The largest disposal related to the investment in Deutsche Börse AG, which was sold in 2007.

Holdings in affiliated companies decreased from €13.5bn to €13.1bn, as a result of various changes, most notably the acquisition of a 22.96 % holding in Essen Hyp, the increase of our stake in Eurohypo to 98.76 % and the sale of Commerz Asset Management (UK) plc, the holding company of our investment in Jupiter International Group plc.

The assets of the Commerzbank Foundation were reallocated to assets held on a trust basis and to liabilities on a trust basis respectively. After a further increase in 2007, foundation capital now totals €50m.

In order to fund higher lending volumes, we increased liabilities to banks and customers substantially, by 11.0 % to €110.9bn and by 17.7 % to €113.8bn respectively. We were pleased with the growth in customer deposits, which is a reflection of our growth initiatives in retail banking, as well as an increase in deposits by corporate customers.

The volume of securitized liabilities also expanded considerably, rising by more than a half to €57.0bn.

Equity remains on an unchanged level

Subordinated liabilities saw a further 4.0 % increase to €9.1bn, following on from a significant rise in 2006, through the issue of hybrid capital. However, profit-sharing certificates decreased by 21.4 % to €934m. All components of equity remained constant over the course of 2007. The slight rise in equity, to €10.5bn, was due to the increase in distributable profit.

Since 2007, the Bank has made use of the waiver rule, which means it only reports risk-weighted assets and capital ratios to the supervisory authority for the Group. It no longer performs such a calculation for Commerzbank AG. Group risk assets were 2.5 % higher compared to the end of 2006, at €237.4bn. The core capital ratio, including market risk positions, rose from 6.7 % to 6.9 % as a result of the increase in equity, whereas the total capital ratio was slightly down, from 11.1 % to 10.8 %.

Contingent liabilities not recognized in the balance sheet were up another 4.0 % to €25.6bn, while irrevocable lending commitments were virtually unchanged, falling 0.5 % to €35.5bn.

Corporate Responsibility

Increasingly, various interest groups are putting their focus on corporate responsibility. The capital market is also attaching more and more significance to this topic. As one of the crucial industries in all major economies, the banking sector is watched closely by analysts and investors; these latter are increasingly incorporating companies' responsibility in acting toward employees, the environment, society and the business landscape into their valuations. Whether or not a company is included in special sustainability indices is based on assessments of its corporate responsibility performance made by specialized ratings agencies.

The confidence of our stakeholders, which includes our clients and employees, shareholders and business partners as well as the media, NGOs and official bodies, is essential for us to carry out our business activities.

Commerzbank's clear commitment

Commerzbank recognizes its corporate responsibility and the need to ensure that its business activities are sustainable. This means that the Bank carefully weighs the economic, environmental and social consequences of its actions. As a "good citizen," it is committed to the community at the local, regional, national and international level – and has been for many years. We are convinced that by acting responsibly we make a crucial contribution to enhancing value and to securing the future of Commerzbank.

Our five key corporate values – integrity, market focus, performance, respect / partnership and team spirit – are the foundation of our activities relating to corporate responsibility. The ComWerte project, which was launched in 2005 as part of the corporate responsibility initiative, marks the departure toward a corporate culture even more firmly anchored in core values of the Bank. The value of integrity especially embodies our objective of establishing responsible conduct throughout the entire company.

Consistency is the basis for continued progress

Commerzbank's Board of Managing Directors set up a Reputation and Sustainability Management team in 2005 as part of Group Communications. The team coordinates all activities that revolve around the topic of corporate responsibility and is also in charge of its strategic development.

We made significant progress in this area again last year. We set additional important milestones and developed corporate responsibility guidelines as part of systematizing our activities.

One major step was joining the UN Global Compact. The companies and organizations that participate in this voluntary network support and advocate human rights, fair labor practices and environmental protection. They also agree to undertake measures to fight corruption. We see our participation in the Global Compact as an incentive as well as an obligation.

Every two years we will make a regular report about how our commitment continues to develop: thus, in the roughly 80 pages of our second report on corporate responsibility, we candidly and clearly describe how we as a bank live up to our economic, ecological and social responsibilities.

We are happy to say that our continuous efforts are already bearing fruit: the results of the assessments of Commerzbank from nearly all the important corporate responsibility rating agencies have improved: for example, from SAM, whose rating forms the basis for a listing on the Dow Jones Sustainability Index.

Responsible conduct at all levels

Our objective is to ensure responsible conduct in the entire Group and at all levels. The focus of these objectives includes developing a comprehensive strategy for corporate responsibility, introducing an environmental management system, implementing a system to manage reputational risks and raising the awareness of our employees regarding sustainability issues. We will report on this regularly, for example in our next sustainability report in the autumn of 2009.

In the following we describe how we take care of our responsibility with respect to our employees, the society, the environment as well as our business environment.

Economy

We are convinced that responsible conduct and economic success go hand in hand. Our entire business model is based on the trust of our customers. Our activities in the field of Corporate Responsibility help to support and build up this trust. One key factor, however, is our understanding that responsible conduct constitutes a key element of our corporate culture, the operational banking business and internal work processes.

Integrating responsible action ever more deeply into our core business creates an array of opportunities for the Bank and we have a broad range of products and services that reflect the principle of sustainability in our business activities.

Renewable Energy

We financed our first mid-sized projects in the field of renewable energies back in the 1980s. Today we can boast a diversity of products and services, including in particular corporate and project financing along the entire value chain of renewable energy, and Commerzbank is one of Europe's leading banks in this sector. We have brought our comprehensive expertise in financing renewable energies together into our centre of excellence.

Business conduct guidelines

Commerzbank's business conduct guidelines, which came into force in February 2007, are a further step on the way to integrating responsible conduct in the core business. These guidelines give employees a concrete sense of what responsible conduct means in the context of their daily business.

The content addresses basic conduct in the workplace, issues such as discretion, insider trading and conflicts of interest and bribery, corruption, tax fraud and prevention of money laundering. Ongoing training serves to raise awareness of the rules in daily work.

UnternehmerPerspektiven

With the launch of our *UnternehmerPerspektiven* (Entrepreneurial Perspectives) initiative in 2006, we aim to show small- and medium-sized businesses possible solutions to their pressing challenges and open the door to new prospects through dialogue with experts from business, academia, politics and from associations and institutions. The initiative always deals with those issues that are of current concern to small- and medium-sized businesses, such as location, innovation and overcoming bureaucratic hurdles.

Commitment to emerging countries

Commerzbank views activities which benefit poorer countries as part of its responsibility in a globalized world. Since 2000, Commerzbank has been the only commercial German bank involved in microfinance banks in Southeast Europe. The focus is on using microcredit for the targeted development of small and medium-sized businesses and on supporting international and deposit business. Additionally, the new banks also now offer products for private clients.

Environment

The corporate environmental management has been a high priority at Commerzbank for many years. In Guidelines for the Commerzbank Group drawn up in 1990, we already made a clear commitment to social and environmental sustainability. In 1992, Commerzbank also became one of the very first signatories of the United Nations Environment Program (UNEP) Statement by Financial Institutions on the Environment and Sustainable Development.

Today we are in the final stages of introducing an environmental management system, which we hope will help bring about a continuous improvement process for corporate environmental protection. In the light of climate change, we have placed an emphasis on reducing climate-related emissions and defined primary areas of action. The issue of climate protection is likely to become even more prominent in coming years.

Environmental management

With our appointment of the first environmental representative at a major German bank in 1990, we heralded a new era in corporate environmental management. Today environmental protection is integrated in practically all our processes – such as building operation, structural engineering measures, procurement and logistics. We created a position especially for corporate environmental protection in 2007. A key goal in this regard is to develop and receive certification for an environmental management system by the end of 2008.

Climate protection

To protect the climate we have identified two strategic areas of action, which will serve to reduce our CO₂ emissions: climate-friendly energy supply for our offices and taking environmental effects into account when planning business trips.

Since January 1, 2008, the Commerzbank Tower in Frankfurt has been powered solely with energy from renewable sources, which has allowed Commerzbank to cut its level of CO₂ emissions from electricity usage by 6 % in Germany. Additionally, when planning business trips our employees are encouraged to choose the most environmentally friendly means of transport.

Building management

Commerzbank's environmental commitment centers on modern building management to optimize resources and systematically reduce our CO₂ emissions. Once again, a good example is Commerzbank Tower in Frankfurt, which was built using innovative and environmentally-friendly construction techniques. You can see this in the use of natural ventilation and an environmentally friendly air conditioning system, which is fed by a combined heat and power system.

Internship for the environment

Every year Commerzbank provides 50 students with the opportunity to complete an Internship for the Environment, a three or six-month internship at a German national park, nature reserve or biosphere reserve. In the past 18 years, over 1,000 students have participated in an "Internship for the Environment". In 2007 the German UNESCO commission named the Internship for the Environment as an official "Decade Project" as part of the United Nations Decade of Education for Sustainable Development.

Society

Since its inception, Commerzbank has been committed to the community. We take our responsibility very seriously and are committed to working for the common good, especially through donations, sponsorship, and initiatives in diverse areas of society.

The last years were marked by greater focus on and consolidation of our activities. By getting involved, we want to support society in the future as well, since we are part of that society. Our goal is to continue to focus on the selected areas mentioned above so that our commitment can be even more effective.

Commerzbank Foundation

The Commerzbank Foundation, founded in 1970, supports selected institutions and initiatives that are actively involved in cultural, social and academic projects. It generally supports inter-regional centralized institutions, such as a number of endowed professorships, the action group Children in Need and the German Stroke Foundation. Over the years, the foundation endowment has been increased as the foundation's functions have grown and now stands at €50m. Grants for 2007 totaled about €2m.

Encouraging volunteers

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

Basic financial awareness

Commerzbank has been involved in promoting financial awareness in Germany since the 1980s. We have publicly called for “business” to be taught in schools as a subject in its own right. Through the Teachers’ InfoClub we provide teaching materials on the topics of business, money, banking and financial markets free of charge. In addition, we are active in the general education of young people concerning finance and the prevention of indebtedness.

Campus of Excellence

The Campus of Excellence initiative, founded in 2005 by the Commerzbank, promotes links between top-notch students, outstanding managers and young journalists and universities, research institutions, business groups and commerce. The only initiative of its kind to date, it is now supported by more than 60 partners. These include established companies and universities, and a large number of partners active both regionally and throughout Germany as well as representatives in a number of European countries.

Our staff

We need highly trained and motivated employees who can win over our customers with their skill, openness and service orientation. One of the most important factors in achieving this is an atmosphere that fosters both well-being and motivation among our employees. We work in cooperation with the Commerzbank employee representatives to this end. Extensive opportunities for advancement and attractive, performance-based compensation create an environment that allows our employees to identify with Commerzbank and own their individual duties and to feel valued and motivated. Our company culture, which is characterized by openness and respect for the individuality of all employees, also plays an important role in this respect. This commitment has also paid off in economic terms. One example is our emergency childcare programme, which we offer to our employees at numerous locations throughout Germany. It ensures that employees are able to make it to work, even if they are having difficulties arranging care for their children. Health in the workplace is another important factor, and we are continuing to strengthen management in this area.

In order to ensure that we can meet future personnel needs, we offer young people promising entry-level opportunities. To achieve this, we have revamped our recruiting programmes, with the aim of positioning the Bank as an employer of choice among university graduates and students. Over the last few years we have continuously raised the number of trainees. In 2007, the Bank provided 650 trainee posts, 100 more than in 2006. That meant that the number of those in training at Commerzbank reached a peak of around 1,500 last year. Trainees accounted for 7.4 % of Commerzbank’s headcount at year-end. We shall raise this figure once again in 2008: we are planning to employ 800 school-leavers. The percentage of those in training is then likely to reach 8 %. This puts Commerzbank in a leading position amongst the DAX 30.

The number of employees at Commerzbank AG increased 2.0 % year-on-year in 2007, to 24,803. Of this number, 2,124 were employed abroad. The employee turnover rate remained low at 3.7 %.

Summary: business position in 2007

Despite the strong impact of the global financial crisis, Commerzbank came through 2007 well, making good progress operationally. We achieved our earnings targets which is reflected by the proposed one-third increase in the dividend. Our strategy has proved to be sustainable. We have defined the right core business areas and are focusing on the right regions.

Remuneration Report

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

Board of Managing Directors

Principles of the remuneration system

The Supervisory Board has delegated its responsibility for remuneration for the Board of Managing Directors to its Presiding Committee, comprising Dr. h.c. Martin Kohlhausen as Chairman, Uwe Tschäge as Deputy Chairman of the Supervisory Board, Prof. Dr. Jürgen F. Strube and Werner Malkhoff. In determining and, when appropriate, changing the remuneration structure, particular attention is paid to the situation and level of success achieved by the Company as well as to the performance of the Board of Managing Directors. The current remuneration structure for members of the Board of Managing Directors was decided in July 2004 and supplemented in November 2006 and February 2007.

Remuneration comprises the following components: remuneration unrelated to performance, a variable performance-related bonus, long-term performance plans and pension commitments.

Components comprising remuneration unrelated to performance

The components comprising remuneration unrelated to performance include basic salary and remuneration in kind.

The basic salary, which is paid in equal monthly amounts, is €760,000 for the Chairman of the Board of Managing Directors and €480,000 for the other members of the Board.

Remuneration in kind mainly consists of use of a company car and insurance contributions, and tax and social security contributions thereon. The specific amount varies between the individual members of the Board depending on their personal situation.

Components comprising the performance-related bonus

Besides the fixed salary, members of the Board of Managing Directors receive a variable bonus based on the following key figures: return on equity (RoE) before tax, the cost/income ratio (CIR) and operating earnings before tax (excluding special factors). Targets for each of these three equally-weighted parameters and a target bonus are set for each of the members of the Board of Managing Directors; the bonus resulting from these inputs is limited to twice the target bonus. To reward the individual performance of members of the Board of Managing Directors and to take account of exceptional developments, the Presiding Committee may

in addition raise or lower the bonus so calculated by up to 20 %. Pay for serving on the boards of consolidated subsidiaries is set off against the variable bonus (this amounted in 2007 to a total of €767,000). The bonus for one financial year is paid out in the following year.

Long-term performance plans

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

Members of the Board of Managing Directors¹ participated in the last financial year with personal holdings of shares in the 2007 LTP as follows:

LTP 2007

	Number of participating shares	Attributable fair value in € 1,000	
		when the shares were granted	as of 31.12.2007
Klaus-Peter Müller	5,000	158	103
Martin Blessing	2,500	79	51
Wolfgang Hartmann	2,500	79	51
Dr. Achim Kassow	2,500	79	51
Bernd Knobloch	2,500	79	51
Klaus M. Patig ²	–	–	–
Michael Reuther	2,500	79	51
Dr. Eric Strutz	2,500	79	51
Nicholas Teller	2,500	79	51

¹ Mr Annuscheit and Mr Beumer were appointed to the Board of Managing Directors with effect from January 1, 2008 and thus did not receive pay as Board members for the year under review.

² Mr. Patig was not any more – at the relevant point in time – a member of the Board of Managing Directors.

The amount of remuneration realized from participating in the 2007 LTP may vary significantly from the figures in the table and – as with the 1999, 2000 and 2001 LTPs – may even fall to zero, as the final amount paid out is not fixed until the end of the term of each LTP.

Owing to the performance of the Commerzbank share price in the year under review, payments were made under the 2004 LTP. These were concluded with payments per participating share of €100. Listed below are the payments to members of the Board of Managing Directors who participated in the 2004 LTP:

LTP 2004³

	Number of participating shares	Amounts in € 1,000
Klaus-Peter Müller	5,000	500
Martin Blessing	2,500	250
Wolfgang Hartmann	2,500	250
Klaus M. Patig	–	–
Dr. Eric Strutz	2,500	250
Nicholas Teller	2,500	250

Pensions

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

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

The pension consists of 30 % of the latest agreed annual basic salary after the first term of appointment, 40 % after the second and 60 % of the latest agreed annual basic salary after the third term of appointment. The pensions are reduced in line with the statutory provisions on company pensions if members of the Board of Managing Directors

leave the Board before their 62nd birthday. Vesting of pension rights is also essentially based on the statutory provisions on company pensions.

Instead of their pension, members of the Board of Managing Directors will continue to receive their pro-rated basic salary for six months as a form of transitional pay if they leave the Board after celebrating their 62nd birthday or because they are permanently unable to work any longer⁴. If members of the Board of Managing Directors receive a pension before their 62nd birthday without being unable to work, the pension will be reduced to reflect the payments starting earlier. Half of any income received from other activities will be set off against any pension rights up to this age.

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

The following table lists the pension rights of the members of the Board of Managing Directors as at the end of the year under review:

Pension rights

	Annual amount when pension is first paid out (as of 31.12.2007)⁵
Klaus-Peter Müller	456
Martin Blessing	192
Wolfgang Hartmann	192
Dr. Achim Kassow	192
Bernd Knobloch	144
Klaus M. Patig	288
Michael Reuther	144
Dr. Eric Strutz	192
Nicholas Teller	192

The surviving dependants' pension for a spouse amounts to 66% of the pension entitlement of the member of the Board of Managing Directors. If no widow's pension is paid, minors or children still in full-time education are entitled to an orphan's pension amounting in each case to 25 % of the pension entitlement of the member of the Board of Managing Directors, but no higher in total than the widow's pension.

³ Messrs Dr. Kassow, Knobloch and Reuther were not yet members of the Board of Managing Directors at the time.

⁴ In view of his long membership on the Board of Eurohypo AG, Mr Knobloch shall receive transitional pay irrespective of any age limit if he leaves the Board immediately after the end of his first term of office, without having to provide good cause.

⁵ The amounts take into account the current term of appointment of the individual members of the Board of Managing Directors and furthermore assume that, barring inability to work, no pension will be paid before a member's 62nd birthday and that the member will remain on the Board until the pension is due.

The assets backing these pension obligations have been transferred under a contractual trust arrangement to Commerzbank Pension-Trust e.V. The provisions for pension obligations to be formed by December 31, 2007 further to the German Commercial Code (HGB) amounted to €17.8m for members of the Board of Managing Directors. In the year under review, provisions for active members of the Board of Managing Directors were formed in the amount of €1.4m. In the year under review, no assets were transferred to Commerzbank Pension-Trust e.V.

Change of control

In the event that a shareholder takes over at least a majority of the voting rights represented at the Annual General Meeting, or that an affiliation agreement is signed with Commerzbank as a dependent entity, or in the event of Commerzbank being merged or taken over (change of control), all members of the Board of Managing Directors are entitled to terminate their contracts of employment. If members of the Board of Managing Directors take advantage of this right to terminate their contract or if, in connection with the change of control, their membership of the Board ends for other reasons, they are entitled to compensatory pay for the remainder of their term of appointment in the amount of 75 % of their total average pay (basic salary and variable bonus) and to a severance payment in the amount of total average annual pay for two years. Depending on the age and length of service on the Board, this severance payment increases to three⁶ to four⁷ times total annual pay. Taken together, compensatory pay and severance payment may not exceed total average pay for five years or – if such members of the Board of Managing Directors are already over 60 at the time their activity on the Board ceases – for the period up to such members' 65th birthdays⁸. With retirement benefits and long-term performance plans, members of the Board of Managing Directors are essentially treated as if they had remained on the Board of Managing Directors until the end of their most recent term of office. There is no entitlement to severance pay if members of the Board of Managing Directors receive money in connection with the change of control from the majority shareholder, the controlling company or the new legal entity in the event of a merger or acquisition.

Other regulations

The contracts of employment of members of the Board of Managing Directors always end automatically with the end of their term of appointment. In derogation of this, those members who joined Commerzbank's Board of Managing Directors before 2002 will, in the event of a premature end to their appointments (unless for good cause), be released from the remaining term of their contract of employment and will continue to receive their basic salary for the remainder of their term of office⁹. If a contract of employment is not extended at the end of a term of office, without there being good cause, members of the Board of Managing Directors so affected will continue to receive their basic salary for a further six months. Members of the Board of Managing Directors who were appointed to the Board before 2004¹⁰ receive their basic salary in such cases for a further twelve months from the end of their second term of appointment. This continuation of salary ceases if members of the Board receive payments under the regulations set out above in the section headed Pensions.

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

Commerzbank signed a severance agreement with Mr Patig, who left the Board at the end of January 2007. Under this agreement his contract of employment as a member of the Board of Managing Directors expiring in March 2008 was terminated as at the date of his departure. In terms of remuneration, Mr Patig was effectively treated as if he had remained on the Board until March 2008; he received a lump sum in lieu of his variable bonus for the period from January 2007 until March 2008 in the amount of €1,823 thousand, which was paid together with his bonus for 2006.

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

⁶ Hartmann, Knobloch

⁷ Müller

⁸ For Mr Annuscheit and Mr Beumer, who have been appointed to the Board of Managing Directors with effect from January 1, 2008, partially different regulations have been agreed upon, which will be presented in the 2008 Remuneration Report.

⁹ Müller, Blessing, Hartmann, Patig

¹⁰ Müller, Blessing, Hartmann, Patig, Dr. Strutz, Teller

Summary

The following table shows the cash remuneration paid to individual members of the Board of Managing Directors for 2007 and, for comparison, for 2006:

Amounts in € 1,000		Basic salary	Cash remuneration variable remuneration ¹²	Payment for the LTP ¹³	Other ¹¹	Total
Klaus-Peter Müller	2007	760	1,876	500	84	3,220
	2006	760	2,736	900	80	4,476
Martin Blessing	2007	480	1,234	250	82	2,046
	2006	480	1,695	450	77	2,702
Wolfgang Hartmann	2007	480	874	250	111	1,715
	2006	480	1,350	450	109	2,389
Dr. Achim Kassow	2007	480	1,132	–	45	1,657
	2006	480	1,600	–	44	2,124
Bernd Knobloch ¹⁴	2007	480	874	–	72	1,426
	2006	360	1,125	–	35	1,520
Klaus M. Patig ¹⁵	2007	40	–	–	2,307	2,347
	2006	480	1,500	–	65	2,045
Michael Reuther ¹⁴	2007	480	1,080	–	71	1,631
	2006	120	375	–	2,885	3,380
Dr. Eric Strutz	2007	480	1,080	250	42	1,852
	2006	480	1,650	196	42	2,368
Nicholas Teller	2007	480	874	250	114	1,718
	2006	480	1,800	250	78	2,608
Total	2007	4,160	9,024	1,500	2,928	17,612
	2006	4,120	13,831	2,246	3,415	23,612

Loans to members of the Board of Managing Directors

Members of the Board of Managing Directors have been granted cash advances and loans with terms ranging from on demand up to a due date in 2018 and at interest rates ranging between 3.0 % and 5.8 %, and for individual instances of overdrafts up to 12.7 %. Collateral security is provided on a normal market scale, if necessary through land charges and rights of lien. The overall figure of €1,086,000 (previous year: €1,261,000) includes rental guarantees of €23,000 provided for two members without a guarantee fee being charged; this is in line with the Bank's general terms and conditions for members of staff.

Supervisory Board

Principles of the remuneration system and remuneration for 2007

The remuneration of the Supervisory Board is regulated in Art. 15 of the Articles of Association; the version valid until June 30, 2007 was approved by a resolution of the Annual General Meeting on May 30, 2003. This gave members of the Supervisory Board basic remuneration for each financial year, in addition to compensation for out-of-pocket expenses, as follows:

1. fixed remuneration of €20,000 per year and
2. a variable bonus of €2,000 per year for each €0.05 of dividend in excess of a dividend of €0.10 per share distributed to shareholders for the previous financial year.

¹¹ Other includes payment in kind in the year under review and, for Mr Patig, an amount of €2,263,000 further to his severance agreement referred to on page 42, as well as in the 2006 financial year, for Mr Reuther, an amount of €2,869,000 paid to him as special remuneration for payments he had to forego from his previous employer arising from stock options and bonuses when he joined the Board.

¹² Payable in the following year subject to approval of the annual financial statements less remuneration already received for per-forming board functions at consolidated companies (€767,000; previous year: €543,000).

¹³ Messrs Dr. Kassow, Knobloch and Reuther were not yet members of the Board of Managing Directors at the time.

¹⁴ 2006: pro rata for the period since being appointed.

¹⁵ Mr. Patig left the Board of Managing Directors at the end of January 2007

An increase in remuneration with effect from July 1, 2007 was approved by a resolution of the Annual General Meeting on May 16, 2007. Since this time, members of the Supervisory Board have received basic remuneration for each financial year, in addition to compensation for out-of-pocket expenses, as follows:

1. fixed remuneration of €40,000 per year and
2. a variable bonus of €3,000 per year for each €0.05 of dividend in excess of a dividend of €0.10 per share distributed to shareholders for the previous financial year.

In other respects, the remuneration for the Supervisory Board remained unchanged.

The Chairman receives triple and the Deputy Chairman double the aforementioned basic remuneration. For membership of a committee of the Supervisory Board which meets at least twice in any calendar year, the committee chairman receives additional remuneration in the amount of the basic remuneration and each committee member in the amount of half the basic remuneration; this additional remuneration is paid for no more than three committee appointments. In addition each member of the Supervisory Board receives an attendance fee of €1,500 for attending a meeting of the Supervisory Board or one of its committees. The fixed remuneration and attendance fees are payable at the end of each financial year and the variable bonus after the Annual General Meeting that passes a resolution approving the actions of the Supervisory Board for the financial year concerned. The value-added tax payable on the remuneration is refunded by the Bank.

Under this system, the members of our Supervisory Board will receive remuneration of €2,547,000 for the 2007 financial year (previous year: €1,661,000), provided the annual general meeting of Commerzbank AG resolves that a dividend of €1.00 be paid per no- par-value share.

Altogether €240,000 was paid in attendance fees for participation in the meetings of the Supervisory Board and its four committees (Presiding, Audit, Risk and Social Welfare Committees) which met in the year under review. The turnover tax of €484,000 to be paid on the overall remuneration of the members of the Supervisory Board was refunded by Commerzbank Aktiengesellschaft.

Members of the Supervisory Board once again provided no advisory, intermediary or other personal services in 2007. Accordingly, no additional remuneration was paid.

The remuneration apart from the attendance fees is divided between the individual members of the Supervisory Board as follows:

Supervisory Board members

for 2007 in € 1,000	Basic remuneration	Committee remuneration	Total
Dr. h.c. Martin Kohlhaussen	225.0	150.0	375.0
Uwe Tschäge	150.0	37.5	187.5
Hans-Hermann Altenschmidt	75.0	37.5	112.5
Dott. Sergio Balbinot	75.0	37.5	112.5
Herbert Bludau-Hoffmann	75.0	–	75.0
Astrid Evers	75.0	–	75.0
Uwe Foullong	75.0	–	75.0
Daniel Hampel	75.0	–	75.0
Dr.-Ing. Otto Happel	75.0	37.5	112.5
Dr. jur. Heiner Hasford	75.0	37.5	112.5
Sonja Kasischke	75.0	–	75.0
Wolfgang Kirsch	75.0	37.5	112.5
Friedrich Lürßen (since May 16, 2007)	51.3	–	51.3
Werner Malkhoff	75.0	37.5	112.5
Prof. h.c. (CHN) Dr. rer.oec. Ulrich Middelman	75.0	–	75.0
Klaus Müller-Gebel	75.0	112.5	187.5
Dr. Sabine Reiner	75.0	–	75.0
Dr. Erhard Schipporeit (until January 31, 2007)	5.5	–	5.5
Prof. Dr. Jürgen F. Strube	75.0	37.5	112.5
Dr. Klaus Sturany	75.0	–	75.0
Dr.-Ing. E.h. Heinrich Weiss	75.0	37.5	112.5
Total 2007	1,706.8	600.0	2,306.8
Total 2006	1,058.0	368.0	1,426.0

Altogether €240,000 was paid in attendance fees for participation in the meetings of the Supervisory Board and its four committees (Presiding, Audit, Risk and Social Welfare Committees) which met in the year under review. The turnover tax of €484,000 to be paid on the overall remuneration of the members of the Supervisory Board was refunded by Commerzbank Aktiengesellschaft.

Members of the Supervisory Board once again provided no advisory, intermediary or other personal services in 2007. Accordingly, no additional remuneration was paid.

Loans to members of the Supervisory Board

Members of the Supervisory Board have been granted loans with terms ranging from on demand up to a due date in 2030 and at interest rates ranging between 4.9 % and

6.6 %, and for individual instances of overdrafts up to 19.5 %. In line with market conditions, some loans were granted without collateral security, against land charges or against the assignment of life insurance policies.

As at the reporting date, the aggregate amount of advances, loans and contingent liabilities granted to members of the Supervisory Board was €723,000; in the previous year it was €1,413,000.

Other details

D&O liability insurance

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

of the Board of Managing Directors 25 % of one year's fixed remuneration.

Purchase and disposal of the Company's shares

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

Members of the Commerzbank's Board of Managing Directors and Supervisory Board have reported the following dealings (director's dealings) in Commerzbank shares or derivatives thereon in 2007:¹⁶

Date	Name	Function	Purchase / Disposal	Number of shares	Price per share in €	Amount in €
16.05.2007	Reuther, Michael	Board of Managing Directors	P	2,500	36.130	90,325.00
16.05.2007	Kassow, Dr. Achim	Board of Managing Directors	P	3,000	36.290	108,870.00
18.05.2007	Blessing, Martin	Board of Managing Directors	P	2,500	35.860	89,650.00
24.05.2007	Kohlhaussen, Dr. Martin	Chairman of Supervisory Board	P	5,000	36.740	183,700.00
29.05.2007	Müller, Klaus-Peter	Board of Managing Directors	P	5,000	36.760	183,800.00
04.06.2007	Knobloch, Bernd	Board of Managing Directors	P	2,500	36.860	92,150.00
04.06.2007	Kirsch, Wolfgang	Member of Supervisory Board	P	1,200	36.600	43,920.00
15.06.2007 ¹⁷	Blessing, Martin	Board of Managing Directors	P	3,500	35.900	125,650.00
15.06.2007 ¹⁷	Hartmann, Wolfgang	Board of Managing Directors	P	3,500	35.900	125,650.00
15.06.2007 ¹⁷	Strutz, Dr. Eric	Board of Managing Directors	P	3,500	35.900	125,650.00
15.06.2007 ¹⁷	Teller, Nicholas	Board of Managing Directors	P	3,500	35.900	125,650.00
15.06.2007 ¹⁷	Müller, Klaus-Peter	Board of Managing Directors	P	7,000	35.900	251,300.00
09.08.2007	Altenschmidt, Hans-Hermann	Member of Supervisory Board	P	160	29.880	4,780.00
13.08.2007	Hampel, Daniel	Member of Supervisory Board	D	420	29.679	12,465.18
12.10.2007	Hampel, Daniel	Member of Supervisory Board	D	1,000	31.421	31,421.00
30.10.2007	Hartmann, Alexa (Hartmann, Wolfgang)	Board of Managing Directors	D	10	28.751	287.51
07.11.2007	Hartmann, Wolfgang	Board of Managing Directors	P	3,883	27.280	105,928.24
09.11.2007	Strutz, Dr. Eric	Board of Managing Directors	P	3,000	26.279	78,837.00
21.11.2007	Hartmann, Wolfgang	Board of Managing Directors	P	5,000	24.350	121,750.00
26.11.2007	Altenschmidt, Hans-Hermann	Member of Supervisory Board	P	100	24.210	2,421.00
17.12.2007	Hampel, Daniel	Member of Supervisory Board	D	500	26.121	13,060.50

¹⁶ The Directors' Dealings have been published on Commerzbank website under "Directors' Dealings".

¹⁷ Reinvestment of 50 % of the gross amounts paid out as a result of participating in the 2004 LTP.

All told, the Board of Managing Directors and the Supervisory Board did not own more than 1 % of the issued shares and option rights of Commerzbank AG on December 31, 2007.

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

Structure of subscribed capital

Commerzbank has issued only ordinary shares, the rights and duties for which arise from legal requirements, in particular Arts. 12, 53a et seq., 118 et seq. and 186 of the German Stock Corporation Act. The subscribed capital of the company totalled €1,708,638,206.60 at the end of the financial year. It is divided into 657,168,541 no-par-value shares. The shares are issued in the form of bearer shares.

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

The members of the Board of Managing Directors are appointed and replaced by the Supervisory Board pursuant to Art. 84 of the German Stock Corporation Act and Art. 6 (2) of the Articles of Association. According to Art. 6 (2) of the Articles of Association, the Board of Managing Directors comprises a minimum of two people; in all other respects the Supervisory Board defines the number of members on the Board of Managing Directors. If there is a vacancy on the Board of Managing Directors for a required member and the Supervisory Board has not appointed a replacement, in urgent cases one will be appointed by a court pursuant to Art. 85 of the German Stock Corporation Act. Each amendment to the Articles of Association requires a resolution of the Annual General Meeting under Art. 179 (1) of the German Stock Corporation Act. Unless the law mandates a larger majority, a simple majority of the represented share capital is adequate to pass resolutions (Art. 19 (3) p. 2 of the Articles of Association). The authority to amend the Articles of Association, which only affect the version in force, has been transferred to the Supervisory Board under Art. 10 (3) of the Articles of Association in compliance with Art. 179 (1) (2) of the German Stock Corporation Act.

Powers of the Board of Managing Directors

According to the Annual General Meeting resolutions from May 16, 2007, Commerzbank is authorized to acquire its own shares in the amount of up to 5 % of the share capital under Art. 71 (1) (7) of the German Stock Corporation Act and in the amount of up to 10 % according to Art. 71 (1) (8) of the German Stock Corporation Act. These authorizations expire on October 31, 2008.

The Board of Managing Directors, with the approval of the Supervisory Board, is authorized to increase the share capital by issuing new shares under Art. 4 of the Articles of Association (authorized capital), as follows:

- a) Up to €225,000,000.00 (authorized capital 2004/I) by April 30, 2009 according to Art. 3
- b) Up to €12,000,000.00 (authorized capital 2006/III) by April 30, 2011 according to Art. 9 for the issue of shares to employees of the Commerzbank Group with shareholders' subscription rights excluded
- c) Up to €225,000,000.00 (authorized capital 2004/II) by April 30, 2009 according to Art. 6 and up to €200,000,000.00 (authorized capital 2006/II) by April 30, 2011 according to Art. 8, whereby subscription rights may be excluded pertaining to capital increases against contributions in kind for the purpose of acquiring companies or holdings in companies, and
- d) Up to €170,000,000.00 (authorized capital 2006/I) by April 30, 2011 according to Art. 7, whereby subscription rights may be excluded if the issue price of the new shares is not materially lower than that of already listed shares offering the same conditions (Art. 186 (3) (4) of the German Stock Corporation Act).

When utilizing authorized capital, subscription rights must always be granted to shareholders; with the exception of the cases listed under a-d, subscription rights can only be excluded for residual amounts and to protect the rights of holders of conversion or option rights.

Moreover, the Annual General Meetings on May 30, 2003 and on May 20, 2005 have given the Board of Managing Directors the authority to issue convertible bonds or bonds with warrants or profit-sharing certificates (with and without conversion or option rights) upon exclusion of subscription rights. Authorized capital in the amount of up to €403,000,000.00 is available for this purpose according to Art. 4 (5) of the Articles of Association.

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

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

In the event of a change of control at Commerzbank, an extraordinary right of termination has been negotiated by Commerzbank with several contract partners in favour of those contract parties as part of ISDA master agreements. In general, the right of termination is conditional upon Commerzbank's creditworthiness worsening considerably. In the event of this type of termination, the individual agreements signed would have to be calculated at fair value as determined on any stock exchange trading day. The possibility cannot however be excluded that, if an individual customer with an especially large volume of business terminates a contract, Commerzbank's net assets, financial position and operating results could nevertheless be heavily impacted due to the Bank's possible payment obligations. A master agreement with one cooperation partner in the event of a change of control also contains a reciprocal right of termination for all cooperative efforts concluded as part of this master agreement. Such a termination would have a considerable impact on the net assets, financial position and operating results of the Bank.

Change of control clauses

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

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

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

Report on post-balance sheet date events

On January 31, 2008, we announced that Essen Hyp and Eurohypo would merge with retroactive effect from January 1, 2008. This move strengthens our activities in public finance. By joining forces and establishing a uniform market presence, we have placed Eurohypo's public finance model – already a long-standing success – on a broader footing. Eurohypo will also take over Essen Hyp's commercial real-estate business, while retail lending activities will be transferred to Commerzbank AG. With the merger, the Essen Hyp offices in Essen will cease operations.

No other significant business transactions occurred after the balance-sheet date.

Outlook

In respect of economic growth in the industrialized countries, 2008 is by far not expected to be able to keep up with the good years preceding it. The crisis in the real-estate sector and its effects on the financial markets and retail consumption are likely to push the US economy very close to a recession. Even if there is no recession in the end, fear of one will keep returning as the dominant feature affecting the performance of the financial markets over the next few months. With growth of 1.5 %, 2008 will clearly be a below-average year for the US, to which the Fed will react with more rate cuts down to 2 % by the middle of the year. Although the US economy will accelerate again in 2009, the high level of indebtedness in private households, which makes a higher level of savings essential, means that growth will stay below average at just under 2 %, despite an expansionary monetary policy.

The global economy will not succeed in completely freeing itself of the effects of the weaker US economy, so that growth rates around the world will stay below those prevailing in 2007 – and the same applies to Germany. A weaker global economy, a strong euro and a rather restrictive monetary policy will leave average growth standing at best at some 1½ %. Although private consumption ought to revive somewhat in view of the improved situation on the labor market, this will not be enough to compensate for the slower pace of expansion in capital investment or exports. Since the overall euro zone economy will also be noticeably losing steam, the ECB is also likely to lower its key rate over the year. Although this will have a positive impact in the latter part of 2009, average growth in that year of 1¼ % is likely to be even somewhat lower than in 2008.

In view of the worsening outlook for the euro zone economy and assuming the deep recession in the US so feared by the markets does not come about, the euro ought to stop soaring for the time being against the dollar by the middle of the year at the latest. The flight into safe havens on the bond markets is likely to gradually turn around, although the ECB's expected rate cuts will put a limit on the increases in yields in the euro zone.

Since mid-2007, the sectoral environment in which Commerzbank AG operates has been particularly challenging. The difficulties began in the United States, where mortgage loans had been granted to individuals with a low credit rating – so-called subprime loans. Huge numbers of these loans had been bundled together into portfolios which were securitized and placed in the international capital markets. Rising interest rates and falling real-estate prices led to many of these US borrowers having difficulties in making their payments. The uncertainty over what would happen next led to a crisis on the market for securitized mortgages. At times no market prices were being quoted and the prices of affected products, such as CDOs and RMBS, dropped sharply. That is why many domestic and international banks, hedge funds and fund management companies that had bought such subprime products had to absorb huge write-downs and impairments in 2007. The worries of market players in connection with the subprime crisis led to funding for the whole banking sector becoming harder on the capital markets, necessitating intervention by central banks worldwide.

Commerzbank AG assumes that the situation on the global financial markets will gradually ease. But the overall situation will remain challenging. One may assume that the

crisis will last for at least quite some time in 2008. However it is hard to say to what extent the crisis in the real-estate sector and the financial markets will have a negative impact on the performance of the economy as a whole, and whether or not similar problems might crop up in other countries such as the UK and Spain. In reaction to the tougher overall conditions, including lower economic growth in Germany, domestic and international banks will have to put a price on the increased risks in the form of higher margins. Greater risk awareness will also take hold in the capital markets business.

Earnings growth in 2006 for banks in the European STOXX index (per share) stood at 22 %. Based on analysts' expectations¹, earnings per share at these banks grew by 4 % in 2007. Analysts expect profits at the banks in the STOXX index to rise by 9 % in 2008, but this will certainly depend to a very large extent on the prevailing overall conditions. The adjusted return on equity at European banks – as an approximation for the industry's profitability – is expected to be 16.6 % in 2007.

Commerzbank will continue on its growth path this year and in the years to come. We continue to see good opportunities, especially in Central and Eastern Europe. Other regions with significant growth potential include the Middle East and several emerging markets in Asia, South America and Africa. We therefore took early action and established further representative offices at the start of the year, in Lagos and Panama City. This year's agenda also includes the opening of a new branch in Tianjing, China.

But the focus of our expansion remains on Germany, especially in the Private and Business Customers segment. We intend to acquire substantial numbers of new customers, building on the outstanding quality of our advisors, our customer-oriented solutions and our attractive products, such as free-of-charge current accounts and our newly introduced mortgage with guaranteed protection against resale.

In asset management, following the sale of our UK, French and Japanese units, we are bundling activities within cominvest. A particular focus in this context will be the implementation of the "Alpha" growth initiative. Since it was launched in May 2006, cominvest has increased assets under management by over €10bn to €63bn. Considerably more than a half of this increase is attributable to new money. We were especially pleased to record net inflows of retail funds in 2007, for the first time in many years. For the end of 2008, we are aiming to increase assets under

¹ Source: IBES data, Bloomberg, as at Jan. 29, 2008

management to more than €70bn. The ultimate goal of the programme remains to boost assets under management to €100bn by 2011.

The *Mittelstandsbank* segment continues to hold strong potential for growth. Since launching the “Move to the Top” growth initiative in 2004, we have acquired 15,000 new customers in this segment. Including the smaller business customers we serve, *Mittelstandsbank* currently has 560,000 corporate banking customers. It is our intention to consolidate and expand upon this high rate of market penetration. Our volume of lending to SMEs rose sharply last year, by 12 %. Among the product innovations currently in development is a medium to long-term variable-rate loan. Its interest rate does not depend on market rates, but on the customer’s credit quality, which will be reviewed regularly, so the better the customer’s credit, the lower the interest rate on the loan. Additionally, starting in April, we will be offering a loan in the *Mittelstandsbank* segment with a guarantee against resale. Given the favourable outlook for small and medium-sized enterprises in Germany, we have every reason to remain optimistic about our business prospects.

Our Corporates & Markets segment will continue its customer-oriented strategy this year. Institutional clients continue to offer particular potential. With private customers, our aim is to consolidate our position in structured products such as certificates.

We are also very optimistic about the future of our Commercial Real Estate segment. In our view, the credit crunch represents more of an opportunity than a threat, having triggered a trend toward quality. We are convinced that Eurohypo, as one of Europe’s largest real-estate and public-finance banks, will profit from the current market correction.

We have set ambitious targets in Public Finance and Treasury, our goal being to rank among the top two providers in Europe. Despite further charges as a result of integrating Essen Hyp into Eurohypo this year, Public Finance should break even.

Consequently, we have every confidence in 2008, despite the weaker overall economic outlook. 2007 was a good year, but 2008, barring any significant negative surprises, will beat it. In 2009, we will continue to grow, in order to establish a solid foundation for our medium-term goal of achieving a return on a par with those of our international peers.

Risk Report

I. Key developments in 2007

For risk management, 2007 was the year of the subprime mortgage crisis. The turmoil in the financial markets led to a significant increase in fluctuations in all areas. The credit and ABS markets were hit hardest by the crisis, with spreads widening to record levels in some cases. This had a particularly negative impact on the market values of asset-backed securities (ABSs), bank bonds and bonds guaranteed by monoline insurers.

ABS portfolios

Our portfolio is broadly diversified in terms of products and – apart from the subprime assets, most of which have now been downgraded several times – is primarily in the investment-grade range, particularly in securities rated AAA and AA, and often with government guarantees. All assets have been subject to ongoing risk monitoring based on portfolio limits for the underlying asset classes and on external ratings. In the evaluation of structured credit pools by third parties this method of limiting risk did not prove to be robust. From now on we will therefore always insist on the “look-through” approach for secondary market investments in ABSs, which means that we will critically check the underlying asset pools in addition to the external rating.

Subprime crisis

We formed a working group in March 2007 that was charged with analyzing the default risks of the underlying credit pools of subprime investments. This allowed us to considerably expand our expertise in the area of subprime valuations. The Commerzbank boards received regular reports on the results of these assessments, which were often very complex. In line with our goal to provide prompt and transparent information, Commerzbank published the extent of its ABS investments in the US subprime market – a volume of €1.2bn – and the underlying rating structure on which these investments were based in its 2007 mid-year report. Since trading in ABS subprime tranches virtually came to a complete halt in the second quarter and market prices were no longer available, we have based our valuations since then on indices (the ABX for RMBSs and the TABX for CDOs).

In the course of this development, there were many waves of downgrading by external ratings agencies, which involved considerable market value losses in the indices in practically all rating categories. Even original AAA and AA ratings were affected, especially if they involved mezzanine ABS tranches (CDOs with underlying assets consisting of RMBS tranches with A and BBB ratings).

The collapse of the ABX index in the second half of 2006 indicates how dramatic this development was in the last six months of the year: it dropped from 77.5 for the BBB tranche on March 1 to as low as 20.5 by the end of the year. With the evaluation based on the strict lower of cost or market principle we made continuous and prompt efforts to deal with this negative market trend and thus wrote down a total of €419m.

US Monoliner

US monoline insurers are special insurance companies that focus on guaranteeing North American municipal bonds and take on the responsibility of refinancing them at favorable terms. We have carefully analyzed the underlying assets, and in the case of the municipal bonds we do not see any need for impairment at the present time due to good credit quality.

Liquidity risk management

Commerzbank has been able to respond quickly and strategically to changing market situations using the liquidity risk measurement and control method that was developed and established internally years ago – the available net liquidity (ANL) concept. Thanks to methodological flexibility, we were able to carry out ad hoc scenario analyses as needed. The model assumptions were continuously validated and adjusted in order to take into account the reduction in market liquidity caused by the crisis. Our conservative liquidity management system, our effective ANL-based stress analyses, the market proximity of our Treasury and the trust of our clients even made it possible for us to obtain significant additional funding from all business lines. The result was that Commerzbank had a comfortable liquidity position at all times and was even occasionally able to provide additional liquidity to the financial markets.

Market risk

The uncertain situation in the financial markets led to continued repricing of assets, which was frequently due less to deteriorating credit quality of the underlying asset than to significantly reduced market liquidity. Because of the structure of Commerzbank, the biggest potential market risk came from the increase in credit spreads and the uncertainties in the equity markets.

Risk provisioning and default portfolio

Provisions for possible loan losses showed a very pleasing trend. This result was possible chiefly because of a very good Intensive Care result.

The good external conditions in the first six months of 2007 had a positive impact on realization of collateral and consequently on the outflow from the default portfolio. As a result, the default volume was reduced even without executing large-volume portfolio transactions. The default portfolio is defined in conformity with Basel II, which means that it contains all 90-days-past-due loans.

Retail lending

Implementation of the retail lending platform designed in connection with the Eurohypo integration and the creation of a back office function strategically focused on risk optimization was successfully completed in September 2007 with the migration of the loan portfolio to the new IT system. We are certain that the run rate of provisioning for the performing loan book will be sustainably reduced by separating credit processing and back office functions (already completed) and using improved and accurate scoring systems.

Basel II certification

Certification of the most advanced Basel II approaches for credit risks and operational risks was a major success for our risk management in 2007. At the beginning of 2008, Commerzbank was granted permission to apply the advanced individual rating based (AIRB) approach to the loan book and the advanced measurement approach (AMA) to the measurement and capital requirement of operational risks.

Reaching this important goal also involves a comprehensive reorganization of risk management. Monitoring, control and reporting has already been switched to the Basel II

parameters independently of the certification results. This means that the new indicators are now firmly established in our operating units as management parameters and, in addition, that there is now significant value-generating impetus due to ongoing improvement in data quality, transparency, and ultimately better ways to make anticipatory changes in the portfolio.

Operational risk

Successful certification of the advanced measurement approach (AMA) means that the specific risk profile of Commerzbank has now become the basis for capital requirement for operational risks. This will therefore allow the front and back office units to systematically promote and support risk limitation in the future.

We also subjected our internal trading control systems to another critical review in 2007. Even if cases of fraud can never be totally ruled out, we still have a large number of control systems and safeguards that are intended to prevent them. These include regular counterparty enquiries by our internal auditing group, systematic handling of information received from stock exchanges and regulatory authorities and other conspicuous issues, a control process for cancelled transactions, established front office and back office reconciliation processes, and many other procedures. Last but not least, we place great emphasis on monitoring traders' risk positions as part of direct management by their immediate supervisors.

Further organizational development

In light of significantly increasing requirements, risk control was split into two separate departments in 2007, based on risk categories: Credit Risk and Economic Capital Control (ZCE) and Risk Strategy, Market and Operational Risk Control (ZMO).

This reorganization has proved to be very effective in the current crisis. ZMO was able to concentrate on market and funding risks, whereas ZCE focused on successfully completing our Basel II project and managing parameters in lending operations.

In mid-2007 a project for creating a group-wide intensive care unit was set up. This new back office function – Intensive Care – went into operation on February 1, 2008, and is responsible for all substandard and non-performing loans (grey and black areas).

Lessons learned

The current crisis has shown how important it is for the financial industry to make sure that all parties involved are able to correctly evaluate how traded products function. In addition, sustainably good risk results require reliable forecasts, a high degree of transparency and an anticipatory risk management system based on a clear and systematic risk and business strategy (management by anticipation). Even small exposure at default (EaD) components (such as in the subprime business) can trigger large losses, and that is why there must be a firm focus at all times on latent and acute potential risks. Last but not least, the four C's form the indispensable foundation of successful risk management: credit culture, competence, communication and contacts. These elements must always have high priority in market and risk areas, both internally and externally. Other success factors include the following:

- **Lending & investments:** transactions will only be executed if well-founded internal risk assessments (based on the look-through approach) are possible.
- **Portfolio management:** limiting the risk appetite to sustainable profitability; no deviation from standards in "relaxed" periods; limiting bulk risks; timely analyses, including under stress conditions; systematic hedging or workout in the case of identifiable portfolio weaknesses.
- **Liquidity:** all business models must be verified by considering market liquidity, and a sufficient buffer must be guaranteed, even for unexpected crisis situations.
- **Rating systems:** ongoing analysis based on market changes and expert knowledge; regular validation.
- **Intensive Care:** a core competency within an efficient risk management system, it is indispensable for early detection, improved workout results and optimization of the Basel II parameters.

- **Stress and scenario analyses:** an effective combination of analytical methodology and expert knowledge must guarantee that stress scenarios are realistic and that they can be implemented in the form of reliable strategies for action.

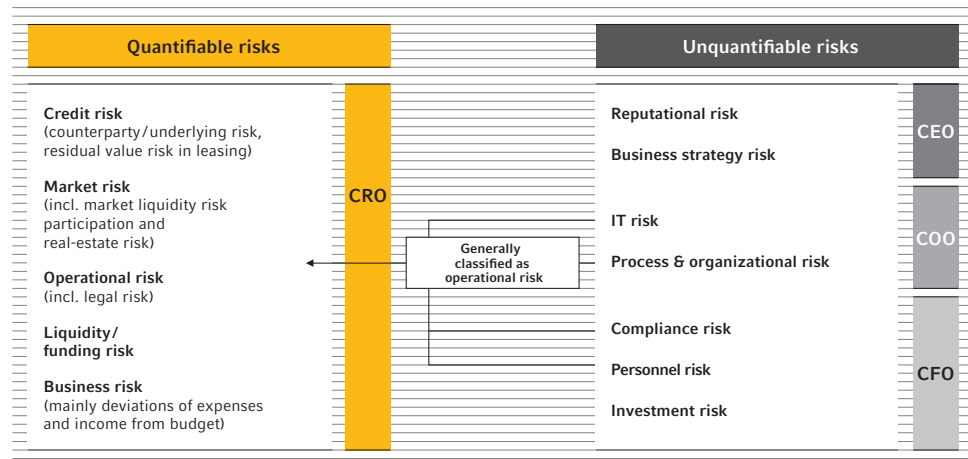
II. Risk-oriented overall bank management

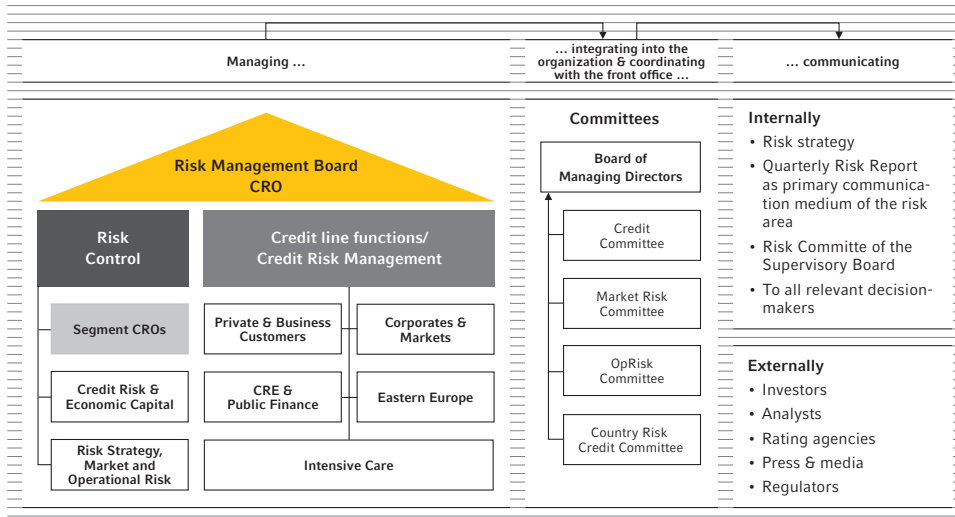
1) Risk management organization

The crisis in the financial markets in 2007 has again shown that risk transparency and independent risk measurement are critical success factors for controlling banking risks professionally. The key jobs of risk management are therefore the same as always: identification of all significant risks and risk drivers, independent measurement and assessment of these risks, and risk/return-oriented management within Commerzbank on the basis of these results and estimates.

Risk is defined by Commerzbank as the risk of potential losses or profits foregone, a risk that can be triggered by internal or external factors. Risk management distinguishes between quantifiable risks – those for which a value can normally be given in annual financial statements or in commitment of capital – and unquantifiable risks.

Commerzbank's Board of Managing Directors defines risk policy guidelines as part of its established overall risk strategy, which is reviewed annually and consists of various sub-strategies for the main categories of risk. Business strategy and risk strategy are integrated at Commerzbank in the key parameters (capital commitment and expected loss, or EL), which guarantees that the strategic orientation of Commerzbank will be in line with its risk management system.





2) Risk-taking capability
 As part of the task of monitoring risk-taking capability, the Commerzbank Group's aggregate bank-wide risk (measured as economic capital at a confidence level of 99.95 % and a holding period of one year) is compared with the capital available for risk coverage (primarily equity components). The goal of the comparison is to establish whether Commerzbank is in a position to identify potential unexpected losses and to cover

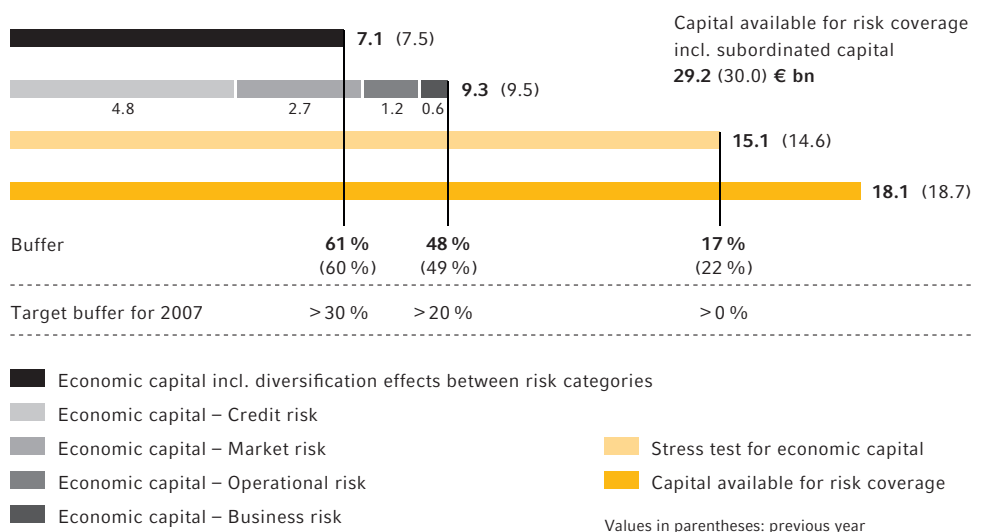
The Chief Risk Officer (CRO), who is responsible for all quantifiable risks, is also responsible for implementing the risk policy guidelines established by the Board of Managing Directors. The CRO regularly reports to the Board of Managing Directors and to the Risk Committee of the Supervisory Board on the overall risk situation. In addition to risk control responsibility, the CRO is also responsible for the back office units. The segment CROs also report to him and normally have a dual function since they also exercise responsibility for risk control or credit line functions.

them from its own funds without serious negative business consequences.

In accordance with Commerzbank guidelines, there must be a buffer of at least 20 % in the base case between available capital for risk coverage and economic capital, excluding diversification effects between risk categories. The capital buffer requirement has been broken down into specific sub-targets for individual portfolios as part of the overall risk strategy. All buffer targets were met throughout 2007.

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

Risk-taking capability for the Commerzbank Group in € bn (December 2007)



In a dynamic analysis, various stress and scenario analyses for specific risk categories and across all risk categories are carried out. In particular, negative economic and market performance is simulated along with their impact on relevant risk drivers and parameters, and the consequences for Commerzbank portfolios are analyzed and action plans determined. The goal of this analysis is to guarantee Commerzbank's risk-taking capability even in cases of stress. In other words, even in a stress situation the need for economic capital must always be smaller than the available capital for risk coverage.

3) Risk strategy

On the basis of the analysis of its risk-taking capability and its business strategy, Commerzbank defines guidelines and limits for exposure to risk positions as part of its overall investment strategy. For management of segments and business areas, internal targets are also used as limiting factors for risk-taking. These include targets for regulatory capital requirement, for the return to be achieved on this capital, for the maximum reliance on Commerzbank's funding capital and for risk appetite as a function of the earnings situation.

The risk strategy is used particularly for value-oriented optimization of strategic asset allocation and for management of correlation and concentration risks across risk categories, as was seen recently in connection with the financial crisis. The risk strategy is broken down into sub-risk strategies. Limits for the relevant risk parameters of the respective portfolios are defined and systematically monitored. Significant deviations immediately trigger countermeasures or adjustments and involve the relevant boards and committees, in compliance with MaRisk.

Unquantifiable risks are subjected to strict qualitative monitoring in compliance with Pillar II of the Basel Accord and MaRisk.

4) Risk appetite

In addition to risk-taking capability, which monitors the capacity for absorbing risks up to a specific level, risk appetite defines the willingness to incur risks as a function of the portfolio's profitability.

The risk strategy must reflect and critically question the targets and plans established as part of the business strategy. Thus business strategy parameters play a key role in determining risk appetite. In addition to portfolio quality, these risk components include projected income and target profitability.

Risk appetite is limited at Commerzbank by the requirement that the expected Group loss stemming from the risk content of our portfolio, as stressed at the 80 % confidence level, must be below earnings after the cost of capital, which means that over a 5-year model horizon the risk positioning for the given portfolio must at least make it possible to earn the cost of capital.

- **Portfolio quality:** in order to determine an adequate risk appetite, the segment-specific volatility of the expected loss must be considered. Portfolio quality is incorporated into the definition of risk appetite by including segment-specific volatility ranges.
- **Projected income:** in defining risk appetite, we analyze the projected income minus operating expenses for each individual segment and determine how much room for risk a segment can afford. Since risk appetite involves room for risks, the underlying income figure must be analyzed before planned risk (operating income before risk provisioning).
- **Target profitability:** Commerzbank defines a minimum level for return on capital as part of its planning. The capital committed to a given segment must produce at least the target return in each of the five modeled years in order to generate added value.

In the result for operational management, specific expected loss limits that confine the risk appetite to a reasonable level are determined for each segment and business line. This means that if income grows in accordance with projections, the potential growth of EaD (exposure at default) is also limited depending on the risk density. If a business line is able to reduce risk density, for example, then it can realize additional EaD growth, and vice versa.

5) Capital management under Basel II

In 2007 the focus was on final implementation of the capital adequacy guidelines under Basel II. In order to clarify the significance of the regulatory risk indicators for Commerzbank, we devoted special attention to capital management under Basel II as well as to economic capital analysis. In so doing, we are raising awareness of both the Basel II parameters and data quality and its impact within our organization. At headquarters we advance the harmonization of the database and risk parameters used for regulatory purposes and economic capital management.

We completed certification of our key processes in 2007 as planned. With the AIRB approach under Basel II, the capital adequacy requirement is much more risk-sensitive. It is possible, based on internal rating methods, to obtain a higher capital requirement for high-risk portfolios and a lower capital requirement for portfolios with a lower risk content than was previously possible under Principle I.

As a result of the economic slowdown, however, the capital reduction effect may also be counteracted by ratings downgrades and lower collateral proceeds.

We are confident that in the long term it will be possible to use internal credit risk models for regulatory capital adequacy purposes. We are therefore continuing to develop the Commerzbank credit portfolio model in 2008, which is based on an analytical approach and is already extremely efficient, and we will expand it in the course of the year into a comprehensive simulation model. The primary goal of further development is to have a maximum degree of flexibility for calculating the risks of ever more complex credit products in a rapidly changing market environment. In addition, expanding the model will make it easier to compare regulatory and economic capital. As a result, we are very well equipped for the regulatory review processes that form part of the Supervisory Review Process (Basel II, Pillar 2).

6) Risk Communication

The most important medium for describing risks in Commerzbank is the internal Quarterly Risk Report or QRR, which gives a detailed overview of the banks' quantifiable risks every three months and forms the basis for reporting within the Board of Managing Directors and the Risk Committee of the Supervisory Board.

Externally our aim is to create trust among the public and among private and institutional investors through our policy of transparency and openness regarding risk issues. In addition, the requirements for disclosing risk ratios are becoming more and more stringent in 2008 as the result of the new Solvency Regulation (SolvV), which has now taken effect in Germany. The disclosure requirements relate to capital adequacy, risk strategy, and the qualitative and quantitative reporting of risks incurred.

Although complete disclosure under SolvV will be required for the first time for 2008 and for the 2008 Annual Report, Commerzbank would already like to introduce shareholders and analysts to the complex topics and facts involved and is therefore already orienting itself around the new requirements in sections of the 2007 Annual Report. For example, the information on credit risk is based to a large extent on Basel parameters such as EaD (exposure at default) and EL (expected loss). Risk density, an important measure, qualifies EL as compared with EaD and expresses the risk content of the respective exposure in terms of basis points. The risk provisioning ratio for new cases (run rate) generally oscillates around the risk density.

III. Default risk

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

1) Rating systems

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

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

Finally, combining the above components yields an assessment of the risk of loss or the expected loss (EL) and the loss density or risk density (% EL), which is the ratio of EL to EaD.

Both the percentage probability of borrower default (client rating) and the risk density of a loan commitment (credit rating) are assigned to rating classes by way of the internal master scale.

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

2) Credit risk management

Management begins by actively using the transparency obtained in the rating process in combination with an anticipatory assessment of future environmental conditions (such as the economy, markets and interest rates). By using simulations and stress tests, it is possible to develop optimum strategies for portfolio positioning and optimization. This iterative – and sometimes very complex – strategic process is necessary before the day-to-day business can be managed by establishing operational guidelines (e.g. limits, minimum margins, documentation, etc.). Close cooperation and good communication between front office and credit line functions and naturally also with our clients are absolutely essential for the success of the business and risk strategy.

This management process is based fundamentally on two parameters: unexpected loss (UL) and expected loss (EL). While the limits based on unexpected loss – namely risk-taking capability (as stress on equity) and risk appetite (as stress on the profit and loss account) – are strategic or tactical tools of the management and also serve to limit bulk risk, risk management

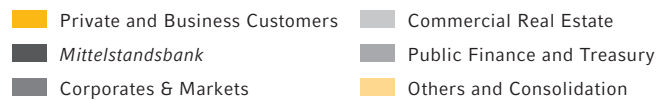
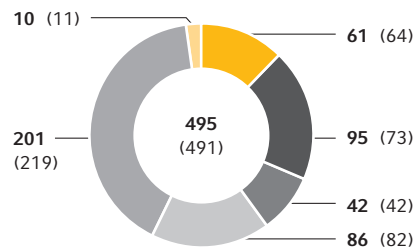
is operationally implemented on the basis of expected loss limits. These limits can be easily used in daily business. In addition, EL is the key parameter for systematic risk/return-adjusted pricing

All of Commerzbank's counterparty risks are combined for the first time in one number in the Basel II term exposure (EaD). The goal is to create a uniform measure of value for credit risks. All products (including letters of credit, open committed lines, derivatives, etc.) are converted to the default risk of a cash loan based on the individual credit conversion factor (CCF).

The expected loss on the Bank's EaD thus yields the default risk based on uniform standards, regardless of whether the default is later booked as a loan loss provision, impairment or trading loss.

Let us now turn to the structural analysis of our banking and trading book positions based on the core parameters EaD and EL. For this purpose, the default portfolio is excluded. As the following graph shows, we have made considerable progress in implementing our credit risk strategy in the past year:

Exposure at Default (EaD) – Breakdown
in € bn as of December 2007



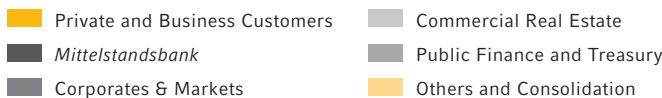
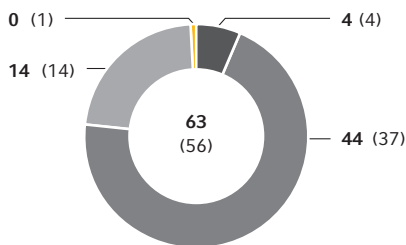
Values in parentheses: previous year
Expected loss | Actual as of December 07: €1,007m | 2008 limit: €1,040m

We were able to keep the Group EaD largely constant, and we also achieved substantial growth in *Mittelstandsbank*, where the EaD increased by 30 % to €95 bn. At the same time, the risk density in Commerzbank Group was reduced overall to 20 bp, down from 21 bp. Corporates &

Markets, which was especially affected by the subprime mortgage crisis, was the only area in which the risk density increased – to 26 bp from 22 bp. On the other hand, risk density was significantly reduced in the three large franchise segments: Private and Business Customers, Commercial Real Estate and *Mittelstandsbank*. We began fiscal year 2008 from this improved position.

In the trading book the structure appears as follows:

Exposure at Default (EaD) – Breakdown
 in € bn as of December 2007



Values in parentheses: previous year
 Expected loss | Actual as of December 07: €40m | 2008 limit: €40m

In the trading book the EaD volume is comparatively low at €63bn and has hardly changed at all. With the exception of *Mittelstandsbank*, which has a higher risk density of 31 bp (but lower than in the banking book), all risk densities are single-digit. They are also lower than in the banking book, which underscores the good quality overall of the trading book risks.

3) Limiting bulk and concentration risks

The target and benchmark for strategic management of credit risk is the risk/return-based target portfolio as defined by the credit-risk strategy, along with the resulting sub-portfolios based on target groups and markets.

Concentrations of risk in bulks, countries, target groups and products are limited by means of a traffic light system which takes the special characteristics of each segment into account. As a central element of risk policy, bulk risks are managed on the basis of economic capital. In this approach, the key variables include portfolio granularity and correlation assumptions relating to segment-specific, sector-specific and country-specific factors.

Borrower units with economic capital consumption of at least €5m are defined as a bulk risk. Borrower units having more than €20m in economic capital consumption are not wanted over the long term and are systematically reduced – in some cases by using modern capital market instruments such as credit default swaps or CDSs. The importance of limiting bulk risks is also indicated by the fact that the Board of Managing Directors specified in its own internal rules of procedure that unanimous resolutions are required for any

board-level credit decisions involving economic capital in excess of €10m (based on final take).

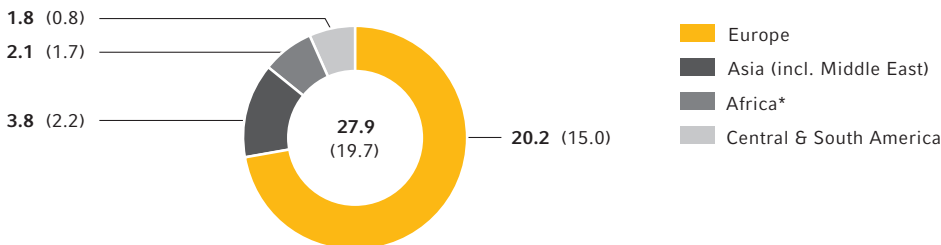
4) Country risk management

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

achieve business and return-on-investment objectives. The Country Risk Credit Committee is responsible for making decisions in line with Commerzbank Group strategy and setting segment-specific country limits for group-wide planning, management and control. As a result of globalization, there are increasing opportunities in emerging markets for all business areas, and we have therefore increased the volume in these countries by €8bn to just under €28bn. In emerging market (EM) countries, risks are measured or limited and competencies are regulated on the basis of internal country ratings, the Basel II parameters EL and EaD, and economic capital consumption. This allows us to take advantage of the opportunities of globalization to a greater degree than before through strategic risk/return-based business expansion in emerging markets.

Exposure at Default (EaD) in Emerging Markets

in € bn as of December 2007



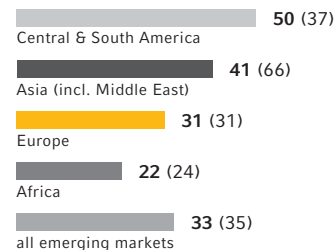
Values in parentheses: previous year

* including more than 87% in South Africa

Risk Density – Emerging Markets

(country rating \geq 2.0)

in bp as of December 2007



EM limit countries account for about 5 % of Commerzbank Group's EaD. In 2007 there was a significant expansion of business in EM countries subject to country risk management. Russia, Poland, Hungary and the Czech Republic account for about 76 % of the EaD of European EM limit countries. The key countries in Asia are China and India.

The average risk density for all EM regions improved by 2 bp over the past year to 33 bp. In addition to improvements in the country ratings of selected EM countries, the business expansions in EM countries with investment grade ratings (especially in Eastern Europe) had a positive impact on average portfolio quality.

Material risk factors generally exist in countries with large foreign trade deficit, high short-term debt and low currency reserves. There are opportunities in countries with rich natural resources and such with diversified export and economic structure.

IV. Market and funding risks

Market price risks (market risks) include the risk of losses caused by changes in market prices (interest rates, spreads, exchange rates, share prices, etc) or in parameters that affect prices such as volatility or correlations. We also analyze market liquidity risk, which takes into account the period required for positions entailing a risk to be closed or hedged to the desired extent.

1) Market risk

Key developments in 2007

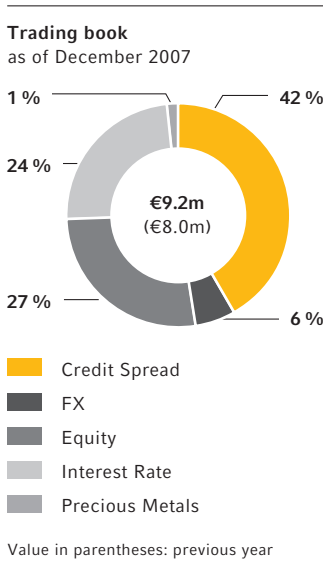
The risk trend in 2007 was strongly affected by trends in financial markets as a result of the US real-estate crisis. The turbulence in financial markets led to a significant increase in volatility in all market areas. The crisis had the greatest impact on credit and ABS markets, with spreads expanding to record levels in some cases. In addition, the increasing level of mistrust in the market led to liquidity bottlenecks and pronounced interest rate fluctuations in the short-term money market.

On the equity markets it was primarily financial stocks that saw heavy price losses. Overall, however, there was also increasing uncertainty and nervousness about future economic trends, especially in the USA. This was expressed primarily by a greater level of fluctuation in the markets in the second half of the year. The implicit volatility of the DAX Index, for example, rose from 12 % to 25 %.

Market risk in the trading book

Over the course of the year the market risks in the trading book – measured at a confidence level of 97.5 % and a holding period of 1 day – rose by €1.2m to a value-at-risk (VaR) of €9.2m. This was due primarily to the increase in market volatility in the various asset classes.

The trading book risks in Corporates & Markets (ZCM) relating to customer-originated business remain at a low level due to the focusing of business strategy. Risks to Commerzbank itself result mainly from ZCM's trading positions in equity derivatives and interest rate derivatives, as well as credit trading. In addition, Treasury holds its own interest-rate positions in the trading books.



As part of market risk strategy, clear criteria were established for booking trading transactions in banking or trading books. They are based on the following factors: investment horizon, issuer quality, risk profile, product complexity, position management and which portfolio they belong to. Transactions in complex products and positions with low issuer quality must therefore be booked in the trading book and measured daily at fair value.

Risk management and limitation

Commerzbank defines its market risk limit (for value-at-risk and stress testing) in top down terms based on economic capital required (risk-taking capability). The limits for the individual business areas and portfolios are then allocated on the basis of the achieved and expected risk/return ratio, market liquidity of assets and business strategy.

Given the crisis, the high volatility that is still expected for at least the first half of 2008, and the limited market liquidity, even tighter limit management was implemented and the limit for portfolios with high credit spread sensitivity reduced.

In addition, the limits introduced in 2007 for long-term interest-rate sensitivity were supplemented by sensitivity limits for credit spreads. Both measures serve in particular to limit and manage the potential NPV (net present value) changes in the revaluation reserve. The cover funds portfolios of Public Finance are also included. Sensitivity limits restrict the change in the NPV of positions in the event of a variation in the yield or credit spread curves by 1 basis point (bp).

Stress and scenario analyses

Comprehensive stress tests and scenario analyses are carried out as part of risk monitoring. The goal is to simulate the impact of crises, extreme market conditions and major changes in correlations and volatilities on Commerzbank's overall market risk position. The effects on the various components of comprehensive income – profit and loss account, revaluation reserve and hidden reserves or charges – are also quantified.

The bank-wide stresstesting calculation is based on a combination of historical and synthetic scenarios for the asset classes equity, interest rates, credit spreads and currencies (e.g. downturn of stock prices by 10 %, parallel shift of interest rate curves by 50 bp). Particularly the synthetic scenarios are regularly updated and adjusted to current market trends and expectations.

2) Funding risk

Funding risk refers to the risk that Commerzbank will not be able to meet its current and future liabilities at all or as they fall due (liquidity risk). Ensuring that Commerzbank is solvent at all times, even in crisis situations, is the task of Group Treasury (ZGT). Bank-wide measurement and monitoring is handled by Risk Strategy, Market and Operational Risk Control (ZMO).

The funding risk is managed not only by using the figures required by the regulatory provisions of Principle II – the compliance standard that was met in the 2007 reporting period – but also by internal models:

- up to one year on the basis of available net liquidity (ANL),
- over one year on the basis of the stable funding concept.

The goal of both concepts is efficient liquidity management plus the avoidance of short to medium-term liquidity bottlenecks (ANL) or long-term structural disparities in the balance sheet (stable funding).

Under ANL, the available net liquidity for the next twelve months is simulated on the basis of contractual and economic cash flows and compared to disposable assets. On the basis of these simulations, forecasts for trends in liquidity at different aggregation levels (currencies, products or units) are then produced. The model is supplemented by comprehensive stress analyses.

In the course of the subprime crisis, the model assumptions of the ANL model were constantly monitored and, when needed, were adjusted to the reduced market liquidity of the assets or to expected behavioral changes. The stress scenario that is currently used reflects combined market and downgrading stress. In addition to simulated customer behavior in the case of an isolated Commerzbank downgrade, this combined scenario is also based on the more stringent assumption that only assets eligible for central bank discounting can be used to generate liquidity.

When simulating the stress case, a minimum value relative to the available net liquidity (ANL) must be ensured at the beginning of the crisis and a value that at least guarantees processing of payment transactions in the six months following the inception of the crisis.

Compared with Principle II, which is statically defined, the model used at Commerzbank is a dynamic model that can be flexibly adjusted to fast-changing market conditions. Because of our positive experience in the financial crisis, among other things, Commerzbank is therefore planning to take advantage of the disclosure provision in the new Liquidity Regulation and has applied for certification of its internal liquidity risk measuring and management procedure for 2008.

3) Monitoring, management and valuation of ABS portfolios (including subprime)

Management and ongoing valuation of the ABS portfolio
Market Risk Control and Credit Risk Management share the job of monitoring ABS risk. Credit Risk Management examines the default risks inherent in the ABS positions in the banking book and in ABSs held longer term in the trading book. It audits, evaluates and analyses the underlying assets and ABS structures. Market Risk Control regularly calculates the portfolio's value-at-risk and the market value adjustments (mark to market) that have occurred due to spread changes.

As part of the annual credit risk strategy for ABSs, limits are established for each product. These limits are broken down for subproducts according to quality characteristics. Single transactions are, within the limits, always considered by the appropriate back office unit at the request of the front office unit. The individual positions are examined for credit risks, i.e. the underlying assets of the products are valued and the structure of the products analyzed.

The ABS portfolio is valued on an ongoing basis (mark to market), primarily using dealer quotes. If no dealer quotes are available, Commerzbank relies on external pricing services. In the event that the external pricing services cannot provide prices, either for a specific product or because of market conditions, then prices are derived from appropriate indices or models.

Subprime

In the course of 2007, the market situation worsened dramatically due to unprecedented defaults on underlying subprime mortgages and several massive downgrades of securitizations by rating agencies. This is also reflected in the changes in the ratings of our subprime portfolio. The dramatic extent of the market deterioration is shown most clearly by the fall in subprime indices. The ABX Index for BBB-rated subprime RMBS tranches from the second half of 2006 dropped from 77.5 to 20.5 (a loss of 74 %) between March 1 and December 31, 2007. Because of the continued volatile market performance, additional write-downs may also be necessary to a limited extent in 2008.

V. Operational and other risks

1) Operational risk

Operational risk is defined in accordance with the Solvency Regulation as the risk of loss resulting from the inadequacy or failure of internal processes, systems and people or from external events. This definition includes legal risks; it does not cover reputational risks or strategic risks.

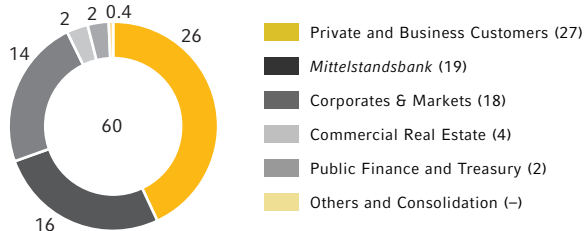
Risk management and limitation

Limiting operational risks differs systematically from limiting market and credit risk, since the portfolio is not made up of individual clients or positions but internal processes. Possibilities for transferring risk via the traditional insurance market are currently available to only a limited degree, and measures to be taken when limits are exceeded are therefore only effective after a certain time lag. The focus for this type of risk must therefore be more on anticipatory management by the segments and cross-divisional units.

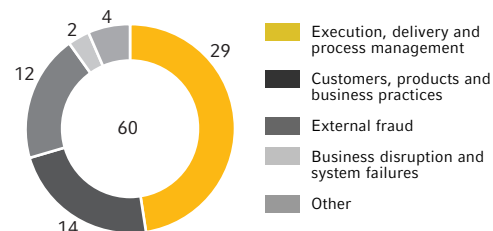
The following measures were defined as qualitative goals to further optimize the OpRisk profile:

- Further expansion of the key risk indicators and the internal scenario analyses, with a special focus on the segments and event categories classified as important.

Expected loss – by segment
in € m



Expected loss – by loss event
in € m



Values in parentheses: limit in € m
 Total limit for 2008: €70m

- Definition and further development of processes in product design and strategy by the units.
- Further optimization of the credit process with regard to operational risk, especially close monitoring of documentation requirements.
- Realignment of the Operational Risk Committee with the goal of strengthening the top down view and knowledge transfer between units for early risk detection.

The bonus-and-penalty (“Bonus-Malus-Wert” – BMW) scorecard was introduced in 2007 as a form of incentive system under which the more qualitative components of operational risk management can result in a mark-up or mark-down on capital requirement. It is intended to establish risk management incentives for the organizational units that will otherwise be reflected in capital allocation only in the medium term through an improved loss history.

Outsourcing

In 2007 Commerzbank strengthened measures for controlling its outsourcing activities. The revised version of MaRisk that was issued on October 30, 2007, requires banks to carry out risk assessments of their outsourcing arrangements. Banks must form their own view on the materiality of outsourcing measures. Implementing these new requirements will be the focus of our efforts in 2008. Special attention will be paid to active integration of outsourcing into Commerzbank's risk management and monitoring system.

Legal risk

Legal risks are included in operational risk modeling. Management of the Commerzbank's legal risks on a worldwide basis is handled by Legal Services (ZRA). The main function of ZRA is to recognize potential losses from legal risks at an early stage, devise solutions for reducing, restricting or avoiding such risks and create the necessary provisions.

2) Business risk

Business risk covers the risk of losses due to the negative deviation of income (essentially commissions) and expenses from the budgeted figures and is therefore primarily impacted by basic conditions in the market environment, customer behavior or technological development that have changed relative to the assumptions made for planning purposes.

In 2008 we expect that the essential potential risks will stem from a change in customer behavior and demand as the result of a weaker economy and the threat of a setback in markets. Business risk is managed by means of clear targets for specific business areas as regards returns as well as cost/income ratios and continuously flexible cost management in the event of non-performance.

3) Other risks

MaRisk requires a holistic view of risk in order to meet the Pillar 2 requirements of the new Basel framework, and hence requires that unquantifiable risk categories which are subject to qualitative management and controlling processes must also be taken into consideration.

Personnel risks

As in MaRisk, Commerzbank defines four categories of Personnel risks:

- **Aptitude risk:** employees and those standing in for them must have the required knowledge and experience appropriate to their duties, authority and responsibilities. Appropriate training and continuing education programmes must be offered to ensure that the level of employee qualifications keeps pace with the current state of development.
- **Motivation risk:** pay and incentive systems must be designed so that they do not lead to conflicts of interest or inappropriate incentives, especially in the case of senior managers.
- **Departure risk:** the company must ensure that the absence or departure of employees will not result in long-term disruptions to operations. The criteria governing appointments to managerial staff positions in particular must be defined.
- **Bottleneck risk:** the quantitative and qualitative staffing of the Bank must be based on internal operating requirements, business activities, strategy and the risk situation.

Strategic risk

Strategic risk is the risk of negative impacts on the achievement of Commerzbank's strategic goals as the result of changes in the market and the competitive environment, capital market requirements, regulations or politics, or inadequate implementation of Group strategy or inconsistent development of segments and business areas.

Responsibility for strategic corporate management lies with the Board of Managing Directors, which is supported by Strategy and Controlling (ZKE) for strategic issues. Some business policy decisions (acquisition and disposal of equity holdings exceeding 1 % of equity) also require the approval of the Risk Committee of the Supervisory Board. In addition, all major investments are subject to careful review by the Investment Resources Allocation Committee (IRC). On the basis of ongoing observation of the market and competitive environment, both German and international, and of the

requirements imposed by the regulatory authorities and the capital markets, key changes and developments are continuously analyzed to determine the action that needs to be taken to ensure long-term corporate success.

Reputational risk

We define reputational risk as the risk of losses, falling revenues or reduced enterprise value due to business events that erode the confidence of the public, clients, rating agencies, investors or business partners in Commerzbank.

The operational divisions, branches and subsidiaries bear direct responsibility, within the scope of their business operations, for reputational risks arising from their particular activity. Reputational risks may also stem from other types of risk and even intensify those risks. The responsibility of Group Communications (ZKK) for controlling reputational risk ensures that Commerzbank will be aware of market perceptions at an early stage. For this reason, all measures and activities relating to business policy are subjected to careful scrutiny. In particular, Commerzbank avoids business policy measures and transactions that entail significant tax, legal or environmental risks. Major credit decisions are voted on individually with regard to reputational risk. These votes may result in transactions being declined.

Compliance risk

The success of Commerzbank depends largely on the trust and confidence of our clients, our present and future shareholders, our staff and the public in the capacity and potential and especially the integrity of our group. This confidence is based particularly on compliance with applicable statutory, regulatory and internal regulations and conformity with customary market standards and codes of conduct ("compliance") in the global business activities of the bank. The Board of Managing Directors has primary responsibility for compliance and has assigned the function to Group Compliance (ZGC). The goal is to identify early on any compliance risks that could call into question the integrity and therefore the success of Commerzbank, to prevent such risks if possible, control them or resolve them properly in the interest of those involved.

VI. Outlook for 2008

Focal points of default risk management

- In Private & Business Customers, utilization of the capital headroom provided by AIRB for risk-oriented business expansion in target sectors, with a focus on above-average credit quality.
- Growth-oriented strengthening of *Mittelstandsbank*.
- In Central and Eastern Europe our aim is to exploit growth potential and to identify and counteract early on any specific risk potential involving regional, product and target group markets in specific jurisdictions.
- In Commercial Real Estate we significantly tightened the credit guidelines last year as the result of the market environment, including such measures as stringent financial covenants; we will largely avoid unsecured portfolio lending, pursue a cautious approach to development financing, focus on improving risk/return performance and aim for restrained growth overall.
- Risk limitation through diversification and granularity, taking advantage of AIRB capital allocation benefits through a stronger focus on collateralized exposure.
- Early detection, control and management of risk portfolios that are negatively impacted by current conditions (e.g. portions of the US corporate portfolio and emerging market countries that are affected by the financial crisis).
- Return-oriented workout of the default portfolio and the legacy portfolios (e.g. secondary market ABSs).

Exposure at default und expected loss

For EaD our defined goal for 2008 is to continue to reduce risk portfolios in a focused manner in order to create sufficient room for growth in our target portfolios. Given this objective, we see additional opportunities primarily in *Mittelstandsbank*. In a market environment characterized by rating downgrades as the result of the subprime crisis, retaining the current EL level is an ambitious target.

Market risk

Because of the continuing uncertainty in the financial sector and the weakening economy, it is to be expected that the market environment will remain volatile in 2008. In the area of credit spreads we expect considerable fluctuations on a continuing basis and a widening trend for weaker risks (flight to quality). In the equity markets there will be continued risk of setbacks along with high market volatility. Germany will also be negatively affected by poorer export prospects due to the strong euro.

As part of the 2008 market risk strategy, we are assuming a downside scenario involving further price losses in the equity markets, a decline in interest rates both in the US and in Europe, and a continuing widening of credit spreads for ratings below A. Given these market expectations, close monitoring and management of the investment and credit spread risks is especially critical, including through the use of credit derivatives.

Under Basel II (trading book review), it will also be necessary as of January 2010 to map the following risks in the internal market risk model: event risks – risks from extraordinary market movements of issuer-specific financial instruments (such as bank bonds and corporate bonds) – and incremental default risks – default risk from trading positions based on the short-term holding periods that apply specifically to trading books. ZMO will launch a project for this purpose in 2008 with the aim of obtaining certification

Internal model for calculating liquidity risk

Commerzbank has had its own internal measuring and control process for liquidity risks since 2003. The German Federal Financial Supervisory Authority (BaFin) allows the authorization of internal funding risk models under the Liquidity Regulation (LiqV), which went into effect in 2007 as a replacement for Principle II. Commerzbank has already submitted its concept to the regulatory authorities and hopes to receive certification in 2008.

Operational risk

On the whole, the worldwide financial sector is witnessing an increasing willingness to enforce customer claims through legal action. This is also being encouraged by increasingly complex regulation of financial markets (exemplified by MiFID), along with constant expansion of the duties incumbent upon banks. We predict that this trend will continue in the next few years and are therefore increasing our focus on legal risk.

Another area of emphasis is the expansion of early risk detection approaches, which involves strengthening the reporting of key risk indicators. We are planning further development of the correlation approach in our mathematical statistical model so that in addition to analyzing relationships between individual event categories we will also be able to capture the effects between the Bank's divisions.

Trading control systems are being continually improved in order to prevent incorrect trades and misconduct.

Basel II

An important foundation of credit risk control is a state-of-the-art risk measurement system. Thus the ongoing development of our models and processes and regulatory certification of them in conformity with AIRB are a very high priority for us in 2008

This involves a large number of group projects for improving rating and data architecture and risk provision accounting under IFRS. We will make sure that the management models established in 2007, based on economic capital, risk appetite and EL limits, become firmly established in the affiliated units of Commerzbank, and we will continue to develop them further. The goal is to incorporate the Basel II risk parameters into operating processes for all individual portfolios. This process is integrated into a transparency and information campaign.

Further development of the risk function

The crisis in financial markets has once again highlighted the importance of the risk management function and modern risk measurement and control systems in today's world. For many years Commerzbank has been investing in ongoing development of the risk management system, which we consider to be a core competency. We have made great progress in this area, as indicated by the fact that our risk management system was rated very positively by the rating agency Moody's, which gave us its highest rating. We will not rest on our laurels and will make every effort in future to ensure that our risk functions remain state of the art.

Profit and loss account of Commerzbank Aktiengesellschaft for the period from January 1 to December 31, 2007

in € m		2007	2006
Interest income from			
a) lending and money-market transactions	10,443		8,410
b) fixed-income securities and government-inscribed debt	1,467		1,364
		11,910	9,774
Interest paid		-9,718	-7,502
		2,192	2,272
Current income from			
a) shares and other variable-yield securities		594	543
b) investments (subsidiaries, associated companies, and trade investments)		31	33
c) holdings in affiliated companies		30	260
		655	836
Income from profit-pooling and from partial or full profit-transfer agreements		935	446
Commissions received		2,175	1,832
Commissions paid		-265	-215
		1,910	1,617
Net income from financial transactions		212	200
Other operating income		320	185
General operating expenses			
a) personnel expenses			
aa) wages and salaries	-1,849		-1,762
ab) compulsory social-security contributions, expenses for pensions and other employee benefits of which: for pensions	-422		-450
	-186		-210
		-2,271	-2,212
b) other administrative expenses		-1,335	-1,203
		-3,606	-3,415
Depreciation on and value adjustments to intangible assets and fixed assets		-167	-196
Other operating expenses		-252	-364
Write-downs of and value adjustments to claims and certain securities, and additions to provisions for possible loan losses		-1,720	-1,158
Income from additions to investments, holdings in affiliated companies and securities treated as fixed assets		359	299
Expenses from the transfer of losses		-12	-1
Result from ordinary activities before restructuring expenses and appropriation to fund for general banking risks		826	721
Appropriation to fund for general banking risks		-	-
Restructuring expenses		-	-215
Result from ordinary activities after restructuring expenses and appropriation to fund for general banking risks		826	506
Taxes on income		-165	-8
Other taxes		-4	-5
		-169	-13
Net income for the year		657	493
Withdrawals from revenue reserves			
b) from reserve for the Bank's own shares		-36	-
d) from other revenue reserves		-	-12
		-36	-12
Allocation to revenue reserves			
b) to reserve for the Bank's own shares		-	12
d) to other revenue reserves		36	-
		36	12
Distributable profit		657	493

Balance sheet of Commerzbank Aktiengesellschaft as of December 31, 2007

Assets (in € m)		31.12.2007	31.12.2006
Cash reserve			
a) cash on hand	861		721
b) balances with central banks	2,616		2,858
including: with Deutsche Bundesbank	2,544		(2,770)
		3,477	3,579
Debt issued by public-sector borrowers, and bills of exchange rediscountable at central banks			
treasury bills and discountable treasury notes, as well as similar debt issues by public-sector borrowers	72		274
including: rediscountable at Deutsche Bundesbank	-		(88)
		72	274
Claims on banks			
a) payable on demand	18,880		10,496
b) other claims	80,646		65,917
		99,526	76,413
Claims on customers			
including: secured by mortgages on real estate	18,171		(19,654)
communal loans	5,886		(4,887)
		118,784	111,074
Bonds and other fixed-income securities			
a) money-market instruments			
aa) issued by public-sector borrowers	8		166
including: rediscountable at Deutsche Bundesbank	3		(88)
ab) issued by other borrowers	1,274	1,282	2,088
including: rediscountable at Deutsche Bundesbank	1		(140)
			2,254
b) bonds and notes			
ba) issued by public-sector borrowers	7,666		12,160
including: rediscountable at Deutsche Bundesbank	5,016		(9,877)
bb) issued by other borrowers	28,376	36,042	24,453
including: rediscountable at Deutsche Bundesbank	13,912		(11,698)
			36,613
c) bonds and notes issued by Commerzbank		21,611	7,064
nominal amount €21,592m			
		58,935	45,931
Shares and other variable-yield securities		11,212	7,523
Subsidiaries, associated companies and trade investments (investments)		760	623
including: investment in banks	43		(40)
investment in financial-service institutions	0		(0)
Holdings in affiliated companies		13,131	13,492
including: in banks	790		(705)
in financial-service institutions	0		(13)
Assets held on a trust basis		79	262
including: loans at third-party risk	25		(262)
Intangible assets		44	45
Fixed assets		434	494
Bank's holding of its own shares	accounting par value: €0.1m	1	37
Other assets		14,521	12,007
Deferred items			
a) difference arising from consolidation pursuant to Art. 250, (3) of the German Commercial Code – HGB		105	105
b) other deferred items	3,460		1,333
		3,565	1,438
Total Assets		324,541	273,192

Liabilities and Shareholders' Equity (in € m)		31.12.2007	31.12.2006
Liabilities to banks			
a) payable on demand	30,962		20,949
b) with agreed periods or periods of notice	79,907		78,947
		110,869	99,896
Liabilities to customers			
a) savings deposits			
aa) with agreed period of notice of three months	8,939		9,633
ab) with agreed period of notice of more than three months	418		468
	9,357		10,101
b) other liabilities			
ba) payable on demand	44,049		46,316
bb) with agreed periods or periods of notice	60,388		40,291
	104,437		86,607
		113,794	96,708
Securitized liabilities			
a) bonds and notes issued	47,036		28,607
b) other securitized liabilities	9,952		8,475
		56,988	37,082
including:			
ba) money-market instruments	9,941		(7,792)
bb) own acceptances and promissory notes outstanding	10		(9)
Liabilities on a trust basis		79	262
including: loans at third-party risk	25		(262)
Other liabilities		14,892	13,362
Deferred items			
a) difference arising from consolidation pursuant to Art. 340e, (2), 2 of the German Commercial Code – HGB	52		52
b) other deferred items	2,921		711
		2,973	763
Provisions			
a) provisions for pensions and similar commitments	1,421		1,391
b) provisions for taxation	442		188
c) other provisions	1,858		2,536
		3,721	4,115
Commerzbank Foundation		0	39
Subordinated liabilities		9,133	8,782
Profit-sharing certificates outstanding		934	1,189
including: maturing in less than two years	256		(256)
Fund for general banking risks		705	705
Capital and reserves			
a) subscribed capital (conditional capital €403m)	1,709		1,709
b) capital reserve	5,926		5,926
c) revenue reserves			
ca) legal reserve	3		3
cb) reserve for the Bank's own shares	1		37
cd) other revenue reserves	2,157		2,121
d) distributable profit	2,161		2,161
	657		493
		10,453	10,289
Liabilities and Shareholders' Equity		324,541	273,192
1. Contingent liabilities			
a) contingent liabilities from rediscounted bills of exchange credited to borrowers	1		3
b) liabilities from guarantees and indemnity agreements (see also Note 29)	25,616		24,632
		25,617	24,635
2. Other commitments			
c) irrevocable lending commitments	35,474		35,638
		35,474	35,638

Notes

General information

(1) Accounting principles

The annual financial statements of Commerzbank Aktiengesellschaft as of December 31, 2007, 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 (*Aktiengesetz* – AktG).

The annual financial statements consist of the profit and loss account, the balance sheet and the notes. In addition, a management report has been included pursuant to Art. 289, HGB, which appears on pages 2 to 32.

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

(2) Accounting and measurement policies

The cash reserve appears in nominal figures.

Debt issued by public-sector borrowers are shown in discounted form.

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

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

Investments and holdings in affiliated companies are carried at amortized cost, in accordance with the rules for fixed assets. Where a permanent impairment of value seemed likely, we have made the relevant non-scheduled depreciation. Insofar as the reasons for the write-downs no longer apply we undertake a write-up to no more than the purchase cost amount.

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

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

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

We had made no use of the option to form a deferred tax item pursuant to Art. 274, (2), HGB, as of December 31, 2007.

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 a current value permissible for tax purposes and on the basis of the Heubeck guideline tables 2006 G. For measuring our obligations under early retirement and part-time schemes for older staff, we have recourse to methods permissible under tax rules. Provisions for taxes and other provisions are formed in accordance with reasonable commercial judgement. Provisions for contingent losses from pending transactions have been formed in the commercial balance sheet.

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

Derivative financial instruments are used both to hedge balance-sheet items and for trading purposes. On the balance-sheet date, the derivative financial instruments are remeasured individually. However, to a reasonable extent, the results of remeasurement are netted against those for other transactions within the same valuation unit. If net expenses arise, a provision for contingent losses from pending transactions is formed; a revenue surplus is reported under Other assets.

The valuation of the trading portfolios is based on the risk-adjusted mark-to-market approach, taking into account a market price risk discount. The market risk to be deducted is calculated on the basis of a value-at-risk approach and is gauged such that an expected maximum loss arising from these trading books will not be exceeded with a high degree of probability within a defined period of time.

In the profit and loss account, we make use in the financial statements as of December 31, 2007, of the setting-off options pursuant to Art. 340c, (2), HGB and Art. 340f, (3), HGB.

We have made adjustments in the order of presentation of the components in the year-end accounts in accordance with international usage. In analogy to the consolidated financial statements, the financial statements of Commerzbank AG show the profit and loss account before the balance sheet.

(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

Currency translation rates (in units for €1)			
CHF	1.65470	JPY	164.93000
CZK	26.62800	PLN	3.59350
GBP	0.73335	RUB	35.98600
HKD	11.48000	SGD	2.11630
HUF	253.73000	USD	1.47210

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.

(4) Changes in the method of disclosure

In 2007 we have undertaken the following changes in disclosure:

- a) Commerzbank Foundation

The legally dependent Commerzbank Foundation which was disclosed separately in the previous year is now reported under assets held on a trust basis and liabilities held on a trust basis.
- b) Circular of the Deutsche Bundesbank no. 13/2007

The implementation of the changed disclosure of specific structured products as bonds and debentures in line with banking supervisory procedure has been incorporated into our financial reporting. In the previous year these products were reported under Shares and other variable-yield securities.

The changes in disclosure have no material impact on the comparability of the figures with the previous year.

Notes to the profit and loss account

(5) Revenues, by geographical market

€ m	2007	2006
Germany	12,512	10,176
Europe (excl. Germany)	1,516	1,677
America	928	695
Asia	240	220
Africa	76	59
Total	15,272	12,827

The aggregate amount covers the following items of the profit and loss account: interest income, current income from shares and other variable-yield securities, investments, holdings in affiliated companies, commissions received, net income from financial transactions and other operating income.

(6) Auditors' fees

The auditors' fees (excluding turnover tax) recognized as expenses in the 2007 financial year, break down as follows:

€1,000	2007	2006
Audit of financial statements	5,021	3,988
Provision of other certificates or assessments	2,492	1,996
Tax consulting services	–	2
Other services	237	196
Total	7,750	6,182

(7) Other operating income

Other operating income of €320m (previous year: €185m) mainly includes revenues from the reversal of provisions not related to lending and rental income.

(8) Other operating expenses

Other operating expenses of €252m (previous year: €364m) mainly include expenses from allocations to provisions for law suits, damage claims as well as rental and leasing charges.

(9) Administrative and agency services

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

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

Notes to the balance sheet

(10) Remaining lifetimes of claims and liabilities

€ m	31.12.2007	31.12.2006
Other claims on banks	80,646	65,917
with a remaining lifetime of		
less than three months	53,429	47,135
more than three months, but less than one year	13,568	14,160
more than one year, but less than five years	12,085	3,638
more than five years	1,564	984
Claims on customers	118,784	111,074
with indeterminate lifetime	10,596	9,124
with a remaining lifetime of		
less than three months	37,048	32,340
more than three months, but less than one year	10,332	8,650
more than one year, but less than five years	26,779	25,688
more than five years	34,029	35,272

Of the bonds, notes and other fixed-income securities in an amount of €58,935m (previous year: €45,931m), €13,150m will mature during the 2008 financial year.

€ m	31.12.2007	31.12.2006
Liabilities to banks		
with agreed lifetime or period of notice	79,907	78,947
with a remaining lifetime of		
less than three months	56,732	52,436
than three months, but less than one year	5,107	10,225
more than one year, but less than five years	6,680	5,219
more than five years	11,388	11,067
Savings deposits		
with agreed period of notice of more than three months	418	468
with a remaining lifetime of		
less than three months	40	41
than three months, but less than one year	108	96
more than one year, but less than five years	224	269
more than five years	46	62
Other liabilities to customers		
with agreed lifetime or period of notice	60,388	40,291
with a remaining lifetime of		
less than three months	49,923	34,667
than three months, but less than one year	6,068	1,895
more than one year, but less than five years	1,582	1,241
more than five years	2,815	2,488
Other securitized liabilities	9,952	8,475
with a remaining lifetime of		
less than three months	6,843	2,654
than three months, but less than one year	3,108	5,510
more than one year, but less than five years	1	63
more than five years	0	248

Of the €47,036m of bonds and notes issued (previous year: €28,607m), €12,825m will fall due in the 2008 financial year.

(11) Marketable securities

€ m	Marketable		Listed on a stock exchange		Not listed	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Bonds, notes and other fixed-income securities	58,132	45,931	47,196	35,990	10,936	9,941
Shares and other variable-yield securities	8,513	5,692	8,060	5,338	453	354
Investments	671	582	478	523	193	59
Holdings in affiliated companies	3,442	11,441	–	–	3,442	11,441

Under shares and other variable-yield securities, different investment fund shares of altogether €1,545m (previous year: €1,545m) 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.

(12) Relations with affiliated companies and equity investments

€ m	Affiliated companies		Investments	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Claims on banks	45,131	33,690	24	295
Claims on customers	6,801	4,442	11	46
Bonds, notes and other fixed-income securities	3,821	4,066	56	281
Liabilities to banks	12,098	12,561	26	153
Liabilities to customers	4,961	4,774	34	35
Subordinated liabilities	2,391	2,491	–	–
Securitized liabilities	535	499	–	–
Liabilities on a trust basis at third-party risk	–	40	–	–

(13) Trust business

€ m	31.12.2007	31.12.2006
Claims on customers	25	262
Commerzbank Foundation	54	–
of which: Cash at bank	45	–
Shares and other variable-yield securities	7	–
Fixed-income securities	2	–
Assets on a trust basis at third-party risk	79	262
Liabilities to banks	21	258
Liabilities to customers	4	4
Commerzbank Foundation	54	–
of which: Equity	53	–
Other liabilities	1	–
Liabilities on a trust basis at third-party risk	79	262

(14) Changes in book value of fixed assets

€ m	Intangible assets	Fixed assets	Securities held as financial investments	Investments*	Holdings in affiliated companies*
Cost of acquisition/production as of 1.1.2007	291	2,635	1,545		
Changes in exchange rates	-1	-14	-		
Additions in 2007	25	85	0		
Disposals in 2007	4	64	-		
Transfers	-	-	-		
Cost of acquisition/production as of 31.12.2007	311	2,642	1,545		
Cumulative write-downs/changes in exchange rates	267	2,208	-		
Additions in 2007	-	-	-		
Residual book values as of 31.12.2007	44	434	1,545	760	13,131
Residual book values as of 31.12.2006	45	494	1,545	623	13,492
Write-downs in 2007	26	141	-		

*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 €59m (previous year: €65m), the Bank uses premises of €50m (previous year: €53m) for its own purposes.

Office furniture and equipment of €375m (previous year: €429m) is included in fixed assets. With reference to securities shown as financial investment we refer to our comments under note number 11.

(15) Other assets

Other assets of €14,521m (previous year: €12,007m) mainly comprise premiums paid for option contracts and interest-rate caps amounting to €10,152m (previous year: €9,206m) and claims

arising from profit-transfer agreements with affiliated companies as well as claims resulting from swap business.

(16) Subordinated assets

€ m	31.12.2007	31.12.2006
Claims on banks	99,526	76,413
of which: subordinated	934	871
Claims on customers	118,784	111,074
of which: subordinated	247	242
Bonds and notes		
a) of other issuers	28,376	24,453
of which: subordinated	513	309
b) own bonds	21,611	7,064
of which: subordinated	68	4
Shares and other variable-yield securities	11,212	7,523
of which: subordinated	56	88
Total	1,818	1,514

(17) Repurchase agreements

The book value of the securities pledged under repurchase agreements, which appear in the balance sheet, is €15,329m (previous year: €25,048m).

(18) The Bank's foreign-currency position

On the balance-sheet date, the aggregate amount of foreign-currency assets was €66,2378m (previous year: €58,017m).

Foreign-currency liabilities amounted to €60,268m (previous year: €53,770m) on the balance-sheet date.

(19) Security pledged for own liabilities

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

€ m	31.12.2007	31.12.2006
Treasury bills	–	3
Claims on customers and banks	14,797	13,437
Securities	23,393	33,405
Total	38,190	46,845

Security was furnished in connection with genuine securities repurchase agreements to raise funds, for funds borrowed for fixed specific purposes and in connection with open-market transactions.

(20) Other liabilities

Other liabilities of €14,892m (previous year: €13,362m) mainly include premiums for option contracts and interest-rate caps amounting to €11,860m (previous year: €10,729m).

(21) Provisions

Other provisions were mainly formed for matters relating to the personnel area, other administrative expenses, law suits, damage claims and lending transactions.

Other provisions include restructuring provisions of €182m (previous year: €279m).

(22) Subordinated liabilities

In the event of insolvency or winding-up, the subordinated liabilities of €9,133m (previous year: €8,782m) may only be repaid after the claims of all non-subordinate creditors have been met. Until such time, no repayment obligation or claims to interest payments exist.

The obligations arising from the bonds and notes are subordinated obligations of the issuer, which will be met on an equal basis with all the issuer's other subordinated liabilities. In the financial year, interest paid on subordinated liabilities amounted to €476m (previous year: €401m).

As of December 31, 2007, 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 CB0789	EUR	1,250	4.125 %	13.9.2016	
WKN 002155	EUR	1,000	5.012 %	12.4.2036	hybrid bonds
WKN 002156	GBP	800	5.905 %	12.4.2036	hybrid bonds

The issuer cannot be obliged by creditors to make premature repayment. The conditions for subordinated obligations find application.

Conversion into capital or into another form of debt is not laid down in the contractual agreements.

(23) Profit-sharing certificates outstanding

Of the profit-sharing rights outstanding which appear in the balance sheet, €658m (previous year: €915m) 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

31.12.2007			
Volume in € m	Interest rate	Maturing on 31.12.	
320	6.38 %	2010	Profit-sharing certificate including: €10m registered profit-sharing certificate WKN 803205
256	7.90 %	2008	Profit-sharing certificate including: €5m registered profit-sharing certificate WKN 816120
150	6.38 %	2009	Profit-sharing certificate including: €12m registered 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
934			

	Profit-sharing rights outstanding	Matured	Profit-sharing rights outstanding
€ m	31.12.2006		31.12.2007
Total	1,189	255	934

(24) Equity

€	31.12.2007	31.12.2006
Equity	10,452,507,187.97	10,288,215,052.72
a) Subscribed capital	1,708,638,206.60	1,708,638,206.60
b) Capital reserve	5,925,841,239.91	5,925,841,239.91
c) Revenue reserves	2,160,859,200.46	2,160,859,200.46
Legal reserve	3,067,751.29	3,067,751.29
Reserve for treasury shares	1,268,433.13	37,427,757.86
Other revenue reserves	2,156,523,016.04	2,120,363,691.31
d) Distributable profit	657,168,541.00	492,876,405.75

a) Subscribed capital

The subscribed capital of Commerzbank Aktiengesellschaft (share capital) of €1,708,638,206.60 was divided as of December 31, 2007 – unchanged compared to the previous year – into 657,168,541

no-par-value shares (accounting par value per share: €2.60). The shares are issued in the form of bearer shares. No preferential rights or restrictions on the payment of dividends exist.

b) Capital reserve

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

purchase Commerzbank Aktiengesellschaft shares are also recognized here.

c) Revenue reserves

€ m	Total	Legal reserve	Reserve for treasury shares	Other revenue reserves
As of 31.12.2006	2,161	3	37	2,121
Changes in portfolio of treasury shares	–	–	–36	36
As of 31.12.2007	2,161	3	1	2,157

We draw attention to the comments under Note 28 with regard to the reserve for treasury shares.

(25) Authorized capital

Year of resolution	Original authorized capital € m	Remaining authorized capital €	Expiring on	Pursuant to the Bank's Articles of Association
2004	225	225	April 30, 2009	Art. 4 (3)
2004	225	225	April 30, 2009	Art. 4 (6)
2006	170	170	April 30, 2011	Art. 4 (7)
2006	200	200	April 30, 2011	Art. 4 (8)
2006	12	12	April 30, 2011	Art. 4 (9)
As of 31.12.2007	832	832		

Conditions for capital increases out of authorized capital result from the individual terms as follows (see Articles of Association of Commerzbank Aktiengesellschaft, as of June 4, 2007):

Art. 4 (3): The Board of Managing Directors is authorized, with the approval of the Supervisory Board, to increase the Company's share capital by April 30, 2009, through the issue of new no-par-value shares against cash, in either one or several tranches, but by a maximum amount of €225,000,000 (authorized capital 2004/I). On principle, shareholders are to be offered subscription rights; however, the Board of Managing Directors may, with the approval of the Supervisory Board, exclude shareholders' subscription rights to the extent necessary in order to offer to the holders of conversion or option rights, either already issued or still to be issued by Commerzbank Aktiengesellschaft or by companies in which Commerzbank Aktiengesellschaft directly or indirectly holds a majority interest (group companies as defined in Art. 18, (1), *Aktiengesetz*), subscription rights to the extent to which they would be entitled after they have exercised their conversion or option rights. In addition, any fractional amounts of shares may be excluded from shareholders' subscription rights.

Art. 4 (6): The Board of Managing Directors is authorized, with the approval of the Supervisory Board, to increase the Company's share capital by April 30, 2009 through the issue of new no-par-value shares against cash or contributions in kind, in either one or several tranches, but by a maximum amount of €225,000,000 (authorized capital 2004/II). On principle, shareholders are to be offered subscription rights; however, the Board of Managing Directors may, with the approval of the Supervisory Board, exclude shareholders' subscription rights to the extent necessary to offer to the holders of conversion or option rights, either already issued or still to be issued by Commerzbank Aktiengesellschaft or by companies in which Commerzbank Aktiengesellschaft directly

or indirectly holds a majority interest (group companies as defined in Art. 18, (1), *Aktiengesetz*), subscription rights to the extent to which they would be entitled after they have exercised their conversion or option rights. In addition, any fractional amounts of shares may be excluded from shareholders' subscription rights. Furthermore, the Board of Managing Directors may, with the approval of the Supervisory Board, exclude shareholders' subscription rights insofar as the capital increase is made against contributions in kind for the purpose of acquiring companies or interests in companies.

Art. 4 (7): The Board of Managing Directors is authorized, with the approval of the Supervisory Board, to increase the Company's share capital by April 30, 2011, through the issue of new no-par-value shares against cash, in either one or several tranches, but by a maximum amount of €170,000,000 (authorized capital 2007/I). The Board of Managing Directors may, with the approval of the Supervisory Board, exclude shareholders' subscription rights if the issue price of the new shares is not substantially lower than the market price of already listed shares offering the same conditions.

Art. 4 (8): The Board of Managing Directors is authorized, with the approval of the Supervisory Board, to increase the Company's share capital by April 30, 2011 through the issue of new no-par-value shares against cash or contributions in kind, in either one or several tranches, but by a maximum amount of €200,000,000 (authorized capital 2007/II). On principle, shareholders are to be offered subscription rights; however, the Board of Managing Directors may, with the approval of the Supervisory Board, exclude shareholders' subscription rights to the extent necessary to offer to the holders of conversion or option rights, either already issued or still to be issued by Commerzbank Aktiengesellschaft or by companies in which Commerzbank Aktien-

gesellschaft directly or indirectly holds a majority interest (group companies as defined in Art. 18, (1), *Aktiengesetz*), subscription rights to the extent to which they would be entitled after they have exercised their conversion or option rights. In addition, any fractional amounts of shares may be excluded from shareholders' subscription rights. Furthermore, the Board of Managing Directors may, with the approval of the Supervisory Board, exclude shareholders' subscription rights insofar as the capital increase is made against contributions in kind for the purpose of acquiring companies or interests in companies.

Art. 4 (9): The Board of Managing Directors is authorized, with the approval of the Supervisory Board, to increase the Company's share capital by April 30, 2011 through the issue of new no-par-value shares against cash, in either one or several tranches, but by a maximum amount of €12,000,000 (authorized capital 2007/III), thereby excluding shareholders' subscription rights for the purpose of issuing shares to employees of Commerzbank Aktiengesellschaft and companies in which Commerzbank Aktiengesellschaft directly or indirectly holds a majority interest (group companies as defined in Art. 18, (1), *Aktiengesetz*).

Due to the expiry of the AGM resolution dated May 31, 2002, authorized capital in the amount of €19.8m has become void during the financial year.

	Remaining authorized capital	Added in financial year	Used in financial year	Expired in financial year	Remaining authorized capital
€	31.12.2006				31.12.2007
Total	851,768,703.60	-	-	19,768,703.60	832,000,000.00

(26) Conditional capital

	Conditional capital	Added in financial year	Expired in financial year	Conditional capital	of which used conditional capital	of which available lines
€	31.12.2006			31.12.2007		
Total	403,000,000.00	-	-	403,000,000.00	-	403,000,000.00

As resolved by the AGM of May 30, 2003, the Bank's share capital has been conditionally increased by up to €403m (Art. 4 (5) of the Articles of Association). Such conditional capital increase will only be effected to the extent that the holders or creditors of the convertible bonds, bonds with warrants or profit-sharing rights – carrying conversion or option rights – to be issued by May 30, 2008, by either Commerzbank Aktiengesellschaft or companies in which Commerzbank Aktiengesellschaft directly or indirectly holds a majority interest (group companies as defined

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

(27) Significant shareholder voting rights

The Bank has received the following notifications as of December 31, 2007 further to Art. 21 WpHG:

Company required to report	Seat	held directly	indirectly	Total
Assicurazioni Generali S.p.A.	Trieste / Italy	1.567 %	7.186 %	8.753 %
Barclays Global Investors UK Holdings Limited	London / UK		5.080 %	5.080 %
UBS AG	Zurich / Switzerland	4.180%	0.010 %	4.190 %

(28) Treasury shares

	Number of shares* in units	Accounting par value in €1,000	Percentage of share capital
Portfolio on 31.12.2007	43,691	114	0.01
Largest total acquired during the financial year	4,946,540	12,861	0.75
Shares pledged by customers as collateral on 31.12.2007	2,466,377	6,413	0.38
Shares acquired during the financial year	176,087,351	457,827	–
Shares disposed of during the financial year	177,391,886	461,219	–

* accounting par value per share €2.60

The AGM on May 17, 2007 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, 2008. 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.

Together with the Bank's own shares purchased for other reasons, which are held by Commerzbank Aktiengesellschaft or are attributable to it pursuant to Art. 71a et seq., *Aktiengesetz*, the shares purchased on the basis of this authorization may at no time exceed 10 % of the share capital of Commerzbank Aktiengesellschaft.

The lowest price at which the Bank may buy one of its shares may not be more than 10 % lower than the mean value for the share price (closing auction prices or similar successor prices for the Commerzbank share in XETRA trading or a similar successor system to the XETRA system on the Frankfurt Stock Exchange) on the last three trading days prior to the purchase; the highest price at which the Bank may buy one of its own shares may not be more than 10 % higher than this amount.

The average purchase price in the past financial year was €30.54 (previous year: €27.36), and the average selling price €30.51 (previous year: €27.40). The loss resulting from the above mentioned transactions has been reported as an expense in the financial year.

For the Commerzbank shares held in the Bank's portfolio at year-end, a reserve of €1.3m (previous year: €37m) was formed.

The AGM on May 16, 2007 also authorized us, pursuant to Art. 71, (1), no. 8, AktG, to purchase the Bank's shares, in one or in several tranches, for purposes other than securities trading. Together with the treasury shares purchased for other reasons, which are held by the Bank or are attributable to it pursuant to Art. 71a et seq., AktG, the shares purchased on the basis of this authorization may at no time exceed 10 % of the share capital of Commerzbank Aktiengesellschaft.

The purchase shall be effected – as decided by the Board of Managing Directors – on the stock exchange, by means of a public offer to all shareholders or by means of an invitation to all shareholders to submit an offer to sell. The authorization is valid until October 31, 2008.

The Board of Managing Directors is authorized to use the acquired shares as follows:

- aa) to sell them via the stock exchange or by means of a public offer to all shareholders;
- bb) under certain additional conditions to sell them in ways other than via the stock exchange or by means of a public tender offer to all shareholders, provided that the repurchased shares are sold at a price that is not substantially lower than the market price of the shares of Commerzbank Aktiengesellschaft offering the same conditions at the time of sale;
- cc) to sell them in ways other than via the stock exchange or by means of a public tender offer to all shareholders, where this is carried out for the purpose of acquiring companies or interests in companies;
- dd) in the event of the shares being sold via the stock exchange or by means of a public tender offer to all shareholders, by granting subscription rights to the holders or creditors of convertible bonds or bonds with warrants or profit-sharing rights – with conversion or option rights – issued by Commerzbank Aktiengesellschaft or by companies in which Commerzbank Aktiengesellschaft directly or indirectly holds a majority interest to the extent of their entitlement to shares after they have exercised their conversion or option rights;
- ee) to issue shares to employees of Commerzbank Aktiengesellschaft or of companies in which Commerzbank Aktiengesellschaft directly or indirectly holds a majority interest as defined in Art. 18, (1), *Aktiengesetz*;
- ff) to redeem and cancel the shares without the need for a further AGM resolution.

Shareholders' subscription rights on Commerzbank shares resold after purchase by Commerzbank Aktiengesellschaft are excluded in so far as the shares are subject to the aforementioned authorizations under lit. aa) to lit. ee).

As at the balance sheet date there were no own shares further to Art. 71, (1), no 8 AktG on our books.

Other notes

(29) Contingent liabilities

€ m	31.12.2007	31.12.2006
Contingent liabilities from bills of exchange credited to borrowers	1	3
Liabilities from guarantees and indemnity agreements	25,616	24,632
of which: Credit guarantees	2,550	2,127
Other guarantees	17,400	17,035
Letters of credit	5,666	5,470
Total	25,617	24,635

(30) Other commitments

€ m	31.12.2007	31.12.2006
Irrevocable lending commitments	35,474	35,638
Book credits to customers	28,726	33,582
Book credits to banks	5,680	1,138
Credits by way of guarantee	939	761
Letters of credit	129	157

(31) Other financial commitments

On December 31, 2007, the existing commitments arising from rental and leasing agreements amounted to altogether €2,104m for subsequent years (previous year: €1,958m); €1,003m (previous year: €1,014m) of this relates to commitments to affiliated companies.

Payment commitments for equities, shares in private limited companies and other interests amounted to €0.4m (previous year: €0.4m) on the balance-sheet date.

Due to our participation in Liquiditäts-Konsortialbank mbH, Frankfurt am Main, we are responsible for the payment of assessments of €38m (previous year: €38m) in accordance with Art. 26, GmbHG. In addition, a guarantee obligation of €135m (previous year: €135m) exists.

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

(32) Letter of comfort

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

Name	Registered office
AFÖG GmbH & Co. KG	Frankfurt am Main
BRE Bank Hipoteczny SA	Warsaw
BRE Bank SA	Warsaw
BRE Leasing Sp. z o.o.	Warsaw
comdirect bank Aktiengesellschaft	Quickborn
cominvest Asset Management GmbH	Frankfurt am Main
cominvest Asset Management Ltd.	Dublin
cominvest Asset Management S.A.	Luxembourg
Commerz (East Asia) Ltd.	Hong Kong
Commerz Asset Management Asia Pacific Pte Ltd.	Singapore
Commerzbank (Eurasija) SAO	Moscow
Commerzbank (South East Asia) Ltd.	Singapore
Commerzbank (Switzerland) Ltd	Zurich
Commerzbank Asset Management Asia Ltd.	Singapore
Commerzbank Capital Markets Corporation	New York
Commerzbank Europe (Ireland)	Dublin
Commerzbank Europe Finance (Ireland) plc.	Dublin
Commerzbank Inlandsbanken Holding GmbH	Frankfurt am Main
Commerzbank International S.A.	Luxembourg
Commerzbank Zrt.	Budapest
CommerzTrust GmbH	Frankfurt am Main
Erste Europäische Pfandbrief- und Kommunalkreditbank Aktiengesellschaft in Luxemburg	Luxembourg
Eurohypo Aktiengesellschaft	Eschborn
European Bank for Fund Services GmbH (ebase)	Haar near Munich
Hypothesenbank in Essen AG	Essen
Intermarket Bank AG	Vienna
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
Stampen S.A.	Brussels
Transfinance a.s.	Prague

(33) Forward transactions

€ m	Nominal amount Remaining lifetimes			Fair value		
	under one year	one to five years	more than five years	total	positive	negative
31.12.2007						
Foreign-currency-based forward transactions						
OTC products						
Foreign-exchange forward contracts	207,145	14,621	337	222,103	2,183	2,407
Interest-rate and currency swaps	36,073	86,137	48,595	170,805	2,806	2,122
Currency call options	49,930	9,592	2,139	61,661	951	–
Currency put options	48,999	11,271	396	60,666	–	830
Other foreign-exchange contracts	1,127	102	1,899	3,128	69	59
Products traded on a stock exchange						
Currency futures	4	–	–	4	0	0
Currency options	–	–	–	–	–	–
Total	343,278	121,723	53,366	518,367	6,009	5,418
Interest-based forward transactions						
OTC products						
Forward-rate agreements	174,840	304	–	175,144	73	79
Interest-rate swaps (same currency)	1,274,398	1,881,897	1,825,599	4,981,894	57,159	57,919
Interest-rate call options	18,407	36,653	33,301	88,361	1,669	–
Interest-rate put options	14,614	36,369	40,300	91,283	–	1,847
Structured interest-rate products	14,731	5,529	8,517	28,777	605	281
Products traded on a stock exchange						
Interest-rate futures	65,944	4,210	1,307	71,461	84	75
Interest-rate options	22,837	884	827	24,548	15	22
Total	1,585,771	1,965,846	1,909,851	5,461,468	59,605	60,223
Other forward transactions						
OTC products						
Structured equity/index products	15,317	13,899	3,189	32,405	1,653	2,422
Equity call options	17,641	16,986	1,259	35,886	4,258	–
Equity put options	19,499	17,817	873	38,189	–	4,508
Credit derivatives	24,585	102,140	17,564	144,289	851	925
Precious metal contracts	–	4	–	4	0	0
Other transactions	396	382	–	778	159	143
Products traded on a stock exchange						
Equity futures	5,607	–	–	5,607	48	34
Equity options	70,138	51,840	2,605	124,583	4,467	4,671
Other futures	310	211	–	521	35	20
Other options	116	121	–	237	16	13
Total	153,609	203,400	25,490	382,499	11,487	12,736
Total pending forward transactions						
OTC products	1,917,702	2,233,703	1,983,968	6,135,373	72,436	73,542
Products traded on a stock exchange	164,956	57,266	4,739	226,961	4,665	4,835
Total	2,082,658	2,290,969	1,988,707	6,362,334	77,101	78,377

The fair values of derivative financial instruments are derived, among other things, from interest rates and indices, as well as equity prices and currency rates. Various mark-to-market measurement methods are used to calculate the fair values of the derivatives which we show. Both the choice of measurement method and the selected influential parameters depend upon the individual product.

The fair values of forwards and swaps are calculated by means of the net present value method, taking into account discount factors worked out from the interest-rate curve of the relevant trading currency.

Plain vanilla and digital options are priced using the Black-Scholes model. In the case of exotic options, such as those with a path-dependent payoff, pricing models based on tree-building or the Monte Carlo methods are applied. For the volatilities used in measuring options, volatility surfaces are calculated from volatilities quoted in the market, wherever these are available. If it is not possible to calculate such volatilities, because – for example – not enough issues are quoted in the market, the historical volatility is calculated instead. Monte Carlo simulation is also used for structured transactions.

(34) The Bank's staff

On average, we employed 23,263 people (previous year: 23,195) last year, who were deployed as follows:

		Total		Male		Female	
		FT	WF	FT	WF	FT	WF
AG in Germany	2007	19,428	21,229	10,307	10,484	9,121	10,745
	2006	19,411	21,245	9,609	10,516	9,802	10,729
AG abroad	2007	1,981	2,034	1,308	1,343	673	691
	2006	1,896	1,950	1,270	1,307	626	643
AG total	2007	21,409	23,263	11,615	11,827	9,794	11,436
	2006	21,307	23,195	10,879	11,823	10,428	11,372

The figures for full-time staff (FT) include part-time personnel with the time actually worked. The average time worked by part-time staff is 60 % (previous year: 60 %). The figures for the workforce (WF) also cover all part-time staff. Trainees are not included in the employee figures.

		Total	Male	Female
Trainees	2007	1,241	512	729
	2006	1,255	502	753

(35) Remuneration and loans to board members

A detailed description of the principles of the remuneration system for the members of the Board of Managing Directors and members of the Supervisory Board is provided in the remuneration report. This forms part of the management report and appears on pages

7 to 13 of the financial statements for the year ending December 31, 2007. The total remuneration for the members of the Board of Managing Directors and the Supervisory Board as at the respective year-ends is as follows:

	31.12.2007	31.12.2006
	€1,000	€1,000
Board of Managing Directors	17,612	23,612
Supervisory Board	3,031	1,977

The total remuneration for the Board of Managing Directors includes amongst others remuneration in kind granted within the standard scope (essentially remuneration in kind from vehicle use and insurance taxes and social security contributions). The stated overall remuneration amount of the individual members of the Board of Managing Directors includes fees paid for the financial year in the amount of €767 thousand (previous year: €543 thousand) for performing board functions at consolidated com-

panies in the Group financial statements. The following table shows the remuneration in the form of basic salary, variable remuneration, pay-outs from long-term performance plans (LTPs) and other remuneration of the individual members of the Board of Managing Directors. The variable remuneration is shown subject to the annual financial statements of Commerzbank AG for the 2007 financial year being approved in their present form.

Amounts in €1,000		Cash remuneration			Other ³	Total
		Basic salary	Variable remuneration ²	Payment for the LTPs		
Klaus-Peter Müller	2007	760	1,876	500	84	3,220
	2006	760	2,736	900	80	4,476
Martin Blessing	2007	480	1,234	250	82	2,046
	2006	480	1,695	450	77	2,702
Wolfgang Hartmann	2007	480	874	250	111	1,715
	2006	480	1,350	450	109	2,389
Dr. Achim Kassow	2007	480	1,132	–	45	1,657
	2006	480	1,600	–	44	2,124
Bernd Knobloch	2007	480	874	–	72	1,426
	2006 ¹	360	1,125	–	35	1,520
Klaus M. Patig	2007 ⁴	40	–	–	2,307	2,347
	2006	480	1,500	–	65	2,045
Michael Reuther	2007	480	1,080	–	71	1,631
	2006 ¹	120	375	–	2,885	3,380
Dr. Eric Strutz	2007	480	1,080	250	42	1,852
	2006	480	1,650	196	42	2,368
Nicholas Teller	2007	480	874	250	114	1,718
	2006	480	1,800	250	78	2,608
Total	2007	4,160	9,024	1,500	2,928	17,612
	2006⁴	4,120	13,831	2,246	3,415	23,612

¹ Pro rata for the period since being appointed.

² Payable in the following year subject to approval of the annual financial statements less remuneration already received for performing board functions at consolidated companies in the Group financial statements (€767 thousand; previous year: €543 thousand).

³ The heading Other covers payment in kind in the year under review. Mr. Patig received €2,263 thousand in the financial year, which was promised to him under his severance agreement.

⁴ Mr. Patig left the Board of Managing Directors at the end of January 2007.

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

The following table shows the number of shares (corresponding to a "virtual" option per share) per individual active member of the Board and per respective current LTP, as well as the fair values at the time the share-based payment was granted and the fair values as of the valuation date, December 31, 2007. Provisions for the LTPs 2005 to 2007 amounting to €1,595 thousand have been formed for possible future payment liabilities to members of the Board on the basis of the fair values as of December 31, 2007. The allocation affecting profit and loss was €803 thousand for all plans in the 2007 financial year.

Current long-term performance plans

	LTP	Number of participating shares	Attributable fair value		Pro rata provisions as of 31.12.2007
			when the shares were granted	as of 31.12.2007	
Klaus-Peter Müller	2007	5,000	158	103	23.2
	2006	5,000	175	93	51.0
	2005	5,000	137	406	367.6
Martin Blessing	2007	2,500	79	51	11.6
	2006	2,500	87	46	25.5
	2005	2,500	69	203	183.8
Wolfgang Hartmann	2007	2,500	79	51	11.6
	2006	2,500	87	46	25.5
	2005	2,500	69	203	183.8
Dr. Achim Kassow	2007	2,500	79	51	11.6
	2006	2,500	87	46	25.5
	2005	2,500	69	203	183.8
Bernd Knobloch	2007	2,500	79	51	11.6
	2006	2,500	69	46	25.5
	2005	-	-	-	-
Michael Reuther	2007	2,500	79	51	11.6
	2006	-	-	-	-
	2005	-	-	-	-
Dr. Eric Strutz	2007	2,500	79	51	11.6
	2006	2,500	87	46	25.5
	2005	2,500	69	203	183.8
Nicholas Teller	2007	2,500	79	51	11.6
	2006	2,500	87	46	25.5
	2005	2,500	69	203	183.8
Sum	2007	22,500	711	460	104.4
	2006	20,000	679	369	204.0
	2005	17,500	482	1,421	1,286.6
Total		60,000	1,872	2,250	1,595.0

The potential remuneration stemming from participation in the LTPs 2005 to 2007 could deviate considerably from the figures shown in the table above or could even be completely released, because the final pay-out amounts are not fixed until the end of the term of each LTP (please refer to the remuneration report concerning terms of payout).

The first pay-out for the LTP 2004, which were based on the values of the first quarter of 2007, resulted in a payment obligation for the amount achieved under the terms of the plan. The LTP 2004 was terminated in June 2007 by means of a cash payment of €100 per participating share.

The payments made to members of the Board of Managing Directors (totaling €1,500 thousand), who had participated in this plan are listed below. The payments are contained in the total remuneration amount above.

Paid out long-term performance plan

LTP 2004		
	Number of participating shares	Amount in €1,000
Klaus-Peter Müller	5,000	500
Martin Blessing	2,500	250
Wolfgang Hartmann	2,500	250
Dr. Eric Strutz	2,500	250
Nicholas Teller	2,500	250
Total	15,000	1,500

Payments to former members of the Board of Managing Directors and their surviving dependents amounted to €5,410 thousand in the 2007 financial year (previous year: €5,413 thousand).

For present and former members of the Board of Managing Directors or their surviving dependents the Bank has established a retirement benefit plan: assets to hedge this were transferred to Commerzbank Pensions-Trust e.V. as part of a contractual trust arrangement.

As at December 31, 2007, the defined benefit obligations for active members of the Board of Managing Directors totalled €17.8m (previous year: €16.4m) and for former members of the Board of Managing Directors or their surviving dependents €49.4m (previous year: €50.9m). For these pension liabilities Commerzbank has built provisions in the full amount.

We refer to the section headed Other Regulations in the remuneration report for information on regulations for payments stemming from termination of employment for the active members of the Board of Managing Directors.

Remuneration for members of the Supervisory Board is regulated in Art. 15 of the Articles of Association of Commerzbank Aktiengesellschaft. Members of the Supervisory Board will receive remuneration for financial year 2007 of €2,547 thousand (previous year: €1,661 thousand), provided that the AGM of Commerzbank Aktiengesellschaft resolves that a dividend of €1.00 be paid per share. Of this figure, the basic remuneration and the remuneration for serving on committees amounts to €2,307 thousand (previous year: €1,426 thousand) and attendance fees to €240 thousand (previous year: €235 thousand). The attendance fees are for participating in the meetings of the Supervisory Board and its four committees (Presiding, Audit, Risk and Social Welfare Committees) which met in the year under review. VAT of €484 thousand (previous year: €316 thousand) to be paid on the overall remuneration of the members of the Supervisory Board is refunded by Commerzbank Aktiengesellschaft. Accordingly the total remuneration of members of the Supervisory Board amounted to €3,031 thousand (previous year: €1,977 thousand).

All told, the Board of Managing Directors and Supervisory Board held no more than 1 % of the issued shares and option rights of Commerzbank Aktiengesellschaft on December 31, 2007.

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

	31.12.2007	31.12.2006
	€1,000	€1,000
Board of Managing Directors	1,086	1,261
Supervisory Board	723	1,413

Members of the Board of Managing Directors have been granted cash advances and loans with terms ranging from on demand to a due date in 2018 and at interest rates ranging between 3.0 % and 5.8 %, and for individual instances of overdrafts up to 12.7 %. Collateral is provided at normal market conditions, if necessary through land charges or rights of lien. The overall figure of €1,086 thousand includes rental guarantees of €23 thousand provided for two members of the Board of Managing Directors without guarantee commission being charged; this is in line with the Bank's general terms and conditions for members of staff.

Loans to members of the Supervisory Board (including loans to employee representatives on that board) were granted with terms ranging from on demand to a due date in 2030 and at interest rates ranging between 4.9 % and 6.6 %, and for individual instances of overdrafts up to 19.5 %. In line with market conditions, some of the loans were granted without collateral being provided; some involved land charges or rights of lien.

(36) Corporate Governance Code

We have issued our declaration of compliance with the German Corporate Governance Code pursuant to Art. 161, German Stock Corporation Act – AktG and made it available on November 6, 2007, to shareholders on the internet (www.commerzbank.com). The management report of the consolidated financial statements contains the 2007 corporate governance report.

(37) Holdings in consolidated companies

A full list of all holdings of Commerzbank AG is published as part of the notes in the electronic Federal Gazette (*elektronischer Bundesanzeiger*) and can also be accessed in the electronic company register. It can furthermore be found under our internet address: [www.commerzbank.com/InvestorRelations/Financial reports](http://www.commerzbank.com/InvestorRelations/Financial%20reports).

(38) Seats on supervisory boards and similar bodies**Members of the Board of Managing Directors of Commerzbank AG**

Information pursuant to Art. 285, no. 10, of the German Commercial Code (HGB) As of December 31, 2007

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

Klaus-Peter Müller

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

Martin Blessing

- a) AMB Generali Holding AG *
Evonik AG
Heidelberger Druckmaschinen AG *
ThyssenKrupp Services AG
within Commerzbank Group:
Commerz Real AG
Deputy Chairman
- b) **within Commerzbank Group:**
Commerzbank Inlandsbanken Holding GmbH
BRE Bank SA
Deputy Chairman

Wolfgang Hartmann

- a) **within Commerzbank Group:**
Eurohypo AG
Hypothesenbank in Essen AG

Dr. Achim Kassow

- a) ThyssenKrupp Steel AG
Volksfürsorge Deutsche Sachversicherung AG
within Commerzbank Group:
comdirect bank AG
Chairman
cominvest
Asset Management GmbH
Chairman
- b) **within Commerzbank Group:**
BRE Bank SA
Commerzbank (Switzerland) Ltd
President
COMMERZ PARTNER Beratungs-
gesellschaft für Vorsorge- und
Finanzprodukte mbH
Chairman

Bernd Knobloch

- a) **within Commerzbank Group:**
Commerz Grundbesitz-
Investmentgesellschaft mbH
Chairman
Commerz Real AG
Chairman
- b) **within Commerzbank Group:**
Eurohypo Investment Banking Ltd.

Michael Reuther

- a) **within Commerzbank Group:**
Eurohypo AG
Hypothesenbank in Essen AG
Chairman
- b) **within Commerzbank Group:**
Commerzbank Capital
Markets Corporation
Erste Europäische Pfandbrief-
und Kommunalkreditbank AG
Chairman

Dr. Eric Strutz

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

* listed company outside group (pursuant to no. 5.4.5, German Corporate Governance Code)

Nicholas Teller

- a) Deutsche Schiffsbank AG
Chairman
EUREX Clearing AG
EUREX Frankfurt AG
within Commerzbank Group:
Commerzbank Auslandsbanken
Holding AG
- b) Air Berlin PLC
Non-executive director
EUREX Zürich AG
within Commerzbank Group:
BRE Bank SA
Commerzbank Capital
Markets Corporation
Chairman

Former members of the Board of Managing Directors

Klaus M. Patig

- a) MAN Ferrostaal AG
(until January 31, 2007)
- b) Korea Exchange Bank
Non-standing director
(until March 29, 2007)
within Commerzbank Group:
Commerzbank Capital
Markets Corporation
(until January 31, 2007)
Commerz Securities
(Japan) Company Ltd.
Chairman
(until January 31, 2007)

Members of the Supervisory Board of Commerzbank AG

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

Dr. h.c. Martin Kohlhausen

- a) Bayer AG
(until April 27, 2007)
HOCHTIEF AG
Chairman
ThyssenKrupp AG

Uwe Tschäge

–

Hans-Hermann Altenschmidt

- b) BVV Versorgungskasse
BVV Unterstützungskasse

Dott. Sergio Balbinot

- a) Deutsche Vermögensberatung AG
within group:
AachenMünchener
Lebensversicherung AG
AachenMünchener
Versicherung AG
AMB Generali Holding AG
- b) **within group:**
Banco Vitalicio de España,
C.A. de Seguros y Réaseguros
Europ Assistance Holding
Future Generali India
Insurance Co. Ltd.
(since September 5, 2007)
Future Generali India
Life Insurance Co. Ltd.
(since September 5, 2007)
Generali Asia N.V.

Generali China Insurance
Company Ltd.
(since April 13, 2007)

Generali China Life Insurance
Co. Ltd.
Deputy Chairman

Generali España, Holding de
Entidades de Seguros, S.A.
Deputy Chairman

Generali Finance B.V.

Generali France S.A.
Deputy Chairman

Generali Holding Vienna AG
Deputy Chairman

Generali Investments SpA

Generali (Schweiz) Holding

La Estrella S.A.

Migdal Insurance Holding Ltd.

Migdal Insurance & Financial
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

–

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 10, 2007)
- Nürnberger Beteiligungs-AG
- VICTORIA Lebensversicherung AG
- VICTORIA Versicherung AG
- b) American Re Corporation
(until March 2007)

Sonja Kasischke

–

Wolfgang Kirsch

- b) COLLEGIUM GLASHÜTTEN
Zentrum für Kommunikation GmbH
- Commerz Business Consulting
GmbH

Friedrich Lürßen

- a) Atlas Elektronik GmbH
Norddeutsche Steingut
Aktiengesellschaft
- b) Finanzholding der
Sparkasse in Bremen
Deputy Chairman
- MTG Marinetechnik GmbH
Chairman

Werner Malkhoff

–

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

- a) E.ON Ruhrgas AG
- Evonik Industries AG
(formerly RAG Beteiligungs AG)
(until November 30, 2007)
- LANXESS AG *
- LANXESS Deutschland GmbH
- RAG AG
(until November 30, 2007)
- within group:**
- ThyssenKrupp Elevator AG
Chairman
(since September 1, 2007)
- ThyssenKrupp Stainless AG
Chairman
- ThyssenKrupp Steel AG
Chairman
(until August 31, 2007)
- ThyssenKrupp Reinsurance AG
Chairman
- b) Hoberg & Driesch GmbH
Chairman
- within group:**
- ThyssenKrupp Acciai
Speciali Terni S.p.A.
- ThyssenKrupp (China) Ltd.
- ThyssenKrupp Risk and
Insurance Services GmbH
Chairman

Klaus Müller-Gebel

- a) comdirect bank AG
Deputy Chairman
- Deutsche Schiffsbank AG
- Eurohypo AG
Deputy Chairman

Dr. Sabine Reiner

–

Prof. Dr. Jürgen F. Strube

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

Dr. Klaus Sturany

- a) Bayer AG
(since April 27, 2007)
- Hannover Rückversicherung AG
- Heidelberger Druckmaschinen AG
- RAG AG (until March 19, 2007)
- RAG Beteiligungs AG
(until March 19, 2007)
- within group:**
- RWE Energy AG
(until February 22, 2007)
- RWE Power AG
(until February 14, 2007)
- RWE Systems AG
(until February 22, 2007)
Chairman
- b) Österreichische Industrieholding AG
- within group:**
- RWE Npower Holdings plc
(until January 31, 2007)

Dr.-Ing. E.h. Heinrich Weiss

- a) Deutsche Bahn AG
- Voith AG
- within group:**
- SMS Demag AG
Chairman
- b) Thyssen-Bornemisza Group
- Bombardier Inc. *

* listed company outside group (pursuant to no. 5.4.5, German Corporate Governance Code)

Former members of the Supervisory Board

Dr. Erhard Schipporeit

a) Career Concept AG
(since December 7, 2007)

Deutsche Börse AG

Hannover Rückversicherung AG
(since May 2007)

SAP AG

Talanx AG

b) HDI V.a.G.

TUI Travel plc
(since October 2007)

Employees of Commerzbank AG

Information pursuant to Art. 340a, (4), no. 1,
of the German Commercial Code (HGB)
As of December 31, 2007

Frank Annuscheit

comdirect bank AG

Markus Beumer

cominvest Asset Management GmbH

Commerz Grundbesitz-
Investmentgesellschaft mbH

Commerz Real AG

Manfred Breuer

Schumag AG

Heiko Burchardt

Ellerhold AG

Martin Fishedick

Borgers AG

Bernd Förster

SE Spezial Electronic AG

Dr. Bernhard Fuhrmann

Commerz Grundbesitz-Investmentge-
sellschaft mbH

Bernd Grossmann

Textilgruppe Hof AG

Gustav Holtkemper

COMMERZ PARTNER Beratungs-
gesellschaft für Vorsorge- und
Finanzprodukte mbH

Herbert Huber

Saarländische Investitions-
kreditbank AG

Andreas Kleffel

Adolf Ahlers AG

Klaus Kubbetat

Goodyear Dunlop Tires
Germany GmbH

Pensor AG

Michael Mandel

cominvest Asset Management GmbH

Commerz Grundbesitz-
Investmentgesellschaft mbH

COMMERZ PARTNER Beratungs-
gesellschaft für Vorsorge- und
Finanzprodukte mbH

Commerz Real AG

Erhard Modrejewski

Braunschweiger
Baugenossenschaft eG

Dr. Thorsten Reitmeyer

cominvest Asset Management GmbH

Commerz Grundbesitz-
Investmentgesellschaft mbH

Commerz Real AG

Jörg Schauerhammer

Herlitz AG

Herlitz PBS AG

Dirk Wilhelm Schuh

Commerz Grundbesitz-
Investmentgesellschaft mbH

Commerz Real AG

GEWOBA Wohnen und Bauen AG

Berthold Stahl

Maincor AG

Arno Walter

ConCardis GmbH

Statement by the Management Board

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the assets, liabilities, financial position and profit and loss of the company, and the management report includes a fair review of the development

and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of the company.

Frankfurt am Main, March 11, 2008

The Board of Managing Directors



Klaus-Peter Müller



Frank Annuscheit



Markus Beumer



Martin Blessing



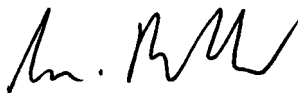
Wolfgang Hartmann



Achim Kassow



Bernd Knobloch



Michael Reuther



Eric Strutz



Nicholas Teller

Boards of Commerzbank Aktiengesellschaft

Supervisory Board

Dr. h.c. Martin Kohlhausen

Chairman

Uwe Tschäge *

Deputy Chairman

Hans-Hermann Altenschmidt *

Bank employee
Commerzbank AG

Dott. Sergio Balbinot

Managing Director
Assicurazioni Generali S.p.A.

Herbert Bludau-Hoffmann *

Dipl.-Volkswirt
ver.di Trade Union
Sector Financial Services,
responsible for Commerzbank

Astrid Evers *

Bank employee
Commerzbank AG

Uwe Foullong *

Member of the
ver.di National Executive Committee

Daniel Hampel *

Bank employee
Commerzbank AG

Dr.-Ing. Otto Happel

Entrepreneur
Luserve AG

Dr. jur. Heiner Hasford

Member of the Board of
Managing Directors (retired)
Münchener Rückversicherungs-
Gesellschaft AG

Sonja Kasischke *

Bank employee
Commerzbank AG

Wolfgang Kirsch *

Bank employee
Commerzbank AG

Friedrich Lürßen

Chairman
Fr. Lürssen Werft GmbH & Co. KG
(since May 16, 2007)

Werner Malkhoff *

Bank employee
Commerzbank AG

Prof. h.c. (CHN) Dr. rer. oec.

Ulrich Middelmann
Deputy Chairman of the
Board of Managing Directors
ThyssenKrupp AG

Klaus Müller-Gebel

Lawyer

Dr. Sabine Reiner *

Trade Union Specialist
Economic Policy
ver.di National Administration

Dr. Erhard Schipporeit

Consultant
(until January 31, 2007)

Prof. Dr. Jürgen F. Strube

Chairman of the Supervisory Board
BASF Aktiengesellschaft

Dr. Klaus Sturany

Member of the Board of
Managing Directors (retired)
RWE Aktiengesellschaft

Dr.-Ing. E.h. Heinrich Weiss

Chairman
SMS GmbH

Dr. Walter Seipp

Honorary Chairman

* elected by the Bank's employees

Board of Managing Directors

Klaus-Peter Müller

Chairman

Frank Annuscheit

(since January 1, 2008)

Markus Beumer

(since January 1, 2008)

Martin Blessing

Wolfgang Hartmann

Dr. Achim Kassow

Bernd Knobloch

Klaus M. Patig

(until January 31, 2007)

Michael Reuther

Dr. Eric Strutz

Nicholas Teller

Auditors' report

We have audited the annual financial statements, comprising the profit and loss account, the balance sheet and the notes to the financial statements, together with the bookkeeping system, and the management report of Commerzbank Aktiengesellschaft, Frankfurt am Main for the business year from January 1, 2007 to December 31, 2007. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's Board of Managing Directors. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Art. 317 of the German Commercial Code (*Handelsgesetzbuch* – HGB) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany – IDW) and additionally observed the International Standards on Auditing. Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with (German) principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Company's Board of Managing Directors, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with (German) principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

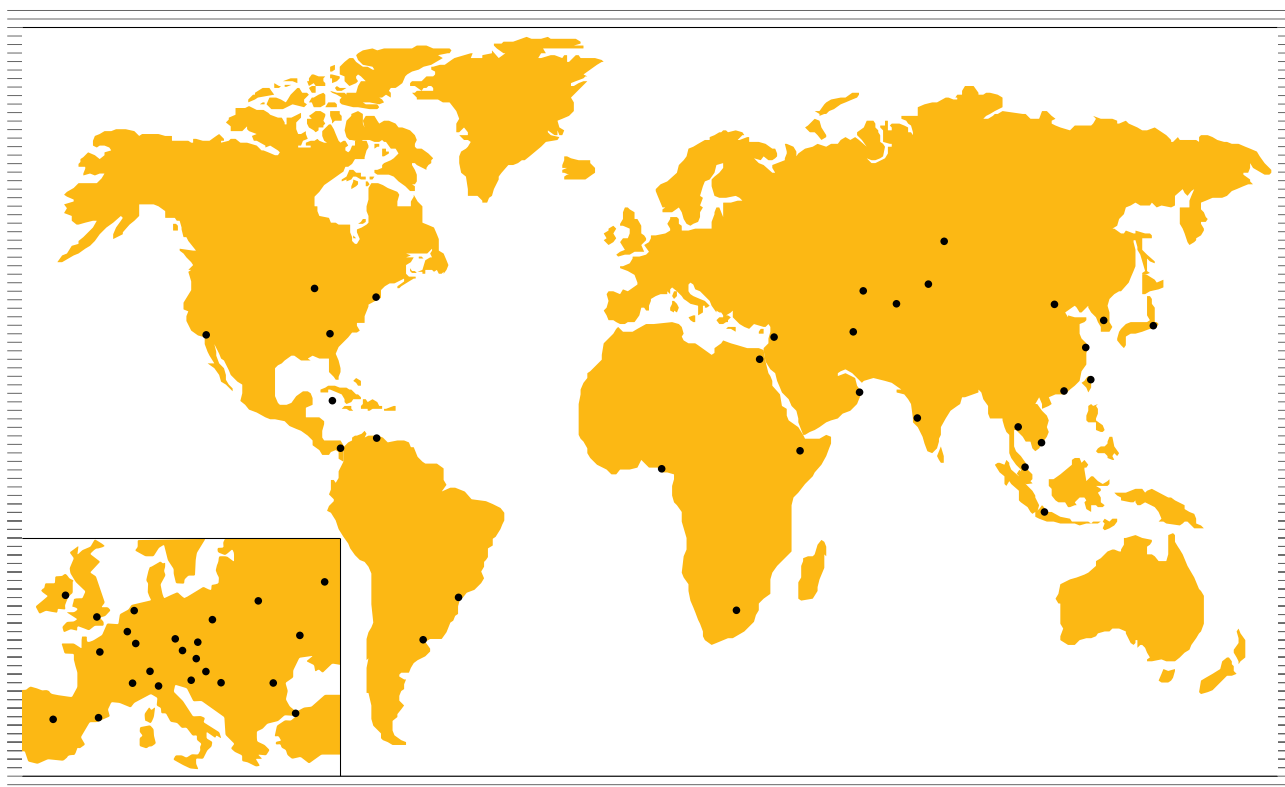
Frankfurt am Main, March 12, 2008

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Lothar Schreiber
(Wirtschaftsprüfer)
(German Public Auditor)

Petra Fischer
(Wirtschaftsprüfer)
(German Public Auditor)

Commerzbank worldwide



Major foreign holdings

BRE Bank SA, Warsaw
cominvest Asset Management S.A., Luxembourg
Commerzbank Capital Markets Corporation, New York
Commerzbank (Eurasija) SAO, Moscow
Commerzbank Europe (Ireland), Dublin
Commerzbank International S.A., Luxembourg

Commerzbank (South East Asia) Ltd., Singapore
Commerzbank (Switzerland) Ltd, Zurich / Geneva
Commerzbank Zrt., Budapest
Commerz (East Asia) Ltd., Hong Kong
Erste Europäische Pfandbrief- und
Kommunalkreditbank AG, Luxembourg

Foreign branches

Amsterdam · Atlanta (agency) · Barcelona
Bratislava · Brno (office) · Brussels · Chicago ·
Dubai · Grand Cayman · Hong Kong · Johannesburg ·
London · Los Angeles · Luxembourg · Madrid ·
Milan · New York · Ostrava (office) · Paris · Prague ·
Shanghai · Singapore · Tokyo

Representative offices

Addis Ababa · Almaty · Baku · Bangkok · Beijing ·
Beirut · Belgrade · Brussels · Bucharest ·
Buenos Aires · Cairo · Caracas · Ho Chi Minh City ·
Istanbul · Jakarta · Kiev · Lagos · Minsk · Moscow ·
Mumbai · Novosibirsk · Panama City · São Paulo ·
Seoul · Taipei · Tashkent · Tehran · Zagreb

2008 Financial Calendar

May 7, 2008	Interim Report Q1 2008
May 15, 2008	Annual General Meeting
May 16, 2008	Dividend Payment
August 6, 2008	Interim Report Q2 2008
September 24, 2008	Investors' Day
November 5, 2008	Interim Report Q3 2008
Mid-February 2009	Annual Results Press Conference 2008
End-March 2009	Annual Report 2008