financial statements and management report 2004

COMMERZBANK AG

COMMERZBANK

financial statements and management report 2004

COMMERZBANK AG

contents

management report of commerzbank ag

In 2004 as well, banks had to contend with a difficult economic environment. Companies were still wary about investing, causing credit demand to remain at a low level. The number of insolvencies was again high; we are confident, however, that they have now peaked and some relief can be expected in 2005. Equity markets failed to generate any notable impetus. While private investors showed more readiness to buy shares again, they continued to be cautious on the whole. And only a few companies ventured to go public.

Successful integration of SchmidtBank

By taking over of the former SchmidtBank, we have made a contribution towards consolidating Germany's banking scene. In only nine months, the branches, personnel and customers of this traditional regional bank in Bavaria, Saxony and Thuringia were assimilated into Commerzbank. In German retail business, our customer base was thus expanded by 360,000 to around 4.3 million.

The branch network of SchmidtBank with its 70 branches was integrated almost entirely and the 550 former branch staff were taken over. The new Commerzbank branches are being managed regionally from Nuremberg and Dresden.

Balance-sheet total unchanged

At end-2004, the balance-sheet total of Commerzbank AG stood at €250.8bn. This year-on-year increase of almost €0.5bn is attributable to divergent trends. The inclusion of the branch operations of SchmidtBank caused it to expand by €3.4bn, whereas the continuing depreciation of the US dollar by about 10% reduced the volume translated into our currency by roughly €2.4bn.

Risk-weighted assets declined further by 2.9% to €111.6bn. While we raised our interbank lending slightly, by €1.3bn to €61.2bn, claims on customers fell by €5.1bn to €108.6bn. After the previous year's sharp fall, we increased bonds and other fixed-income securities by €4.3bn to €43.6bn. The portfolio of shares and other variable-yield securities continued to expand, adding €1.6bn to reach €9.6bn.

The reduction of investments by €0.5bn was primarily due to the disposal of our equity participation in Banco Santander Central Hispano. At €7.8bn, holdings in affiliated companies remained at their year-ago level.

The trend for fixed assets continued. In view of our strict cost management, this item was down by another 20%.

Encouraging growth of savings deposits

While we reduced liabilities to banks somewhat by €1.4bn to €108bn, we registered strong growth of €4.4bn to €16.0bn for savings deposits thanks to focused marketing activities. As, on the other hand, time and sight deposits were €4.3bn lower, liabilities to customers overall remained at their year-earlier level of €83.7bn. Securitized liabilities expanded slightly, by €1.0bn to €26.6bn.

Positive earnings trend maintained

After the previous year's turnaround, the upward trend for earnings continued. All told, revenues were 14.3% higher at €4.8bn.

Net interest income climbed 17.6% to reach €3.2bn, mainly fuelled by lower interest expenses. Primarily, the effect of the revaluation measures of autumn 2003 were felt here, which substantially cut the funding costs for our equity holdings. In addition, we booked higher current income from equities and investments.

In practically all areas, we managed to achieved higher commissions. Revenues were particularly strong in securities business on behalf of our customers and in asset management. Overall, net commission income reached €1.4bn, 9.3% more than a year earlier.

Proprietary trading at Commerzbank AG generated €125m, which was more or less the same as a year previously. We operated successfully above all in trading in equity derivatives and in fixed-income securities as well; in foreign-exchange dealings, though, we registered much weaker results.

Cost remain under control

2004 was still dominated by our second cost-cutting offensive. Despite the 550 new staff taken over from SchmidtBank, the total workforce of Commerzbank AG declined by 400 in the course of the year to 24,860. As a result, personnel expenses were down slightly, by 0.7% to €1.99bn.

Other operating expenses rose by 3% to €1.34bn, mainly due to the SchmidtBank effect; current depreciation was down by a sizeable 28.4%. All in all, operating expenses registered another small decline of 2.1% to €3.58bn.

Other operating expenses came to €254m. These primarily include income from the reversal of provisions not related to lending, rental income and revenue from internal Group tax allocations. At the same time, there were expenses of €118m, principally on account of additions to various provisions. A balance of €136m remained, compared with €59m a year previously.

The main item in the balance on financial investments in the year under review was the proceeds from disposal of our stake in Banco Santander Central Hispano. We also sold some of the Intesa shares which we hold. All told, we achieved €277m on this item, as against €312m a year earlier.

Special factor restructuring

The result from ordinary activities is altogether €557m for 2004, compared with €417m in the previous year. For the restructuring of Investment Banking, resolved in the autumn, we recognized expenses of €125m. We have made sizeable cuts in this business line and are shedding jobs, especially outside Germany. We are now focusing more systematically than in the past on our customers and their need for investment-banking products.

At €282m, tax expenses were fairly high. This was related to the €133m reduction of deferred taxes. After taxes were deducted, net income for the year – also representing the distributable profit – of €150m remains. We will propose to the Annual General Meeting that this amount be used to pay a dividend of 25 euro cents Commerzbank share.

Comparison with the year-ago figures is misleading. In 2003, we had to post a net loss for the year of €2.3bn due to our revaluation measure. It was balanced by a withdrawal from the capital reserve, which meant that the distributable profit was zero and no dividend could be paid.

Equity €160m higher

Subscribed capital and the capital reserve expanded slightly by €2m and €8m, respectively, in 2004 thanks to the issue of shares to our staff. Revenue reserves, however, were unchanged. With the distributable profit included, equity stands at €8,572m, compared with €8,412m a year earlier.

On account of the further decline in risk-weighted assets, our capital ratios have risen somewhat. The core capital ratio is now 7.5% (previous year: 7.4%), and our own funds ratio 12.4%, compared with 12.3%.

We have reduced our high-interest-bearing subordinated capital (profit-sharing rights outstanding and subordinated liabilities) by altogether €540m.

Outlook for 2005

We do not expect the economic environment to generate any special stimuli for us in 2005. We assume moderate GDP growth in Germany, leaving it once again below the European average. As a result, demand for credit will not expand to any notable extent, nor are equity prices likely to take off either.

However, we are well positioned after the successful restructuring of our core business lines to seize the opportunities which arise. Our capital base also enables us to grow in an earnings-oriented manner and gain market shares.

risk report

I. Risk-based overall Bank management

1) Risk-policy principles

A standard in dealing with all the major types of risk forms the basis for all of Commerzbank's risk-management activities. The Bank's Board of Managing Directors defines risk-policy guidelines in the form of clearly formulated **risk strategies**, for whose implementation throughout the Group the Chief Risk Officer (CRO) is responsible. The risk strategy provides the basis for determining the acceptable overall risk in terms of **risk-taking capability**. All the risk-policy guidelines are contained in a comprehensive **Risk Manual**, documenting the organizational guidelines, responsibilities and processes of the Bank's overall risk-management system. The risk strategy and the Risk Manual are continually being reviewed and adjusted, if necessary, to new internal and external requirements.

Commerzbank's system for the early recognition and monitoring of risk is designed to achieve qualified and prompt recognition of all major potential risks and to quantify them as the basis for a proactive management and control of risk. The methods applied to measure, steer and aggregate all types of risk are continually being developed further, using best-practice approaches; they are constantly being adjusted to the ever more complex requirements of banks' steering systems. Comprehensive, objective reporting makes it possible to reach a current assessment of the Bank's risk situation.

Through a consistent, integrated study of all the risks and their aggregation as part of an overall Bank management geared to the use of economic capital, the equity that is available can be used in the most efficient way. As a result, the risk-management system makes a major contribution towards optimizing the structure of the Bank's risk and returns, and consequently towards a value-based management of the Bank.

2) Risk categories

Commerzbank defines risk as the danger of possible losses or lost profits which may be caused by internal or external factors. All the Bank's quantifiable risks are represented – insofar as methods exist to deal with them – in a distribution function, permitting probability statements about potential losses. Depending on the type of risk, a distinction can be made between expected and unexpected losses. For risk-management purposes, the following types of risk are distinguished at Commerzbank:

- ***Credit risk*** is the risk of losses or lost profits due to defaults (default or deterioration in creditworthiness) of counterparties and also the change in this risk. Apart from this traditional risk, credit risk also covers country and issuer risk as well as counterparty risk and settlement risk arising from trading transactions.

- ***Market risk*** covers the potential negative change in value of the Bank's positions as a result of changes in market prices – for instance, interest rates, currency and equity prices, or parameters which influence prices (volatilities, correlations). In Commerzbank's definition, **risks from equity holdings** in the banking book also represent market risks and are monitored like these. They arise through changes in the valuation of listed and non-listed equity holdings, which may be caused by issuer-specific factors or general market movements.

- ***Operational risk*** is the risk of losses through inadequate or defective systems and processes, human or technical failures, or external events (such as system breakdowns or fire damage). The Basel Committee also includes legal risks under operational risk. These are risks stemming from inadequate contractual agreements or changes in the legal framework.

- ***Liquidity risk*** is the risk of the Bank not being able to meet its current and future payment commitments, or of not being able to do so on time (*solvency or refinancing risk*). In addition, the risk that inadequate market liquidity (*market-liquidity risk*) will prevent the Bank from selling trading positions at short notice or hedging them plays an important role in risk management.

- ***Business risk*** is understood by Commerzbank as the risk of losses due to revenue (especially commissions) and costs deviating negatively from the budgeted figures. Business risk is influenced both by business strategy and the Bank's internal planning process as well as by changed overall conditions such as the market environment, customers' behaviour or technological developments.

- ***Reputational risk*** is the risk of losses, falling revenue or a reduction in the Bank's market value on account of business occurrences which erode the confidence of the public, rating agencies, investors or business associates in the Bank. Reputational risks may result from other types of risk or may arise alongside them.

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

Basel II will require the first three types of risk to be covered by regulatory capital. The other risk categories are subjected to qualitative monitoring in connection with Basel II (pillar II) and the future "Minimum requirements for the risk management of credit institutions" (MaRisk).

3) Risk management as part of overall Bank management

As part of the overall Bank management, risk management and profitability management are consistently combined to yield an integrated value-based steering approach. Apart from ensuring that the Bank as a whole has a capital base that is adequate for its risk profile, the main objective of Commerzbank's overall management is to allocate the scarce resource equity as efficiently as possible – in other words, to use it in business lines which produce a strong return, even with risk taken into consideration.

Economic capital

The integrated risk/return-based management of Commerzbank is built around the concept of economic capital which forms the basis for a system of risk-adjusted key parameters. Unlike the accounting and regulatory definitions of capital, economic capital is an internal measure for determining the amount of equity which, with a given probability, will be needed in the course of one year to cover unexpected losses arising from risk positions. The confidence level of 99.95% which is used as a basis here is derived from the probability of default for Commerzbank's A1 (Moody's) target rating. The approach adopted has been validated in national and international benchmark studies and is considered state-of-the-art.

Economic capital reflects the Bank's specific risk profile and also includes those risk categories – currently not considered by regulators – which may represent considerable risk potential from the economic standpoint. For risk-management purposes, Commerzbank calculates the economic capital needed to cover market risk, credit risk, operational risk and business risk. In the area of market risk, distinctions are made between those in the trading book, in the banking book and those arising from equity holdings; in the case of credit risk, settlement risks arising from trading transactions are also taken into consideration.

The economic capital that has been calculated is allocated to business lines along with the tied-up regulatory capital. By combining the risk figures with earnings, each unit's contribution to the Bank's overall result can be determined and the risk-adjusted performance of individual business lines can be compared. As a result, capital can be allocated even more efficiently as part of a risk-based overall Bank management. Since 2004, the return on risk-adjusted capital (RoRaC) has been regularly included in business-line reporting.

In 2005, the focus will be on further developing limit planning and the allocation of capital in line with the use of economic capital. This also includes steering based on individual target returns. In future, the value contribution margin will be crucial in managing new business and analysing existing customer relationships. By introducing risk-adjusted pricing based on the economic capital used and integrating it into overall Bank management, the Bank expects a more incisive steering of business, leading to a clearer distinction between profitable and unprofitable business and customer relationships.

Risk-taking capability

The risk-taking capability calculation is the second important pillar of overall Bank management after integrated risk/return-oriented steering based on economic capital. Here, the overall risk figure worked out for the Group (measured as economic capital) is set off against the total capital available for covering risk in the form of a "traffic-lights" system. The capital components corresponding to the various traffic-light scenarios correspond to the Group's ability to anticipate potential losses in terms of absolute figures and priority. The calculation of the internal funds for risk coverage extends beyond the accounting and regulatory concepts of capital.

The objective of this comparison is to establish whether the Bank is in a position to anticipate potential unexpected losses without serious negative effects on its business activity and to cover them from its own funds. Internally, the Bank is pursuing the goal of guaranteeing a buffer of at least 20% at all times between the overall risk – adjusted for portfolio effects – and the disposable parts of the capital for risk coverage. Within its credit-risk strategy, this internal objective has been translated into specific targets for individual portfolios. During the year under review, it was ensured that the capital available for risk coverage was always far greater than the aggregated overall risk position.

II. Risk-management/ risk-control organization

A clear distinction between the risk-management and risk-control functions is essential for an effective and risk/return-based overall Bank management. Central to Commerzbank's **risk management** is the active and conscious management of all risks by business lines with the aim of increasing the Bank's market value. **Risk control** comprises the portfolio-based identification, quantification, limitation and monitoring of risk as well as risk reporting. By means of quantitative and qualitative analyses, risk control also provides recommendations and impulses for overall Bank management and also for the operative management of front- and back-office units.

Responsibility for the implementation of the risk-policy guidelines laid down by the Board of Managing Directors at Commerzbank lies with the **Chief Risk Officer (CRO)**. The Bank's risk profile is regularly examined by the Supervisory Board, whose own **Risk Committee**, like the Board of Managing Directors, is informed by the CRO about the Group's overall risk situation. In addition to being responsible for Risk Control (ZRC), the CRO is also in charge of the operative credit units Global Credit Operations (ZCO) and Credit Operations Private Customers (ZCP).

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

- The ***Credit Committee*** meets every week, chaired by the CRO. It is made up of equal numbers of front-office and risk-management personnel and is responsible for all credit risk at the individual and portfolio level. Within the overall hierarchy of loan approval powers, all of Commerzbank's lending commitments are decided which do not require a management board decision. It also issues a recommendation on all the lending decisions to be taken by the Board of Managing Directors. In addition to the Credit Committee, further sub-credit committees exist which, depending on the size of the commitment, can take lending decisions independently.

- The ***Risk Committee***, headed by the CRO, is responsible for issues related to monitoring all the major types of risk, as well as their aggregation as part of economic capital and the Bank's overall risk situation. It is the central body for managing and controlling market risk and also provides active support for the Board of Managing Directors with regard to risk-strategy issues.

- As a sub-committee of the Risk Committee, the ***New Product Committee*** which is chaired by the head of ZRC decides, in accordance with MaH/MaK provisions, whether to begin trading in new products or new markets. All its decisions are presented to the Risk Committee.

- The ***Operational Risk Committee***, chaired by ZRC, is responsible for all the broader issues relating to operational risk within the Group. It provides support for the Risk Committee in decisions relating to the management and monitoring of operational risk.

- The ***Asset Liability Committee*** (ALCO) is headed by the board member in charge of Treasury. It is responsible for setting strategic targets as regards asset/liability management, the Bank's liquidity strategy and policy, and also its borrowing and equity.

1) Risk control

After the Board of Managing Directors, Risk Control (ZRC), which with its global organization reports directly to the CRO, bears overall responsibility for control throughout the Bank for all types of risk. The core functions of ZRC within the risk-control process include the ongoing identification, evaluation and monitoring of all quantifiable risks and their proactive control.

To ensure a uniform risk standard, ZRC works out internal guidelines for dealing with all the major types of risk and develops adequate models and methods for quantifying risk, constantly refining them. ZRC also makes sure that risk-related supervisory requirements are implemented at Commerzbank.

In addition, ZRC is responsible for internal and external risk reporting and performs an advisory function within the Bank on all risk-relevant issues and regarding the conception of the risk strategy. This includes preparing risk-relevant information for the Board of Managing Directors and producing quantitative and qualitative risk analyses. These serve, for instance, as the basis for comparing the target/performance of the credit portfolio as part of credit-risk strategy or for steering trading portfolios. A central role here is played by the aggregation of all types of risk to form an overall risk position, its integration into a calculation of the Bank's risk-taking capability and also the development of a risk/return-based overall Bank management as part of the economic-capital approach.

2) Risk management: the operative credit function

The organization of Commerzbank's credit-risk management meets all the provisions of the "Minimum requirements for the lending business of credit institutions" (MaK). As required by MaK, the independence of lending decisions from the front office has been ensured by the systematic separation of the market side and risk assessment/risk decision-making in every phase of the credit process and up to management board level.

For corporate customers, financial institutions and banks worldwide, as well as for private customers abroad, the operative credit function (back office) has been concentrated on Global Credit Operations (ZCO). For retail business in Germany, the operative credit function is performed by Credit Operations Private Customers (ZCP). Both departments monitor risk closely, for which regional credit officers (RCO) are responsible, and report directly via their heads of department to the CRO. ZCO also has three global credit officers, one each for industries (bulk risks), financial institutions (including non-bank financial institutions) and intensive treatment.

The loan-approval procedures, adjusted in the course of implementing MaK, are regularly analysed and improvements are made to boost efficiency. In the year under review, specific types of risky business (such as the financing of renewable energy or ship financing) were further concentrated in special centres of competence, with the related bundling of expertise being systematically maintained.

Both at head office and on a regional level, specialized intensive treatment know-how exists for handling problem loans, making it possible to deal with them intensively at an early stage. The principal goal of these units is to improve the risk position of the Bank and its customers and to return the intensive-treatment loans, wherever possible, to the better credit brackets. Primarily, the focus is on improving the customer's ability to survive by adopting timely measures. Here the Bank is basically prepared to assume the position of lead manager. By contrast, in cases where the Bank can exert little influence in bringing about a viable solution for the future, it increasingly avails itself of alternative exit options – such as the secondary market.

In addition to the functions of the credit-line departments (ZCP, ZCO) which relate to individual customers, such as rating, loan approval, documentation and monitoring, it is increasingly becoming their core function to manage the loan portfolios for which they bear responsibility with modern instruments for the early recognition of risk in order to achieve a more dynamic portfolio. Transactions to optimize the portfolio are closely coordinated between front- and back-office teams, using the full range of modern trading-based instruments provided by ZCM.

3) Risk management: operative risk-steering of market units

Within the scope of their business activities, the individual divisions and subsidiaries of the Bank bear immediate responsibility for risk and earnings. Unlike the centralized responsibilities of risk control, risk management in the narrower sense, i.e. the operative steering of risk, for the various types of risk is handled – with the exception of credit risk – on a largely local basis at the Bank's various operational units.

Responsibility for managing operational risk insofar as this relates to systems, processes and technology, lies with the head-office service departments. Management of legal risk is entrusted to the Legal Services staff department (ZRA). The Board of Managing Directors is responsible for managing strategic risk with the support of Strategy and Controlling (ZKE).

4) Internal risk reporting

The management of Commerzbank receives detailed, prompt reports on all the major risks, enabling the Board of Managing Directors and the units involved to assess the current risk situation at all times. Reporting on the individual risk categories is complemented by a calculation of the Bank's risk-taking capability, which sets off all the quantifiable risks against the regulatory and economic capital for risk coverage and aggregates them to form an overall risk position.

In addition, the quarterly risk report from ZRC represents the central information medium and steering instrument for the Bank as a whole. This report enhances the regular reporting on individual types of risk, adding detailed evaluations and presentations of all the major risks and on Commerzbank's overall risk situation. Among other things, these data form the basis for the target/performance comparison with the portfolio targets formulated in the credit-risk strategy and is thus an important factor in active credit-portfolio management. The quarterly report is submitted by ZRC to the Risk Committee, the Board of Managing Directors and the Risk Committee of the Supervisory Board; it forms the basis for presenting risk data to supervisory bodies and rating agencies.

In addition to receiving regular reports, the Board of Managing Directors and other decision-makers are informed immediately (ad hoc reporting) about events of major significance for the Bank's risk situation so that they can adopt measures at short notice if necessary. This ensures that the Board of Managing Directors is completely informed at all times about the Bank's risk situation.

5) Internal auditing

Internal Auditing forms an integral part of the Group-wide system of risk control and risk management and works, free from directives and external influence, as a unit independent of business processes with the goal of identifying risk at an early stage and monitoring it. In reporting (to the Board of Managing Directors) and in evaluating the results of its audits, Internal Auditing also operates free from directives. In accordance with the "Minimum requirements for the internal audit function of credit institutions" (MaIR), it audits all the sections of the Bank at least once every three years. High-risk areas are subjected to an annual audit. Here, observance of both internal and supervisory standards, such as the "Minimum requirements for the trading activities of credit institutions" (MaH) and the "Minimum requirements for the lending business of credit institutions" (MaK), is monitored.

Audits are planned and their frequency is determined with a view to risk, taking internal and external factors into account. This assessment of risk gives rise to audit plans for the following year and the next two years. In addition to processes and systems, individual cases are examined, and special audits are performed if the need arises.

6) Implementation of supervisory requirements: Basel II, MaK and MaRisk

The changes in the framework of banking supervision place great demands on the organization of the risk-management system of all banks. Implementation of the supervisory requirements at Commerzbank is coordinated by Risk Control project teams, in close cooperation with the banking and staff departments. Additional steering committees ensure that the new requirements are complied with and monitor their implementation throughout the Bank. By participating in international and national working groups and committees, Commerzbank is also involved in the substantive discussion on developing the supervisory framework further and has been selected by the German banking supervisory authority BaFin as a model institution for the Basel II home-host monitoring process.

Central elements of the new **Capital Accord of the Basel Committee on Banking Supervision (Basel II)** are risk-adjusted requirements in banking business, the elaboration of banks' internal control systems, their monitoring by supervisors, and market discipline. One key aspect of the implementation of Basel II at Commerzbank in the year under review was the development of more refined methods for internal credit-rating procedures, the collation of the necessary loss histories and the elaboration of methods for quantifying operational risk. This met important requirements for the use of the IRB Advanced Approach and the Advanced Measurement Method (AMA) thereby creating the basis for a sophisticated risk-adjusted capital allocation. As things stand today, the advanced Basel II approaches can be implemented on time within the deadline that has been set – on the current planning of the supervisory authority: December 31, 2007.

In the course of the project to implement the **Minimum requirements for the lending business of credit institutions (MaK)**, which German banks had to meet by June 30, 2004, the existing risk-control processes, such as the early warning system, the new-product procedure and the risk-classification system, were adjusted in the light of the new functional requirements, and credit-risk reporting was extended. Commerzbank has successfully implemented all the provisions of MaK with regard to organization structure. The credit-risk strategy called for by MaK, in which Commerzbank's lending activities are defined for an appropriate planning period, has been worked out for 2005 and 2006 jointly by the front- and back-office units, coordinated by Risk Control (ZRC); it has been approved by the Board of Managing Directors and submitted to the Risk Committee and the Supervisory Board. In order to guarantee a consistent and closed controlling process, Commerzbank draws upon combined MaK and Basel II data. For this purpose, it has begun to build up a comprehensive data warehouse, which will be completed in the course of 2005 within the implementation period set for the IT area by MaK.

In view of the need for an integrated approach to risk in accordance with the second pillar of Basel II, BaFin is combining the main qualitative elements of already existing and new supervisory regulations to form an integrated set of rules, namely the so-called **Minimum requirements for the risk management of credit institutions (MaRisk)**. A first draft of MaRisk was published in February 2005.

MaRisk formulates requirements for the organization of risk management based on the minimum standards for credit business (MaK), trading activities (MaH) and internal auditing (MaIR). These will be complemented by further Basel II elements which will become valid throughout Europe thanks to an EU directive but for which no framework yet exists in Germany.

MaRisk, therefore, provides the organizational framework for the Basel II requirements regarding the supervisory process and the internal process for assessing capital adequacy (ICAAP), which has to be formally approved by banks before the Basel framework is introduced. In addition, there are overall provisions for managing and controlling operational risk, liquidity risk and interest-rate risk in the banking book. An analysis of the MaRisk provisions published to date as part of a target/performance comparison has shown that Commerzbank has already implemented many elements of the new requirements.

III. Risk-control/risk-management process

1) Monitoring and controlling credit risk

Credit-risk strategy

The basis for managing all Commerzbank's credit-related activities is its credit-risk strategy (CRS), which is geared to the Minimum requirements for the lending business of credit institutions. Drawing upon an annual survey conducted jointly by risk-control, the operative credit function and front-office units, the credit-risk strategy defines the planned development of credit business, creating important steering impulses. The currently valid credit-risk strategy focuses on the course planned up to end-2006.

The credit-risk strategy provides support for realizing throughout the entire Bank the target of a sustained improvement of RoRaC (return on risk-adjusted capital), taking into account the specific risk-taking capability of Commerzbank and also defined targets for the BIS core capital ratio. This calls for a systematic risk/return-based selection of portfolios and individual transactions with the goal of identifying value drivers and reflecting them in the Bank's business policy and also of considerably reducing value destroyers.

With the Bank's general risk appetite taken into consideration, the starting point for the credit-risk strategy is a critical analysis of the strengths and weaknesses of the current credit portfolio. Complemented by a forward-looking evaluation of the opportunities and risks in the target markets, this provides the framework for the definition of a risk/return-optimized target portfolio together with the related planning of measures. In the realization of the targeted risk/return profile, this "benchmark portfolio" forms the target and the basis of comparison for the Group-wide steering of new business and for portfolio-management activities.

A major priority of the credit-risk strategy is the growth of business with *Mittelstand* companies (including major corporates) in Germany as well as Central and Eastern Europe, and also with retail and business customers in Germany. By contrast, the focus for bulk risks and equity holdings is on limiting or reducing risk. Bulk risks are defined as borrower units tying up more than €5m of economic capital. It is the Bank's objective to reduce the economic capital tied up by 30% up to end-2006. A €20m cap exists for individual bulk risks, which is exceeded by very few clients.

Since mid-2000, the Commercial Real Estate portfolio has been reduced, declining substantially during this period. For several years now, the portfolio of intensive-treatment commitments has been looked after by our specialist subsidiary CORECD in Berlin. In investment property financing for private customers, the Bank has a high-quality portfolio, which will be expanded in the future as well through private-banking clients. The Bank also has great expertise in REIT financing in the US, making it extremely well-placed for the current developments in this field in Germany.

As part of a comprehensive controlling process, observance of the credit-risk strategy is subjected to constant independent monitoring by Risk Control. In order to ensure that the risk-strategy rules are implemented and to restrict concentrations of risk, the economic capital that is tied up is used as a measure of and risk cap for sub-portfolios and concentration risks (business lines, sectors, products and regions). The traditional target/performance comparison is complemented by a regular review of the underlying assumptions – such as GNP growth or industry forecasts. In this way, systematic and unsystematic risks can be worked out by checking deviations.

One function of Risk Control is to examine whether defined sub-portfolios and risk ratios are constantly on target in order to permit counter-measures to be adopted in good time if deviations occur. An assessment of whether the structure and development of the Group's loan portfolio is compatible with the basic strategic goals is provided at least every quarter in the form of the risk report. Ad hoc analyses of marked deviations from the strategic targets, or in the case of occurrences of major importance, complement controlling. The management board uses this as a basis for decisions on major deviations from the credit-risk strategy and, if necessary, on the counter-measures to be adopted.

Internal rating system

Rating methods form an integral part of the risk-control/risk-management system and at the same time represent a core competence and competitive factor for a forward-looking bank. By setting lower capital requirements for banks using state-of-the-art rating procedures with a high discriminatory power, Basel II promotes competition between banks to develop such methods. However, improved rating systems are by no means simply a regulatory necessity; rather, they are in the very interest of the bank itself. Only by consciously taking well-known risks will it be possible to do business successfully in the future.

Commerzbank has recognized the structural change in the German credit market and the regulatory requirements set by the Basel capital adequacy rules as an opportunity and is currently subjecting its existing rating systems to efficient expert and technical checks and also revision. This will enable the Bank to manage credit risk better in future and to assign credit commitments to rating classes more reliably, thereby reducing loan-loss provisioning and lowering the opportunity cost for lost business.

Commerzbank Master Scale

At the start of 2005, Commerzbank introduced a new uniform rating scale, which is also binding for its branches in Germany and abroad. The Commerzbank Master Scale remains constant over both customer segments and periods of time. This has the advantage that all customers can be directly compared with one another and all rating categories can be presented and interpreted in a uniform manner. In addition, assignment to the Commerzbank rating classes makes it possible for them to be included in the rating system of external rating agencies and the so-called IFD scale of the Finance Initiative Germany (*Initiative Finanzplatz Deutschland*).

In order to meet the requirements for both exactness and stability, the existing rating scale has been differentiated further to form 25 rating classes for "living" business (from 1.0 to 5.8). This will enable the Bank to make finer distinctions as regards creditworthiness for all customer groups and to clearly define and compare the PDs (probability of default) and ELs (expected loss) both over time and cross-sectionally. Although the Basel II rules prescribe only one default class, Commerzbank has decided to define five classes of default. On the one hand, this substantially increases transparency in the high-risk area while, on the other, considerably improving the allocation of provisioning together with selective work-out measures based on the respective situation of the individual case.

The Commerzbank Master Scale has been applied in the Bank's corporate-customer ratings since the start of 2005. As new rating methods for banks, specialized finance, ships and other customer groups are introduced step by step in the course of the year, the master scale will become binding for these segments as well. This also holds true for the retail area.

Assessing creditworthiness in retail business

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

Thanks to its universally applied behavioural-scoring procedure, the Bank is able to monitor and adjust limits permanently and fully automatically – taking into account in-payments and the customer's payment record – for over one million customers who maintain accounts for payment transactions or have taken up loans. The procedure is complemented by early warnings to the responsible decision-makers in given situations, ensuring a proactive steering of risk. Behavioural scoring is being extended in the current year to business customers who are not obliged to prepare a balance sheet.

The scoring and rating procedures, whose employment depends on the customer group in question or the credit type, were further refined in 2004 for virtually all the Bank's portfolios, with the aim of achieving procedures validated by mathematical-statistical methods. The objective is to constantly improve the discriminatory power, thereby raising the Gini coefficient. Commerzbank always seeks to be the benchmark for the quality of risk-management systems and in this way further reduce the decision errors for intended and unintended business. Even now, the behavioural-scoring procedure developed by Commerzbank meets the relevant Basel II requirements. The scoring/rating procedures are also becoming ever more significant in risk-based pricing.

In the year under review, Commerzbank introduced risk-adjusted price models for important portfolios throughout the Bank in its retail business, for instance in private home loans, lending to business customers and in consumer-credit business.

Assessing creditworthiness in corporate business: PD rating

Commerzbank's new rating procedures are based on mathematical-statistical models – multivariate discriminant analyses and logit regression analyses are employed – combined with expert-based methods. This represents today's state of the art in rating methods. The new rating methods mark a radical change in the Bank's rating philosophy. While ratings primarily used to serve the purpose of determining a customer's creditworthiness within a segment of comparable customers, each rating in future will entail a direct statement about the probability of default (PD) over a one-year time horizon. In addition, the modification of the rating systems has produced a marked improvement in discriminatory power.

In the corporate-customer segment, the new PD rating is applied to Commerzbank's corporate-customer portfolio, using three different models. Size of turnover and region of origin are the two criteria used for distinguishing between models. The structural procedure for arriving at a rating is completely identical. In each procedure, six sub-analyses have to be processed in a fixed order, yielding a probability of default for the corporate customer. Analysis of the financial statements is performed automatically; manual entries – potential sources of error – are no longer necessary. The financial analysis is complemented by qualitative data with demonstrably great power for working out creditworthiness in the past. The necessary data are collected in cooperation with corporate relationship managers and the risk-management side, which finally establishes the PD rating.

The new rating processes will be run on a technical platform in future which complies with the internal requirements for efficient, modular and flexible application. This guarantees that the basis can be used for various processes and the number of technical stand-alone solutions for rating systems is reduced.

Apart from the PD rating, Commerzbank establishes a commitment rating, which takes into account such transaction-specific features as collateral, credit types and other qualitative criteria. In order to calculate the rating for a commitment, the expected loss (EL) is worked out as a percentage of the exposure at default (EaD). This presents the ratio of the expected loss to the overall exposure of a customer, taking into account all the credit lines. Like the PD rating, the rating for the commitment is geared to the master scale recently introduced throughout the Bank. This creates direct compatibility between the PD and the commitment rating.

Assessing creditworthiness in international business: country rating

The assessment of country risk draws upon an internal rating model reflecting a country's economic performance and political stability. The country rating evaluates the ability and readiness of a country to pay in foreign currency. The rating figures serve to assess the transfer risk (risk of the state restricting cross-border payment flows), the sovereign risk (creditworthiness of the state as a borrower) and the systemic risk affecting the borrower active in a given country. Country ratings are worked out and constantly updated by the Corporate Communications and Economic Research department (ZKV), which is independent of the market side. The focus in 2005 will be on refining country-rating procedures. Like corporate customers, individual countries will be assigned a PD (probability of default) and transactions an EL (expected loss) in future, based on the new Commerzbank Master Scale.

Permanent process of development and validation

In the course of 2005, the further refined rating procedures for the segments specialized finance, banks, countries, ship financing, non-bank financial institutions (NBFI) and property will be introduced. Parallel to this development process, the Bank is continuing to build up data history. In order to preserve the status quo and to ensure a uninterrupted rating coverage for all commitments as well as the application throughout the entire Bank of rating procedures reflecting the various accounting standards, constant expert checks and documentation assume a central role. For this reason, the internal rating procedures are permanently being refined and are submitted to a regular validation process at least once a year.

Credit-approval powers

The basis for managing credit risk at Commerzbank is a structure of rating-related credit approval powers. In both corporate and retail business, credit-approval powers are based on the principle of committee decision-making. On all committees, the front office and the back office are equally represented, with the operative credit side also taking the chair; it cannot be outvoted on risk-related issues. A flexible arrangement to cover disagreements ensures that staff clearly mark their positions, which is positive for both the lending culture and balanced credit decisions.

Credit decisions for individual borrowers or groups of borrowers are made on the basis of either the aggregated exposure that has been applied for, pursuant to Art. 19, (2), German Banking Act – KWG (borrower unit), or a larger economically defined risk entity. Credit decisions up to a maximum amount of 2% of the liable equity have been delegated by the Board of Managing Directors to the central credit committee, chaired by the CRO. Sub-credit committees at head office for banks, corporate and retail customers as well as regional and local sub-credit committees for corporate and retail business in Germany and abroad have delegated credit-approval powers (up to 1% of liable equity, given a good commitment rating). The committees' revised loan-approval powers as part of the implementation of MaK have proved their worth and have made an important contribution towards improving the Bank's risk record.

Modelling and quantifying credit risk

All of Commerzbank's credit risks are aggregated at the portfolio level with the aid of the internal credit-risk model. This forms an integral part of risk monitoring, portfolio management and steering loan origination efforts. In addition, by providing key figures for quantifying credit risk, it is one of the bases for both an overall Bank management increasingly geared to the use of economic capital and credit-risk strategy. The portfolio model's range of application covers global portfolio analysis throughout the Bank and the calculation of risk contributions for individual transactions and individual clients.

The main result produced by the portfolio model is the loss distribution, permitting probability statements on possible losses arising from credit business. Here, a distinction is made between the expected loss (EL) and the unexpected loss (UL). Both the expected and the unexpected loss are derived from this distribution function.

The **expected loss** (EL) is calculated by multiplying the assumed exposure at default (EaD) by the estimated probability of default (PD) and the estimated percentage loss given default (LGD):

EL = PD x EaD x LGD

The **unexpected loss** (UL) is expressed by the credit value-at-risk (Credit VaR) and represents an estimate of the amount by which the losses stemming from credit risk could potentially exceed the expected loss with a given probability. The size of the Credit VaR, therefore, depends upon the time horizon considered and the confidence level that is applied. For the Group portfolio, the Credit VaR also represents the credit-risk portion of the Bank's economic capital. Here, a time frame of a year is used and a confidence level of 99.95%.

The credit-risk model makes it possible to redistribute the portfolio and diversification effects down to the individual client level. In this way, the relative share of individual units in the overall credit risk can be determined at various aggregation levels. In the *Mittelstand* (Corporate Banking) and Retail Banking segments, the ratio of unexpected to expected loss is roughly 4:1. In the Multinational Corporates segment as in Investment Banking, however, the risk is significantly determined by the unexpected loss, as customers' creditworthiness structure is generally very good and bulk risks with their own specific volatility represent the main loss potential.

A variety of risk factors and parameters are included in the model. In addition to estimates of the exposure to be expected in the case of default and the conservative recognition of collateral, guarantees and netting agreements, these also take into account such statistical quantities as default rates, recovery rates und sectoral correlations. As part of the ongoing modification of the model, the input parameters for calculating risk were altered in 2004. At the same time, improved recognition of the influences of longer maturities on credit risk was integrated into the model. This relatively conservative approach led to a significant increase in the Credit VaR.

The credit-risk model has great significance not only for portfolio and business-line analysis but also for the monitoring of bulk risks and as the basis for a risk/return-based overall Bank management. In connection with the value-based steering of corporate business which was introduced in 2004, standard risk costs and the economic capital costs are used in working out an economic contribution margin at the customer and individual transaction levels. Through risk-adjusted pricing, the risk/return ratio becomes central to lending in the acquisition of new and follow-up business as well. In this way, the Bank creates steering impulses even on the loan origination side which are in line with the portfolio targets defined by the credit-risk strategy.

Monitoring of credit portfolio

The goal and measure in the targeted monitoring of credit risk is the risk/return-based target portfolio defined as part of the credit-risk strategy, with the relevant sub-portfolios formed on the basis of target groups and markets.

Concentrations of risk in sectors, countries, clusters and products/target groups are restricted by means of a traffic-lights system. New business (origination) is steered by means of selective instructions with regard to lending, enabling ZCP and ZCO to practice active portfolio management. One key feature in this respect is the creation of more dynamic parts of portfolios through recourse to credit derivatives, securitization and asset trading. All portfolio-management activities are closely coordinated with the front office and the trading units. In the year under review, various structured transactions for organizing the portfolio were analysed and prepared or are currently being implemented.

The essential core of **sectoral and country-risk monitoring** is a well-established limits/traffic-lights system pointing the direction for future business activities and lending. The degree to which the internally established and regularly adjusted sectoral or country limits have been exhausted determines the colour of the traffic lights, which steers sales efforts, using resources economically, and indicates where the Bank seeks new business and where its commitment is deemed to be large enough.

Under the traffic-lights system, groups of countries with a certain rating and minimum exposure are covered. The system distinguishes between the short-term bracket, on the one hand, and the medium to long term, on the other, according to the principle that countries with poorer ratings have less medium- and long-term business than countries with good ratings. For risk optimization purposes, the Bank has extended its controlling for a number of countries to so-called total exposure. This takes account not only of the net country exposure but also of the claims in a non-risk country on the foreign outlets of a parent company based in a risk country. Monthly country-risk reporting ensures that in the case of unexpected portfolio developments counter-measures can be taken promptly. Country-risk reports appear at periodic intervals, describing the development of individual country exposures and the breakdown by rating category and region. In this way, the Bank achieves both risk-based control and geographical diversification in its exposure abroad.

The steering impulses for bulk risks and retail (products/target groups) take features specific to the segments into consideration. In the case of **bulk risks**, the traffic lights are determined by the use of economic capital. The credit-risk strategy has defined a Credit VaR of €20m per borrower unit as the critical ceiling. Monthly reports are prepared on the Group's commitments with the largest Credit VaR amounts. If ceilings are exceeded, risk-reduction targets are formulated, which form part of the credit-approval process. The management of bulk risks was considerably reinforced in the year under review by the inclusion of a maturity component in the Credit VaR. The active management of bulk risks made an important contribution in 2004 towards improving the result on the Bank's provisioning.

Monitoring credit risk for trading activities

The management of credit risk resulting from trading activities is based on MaH (Minimum requirements for trading activities of credit institutions). It takes account not only of counterparty and issuer risk but also of all the settlement risks resulting from trading activities. Primarily, a forward-looking presentation based on dynamic add-ons and simulation methods is used to quantify the risk for trading activities. Here, the risk-mitigating effects of netting agreements are taken into consideration, as is the effect of collateral agreements.

A system of limits is used to monitor whether daily utilization remains within the set framework. The system of limits directly intervenes in trading systems and ensures that credit exposure arising from trading activities is monitored right around the clock. At all times, the trading units can establish whether free trading lines are available by means of a so-called pre-deal limit check and may only conclude new deals to the extent that limits are free. Limit breaches are reported daily to the management. In addition to this daily reporting, the management is informed monthly about the largest off-balance-sheet transactions. Risk reporting, which also includes regular portfolio reports devoted to certain groups of counterparties, is complemented by an evaluation of limits and exposures by type of business, maturity, counterparty category and class of risk. A graduated procedure ensures that overdrafts are brought back within set limits.

Development of risk and risk provisioning

All identifiable credit risks are taken account of by forming the appropriate provisions. Doubtful credit exposures are classified by rating and kept in a special IT system, which makes it possible to process individual transactions effectively and to monitor risks. Under the newly developed rating systems, problem loans in corporate business will be assigned in future to five different default classes, differentiated by the reason for default. This will make it possible to reflect the specific risk situation of individual cases even better, which in turn will find expression in the amount of provisioning needed. In addition, an assessment of the individual borrower's future ability to pay will be used in calculating the amount of provisioning that is required.

For latent risks, general provisions are formed. For concrete creditworthiness risks – which are indicated by the rating – provision is made, applying uniform standards, by means of specific valuation allowances on the scale of the potential loss. The amount of provisioning required for problem loans is gauged by the unsecured part of the exposure. In international credit business, the economic and political situation of the country is also reflected in the overall assessment of a borrower. For loans to borrowers with an enhanced country risk (transfer or event risk), provisions are formed, if necessary, on the unsecured exposure, reflecting the relevant internal country rating, in the form of provision for country or individual risks, with priority always given to the latter type.

The adequacy of the Bank's risk provisioning is regularly monitored at the portfolio level. The expected need for provisions throughout the entire financial year is worked out each spring and autumn on the basis of careful bottom-up estimates. The early recognition of risk is complemented by two top-down estimates, whereby a gradual improvement in the early recognition of all portfolio risks has been achieved over the past few years. In addition, the largest sub-standard and problem loans are monitored in terms of the overall volume of risk, the development of ratings and other relevant risk parameters. This creates a great sensitivity towards risk in all portfolios and at all levels of decision-making. Usually, claims are removed from the books and residual amounts are written off or reversed only after the conclusion of insolvency proceedings, after disposal or after an accord has been reached with the borrower, or debts are waived at the expense of existing provisions. Experience has shown that, as a result, the level of problem loans – which includes non-performing loans and endangered performing loans – is higher than at institutions which follow, or have to follow, a policy of always making early write-downs due to their accounting rules.

Despite an economic setting that remained difficult and a persistently high level of insolvencies, Commerzbank's net provisioning in the 2004 financial year was far lower than in the previous year; the net provisioning ratio was reduced year-on-year, which meant that for the first time since 2001 it fell below the average level for the past eight years. With its gross provisioning ratio, the Bank is similarly well below the long-term average. It should be borne in mind here that in Germany the risk situation has deteriorated due to the large number of corporate insolvencies, which increased again in 2004, and the many defaults of private customers, of which there are now hundreds of thousands every year. Commerzbank alone is registering 10,000 private-customer defaults per year, which are dealt with efficiently by Service Center Inkasso in Düsseldorf for the most part. By contrast, there has been a marked improvement outside Germany. Net provisioning abroad is close to zero, a situation virtually unknown previously at the Bank.

Although conservative calculation of provisioning is very important for the Bank, the planned budget was significantly undercut through the active reduction of bulk risks, the very positive risk situation abroad and less serious problems at *Mittelstand* firms. Last year's write-off ratio mainly reflects the proactive sale of critically assessed performing loans, but also of non-performing loans. In this way, for one thing, the Bank has limited the unexpected loss in subsequent years; for another, this measure implies that a large portfolio of non-performing loans has been reduced – with an appropriate risk-coverage ratio being maintained. The excess cover for the unsecured portions of the non-performing loans increased substantially in the year under review, underlining Commerzbank's conservative and early provision for risk.

Credit portfolio analysis

Credit risk management at Commerzbank relies heavily upon an intranet-based management information system (CoMKIS), a reporting and analytical tool forming an integral part of credit-risk control. CoMKIS makes it possible to present the main steering parameters and important risk figures; it can also be used to perform individual evaluations, such as rating- or sector-based portfolio analyses. In this way, analyses of weak points may be made on the basis of various search criteria for the purpose of credit-risk strategy, and early-recognition indicators can be defined and evaluated.

In addition, indicators are provided for measuring portfolio quality. These are, for instance, rating-migration analyses, including the related upgrade/downgrade ratios. The CoMKIS information, covering both German and foreign credit business, is incorporated into the credit section of the monthly risk report, which was adjusted to MaK requirements in the year under review. The control information available from CoMKIS, therefore, permits a detailed analysis of portfolio developments over time and serves as a basis for launching and controlling measures to mitigate risk.

Use of credit derivatives

For Commerzbank, credit derivatives represent a central instrument for transferring credit risk. The Bank is successful in proprietary trading as a market maker and also offers its customers structured, derivative credit products. Commerzbank draws upon the expertise gained in proprietary trading to make selective use of the instruments as a credit surrogate in its banking book, thus enabling it to tap extra potential revenue in the form of risk/return-optimized earnings. In addition, the instruments are employed as hedging vehicles in the selective reduction of risk. Here, Commerzbank uses credit derivatives to manage risk as well and to diversify the portfolio in line with the credit-risk strategy.

Securitization transactions

Commerzbank arranges and places ABS/MBS transactions for clients in Germany and other European countries. Issuing activity in 2004 was mainly concentrated on structuring synthetic securitizations – in which the risk transfer takes the form of credit linked notes and credit default swaps. There are also activities on a limited scale in the form of true sale securitization. The underlying securities are primarily residential and commercial mortgages, corporate loans and trade bills.

In order to diversify its portfolio and tap extra earnings potential, Commerzbank is active on a reasonable scale as an investor as defined by the new Basel Capital Accord (Basel II) in tranches of other securitization transactions. The Bank also uses securitizations as an originator in accordance with the Basel II definition for freeing up regulatory capital and for selectively selling and covering credit risk.

In order to promote the true-sale market in Germany and to improve the overall framework for these transactions, Commerzbank has joined the True Sale Initiative (TSI), cooperating with Kreditanstalt für Wiederaufbau and other banks. In corporate banking, Commerzbank offered securitization of claims on a larger scale, thereby giving companies an alternative source of finance via the capital market.

2) Monitoring and controlling market risk

Organization and strategy

The central management of market risk is the responsibility of Risk Control. However, the active management of risk is entrusted to the various business lines, which within the scope of set limits and trading competencies expose themselves to market risk for the purpose of generating revenue.

Apart from complying with the supervisory requirements, ZRC ensures risk transparency at all times and provides the Board of Managing Directors as well as the responsible business-line heads with prompt, reliable and clear information on the scale and origin of market risk on the basis of informative key ratios. Limits for the daily value-at-risk and the stress test, as well as loss-review triggers, are set. Reflecting the structure of the business line, these limits are allocated to sub-portfolio levels. Depending on the level in question, the limits are approved by either the head of the business line, the Risk Committee or the Board of Managing Directors. For 2005, Commerzbank has used economic capital and RoRaC for the first time in establishing its market-risk limits and it will take this as a basis for the risk-based steering of limits.

The extent to which the limits are used at all relevant portfolio levels is reported daily to the Board of Managing Directors and the heads of business lines in the form of a risk and P&L report. ZRC also provides the Risk Committee at two-week intervals with detailed information through its so-called Market Risk Hotspots on the development of market risk in the Bank's trading and banking books. The above-mentioned data and limit utilizations are complemented here by extensive scenario analyses. These simulate the impact of specific movements in interest-rate, equity, currency and credit markets.

The Risk Committee is the central body in which there is intensive discussion on the current market-risk position of the Bank and the individual business lines and also on the impact of potential market scenarios. The divisional heads report their current strategy and their market expectation to the Risk Committee. The market-risk limits and their utilization are then regularly reviewed and adjusted if necessary.

Market-risk methodology

Key requirements to be met in quantifying market risk are the compatibility of the risk measures used with those of other types of risk (for example, credit risk) and also recognition – as far as possible – of all the positions involving market risk. For complex financial innovations in particular, sophisticated methods, procedures and guidelines are needed, which are established by ZRC and constantly reviewed with the goal of permanently improving them.

The calculation of market risk is based on the value-at-risk method. The value-at-risk (VaR) is the maximum loss in value of a portfolio during a given holding period with a given degree of probability (confidence level), assuming that the composition of the portfolio remains unchanged. VaR at Commerzbank is worked out for the trading units ZCM and ZGT. In view of the persistent uncertainty in the international financial markets and the management's far-reaching strategic decisions, the area of market risk was characterized by risk reduction in 2004.

In line with the supervisory requirements, the monitoring of market risk by ZRC covers the following categories:

- The **general market risk** represents the risk of loss to a portfolio through changes in equity prices, exchange rates, precious-metal/commodity prices or interest rates of the market as a whole and the respective volatilities. The general market risk of trading portfolios is calculated by means of historical simulation. For forecasting the changes in value of individual portfolios, the observed fluctuations of market prices, such as equity prices and interest rates, over the past 255 trading days are used. The advantage is that the individual portfolios can be easily aggregated and the observed market movements are taken into account.

- The **specific market risk** covers the risk of loss due to the change in price of individual interest-rate and equity-based financial instruments relative to changes in the respective market indices. A distinction is made between the specific equity price risk and the specific interest-rate risk. The specific interest-rate risk is calculated using the variance-covariance method. Potential losses are forecast not through changes in the risk factors themselves but rather through statistical parameters for the risk factors.

- The **interest-rate risk** is understood as the risk of adverse effects from changes in market interest rates on either the capital invested or current income. Different fixed-interest periods for claims and liabilities in on-balance business and derivatives represent the main source of interest-rate risk. The interest-rate risk is measured not only with the market-risk model but also on the basis of sensitivities related to certain maturities and extensive stress tests. In addition, the impact of historical interest-rate movements on the key interest-sensitive portfolios is examined every second week. Since last July, the impact of an interest-rate shock on the economic value of the banking books has also been measured on a monthly basis. The maximum established decline due to a parallel shift of 200 basis points in the interest-rate curve averaged is well below the limit of 20% for so-called outlier banks in terms of Basel II.

- The **market liquidity risk** is the risk of the Bank being unable to settle or hedge trading positions on time and to the desired extent due to the market situation. This includes, for example, OTC transactions or deals involving a large proportion of the total amount of securities which have been issued. Closing-out strategies for specific portfolios are defined for quantifying market liquidity risk. These indicate what proportion of a portfolio could, if necessary, be closed out or hedged after how many days. The strategies employed are updated at regular intervals after consultation with the relevant business lines.

Internal model and backtesting

At the Parent Bank and its foreign branches, Commerzbank uses an internal model in order to calculate the capital requirements for the general and specific market risk. The model's reliability is regularly checked by means of backtesting. Apart from meeting supervisory requirements, the aim is to assess and steadily improve its forecasting quality. This begins with a retrospective comparison of the forecast risks with the profits and losses which would have occurred if unchanged positions are assumed. The total number of significant deviations provides the basis for the evaluation of the internal risk model by the supervisory authorities.

In the 2004 financial year, as in previous years, the registered deviations were at all times within the range defined by the German Financial Supervisory Authority (BaFin). This underscores the quality of the risk model. In some cases, the same evaluation models had been used for backtesting the VaR model as those applied in calculating risk. In the year under review, this method was replaced by an approach based entirely on market prices.

Stress tests

In order to take account of possible extreme market movements, the calculation of VaR is complemented by stress tests. As a rule, these are historically or hypothetically derived scenarios by means of which potential losses are quantified under extreme market conditions. The stress tests that are employed as part of daily reporting differ from business line to business line and are adapted to accommodate individual portfolios. In addition, a stress test is regularly performed across portfolios and the impact of historical crisis scenarios on the Group as a whole is simulated.

Review of valuation models

A major function of Risk Control is to ensure the permanent quality of the valuation models and algorithms for traded financial instruments and also their further refinement. Commerzbank submits new or revised valuation models to a careful, independent examination before they are employed for official purposes such as calculating P&L or market risk.

In the case of system changes – a new release, for example – a change process for system and valuation modifications is carried out in order to guarantee that the models employed always meet the internally approved standard. If necessary, provisions are formed for identified model deficiencies and regular checks are made to ensure that they are adequate. In the period under review, the models for presenting and evaluating complex financial instruments were examined by an independent auditor. The outcome coincided with the results produced in-house, thus underlining the quality of the process.

3) Monitoring and controlling equity holding risk

The monitoring of equity holding risk is performed by Risk Control, whereas the management of such risks is handled by two different units of the Bank. Private equity business is coordinated by Corporate Banking (ZCB) and monitored by the operative credit unit ZCO. Strategy and Controlling (ZKE) is responsible for all the strategic and other equity holdings, performing the independent back-office function.

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

4) Monitoring and controlling liquidity risk

Organization and strategy

Ensuring that Commerzbank is solvent at all times, including crisis situations, is the duty of the staff department Group Treasury (ZGT). At Commerzbank, liquidity risk used as a synonym for the risk of possible payment gaps and is counted as a feature of an institution's solvency. In accordance with supervisory requirements (Principle II), an institution's liquidity is deemed to be guaranteed if the weighted liquid assets available to it within 30 days cover the weighted payment obligations callable during this period.

In 2004 (2003), the liquidity coefficient lay between 1.13 (1.09) and 1.19 (1.18) and was thus at all times well above the value of 1.0 required by the supervisory authorities. However, a liquidity risk also exists for the full maturity spectrum of an institution's asset/liability positions. To complement the supervisory approach, therefore, Commerzbank has computed additional internal liquidity ratios since last July.

Liquidity ratios as the basis for controlling

Already in 2002, the Bank started to introduce a forward-looking approach to working out available net liquidity (ANL) in order to overcome the weaknesses of the ratios under Principle II and to meet elementary demands of Basel II. A key aspect of adopting the ANL approach is the calculation of so-called legal and economic cash flows, both for balance-sheet and off-balance-sheet items. Legal cash flows cover the flows of payments expected under contractual agreements, whereas economic cash flows are primarily dependent upon customers' behaviour and have to be estimated by drawing upon the relevant experience. For future liquidity gaps, offset assets are worked out (balance sheet liquidity), resulting from borrowing against liquid assets and/or disposing of such assets. All three ratios are worked out both under current market conditions and under various stress scenarios influenced by either market or behavioural factors and monitored on the basis of pre-established internal standards.

Liquidity-risk measurement

Risk Control is responsible for measuring and monitoring liquidity risk throughout the Bank. Like the management of liquidity, the monitoring of the Group's liquidity risk is based upon the daily calculation of ANL. ANL and the relevant use made of limits are worked out daily and are made available on special pages of Commerzbank's intranet for further processing. All limit overruns are reported to ZGT and the Risk Committee.

Liquidity management

The future funding need is calculated on the basis of the ANL figures, projected into the future, complemented by potential liquidity effects resulting from business-policy decisions. The aim is to manage liquidity efficiently and to cover the Bank against market fluctuations, taking into account the recommendations of Basel II. For this purpose, the Bank practises the stable funding concept, whereby long-term lending is largely funded at long term. In order to react promptly to any gaps that are identified between Commerzbank's assets and its funding side, the structure of the balance sheet is constantly analysed. In addition, ZGT maintains substantial liquidity portfolios in the leading currency centres. At end-2004, the Bank – as in the previous year – had a liquidity reserve of €21bn.

5) Monitoring and controlling operational risk

Organization and strategy

Commerzbank's management of operational risk is built upon the Basel Committee requirements, published in 2003 ("Sound practices for the management and supervision of operational risk"). In the year under review, the set of internal rules developed on this basis, the Operational Risk Management Framework, were supplemented and refined. Those responsible at the various organizational units as well as independent Risk Control draw upon common methods and systems for identifying, evaluating, analysing, reporting and managing operational risk.

The Operational Risk Committee and the Risk Committee are regularly informed about the risk situation. In addition, the Global OpRisk Forum, chaired by ZRC, serves to help Risk Control and the operational risk managers prepare the ground for decisions and discuss current developments and events; it also serves the general exchange of views at the work level.

Operational risk methods

On the basis of the requirements published to date ("International convergence of capital measurement and capital standards", June 2004), the Bank last year created the main conditions for working out the capital needed for operational risk in accordance with the Basel II Advanced Measurement Approach (AMA). For this purpose, quantitative and qualitative methods were implemented which make it possible to calculate a value-at-risk for operational risk. Above all, this means continuing to collect – in line with Basel II – loss data that exceed €5,000. The minimum collection of three years of internal loss data was realized.

Starting with Investment Banking, the end-to-end processes were systematically documented. These successively form the basis for carrying out cross-process quality self-assessments. All the necessary data are collected regionally in an intranet-based system and evaluated at head office.

For modelling the fat tail of the loss distribution – i.e. the financial risk of rare major loss events – external loss data from Operational Riskdata eXchange Association, Zurich (ORX) are used as well. With the aid of these, the Bank's risk profile can be compared with that of other international banks. In addition, the combination of loss data and qualitative information in an operational-risk controlling system paves the way for the creation of operational-risk profiles for the individual business and service units. This provides important impulses for managing operational risk.

In addition to the anonymous external data from ORX, the Bank had recourse to the evaluation of public external data last year. These are particularly useful for developing suitable scenario analyses. Commerzbank also participated in an initiative of international banks to establish a uniform system for building up and collecting so-called key risk indicators, i.e. data permitting a statement on future potential risks of loss.

The stability, quality and information value of the implemented mathematical-statistical AMA model were confirmed in the year under review by sample calculations and the AMA model was already employed in the internal calculation of economic capital. The economic capital required for operational risk as of December 31, 2004 represents the figure before insurances and the correlations between the Bank's various business units have been taken into consideration, which have a risk-mitigating effect. These two components will gradually be added to the model in 2005.

Parallel to this, the future capital requirements are still calculated according to the standardized approach of Basel II. The partial use of AMA and the standardized approach is also possible for individual units of the Bank. By participating in the relevant national and international working groups, Commerzbank is continuing to play an active role in the debate on such issues.

Legal risk

The management of Commerzbank's legal risk worldwide is entrusted to Legal Services (ZRA). The central function of ZRA is to recognize potential losses arising from legal risk at an early stage and to devise solutions for reducing, restricting or avoiding such risks. In this connection, ZRA produces guidelines and standard contracts for the entire Group, which are implemented in close cooperation with business lines and branches.

In addition to implementing and monitoring these uniform standards, ZRA advises all units of the Bank with regard to legal issues. The duties of ZRA also include informing the Board of Managing Directors and head-office departments about the impact of major legal changes and risks, as well as regularly adapting the Bank's guidelines and specimen contracts to new legal frameworks. ZRA also manages the provisions for Commerzbank's legal proceedings and ensures that they are included in the calculation of operational risk. The major legal proceedings against the Bank are reported at regular intervals to the Risk Committee, the Board of Managing Directors and the Supervisory Board in the form of individual analyses.

Trading Operations Committee

The Bank has devoted intensive study to further optimizing the organizational and technical environment of its trading activities. To this end, the Trading Operations Committee was created; it is chaired by the CRO with the participation of the management board members responsible for trading, back office/IT and monitoring and also the managers of the relevant head-office departments and business lines. In 2004, uniform end-to-end process documentation was completed for all trading and back-office processes, thereby helping to reduce operational risk. A critical review and further automation of reconciliation and confirmation in particular also served this end.

The Bank's existing product portfolio was overhauled and processes were streamlined by optimizing the new product database. The integration of a trading tool for complex products, developed in-house, into the Bank's overall systems was also positive in this context. In the future, too, the Bank will work towards further reducing the complexity of its IT. Given the significance of all these measures for the efficiency and stability of investment-banking processes, Commerzbank has had the various subprojects certified by independent auditors.

Business contingency and continuity planning

In order to ensure that banking activities are maintained and to reduce losses arising from serious interruptions of its operations to a minimum, the Bank has business contingency plans in written form. In a central business contingency policy for the entire Bank, the responsibilities of the different head-office departments and individual units are described. Last year, the MaK rules were added to the business contingency requirements. The self-assessments previously only performed for the units relevant for MaH are now also relevant for those covered by MaK.

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

6) Monitoring and controlling business risk

In line with their immediate responsibility for risk and earnings, the Bank's individual divisions also take charge of the operational management of business risks which occur in their area of activity. As part of the overall steering of the Bank, business risk is also included in the calculation of economic capital. Business risk is worked out using an earnings/cost-volatility model, which calculates historical monthly deviations of the actual from the planned result for fee income. The model was refined further in the year under review and extended to reflect cost fluctuations. As with the procedure applied for other types of risk, the calculation is based on a confidence level of 99.95% and a one-year time frame.

7) Monitoring and controlling other risks

Pillar II of the new Basel framework and MaRisk call for an integrated approach to risk and consequently that other categories of risk be considered, in particular strategic risk and reputational risk. As it is not possible to model these risks with the aid of mathematical-statistical methods – the procedure employed for market, credit, operational and business risk – these types of risk are subject to qualitative controlling.

Monitoring and controlling strategic risk
Responsibility for the strategic steering of Commerzbank lies with the Board of Managing Directors, with support in the case of strategic issues provided by Strategy and Controlling (ZKE). Some business-policy decisions also require the approval of the Supervisory Board. Constant observation of German and international competitors leads to an analysis of the major changes and developments, with conclusions derived for the Bank's strategic positioning and the appropriate measures introduced for ensuring competitiveness.

Monitoring and controlling reputational risk
Reputational risk may result in particular from the wrong handling of other risk categories. The basis for avoiding reputational risk, therefore, is a sound risk-control and risk-management infrastructure. In addition, Commerzbank avoids business-policy measures and transactions which entail extreme tax or legal risks and also environmental risks. Through its corporate governance, the Bank ensures that it remains within the framework of its articles of association and published business-policy principles. Observance of all German and foreign regulations and supervisory requirements in connection with securities transactions is monitored by Compliance and Security (ZCS), which reports directly to the CFO. The general avoidance of conflicts of interest or – wherever necessary – management of such conflicts, the reduction of the potential for insider trading, and protection for staff and investors all play an important role in protecting the Bank's reputation. Against this background, all its business-policy measures and activities are subjected to careful scrutiny.

IV. Summary and outlook

Commerzbank has an efficient system of risk management and risk control, which is constantly being refined with a view to the future. The Bank makes sure that the methods used for measuring and managing risk live up to today's demands, as the early recognition of risk forms the basis for professional and active risk management and risk control. By focusing on the systematic implementation of a risk/return-based risk policy, the Bank's risk-management system makes a major contribution towards a value-based overall Bank management.

All the parties involved showed great commitment in maintaining the current projects for implementing new supervisory requirements (Basel II, MaK) in 2004. The Bank took a major step forward in this respect, leading not only to an optimized capital allocation in accordance with Basel II but also to a distinct improvement in risk-sensitive steering.

In 2005, it is planned to introduce new and even more efficient state-of-the-art rating methods for credit risk across the entire corporate portfolio, creating an essential precondition for professional and cost-efficient risk management and risk-adjusted capital allocation under the IRB Advanced Approach. The related risk-adjusted pricing will make it possible for the Bank to indicate its readiness to lend to those SMEs which represent a much higher risk. In this way, the Bank can substantially reduce the type-II error of lost business – in other words, largely avoid rejecting business for risk reasons with firms which, in fact, have a sound financial standing.

Thanks to the great progress made in collating, evaluating and modelling operational risk, all the main requirements for applying the advanced AMA approach of Basel II were met in the year under review. The improved analytical tools for identifying the unexpected loss arising from operational risk enable the Bank to identify risk-carrying processes in good time and to remove weak points.

For market risk, the existing systems for measuring and monitoring risk have proved to be efficient. Here the Bank consistently employs future-oriented value-at-risk approaches using simulation calculations and stress scenarios. The more dynamic limit-steering which is targeted will help the Bank in future to reduce potential risk at an early stage and give it ample scope, depending on the economic situation, for good business scenarios.

The credit portfolio is being selectively restructured to reflect the credit-risk strategy adopted in 2004. Clear incentives will be provided for expanding total lending according to plan, but also for reducing and limiting higher-risk sub-portfolios. The focus in risk mitigation is on bulk risks. In the intensive treatment area, the Bank is prepared to act as lead manager; its staff in this segment are developing quite consciously into risk managers, concentrating in their clients' interest on preserving the company and its jobs. Through the expansion of portfolio-management activities and the early adoption of risk-mitigating measures, it proved possible to lower provisioning considerably again last year, with the selective reduction of latent bulk risks making an important contribution here. Given its positive experience in managing bulk risks, the Bank has begun under its credit-risk strategy to base the risk/return-oriented steering of business for all sub-portfolios on expected loss, the use of economic capital and RoRaC.

It is evident that the credit markets are becoming ever more liquid thanks to syndications, ABS/CDS/CDOs, more sophisticated secondary markets and the arrival of new market participants such as (hedge) funds. In future, therefore, the mark-to-market management of risk-weighted assets in the banking book and the use of business opportunities through active portfolio management will take on ever greater importance. The Bank will continue to develop its structures and systems in order to seize the opportunities which arise in this connection.

Commerzbank sees its activities for constantly refining its risk management and risk control as a key factor in its success in creating value for shareholders, customers and employees. Good risk-management systems increase efficiency in both front-office and back-office functions. The Bank believes that substantial value leverage still exists for boosting the Bank's earnings performance on a sustained basis in the claim to "being the benchmark in risk control and management".

Commerzbank AG's balance sheet as of December 31, 2004

Assets (in € m)				31.12.2004	31.12.2003
Cash reserve					
a) cash on hand			570		814
b) balances with central banks			2,321		4,086
including: with Deutsche Bundesbank		1,880			(3,467)
				2,891	**4,900**
Debt issued by public-sector borrowers, and bills of exchange rediscountable at central banks					
a) treasury bills and discountable treasury notes, as well as similar debt issues by public-sector borrowers			759		1,154
including: rediscountable at Deutsche Bundesbank		251			(2)
b) bills of exchange			296		324
including: rediscountable at Deutsche Bundesbank		296			(322)
				1,055	**1,478**
Claims on banks					
a) payable on demand			14,429		13,638
b) other claims			46,745		46,201
				61,174	**59,839**
Claims on customers					
including: secured by mortgages on real estate		20,060			(19,811)
communal loans		4,561			(4,373)
				106,821	**111,933**
Bonds and other fixed-income securities					
a) money-market instruments					
aa) issued by public-sector borrowers		213			414
including: rediscountable at Deutsche Bundesbank	(90)				(–)
ab) issued by other borrowers		1,465	1,678		1,034
including: rediscountable at Deutsche Bundesbank	(13)				(–)
					1,448
b) bonds and notes					
ba) issued by public-sector borrowers		16,781			16,239
including: rediscountable at Deutsche Bundesbank	11,349				(12,596)
bb) issued by other borrowers		21,854	38,635		19,023
including: rediscountable at Deutsche Bundesbank	9,217				(4,181)
					35,262
c) bonds and notes issued by Commerzbank			3,305		2,631
nominal amount €3,302m					
				43,618	**39,341**
Shares and other variable-yield securities				**9,611**	**8,037**
Subsidiaries, associated companies and trade investments (investments)			**2,278**	**2,762**	
including: investment in banks		1,646			(2,225)
investment in financial-service institutions		0			(0)
Holdings in affiliated companies				**7,762**	**7,742**
including: in banks		1,526			(1,385)
in financial-service institutions		32			(48)
Assets held on a trust basis				**386**	**57**
including: loans at third-party risk		386			(57)
Recovery claims on federal and Länder authorities under post-war currency reform acts including bonds in exchange for the former				**105**	**159**
Intangible assets				**16**	**–**
Fixed assets				**751**	**938**
Bank's holding of its own shares notional value: €10.7m				**58**	**50**
Other assets				**11,555**	**8,700**
Deferred items					
a) difference arising from consolidation pursuant to Art. 250, (3) of the German Commercial Code – HGB			130		156
b) other deferred items			2,268		3,818
				2,398	**3,974**
Deferred taxes pursuant to Art. 274, (2), German Commercial Code – HGB				**319**	**452**
			Total Assets	**250,798**	**250,362**

Liabilities and Shareholders' Equity (in € m)			31.12.2004	31.12.2003
Liabilities to banks				
a) payable on demand		24,816		27,042
b) with agreed periods or periods of notice		83,144		82,290
			107,960	**109,332**
Liabilities to customers				
a) savings deposits,				
aa) with agreed period of notice of three months	15,402			10,992
ab) with agreed period of notice of more than three months	640			631
		16,042		11,623
b) other liabilities				
ba) payable on demand	32,190			30,596
bb) with agreed periods or periods of notice	35,448			41,358
		67,638		71,954
			83,680	**83,577**
Securitized liabilities				
a) bonds and notes issued		21,677		19,829
b) other securitized liabilities		4,920		5,737
			26,597	**25,566**
including:				
ba) money-market instruments	4,660			(5,411)
bb) own acceptances and promissory notes outstanding	62			(71)
Liabilities on a trust basis			**386**	**57**
including: loans at third-party risk	386			(57)
Other liabilities			**10,362**	**8,442**
Deferred items				
a) difference arising from consolidation pursuant to Art. 340e, (2), 2 of the German Commercial Code – HGB		93		112
b) other deferred items		907		2,072
			1,000	**2,184**
Provisions				
a) provisions for pensions and similar commitments		1,311		1,246
b) provisions for taxation		338		94
c) other provisions		3,324		3,644
			4,973	**4,984**
Commerzbank Foundation			**27**	**27**
Subordinated liabilities			**5,242**	**5,466**
Profit-sharing certificates outstanding			**1,794**	**2,110**
including: maturing in less than two years	604			(512)
Fund for general banking risks			**205**	**205**
Capital and reserves				
a) subscribed capital (conditional capital €403m)		1,556		1,554
b) capital reserve		4,705		4,697
c) revenue reserves				
ca) legal reserve	3			3
cb) reserve for the Bank's own shares	58			50
cd) other revenue reserves	2,100			2,108
		2,161		2,161
d) distributable profit		150		–
			8,572	**8,412**
Total Liabilities and Shareholders' Equity			**250,798**	**250,362**
1. Contingent liabilities				
a) contingent liabilities from rediscounted bills of exchange credited to borrowers		3		2
b) liabilities from guarantees and indemnity agreements		20,553		21,422
			20,556	**21,424**
2. Other commitments				
c) irrevocable lending commitments		32,291		33,262
			32,291	**33,262**

Commerzbank AG's profit and loss account for the period from January 1 to December 31, 2004

in € m				2004	2003
Interest income from					
a) lending and money-market transactions		6,787			7,402
b) fixed-income securities and government-inscribed debt		1,241			1,295
			8,028		8,697
Interest paid			–5,586		–6,527
				2,442	**2,170**
Current income from					
a) shares and other variable-yield securities			385		170
b) investments (subsidiaries, associated companies, and trade investments)			86		45
c) holdings in affiliated companies			182		283
				653	**498**
Income from profit-pooling and from partial or full profit-transfer agreements				**155**	**117**
Commissions received			1,656		1,563
Commissions paid			–240		–268
				1,416	**1,295**
Net income from financial transactions				**125**	**134**
Other operating income				**254**	**258**
General operating expenses					
a) personnel expenses					
aa) wages and salaries		–1,544			–1,598
ab) compulsory social-security contributions, expenses for pensions and other employee benefits		–449			–409
of which: for pensions	–206				(–166)
			–1,993		–2,007
b) other administrative expenses			–1,338		–1,299
				–3,331	**–3,306**
Depreciation on and value adjustments to intangible and fixed assets				**–252**	**–352**
Other operating expenses				**–118**	**–199**
Write-downs of and value adjustments to claims and certain securities, and additions to provisions for possible loan losses				**–1,061**	**–486**
Income from additions to investments, holdings in affiliated companies and securities treated as fixed assets				**277**	**312**
Expenses from the transfer of losses				**–3**	**–24**
Result from ordinary activities before restructuring expenses and expenses arising from special factors				**557**	**417**
Restructuring expenses				–125	–72
Expenses arising from special factors				–	–2,405
Result from ordinary activities after restructuring expenses and expenses arising from special factors				**432**	**–2,060**
Taxes on income			–283		–234
Other taxes			1		–3
				–282	**–237**
Net income/net loss for the year				**150**	**–2,297**
Withdrawals from the capital reserve				**–**	**–2,297**
Withdrawals from revenue reserves					
b) from reserve for the Bank's own shares			–		–59
d) from other revenue reserves			–8		–
				–8	**–59**
Allocation to revenue reserves					
b) to reserve for the Bank's own shares			8		–
d) to other revenue reserves			–		59
				8	**59**
Distributable profit				**150**	**–**

notes

General information

(1) Accounting principles

The annual financial statements of Commerzbank Aktiengesellschaft as of December 31, 2004, 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 balance sheet, income statement and notes. In addition, a management report has been included (including a risk report) pursuant to Art. 289, HGB, which appears on pages 2 to 25.

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

(2) Accounting and measurement methods

The cash reserve appears in nominal figures.

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

Claims on banks and claims on customers appear at their nominal values, with the loan-loss provisions that have been formed deducted. Differences between the acquisition cost and the nominal amount which have interest character are assigned to deferred items and recognized 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 and liquidity purposes appear – according to the rules for current assets, with the strict lower-of-cost-or-market principle applied – at the lower of acquisition cost and ascribed value. Securities held as fixed assets are treated in accordance with the diluted lower value principle (Note 5).

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

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

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

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

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

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

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

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

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

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

In derogation of Art. 246, (2), HGB, the Bank presented the accrued interest from interest, currency and interest/currency swaps per counterparty and currency in net form in the claims on and liabilities to banks and customers for the first time in the year under review. Compared with the procedure adopted in the previous year, this led to a reduction of €26.3bn (€26bn) in claims on (liabilities to) banks and a reduction of €2.6bn (€3.0bn) in claims on (liabilities to) customers.

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

(3) Currency translation

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

Notes to the balance sheet

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

€ m	31.12.2004	31.12.2003
Other claims on banks	**46,745**	**46,201**
with a remaining lifetime of		
less than three months	32,307	37,474
more than three months, but less than one year	12,794	6,749
more than one year, but less than five years	1,316	1,192
more than five years	328	786
Other claims on banks	**106,821**	**111,933**
with indeterminate lifetime	8,961	12,123
with a remaining lifetime of		
less than three months	30,039	30,652
more than three months, but less than one year	9,320	9,175
more than one year, but less than five years	21,927	22,614
more than five years	36,574	37,369

Of the bonds, notes and other fixed-income securities in an amount of €43,618m (previous year: €39,341m), €10,424m will mature during the 2005 financial year.

€ m	31.12.2004	31.12.2003
Liabilities to banks		
with agreed lifetime or period of notice	**83,144**	**82,290**
with a remaining lifetime of		
less than three months	53,756	57,193
more than three months, but less than one year	12,235	8,511
more than one year, but less than five years	5,121	5,309
more than five years	12,032	11,277
Savings deposits		
with agreed period of notice of more than three months	**640**	**631**
with a remaining lifetime of		
less than three months	78	56
more than three months, but less than one year	138	106
more than one year, but less than five years	301	324
more than five years	123	145
Other liabilities to customers		
with agreed lifetime or period of notice	**35,448**	**41,358**
with a remaining lifetime of		
less than three months	28,677	34,021
more than three months, but less than one year	1,606	1,738
more than one year, but less than five years	1,450	1,062
more than five years	3,715	4,537
Other securitized liabilities	**4,920**	**5,737**
with a remaining lifetime of		
less than three months	3,121	3,928
more than three months, but less than one year	1,695	1,651
more than one year, but less than five years	104	158
more than five years	0	0

Of the €21,677m of bonds and notes issued (previous year: €19,828m), €4,709m will fall due in the 2005 financial year.

(5) Marketable securities

	marketable		listed on a stock exchange		not listed	
€ m	**31.12.2004**	**31.12.2003**	**31.12.2004**	**31.12.2003**	**31.12.2004**	**31.12.2003**
Bonds, notes and other fixed-income securities	43,618	39,341	36,697	30,659	6,921	8,682
Shares and other variable-yield securities	8,794	7,345	8,357	7,003	437	342
Investments	2,161	2,636	2,068	2,536	93	100
Holdings in affiliated companies	6,387	6,339	410	324	5,977	6,015

Under Shares and other variable-yield securities, investment fund shares of €132m are shown as a financial investment; these may be used solely to meet obligations arising from old-age pensions and part-time work schemes for older staff. A contractually agreed, mutual obligation to make further contributions exists here, or a right to demand repayment, between Commerzbank AG and Commerzbank Pension-Trust e.V.

(6) Relations with affiliated companies and equity investments

	Affiliated companies		Investments	
€ m	**31.12.2004**	**31.12.2003**	**31.12.2004**	**31.12.2003**
Claims on banks	2,386	3,589	4,899	926
Claims on customers	11,318	12,708	7	7
Bonds, notes and other fixed-income securities	2,408	1,330	1,158	1,130
Liabilities to banks	5,145	4,430	321	48
Liabilities to customers	1,199	1,236	3	15
Securitized liabilities	530	723	–	–
Liabilities on a trust basis at third-party risk	40	40	–	–
Subordinated liabilities	261	332	–	–

(7) Trust business

€ m	**31.12.2004**	**31.12.2003**
Claims on banks	1	1
Claims on customers	385	56
Assets on a trust basis at third-party risk	**386**	**57**
Liabilities to banks	380	50
Liabilities to customers	6	7
Liabilities on a trust basis at third-party risk	**386**	**57**

(8) Changes in book value of fixed assets

€ m	Intangible assets	Fixed assets	Securities held as financial investments	Invest-ments*)	Holdings in affiliated companies*)
Cost of acquisition/production as of 1.1.2004	**0**	**3,246**	**132**		
Additions in 2004	12	81	0		
Disposals in 2004	0	161	0		
Changes in exchange rates	0	–9	0		
Transfers	6	–6	0		
Cost of acquisition/production as of 31.12.2004	**18**	**3,151**	**132**		
Cumulative write-downs/ changes in exchange rates	2	2,400	0		
Additions in 2004	0	0	0		
Residual book values 31.12.2004	**16**	**751**	**132**	**2,278**	**7,762**
Residual book values 31.12.2003	**0**	**938**	**132**	**2,762**	**7,742**
Write-downs in 2004	1	251	0		

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

Of the land and buildings with an overall book value of €86m (previous year: €90m), the Bank uses premises of €71m (previous year: €72m) for its own purposes.

Office furniture and equipment of €665m (previous year: €848m) is included in Fixed assets.

(9) Other assets

Other assets of €11,555m (previous year: €8,700m) comprise such assets as cannot be assigned to any other balance-sheet item.

They mainly include premiums paid for option contracts and interest-rate caps amounting to €7,607m (previous year: €7,299m), claims arising from swap custody business and security paid.

(10) Deferred tax items

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

The capitalized deferred tax item of €319m (previous year: €452m) appears in the balance sheet under the respective heading.

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

(11) Subordinated assets

€ m	31.12.2004	31.12.2003
Claims on banks	61,174	59,839
of which: subordinated	531	656
Claims on customers	106,821	111,933
of which: subordinated	212	152
Bonds and notes		
a) by other issuers	21,854	19,023
of which: subordinated	202	81
b) own bonds	3,305	2,631
of which: subordinated	36	12
Shares and other variable-yield securities	9,611	8,037
of which: subordinated	60	125
Total	**1,041**	**1,026**

(12) Repurchase agreements

The book value of the securities pledged under repurchase agreements, which appear in the balance sheet, is €42,564m (previous year: €23,891).

(13) The Bank's foreign-currency position

On the balance-sheet date, the aggregate amount of foreign-currency assets was €52,843m (previous year: €62,854m).

Foreign-currency liabilities amounted to €52,412m (previous year: €61,777m) on the balance-sheet date.

(14) Security pledged for own liabilities

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

€ m	31.12.2004	31.12.2003
Treasury bills	2	5
Claims on customers and banks	9,888	11,212
Securities	48,249	34,450
Total	**58,139**	**45,667**

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

(15) Other liabilities

Other liabilities of €10,362m (previous year: €8,442m) include amounts which cannot be assigned to any other balance-sheet item.

They mainly include premiums for option business and interest-rate caps amounting to €8,328m (previous year: €7,219m) and well as collateral received as security.

(16) Provisions

Other provisions include restructuring provisions of €139m (previous year: €190m).

(17) Subordinated liabilities

In the event of insolvency or winding-up, the subordinated liabilities of €5,242m (previous year: €5,466m) may only be repaid after the claims of all non-subordinate creditors have been met. Until such time, no repayment obligation or claims to interest payments exist.

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

In the financial year, interest paid on subordinated liabilities amounted to €301m (previous year: €327m).

As of December 31, 2004, 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 159353	Euro	550	4.75%	21.04.2009
WKN 223445	Euro	590	6.50%	12.07.2010

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

(18) Profit-sharing certificates outstanding

Of the profit-sharing rights outstanding which appear in the balance sheet, €1,158m (previous year: €1,564m) 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.

31.12.2004 Volume in € m	Interest rate	Maturing on 31.12.		
392	7.25%	2005	Profit-sharing certificate with warrants WKN 803366 *Warrant exercise period expired*	
320	6.38%	2010	Registered profit-sharing certificate WKN 803205	
213	9.15%	2004	Profit-sharing certificate WKN 803330	*)
256	7.90%	2008	Profit-sharing certificate WKN 816120	
255	EUR- 12-month Libor +0.6%	2006	Profit-sharing certificate with warrants WKN 803625 *Warrant exercise period expired*	
150	6.38%	2009	Profit-sharing certificate WKN 816406	
100	7.00%	2009	Profit-sharing certificate WKN 816407	
50	7.53%	2014	Registered profit-sharing certificate WKN 422785	
25	7.56%	2014	Registered profit-sharing certificate WKN 422720	
10	7.24%	2009	Registered profit-sharing certificate WKN 422714	
10	7.50%	2009	Registered profit-sharing certificate WKN 423280	
8	7.24%	2009	Registered profit-sharing certificate WKN 422721	
5	7.52%	2009	Registered profit-sharing certificate WKN 423289	
1,794				

*) Repayment on July 1, 2005

€ m	Profit-sharing rights outstanding **31.12.2003**	Matured in financial year	Profit-sharing rights outstanding **31.12.2004**
Total	**2,110**	**316**	**1,794**

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

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

(19) Equity

€ m		
Equity as of 31.12.2004		**8,572**
a) Subscribed capital		1,556
b) Capital reserve		4,705
c) Revenue reserves		2,161
Legal reserve	3	
Reserve for treasury shares	58	
Other revenue reserves	2,100	
d) Distributable profit		150

a) Subscribed capital

The subscribed capital of Commerzbank AG (share capital) of €1,556,326,015.40 is evidenced in the form of bearer shares and was divided as of December 31, 2004, into 598,586,929 no-par-value shares (notional value per share: €2.60). No preferential rights or restrictions on the payment of dividends exists.

€ m	**Subscribed capital**
as of 31.12.2003	**1,554**
Issue of shares to employees	2
as of 31.12.2004	**1,556**

b) Capital reserve

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

€ m	**Capital reserve**
as of 31.12.2003	**4,697**
Issue of shares to employees	8
as of 31.12.2004	**4,705**

c) Revenue reserves

€ m	Total	Legal reserve	Reserve for treasury shares	Other revenue reserves
as of 31.12.2003	**2,161**	**3**	**50**	**2,108**
Changes in portfolio of treasury shares	0	0	8	–8
as of 31.12.2004	**2,161**	**3**	**58**	**2,100**

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

(20) Authorized capital

Year of resolution	Original authorized capital € m	Remaining authorized capital € m	Expiring on	Special conditions
2004	225 (Art. 4, (3), Articles of Association)	225	April 30, 2009	Shareholders' subscription rights may be excluded to the extent necessary to offer to the holders of conversion or option rights, either already issued or still to be issued by Commerzbank AG or by companies in which it directly or indirectly holds a majority interest (group companies as defined in Art. 18, (1), AktG), subscription rights to the extent to which they would be entitled after they have exercised their conversion or option rights. Shareholders' subscription rights may be excluded for fractional amounts of shares.
2002	30 (Art. 4, (4), Articles of Association)	22	April 30, 2007	The Board of Managing Directors may, with the approval of the Supervisory Board, restrict shareholders' subscription rights in order to issue shares to the Bank's staff.
2004	225 (Art. 4, (6), Articles of Association)	225	April 30, 2009	Shareholders' subscription rights may be excluded to the extent necessary to offer to the holders of conversion or option rights, either already issued or still to be issued by Commerzbank AG or by companies in which Commerzbank AG directly or indirectly holds a majority interest (group companies as defined in Art. 18, (1), AktG), subscription rights to the extent to which they would be entitled after they have exercised their conversion or option rights. Shareholders' subscription rights may be excluded for fractional amounts of shares. Furthermore, subscription rights may be excluded insofar as the capital increase is made against contributions in kind for the purpose of acquiring companies or interests in companies.
2004	150 (Art. 4, (7), Articles of Association)	150	April 30, 2009	Shareholders' subscription rights may be excluded if the issue price of the new shares is not substantially lower than that of already listed shares offering the same conditions.
as of 31.12.2004	**630**	**622**		

In the financial year, authorized capital of €2m was used for the capital increase from the issue of shares to the Bank's staff.

€ m	Remaining authorized capital 31.12.2003	Added in financial year	Used in financial year	Expired in financial year	Remaining authorized capital 31.12.2004
Total	**349**	**600**	**2**	**325**	**622**

(21) Conditional capital

€ m	Conditional capital 31.12.2003	Added in financial year	Expired in financial year	Conditional capital 31.12.2004	of which used conditional capital	of which available lines
Total	**603**	**0**	**200**	**403**	**–**	**403**

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

The conditional increase in the Bank's share capital by up to €200m, resolved by the AGM of May 21, 1999, expired on April 30, 2004.

(22) Treasury shares

	Number of shares*) in units	Notional value in €1,000	Percentage of share capital
Portfolio on 31.12.2004	4,097,289	10,653	0.68
Largest total acquired during the financial year	6,582,775	17,115	1.10
Shares pledged by customers as collateral on 31.12.2004	4,892,458	12,720	0.82
Shares acquired during the financial year	198,886,737	517,106	–
Shares disposed of during the financial year	198,279,360	515,526	–

*) notional value per share €2.60

The AGM on May 12, 2004 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, 2005. The aggregate amount of shares acquired for this purpose may not exceed 5% of the share capital of Commerzbank AG at the end of any given day.

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

The average purchase price in the past financial year was €14.85 (previous year: €12.91), and the average selling price €14.81 (previous year: €12.75). The lower proceeds from the above transactions were recognized as expenses during the financial year.

For the Commerzbank shares held in the Bank's portfolio at year-end, a reserve of €58m (previous year: €50m) was formed.

The AGM on May 12, 2004 also authorized us, pursuant to Art. 71, (1), no. 8, AktG, to purchase the Bank's shares, in one or in several tranches, for purposes other than securities trading. The authorization is limited to a volume of at most 10% of the share capital and is valid until October 31, 2005.

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

Notes to the income statement

(23) Revenue, by geographical market

€ m	2004	2003
Germany	8,674	8,777
Europe (excl. Germany)	1,556	1,774
America	334	424
Asia	91	103
Africa	61	72
Total	**10,716**	**11,150**

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.

(24) Other operating income

Other operating income of €254m (previous year: €258m) mainly relates to revenues from the reversal of provisions not related to lending, tax refunds and rental income.

(25) Other operating expenses

Other operating expenses of €118m (previous year: €199m) mainly relates to expenses from allocations to provisions not related to lending.

(26) Administrative and agency services

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

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

Other notes

(27) Contingent liabilities

€ m	31.12.2004	31.12.2003
Contingent liabilities from bills of exchange credited to borrowers	3	2
Liabilities from guarantees and indemnity agreements	20,553	21,422
of which: Credit guarantees	2,878	2,938
Other guarantees	11,888	12,831
Letters of credit	5,787	5,653
Total	**20,556**	**21,424**

(28) Other commitments

€ m	31.12.2004	31.12.2003
Irrevocable lending commitments	**32,291**	**33,262**
Book credits to banks	26,861	30,329
Book credits to customers	3,817	1,752
Credits by way of guarantee	1,195	1,162
Letters of credit	418	19

(29) Other financial commitments

On December 31, 2004, the existing commitments arising from rental and leasing agreements amounted to altogether €2,535m for subsequent years (previous year: €2,110m); €1,338m (previous year: €1,370m) of this relates to commitments to affiliated companies.

Payment commitments for equities, shares in private limited companies and other interests amounted to €2m (previous year: €4m) on the balance-sheet date.

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

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

(30) Letter of comfort

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

Name	Seat
BRE Bank Hipoteczny SA	Warsaw
BRE Bank SA	Warsaw
BRE Leasing Sp. z o.o.	Warsaw
Caisse Centrale de Réescompte, S.A.	Paris
CCR Actions	Paris
CCR Chevrillon-Philippe	Paris
CCR Gestion	Paris
comdirect bank Aktiengesellschaft (sub-group)	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 Advisory Management Co. Ltd.	British Virgin Islands
Commerz Asset Management (UK) plc	London
Commerz Asset Management Asia Pacific Pte Ltd.	Singapore
Commerz Equity Investments Ltd.	London
Commerz International Capital Management (Japan) Ltd.	Tokyo
Commerz Securities (Japan) Company Ltd.	Hong Kong/Tokyo
Commerzbank (Budapest) Rt.	Budapest
Commerzbank (Eurasija) SAO	Moscow
Commerzbank (Nederland) N.V.	Amsterdam
Commerzbank (South East Asia) Ltd.	Singapore
Commerzbank (Switzerland) Ltd	Zurich
Commerzbank Asset Management Asia Ltd.	Singapore
Commerzbank Belgium S.A. N.V.	Brussels
Commerzbank Capital Markets Corporation	New York
Commerzbank Europe (Ireland) Unlimited	Dublin
Commerzbank Europe Finance (Ireland) plc	Dublin
Commerzbank International S.A.	Luxembourg
Commerzbank Overseas Finance N.V.	Curaçao
CommerzLeasing und Immobilien AG (sub-group)	Düsseldorf
Erste Europäische Pfandbrief- und Kommunalkreditbank Aktiengesellschaft in Luxemburg	Luxembourg
European Bank for Fund Services GmbH (ebase)	Haar near Munich
Gracechurch TL Ltd.	London
Hypothekenbank in Essen AG	Essen
Intermarket Bank AG	Vienna
Jupiter Administration Services Limited	London
Jupiter Asset Management (Asia) Limited	Hong Kong
Jupiter Asset Management (Bermuda) Limited	Bermuda
Jupiter Asset Management Limited	London
Jupiter Asset Managers (Jersey) Limited	Jersey
Jupiter International Group plc	London
Jupiter Unit Trust Managers Limited	London

Name	Seat
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH&Co., Objekt Jupiter KG	Düsseldorf
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH&Co., Objekt Luna KG	Düsseldorf
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH&Co., Objekt Neptun KG	Düsseldorf
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH&Co., Objekt Pluto KG	Düsseldorf
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH&Co., Objekt Uranus KG	Düsseldorf
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH&Co., Objekt Venus KG	Düsseldorf
P.T. Bank Finconesia	Jakarta
Stampen S.A.	Brussels
Transfinance a.s.	Prague
Tyndall Holdings Limited	London
Tyndall International Holdings Limited	Bermuda
Tyndall Investments Limited	London
Tyndall Trust International I.O.M. Limited	Isle of Man

(31) Forward transactions

€ m		Nominal amount			Fair value	
		Remaining lifetimes				
	under	1-5	more than	total	positive	negative
31.12.2004	1 year	years	5 years			
Foreign-currency-based forward transactions						
OTC products						
Foreign-exchange forward contracts	145,476	8,712	91	154,279	3,851	4,581
Interest-rate and currency swaps	62,525	95,210	56,756	214,491	4,308	4,022
Currency call options	26,493	7,386	1,612	35,491	791	0
Currency put options	25,901	5,725	1,603	33,229	0	822
Other foreign-exchange contracts	0	0	0	–	0	0
Products traded on a stock exchange						
Currency futures	0	0	0	–	0	0
Currency options	0	0	0	–	0	0
Total	**260,395**	**117,033**	**60,062**	**437,490**	**8,950**	**9,425**
Interest-based futures transactions						
OTC products						
Forward-rate agreements	125,412	2,061	0	127,473	76	68
Interest-rate swaps (same currency)	1,092,133	1,132,039	909,365	3,133,537	55,872	56,938
Call options on interest-rate futures	18,231	43,270	33,567	95,068	2,569	0
Put options on interest-rate futures	22,270	48,108	38,441	108,819	0	2,680
Structured interest-rate products	4,528	9,707	6,519	20,754	587	604
Products traded on a stock exchange						
Interest-rate futures	51,427	3,371	2,495	57,293	54	53
Interest-rate options	72,318	3,821	5,782	81,921	0	0
Total	**1,386,319**	**1,242,377**	**996,169**	**3,624,865**	**59,158**	**60,343**
Other forward transactions						
OTC products						
Structured equity/index products	6,627	12,850	1,177	20,654	816	1,225
Equity call options	8,448	10,574	518	19,540	2,552	0
Equity put options	11,623	12,024	797	24,444	0	2,806
Credit derivatives	8,237	111,028	8,138	127,403	1,449	1,501
Precious metal contracts	0	0	0	–	0	0
Other transactions	0	0	0	–	0	0
Products traded on a stock exchange						
Equity futures	4,733	0	0	4,733	45	19
Equity options	29,069	8,887	155	38,111	1,622	1,498
Other futures	0	0	0	–	0	0
Other options	0	0	0	–	0	0
Total	**68,737**	**155,363**	**10,785**	**234,885**	**6,484**	**7,049**
Total immatured forward transactions						
OTC products	1,557,904	1,498,694	1,058,584	4,115,182	72,871	75,247
Products traded on a stock exchange	157,547	16,079	8,432	182,058	1,721	1,570
Total	**1,715,451**	**1,514,773**	**1,067,016**	**4,297,240**	**74,592**	**76,817**

The fair values shown for products traded on a stock exchange correspond to the margin/premium accounts included in Other assets/Other liabilities.

Quoted prices are used to work out the fair values of products traded on a stock exchange and normal mark-to-market methods those for OTC derivatives: the net present value method for forward transactions, Black-Scholes, Baum and Monte Carlo methods for options and transactions with a complex structure, and the Li model for credit derivatives.

(32) The Bank's staff

On average, we employed 23,668 people (previous year: 25,292) last year, who were deployed as follows:

		total		male		female	
		FT	WF	FT	WF	FT	WF
AG in Germany	**2004**	19,701	21,439	9,774	10,637	9,927	10,802
	2003	21,023	22,885	10,431	11,355	10,592	11,530
AG abroad	**2004**	2,204	2,229	1,514	1,531	690	698
	2003	2,373	2,407	1,548	1,570	825	837
AG total	**2004**	21,905	23,668	11,288	12,168	10,617	11,500
	2003	23,396	25,292	11,979	12,925	11,417	12,367

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: 55%). The figures for the workforce (WF) also cover all part-time staff. Trainees are not included in the employee figures.

		total	male	female
Trainees	**2004**	1,244	475	769
	2003	1,403	538	865

(33) Board of Managing Directors and Supervisory Board

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

	2004	2003
	€1,000	€1,000
Members of Board of Managing Directors	6,137*)	6,536
Members of Supervisory Board	1,222	520
Former members of the Board of Managing Directors and their surviving dependents	6,479	7,022
Total	**13,838**	**14,078**

*) The definitive remuneration of the Board of Managing Directors will be determined by the Presiding Committee on March 16, 2005.

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

	31.12.2004	31.12.2003
	€1,000	€1,000
Members of Board of Managing Directors	1,934	2,770
Members of Supervisory Board	1,601	1,631
Total	**3,535**	**4,401**

Advances and loans have been granted to members of the Board of Managing Directors with lifetimes ranging between until further notice and a due date of 2018 and at interest rates ranging between 3.00% and 5.00%. Collateral security is provided on a normal market scale, wherever necessary with land charges.

The loans and advances to members of the Supervisory Board – including those to employee representatives on this body – were granted with lifetimes ranging between until further notice and a due date of 2031 and at interest rates ranging between 2.64% and 12.5%. In line with market conditions, some loans were granted without collateral security, against land charges or against the assignment of credit balances and life insurances.

On December 31, 2004, provisions for pensions for present and former members of the Board of Managing Directors and their surviving dependents amounted to €65m (previous year: €58m).

(34) 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 9, 2004, to shareholders on the internet (www.commerzbank.com).

The compensation of the Board of Managing Directors and the Supervisory Board in individualized form is published for the first time in the notes to the consolidated financial statements for 2004 pursuant to section 4.2.4 of the Code.

(35) Seats on supervisory boards and similar bodies

Members of the Board of Managing Directors of Commerzbank AG

Information pursuant to Art. 285, no. 10, HGB
As of December 31, 2004

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

Klaus-Peter Müller

a) Linde AG*)
Steigenberger Hotels AG

b) Assicurazioni Generali S.p.A.*)
Parker Hannifin Corporation*)
within Commerzbank Group:
Commerzbank International S.A. (Chairman)
Commerzbank (Switzerland) Ltd (Chairman)

Martin Blessing

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

b) **within Commerzbank Group:**
COMMERZ PARTNER Beratungsgesellschaft für Vorsorge- und Finanzprodukte mbH (Chairman)

Wolfgang Hartmann

a) Vaillant GmbH
within Commerzbank Group:
Commerz Grundbesitzgesellschaft mbH (Chairman)
Commerz Grundbesitz-Investmentgesellschaft mbH (Chairman)
Commerz Grundbesitz Spezialfondsgesellschaft mbH (Chairman)
CommerzLeasing und Immobilien AG (Chairman)

Dr. Achim Kassow

a) **within Commerzbank Group:**
Commerz Service Gesellschaft für Kundenbetreuung mbH (Chairman)

Andreas de Maizière

a) ABB AG
Borgers AG
MAN AG*)
Rheinische Bodenverwaltung AG (Chairman)
RWE Power AG
Thyssen Krupp Stahl AG
within Commerzbank Group:
Hypothekenbank in Essen AG (Chairman)

b) Arenberg-Schleiden GmbH (Chairman)
BVV Versicherungsverein des Bankgewerbes a.G.
within Commerzbank Group:
Commerzbank (Eurasija) SAO (Chairman)

Klaus M. Patig

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

b) **within Commerzbank Group:**
Caisse Centrale de Réescompte S.A. (Chairman)
COMINVEST Asset Management S.A. (Chairman)
Commerzbank Capital Markets Corporation (Chairman)
Commerzbank Europe (Ireland) Unltd. (Chairman)
Commerz Asset Management (UK) plc (Chairman)
Commerz Securities (Japan) Company Ltd. (Chairman)
Jupiter International Group plc (Chairman)
Korea Exchange Bank (Non-standing director)

Dr. Eric Strutz

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

b) Banca Intesa S.p.A.*)
Mediobanca – Banca di Credito
Finanziario S.p.A.*)
within Commerzbank Group:
Commerzbank International S.A.
Erste Europäische Pfandbrief-
und Kommunalkreditbank AG

Nicholas Teller

a) Deutsche Schiffsbank AG
(Chairman)
within Commerzbank Group:
Commerzbank Auslandsbanken
Holding AG
(Chairman)
Commerz Unternehmens-
beteiligungs-AG

b) **within Commerzbank Group:**
BRE Bank SA
(Deputy chairman)

Former members of the Board of Managing Directors

Mehmet Dalman

a) Deutsche Börse AG*)

b) Tosca Limited
(Non-executive director)

Members of the Supervisory Board of Commerzbank AG

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

Dr. h.c. Martin Kohlhaussen

a) Bayer AG
Heraeus Holding GmbH
HOCHTIEF AG
(Chairman since May 2004)
Infineon Technologies AG
(Deputy chairman)
Schering AG
ThyssenKrupp AG

b) Verlagsgruppe
Georg von Holtzbrinck GmbH
Intermediate Capital Group plc

Uwe Tschäge

–

Hans-Hermann Altenschmidt

b) BVV Versorgungskasse
BVV Unterstützungskasse

Dott. Sergio Balbinot

a) **within group:**
Aachener und Münchener
Lebensversicherung AG
Aachener und Münchener
Versicherung AG
AMB Generali Holding AG

b) **within group:**
Banco Vitalicio de España,
C.A. de Seguros y Réaseguros
Europ Assistance Holding
Generali China Life
Insurance Co. Ltd.
Generali España, Holding de
Entidades de Seguros, S.A.
(Chairman)
Generali Finance B.V.
Generali France S.A.
(Deputy chairman)
Generali Holding Vienna AG
(Deputy chairman)
Generali (Schweiz) Holding
G. F. Participations, S.A.
(Chairman)
La Estrella S.A.
Migdal Insurance Co. Ltd.
Migdal Insurance Holdings Ltd.
Participatie Maatschappij
Graafschap Holland N.V.
Transocean Holding Corporation

Herbert Bludau-Hoffmann

–

Astrid Evers

–

Uwe Foullong

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

Daniel Hampel

–

Dr.-Ing. Otto Happel

a) mg technologies AG*)

*) listed company outside group (pursuant to no. 5.4.3, sentence 2, German Corporate Governance Code)

Dr. jur. Heiner Hasford

a) Europäische Reiseversicherung AG (Chairman)
MAN AG*)
Nürnberger Beteiligungs-AG*)
WMF Württembergische Metallwarenfabrik AG*)
within group:
D.A.S. Deutscher Automobil Schutz – Allgemeine Rechtsschutz-Versicherungs-AG
ERGO Versicherungsgruppe AG
VICTORIA Lebensversicherung AG
VICTORIA Versicherung AG

b) **within group:**
American Re Corporation

Sonja Kasischke

–

Wolfgang Kirsch

a) Commerz Business Consulting AG (Chairman)

b) COLLEGIUM GLASHÜTTEN Zentrum für Kommunikation GmbH

Werner Malkhoff

–

Klaus Müller-Gebel

a) comdirect bank AG (Deputy chairman)
Deutsche Schiffsbank AG
Eurohypo AG
Holsten-Brauerei AG (until May 25, 2004)

Dr. Sabine Reiner

–

Dr. Erhard Schipporeit

a) HDI V.a.G.
Talanx AG
within group:
Degussa AG
E.ON Ruhrgas AG *(formerly: Ruhrgas AG)*
VIAG Telecom AG

b) **within group:**
E.ON Audit Services GmbH (Chairman) (since March 24, 2004)
E.ON Risk Consulting GmbH (Chairman)
E.ON UK plc (since December 10, 2004)
E.ON US Investments Corp.

Prof. Dr.-Ing. Dr. h.c. Ekkehard Schulz

a) AXA Konzern AG*)
Deutsche Bahn AG
MAN AG*)
RAG AG
TUI AG*)
within group:
ThyssenKrupp Automotive AG (Chairman)
ThyssenKrupp Services AG (Chairman)
ThyssenKrupp Steel AG (Chairman)

b) **within group:**
ThyssenKrupp Budd Company

Prof. Dr. Jürgen F. Strube

a) Allianz Lebensversicherungs AG
BASF AG (Chairman)
Bayerische Motorenwerke AG
Bertelsmann AG
Fuchs Petrolab (Chairman)
Hapag-Lloyd AG
Linde AG

Dr. Klaus Sturany

a) Hannover Rückversicherungs AG*)
Heidelberger Druckmaschinen AG*)
HOCHTIEF AG*) (until May 7, 2004)
RAG AG
within group:
RWE Power AG
RWE Energy AG
RWE Umwelt AG

b) **within group:**
Österreichische Industrieholding AG
RWE Npower Holdings plc *(formerly: Innogy Holdings plc)*
RWE Thames Water plc
RWE Trading GmbH

Dr.-Ing. E.h. Heinrich Weiss

a) Deutsche Bahn AG
Ferrostaal AG (until March 15, 2004)
HOCHTIEF AG*)
Voith AG
within group:
SMS Demag AG (Chairman)

b) Thyssen-Bornemisza Group
within group:
Concast AG (Chairman)

*) listed company outside group (pursuant to no. 5.4.3, sentence 2, German Corporate Governance Code)

Employees of Commerzbank AG

Information pursuant to Art. 340a, (4), no. 1, HGB
As of December 31, 2004

Manfred Breuer
Schumag AG

Bernd Förster
SE Spezial Electronic AG

Bernd Grossmann
Textilgruppe Hof AG

Herbert Huber
Saarländische Investitionskreditbank AG

Dr. Sebastian Klein
COMINVEST Asset Management GmbH
CommerzLeasing und Immobilien AG

Dr. Renate Krümmer
Hypothekenbank in Essen AG

Klaus Kubbetat
CommerzLeasing und Immobilien AG

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

Burkhard Leffers
Goodyear Dunlop Tires Germany GmbH
Kolbenschmidt Pierburg AG

Dr. Dirk Mattes
COMMERZ PARTNER Beratungsgesellschaft für Vorsorge- und Finanzprodukte mbH
MEWA Textil-Service AG & Co. Management OHG

Wilhelm Nüse
Rasmussen GmbH

Michael Schmid
CommerzLeasing und Immobilien AG

Dr. Friedrich Schmitz
COMINVEST Asset Management GmbH

Dr. Gert Schorradt
Carmeile AG

Frank Schulz
Woba Dresden GmbH

Monika Serreck
Spielbanken Niedersachsen GmbH

Martin Zielke
COMINVEST Asset Management GmbH
Commerz Grundbesitz-Investmentgesellschaft mbH
COMMERZ PARTNER Beratungsgesellschaft für Vorsorge- und Finanzprodukte mbH
ConCardis GmbH

Former employees of Commerzbank AG

Jochen Appell
KarstadtQuelle AG

Peter Kroll
SchmidtBank AG

Dr. Rainer Wedel
JC INSITU Beteiligungsgesellschaft mbH

(36) Holdings in consolidated companies

Affiliated companies included in the consolidation

Name	Seat	Share of capital held in %	of which: indirectly in %		Equity in 1,000	Result in 1,000
Atlas-Vermögensverwaltungs-Gesellschaft mbH	Bad Homburg v.d.H.	100.0		€	691,667	– [2]
ATBRECOM Limited	London	100.0	100.0	€	284	273
BRE Bank Hipoteczny SA*)	Warsaw	100.0	100.0	Zl	154,215	10,652
TOMO Vermögensverwaltungs-gesellschaft mbH	Frankfurt am Main	100.0	100.0	€	22,778	–
Zweite Umbra Vermögensverwaltungs-gesellschaft mbH	Frankfurt am Main	100.0	100.0	€	46	–
BRE Bank SA	Warsaw	72.2		Zl	1,862,127	–278,430
BRE Leasing Sp. z o.o.	Warsaw	100.0	100.0	Zl	49,646	10,092
Intermarket Bank AG	Vienna	54.8	54.8	€	18,213	2,729
PTE Skarbiec-Emerytura SA	Warsaw	100.0	100.0	Zl	99,375	3,310 [1]
Skarbiec Asset Management Holding SA	Warsaw	100.0	100.0	Zl	82,086	9,181 [1]
Transfinance a.s.	Prague	100.0	100.0	CZK	211,909	37,432
Caisse Centrale de Réescompte, S.A.	Paris	99.5		€	171,557	35,624
CCR Actions	Paris	91.6	91.6	€	3,440	13,662
CCR Chevrillon-Philippe	Paris	87.0	87.0	€	4,119	528
CCR Gestion	Paris	100.0	100.0	€	8,389	14,004
Commerz (East Asia) Ltd.	Hong Kong	100.0		€	41,771	–116
Commerz Asset Management (UK) plc	London	100.0		£	182,342	–1,749
Jupiter International Group plc (sub-group)	London	100.0	100.0	£	210,829	31,294
Jupiter Asset Management Limited	London	100.0	100.0			
Jupiter Unit Trust Managers Limited	London	100.0	100.0			
Tyndall Holdings Limited	London	100.0	100.0			
Jupiter Administration Services Limited	London	100.0	100.0			
Tyndall Investments Limited	London	100.0	100.0			
Tyndall International Holdings Limited	Bermuda	100.0	100.0			
Jupiter Asset Management (Asia) Limited	Hong Kong	100.0	100.0			
Jupiter Asset Management (Bermuda) Limited	Bermuda	100.0	100.0			
Jupiter Asset Managers (Jersey) Limited	Jersey	100.0	100.0			
Tyndall Trust International I.O.M. Limited	Isle of Man	100.0	100.0			
Tyndall International Group Limited	Bermuda	100.0	100.0			
Lanesborough Limited	Bermuda	55.6	55.6			
NALF Holdings Limited	Bermuda	99.8	99.8			
The New Asian Property Fund Limited	Bermuda	96.8	96.8			
Commerz Asset Management Holding GmbH (sub-group)	Frankfurt am Main	100.0		€	316,840	– [2]
of which:						
COMINVEST Asset Management GmbH	Frankfurt am Main	100.0	100.0			
COMINVEST Asset Management Ltd.	Dublin	100.0	100.0			

*) Renamed: "RHEINHYP-BRE Hipoteczny SA" has become "BRE Bank Hipoteczny SA"

Affiliated companies included in the consolidation

Name	Seat	Share of capital held in %	of which: indirectly in %		Equity in 1,000	Result in 1,000
COMINVEST Asset Management S.A.	Luxembourg	100.0	100.0			
European Bank for Fund Services GmbH (ebase)	Haar near Munich	100.0	100.0			
Commerz Asset Management Asia Pacific Pte Ltd.	Singapore	100.0	100.0	S$	24,907	–390
Commerz Advisory Management Co. Ltd.	British Virgin Islands	100.0	100.0	TWD	592,360	115,839
Commerzbank Asset Management Asia Ltd.	Singapore	100.0	100.0	S$	44,569	12,658
Commerz International Capital Management (Japan) Ltd.	Tokyo	100.0	100.0	¥	477,660	–1,069
CBG Commerz Beteiligungsgesellschaft Holding mbH	Bad Homburg v.d.H.	100.0		€	6,137	– [2]
CBG Commerz Beteiligungsgesellschaft mbH	Frankfurt am Main	100.0	100.0	€	13,762	1,518
Commerz Business Consulting AG	Frankfurt am Main	100.0		€	2,024	– [2]
Commerz Equity Investments Ltd.	London	100.0		£	50,011	2,077
Commerz Grundbesitzgesellschaft mbH (sub-group)	Wiesbaden	100.0		€	128,414	17,732
Commerz Grundbesitz-Investment-gesellschaft mbH	Wiesbaden	75.0	75.0			
Commerz Grundbesitz-Spezialfonds-gesellschaft mbH	Wiesbaden	100.0	100.0			[1]
Commerz Securities (Japan) Company Ltd.	Hong Kong/Tokyo	100.0		¥	4,724,106	–879,311
Commerz Service Gesellschaft für Kundenbetreuung mbH	Quickborn	100.0		€	26	– [2]
Commerzbank (Budapest) Rt.	Budapest	100.0		Ft.	17,528,477	2,595,179
Commerzbank (Eurasija) SAO	Moscow	100.0		Rbl	3,735,106	985,253
Commerzbank (South East Asia) Ltd.	Singapore	100.0		€	24,649	9,098
Commerzbank Auslandsbanken Holding AG	Frankfurt am Main	100.0		€	1,817,166	– [2]
Commerzbank (Nederland) N.V.	Amsterdam	100.0	100.0	€	188,956	11,858
Commerzbank (Switzerland) Ltd	Zurich	100.0	100.0	sfr.	206,306	22,703
Commerzbank International S.A.	Luxembourg	100.0	100.0	€	1,203,966	49,154
Commerzbank Belgium S.A. N.V.	Brussels	100.0		€	43,483	2,386
Commerzbank Capital Markets Corporation	New York	100.0		US-$	188,074	1,979
Commerzbank Europe (Ireland) Unlimited	Dublin	44.0	4.0	€	532,284	17,978 [4]
Commerzbank Europe Finance (Ireland) plc	Dublin	100.0	100.0	€	48	1
Commerzbank Immobilien- und Vermögens-verwaltungsgesellschaft mbH	Frankfurt am Main	100.0		€	30	– [2]
Commerzbank Inlandsbanken Holding AG	Frankfurt am Main	100.0		€	2,482,491	– [2]
comdirect bank Aktiengesellschaft (sub-group)	Quickborn	58.6	58.6	€	580,433	33,722
comdirect private finance AG	Quickborn	100.0	100.0			
Commerzbank Overseas Finance N.V.	Curaçao	100.0		€	1,089	661
CommerzLeasing und Immobilien AG (sub-group)	Düsseldorf	100.0	94.5	€	86,823	37,011
ASTRIFA Mobilien-Vermietungs-gesellschaft mbH	Düsseldorf	100.0	100.0			

Affiliated companies included in the consolidation

Name	Seat	Share of capital held in %	of which: indirectly in %		Equity in 1,000	Result in 1,000
CFB Commerz Fonds Beteiligungsgesellschaft mbH	Düsseldorf	100.0	100.0			
CFB Verwaltung und Treuhand GmbH	Düsseldorf	100.0	100.0			
COBA Vermögensverwaltungsgesellschaft mbH	Düsseldorf	100.0	100.0			
CommerzImmobilien GmbH	Düsseldorf	100.0	100.0			
CommerzBaucontract GmbH	Düsseldorf	100.0	100.0			
CommerzBaumanagement GmbH	Düsseldorf	100.0	100.0			
CommerzBaumanagement GmbH und CommerzImmobilien GmbH GbR – Neubau Molegra	Düsseldorf	100.0	100.0			
CommerzLeasing Mobilien GmbH	Düsseldorf	100.0	100.0			
CommerzLeasing Auto GmbH	Düsseldorf	100.0	100.0			
CommerzLeasing Mietkauf GmbH	Düsseldorf	100.0	100.0			
ComSystems GmbH	Düsseldorf	73.0	73.0			[1]
FABA Vermietungsgesellschaft mbH	Düsseldorf	95.0	95.0			
Hansa Automobil Leasing GmbH	Hamburg	100.0	100.0			
NESTOR GVG mbH&Co. Objekt ITTAE Frankfurt KG	Düsseldorf	100.0	95.0			
NOVELLA GVG mbH	Düsseldorf	100.0	100.0			
SECUNDO GVG mbH	Düsseldorf	100.0	100.0			
CORECD Commerz Real Estate Consulting and Development GmbH	Berlin	100.0	48.8	€	999	– [2]
Erste Europäische Pfandbrief und Kommunalkreditbank Aktiengesellschaft in Luxemburg	Luxembourg	75.0		€	62,379	8,636
Gracechurch TL Ltd.	London	100.0		€	766	717
Hypothekenbank in Essen AG	Essen	51.0		€	744,875	91,000
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH&Co., Objekt Jupiter KG	Düsseldorf	100.0		€	15,506	1,880
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH&Co., Objekt Luna KG	Düsseldorf	100.0		€	1,978	301
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH&Co., Objekt Neptun KG	Düsseldorf	100.0		€	7,843	1,447
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH&Co., Objekt Pluto KG	Düsseldorf	100.0		€	640	–21,069
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH&Co., Objekt Uranus KG	Düsseldorf	100.0		€	24,073	2,532
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH&Co., Objekt Venus KG	Düsseldorf	100.0		€	11,913	1,791
P.T. Bank Finconesia	Jakarta	51.0		Rp.	188,526,000	5,632,000
Service-Center Inkasso GmbH Düsseldorf	Düsseldorf	100.0		€	125	– [2]
Stampen S.A.	Brüssel	99.4		€	11,227	116
von der Heydt-Kersten & Söhne	Wuppertal-Elberfeld	100.0		€	5,113	1,878

Associated companies included in the consolidation at equity

Name	Seat	Share of capital held in %	of which: indirectly in %		Equity in 1,000	Result in 1,000
Alon Technology Ventures Limited	British Virgin Islands	37.3	37.3	€	10,745	–4,148
Capital Investment Trust Corporation	Taipei/Taiwan	24.2	5.0	TWD	1,429,463	354,582
Commerz Unternehmensbeteiligungs-Aktiengesellschaft	Frankfurt am Main	40.0		€	115,661	6,352
COMUNITHY Immobilien AG	Düsseldorf	49.9	49.9	€	–6,294	–14,154
Deutsche Schiffsbank Aktiengesellschaft	Bremen/Hamburg	40.0	40.0	€	393,905	50,173
Eurohypo Aktiengesellschaft	Eschborn	31.8	31.8	€	5,112,119	3,107
ILV Immobilien-Leasing Verwaltungs-gesellschaft Düsseldorf mbH	Düsseldorf	50.0	47.0	€	28,124	–
KEB Commerz Investment Trust Management Co. Ltd.	Seoul	45.0		₩	31,995,818	262,145
Prospect Poland UK, L.P.	St. Helier/Jersey	39.1	1.2	US-$	4,135	–370

Other major companies not included in the consolidation

Name	Seat	Share of capital held in %	of which: indirectly in %		Equity in 1,000	Result in 1,000
ALNO Aktiengesellschaft	Pfullendorf	24.0		€	14,914	–10,683 5)
Regina Verwaltungsgesellschaft mbH	Munich	25.0	25.0	€	323,305	23,153

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

Name	Seat	Share of capital held in %	of which: indirectly in %
Al Wataniya	Casablanca	9.0	
ConCardis GmbH	Frankfurt am Main	6.0	
EURO Kartensysteme GmbH	Frankfurt am Main	6.0	
GZS Gesellschaft für Zahlungssysteme mbH	Frankfurt am Main	6.1	
Heidelberger Druckmaschinen Aktiengesellschaft	Heidelberg	10.0	6.0 **)
Korea Exchange Bank	Seoul	14.6	
Linde Aktiengesellschaft	Wiesbaden	10.0	
MAN Aktiengesellschaft	Munich	6.8	6.1 **) 5)
Unibanco – União de Bancos Brasileiros S.A.	São Paulo	5.1	2.5 **)

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

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

Name	Seat	Share of capital held in %	of which: indirectly in %	
Achte Umbra Beteiligungsgesellschaft mbH	Frankfurt am Main	100.0	100.0	
AFINA, Bufete de Socios Financieros S.A.	Madrid	47.9		4)
AFÖG Vermögensverwaltungsgesellschaft mbH	Frankfurt am Main	100.0		
ALMONDA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0	100.0	
Alternative Asset Management S.A.	Luxembourg	100.0	100.0	
AMBRESA Sp. z o.o.	Warsaw	99.7	99.7	
Beteiligungsgesellschaft für Industrie und Handel mbH	Frankfurt am Main	100.0		
BeVerwal Beteiligungs- und Verwaltungsgesellschaft mbH	Frankfurt am Main	100.0		
BMF Capital Sp. z o.o.	Warsaw	100.0	100.0	
BRE Agent Transferowy Sp. z o.o.	Warsaw	100.0	100.0	
BRE Corporate Finance SA	Warsaw	100.0	100.0	
BRE Finance France SA	Levallois Perret	100.0	100.0	
BRE International Finance B.V.	Amsterdam	100.0	100.0	
BRE Locum Sp. z o.o.	Lódz	62.0	62.0	
BREL-FIN Sp. z o.o.	Warsaw	100.0	100.0	
BRELIM Sp. z o.o.	Warsaw	100.0	100.0	
BRELINVEST Sp. z o.o.	Warsaw	100.0	100.0	
BRELINVEST Sp. z o.o. Fly 1 Sp. Komandytowa	Warsaw	99.8	99.8	
BRELINVEST Sp. z o.o. Fly 2 Sp. Komandytowa	Warsaw	99.8	99.8	
CB Building Kirchberg GmbH	Düsseldorf	100.0	6.0	
CB Lux Kirchberg GmbH	Frankfurt am Main	100.0		
Chevrillon Philippe Assurance CPA	Paris	100.0	100.0	
CCR Courtages	Paris	100.0	100.0	
Centrum Rozliczen i Informacji CERI Sp. z o.o.	Aleksandrów Lódzki	100.0	100.0	
CFM Commerz Finanz Management GmbH i.L.	Frankfurt am Main	100.0		
CGG Canada GmbH	Wiesbaden	100.0	100.0	
COLLEGIUM GLASHÜTTEN Zentrum für Kommunikation GmbH	Glashütten	100.0		2)
Commercium Vermögensverwaltungsgesellschaft m.b.H.	Hamburg	100.0		
Commerz Europe (Ireland), Inc.	Wilmington/Delaware	100.0	100.0	
Commerz Export Finance Ltd.	London	100.0		
Commerz Futures, LLC. i.L.	Wilmington/Delaware	100.0	1.0	
Commerz Grundbesitz – Gestão de Centros Comercias Sociedade Unipessoal, Lda.	Lisbon	100.0	100.0	
Commerz Keyes Avenue Properties (Pty) Ltd.	Johannesburg	100.0		
Commerz Management Services Ltd.	Dublin	100.0		
Commerz Nominees Ltd.	London	100.0		
Commerz Overseas Services Ltd.	London	100.0		
Commerz U.S. Holding, Inc.	Wilmington/Delaware	100.0		
Commerzbank International Trust (Jersey) Ltd.	St. Helier/Jersey	100.0	20.0	
Commerzbank International Trust (Singapore) Ltd.	Singapore	100.0	80.0	
Commerzbank Properties South Africa (Pty) Ltda.	Johannesburg	100.0		
Commerzbank São Paulo Serviços Ltda.	São Paulo	100.0	73.9	
Commerzbank U.S. Finance, Inc.	Wilmington/Delaware	100.0		

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

Name	Seat	Share of capital held in %	of which: indirectly in %
CommerzProjektconsult GmbH	Frankfurt am Main	100.0	100.0
Dom Inwestycyjny BRE Banku SA	Warsaw	100.0	100.0
DOMINO Projektentwicklungsgesellschaft mbH & Co Objekt Taunustor KG	Frankfurt am Main	100.0	100.0
DOMINO Projektentwicklungsgesellschaft mbH & Co Objekt Neue Mainzer Straße KG	Frankfurt am Main	100.0	100.0
dozent.it Vermögensverwaltungsgesellschaft mbH	Frankfurt am Main	100.0	
Dreizehnte Commercium Vermögensverwaltungsgesellschaft mbH	Frankfurt am Main	100.0	
Dritte Commercium Vermögensverwaltungsgesellschaft mbH	Frankfurt am Main	100.0	1.0
Dritte Umbra Vermögensverwaltungsgesellschaft mbH	Frankfurt am Main	100.0	1.0
eCard S.A.	Warsaw	53.0	53.0
Erste StorCom AG	Frankfurt am Main	100.0	
Essen Hyp Immobilien GmbH	Essen	100.0	100.0
FAMCO SA	Warsaw	100.0	100.0
FIDES Trust Company Ltd.	Luxembourg	100.0	10.0
Forum Algarve – Gestão de Centros Comercias Sociedade Unipessoal, Lda.	Lisbon	100.0	100.0
Forum Almada – Gestão de Centros Comercias Sociedade Unipessoal, Lda.	Lisbon	100.0	100.0
Forum Montijo – Gestão de Centros Comercias Sociedade Unipessoal, Lda.	Lisbon	100.0	100.0
Frega Vermögensverwaltungsgesellschaft mbH	Frankfurt am Main	100.0	
Garbary Sp. z o.o.	Poznán	100.0	100.0
Handelsgest S.A.R.L.	Luxembourg	100.0	25.0
Haus am Kai 2 O.O.O.	Moscow	100.0	100.0
Hibernia Eta Beteiligungsgesellschaft mbH	Frankfurt am Main	100.0	
Hibernia Omega Beteiligungsgesellschaft mbH	Frankfurt am Main	100.0	
Hibernia Sigma Beteiligungsgesellschaft mbH	Frankfurt am Main	100.0	
Hildegund Ltd.	London	100.0	
Immobilien Expertise GmbH	Essen	100.0	100.0
Immobiliengesellschaft Ost Hägle spol.s.r.o.	Prague	100.0	
Immobilienverwaltungs- und Vertriebsgesellschaft Villen am Glienicker Horn mbH	Berlin	100.0	
Immobilienverwaltungsgesellschaft Kampffmeyer Villa mbH	Berlin	100.0	
Indugest S.A.R.L.	Luxembourg	100.0	25.0
L.I.A. Leasinggesellschaft für Immobilien und Anlagegüter mbH (sub-group)	Düsseldorf	100.0	0.1 [2)]
LIBRA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Hannover KG	Düsseldorf	52.5	52.5
Mädler-Passage Leipzig Grundstück GmbH & Co. KG	Leipzig	87.5	
Mädler-Passage Leipzig Grundstück Verwaltung GmbH	Leipzig	88.0	
Magyar Factor Rt.	Budapest	100.0	100.0
MAX Lease S.a.r.l.	Luxembourg	99.9	99.9
MKF Sp. z o.o.	Warsaw	100.0	100.0
Neuma Vermögensverwaltungsgesellschaft mbH	Hamburg	69.0	

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

Name	Seat	Share of capital held in %	of which: indirectly in %
Optimus IC S.A.	Nowy Sacz	100.0	100.0
PENSOR Pensionsfonds AG	Mülheim an der Ruhr	51.0	
Polfactor SA	Warsaw	100.0	100.0
RAVENNA Gdansk Sp. z o.o.	Warsaw	100.0	100.0
RAVENNA Kraków Sp. z o.o.	Warsaw	100.0	100.0
RAVENNA Szczecin Sp. z o.o.	Warsaw	100.0	100.0
Regensburg Arcaden Verwaltungs-GmbH	Regensburg	100.0	100.0
Regina Finanz- und Versicherungsvermittlung GmbH	Essen	100.0	100.0
ROSEA Grundstücksvermietungsges. mbH & Co. Objekt Veldhoven KG	Düsseldorf	100.0	100.0
ROTUNDA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0	100.0
Schunk GmbH	Willich	51.0	51.0
Sechste Commercium Vermögensverwaltungsgesellschaft mbH	Frankfurt am Main	100.0	
Service Point Sp. z o.o.	Warsaw	100.0	100.0
Serwis Finansowy Sp. z o.o.	Warsaw	100.0	100.0
SKARBIEC Investment Management SA	Warsaw	100.0	100.0
SKARBIEC Serwis Finansowy Sp. z o.o.	Warsaw	100.0	100.0
SKARBIEC Towarzystwo Funduszy Inwestycyjnych SA	Warsaw	100.0	100.0
SOLTRX Solutions for financial business GmbH	Frankfurt am Main	51.0	
SOLTRX Transaction Services GmbH	Frankfurt am Main	100.0	75.0
TIGNATO Beteiligungsgesellschaft mbH & Co. Köln Turm MediaPark KG	Düsseldorf	100.0	100.0
Transfinance Slovakia AS	Bratislava	100.0	100.0
TV-Tech Investment 1 Sp. z o.o.	Warsaw	100.0	100.0
Vartimex s.r.o.	Prague	100.0	100.0
Vierte Commercium Vermögensverwaltungsgesellschaft mbH	Bad Soden a.Taunus	100.0	
Vierte Umbra Vermögensverwaltungsgesellschaft mbH	Frankfurt am Main	100.0	100.0
Wijkertunnel Beheer III B.V.	Amsterdam	100.0	
Winning Partners Limited	Hong Kong	100.0	
WST-Broker-GmbH	Frankfurt am Main	90.0	54.0
Zweite Commercium Vermögensverwaltungsgesellschaft mbH	Frankfurt am Main	100.0	1.0

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

Name	Seat	Share of capital held in %	of which: indirectly in %
ABC Gestion	Paris	30.0	30.0
Argor-Heraeus S.A.	Mendrisio	26.5	26.5
AV America Grundbesitzverwaltungsgesellschaft mbH	Frankfurt am Main	25.0	
BHG und CIMO GbR Sonninstraße	Düsseldorf	50.0	50.0
Bonitos Verwaltungs GmbH	Frankfurt am Main	50.0	
Bonitos GmbH & Co. KG	Frankfurt am Main	50.0	
BREL-MAR Sp. z o.o.	Warsaw	24.0	24.0
Clearing Bank Hannover Aktiengesellschaft i.L.	Hanover	20.0	
COMMERZ PARTNER Beratungsgesellschaft für Vorsorge- und Finanzprodukte mbH	Frankfurt am Main	50.0	
Commerzbank Aktiengesellschaft von 1870 i.L.	Hamburg	37.9	
COMPAT Immobilien GmbH	Düsseldorf	49.9	49.9
C&W Projektentwicklungsgesellschaft mbH & Co. Objekt Bad Homburg, Siemensstr. KG	Bad Homburg v.d.H.	26.0	26.0
Deutsche Gesellschaft für Immobilienanlagen „America" mbH i.L.	Bad Homburg v.d.H.	25.0	
Europartners Holding S.A.	Luxembourg	50.0	1.3
Exploitatiemaatschappij Wijkertunnel C.V.	Amsterdam	33.3	33.3
FUGA Vermietungsgesellschaft mbH	Düsseldorf	47.0	47.0
GALDANA Grundstücks-Leasinggesellschaft mbH	Düsseldorf	47.0	47.0
Gesellschaft für Kreditsicherung mbH	Berlin	26.7	
GMF German Mittelstand Fund GmbH	Frankfurt am Main	23.5	23.5
GOPA Gesellschaft für Organisation, Planung und Ausbildung mbH	Bad Homburg v.d.H.	24.8	24.8
Grundstücks-Vermietungsgesellschaft Objekt 12 GmbH	Düsseldorf	46.5	46.5
Hibernia Beta Beteiligungsgesellschaft mbH	Frankfurt am Main	28.6	
Kapelaansdijk I BV.	Amsterdam	25.0	25.0
Koppelenweg I BV	Hoevelaken	33.3	33.3
Liegenschaft Hainstraße GbR	Frankfurt am Main	50.0	50.0
LUX Leasing S.A.	Luxembourg	50.0	50.0
MAHO Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	47.0	47.0
MOLARIS Beteiligungsgesellschaft mbH & Co. Objekt Kurhaus KG	Düsseldorf	100.0	100.0 [3]
MOLSOLA Vermietungsgesellschaft mbH & Co. Objekt Aquarius KG ***)	Düsseldorf	98.5	[3]
MOLSOLA Vermietungsgesellschaft mbH & Co. Objekt Aries KG ***)	Düsseldorf	98.5	[3]
MOLSOLA Vermietungsgesellschaft mbH & Co. Objekt Geminus KG ***)	Düsseldorf	98.5	[3]
MOLSOLA Vermietungsgesellschaft mbH & Co. Objekt Halle Riegel KG ***)	Düsseldorf	99.5	[3]
MOLSOLA Vermietungsgesellschaft mbH & Co. Objekt Halle Markt 11 KG***)	Düsseldorf	98.5	[3]
MOLSOLA Vermietungsgesellschaft mbH & Co. Objekt Düsseldorf Hohe Straße KG ***)	Düsseldorf	98.5	[3]
MOLSOLA Vermietungsgesellschaft mbH & Co. Objekt Pforzheim KG ***)	Düsseldorf	98.5	[3]

***) Renamed: "Immobilien Vermietungsgesellschaft Borchert & Co." has become "MOLSOLA Vermietungsgesellschaft mbH & Co."

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

Name	Seat	Share of capital held in %	of which: indirectly in %
MOLSOLA Vermietungsgesellschaft mbH & Co. Objekt Taurus KG ***)	Düsseldorf	98.5	3)
Montrada GmbH	Bad Vilbel	50.0	
Moto Objekt CAMPEON GmbH & Co. KG	Düsseldorf	100.0	100.0 3)
MS „Meta" Stefan Patjens GmbH & Co KG	Drochtersen	30.5	30.5
Neue Krausenhöfe Berlin Erste Grundstücksgesellschaft mbH	Düsseldorf	47.4	47.4
Neue Krausenhöfe Berlin Zweite Grundstücksgesellschaft mbH	Düsseldorf	47.4	47.4
Partner Immobiliendienst GmbH	Wiesbaden	24.0	24.0
pdv.com Beratungs-GmbH	Bremen	30.0	
ProCredit Bank S.A.	Bucharest	20.0	
ProCredit Bank Sh.A.	Tirana	20.0	
Reederei MS „E.R. INDIA" Beteiligungsgesellschaft mbH & Co.KG	Hamburg	27.5	27.5
ROSARIA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Baden-Airpark KG	Düsseldorf	50.0	50.0
RVG Rondo I Verwaltungs GmbH & Co. Objekt Warsaw KG	Düsseldorf	45.0	45.0
SOMENTEC Software AG	Langen	35.7	35.7
STE TRESOFI	Paris	20.0	20.0
Tele-Tech Investment Sp. z o.o.	Warsaw	24.0	24.0
The World Markets Company GmbH i.L.	Frankfurt am Main	25.2	
Xtrade S.A.	Warsaw	24.9	24.9

***) Renamed: "Immobilien Vermietungsgesellschaft Borchert & Co." has become "MOLSOLA Vermietungsgesellschaft mbH & Co."

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

Currency translation rates
(in units for €1)

CZK	30.46400	sfr.	1.54290
Ft.	245.97000	S$	2.22620
¥	139.65000	TWD	43.29000
£	0.70505	US-$	1.36210
Rbl	37.72000	₩	1,410.05000
Rp.	12,644.00000	Zl	4.08450

Frankfurt am Main, March 1, 2005
The Board of Managing Directors

auditors' report

We have audited the financial statements, including the books of account and the management report of Commerzbank Aktiengesellschaft, Frankfurt am Main, for the business year from January 1 to December 31, 2004. The preparation and the content of the financial statements and management report according to the rules of the German Commercial Code and the supplementary regulations in the Articles of Association are the responsibility of the Company's Board of Managing Directors. Our responsibility is to express an opinion, based on our audit, on the financial statements, including the accounting, and on the management report.

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

Our audit has not led to any reservations.

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

Frankfurt am Main, March 2, 2005

PwC Deutsche Revision
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(Rausch)	(Steinrück)
Wirtschaftsprüfer	Wirtschaftsprüfer
(German public auditor)	(German public auditor)

boards of commerzbank aktiengesellschaft

Supervisory Board

Dr. Walter Seipp
Honorary Chairman

Dr. h.c. Martin Kohlhaussen
Chairman

Uwe Tschäge*)
Deputy chairman

Hans-Hermann Altenschmidt*)

Dott. Sergio Balbinot

Herbert Bludau-Hoffmann*)

Astrid Evers*)

Uwe Foullong*)

Daniel Hampel*)

Dr.-Ing. Otto Happel

Dr. jur. Heiner Hasford

Sonja Kasischke*)

Wolfgang Kirsch*)

Werner Malkhoff*)

Klaus Müller-Gebel

Dr. Sabine Reiner*)

Dr. Erhard Schipporeit

Prof. Dr.-Ing. Dr. h.c. Ekkehard Schulz

Prof. Dr. Jürgen F. Strube

Dr. Klaus Sturany

Dr.-Ing. E.h. Heinrich Weiss

Board of Managing Directors

Klaus-Peter Müller
Chairman

Martin Blessing

Mehmet Dalman
until September 30, 2004

Wolfgang Hartmann

Dr. Achim Kassow
since November 10, 2004

Andreas de Maizière

Klaus M. Patig

Dr. Eric Strutz
since April 1, 2004

Nicholas Teller

*) elected by the Bank's employees

structure of commerzbank group

Board of Managing Directors

Corporate Divisions

Group Management

Staff departments

- Accounting and Taxes
- Compliance and Security
- Corporate Communications and Economic Research
- Financial Controlling
- Group Treasury
- Human Resources
- Internal Auditing
- Legal Services
- Risk Control
- Strategy and Controlling

Retail Banking and Asset Management | **Corporate and Investment Banking**

Banking departments

Retail Banking and Asset Management:

- Asset Management
- Credit Operations Private Customers
- Private Banking
- Retail Banking

Corporate and Investment Banking:

***Mittelstand* bank**
- Corporate Banking
- Global Credit Operations

International Corporate Banking
- Financial Institutions

Corporates & Markets

Domestic and foreign branch network

Cooperation in bancassurance area

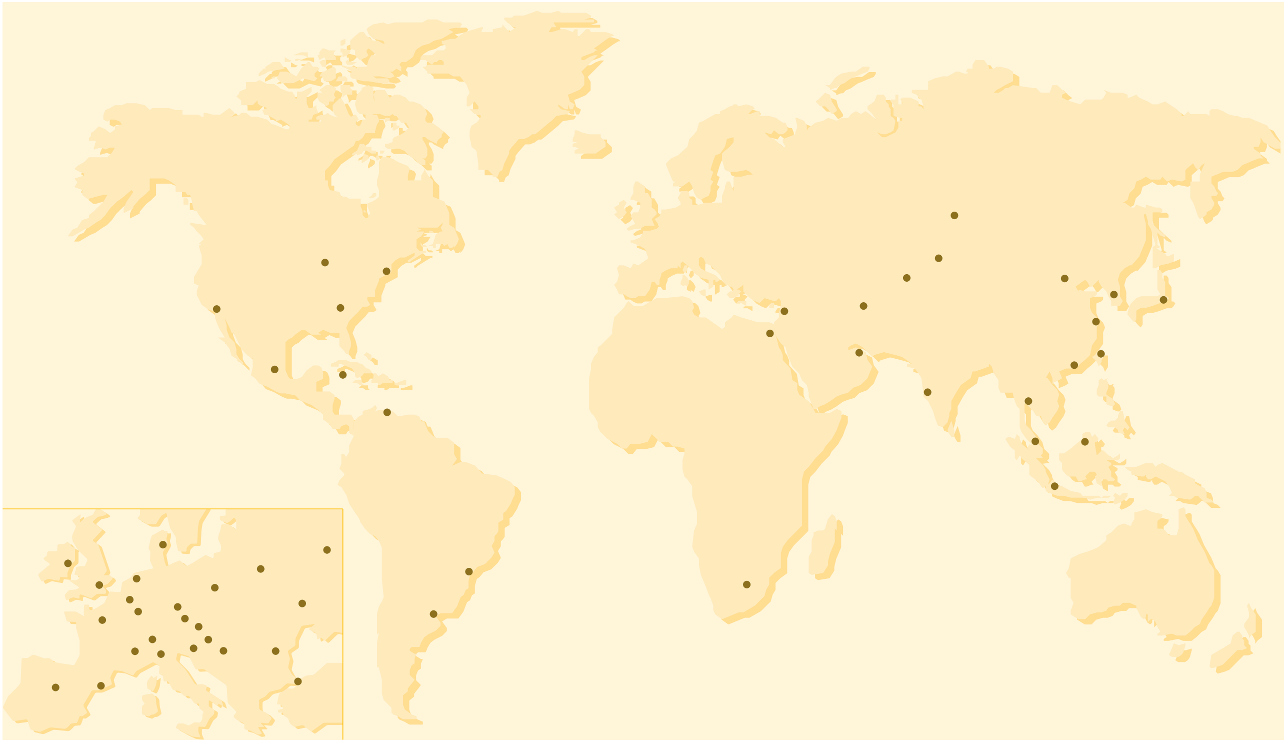
Services

Service departments

- IT Applications
- IT Production
- IT Support
- Organization
- Transaction Banking

Subsidiaries and participations in Germany and abroad

commerzbank worldwide



Major foreign holdings

BRE Bank SA, Warsaw

Caisse Centrale de Réescompte, S.A., Paris

COMINVEST Asset Management S.A., Luxembourg

Commerzbank (Budapest) Rt., Budapest

Commerzbank Capital Markets Corporation, New York

Commerzbank (Eurasija) SAO, Moscow

Commerzbank Europe (Ireland), Dublin

Commerzbank International S.A., Luxembourg

Commerzbank (Nederland) N.V., Amsterdam

Commerzbank (South East Asia) Ltd., Singapore

Commerzbank (Switzerland) Ltd, Zurich/Geneva

Commerz (East Asia) Ltd., Hong Kong

Erste Europäische Pfandbrief- und Kommunalkreditbank AG, Luxembourg

Jupiter International Group plc, London

P. T. Bank Finconesia, Jakarta

Korea Exchange Bank, Seoul

Foreign branches

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

Representative offices

Almaty · Bahrain · Bangkok · Beijing · Beirut · Belgrade · Brussels · Bucharest · Buenos Aires · Cairo · Caracas · Copenhagen · Istanbul · Jakarta · Kiev · Mexico City · Minsk · Moscow · Mumbai · Novosibirsk · São Paulo · Seoul · Taipei · Tashkent · Tehran · Zagreb

Head office

Commerzbank Aktiengesellschaft
Kaiserplatz
Frankfurt am Main
Postal address:
60261 Frankfurt
Telephone (+49 69) 136-20
Fax (+49 69) 28 53 89
info@commerzbank.com
www.commerzbank.com

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

COMMERZBANK