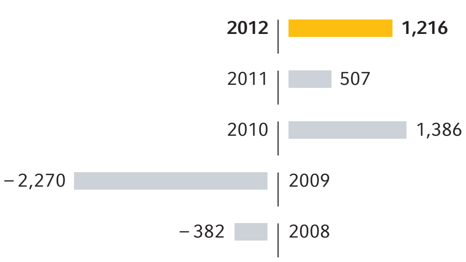
COMMERZBANK

Annual Report 2012

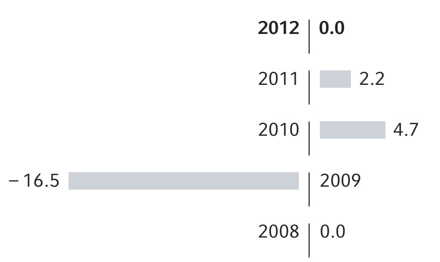
Key figures

Income statement	1.1.–31.12.2012	1.1.–31.12.2011
Operating profit (€m)	1,216	507
Operating profit per share (€)	0.18	0.15
Pre-tax profit or loss (€m)	905	507
Consolidated profit or loss[1] (€m)	6	638
Earnings per share (€)	–0.04	0.18
Operating return on equity (%)	4.1	1.7
Cost/income ratio in operating business (%)	71.0	80.8
Return on equity of consolidated profit or loss[1,2] (%)	0.0	2.2
Balance sheet	**31.12.2012**	**31.12.2011**
Total assets (€bn)	635.9	661.8
Risk-weighted assets (€bn)	208.1	236.6
Equity as shown in balance sheet (€bn)	27.0	24.8
Own funds as shown in balance sheet (€bn)	40.9	40.3
Capital ratios		
Tier I capital ratio (%)	13.1	11.1
Core Tier I capital ratio[3] (%)	12.0	9.9
Equity Tier I ratio[4] (%)	11.2	9.1
Total capital ratio (%)	17.8	15.5
Staff	**31.12.2012**	**31.12.2011**
Germany	42,857	44,474
Abroad	10,744	13,686
Total	53,601	58,160
Long/short-term rating		
Moody's Investors Service, New York	A3/P-2	A2/P-1
Standard & Poor's, New York	A/A-1[5]	A/A-1
Fitch Ratings, New York/London	A+/F1+	A+/F1+

Operating profit (€m)



Return on equity of consolidated profit or loss[1,2] (%)



[1] Insofar as attributable to Commerzbank shareholders. [2] The capital base comprises the average Group capital attributable to Commerzbank shareholders without the average revaluation reserve and the cash flow hedge reserve. [3] The core Tier I capital ratio is the ratio of core Tier I capital (ordinary shares, retained earnings and silent participations) to risk-weighted assets. [4] The equity Tier I ratio is the ratio of Tier 1 capital (core Tier I capital excluding silent participations) to risk-weighted assets. [5] Rating since February 2013 "Credit Watch Negative".

About Commerzbank

Commerzbank is one of Germany's leading banks for private and corporate customers, and a strong universal bank that combines the long-standing, successful and extensive experience of two banks with a rich heritage.

For private customers, we are a reliable partner and high-performing financial services provider. Our customers have one of the densest networks of any private-sector bank in Germany at their disposal. For small and medium-sized firms, we successfully support our customers' business activities in Germany and around the world. Our customers also benefit from the capital market know-how of our investment bank. In Germany, we offer our customers a nationwide branch network with individual advice and services. At a global level, Commerzbank has a direct presence in the major business and financial centres. We also work with several thousand correspondent banks all over the world.

Customer satisfaction is at the heart of everything we do at Commerzbank. We are fully committed to providing this, and it is the measure of our success.

Our vision

Our Bank has 143 years of tradition behind it. This tradition is both a commitment and an obligation for the future. We combine modern banking with traditional values such as fairness, trust and competence. Our aim is to reinforce our leading position in our core markets of Germany and Poland over the long term. We intend to offer our private and corporate customers the banking and capital market services they need. In the future we shall continue to support our customers as a business partner in all markets. Our business will always be founded on dealing fairly and competently with customers, investors and employees.

Our mission

The financial and sovereign debt crisis has caused lasting upheaval in the banking world. That is why we are preparing ourselves for the "new normality": tighter regulation, low interest rates and changing customer behaviour. We shall respond robustly to this paradigm shift: we are reducing risks further, optimising our capital base, pursuing a policy of strict cost management and at the same time making long-term investments in the core bank's earnings power, while rigorously orienting our business model towards the needs of our customers and the real economy.

Structure of Commerzbank Group

Board of Managing Directors

Segments

Private Customers	Mittelstandsbank	Central & Eastern Europe	Corporates & Markets	Non-Core Assets

Operating units

Private Customers
- Private Customers
- Sales Retail and Business Customers North-East
- Sales Retail and Business Customers South-West
- Sales Wealth Management
- Direct Banking
- Commerz Real

Mittelstandsbank
- Corporate Banking
- Strategy and Projects
- Sales Small and Medium Enterprises North/West
- Sales Small and Medium Enterprises South/East
- Sales Large Corporates North/West
- Sales Large Corporates South/East
- Sales Corporates International
- Financial Institutions

Central & Eastern Europe
- CEE Holding
- BRE Bank

Corporates & Markets
- Corporate Finance
- Equity Markets & Commodities
- Fixed Income & Currencies Trading
- Fixed Income & Currencies Sales
- Credit Portfolio Management
- Client Relationship Management
- Research
- London
- New York

Non-Core Assets
- CRE Germany
- CRE International
- Public Finance
- Deutsche Schiffsbank

All staff and management functions are bundled into the Group Management division.
The support functions of Group Information Technology, Group Organisation, Group Banking Operations, Group Markets Operations, Group Security, Group Services Commerzbank Excellence and Group Support are provided by the Group Services division.

COMMERZBANK

The bank at your side

› P. 2–7

Our Bank has 143 years of tradition behind it. This is both a commitment and an obligation for the future. For we are not just Germany's second-biggest bank. We don't just serve more than 15 million customers worldwide. We are more than that: we are the bank at your side. The success of our customers – private customers, family businesses, companies – inspires us, spurs us on and makes us proud, as does our confidence in the people who represent Commerzbank. Lena Kuske, manager of a Commerzbank branch in Hamburg, is one such person. Lena Kuske is a long-distance runner – and her run represents the path we have embarked on. We want to shape a new bank. A bank that unites modern technologies and traditional values.

"We are doing everything possible to regain the trust of our customers."

Martin Blessing, Chairman of the Board of Managing Directors

As we strenghten our core business…

… we are undergoing a paradigm shift. We have already taken the first steps.
The financial and sovereign debt crisis has caused upheaval in the banking world. That is why we are preparing ourselves for the "new normality" – tighter regulation, changing customer behaviour and low interest rates. We are responding to this paradigm shift by reducing risks, optimising our capital base, pursuing a policy of strict cost management and making long-term investments in the Core Bank's earnings power. We are thus reinforcing our position as a leading bank for private and corporate customers in Germany and Poland. At the same time we are creating the necessary flexibility for focused growth in our core business.

"We are paving the way by changing our business model."

Stephan Engels, CFO

"In future we will be at the disposal of our customers at any time and at any place."

Martin Zielke, Member of the Board of Managing Directors

As we want satisfied customers…

… we are shaping a modern multi-channel bank. Our customers can access all our products and services at any time, wherever they are.
One key element in our focused growth is the strategic realignment of the private customer business. This includes building a multi-channel bank and making our branch network more flexible. We aim to become even more attractive to customers. Over the next few years we wish to improve our leading position as a reliable long-term partner and sustainably increase our profitability.

"We want to improve our already strong position in foreign trade."

Markus Beumer, Member of the Board of Managing Directors

"Our customers expect constantly increasing flexibility and product quality."

Michael Reuther, Member of the Board of Managing Directors

“Reducing the portfolio releases new capital for growth initiatives.”

Ulrich Sieber, Member of the Board of Managing Directors

“The restructuring in the NCA run-off segment is bearing fruit.”

Jochen Klösges, Member of the Board of Managing Directors

As we focus on the future …

… we are investing in the earnings power of our Core Bank. At the same time we are continuing with our policy of rigorous cost management.

In order to increase our earnings power we need to invest in new products and services. €2bn has been set aside for this purpose over the next three years. In the Private Customers division we are creating a modern multi-channel bank. In Mittelstandsbank we are pressing ahead with our forward-looking business model and further expanding our market position in Germany and abroad. In the Corporates & Markets segment we are positioning ourselves even more firmly as a major niche player. In Central & Eastern Europe we are concentrating on organic growth at BRE Bank and expanding its successful universal banking model.

"We are also working to reduce our risk provisioning."

Dr. Stefan Schmittmann, CRO

"We are investing in order to increase our profitability."

Frank Annuscheit, COO

Contents

Letter from the Chairman of the Board of Managing Directors
Frankfurt am Main, March 2013

Dear shareholders,

2012 was another eventful financial year with many challenges. Much was achieved: as planned, non-strategic portfolios were wound down and risks reduced, cost management was rigorously implemented, and the Bank made further progress in strengthening its capital structure. In a persistently difficult market environment, we laid the strategic foundations for future growth and profitability. Implementing these measures rigorously will be a key goal for Commerzbank in the coming years. But let me start by looking at the financial year just passed and reminding you of some of the major events:

At the beginning of the financial year, the Bank presented a package of measures which not only allowed it to meet the capital requirements of the European Banking Authority out of its own resources, but also further strengthened our capital structure. While we were busy with this, of course, we also had to deal with the impact of the European sovereign debt crisis. In view of the persistently uncertain situation on the financial markets, in the middle of the year under review we decided to accelerate the implementation of our plans to focus on the core business and to improve our positioning further. In June, we decided to withdraw completely from financing commercial real estate and shipping. This will allow the Bank to significantly reduce its capital commitment and the need for longer-term refinancing. Given the significant weakening in the market environment and further increases in capital requirements, an even more focused allocation of resources in the areas where we see the best relationship between earnings potential and risks is necessary.

In the middle of the year we announced a strategic review of the positioning of all segments. We presented the results at an Investors' Day on 8 November 2012. In the next few years we will adapt our business model to the changing framework conditions in the financial industry and achieve a sustainable increase in our earnings power. As part of its strategic agenda, the Bank is investing in the earnings power of the core business, intensifying its rigorous cost management programme and further optimising its capital base. The key task will be to win back customer confidence. We are therefore repositioning ourselves strategically and operationally, particularly in the Private Customer segment. We will initially aim to regain this customer confidence by offering independent, objective advice and fair products and services. In future, our customers will be able to access Commerzbank's products and services at all times and in all places. To this end we are investing around €1bn in building a modern multi-channel bank and making our branch network more flexible. In the coming years we will further enhance our leading position as a long-term partner for our customers and a reliable lender in the real economy. If we wish to attain our profitability and growth objectives in persistently difficult conditions, the cost-cutting measures announced at the end of January 2013 are essential. I will inform you about our progress in implementing these plans in due course.

In accordance with its clear strategic orientation on the needs of its customers, Commerzbank has also redesigned its international brand image. The previous brand promise, "Achieving more together", has been replaced by "The bank at your side". This underlines Commerzbank's approach as a fair and competent bank which rigorously focusses on the needs of its customers. Our objective is clear. We want to create a new way of banking that unites modern technologies, innovative products and traditional values. We believe that this gives Commerzbank a competitive edge and enables us to secure and expand our position as the leading bank for private and corporate customers in Germany and Poland over the long term, even in what remains a challenging environment.

In 2012, Commerzbank's performance was affected by the persistently difficult market environment and a growing crisis of customer confidence in the banking sector. These two factors had an immediate impact. Although the measures implemented by the European Central Bank contributed to a slight recovery on the markets and in customer activity during the third quarter, the debt crisis continued to have a negative impact on the banking sector as a whole. In this environment we achieved an operating profit of €1,216m in the year under review. This is well above the previous year's figure of €507m, although the latter was affected considerably by write-downs on Greek sovereign bonds. The Core Bank achieved an operating profit of €2.6bn in the reporting period. Interest rates, which were again significantly lower compared with the prior-year period, had a noticeable impact on this year's performance. This was compounded by continuing volatility in the markets and the cautious attitude still shown by our customers. The corresponding effect on earnings was evident in all income items. We have pursued rigorous cost management in this difficult environment. Operating expenses therefore fell by nearly €1bn during the reporting period to €7bn. Despite these cost measures, the fall in earnings at the Core Bank and write-offs of deferred tax assets resulted in after-tax earnings some €640m below last year's.

Dear shareholders, the year 2013 will again not be easy in terms of the earnings it will be possible to achieve. Given the ongoing challenging conditions in the economy and the capital markets, the earnings situation will remain tough in the banking industry as a whole. But based on our strategic positioning and the growth initiatives we have introduced, we are convinced that we are well equipped to deal with these future challenges.

It only remains for me to cordially invite you to our 2013 Annual General Meeting. I look forward to welcoming you there.

Yours

Martin Blessing

Martin Blessing
Chairman of the Board of Managing Directors

The Board of Managing Directors

Frank Annuscheit

Age 50, Chief Operating Officer
Member of the Board of Managing Directors since 1.1.2008

Michael Reuther

Age 53, Corporates & Markets
Member of the Board of Managing Directors since 1.10.2006

Markus Beumer

Age 48, Mittelstandsbank
Member of the Board of Managing Directors since 1.1.2008

Dr. Stefan Schmittmann

Age 56, Chief Risk Officer
Member of the Board of Managing Directors since 1.11.2008

Martin Blessing

Age 49, Chairman
Central & Eastern Europe
Member of the Board of Managing Directors since 1.11.2001

Ulrich Sieber

Age 47, Non-Core Assets
Human Resources
Member of the Board of Managing Directors since 1.6.2009

Stephan Engels

Age 51, Chief Financial Officer
Member of the Board of Managing Directors since 1.4.2012

Martin Zielke

Age 50, Private Customers
Member of the Board of Managing Directors since 5.11.2010

Jochen Klösges

Age 48, Non-Core Assets
Member of the Board of Managing Directors since 1.6.2009

Honours and awards 2012

Focus Money
KundenKompass:
5 stars out of 5

FWW FundStars
Asset Management:
5 FWW FundStars

Dt. Institut f. Service-Qualität
1st place: Study "Regional Banks 2012" (June)

Dt. Institut f. Service-Qualität
1st place: Study "Regional Banks 2012" (October)

ServiceValue study
No. 1 in inter-regional branch network banks

Winner "Best instalment loans"

Euro am Sonntag
1st place: Study "rating dependent instalment loans"

Innovation prize
3rd place: Category "Mobile Banking"

Dt. Institut f. Service-Qualität
2nd place: Category "Conditions & branch service" (Start account)

EBRD Award
Most active Confirming Bank in 2011

EMEA Finance Achievement Award
Best supranational bond

BEB Award
Best of European Business Award

German Risk Rankings
1st place: Categories "Commodities", "Currencies"

Golden Bank
mBank: Best bank in Poland

Euromoney Magazine
BRE Bank: Best Private Banking in Poland

Global Finance Award
BRE Bank: World's Best Internet Bank (Central & Eastern Europe)

ZertifikateAwards
Special jury prize:
Innovation of the year

Winner 2012 Certificates

Scope Award
Best Issuer:
Discount Certificates

Europe Awards
Best Certificate Advisor in Germany

Certificate Advisor
DZB Best Discount
Overall winner 2012

Euro comdirect:
Germany's Best Bank
Overall winner 2012

Dt. Institut f. Service-Qualität
comdirect: 1st place
Most Popular direct bank

Winner 2012 Fairness

Scope Investment Award
Commerz Real: CFB Management Performance

Total E-Quality Award
Equal opportunities in HR

Vision Awards
Platinum: Annual Report 2011

Report of the Supervisory Board
Frankfurt am Main, 13 March 2013

Dear shareholders,

during the past financial year we advised the Board of Managing Directors on its conduct of the Bank's affairs and regularly supervised the way in which Commerzbank was managed. The Board of Managing Directors reported to us at regular intervals, promptly and extensively, in both written and verbal form, on all the main developments at the Bank, including between meetings. We received frequent and regular information on the company's business position and the economic situation of its individual business segments, on its corporate planning, on the main legal disputes, on the performance of the share price and on the strategic orientation, including risk strategy, of the Bank, and we advised the Board of Managing Directors on these topics. Between meetings I, as the Chairman of the Supervisory Board, was constantly in touch with the Board of Managing Directors and kept myself up to date with the current business progress and major business transactions within both the Bank and the Group. The Supervisory Board was involved in all decisions of major importance for the Bank, giving its approval after extensive consultation and examination wherever required.

Meetings of the Supervisory Board

In the year under review there were a total of eight Supervisory Board meetings, of which one was held as a conference call. Two full-day strategy meetings also took place: one for the employee representatives and one for the shareholder representatives.

The focus of all ordinary meetings was the Bank's current business position, which we discussed in detail with the Board. Our activities centred on consultation on the requirements of and compliance with the capital requirements of the European Banking Authority, the European sovereign debt crisis and its impact on the Bank's commitments in the GIIPS countries. Other focal points were the performance and future of Hypothekenbank Frankfurt AG (formerly "Eurohypo Aktiengesellschaft") and the Group's remuneration systems. We subjected the reports of the Board of Managing Directors to critical analysis, in some cases requesting supplementary information, which was always provided immediately and to our satisfaction.

At a special meeting on 19 January 2012 we examined the package of measures approved by the Board of Managing Directors to meet the capital requirements of the European Banking Authority and their implementation (EBA capital plan).

In the meeting on 22 February 2012 our discussions centred on the preliminary figures for the 2011 financial year and the outlook for Commerzbank for 2012. In the ensuing discussion, we satisfied ourselves that the expectations and targets presented were plausible – especially in view of the ongoing economic crisis and the related need for write-downs on asset portfolios – and reviewed various alternative courses of action. The meeting also focused on the status of the merger with Deutsche Schiffsbank AG and of the implementation of the EBA capital plan. We also dealt with the Bank's risk strategy. The Board of Managing Directors also told us about the Excellence project, which aims to improve customer focus, optimise processes and reduce the complexity of procedures in order to boost performance and service provision and thus permit growth. Another item on the agenda was the status of the negotiations with the EU on the ban on acquisitions and the requirement to sell Hypothekenbank Frankfurt AG. In addition, we approved the capital increase agreed by the Board of Managing Directors in connection with the exchange of hybrid capital instruments for shares. We also approved the sample pension agreement for serving members of the Board of Managing Directors and the amendment to the Rules of Procedure for the Board of Managing Directors.

In the accounts review meeting on 28 March 2012 we reviewed the annual financial statements and consolidated financial statements for 2011 and approved them on the Audit Committee's recommendation; we reported on this in the last annual report. We also dealt with the outcome of the negotiations with the EU on the change to the requirement to sell Hypothekenbank Frankfurt AG. In addition, we looked at the Bank's commitments in the GIIPS countries and the risk strategies for the potential exit of individual countries from the euro. We also discussed the status of implementation of the EBA capital plan. Furthermore, the Board of Managing Directors informed us about the forthcoming review of the Group's remuneration systems by the Bundesbank on behalf of BaFin and SoFFin. We also agreed to change the Articles of Association with regard to the Bank's amended share capital due to the conversion of SoFFin's silent participation into shares to maintain its stake of 25% plus one share. In addition, we agreed to renew the D&O insurance. We also approved the proposed resolutions for the agenda of the 2012 Annual General Meeting.

The meeting on 23 May 2012 was mainly devoted to preparations for the upcoming Annual General Meeting. We looked at the proceedings for the AGM and the countermotions that had been submitted. We also dealt with the intended payment of the variable remuneration of non-pay-scale employees in the form of shares. In addition, the Board of Managing Directors reported on the Bank's risk situation with a Group Risk & Capital Monitor presentation.

In the conference call on 28 June 2012 we addressed the resolutions of the Presiding Committee on the approval of the capital increase for the issue of shares to non-pay-scale employees to settle their entitlement to variable remuneration and the corresponding change to the Articles of Association. The Board of Managing Directors also informed us of the reasons behind the decision to discontinue commercial real estate financing and ship financing and wind down the portfolios. Their report also covered developments in the sovereign debt and euro crisis.

At the meeting held on 8 August 2012 the Board of Managing Directors reported to us with detailed documentation on the Bank's business performance and interim results for 2012. It also reported on the Private Customers segment. We also dealt with the impact of the sovereign debt crisis on the Bank's commitments in the GIIPS countries. Furthermore, the meeting included reports on the current status of the US investigation into business with Iran and the Bank's own review of its EURIBOR submissions and the sale of Bank Forum. We also agreed a further change to the Articles of Association with regard to the Bank's amended share capital due to the further conversion of SoFFin's silent participation into shares following the capital increase to cover the payment of bonus entitlements. Moreover, we addressed the findings of the review conducted by the supervisory authorities and SoFFin of the remuneration paid to Commerzbank's officers and to the Group's managers, and of the Group's remuneration systems. We also appointed Prof. Dr.-Ing. Hans-Peter Keitel as a member of the Nomination and Conciliation Committee and Dr. Gertrude Tumpel-Gugerell as a member of the Audit Committee to replace Prof. Dr.-Ing. Hans-Peter Keitel, who stepped down from the committee.

In our ordinary meeting of 7 November 2012 discussion centred on the report on the Bank's current business progress, including the budget for 2013 and medium-term planning to 2016. The targets for the Bank and the Group, which were based on the business figures, were presented to us and we discussed them in detail with the Board of Managing Directors. We were also informed about the sale of Bank Forum and discussed Commerzbank's business and risk strategy intensively with the Board of Managing Directors. Other topics covered at this meeting included the Bank's corporate governance; in particular, we approved the annual Declaration of Compliance with the German Corporate Governance Code pursuant to Art. 161 of the German Stock Corporation Act. We also found that in our opinion the Supervisory Board has an appropriate number of independent members and agreed the objective regarding the composition of the Supervisory Board. More details on corporate governance at Commerzbank can be found on pages 29 to 34 of this Annual Report. The meeting also looked at the reports of the Board of Managing Directors on the Private Customers and Non-Core Assets segments and at the ongoing sovereign debt crisis. Furthermore, we discussed the progress made with regard to the implementation of measures to address the findings of the review of the remuneration paid to Commerzbank's officers and to the Group's managers, and of the Group's remuneration systems, conducted by the supervisory authorities and SoFFin. In addition, in both the plenary session and in committees we carried out an efficiency review based on a detailed questionnaire and discussed the results. The anonymous survey produced a positive assessment. During the term of office we have carried out two efficiency reviews based on detailed questionnaires and had the work of the Supervisory Board evaluated by external HR consultants. The results were presented and discussed in the plenary session of the Supervisory Board meeting.

On 30 November 2012 we dealt once again with the implementation of measures to address the findings of the review of the remuneration paid to the members of the Board of Managing Directors and agreed the criteria for the 2013 Board objectives. The Board of Managing Directors also informed us about the forthcoming intra-Group transfers of the holdings in comdirect bank AG and BRE Bank SA.

In one case, a decision was taken by circular resolution due to the urgent nature of the matter in question.

In several meetings we dealt with issues relating to the Board of Managing Directors, after prior consultation with the Presiding Committee. These included in particular the sample pension agreement for serving members of the Board of Managing Directors. We also discussed and agreed the target attainment of the individual Board members for the 2012 financial year.

Committees

To ensure that it can perform its duties efficiently, the Supervisory Board has formed six committees from its members. The current composition of the committees is shown on page 22 of this Annual Report.

The Presiding Committee held eight meetings in the year under review, of which four were conducted as conference calls. Its discussions were devoted to preparing for the plenary meetings and in-depth treatment of the meeting deliberations, especially with regard to the business situation. The Presiding Committee also dealt with the exchange of various hybrid capital instruments (e.g. trust preferred securities) for share capital and with the payment of the variable remuneration of non-pay-scale employees in the form of shares and the corresponding change to the Articles of Association. Other topics included the review of the appropriateness of payments to members of the Board of Managing Directors and questions concerning the remuneration systems for the Board and for employees. In addition, the Presiding Committee looked at the servicing of hybrid equity instruments. The Presiding Committee also prepared the plenary body's resolutions and agreed to members of the Board of Managing Directors taking up mandates at other companies. Another topic was loans to employees and officers of the Bank.

The Audit Committee met a total of seven times in 2012. With the auditors attending, it discussed Commerzbank's annual financial statements, consolidated financial statements and the auditors' reports. The Audit Committee obtained the auditors' declaration of independence pursuant to Section 7.2.1. of the German Corporate Governance Code and commissioned the auditors to conduct the audit. It arranged the main points of the audit with the auditors and agreed their fee with them. Furthermore, the Audit Committee dealt with requests for the auditors to perform non-audit services; it also received regular reports on the current status and individual findings of the audit of the annual financial statements and discussed the interim reports before they were published. The work of the Bank's group audit and group compliance units also formed part of the discussions. The Audit Committee dealt in particular with the functioning of the Internal Control System (ICS), the implementation of Group-wide security measures to prevent fraud in accordance with Art. 25c of the German Banking Act and compliance with obligations under the German Money Laundering Act. The committee also discussed the implementation of requirements designed to ensure that the Bank has sufficient internal capital to cover material risks, the impact on the financial statements of the exchange of various hybrid capital instruments (e.g. trust preferred securities) for share capital, and the reviews of identity and access management, contingency planning and EURIBOR submissions. It also discussed developments in whistle-blowing cases and the auditor's report on the review of reporting obligations (Art. 9) and rules of conduct (Art. 31 ff.) under the German Securities Trading Act. In addition, the Audit Committee received information on the sovereign debt crisis and the Bank's commitments in the GIIPS countries, on changes in risk-weighted assets, total assets and capital ratios, and on compliance with the EBA capital requirements. The Audit Committee also received reports on current and forthcoming changes in supervisory law. Representatives of the auditors attended the meetings to report on their audit activities.

The Risk Committee convened four times in the previous financial year. At these meetings, it closely examined the Bank's risk situation and risk management, devoting particular attention to the further development of the risk strategy and to credit, market, liquidity and operational risks plus reputation and compliance risks. Significant individual exposures for the Bank and commitments in the GIIPS countries and the ship portfolio were discussed in detail with the Board of Managing Directors. The Risk Committee also looked at the sale of various holdings such as the holdings in Bank Forum and Promsvyazbank and the minority interests in the ProCredit banks. Other topics discussed in the meetings included the restructuring of Greece's debt and the risks in the event of eurozone collapse. The Risk Committee also considered Commerzbank's risk-bearing capacity, large exposures and loans to Commerzbank Group companies.

The Social Welfare Committee met once in the year under review, with the meeting focusing primarily on staff development, recruitment, diversity, health management and the "Women in management positions" and "Demography and life phase-oriented HR work" projects.

The Nomination Committee met twice in the year under review to discuss the proposals for the 2013 Annual General Meeting regarding the appointment of shareholders to the Supervisory Board.

The Conciliation Committee set up pursuant to Art. 27 para. 3 of the German Co-determination Act did not hold any meetings in 2012.

The chairs of the committees regularly reported on their work at plenary sessions of Supervisory Board meetings.

Members of Commerzbank's Supervisory Board are required pursuant to Art. 3 para. 6 of the Rules of Procedure of the Supervisory Board to disclose potential conflicts of interest to the Chairman of the Supervisory Board or his deputy, who will in turn consult with the Presiding Committee and disclose the conflict of interest to the Supervisory Board. No member of the Supervisory Board declared a conflict of interest within the meaning of Art. 3 para. 6 of the Rules of Procedure of the Supervisory Board. No member of the Supervisory Board or its committees took part in fewer than half of the meetings in the previous financial year.

Annual financial statements and consolidated financial statements

The auditors and Group auditors appointed by the Annual General Meeting, PricewaterhouseCoopers Aktiengesellschaft, Frankfurt am Main, audited the parent bank annual financial statements and the consolidated financial statements of Commerzbank Aktiengesellschaft and also the management reports of the parent bank and the Group, giving them their unqualified certification. The annual financial statements were prepared according to the rules of the German Commercial Code (HGB) and the consolidated financial statements according to International Financial Reporting Standards (IFRS). The financial statements and auditors' reports were sent to all members of the Supervisory Board in good time. In addition, the members of the Audit Committee also received the complete annexes and notes relating to the auditors' reports and all members of the Supervisory Board had the opportunity to inspect these documents. The Audit Committee dealt at length with the financial statements at its meeting on 12 March 2013. At our meeting to approve the financial statements held on 13 March 2013, we met as a plenary body and examined and approved the parent bank annual financial statements and the consolidated financial statements of Commerzbank Aktiengesellschaft as well as the management reports of the parent bank and the Group. The auditors attended both Audit Committee and Supervisory Board meetings, explaining the main findings of their audit and answering questions. At both meetings, the financial statements were discussed at length with the Board of Managing Directors and the representatives of the auditors.

Following the final review by the Audit Committee and our own examination, we raised no objections to the annual and consolidated financial statements and concurred with the findings of the auditors. The Supervisory Board has today approved the financial statements of the parent bank and the Group presented by the Board of Managing Directors, and the annual financial statements of the parent bank were accordingly adopted.

Changes in the Supervisory Board and the Board of Managing Directors

Dott. Sergio Balbinot stepped down from the Supervisory Board of Commerzbank at the Annual General Meeting on 23 May 2012. The Annual General Meeting appointed Dr. Gertrude Tumpel-Gugerell to replace Dott. Sergio Balbinot on the Supervisory Board for the remainder of his term of office with effect from 1 June 2012.

With the exception of the term of office of Mr Mark Roach, the term of office of the current Supervisory Board members will end at the Annual General Meeting in 2013. Mr Roach's term of office ends as soon as new Supervisory Board members have been elected by the employees, but by 31 May 2013 at the latest.

In accordance with the objectives agreed in November 2012 regarding the composition of the Supervisory Board, we have resolved to propose to the Annual General Meeting in May 2013 that the following serving shareholder representatives be reappointed to the Supervisory Board: Dr. Gertrude Tumpel-Gugerell and Dr. Nikolaus von Bomhard, Prof. Dr.-Ing. Hans- Peter Keitel, Prof. h.c. (CHN) Dr. rer. oec. Ulrich Middelmann, Mr Klaus-Peter Müller, Dr. Helmut Perlet and Dr. Marcus Schenck. We have also resolved to propose to the Annual General Meeting in May 2013 that Ms Petra Schadeberg-Herrmann, Mr Karl-Heinz Flöther and Dr. Markus Kerber, along with Dr. Roger Müller and Mr Solms U. Wittig as reserve members, be appointed to the Supervisory Board.

Dr. Eric Strutz stepped down from the Board of Managing Directors on 31 March 2012. We appointed Mr Stephan Engels to the Board of Managing Directors with effect from 1 April 2012.

We would like to thank Dott. Sergio Balbinot and Dr. Eric Strutz, who are stepping down from the Supervisory Board and the Board of Managing Directors respectively, for their especially dedicated work over many years. We would also like to thank the Board of Managing Directors and all our employees for their great personal commitment and efforts in the difficult environment that characterised 2012.

For the Supervisory Board

Klaus-Peter Müller
Chairman

Members of the Supervisory Board of Commerzbank Aktiengesellschaft

Klaus-Peter Müller

Age 68, Member of the Supervisory Board since 15.5.2008, Chairman of the Supervisory Board of Commerzbank Aktiengesellschaft

Uwe Tschäge

Age 45, Deputy Chairman of the Supervisory Board since 30.5.2003, Banking professional

Hans-Hermann Altenschmidt

Age 51, Member of the Supervisory Board since 30.5.2003, Banking professional

Dr.-Ing. Burckhard Bergmann

Age 70, Member of the Supervisory Board since 15.5.2008, Former Chairman of the Board of Managing Directors of E.ON Ruhrgas AG

Dr. Nikolaus von Bomhard

Age 56, Member of the Supervisory Board since 16.5.2009, Chairman of the Board of Managing Directors of Münchener Rückversicherungs-Gesellschaft AG

Karin van Brummelen

Age 59, Member of the Supervisory Board since 15.5.2008, Banking professional

Astrid Evers

Age 50, Member of the Supervisory Board since 30.5.2003, Banking professional

Uwe Foullong

Age 55, Member of the Supervisory Board since 1.11.1994, Trade Union Secretary to United Services Union (Vereinte Dienstleistungsgewerkschaft ver.di), Banking and business administration professional

Daniel Hampel

Age 50, Member of the Supervisory Board since 30.5.2003, Banking professional

Dr.-Ing. Otto Happel

Age 65, Member of the Supervisory Board since 7.5.1993, Entrepreneur, Luserve AG

Beate Hoffmann

Age 52, Member of the Supervisory Board since 6.11.2003, Certified Banking Specialist

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

Age 65, Member of the Supervisory Board since 15.5.2008, Vice President of the Federation of German Industries (BDI)

Alexandra Krieger

Age 42, Member of the Supervisory Board since 15.5.2008, Head Business Administration/ Corporate Strategy Industrial Union Mining, Chemical and Energy, Hanover, Certified Banking Specialist and banking professional

Dr. h. c. Edgar Meister

Age 72, Member of the Supervisory Board since 16.5.2009, Lawyer

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

Age 68, Member of the Supervisory Board since 1.4.2006, Former Deputy Chairman of the Board of Managing Directors of ThyssenKrupp AG

Dr. Helmut Perlet

Age 65, Member of the Supervisory Board since 16.5.2009, Chairman of the Supervisory Board of Allianz SE

Barbara Priester

Age 54, Member of the Supervisory Board since 15.5.2008, Banking professional

Mark Roach

Age 58, Member of the Supervisory Board since 10.1.2011, Trade Union Secretary ver.di Trade Union National Administration

Dr. Marcus Schenck

Age 47, Member of the Supervisory Board since 15.5.2008, CFO of E.ON AG

Dr. Gertrude Tumpel-Gugerell

Age 60, Member of the Supervisory Board since 1.6.2012, Former Member of the Executive Board of the European Central Bank

Committees of the Supervisory Board

Presiding Committee

- Klaus-Peter Müller, Chairman
- Hans-Hermann Altenschmidt
- Dr. h. c. Edgar Meister
- Uwe Tschäge

Audit Committee

- Dr. Helmut Perlet, Chairman
- Hans-Hermann Altenschmidt
- Karin van Brummelen
- Prof. h. c. (CHN) Dr. rer. oec. Ulrich Middelmann
- Dr. Gertrude Tumpel-Gugerell

Risk Committee

- Klaus-Peter Müller, Chairman
- Dr. h. c. Edgar Meister
- Dr. Helmut Perlet
- Dr. Marcus Schenck

Nomination Committee

- Klaus-Peter Müller, Chairman
- Dr.-Ing. Otto Happel
- Prof. Dr.-Ing. Dr.-Ing. E. h. Hans-Peter Keitel

Social Welfare Committee

- Klaus-Peter Müller, Chairman
- Dr.-Ing. Burckhard Bergmann
- Karin van Brummelen
- Astrid Evers
- Dr. h. c. Edgar Meister
- Uwe Tschäge

Conciliation Committee
(Art. 27, (3), German Co-determination Act)

- Klaus-Peter Müller, Chairman
- Hans-Hermann Altenschmidt
- Prof. Dr.-Ing. Dr.-Ing. E. h. Hans-Peter Keitel
- Uwe Tschäge

Our share

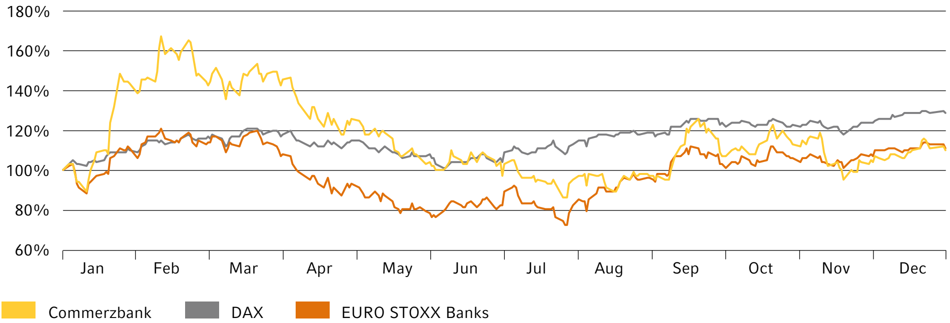
Development of equity markets and performance indices

Equity markets and performance indices did well overall in 2012. Performance, however, fell into two halves. In the first half of 2012, capital markets were hurt by disappointing economic data from the USA and China and the Moody's downgrade of Spanish Government bonds and Italian banks. In July, several Spanish regions turned to the central government for financial support. The resultant slump on stock exchanges was only stopped – and in some cases turned around – by the efforts of politicians (especially in Europe) and the European Central Bank, along with the extremely low interest rates in the major industrialised countries.

The EURO STOXX Banks index fell to its lowest level for 20 years at the end of July, largely due to the problems in the eurozone in the first half and the Libor scandal. By the end of the year, due to a considerable improvement in market sentiment in the second half, the EURO STOXX Banks index was up 12.0%. The DAX ended the year up 29.1%.

Figure 1

Commerzbank share vs. Performance indices in 2012
Daily figures, 30.12.2011 = 100



The Commerzbank share: positive performance over the full year

The year started with bank shares being held back by concerns over the sector's ongoing need for capital. It was in this environment that the Commerzbank share fell to €1.17 on 9 January 2012. On 19 January 2012, Commerzbank announced a wide-ranging package of measures to meet the European Banking Authority's capital requirements. This helped create a positive mood, as nearly all analysts had assumed that Commerzbank would need a capital increase to be able to meet the European Banking Authority's hard Core Tier I ratio of 9% by 30 June 2012 (in a simulated scenario of a partial default on European government bonds). Bank stocks (and hence also Commerzbank) were further helped by the Greek parliament's approval of the savings demanded by the European Union, which freed up the second rescue package. As a result of these developments, the share price rose by just under 90% from its low point on 9 January to €2.21 on 9 February 2012.

Securities codes	
Bearer shares	803 200
Reuters	CBKG.DE
Bloomberg	CBK GR
ISIN	DE0008032004

Commerzbank announced a further transaction to optimise its capital structure when it reported its annual results on 23 February 2012. In the course of this transaction, hybrid capital instruments, subordinated debt securities and other financial instruments with a nominal value of €965m were brought into Commerzbank as a non-cash contribution against a capital increase of roughly 7%.

In the second and third quarters, the markets for bank shares were again dominated by the ongoing uncertainty concerning the financial situation in the eurozone and the world economy. Uncertainties about the financial position of Spain and the ban imposed by the Spanish and Italian governments on short selling financials resulted in huge falls in these stocks. In this environment, the Commerzbank share fell to an annual low of €1.12 on 23 July. At its meeting on 26 July, the European Central Bank declared that it was "ready to do whatever it takes to preserve the euro". After this clear statement from its president, the bond markets in Spain and Italy eased and the prices of financial securities stabilised. Additional declarations the next day from Berlin and Paris that they would "do everything possible to protect the eurozone" marked a reversal in financial securities prices.

Indices containing the Commerzbank share
Blue chip indices
DAX
EURO STOXX Banks
Sustainability indices
ECPI Ethical EMU Equity
ECPI Ethical Euro Equity

At the beginning of September, the ECB decided to continue buying unlimited amounts of short-term government bonds, provided that the country concerned had already approached the European bailout fund and asked for assistance. This decision sent the stock markets skyrocketing and the German equity index climbed above 7,000. The Commerzbank share also recovered, reaching a quarterly high of €1.65 on 17 September after the highest German court had also declared the European Stability Mechanism (ESM) to be constitutional on 12 September. The DAX attained an annual high of 7,672 points on 12 December. At the end of the year, Commerzbank stood at €1.43, up 10.0% from the end of 2011.

Commerzbank share – key figures

No dividend will be paid for 2012. Against the backdrop of a persistently difficult market environment and tighter regulation, strengthening the capital position is our highest priority. In addition, there is once again no option of paying a dividend for 2012 because of the ban on distributions under the Accounting Law Modernisation Act.

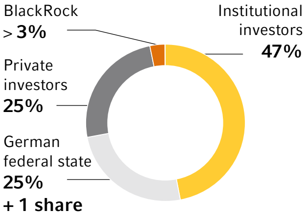
Commerzbank's market capitalisation at the end of 2012 was €8.4bn, compared with €6.7bn a year earlier. Its weighting in the DAX was 1%, putting Commerzbank in 27th place. In the European industry comparison index, EURO STOXX Banks, Commerzbank's weighting at year-end was 2.1%, placing it in 10th place. The Bank is also in the ECPI Ethical EMU Equity and ECPI Ethical Euro Equity sustainability indices; these place particular emphasis on environmental and ethical criteria alongside economic and social factors.

Table 1

Highlights of the Commerzbank share	2012	2011
Shares issued in million units (31.12.)	5,829.5	5,113.4
Xetra intraday prices[1] in €		
High	2.12	5.18
Low	1.12	1.12
Closing price (31.12.)	1.43	1.30
Daily trading volume[2] in million units		
High	210.6	176.2
Low	16.7	4.1
Average	49.1	61.8
Index weighting in % (31.12.)		
DAX	1.0	1.0
EURO STOXX Banks	2.1	2.1
Earnings per share in €	–0.04	0.18
Book value per share[3] in € (31.12.)	4.04	4.19
Net asset value per share[4] in € (31.12.)	3.79	3.94
Market value/Net asset value[1] (31.12.)	0.38	0.33

[1] For comparative purposes the share price for all periods before 8 June 2011 was adjusted for the effect of the subscription rights issued in the capital increase.
[2] Total of all German stock exchanges.
[3] Excluding silent participations and non-controlling interests.
[4] Excluding silent participations, non-controlling interests as well as cash flow hedges and less goodwill.

Shareholder structure as at 31.12.2012



IR News
www.commerzbank.com > Investor Relations

Stock exchange listings of the Commerzbank share
Germany
• Berlin
• Düsseldorf
• Frankfurt
• Hamburg
• Hanover
• Munich
• Stuttgart
• Xetra
Europe
• London
• Switzerland
North America
• Sponsored ADR (CRZBY) CUSIP: 202597308

Shareholder structure

On 31 December 2012, around 47% of all Commerzbank shares lay in the hands of institutional investors, with the rest held by our major shareholders SoFFin and BlackRock and by private shareholders, who are mainly German residents. The free float was around 75%. The proportion of shares held by investors from Germany totalled 58%, with the percentage owned by foreign investors at 42%.

Investor Relations

We communicate proactively with current and potential equity and debt investors. Our aim is to provide transparent, clear and prompt information about corporate performance so as to further strengthen confidence in Commerzbank.

In more than 300 individual and group meetings and conference calls, we took the opportunity of investor interest in Commerzbank to exchange views with our equity and bond holders about the Bank and our strategy. The Investors' Day, held on 8 November 2012, was particularly appreciated. Some 60 investors and analysts were given a deeper insight into the Commerzbank Group's strategic agenda for the coming years and its performance in 2012.

Some 30 analysts provided regular coverage of Commerzbank during 2012. However, given the persistently challenging environment for the industry, the recommendations issued on Commerzbank remained restrained overall. At the end of 2012, the percentage of buy recommendations was 11%, a decline of 16 percentage points over the previous year. Around half of analysts recommended a hold. Forty-three percent of analysts recommended selling our shares, which was higher than the previous year (38%). We also provide a range of information on our investor relations pages on the internet. We continued the dialogue with our fixed-income investors in 2012. The focus was on nondeal roadshows, i.e. individual meetings with institutional investors without the specific aim of marketing a new issue.

Commerzbank's ratings

Commerzbank has ratings from Standard & Poor's of A/A-1, Moody's A3/P-2 and Fitch A+/F1+, which are solid and comparable to the competition. In June 2012, Moody's cut its long-term and short-term ratings of Commerzbank by one notch each. This was part of a re-examination of the ratings of 114 European and 17 global financial institutions. Moody's was critical of the fact that the sovereign debt crisis had so harmed the economic conditions in Europe and banks' funding opportunities that the general trend of profitability of European banks could be expected to be negative, especially for those strongly dependent on capital markets business. Many European countries had been downgraded previously as part of the European sovereign debt crisis. In February 2013, the S&P rating of Commerzbank was put on "CreditWatch Negative".

Corporate Responsibility

› We acknowledge the principles of sound, responsible management as laid down in the German Corporate Governance Code, and meet virtually all of the recommendations and proposals it makes. Pages 29 to 34 give details of this aspect of our corporate responsibility.

› The term describes the extent to which a company is aware of its responsibilities whenever its business activities affect society, staff, the natural environment or the economic environment. We accept this responsibility, and report on it on pages 57 to 60.

Contents

Corporate governance report and declaration on corporate governance

Commerzbank has always attached great importance to corporate governance, in the sense of responsible and transparent management and control aimed at sustainable value creation. That is why we – the Supervisory Board and the Board of Managing Directors – expressly support the German Corporate Governance Code and the goals and objectives it pursues. Even at the time of publication of the German Corporate Governance Code, Commerzbank's Articles of Association and the rules of procedure for the Board of Managing Directors and Supervisory Board largely complied with its requirements. Wherever this was not yet the case, they were continuously adjusted to meet the regulations of the German Corporate Governance Code. The Articles of Association and the rules of procedure are available on the Internet.

Commerzbank's corporate governance officer is Günter Hugger, Divisional Board Member Group Legal. He is the point of contact for all corporate governance issues and has the task of advising the Board of Managing Directors and the Supervisory Board on the implementation of the German Corporate Governance Code and reporting on its implementation by the Bank.

In accordance with section 3.10 of the German Corporate Governance Code, we report below on corporate governance as practised at Commerzbank. This report also includes the declaration on corporate governance in accordance with Art. 289a of the German Commercial Code (HGB).

› German Corporate Governance Code
www.corporate-governance-code.com

› Articles of Association of Commerzbank Aktiengesellschaft
www.commerzbank.de > Investor Relations > Corporate Governance > Articles of Association

› Rules of procedure of the Board of Managing Directors
www.commerzbank.com > Group > Management > Board of Managing Directors

› Rules of procedure of the Supervisory Board
www.commerzbank.com > Group > Management > Supervisory Board

Recommendations of the German Corporate Governance Code

The Bank declares every year whether the recommendations of the Commission regarding conduct have been and are being complied with, and explains which recommendations are not being implemented and the reasons why. This declaration of compliance by the Board of Managing Directors and the Supervisory Board is published on the Commerzbank website (http://www.commerzbank.com). There is also an archive of all the declarations of compliance made since 2002. The current declaration was made on 7 November 2012.

Commerzbank complies with virtually all of the recommendations of the German Corporate Governance Code; it deviates from them in only a few points:

› Declaration of Compliance
www.commerzbank.com > Investor Relations > Corporate Governance

- Section 4.2.1 of the Code recommends that rules of procedure should regulate the activities of the Board of Managing Directors, including the allocation of responsibilities to its members. The Board of Managing Directors has adopted rules of procedure with the approval of the Supervisory Board. However, the Board of Managing Directors determines the allocation of duties among the individual Board members itself, outside of the rules of procedure. This provides it with the requisite flexibility if changes are needed, thus ensuring an efficient division of responsibilities. The Supervisory Board is informed of all changes, and is thus included in the process. The rules of procedure for the Board of Managing Directors and the specific responsibilities of the various members of the Board of Managing Directors are published on the Commerzbank website.

- In relation to the remuneration of the Board of Managing Directors, section 4.2.3 (3) sentence 3 of the Code recommends that there should be no subsequent changes to goals or the parameters for determining the variable remuneration components. In implementation of legal provisions giving the Board of Managing Directors or the Supervisory Board the opportunity to agree measures to limit variable remuneration in the event of extraordinary developments, the Commerzbank Supervisory Board is entitled to adjust the goals and other parameters for determining variable remuneration components in the case of extraordinary developments, to reasonably neutralise any positive or negative repercussions on the achievability of the goals. It is not possible to implement limiting measures as envisaged by the legal provisions when it comes to goal achievement at Commerzbank, because the predominantly mathematical basis for determining goal achievement largely excludes any adjustment. Moreover, since the assessment period for the variable remuneration component of the Board of Managing Directors lasts up to four years and the goals for this period must be determined in advance, the established method by which the Supervisory Board can adjust these goals is appropriate for this purpose.

- Section 4.2.3 of the Code recommends that any agreed payments in the event of premature termination of the contract of a member of the Board of Managing Directors due to a change of control must not exceed 150% of a severance pay cap (equal to two annual salaries, including additional benefits). The employment contract of one member of the Board of Managing Directors still contained a change of control clause without a severance pay cap pursuant to section 4.2.3 (5). This change of control clause became invalid on 31 March 2012 at the end of the term of office of the member concerned. Since then, none of the employment contracts of the members of the Board of Managing Directors has contained a change of control clause.

- According to section 5.4.6 (2) sentence 2 of the Code, where the members of the Supervisory Board are granted performance-related remuneration, this should be based on long-term corporate development. In addition to fixed remuneration, the members of the Supervisory Board of Commerzbank receive a variable bonus of €3,000 for each €0.05 of dividend in excess of a dividend of €0.10 per share distributed to shareholders for the financial year just ended. No dividend was paid to shareholders for the 2011 financial year, so no performance-related bonus was paid to the members of the Supervisory Board either. In 2013 the remuneration rules for the members of the Board of Managing Directors and the Supervisory Board are due to be thoroughly reviewed and revised if necessary.

Within the scope of their respective responsibilities, the Board of Managing Directors and Supervisory Board of Commerzbank will ensure that greater attention is paid to diversity, and particularly to efforts to achieve an appropriate degree of female representation, in the composition of the Board of Managing Directors, appointments to managerial positions at the Bank and with respect to proposals for the election of members of the Supervisory Board (sections 4.1.5, 5.1.2 and 5.4.1 of the Code), as well as the composition of other committees.

The Board of Managing Directors initiated the "Women in management positions" project in 2010. The aim is to ensure a strong management team for Commerzbank and harness all the talent available. In-depth analyses produced a detailed picture of the initial situation. Specific measures were then developed and implemented on this basis with the aim of increasing the proportion of women in management positions. The Board of Managing Directors is informed every six months of progress made in implementing these measures and changes in the number of women in management positions. The long-term, compulsory implementation of the measures is being supported by including them in the individual target agreements of senior managers. The "Women in management positions" project aims to increase the proportion of women in senior management positions.

In addition, Commerzbank is helping staff combine family life with a career by providing company-sponsored childcare and the "Comeback Plus" programme to help people return to work after parental leave. Commerzbank offers a comprehensive range of assistance with childcare, consisting of an advisory service, childcare places and childcare allowances. The "Kids & Co." day care centre in Frankfurt has been open since 1 June 2005. "Kids & Co." has a crèche (for children aged 9 weeks to 3 years), a kindergarten (age 3 to school entry), and an after-school club which was introduced in 2011. Since 2010, staff have been able to use crèches – and since 2012 also kindergartens – at a total of 20 different childcare facilities throughout Germany. Commerzbank Aktiengesellschaft makes a significant financial commitment to supporting these arrangements, and currently offers a total of around 280 childcare places. The aim is to increase this to 340 places by the end of 2013. Emergency childcare is also available at various sites throughout the country.

Section 5.4.1 (2) of the Code recommends that the Supervisory Board should set concrete objectives regarding its composition which, whilst taking into consideration the specific situation at the company, take into account the international activities of the company, potential conflicts of interest, the number of independent members of the Supervisory Board pursuant to section 5.4.2 of the Code, a specified age limit for members of the Supervisory Board and diversity. These concrete objectives should, in particular, stipulate an appropriate degree of female representation. The Supervisory Board of Commerzbank has approved the following concrete objectives:

- Maintaining the proportion of women on the Supervisory Board at 30% or more, on condition that the current proportion of female employee representatives is also maintained in the future.
- Retaining at least one international representative.
- Appointing members with expertise and knowledge of the Bank.
- Appointing members with particular knowledge and experience of the application of accounting principles and internal control procedures.
- Avoiding potential conflicts of interest.
- Ensuring that there are always at least eight independent members of the Supervisory Board elected by the Annual General Meeting pursuant to section 5.4.2 of the Code.
- Complying with the age limit of 72 years.

The Supervisory Board of Commerzbank consists of 20 members, including one international representative and six women – including the international representative – at present. The members of the Supervisory Board will be newly appointed at the Annual General Meeting in 2013. The Supervisory Board has complied with the above-mentioned objectives in suggesting nominations to the Annual General Meeting. The nominations are listed in the Report of the Supervisory Board on pages 14 to 19.

› **Report of the Supervisory Board**
Page 14 ff.

Suggestions of the German Corporate Governance Code

Commerzbank also largely complies with the suggestions of the German Corporate Governance Code, deviating from them in only a few points:

- In derogation of section 2.3.3, the proxy can only be reached up to the day prior to the Annual General Meeting. However, shareholders present or represented at the Annual General Meeting are able to give their proxy instructions at the meeting itself as well.
- In section 2.3.4, it is suggested that the Annual General Meeting be broadcast in its entirety on the Internet. Commerzbank broadcasts the speeches of the Chairman of the Supervisory Board and the Chairman of the Board of Managing Directors, but not the general debate. For one thing, a complete broadcast seems inappropriate given the length of annual general meetings; for another, a speaker's personal rights have to be considered.

Board of Managing Directors

The Commerzbank Board of Managing Directors is responsible for independently managing the Bank in the Bank's best interest. In so doing, it must take into account the interests of shareholders, customers, employees and other stakeholders, with the objective of sustainable value creation. It develops the company's strategy, agrees it with the Supervisory Board and ensures its implementation. In addition, it sees that efficient risk management and risk control measures are in place. The Board of Managing Directors conducts Commerzbank's business activities in accordance with the law, the Articles of Association, its rules of procedure, internal guidelines and the relevant employment contracts. It cooperates on a basis of trust with Commerzbank's other corporate bodies and with employee representatives.

› **Responsibilities of the Board of Managing Directors**
Page 12

› **Remuneration Report**
Page 35 ff.

The composition of the Board of Managing Directors and the responsibilities of its individual members are presented on page 12 of this Annual Report. The work of the Board of Managing Directors is specified in greater detail in its rules of procedure, which may be viewed on Commerzbank's website at http://www.commerzbank.com.

Extensive details of the remuneration paid to the members of the Board of Managing Directors are given in the Remuneration Report on pages 35 to 45.

Supervisory Board

The Supervisory Board advises and supervises the Board of Managing Directors in its management of the Bank. It appoints and dismisses members of the Board of Managing Directors and, together with the Board of Managing Directors, ensures that there is long-term succession planning. The Supervisory Board conducts its business activities in accordance with legal requirements, the Articles of Association and its rules of procedure; it cooperates closely and on a basis of trust with the Board of Managing Directors.

The composition of the Supervisory Board and its committees is presented on pages 20 to 22 of this Annual Report. Information on the work of this body, its structure and its control function is provided by the report of the Supervisory Board on pages 14 to 19. Further details of how the Supervisory Board and its committees conduct their work are set out in the rules of procedure of the Supervisory Board, which may be viewed on Commerzbank's website at http://www.commerzbank.com.

› Members of the Supervisory Board of Commerzbank Aktiengesellschaft
Page 20 ff.

› Report of the Supervisory Board
Page 14 ff.

The Supervisory Board examines the efficiency of its activities every two years by means of a detailed questionnaire. In 2012, an efficiency audit was performed by means of a detailed questionnaire. The result of the audit was very positive. Suggestions from members of the Supervisory Board are taken into account for future activities.

Pursuant to Art. 3 (6) of the rules of procedure of the Supervisory Board, each member of the Supervisory Board must disclose any conflicts of interest. No member of the Supervisory Board disclosed a conflict of interest pursuant to section 5.5.2 of the German Corporate Governance Code in the year under review.

Details of the remuneration paid to the members of the Supervisory Board are given in the Remuneration Report on pages 45 to 47.

› Remuneration Report
Page 45 ff.

Accounting

Accounting at the Commerzbank Group gives a true and fair view of the net assets, financial position and earnings performance of the Group. It applies International Financial Reporting Standards (IFRS), while the parent company financial statements of Commerzbank Aktiengesellschaft are prepared under the rules of the German Commercial Code (HGB). The consolidated financial statements and the financial statements of the parent bank are prepared by the Board of Managing Directors and approved or adopted by the Supervisory Board. The audit is performed by the auditor elected by the Annual General Meeting.

The annual financial statements also include a detailed risk report, providing information on the Bank's responsible handling of the various types of risk. This appears on pages 131 to 178 of this annual report.

› Group Risk Report
Page 131 ff.

Shareholders and third parties receive additional information on the course of business during the financial year in the form of the semi-annual report as well as in two quarterly reports. These interim reports are also prepared in accordance with applicable international accounting standards.

Shareholder relations, transparency and communication

The Annual General Meeting of shareholders takes place once a year. It decides upon the appropriation of distributable profit (as reported) and approves the actions of the Board of Managing Directors and the Supervisory Board, the appointment of the auditors and any amendments to the Articles of Association. If necessary, it authorises the Board of Managing Directors to undertake capital-raising measures and approves the signing of profit-and-loss transfer agreements. Each share entitles the holder to one vote.

In 2010 the Board of Managing Directors and the Supervisory Board, as is permitted under Art. 120 (4) of the German Stock Corporation Act, gave the Annual General Meeting the opportunity to vote on the approval of the remuneration system for members of the Board of Managing Directors. The 2010 Annual General Meeting approved the principles of the variable remuneration system and fixed basic annual salary for members of the Board of Managing Directors.

The Bank's shareholders may submit recommendations or other statements by letter or e-mail, or may present them in person. The Bank's head-office quality management unit is responsible for dealing with written communication. At the Annual General Meeting, the Board of Managing Directors or the Supervisory Board comment or reply directly. At the same time, shareholders may influence the course of the Annual General Meeting by means of counter-motions or supplementary motions to the agenda. Shareholders may also apply for an Extraordinary General Meeting to be convened. The reports and documents required by law for the Annual General Meeting, including the annual report, may be downloaded from the internet, and the same applies to the agenda for the Annual General Meeting and any counter-motions or supplementary motions.

› **IR news**
www.commerzbank.com > Investor Relations > Publications and events

Commerzbank informs the public – and consequently shareholders as well – about the Bank's financial position and earnings performance four times a year. Corporate news items that may affect the share price are also published in the form of ad hoc releases. This ensures that all shareholders are treated equally. The Board of Managing Directors reports on the annual financial statements and the quarterly results in press conferences and analysts' meetings. Commerzbank increasingly uses the possibilities offered by the internet for reporting purposes, offering a wealth of information about the Commerzbank Group at www.commerzbank.com. The financial calendar for the current and the forthcoming year is also published in the annual report and on the internet. This contains the dates of all significant financial communications and the date of the Annual General Meeting.

We feel an obligation to communicate openly and transparently with our shareholders and all other stakeholders. We intend to continue to meet this obligation in the future as well.

Remuneration Report

The following Remuneration Report is also part of the Management Report.

This report follows the recommendations of the German Corporate Governance Code and complies with the requirements of IFRS.

Board of Managing Directors

Main features of the remuneration system

The new remuneration system, in place since 1 January 2010, includes a fixed basic annual salary plus a Short Term Incentive (STI) and a Long Term Incentive (LTI) as variable remuneration components. The Annual General Meeting in 2010 approved the main features of variable remuneration and the fixed basic annual salary of members of the Board of Managing Directors pursuant to Art. 120 (4) of the German Companies Act (AktG).

On 9 August 2011, the Supervisory Board resolved to amend this system to meet the requirements of the Banking Remuneration Regulation (Instituts-Vergütungsverordnung). The amendment was sub-sequently implemented at a contractual level.

In addition, at the end of 2011/beginning of 2012, the Supervisory Board decided to amend the pension arrangements for the members of the Board of Managing Directors. In particular, the new provisions contain a contribution-based defined benefit scheme. Pension entitlement also now normally begins on the employee reaching the age of 65 instead of 62. The new pension contracts have been signed by all members of the Board of Managing Directors. The agreement originally reached with SoFFin for 2008 and 2009, which limits monetary remuneration for members of the Board of Managing Directors to €500,000 gross per member per year for their work for the Group (the SoFFin cap), remains in place for 2010 and 2011. Once the German Restructuring Act (Restrukturierungsgesetz) had come into effect in 2011, the legal duty to continue this cap ceased to exist, as the Bank had repaid more than half the recapitalisation amount. No SoFFin cap applied to 2012.

Fixed remuneration components (fixed basic annual salary)

The fixed remuneration components include the basic annual salary and non-monetary elements.

The fixed basic annual salary, which is paid in equal monthly amounts, is €750,000[1]. The appropriateness of the fixed basic annual salary is checked at regular two-year intervals.

The non-monetary elements mainly consist of the use of a company car with driver, security measures and insurance contributions (accident insurance), as well as tax and social security contributions thereon.

Performance-related remuneration (variable remuneration)

The remuneration system includes performance-related variable remuneration components in the form of a Short Term Incentive worth €400,000 in total per member and a Long Term Incentive worth €600,000 in total per member. The target value of the variable salary com-

[1] The fixed basic annual salary for the Chairman of the Board of Managing Directors is €1,312,500.

ponents for a member of the Board of Managing Directors therefore totals €1m. The maximum goal achievement is 200%, which totals €800,000 for the Short Term Incentive and €1,200,000 for the Long Term Incentive[1]. The minimum total value is €0 in each case.

Short Term Incentive (STI) The STI runs for one year. It consists of two equally weighted components: one linked to the STI performance component and one based on the economic value added (EVA)[2]. Entitlement to receive a payment for the STI is suspended pending the approval of the annual financial statements for the year in question and confirmation of the achievement of the STI goals for the member of the Board of Managing Directors by the Supervisory Board. Thereafter, 50% of the STI payments fall due and are payable in cash, with the remaining 50% payable in Commerzbank shares (or a cash sum based on the value of the shares) at the end of a further 12-month waiting period. The over-all STI target is €400,000, and the targets for the individual components are €200,000 each. Goal achievement can in principle vary between 0% and 200%.

› **STI EVA component** For the STI EVA component, the Supervisory Board sets a target amount for the Group EVA after tax prior to the beginning of the financial year; this amount corresponds to a goal achievement of 100%. It also stipulates the EVA values which correspond to goal achievement of 0% and 200%. As a rule, investors' capital is incorporated into the basis for calculating EVA.

› **STI performance component** The individual performance of each member of the Board of Managing Directors is assessed from an overall perspective using criteria determined by the Supervisory Board prior to the beginning of the financial year in question.

Long Term Incentive (LTI) The LTI runs for four years. It consists of two equally weighted components: one linked to economic value added (EVA) (the LTI EVA component) and the other based on stock performance (the LTI equity component). Entitlement to receive a payment for the LTI is suspended pending the approval of the annual financial statements for the final year of the four-year term of the LTI in question and confirmation of the achievement of the LTI goals by the Supervisory Board. Thereafter, 50% of the LTI payments fall due and are payable in cash, with the remaining 50% payable in Commerzbank shares (or a cash sum based on the value of the shares) at the end of a further 12-month waiting period. The over-all LTI target is €600,000, and the targets for the individual components are €300,000 each. Goal achievement can range between 0% and 200%; each of the two components can therefore range between €0 and €600,000. The provisional LTI payout sum of both LTI components will be increased or reduced by half the percentage by which the goals for the STI performance component are over- or underachieved in the first year of the four-year LTI term (goal achievement = 100%). This adjustment cannot exceed ±20% of the original target for the LTI components. A prerequisite for the LTI is that the individual member of the Board of Managing Directors makes a long-term personal investment in Commerzbank shares of €350,000. Up until the personal investment target has been reached, 50% of net payments from the LTI must be invested in Commerzbank shares.

[1] The target values for the Chairman of the Board of Managing Directors are 1.75 times the amounts specified.
[2] EVA is the consolidated surplus after tax and non-controlling interests less the Bank's capital costs (product of investors' capital excluding minority interests and capital cost rate after tax).

› **LTI equity component** The provisional payout sum of the LTI equity component is calculated based firstly on the relative total shareholder return (TSR) performance of Commerzbank (compared with the TSR performance of other banks in the Dow Jones EURO STOXX Banks Index) and secondly on the absolute price performance of Commerzbank shares. Prior to the commencement of the LTI term, the Supervisory Board specifies the number of Commerzbank shares that the member of the Board of Managing Directors will receive upon 100% goal achievement following the end of the four-year LTI term. The Board also defines which TSR-related ranking of Commerzbank (compared with the other relevant banks) corresponds to which goal achievements. The relative TSR performance thus determines the number of virtually assigned shares; the absolute price performance of Commerzbank shares during the LTI term determines their value, which can be paid out in cash in place of a transfer of shares.

› **LTI EVA component** The target figures of the EVA-based LTI component are set by the Supervisory Board in advance for the entire LTI term and may differ for the individual years over the term. The Supervisory Board also determines which EVA amounts correspond to which goal achievements. The goal achievement is set each year during the four-year LTI term; as a rule, the goal achievement for the individual years can lie between −100% and +200% from 2012 onwards. After the end of the four-year LTI term, the Supervisory Board determines average goal achievement, which can range between 0% and 200%, and the resulting provisional payout sum.

In the event of exceptional developments that may have a considerable impact on the achievability of the STI or LTI target figures, the Supervisory Board can neutralise any positive or negative impact by adjusting the targets.

Long-Term Performance Plans Members of the Board of Managing Directors and other executives and selected staff of the Group used to be able to participate in long-term performance plans (LTPs). The last time an LTP was offered was 2008, although the members of the Board of Directors had al-ready deregistered all their shares acquired under the 2008 LTP in February 2009. Therefore, the only plan still running in 2012 was the 2007 LTP, which expired in 2012 without a payout.

Remuneration of the Chairman of the Board of Managing Directors
The fixed basic annual salary and the target figures for the variable remuneration components for the Chairman of the Board of Managing Directors are set at 1.75 times the amounts specified for members of the Board.

Remuneration for serving on the boards of consolidated companies
The remuneration accruing to an individual member of the Board of Managing Directors from serving on the boards of consolidated companies counts towards the total remuneration paid to that member of the Board of Managing Directors. Any offsetting takes place on the designated payment date following the Annual General Meeting that approves the financial statements for the financial year in which the member of the Board of Managing Directors received payments arising from Group mandates.

In the past, remuneration for serving on the boards of consolidated companies paid in any given financial year counted in full against the SoFFin cap of the previous year. For this reason, this remuneration is allocated to the previous year in the table under “Summary”. If the remuneration for serving on the boards of consolidated companies resulted in a member of the Board of Managing Directors receiving total monetary remuneration in excess of €500,000, it was transferred to Commerzbank.

Pensions

In 2011, the Supervisory Board decided to adopt a new occupational pension scheme for members of the Board of Managing Directors. The new provisions now contain a contribution-based defined benefit scheme.

Under the new modular system, each member of the Board of Managing Directors is assigned an initial module for the time served on the Bank’s Board of Managing Directors prior to the conversion date of 1 January 2011. This module is posted to a pension account. In the time between the conversion date and the end of the appointment as a member of the Bank’s Board of Managing Directors, the initial module is automatically adjusted.

For the period between the conversion date and the end of the appointment as a member of the Bank’s Board of Managing Directors, a pension module is credited to the pension account each year. The pension module for a calendar year is calculated by converting the relevant annual contribution into an entitlement to a retirement, disability and surviving dependants’ pension using a conversion table. When the new compensation system was introduced in 2010, the level of pension benefits was not adjusted. When the new pension scheme was introduced in 2011, the initial module and the pension modules were set so as to achieve equivalence to the commitments previously made to the members of the Board of Managing Directors.

Specifically, the member of the Board of Managing Directors is entitled to receive pension benefits in the form of a life-long pension when one of the following pensions is due:

- a retirement pension if employment ends on or after the Board member reaches the age of 65, or
- an early retirement pension if employment ends on or after the Board member reaches the age of 62, or after the Board member has served at least 10 years on the Board of Managing Directors and has reached the age of 58, or has served at least 15 years on the Board of Managing Directors, or
- a disability pension if the Board member is permanently unable to work.

The monthly amount of the retirement pension is calculated as a twelfth of the amount in the pension account when the pension benefits start.

When calculating the early retirement pension, the pension will be reduced to reflect the fact that the payments are starting earlier.

If the disability pension is taken before the age of 55, the monthly amount is supplemented by an additional amount.

Instead of an ongoing pension, members of the Board of Managing Directors can elect to receive a lump-sum payment or nine annual instalments if they retire after reaching the age of 62. In this case, the amount paid out is calculated using a capitalisation rate based on the age of the Board member.

Instead of their pension, members of the Board of Managing Directors will continue to receive their pro-rata basic salary for six months as a form of transitional pay if they leave the Board on or after celebrating their 62nd birthday or they are permanently unable to work. If a member of the Board receives an early retirement pension before reaching the age of 62, half of any income received from other activities will be set off against the pension entitlements.

As under the previous scheme, the widow's pension amounts to 66⅔% of the pension entitlement of the member of the Board of Managing Directors. If no widow's pension is paid, minors or children still in full-time education are entitled to an orphan's pension amounting to 25% each of the pension entitlement of the member of the Board of Managing Directors, subject to a maximum overall limit of the widow's pension.

The pension agreement for newly appointed members of the Board of Managing Directors was defined according to the Commerzbank capital plan and was approved by the Supervisory Board on 2 December 2011. Under this agreement, a retirement pension in the form of a capital payment is paid out if the member of the Board of Managing Directors leaves the Bank:

- on or after their 65th birthday (retirement capital),
- on or after their 62nd birthday (early retirement capital) or
- before their 62nd birthday because they are permanently unable to work.

For each calendar year during the current employment relationship until pension benefits start to be paid out, each member of the Board of Managing Directors is credited an annual module equating to 40% of the fixed basic annual salary (annual contribution), multiplied by an age-dependent conversion factor. Until the member of the Board of Managing Directors leaves the Bank, the annual modules are managed in a pension account. Upon reaching their 61st birthday, an additional 2.5% of the amount in the pension account at 31 December of the previous year is credited to the member of the Board of Managing Directors on an annual basis until the pension benefits start to be paid out.

A portion of the annual contribution – determined by the age of the member of the Board of Managing Directors – is placed in investment funds and maintained in a virtual custody account for the Board member.

The retirement capital or the early retirement capital will correspond to the amount in the virtual custody account or the amount in the pension account when the pension benefits start to be paid out, whichever is higher.

For the first two months after the pension benefits become due, the member of the Board of Managing Directors will receive transitional pay of one twelfth of their fixed basic annual salary per month.

If a member of the Board of Managing Directors dies before the pension benefits become due, their dependants are entitled to receive the dependants' capital, which corresponds to the amount in the virtual custody account on the value date or the sum of the amount in the pension account and any additional amount, whichever is higher. An additional amount is payable if, at the time when pension benefits became due through inability to work or at the time of death, the Board member had served at least five consecutive years on the Bank's Board of Managing Directors and had not yet reached their 55th birthday.

The following table shows for active members of the Board of Directors the annual pension entitlements at pensionable age of 62 on 31 December 2012, the actuarial net present values on 31 December 2012 and the interest rate-adjusted changes in the settlement amounts for 2012:

Table 2

€1,000	Pension entitlements Projected annual pension at pension-able age of 62 As at 31.12.2012	Cash value of pension entitlements As at 31.12.2012	Working time expenses
Martin Blessing	240	4,407	371
Frank Annuscheit	107	1,872	332
Markus Beumer	99	1,678	302
Stephan Engels	18[1]	244	244[2]
Jochen Klösges	83	1,346	324
Michael Reuther	140	2,677	377
Dr. Stefan Schmittmann	135	2,586	533
Ulrich Sieber	79	1,275	308
Martin Zielke	67	1,061	395
Total		**17,146**	**3,186**

[1] Annuitised.
[2] Pro-rate for nine months.

The assets backing these pension obligations have been transferred under a contractual trust arrangement to Commerzbank Pension-Trust e. V.

As at 31 December 2012, pension obligations (defined benefit obligations) for members of the Commerzbank Aktiengesellschaft Board of Managing Directors active on the reporting date amounted to a total of €17.1m (previous year: €11.8m; see table detailing individual entitlements). After deduction of plan assets transferred and after allowing for actuarial gains and losses, the asset surplus in respect of active members of the Board of Managing Directors amounted to €0.1m on 31 December 2012 (previous year: provisions for pension obligations amounted to €0.2m).

Change of control

The remuneration system for the Board of Managing Directors introduced in 2010 contains no change of control clauses. Only one member of the Board of Managing Directors still has an employment contract that contains a change of control clause. This expired at the end of the current term of office of the Board member concerned on 31 March 2012.

Other regulations

If appointment to the Board of Managing Directors ends prematurely, the employment contract usually expires six months after the Board member's appointment ends (linking clause). In this case, the Board member continues to receive the fixed basic annual salary, STIs and LTIs – subject to Art. 615 (2) of the German Civil Code – until the end of the original term of office, but the maximum total amount is capped at two years' annual remuneration.

If the contract of employment is not extended upon expiry of the current term of office, without there being good cause in accordance with Art. 626 of the German Civil Code, or if the contract of employment ends as a result of a linking clause as described above, the Board member will also continue to receive his or her fixed basic salary for a period of six months after the end of the original term of office (transitional pay). This continuation of salary ceases as soon as the Board member starts to receive pension payments.

If the contract of employment is terminated for reasons other than the linking clause described above, the fixed basic annual salary will continue to be paid – on a pro-rata basis where applicable – until the end of the contract of employment. The STIs and LTIs awarded for financial years prior to the termination of the contract of employment remain unaffected. The STI and LTI payments for the final year in office, to be determined at the end of the term, are reduced on a pro-rata basis.

If the Bank terminates the term in office prematurely or does not extend the appointment at the end of the term in office due to circumstances that fulfil the requirements of Art. 626 of the German Civil Code, there is no longer any entitlement to STIs and LTIs awarded for the financial year in which the term of office was terminated.

Any amounts paid for the time after the effective termination of the term of office may not exceed two years' annual remuneration (cap). Payments relating to STIs and LTIs awarded for the financial year in which the term of office was terminated also count towards the cap on a pro-rata basis.

No members of the Board of Managing Directors received payments or promises of payment from third parties in the past financial year in respect of their work as a member of the Board of Managing Directors; the same applies to payments or promises of payment from companies with which the Commerzbank Group has a significant business relationship.

Summary

The agreement originally reached with SoFFin for 2008 and 2009, which limits monetary remuneration for members of the Board of Managing Directors to €500,000 gross per member per year for their work for the Group, remained in place for 2010 and 2011. Once the German Restructuring Act (Restrukturierungsgesetz) had come into effect in 2011, the legal duty to continue this cap ceased to exist, as the Bank had repaid more than half the recapitalisation amount. No SoFFin cap applied to 2012.

For a better overall understanding of the Board of Directors' remuneration, the following table shows the average total monetary remuneration of a member of the Board of Managing Directors (excluding the Chairman) in 2012 (short-term and actually expected long-term remuneration excluding non-monetary elements and in particular compensation payments) as well as the corresponding average amounts for 2005 to 2007 (excluding SoFFin cap) and for 2008 to 2011 (cap for monetary remuneration of €500,000 p.a.). The table shows that the annual remuneration of members of the Board of Managing Directors in 2012 at 100% goal achievement would be about €150,000 below the average remuneration in 2005 to 2007.

Figure 2

Average annual remuneration of a member of the Board of Managing Directors (excluding the Chairman)
€1,000

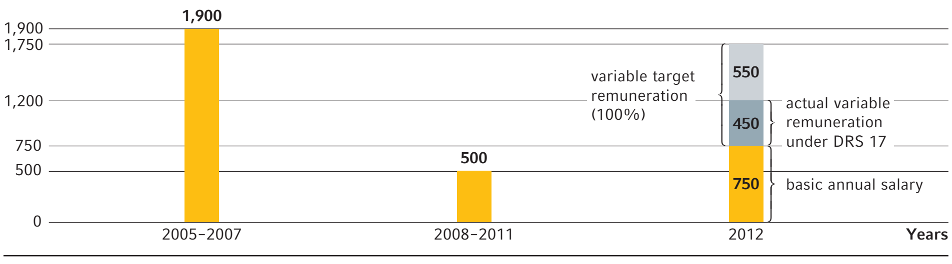


Table 3

Remuneration of the individual members of the Board of Managing Directors for 2012 and in comparison with 2011

		Fixed components				Performance-related components short-term incentive (STI)			
€1,000		Basic salary	Remuneration for serving as a director[2]	Offsetting of payments arising from Group mandates in the following year[2]	Other[3]	Variable remuneration in cash[4]: dependent on EVA target achievement	Variable remuneration in cash[4]: dependent on achievement of individual targets	Variable remuneration with settlement in shares[5]: dependent on EVA target achievement	Variable remuneration with settlement in shares[5]: dependent on achievement of individual targets
Martin Blessing	2012	1,313	–	–	79	–	–	–	–
	2011	500	–	–	69	–	–	–	–
Frank Annuscheit	2012	750	–	–	47	–	50	–	100
	2011	500	–	–	50	–	–	–	–
Markus Beumer	2012	750	–	–	39	–	65	–	100
	2011	500	–	–	59	–	–	–	–
Stephan Engels	2012[1]	563	32	−32	1,515	–	41	–	75
	2011	–	–	–	–	–	–	–	–
Dr. Achim Kassow	2012	–	–	–	–	–	–	–	–
	2011[1]	292	–	–	44	–	–	–	–
Jochen Klösges	2012	750	–	–	36	–	40	–	100
	2011	500	–	–	39	–	–	–	–
Michael Reuther	2012	750	–	–	69	–	50	–	100
	2011	500	–	–	69	–	–	–	–
Dr. Stefan Schmittmann	2012	750	–	–	49	–	45	–	100
	2011	500	–	–	46	–	–	–	–
Ulrich Sieber	2012	750	50	−50	59	–	50	–	100
	2011	500	–	–	68	–	–	–	–
Dr. Eric Strutz	2012[1]	187	10	−10	15	–	13	–	25
	2011	500	–	–	33	–	–	–	–
Martin Zielke	2012	750	–	–	62	–	45	–	100
	2011	500	–	–	74	–	–	–	–
Total	**2012**	**7,313**	**92**	**−92**	**1,970**	**–**	**399**	**–**	**800**
	2011	**4,792**	**–**	**–**	**551**	**–**	**–**	**–**	**–**

[1] Pro rata temporis from the date of appointment or up to the date of departure from the Board.

[2] Payments arising from Group mandates are offset against the total remuneration paid to that member of the Board of Managing Directors in the following year. Offsetting in 2013 is therefore already shown in 2012. Owing to the SoFFin cap, these payments were allocated to the previous year in each year up to and including 2011.

[3] The heading "Other" includes non-monetary benefits granted in 2012, tax due on non-monetary benefits and employer contributions to the BVV occupational retirement fund. Also shown here is the compensation paid to Mr Engels for the loss of his Daimler-Phantom shares following his move to Commerzbank Aktiengesellschaft (€1,266,000).

[4] Payable in each case in the following year after approval of the annual financial statements for the financial year just ended. "EVA target achievement" means achievement of the 2012 economic value added (EVA) target set for the Commerzbank Group in 2011.

[5] Share-based payments are initially calculated on a provisional basis. Except in the case of cash settlement, the number of shares to be granted is subsequently calculated by dividing by a future average share price. Under DRS 17, remuneration components are shown in part at the originally expected target achievement of 100%, irrespective of their actual performance.

		Performance-related components long-term incentive (LTI)				
€1,000		Variable remuneration in cash[6]	Variable remuneration[5]			Total remuneration under DRS 17[7]
			Cash-settled share-based remuneration	With settlement in shares		
		dependent on EVA target achievement in the four-year period	dependent on share price and TSR performance in the four-year period	dependent on EVA target achievement in the four-year period	dependent on share price and TSR performance in the four-year period	
Martin Blessing	2012	–	–	–	–	**1,392**
	2011	–	–	–	–	**569**
Frank Annuscheit	2012	–	150	–	150	**1,247**
	2011	–	–	–	–	**550**
Markus Beumer	2012	–	150	–	150	**1,254**
	2011	–	–	–	–	**559**
Stephan Engels	2012[1]	–	113	–	113	**2,420**
	2011	–	–	–	–	**–**
Dr. Achim Kassow	2012	–	–	–	–	**–**
	2011[1]	–	–	–	–	**336**
Jochen Klösges	2012	–	150	–	150	**1,226**
	2011	–	–	–	–	**539**
Michael Reuther	2012	–	150	–	150	**1,269**
	2011	–	–	–	–	**569**
Dr. Stefan Schmittmann	2012	–	150	–	150	**1,244**
	2011	–	–	–	–	**546**
Ulrich Sieber	2012	–	150	–	150	**1,259**
	2011	–	–	–	–	**568**
Dr. Eric Strutz	2012[1]	–	37	–	37	**314**
	2011	–	–	–	–	**533**
Martin Zielke	2012	–	150	–	150	**1,257**
	2011	–	–	–	–	**574**
Total	**2012**	**–**	**1,200**	**–**	**1,200**	**12,882**
	2011	**–**	**–**	**–**	**–**	**5,343**

[6] Payments are dependent in particular on the development of economic value added (EVA) over a four-year period and are made in the following year subject to approval of the annual financial statements for the last year of this four-year period, and therefore for the first time in 2016 for financial years 2012 to 2015. Possible payments for 2012 range from €0 to €300,000 for a member of the Board of Managing Directors and from €0 to €525,000 for the Chairman of the Board of Managing Directors; this also applies pro rata temporis to Dr Strutz, who left the Bank in financial year 2012. No payments will in fact be made for financial years 2012 to 2015.

[7] Total remuneration under DRS 17 contains the share-based remuneration components, partly with an expected target achievement of 100% at the grant date. Total remuneration under DRS 17 does not however include the possible long-term variable remuneration, but only payments actually received (see footnote 6).

› Table
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The actual average total remuneration of a member of the Board of Managing Directors in 2012 pursuant to GAS 17 was approximately €1,200,000 and therefore 31% below the target of €1,750,000.

Compared with the reduced remuneration under the SoFFin cap in 2008 to 2011, the amount in 2012 was an increase, but compared with average remuneration in 2005 to 2007, it represented a substantial decrease of around €700,000 or more than 35% per member of the Board of Managing Directors.

Remuneration of the individual members of the Board of Managing Directors for 2012 is shown in Table 3, along with the comparative figures from 2011.

Table 3 shows the amounts under DRS 17, which specifies the requirements with regard to reporting the remuneration of the Board of Managing Directors. Under DRS 17, the share-based "performance-based STI component", where paid in shares, and the "share-based LTI component", where paid in cash and in shares, must be shown at their original value at the time they were granted at the beginning of 2012, regardless of their actual change in value. They therefore reflect remuneration at 100% goal achievement. As part of his special responsibility as Chairman of the Board of Managing Directors, Martin Blessing informed the Supervisory Board that he would forego his entitlement to performance-related variable remuneration for 2012. Furthermore, all members of the Board of Managing Directors formally waived the STI and LTI components related to Economic Value Added (EVA) so that the amounts shown in the Table 3 for these components, which would have created no STI claims and probably only small LTI claims, would be realistic and not just theoretical (this waiver was also taken into account in the above-mentioned average total remuneration in 2012 under DRS 17).

In addition to the total payments shown in Table 3, Dr. Strutz, after termination of his activities at the end of March, received the contractually agreed compensation of €250,000 for complying with the non-competition clause and the contractually agreed transitional pay totalling €375,000.

Under IFRS 2, share-based payments settled in shares and EVA-based payments settled in shares must be treated as equity-neutral, and in respect of future performance in the years 2013 to 2015 they should be taken at their original value at the time they were granted at the beginning of 2012, regardless of the decision of the members of the Board of Managing Directors to waive them (IFRS 2.28(a)). In 2012 they amounted to €2,269,000; of this total, €407,000 was for Mr. Blessing, €59,000 for Dr. Strutz, €178,000 for Mr. Engels, €232,000 each for Messrs. Annuscheit, Reuther and Sieber, €253,000 for Mr. Beumer, €222,000 for Mr. Klösges, and €227,000 each for Dr. Schmittmann and Mr. Zielke; in the previous year €0 in each case. In fact the remuneration payments will be significantly lower than these amounts; the Bank is expecting the amount for all members of the Board of Managing Directors to come to €1,120,000 in total.

Share-based payments settled in cash and recognised as an expense in accordance with IFRS 2 came to €722,000 in 2012; of this total, €0 was for Mr. Blessing because of his waiver, €22,000 for Dr. Strutz, €67,000 for Mr. Engels, €93,000 for Mr. Beumer, and €90,000 each for all other current members of the Board of Managing Directors; in the previous year €0 in each case.

Loans to members of the Board of Managing Directors

Members of the Board of Managing Directors have been granted cash advances and loans with terms ranging from on demand to a due date of 2042 and at interest rates ranging between 2.1% and 7.6%, for amounts overdrawn in certain cases up to 13.2%. Loans are secured on a normal market basis, if necessary through land charges and rights of lien.

As at the reporting date, the aggregate amount of loans granted to members of the Board of Managing Directors was €4,008,000 compared with €1,773,000 in the previous year. With the exception of rental guarantees, the members of the Board of Managing Directors did not have any contingent liabilities relating to Commerzbank Group companies in the year under review.

Supervisory Board

Principles of the remuneration system and remuneration for financial year 2012

The remuneration of the Supervisory Board is regulated in Art. 15 of the Articles of Association; the current version was approved by the AGM on 16 May 2007. This grants members of the Supervisory Board basic remuneration for each financial year, in addition to compensation for out-of-pocket expenses, comprising:

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

The Chairman receives triple and the Deputy Chairman double the aforementioned basic remuneration. For membership of a committee of the Supervisory Board, which meets at least twice in any calendar year, the committee chairman receives additional remuneration in the amount of the basic remuneration and each committee member in the amount of half the basic remuneration; this additional remuneration is paid for a maximum of three committee appointments. In addition, each member of the Supervisory Board receives an attendance fee of €1,500 for every meeting of the Supervisory Board or one of its committees. The fixed remuneration and attendance fees are payable at the end of each financial year and the variable remuneration after the Annual General Meeting that passes a resolution approving the actions of the Supervisory Board for the financial year concerned. The value-added tax payable on the remuneration is reimbursed by the Bank.

As Commerzbank will not pay a dividend in 2012, variable remuneration is not payable for the financial year 2012. The members of the Supervisory Board therefore received total net remuneration of €1,640,000 for the financial year 2012 (previous year: €1,619,000). Of this figure, the basic remuneration and remuneration for serving on committees amounted to €1,251,000 (previous year: €1,199,000) and attendance fees to €389,000 (previous year: €420,000). The value added tax (currently 19%) payable on the remuneration of the members of the Supervisory Board resident in Germany was reimbursed by Commerzbank Aktiengesellschaft.

The remuneration is divided between the individual members of the Supervisory Board as follows:

Table 4

2012 €1,000	Fixed remuneration	Variable remuneration	Attendance fee	Total
Klaus-Peter Müller	200	–	37.5	237.5
Uwe Tschäge	100	–	27.0	127.0
Hans-Hermann Altenschmidt	80	–	36.0	116.0
Dott. Sergio Balbinot (until 23 May 2012)[1]	–	–	–	–
Dr.-Ing. Burckhard Bergmann	40	–	13.5	53.5
Dr. Nikolaus von Bomhard	40	–	12.0	52.0
Karin van Brummelen	60	–	25.5	85.5
Astrid Evers	40	–	13.5	53.5
Uwe Foullong	40	–	12.0	52.0
Daniel Hampel	40	–	13.5	53.5
Dr.-Ing. Otto Happel	60	–	13.5	73.5
Beate Hoffmann	40	–	10.5	50.5
Prof. Dr.-Ing. Dr.-Ing. E.h. Hans-Peter Keitel	60	–	22.5	82.5
Alexandra Krieger	40	–	13.5	53.5
Dr. h.c. Edgar Meister	80	–	33.0	113.0
Prof. h.c. (CHN) Dr. rer. oec. Ulrich Middelmann	60	–	22.5	82.5
Dr. Helmut Perlet	100	–	28.5	128.5
Barbara Priester	40	–	13.5	53.5
Mark Roach	40	–	12.0	52.0
Dr. Marcus Schenck	60	–	18.0	78.0
Dr. Gertrude Tumpel-Gugerell (since 1 June 2012)	31	–	10.5	41.5
Total 2012	**1,251**	**–**	**388.5**	**1,639.5**
Total 2011	**1,199**	**–**	**420.0**	**1,619.0**

[1] Dott. Balbinot renounced his remuneration in the 2011 and 2012 financial years.

Members of the Supervisory Board once again provided no advisory, intermediary or other personal services in 2012. Accordingly, no additional remuneration was paid.

Loans to members of the Supervisory Board

Members of the Supervisory Board have been granted loans with terms ranging from on demand up to a due date of 2038 and at interest rates ranging between 2.5% and 6.3%, and on amounts overdrawn in certain cases up to 10.1%. Collateral security is provided on normal market terms, if necessary through land charges or rights of lien.

As at the reporting date, the aggregate amount of loans granted to members of the Supervisory Board was €605,000; last year, the figure was €322,000. The members of the Supervisory Board did not have any contingent liabilities relating to Commerzbank Group companies in the year under review.

Other details

D&O liability insurance

There is a Directors and Officers (D&O) liability insurance policy for members of the Board of Managing Directors and the Supervisory Board. The excess for members of the Supervisory Board and the Board of Managing Directors is set at 10% of the claim up to a maximum of 150% of the fixed annual remuneration for all insurance claims made within a single year.

Purchase and sale of the Company's shares

Under Art. 15 a of the German Securities Trading Act, transactions by executives of listed companies and their families must be disclosed and published. Accordingly, purchases and disposals of shares and financial instruments relating to Commerzbank to the value of €5,000 per annum and upwards must be reported immediately and for the duration of one month. The Bank applies this reporting requirement to the Board of Managing Directors and the Supervisory Board in line with BaFin's recommendations in the Guide for Issuers.

In 2012, members of Commerzbank's Board of Managing Directors (BMD) and Supervisory Board (SB) reported directors' dealings in Commerzbank shares or derivatives thereon:[1]

Table 5

Date	Disclosing party	Relation	Participant	Purchase/ Sale	Amount	Price €	Transaction volume | €
2.7.2012	Hans-Hermann Altenschmidt		Member of SB	Purchase	6,370	1.21104	7,714.32
2.7.2012	Daniel Hampel		Member of SB	Purchase	1,744	1.21104	2,112.05
2.7.2012	Beate Hoffmann		Member of SB	Purchase	2,180	1.21104	2,640.07
2.7.2012	Karin van Brummelen		Member of SB	Purchase	4,955	1.21104	6,000.70
2.7.2012	Uwe Tschäge		Member of SB	Purchase	13,328	1.21104	16,140.74
2.7.2012	Uwe Tschäge		Member of SB	Sale	13,328	1.26048	16,799.68
2.7.2012	Silke Tschäge for Uwe Tschäge	x	Member of SB	Purchase	4,469	1.21104	5,412.14
2.7.2012	Silke Tschäge for Uwe Tschäge	x	Member of SB	Sale	4,469	1.26048	5,633.09
2.7.2012	Astrid Evers		Member of SB	Purchase	5,568	1.21104	6,743.07
2.7.2012	Astrid Evers		Member of SB	Sale	5,568	1.26048	7,018.35
28.8.2012	Daniel Hampel		Member of SB	Purchase	5,256	1.26900	6,669.86
21.11.2012	Daniel Hampel		Member of SB	Purchase	3,000	1.28900	3,867.00

Overall, the Board of Managing Directors and Supervisory Board together held no more than 1% of the issued shares and option rights of Commerzbank Aktiengesellschaft on 31 December 2012.

Frankfurt am Main

Commerzbank Aktiengesellschaft

The Board of Managing Directors The Supervisory Board

[1] The directors' dealings were published on Commerzbank's website under "Directors' Dealings" in 2012.

Details pursuant to Art. 315 of the German Commercial Code (HGB)

Information under takeover law required pursuant to Art. 315 (4) of the German Commercial Code and Explanatory Report

Share capital structure

Commerzbank has issued only ordinary shares, the rights and duties attached to which arise from statutory provisions, in particular Arts. 12, 53 a et seq., 118 et seq. and 186 of the German Stock Corporation Act. The share capital of the company totalled €5,829,513,857.00 at the end of the financial year. It is divided into 5,829,513,857 no-par-value shares. The shares are issued in bearer form.

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

› **Articles of Association**
www.commerzbank.com > Investor Relations > Corporate Governance

The members of the Board of Managing Directors are appointed and replaced by the Supervisory Board pursuant to Art. 84 of the German Stock Corporation Act and Art. 6 (2) of the Articles of Association. Pursuant to Art. 6 (1) of the Articles of Association, the Board of Managing Directors comprises a minimum of two people; in all other respects the Supervisory Board defines the number of members on the Board of Managing Directors in accordance with Art. 6 (2) of the Articles of Association. If there is a vacancy on the Board of Managing Directors for a required member and the Supervisory Board has not appointed a replacement, in urgent cases one will be appointed by a court pursuant to Art. 85 of the German Stock Corporation Act. Any amendment to the Articles of Association requires a resolution of the Annual General Meeting under Art. 179 (1) sentence 1 of the German Stock Corporation Act. Unless the law mandates a majority, a simple majority of the share capital represented is adequate to pass resolutions (Art. 19 (3) sentence 2 of the Articles of Association). The authority to amend the Articles of Association, provided such amendments affect merely the wording of an article with no change in substance, has been transferred to the Supervisory Board under Art. 10 (3) of the Articles of Association in compliance with Art. 179 (1) sentence 2 of the German Stock Corporation Act.

Powers of the Board of Managing Directors

The Board of Managing Directors, with the approval of the Supervisory Board, is authorised to increase the share capital by a total of €1,462,936,397.00 by issuing new shares under Art. 4 (3) (Authorised Capital 2011) and by a total of €1,150,000,000.00 by issuing new shares under Art. 4 (6) (Authorised Capital 2012/I) of the Articles of Association applicable on 31 December 2012. The Board of Managing Directors is authorised, with the approval of the Supervisory Board, to exclude subscription rights in certain cases, in particular to increase the share capital for non-cash contributions. The Board of Managing Directors is also authorised, with the approval of the Supervisory Board, to increase the share capital by a total of €2,455,000,000.00 through the issue of new no-par-value shares for cash contributions and/or the full or partial contribution of the silent participations from silent partnerships entered into by AZ-Arges Vermögensverwaltungsgesellschaft mbH and the Financial Market Stabilisation Fund in accordance with Art 4 (7) ((Authorised Capital 2012/II) of the Articles of Association. The Board of Managing Directors may only use the authorisation to issue shares for cash contributions in order to apply the funds received by the Company to repay the silent participations.

Moreover, the Annual General Meeting on 23 May 2012 gave the Board of Managing Directors the authority to issue convertible bonds or bonds with warrants and/or profit-sharing certificates (both with and without conversion or option rights) against a cash or non-cash contribution for a total nominal value of €8,400,000,000.00. Conditional capital of up to €2,750,000,000.00 is available for this purpose according to Art. 4 (4) of the Articles of Association (Conditional Capital 2012/I). The Board of Managing Directors is authorised, with the approval of the Supervisory Board, to exclude subscription rights in certain cases, in particular where the financial instruments are issued for non-cash contributions. Furthermore, the capital was conditionally increased, as resolved by the Annual General Meeting of 6 May 2011, by up to €709,312,132.00 under Art. 4 (5) of the Articles of Association (Conditional Capital 2011/III) and, as resolved by the Annual General Meeting of 23 May 2012, by up to €935,000,000.000 under Art. 4 (8) of the Articles of Association (Conditional Capital 2012/II). The Conditional Capital 2011/III and Conditional Capital 2012/II exist to enable the issuance of shares in the event of the exercise of conversion rights by the Financial Market Stabilisation Fund.

For details of the authorised capital increase and conditional capital increase, particularly regarding maturities and terms and conditions of exercise, please refer to the explanations in Notes 75 and 76.

› Note 75 and Note 76
Page 262 ff.

The authority of the Board of Managing Directors to increase share capital from authorised and conditional capital and to issue convertible bonds or bonds with warrants or profit-sharing certificates allows the Bank to respond appropriately and promptly to changed capital needs.

On 19 May 2010, the Annual General Meeting authorised Commerzbank Aktiengesellschaft to purchase and sell its own shares for the purpose of securities trading, pursuant to Art. 71 (1) No. 7 of the German Companies Act (AktG) until 18 May 2015. The aggregate amount of shares to be acquired for this purpose may not exceed 5% of the share capital of Commerzbank Aktiengesellschaft at the end of any given day. The price at which own shares are purchased may not be more than 10% lower or higher than the average share price (closing auction prices or similar successor prices for Commerzbank shares in Xetra trading or a similar successor system to the Xetra system on the Frankfurt Stock Exchange) on the three trading days preceding the purchase.

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

In the event of a change of control at Commerzbank, an extraordinary right of termination in favour of certain contract parties has been negotiated by Commerzbank under ISDA master agreements. In general, the right of termination is also conditional upon a material deterioration in Commerzbank's credit standing. In the event of this type of termination, the individual agreements signed under these master agreements would have to be settled at market, which can be determined on any stock exchange trading day. The possibility cannot however be excluded that, if an individual customer with an especially large volume of business terminates a contract, Commerzbank's net assets, financial position and operating results could nevertheless be heavily impacted due to the Bank's potential payment obligations.

Change of control clauses

The remuneration system for the Board of Managing Directors introduced in 2010 contains no change of control clauses. Only one member of the Board of Managing Directors still had an employment contract containing a change of control clause, and this expired at the end of the current term of office of the Board member concerned on 31 March 2012.

Equity holdings that exceed 10% of the voting rights

The Financial Market Stabilisation Fund holds a stake of 25% plus one share in the voting capital of Commerzbank Aktiengesellschaft.

There are no further facts that need to be declared under Art. 315 (4) HGB.

Details pursuant to Art. 315 (2) (No. 5) HGB

The aim of the internal control and risk management system in respect of financial reporting is to ensure that the annual financial statements of Commerzbank Aktiengesellschaft and the Commerzbank Group provide a true and fair view of the net assets, financial position and results of operations in accordance with the applicable accounting standards under the German Commercial Code and IFRS. The internal control system and the risk management system at Commerzbank are integrated as regards their methodology and implementation, both with a view to financial reporting. In the following, we shall therefore use the term ICS (internal control system). Details of the risk management system can be found in the risk report on pages 131 to 178.

› **Group Risk Report**
Page 155 ff.

The objective of proper financial reporting is endangered by the risks to which it is exposed. Risks are deemed to be the possibility that the objective stated above might not be attained and material information in the financial reporting might be inaccurate. The Bank regards information as material when its absence or misstatement could influence economic decisions taken by those to whom it is addressed, regardless of whether this arises from a single matter or a combination of several.

Risks to financial reporting may arise from errors in business processes. Fraudulent behaviour can also result in the inaccurate reporting of information. The Bank therefore has to ensure it minimizes the risks of incorrect statement, measurement or presentation of financial reporting information.

The Commerzbank ICS seeks to provide sufficient certainty that it complies with the relevant legal requirements, that business is conducted in a proper and cost-effective manner and that financial reporting is complete and accurate. It is important to note that despite all measures the Bank may take, the ICS methods and procedures used may offer sufficient certainty but never absolute certainty.

No material changes have been made to the financial reporting ICS since the balance sheet date.

Legal basis and guidelines

Art. 315 (2) (No. 5) of the German Commercial Code requires companies to describe the material features of their ICS in the management report. Commerzbank follows the principles for bank-specific organisation of the internal control system set out in the Minimum Requirements for Risk Management (MaRisk).

The Bank's internal control system is structured in line with the internationally recognised frame-work developed by the Committee of Sponsoring Organisations of the Treadway Commission (COSO). Commerzbank derives the following objectives from this:

- That business processes be effective and efficient;
- That applicable laws and regulations be observed;
- That financial reporting be reliable.

As regards the risk assessment of the reporting process required by COSO in respect of the reliability of financial reporting (for example, ensuring that all transactions are fully and correctly recognised in the financial statements), the Bank follows the recommendations of the International Standards of Auditing and Quality Control, No. 315, 2009 Edition (hereinafter referred to as ISA number 315).

Organisation

A detailed governance framework forms a sound basis for good corporate governance that provides strategic direction for the Group as a whole while taking account of risk elements. The governance framework sets uniform and binding minimum standards for all units with regard to their organisational structure in respect of maintaining documentation and keeping it updated. The primary feature is the principle of clear allocation of responsibility, starting with the schedule of business responsibilities for the Board of Managing Directors and ending with the individual approval authorities of each employee. The scope and structure of the governance framework follows both the legal and regulatory requirements and also the "Commerzbank corporate constitution" approved by the full Board of Managing Directors. The governance framework translates the main guiding principles of the corporate constitution into practical rules and contains the following elements:

- Plan for allocating the business responsibilities for the Board of Managing Directors'
- Rules of procedure
- Organisation charts
- Business remits of the units
- Job descriptions
- Schedule of approval authorities

Where tasks in the Bank by their nature cannot be combined, they are organised into different areas applying the principle of separation of functions. Strict checks are also carried out using the dual-control principle to minimise risks in financial reporting.

Responsibility for implementing, executing and applying the Bank's ICS lies primarily with the Board of Managing Directors; as regards the reporting process, this lies with the CFO. The Board of Managing Directors is responsible for structuring the ICS throughout the Bank and demonstrating that it is appropriate, while the CFO is responsible for structuring the controls through appropriate and effective controlling measures, embedding these in processes and ensuring that the ICS is effective for financial reporting. The CFO is responsible for ensuring that the annual and consolidated financial statements are properly prepared. The Supervisory Board oversees financial reporting, mainly through the Audit Committee set up for this purpose. The responsibilities of the Audit Committee also include ensuring that the auditor is independent, appointing the auditor, setting the focus of the audit and agreeing the fee. During the year Group Audit reports to the Supervisory Board and its appointed committees about the work it has carried out and its material findings.

Group Management Finance (GM-F) and Group Management Finance Operations (GM-FO), which report directly to the CFO, are responsible for ensuring that the financial statements are drawn up in compliance with the relevant laws and internal and external guidelines. GM-FO is responsible for preparing the financial statements of Commerzbank Aktiengesellschaft Germany. GM-F is responsible for the individual company accounts of Commerzbank Aktiengesellschaft and consolidates the individual company accounts of Group companies into the consolidated financial statements.

Within GM-F, Accounting Policies & Guidelines is the department responsible for drawing up and communicating Group-wide accounting guidelines. It supports consistent and correct accounting treatment across the Group by drawing up and coordinating accounting guidelines. Published guidelines are updated on an ongoing basis. Regular staff training sessions are also held on relevant issues. This is complemented by more detailed working instructions on the Bank's intranet.

GM-F and GM-FO are supported in producing financial statements by other corporate divisions. Of particular importance here is Group Information Technology, which is responsible for providing and upgrading the accounting IT systems used.

Controls to minimise risk

Controls at the Bank are integrated directly into operating processes, either technically or manually (i.e., by means of organisation). Technical controls are used in the IT systems employed and consist, for example, of check sums and verification digits. Technical controls are often complemented by manual controls such as screen approvals carried out by the responsible employees. Data quality on initial entry into systems is ensured by organisational measures such as the dual-control principle, delegation of powers of approval and the separation of functions, and by technical measures such as issuing IT approval authorities. Additional controls during further processing guarantee that the data entered and used is complete and accurate.

Monitoring by Group Audit

Group Audit (GM-A) provides auditing and advisory services for the Board of Managing Directors independently, objectively and in a risk-oriented manner so as to optimise Commerzbank's business processes in terms of their compliance, security and cost-effectiveness. GM-A supports the Board of Managing Directors by evaluating the effectiveness and appropriateness of the internal control system and risk management, provides support on key projects in an internal auditing capacity and issues recommendations. In doing so, it contributes to the security of business processes and assets. GM-A's activities complement the work of the subsidiaries' auditing activities within the framework of Group risk management.

GM-A is directly accountable to the Board of Managing Directors and reports to that body. With regard to reporting and the assessment of audit results, it is not subject to any directives. Based on MaRisk, Group Audit's auditing activities, underpinned by the principle of risk-oriented auditing, extend to all of the Group's activities and processes, regardless of whether these take place within the Group or are outsourced. The task of auditing the effectiveness and appropriateness of the ICS covers the risk management and controlling systems, reporting, information systems and financial reporting. In performing its duties, GM-A has an unrestricted right to information.

GM-A promptly prepares a written report on each audit; the responsible members of the Board of Managing Directors are among the recipients of the report. On the basis of these audit reports, GM-A oversees and documents the steps taken to remedy the deficiencies identified within the specified time. If such deficiencies are ignored, an escalation process comes into effect. In addition, GM-A prepares an annual report on the audits that it has carried out during the course of the financial year, the material deficiencies identified and the measures taken, and presents this report to the Board of Managing Directors.

The financial reporting process

The financial reporting procedures at Commerzbank are supported by IT systems integrated into each process. As part of the input process for financial reporting, all information relevant for drawing up the financial statements of Commerzbank Group under IFRS and Commerzbank Aktiengesellschaft under the German Commercial Code is submitted to GM-F by the reporting units (Commerzbank Aktiengesellschaft Germany, subsidiaries and foreign branches). Data is transmitted via a separate online system directly into SAP EC-CS consolidation software, which has been adapted to meet the Bank's requirements. Subsidiaries generally submit IFRS data, German and foreign branches also submit data under the German Commercial Code. Data is automatically checked for consistency before transmission to GM-F. Once the plausibility checks have been successfully completed, individual reports can be finalised. Further plausibility checks are carried out using this data in GM-F. After these controls have been successfully completed, all the necessary steps are taken to produce the consolidated Commerzbank Group financial statements and Commerzbank Aktiengesellschaft single-company financial statements. Drawing up the Group financial statements involves various individual steps (e.g. consolidating equity, liabilities, income and expenses), currency translation and the elimination of intra-Group profits.

Segment reporting is done on a separate IT system. This involves reconciliation with the data from accounting.

Measures to further enhance the ICS as regards financial reporting

The ICS has been adapted to meet the needs of the Commerzbank Group as regards financial reporting, and it is further enhanced on an ongoing basis. To this end, the internal Control Environment Initiative (CEI) has been permanently implemented at GM-F/GM-FO. The aim of CEI is to manage all risk-related processes by applying a uniform method to report and assess risk. In addition, it seeks to strengthen the ICS in the area of financial reporting by a regular assessment of the effectiveness and efficiency of controls and by regularly checking how controls are implemented.

The CEI is based on a refined version of the GM-F/GM-FO "process map", which is a top-down representation of all key processes with descriptions of procedures. For this, risks affecting the reliability of financial reporting are identified using the COSO framework. The Bank also follows the recommendations of ISA 315. This involves checking whether a risk can be assigned to one of the following three categories and their various aspects:

- Statements on types of business transaction: their occurrence, completeness, accuracy, allocation to the correct period and the correct account;
- Statements on account balances at the reporting date: availability, rights and obligations, completeness, measurement and allocation;
- Statements on presentation in the financial statements and on the information contained in the financial statements: occurrence, rights and duties, completeness, reporting and comprehensibility, accuracy and measurement.

Suitable controls are implemented to minimise the risks identified. For the effectiveness of the ICS, it is the way the controls are structured into appropriate steps and embedded into each process, and the way they are performed at the operating level, that is the decisive factor in minimising risk.

This procedure ensures that risks are identified, minimised and any faulty developments on the operational side avoided.

400

employees took part
in the "Malteser" Social Day

We have strengthened our commitment to corporate volunteering. In September, more than 400 employees nationwide took part in the 10th "Malteser" Social Day. They helped to renovate and remodel charitable facilities and looked after people who need external support.

Corporate Responsibility

Steadily expanding corporate responsibility

Commerzbank's "Corporate Responsibility Status Report 2012" presents the most important areas of progress in the Bank's sustainability activities. The report is available on the sustainability portal. It fulfils the requirements of a Communication on Progress (COP) regarding implementation of the ten principles of the UN Global Compact, which Commerzbank joined in 2006. Further information on corporate responsibility can be found on Commerzbank's sustainability portal, which is constantly updated: www.nachhaltigkeit.commerzbank.de.

Commerzbank remains fully committed to expanding its efforts in corporate responsibility and pursuing its goal of acting responsibly and sustainably at all times, which, despite the difficult economic conditions, it has once again demonstrated.

› **Sustainability portal**
www.nachhaltigkeit.commerzbank.de

› **UN Global Compact**
www.unglobalcompact.org

Reputation risk management

All financial arrangements, products and customer relations in which sustainability plays a significant role are closely scrutinized by the Commerzbank Reputation Risk Management department and, if necessary, either rejected or accepted with conditions attached. This covers sensitive areas such as weapons and armaments, power generation and the exploitation of commodities. In 2012, Reputation Risk Management received around 2,500 requests, which it analysed and issued a written opinion on. The high number of requests reflects the growing significance these issues hold for members of the public. Approximately 10% of these requests received a negative evaluation on the grounds of social, environmental or ethical concerns.

Agricultural commodities continued to be a key topic during the reporting year. In November 2011, Commerzbank decided not to issue any new listed investment products with basic food stuffs as the underlyings. This decision was a factor in the change implemented on 30 July 2012 to the composition of the ComStage Rohstoff-ETF (WKN ETF090). Having previously invested up to 25% in the agricultural commodities of sugar, soya, wheat and maize, the fund now only contains precious and industrial metals and energy commodities.

Internal presentations are regularly held in Germany and abroad to sensitise Commerzbank employees to reputational topics.

› **Compliance**
www.nachhaltigkeit.commerzbank.de
> Governance > Compliance

Compliance

One of the core tasks of Group Compliance is to ensure that legal and supervisory requirements are met so as to prevent money laundering. To ensure the greatest possible transparency in business relationships and financial transactions, the “know your customer” principle must be applied at all times in Commerzbank: this covers not only verifying and documenting the identity of the client, but also – where necessary – obtaining a risk-based clarification of the origin of the assets employed within the business relationship or transaction. In the fight against money laundering and terrorism finance, the Bank exercises special care in business with politically exposed people, as these transactions are at greater risk of being used for illegal purposes. This group includes private individuals who hold or have held important public office as well as their direct family members and other related persons. In concert with the Financial Institutions division, Group Compliance ensures that global standards on the prevention of money laundering and terrorism financing are upheld when processing international payments on behalf of foreign banks. To facilitate this, the Global Policy for Financial Institutions, which covers the duties of care to be followed when accepting customers, was updated in 2012.

+33 percentage points to 34%

› Improvement in Net Promoter Score in 2012

Private Customers and Mittelstandsbank

The financial markets and state debt crisis conspired to unsettle customers and diminish their confidence in their bank. The new strategy Commerzbank presented in November 2012 takes account of these changes. This particularly applies to Private Customer business, where various measures to improve advisory quality had already been introduced during the year. Their impact is being felt in the sharp rise in customers’ willingness to recommend the Bank, as surveyed in monthly telephone interviews. Commerzbank uses the Net Promoter Score, which is an internationally recognised standard for assessing customer satisfaction. This measure is a core component of variable compensation for all employees and managers involved in sales to private customers.

› **Customer Advisory Board**
www.commerzbank-kundenbeirat.de

Commerzbank’s Customer Advisory Board plays an important role in implementing the new strategy. The main focus of the first Customer Advisory Board, whose three-year tenure ended in 2012, was supporting the integration of Dresdner Bank. In May 2012, 25 men and women from Private and Business Customers and Wealth Management, representing a cross section of our customer structure, were elected to serve for the following three years on the second Customer Advisory Board. As well as representing our customers’ interests, they also act as catalysts and sounding boards for Commerzbank's client-centric development.

The Mittelstandsbank’s customers also take an active interest. Under the slogan “Entrepreneurs lend a hand”, Commerzbank is organising active support to playgrounds, nursery schools and primary schools in need of renovation. In 2012, seven such undertakings were completed, with a total of 116 entrepreneurs and bank advisors lending a helping hand. Commerzbank provided the construction material, worth more than €55,000.

Commerzbank in Afrika

- is the no. 1 German-speaking bank for corporate transactions on the continent of Africa
- handles 11% of all euro payments from Africa to other countries
- handles 35% of all trade finance with Germany

But Commerzbank is also providing support to its core business outside Germany, via a variety of initiatives. The African continent is an important market here. In 2012, Commerzbank received the Best of European Business Award from international strategy consulting group Roland Berger for its successful and sustainable corporate strategy in Africa. In this spirit, it is also important to Commerzbank to also take responsibility at a local level through social commitment. For example, Commerzbank Aktiengesellschaft provided the SOS Children’s Villages charity with a total of €100,000 in 2012 and 2013. The support benefits selected education and sustainability projects in SOS Children’s Villages, including buying modern IT equipment and photovoltaic systems for children’s villages in Ghana.

Another area of activity is the promotion of renewable energies. This has been pursued for over 25 years, with the Mittelstandsbank taking entrepreneurial responsibility. Via its Renewable Energies Centre of Competence (CoC RE), Commerzbank is one of the world's largest funders of renewable energies. The CoC RE's core business includes advising the sector's firms, and in particular helping fund renewable energies projects. In 2012, a banking consortium with Commerzbank as Lead Arranger received the European Offshore Wind Deal of the Year award from Project Finance magazine for funding the Meerwind offshore wind farm. Scheduled for completion at the beginning of 2014, the wind farm is set to supply around 400,000 households with clean electricity, saving about one million tonnes of CO_2 emissions.

› Renewable energies
www.commerzbank.com/renewables

Environment

The main aims of corporate environmental protection include optimising the consumption of resources, using more renewable energies and reducing CO_2 and other greenhouse gases. The overarching aim is to steadily turn Commerzbank into a climate-neutral company. This impacts many areas of the Bank and is supported by a certified environmental management system. The focus of Green IT, for example, is to run IT and communication technology as efficiently as possible in terms of energy and resources. As a result, the Bank already saved the equivalent of one entire computing centre in 2012. High importance is also attached to sustainable procurement. The Bank-wide "Sustainable Procurement Standard" has meant that travel management is also run with stricter reference to sustainability criteria. Green electricity already accounted for more than 90% of Commerzbank's electricity requirements in 2012 and will fully cover its needs from January 2013.

The Group Environmental Committee is currently working on a new climate target and various measures to implement it. With savings of 52%, the previous climate target – a 30% reduction in group-wide CO_2 emissions by 2011 from the 2007 base – was easily surpassed.

› Environment
www.nachhaltigkeit.commerzbank.de
> Ökologie

Employees

With a broad range of services and innovative health management, we help our employees to stay capable and motivated. Since health promotion is an important aspect of management, in 2012 we added special seminar modules to our management training, some of which are compulsory. In addition, our health management team has been working even more closely with the regional teams. Since 2012 it has supported them with relevant schemes and training courses, and provides them with their own budget so that they can offer health promotion measures locally.

Detailed information on this and other important topics relating to our work in human resources can be found in the chapter entitled "Our employees" on pages 113 to 116 of this Annual Report.

› Group Management Report
Page 113 ff.

Corporate Responsibility

› **Social responsibility**
www.commerzbank.com > Our responsibility > Corporate Citizenship

› **Malteser Social Day**
www.malteser-socialday.de

› **Internship for the Environment**
www.praktikum-fuer-die-umwelt.de

Society

Commerzbank met its social responsibility in 2012 through an extensive programme of foundation and charity activities, as well as other commitments and initiatives. Its first-time participation in the "Malteser" Social Day in 2012 was a conscious initiative to encourage greater social involvement of staff: Commerzbank gave more than 400 colleagues the day off, enabling them to lend practical support to some 30 different charitable projects in 17 cities. In another initiative, almost 800 employees responded to the request to donate mobile phones they no longer needed. The €2,500 earned from recycling the phones was donated to the Plant for the Planet schoolchildren initiative. Commerzbank's donation enabled 2,500 trees to be planted, which will absorb around 25 tonnes of CO_2 every year. The range of corporate volunteering opportunities is to be expanded in 2013.

The "Internship for the Environment" programme was quick to accept the invitation extended by President Joachim Gauck to make a presentation at Bellevue Palace as part of the "Environment Week". Through this project, which has been recognised by UNESCO under the latter's Decade of Education for Sustainable Development, Commerzbank has been supporting national parks, country parks and biosphere reserves in Germany for more than 20 years.

Group Management Report

› In the Group Management Report, we outline the economic operating conditions and how these influence the Commerzbank Group's business activities. We also provide in-depth information about the Commerzbank Group's performance in the 2012 financial year and describe the outlook for the expected development in economic conditions and the Commerzbank Group itself.

› 2012 was another eventful financial year with many challenges. Much was achieved in the year under review: non-strategic portfolios were wound down and risks reduced, cost management was rigorously implemented and the Bank made further progress in strengthening its capital structure. Against the backdrop of a persistently difficult market environment, the Core Bank posted a solid operating profit of €2.6bn. Important strategic decisions were made with an eye to future growth and earnings potential. Implementing these measures consistently will be a key goal for Commerzbank in the coming years.

Contents

Business and overall conditions

Structure and organisation

Commerzbank Aktiengesellschaft is Germany's second largest bank and one of its leading banks for private and corporate customers. Our customers have one of the densest networks of any private-sector bank in Germany at their disposal. Commerzbank serves a total of around 14 million private customers and 1 million business and corporate customers worldwide. Commerzbank aims to continue strengthening its position as market leader in the private and corporate customer segments in Germany.

The focus of our activities is on the four core segments: Private Customers, Mittelstandsbank, Corporates & Markets and Central & Eastern Europe. The Bank has merged all activities in commercial real estate and ship financing, in addition to public finance, into the new Non-Core Assets run-off segment, which was created in mid-2012.

› **The Board of Managing Directors**
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All staff and management functions are contained in Group Management: Group Audit, Group Communications, Group Compliance, Group Development & Strategy, Group Finance, Group Finance Operations, Group Human Resources, Group Investor Relations, Group Legal, Group Treasury and central risk functions. On 1 September 2012 the Coordination and Tracking Office was set up as a cross-divisional functional unit to coordinate the Bank's cost and income management and monitor its progress. The support functions are provided by Group Services. These include Group Banking Operations, Group Markets Operations, Group Information Technology, Group Organisation, Group Security and Group Support. The "Commerzbank Excellence" programme has been set up under the joint leadership of Group Management and Group Services. The staff, management and support functions are combined in the Others and Consolidation division for external reporting purposes.

› **Commerzbank Group structure**
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On the domestic market, Commerzbank Aktiengesellschaft is headquartered in Frankfurt am Main, from where it manages a nationwide branch network through which all customer groups are served. Its major German subsidiaries are comdirect bank AG, Commerz Real AG and Hypothekenbank Frankfurt AG (formerly Eurohypo AG). Outside of Germany, the Bank has 7 material subsidiaries, 23 operational foreign branches and 35 representative offices in 53 countries and is represented in all major financial centres, such as London, New York, Tokyo, Hong Kong and Singapore. However, the focus of the Bank's international activities is in Europe.

› **Commerzbank worldwide**
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Commerzbank prepares consolidated financial statements which, in addition to Commerzbank Aktiengesellschaft as operating lead company, incorporate all material subsidiaries in which the Bank holds more than 50% of the voting rights or exercises control in another manner. The financial year is the calendar year.

Corporate management

Corporate management in the Commerzbank Group is based on a value-oriented control concept. Key criteria of this concept include ensuring that the risks entered into by the business units are in line with the external and internal guidelines on risk-taking capability and that an appropriate return is achieved over the long term on the capital employed. In this respect, the Bank regularly monitors the allocation of scarce resources to business units and actively adapts its business structure to changing market circumstances in order to boost the enterprise value over the long term.

A key corporate management tool is the planning process whereby the Board of Managing Directors sets targets for the business units and allocates existing resources, such as capital and risk limits, to the segments in a targeted manner. The Board of Managing Directors carries out regular checks to ensure that business planning is being followed.

The criteria used in this corporate management controlling process are operating profit/loss and pre-tax profit/loss as well as return on equity, the cost/income ratio and value added. Return on equity is calculated as the ratio of operating profit/loss or pre-tax profit/loss to the average amount of capital employed. This shows the return on the equity invested in a given business segment. The cost/income ratio is used to assess cost efficiency and is defined as the ratio of operating expenses to income before loan loss provisions. Value added is a measure of the enterprise value created by the segments and is calculated as the difference between the operating profit/loss and the cost of capital before tax. The cost of capital represents our shareholders' expectations for the minimum return on their capital employed.

Remuneration Report

› **Corporate Governance Report**
Page 35 ff.

The Remuneration Report can be found in the "Corporate Responsibility" section of the Corporate Governance Report. It forms part of the Group Management Report.

Details pursuant to Art. 315 (4) of the German Commercial Code (HGB) and explanatory report

› **Corporate Responsibility**
Page 48 ff.

Details pursuant to Art. 315 (4) of the German Commercial Code and explanatory report can be found in the "Corporate Responsibility" section. They form part of the Group Management Report.

Details pursuant to Art. 315 (2) (No. 5) of the German Commercial Code (HGB)

Details pursuant to Art. 315 (2) no. 5 of the German Commercial Code (HGB) can be found in the "Corporate Responsibility" section. They form part of the Group Management Report.

› **Corporate Responsibility**
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Business conditions

Economic environment

The global economy grew by around 3% in 2012, which was significantly less than in recent years. Few regions escaped this trend. One exception was the USA, where economic growth of 2.2 % was actually half a percentage point stronger than in the previous year. It is probable that the excesses of the past in terms of consumer debt and in the real estate sector have largely been corrected in the USA, so the very expansive monetary policy is increasingly having an effect.

Although growth in emerging markets was significantly higher than in industrialised countries, at just under 5% the average growth rate was more than one percentage point lower than in the previous year. This was primarily due to the significant tightening of monetary policy during the year, as well as lower demand from abroad.

The eurozone economy weakened the most, shrinking by around 0.5% last year compared with growth of 1.5% in 2011. The sovereign debt crisis clearly hit the economy even harder, although this was less attributable to financial policy, which was just as restrictive as in the previous year. However, the uncertainty created by the crisis has increasingly deterred companies from investing.

With slight growth of 0.7%, the German economy is still markedly outperforming the eurozone average. However, the crisis has had a significant impact here too. In the fourth quarter, for example, German gross domestic product declined compared with the previous quarter. The weaker economy was not primarily due to exports, since lower demand from European periphery countries was more than offset by demand from outside the eurozone, which continued to increase significantly. The critical factor was that companies were very reluctant to invest due to considerable uncertainty in their planning; investment fell markedly in 2012, despite very low financing costs and foreign demand remaining buoyant.

It was a different situation on the financial markets. Although the news from the real economy tended to be fairly poor, particularly in the eurozone and Germany, the mood on the financial markets improved noticeably in the second half of the year. This was triggered by the European Central Bank's statement at the beginning of the second quarter that it was "ready to do whatever it takes to preserve the euro". After this clear statement from the ECB president, the bond markets in Spain and Italy eased and the prices of financial securities stabilised. Additional declarations the next day from Berlin and Paris that they would "do everything possible to protect the eurozone" marked a turning point in the price trend for financial securities. Moreover, in the summer the ECB signalled that under certain conditions it would, if necessary, buy unlimited amounts of government bonds of crisis countries, in order to guarantee the cohesion of the eurozone. Share prices rose sharply on this, and yield risk premiums on government bonds issued by periphery countries fell significantly compared with German Bunds. The euro also started appreciating again. Even though a fresh crisis cannot be ruled out, there is a good chance that the sovereign debt crisis will continue to wane because, unlike in previous similar phases, capital flows have switched direction. From summer onwards, the periphery countries saw a net inflow of capital, so the capital flight from these countries, which had lasted over a year, is at an end for the time being.

Sector environment

The European sovereign debt crisis spread in the first half of 2012 and for a while intensified. Cyprus and Spain were the first to join the group of countries affected, and the crisis reached a new peak in the summer as tensions on the Spanish and Italian bond markets worsened. Market participants and customers from the real economy watched tensely as political events unfolded with crisis summits, haircuts and last-minute bailouts. Given that previous deterioration in the sovereign debt crisis had always hurt the German financial system too, earnings at Germany's major internationally active banks declined noticeably in the first half, particularly as the world economy continued to slow. Falling interest rates and margins, together with the cautious stance adopted by private and corporate investors, were key causes of this earnings trend, which remained largely constant during the second half of the year.

At the same time, the unusually far-reaching monetary measures implemented during the second half were perceived by the markets to significantly reduce the risk of the crisis escalating. The "European stability mechanism" bailout fund, the ECB's outright monetary transactions programme and the Eurosystem's special liquidity management measures were cornerstones created to prevent extreme scenarios such as the collapse of the eurozone. They resulted in a perceptible fall in risk premiums on affected government bonds and a slowdown in the flight of capital and deposits from these countries. However, this easing of the crisis came too late for earnings performance in the banking sector in 2012, especially since earnings in this sector are also being negatively affected by structural developments relating to regulatory requirements and levels of competition. Nevertheless, the German banking system became more resilient last year thanks to significantly lower lending to the crisis-hit countries, a noticeable increase in core capital ratios and lower levels of debt. Against this backdrop, the funding costs of banks in the eurozone have fallen since last summer and access to funding resources has improved slightly.

Important business policy events

2012 was another eventful year for Commerzbank. At the beginning of the financial year, the Bank presented a package of measures which allowed it to meet the capital requirements of the European Banking Authority (EBA) out of its own resources. These included using the favourable capital market environment to execute a capital increase for non-cash contributions. As well as meeting the individual remuneration entitlements of its non-pay-scale employees through issuing shares, this enabled Commerzbank to further strengthen its capital structure. In the middle of the year under review, given the persistently uncertain situation on the financial markets, Commerzbank also decided to accelerate its plans to focus on the core business and to improve its positioning. As well as adjustments to the segment structure, there were changes to the responsibilities of individual members of the Board of Managing Directors. In November, an Investors' Day was held to explain how the Bank intended to increase the earnings power of the core business.

Measures to meet the EBA's requirements

In mid-January 2012, Commerzbank presented a comprehensive package of measures designed to meet from its own resources the European Banking Authority's (EBA) requirement that Commerzbank strengthen its Core Tier I capital by €5.3bn.

Commerzbank had already introduced comprehensive measures at the end of 2011 to meet the Core Tier I ratio of 9% stipulated by the EBA (in a simulated scenario of a partial default on European government bonds). In the first quarter of 2012, the EBA's capital requirement was already exceeded, achieved in particular through rigorous continuation of our RWA management and taking the interim profit into account. Commerzbank's capital adequacy was further strengthened as a result of the additional capital strengthening effects of the capital structure optimisation measure carried out in February 2012.

Further optimisation of the capital structure

In February 2012, Commerzbank's Board of Managing Directors, with the consent of the Supervisory Board, approved a capital increase of around 7% of ordinary share capital (360,509,967 shares) against a non-cash contribution of selected securities. The non-cash contribution of selected securities comprised hybrid capital instruments, subordinated debt securities and other capital instruments issued by Commerzbank and other companies with a nominal volume of €965m. Goldman Sachs International ("Goldman Sachs") acquired the securities as intermediary from qualified investors outside the United States of America for the purpose of exchanging them for new Commerzbank shares.

Against the contribution of the financial instruments thus acquired to Commerzbank's capital, Goldman Sachs underwrote the entire volume of 360,509,967 new Commerzbank shares to be issued for the exchange and, upon completion and entry of the deal in the commercial register on 7 March 2012, transferred them to the appropriate qualified investors. On the basis of the average daily volume-weighted Xetra average price of Commerzbank shares from 24 February to 2 March 2012 at 3 p.m. (CET), the exchange took place at a theoretical price of €1.9128 per new Commerzbank share.

The transaction enabled Commerzbank to use a favourable market environment to strengthen its capital structure, without resorting to the EBA's package of measures.

The Financial Market Stabilisation Fund (SoFFin) converted part of its silent participations of over €230.8m into 120,169,989 shares in order to maintain its stake in Commerzbank at 25% plus one share. After this transaction, SoFFin's silent participation in Commerzbank was reduced to around €1.71bn.

Commerzbank's Core Tier I capital strengthened through payment of variable remuneration in shares

As already announced at the beginning of 2012, Commerzbank paid €213.8m of the individual variable remuneration entitlements of its non-pay-scale employees in Commerzbank shares. At the end of June 2012, the Board of Managing Directors of Commerzbank, with the approval of the Supervisory Board, determined that the definitive number of shares to be issued for the purpose of increasing capital against non-cash contributions would be 176,553,636, with shareholders' pre-emptive rights excluded.

A total of just under 90% of entitled non-pay-scale employees decided to receive their variable remuneration in the form of shares. Claims from Commerzbank Group employees with regard to variable remuneration in 2011 were thus transferred as a non-cash contribution for a total nominal value of €213.8m, which immediately strengthened Core Tier I capital. As part of a coordinated sale transaction, 128,335,357 of the newly issued shares were placed by Commerzbank Aktiengesellschaft and Deutsche Bank AG as joint bookrunners.

The Financial Market Stabilisation Fund (SoFFin) subsequently converted a portion of its silent participations into shares in order to maintain its stake in Commerzbank of 25% plus 1 share. Thus a portion of the silent participations with a nominal value of around €80.1m was converted into 58,851,212 shares from the conditional capital approved by the Annual General Meeting (AGM) in 2011. This reduced SoFFin's remaining silent participation in Commerzbank to around €1.63bn.

The completion of these two capital transactions increased the number of shares of Commerzbank to a total of 5,829,513,857. The new shares began trading on the stock exchange on 2 July 2012.

Commerzbank steps up focus on core business

In view of the uncertainty on the financial markets, the worsening government debt crisis and increasing regulatory requirements, Commerzbank has picked up the pace of focusing on client-driven and profitable core business, minimising risks and reducing complexity. The Board of Managing Directors therefore decided at the end of June 2012 to fully wind down over time all activities in commercial real estate and ship financing, in addition to public finance. In addition, the majority of Commerz Real and the residential mortgage loans portfolio of the former Eurohypo AG were integrated into the Core Bank segment Private Customers.

Commercial real estate financing and ship financing were transferred in their entirety to the new "Non-Core Assets" (NCA) run-off segment. The main reasons for this were the high regulatory capital requirements and enhanced liquidity requirements of Basel III, in particular with respect to long-term financing, as well as the strong cyclical fluctuations in results which are also to be expected in future. Commerzbank will continue to offer real estate funding in its private and corporate customer business.

The public finance business of Hypothekenbank Frankfurt AG was also transferred at an organisational level to the NCA segment for the purpose of winding down. In legal terms, Hypothekenbank Frankfurt AG will retain the commercial real estate financing and public finance portfolios, as planned.

Adjustments to the segment structure

The comments on the segment results reflect the changes to the segment structure described in the 2012 semi-annual report and implemented on 1 July 2012. On that date, the measures decided by the Board of Managing Directors to restructure Eurohypo AG, which has been trading as "Hypothekenbank Frankfurt AG" since 31 August, came into force and the Non-Core Assets (NCA) run-off segment was implemented to replace the former Asset Based Finance segment. The majority of Commerz Real and the residential mortgage loans portfolio of the former Eurohypo AG were integrated into Private Customers.

At the same time, the Portfolio Restructuring Unit (PRU) was dissolved as an independent segment after significant progress had been made in reducing the portfolio; the remaining portfolio – with the exception of the sub-portfolio of public infrastructure financing which was moved to NCA – was transferred to the Corporates & Markets (CM) core segment. This means that the contributions to earnings attributable to the CM and NCA segments since July 2012 are reported separately from the transferred assets of the dissolved PRU segment in the segment reporting of the consolidated financial statements. In addition, the earnings of the PRU up to 30 June 2012 are reported separately in the table on page 227 of the consolidated financial statements showing the segment earnings for the 2012 reporting period.

› **Segment performance**
Pages 83 ff.

On 1 January 2012, our branches in the Czech Republic and Slovakia, Commerzbank Eurasija in Russia and Commerzbank Zrt. in Hungary were transferred from the Central & Eastern Europe segment to the Mittelstandsbank segment. The prior-year figures were restated accordingly.

New division of responsibilities within the Board of Managing Directors

Responsibilities within the Commerzbank Board of Managing Directors were reallocated following the adjustments to the segment structure. In addition to Group Human Resources, Ulrich Sieber also assumed overall responsibility for the expanded NCA segment jointly with Jochen Klösges. In order to concentrate on winding down the portfolios in the new NCA segment while minimising the impact on earnings, Ulrich Sieber handed over responsibility for Central & Eastern Europe to Martin Blessing. In turn, Martin Blessing relinquished the Treasury segment to Michael Reuther, who has now taken over this area in addition to Corporates & Markets. The new division of duties within the Board of Managing Directors took effect on 9 August 2012.

› **Responsibilities of the Board of Managing Directors**
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Eurohypo AG renamed "Hypothekenbank Frankfurt AG"

Eurohypo AG was officially renamed "Hypothekenbank Frankfurt AG" when the new name was entered in the commercial register on 31 August. By giving up the brand, Commerzbank has fulfilled the requirement stipulated by the European Commission to wind down Eurohypo AG. The new name also affects the subsidiaries of Hypothekenbank Frankfurt: Eurohypo Europäische Hypothekenbank S.A., which is based in Luxembourg, is now trading as "Hypothekenbank Frankfurt International S.A.", and EH Estate Management GmbH is now trading as "HF Estate Management GmbH". The change of name has no impact on existing contracts with customers or business partners. Account and reference numbers, sort codes and general terms and conditions remain valid and unchanged, as do the addresses and contact data.

Commerzbank concludes sale of its minority interest in Russian bank Promsvyazbank

Commerzbank completed the sale of its minority interest of approximately 14.4% in the Russian Promsvyazbank in mid-June. It was sold to Promsvyaz Capital B.V., which is the majority shareholder of Promsvyazbank. In view of its intention to sell, Commerzbank activated a put option that had already been contractually agreed with Promsvyaz Capital B.V.

Commerzbank's Russian business activities remain unaffected by the transaction. In corporate customer business, the Bank will continue to support and be a reliable partner to Russian clients with business relationships in Germany and German companies doing business in Russia. As before, Commerzbank will be represented in Russia by its subsidiary Commerzbank (Eurasija) SAO and the representative offices in Moscow and Novosibirsk.

Commerzbank sells Bank Forum to the Ukrainian Smart Group

At the end of October Commerzbank concluded the sale of its holding of approximately 96% in the Ukrainian Bank Forum to the Ukrainian Smart Group. The parties have agreed to maintain confidentiality about the contractual details. Commerzbank acquired its majority stake in Bank Forum in the spring of 2008. Business development in the Ukraine has been far less dynamic than expected in the past few years, and we do not expect a sustainable improvement in the near future, either. In the course of its ongoing review of Group strategy, Commerzbank has therefore decided to sell its stake in Bank Forum. Commerzbank will continue to be represented in the Ukraine through its representative office in Kiev, and in corporate customer business the Bank will continue to support and be a reliable partner to Ukrainian clients with business relationships in Germany and German companies doing business in the Ukraine.

Commerzbank presents its strategic agenda

At an Investors' Day held in early November, Commerzbank introduced its strategic agenda for the period to 2016. In the next few years Commerzbank will adapt its business model to the changing framework conditions in the financial industry and pursue focused growth. In the period to 2016, the Bank will invest over €2.0bn in the earnings power of the core business, implement additional efficiency measures to keep costs stable and continue to optimise its capital base. In 2016, the Bank aims to achieve a return on equity after taxes of over 10%. The cost/income ratio of the Core Bank, with the operating segments Private Customers, Mittelstandsbank, Corporates & Markets and Central & Eastern Europe, is expected to fall to around 60%. Even under Basel III, taking into consideration the phase-in regulations, the group's Core Tier I ratio should remain at all times significantly above 9% until the end of 2016. There are also plans to reduce the portfolios in the Non-Core Assets (NCA) segment by around 40% by 2016.

Regaining the trust of customers will be the most important task for all banks in the coming years. For us this means creating a new bank that unites modern technologies and traditional values. We are rigorously orienting our business model towards the needs of the real economy, and adapting our advisory process, products and services.

The strategic realignment of the Private Customer business is a key element in the plan to boost earnings. Our goal is the development of a multi-channel bank that unites modern technologies with traditional values such as fairness, trust and competence. In total, Commerzbank will invest around €1.0bn by 2016 in its platforms, its product and service offering, the advisory process and training employees in the Private Customer business. This is expected to boost revenues per customer and increase the number of customers from 11 million at present to 12 million, generating an operating profit of over €500m in 2016. This should take the return on equity before taxes above 12%.

The Mittelstandsbank will continue expanding its successful business model and leading market position. Growth will focus on the acquisition of new customers, particularly in the small and medium-sized corporate customers segment, and on the expansion of business with existing customers in Germany. The Cash Management & International Business platform is also to be developed further. The aim is to improve customer coverage of small and medium-sized enterprises from the current figure of over 30% and secure our position as market leader among major companies – where customer coverage is over 90% – in the long term. Business at the existing sites abroad will be developed, and we will invest in the expansion of our position as Europe's leading trade service bank. In 2016, even assuming a normalisation of loan loss provisions, we still expect to achieve an overall return on equity before taxes of over 20%. Despite the investments, the cost/income ratio is expected to remain at less than 45%, which is a low level compared with its peers.

Corporates & Markets will strengthen its positioning as a leading international niche player, leveraging the distribution channels of Commerzbank's private and corporate customers business while rigorously maintaining the risk-controlled business model introduced in 2004. Corporates & Markets will continue to build on its traditional strengths in debt capital markets and risk management solutions in the bonds and lending business. It will consolidate its leading market position in investment products in the equity and commodities business by selectively adding asset management products. Business with institutional clients will also be stepped up. In 2016, Commerzbank aims to achieve a return on equity before taxes of over 15% in investment banking and lower its cost/income ratio to less than 65%.

In the Central & Eastern Europe segment, Commerzbank will continue its successful organic growth at Poland's BRE Bank, expanding its proven universal bank model and developing the direct bank offering of mBank. The mobile banking offering of mBank and its position as one of the leading internet banks in Europe are to be expanded. In addition, through closer interaction between corporate customer business and investment banking, BRE Bank will broaden its product offering and systematically gear it to the Mittelstand. The brand image of the BRE Bank Group is to be standardised under the name mBank by 2016. The target for Central & Eastern Europe is to achieve stable growth in its value contribution to the Group, with a return on equity before taxes of more than 15% and a cost/income ratio of less than 55% in 2016.

The Public Finance, Commercial Real Estate and Deutsche Schiffsbank Group divisions, which are bundled in Non-Core Assets (NCA), will be reduced as planned, essentially without any sales and while preserving their value. The goal is to reduce the NCA portfolio, which totals some €151bn at present, by around 40% by the end of 2016. As a result of the reduction process, capital is to be released from the NCA segment and reallocated to the Core Bank segments. The job cuts planned at NCA will be implemented in line with the portfolio reduction.

Despite focused growth in the core business, the loan loss provisions in the Group are to be further reduced to some €1.4bn by 2016. Risk-weighted assets are expected to rise in numerical terms to around €240bn by 2016. This is essentially due to the implementation of the new equity capital regulations under Basel III. With a view to the new equity capital regulations under Basel III and against the background of a changing market environment, the focus on strengthening equity capital will continue.

› **General statement on the outlook for the Commerzbank Group**
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In the period to the end of 2016, operating expenses will be around €7.1bn to €7.3bn despite the investments in the core business, higher wage settlements and rising operating costs. To achieve this, the Bank will continue its strict cost management and save costs in the coming years through, for example, more efficiently designed processes, the launch of the new branch structure, and the adjustment of personnel capacities. Restructuring expenses will therefore be incurred.

By continuing to develop its strategic direction, Commerzbank is reacting to the challenges posed by the financial market and sovereign debt crisis and to the resulting "new normality" in the financial sector – namely tougher requirements for banks' capital base, ongoing low interest rates and a loss of trust on the part of customers.

Earnings performance, assets and financial position

The preceding sections – in particular the description of the economic conditions and the important business policy events – make it clear that 2012 was a very challenging year for Commerzbank. In this very difficult and volatile environment Commerzbank was able to improve its assets and financial position and stabilise its earnings performance. After Commerzbank had exceeded the EBA capital requirement at the end of the first quarter of 2012, by the end of the year the Core Tier I ratio was 12.0% and the Tier I capital ratio 13.1%. Both the increased capital and the lower risk-weighted assets (RWA) contributed to this over the course of the year. The decline in the RWA also shows that the Bank is still working to reduce its risks and non-strategic assets. Commerzbank reported a comfortable liquidity position in the year under review; it was also able to cover its funding needs for the whole of 2012 in the first few months. Although the impairments connected with the European sovereign debt crisis were not as high as in the previous year, other related factors indirectly impacted earnings performance, such as low interest rates and the generally cautious attitude of customers towards business activities.

Income statement of the Commerzbank Group

Commerzbank increased its operating profit to €1,216m and its pre-tax profit to €905m in 2012, compared with €507m in each case in 2011. This was primarily attributable to the fall in operating expenses. The consolidated profit of €109m was lower than in the previous year (€747m), however, owing to write-offs of deferred tax assets as a result of the lower target returns announced at the Investors' Day.

The individual items in the income statement were as follows:

Net interest income declined by 17.6% year-on-year to €5,539m. There were several reasons for this. Firstly, the interest rate environment was at a very low level in the year under review. This led to lower deposit spreads in the Core Bank, particularly in the Private Customers and Mittelstandsbank segments. Secondly, lending volumes decreased as a result of our planned reduction of non-core activities. This applied in particular to the Non-Core Assets segment in commercial real estate financing, as well as the Corporates & Markets segment. In addition, income was posted from restructured loans in the second quarter of 2011.

› **Notes to the income statement**
Page 214 ff.

Loan loss provisions rose by 19.4% year-on-year to €– 1,660m. Here, the decline in gross allocations was more than offset by a larger fall in reversals. Net allocations moved in different directions in the Core Bank and in NCA. In the Core Bank they remained significantly below the already low level of the previous year due to the excellent quality of the portfolio. The Mittelstandsbank and Corporates & Markets segments made a particularly good contribution because of the healthy state of the German economy. However, the NCA segment saw a rise in risk assets. While provisioning requirements in commercial real estate financing fell, the trend in shipping markets rose markedly due to the ongoing difficult economic situation in this market segment.

Net commission income in the year under review was €3,191m, down 8.7% on 2011. To a large extent this was due to the ongoing uncertainty in the financial markets, which left private customers in particular still reluctant to invest. The main effect of this was an adverse impact on transaction-driven securities income. Commission income in the Non-Core Assets segment also fell due to the suspension of new business. Income from foreign and foreign exchange business with our corporate customers increased, however, because of our strong positioning in this business area.

Table 6

Statement of comprehensive income I €m	**2012**	**2011**	**Change**
Net interest income	5,539	6,724	– 1,185
Loan loss provisions	– 1,660	– 1,390	– 270
Net commission income	3,191	3,495	– 304
Net trading income and net gain/loss on hedge accounting	1,121	1,986	– 865
Net investment income, income from at-equity investments and other net income	50	– 2,316	2,366
Operating expenses	7,025	7,992	– 967
Operating profit/loss	**1,216**	**507**	**709**
Restructuring expenses	43	–	–
Net gain or loss from sale of disposal groups	– 268	–	–
Pre-tax profit/loss	905	507	398
Taxes on income	796	– 240	1,036
Consolidated profit/loss	**109**	**747**	**– 638**
Consolidated profit/loss attributable to Commerzbank shareholders	6	638	– 632

Net trading income and net income from hedge accounting came to €1,121m in 2012. This represents a fall of 43.6% year-on-year, although the comparison was affected by two material factors: in the previous year, the refinement of the valuation models for interest rate hedging transactions contributed €324m to income, while the remeasurement of own liabilities to fair value in line with IFRS contributed €293m; the latter had a negative impact of €332m on income for the year under review owing to a narrowing of credit spreads in 2012. Adjusted for the income from these special effects, net trading income was much the same as in the previous year. In the Core Bank, the Corporates & Markets and Others and Consolidation segments (through Group Treasury) were the main performance drivers. Group Treasury in particular, but also Corporates & Markets, posted an increase compared with the previous year. Outside the Core Bank, the net trading income of the Non-Core Assets segment declined significantly due to the valuation of hedging transactions.

Net investment income was €81m, compared with €–3,611m in the previous year. The results for the 2012 financial year are attributable on the one hand to revenues from the sale of equity and debt instruments, and on the other to losses on sales of assets incurred through the reduction of the Public Finance portfolio, including Greek government bonds, at the start of the reporting year. The latter had led to the high negative result in the previous year because of significant write-downs. The charges in connection with the Public Finance portfolio relate to the Non-Core Assets segment.

Current net income from companies accounted for using the equity method was €46m in the period under review, compared with €42m in 2011.

Other net income came to €–77m, compared with €1,253m a year earlier. While the figure for 2011 was related to the measures implemented in that year to optimise the capital structure, the figure for the current reporting period also reflected changed estimates in connection with litigation and recourse risks.

Operating expenses fell by 12.1% year-on-year to €7,025m. The decline in other operating expenses including depreciation was particularly marked, at –19.5%. This was attributable not only to the realisation of cost synergies following the completion of the integration of Dresdner Bank, but also to rigorous cost management to offset the decline in income. This allowed the majority of other types of operating costs to be significantly reduced. Personnel expenses were down by –5.3% despite the increase in pay rates. This was helped by lower expenses for pensions and performance-related remuneration elements as well as a smaller number of employees.

As a result of the items in the income statement described above, the Commerzbank Group posted an operating profit of €1,216m in 2012, up from €507m in the previous year.

Income of €–268m from the sale of groups held for sale was recognised in the year under review in connection with the sale of the Ukrainian Bank Forum. In connection with the European Commission's requirement to wind down Eurohypo AG, now Hypothekenbank Frankfurt AG, and the decision to fully wind down all activities in commercial real estate financing and ship finance, restructuring provisions were recognised for a total amount of €43m in the Non-Core Assets segment. Pre-tax profit amounted to €905m, compared with €507m a year earlier.

Tax expense for the reporting period was €796m, which compares with a tax credit of €240m for the 2011 financial year. The high tax expense for 2012 was primarily due to write-offs of deferred tax assets resulting from all Group units adapting their medium-term planning to the changing environment. Tax income in the previous year stemmed mainly from the retrospective recognition of deferred income tax claims on tax loss carry-forwards abroad.

Consolidated profit after tax amounted to €109m, compared with €747m in the previous year. €103m of consolidated profit in the year under review was attributable to non-controlling interests and €6m to Commerzbank shareholders. As Commerzbank Aktiengesellschaft is reporting its results for the 2012 financial year in accordance with the German Commercial Code (HGB), the plan is to service the silent participations of SoFFin and Allianz and all profit-sharing certificates issued by Commerzbank Aktiengesellschaft, including accumulated coupons and the Class B Preferred Securities of Commerzbank Capital Funding LLCs I–III for the 2012 financial year; no dividend will be paid.

The statement of comprehensive income, which in addition to consolidated profit/loss also includes other comprehensive income for the period, showed a net total of €1,542m for 2012. Other comprehensive income of €1,433m consists of the sum of positive changes in the revaluation reserve (€864m), the reserve from cash flow hedges (€194m), the reserve from currency translation (€370m) and companies accounted for using the equity method (€5m). Operating earnings per share were €0.18 and earnings per share €–0.04 (less the dividend on silent participations).

Consolidated balance sheet

› **Notes to the balance sheet**
Pages 231 ff

Total assets of the Commerzbank Group amounted to €635.9bn as at 31 December 2012. The fall of €25.9bn or 3.9% compared with year-end 2011 was attributable to the reduction in balance sheet volume and risk-weighted assets, which was partially offset by the increase in collateralised money market transactions and the investment of free cash with central banks. On the assets side, the fall in volume was mainly visible in claims on customers and trading assets. On the liabilities side, an increase in liabilities to banks and customers contrasted with a significant decrease in securitised liabilities and trading liabilities.

The cash reserve more than doubled compared with year-end 2011, rising by €9.7bn to €15.8bn. This was because of an increase in credit balances with central banks contingent on the balance sheet date.

Claims on banks remained at around the previous year's level at €88.0bn. An increase in funds with a maturity of up to three months was offset by a decline in overnight claims on banks. Claims on customers fell compared with year-end 2011, declining by €18.0bn to €278.6bn. While claims on customers decreased, particularly in the mortgage banking business, reverse repos and cash collaterals rose by €7.9bn. As at the reporting date, total lending to customers and banks stood at €272.8bn, down €31.1bn compared with year-end 2011. Loans to banks were 19.3% lower than in 2011 at €21.0bn, while customer lending business declined by 9.4% to €251.8bn. This was owing to the generally modest demand for credit in the Core Bank, and in particular the reduction of non-strategic business in the NCA segment.

As at the reporting date, trading assets amounted to €144.1bn, a fall of €11.6bn or 7.4% compared with the end of 2011. While bonds, notes and other interest rate-related securities decreased by €2.5bn and the positive fair values from derivative financial instruments, mainly interest rate and currency derivatives, declined by €17.2bn, there was a sharp rise of €8.1bn in shares, other equity-related securities and units in investment funds. Financial investments amounted to €89.1bn, compared with €94.5bn at the end of 2011. Bonds, notes and other interest rate-related securities were down by €5.0bn to €87.5bn, while shares and other equity-related securities and participations fell by €0.4bn to €1.4bn overall.

Table 7

Assets I €m	31.12.2012	31.12.2011	Change in %
Claims on banks	88,028	87,790	0.3
Claims on customers	278,546	296,586	−6.1
Assets held for trading purposes	144,144	155,700	−7.4
Financial investments	89,142	94,523	−5.7
Other assets	36,018	27,164	32.6
Total	**635,878**	**661,763**	**−3.9**

Liabilities and equity I €m	31.12.2012	31.12.2011	Change in %
Liabilities to banks	110,242	98,481	11.9
Liabilities to customers	265,842	255,344	4.1
Securitized liabilities	79,332	105,673	−24.9
Liabilities from trading activities	116,111	137,847	−15.8
Other liabilities	37,317	39,615	−5.8
Equity	27,034	24,803	9.0
Total	**635,878**	**661,763**	**−3.9**

On the liabilities side, liabilities to banks rose markedly by €11.8bn to €110.2bn; this included a large €4.9bn increase in cash collaterals and a €6.9bn rise in other liabilities to banks – particularly from money market trading with central banks. The volume growth in relation to foreign banks contrasts with a slight decline in bank deposits in Germany. Liabilities to customers rose by 4.1% year-on-year to €265.8bn. While savings deposits by private customers in Germany rose by €5.2bn, demand deposits by foreign customers increased by €6.8bn. Securitised liabilities were €26.3bn lower year-on-year at €79.3bn. Bonds and notes fell by €21.5bn to €78.9bn. This was mainly attributable to the sharp €15.1bn drop in mortgage and public-sector Pfandbriefe, primarily due to maturities at Hypothekenbank Frankfurt AG. Money market paper fell by €4.8bn to €0.5bn. Liabilities from trading activities were down €21.7bn to €116.1bn. This was mainly due to the decline in negative fair values attributable to derivative interest rate and currency instruments.

Off-balance sheet liabilities were also lower compared with the previous year, with contingent liabilities falling by €1.4bn to €35.8bn and irrevocable lending commitments decreasing by €4.2bn to €49.7bn.

Overall, Commerzbank took an important step on its way to further reducing volumes and risks by reporting a balance sheet volume of €635.9bn as at 31 December 2012. The reduction in total assets particularly affected the Non-Core Assets segment – especially the Public Finance division.

Capital and reserves

The equity capital reported in the balance sheet as at 31 December 2012 was up by 9.0%, or €2.2bn, to €27.0bn compared with year-end 2011. This increase was due mainly to the capital measures implemented in first-half 2012. The capital structure optimisation measure implemented in the first quarter of 2012 involved the non-cash contribution of hybrid capital instruments, subordinated bonds and other financial instruments to Commerzbank capital against the issuance of shares from authorised capital. In addition, the capital increase for non-cash capital contributions which was carried out in the second quarter to pay the individual variable remuneration entitlements of non-pay-scale employees for the 2011 financial year in shares of Commerzbank Aktiengesellschaft also served to strengthen the Bank's equity base. In conjunction with both these measures, the Financial Market Stabilisation Fund (SoFFin) converted a portion of its silent participation into shares in order to maintain its stake in Commerzbank of 25% plus 1 share.

As a result of these capital measures and the subsequent conversion of part of the silent participation by SoFFin, subscribed capital rose by €0.7bn to €5.8bn, with capital reserves up by €0.5bn to €11.7bn. Retained earnings fell by €0.2bn to €8.6bn in connection with the servicing of the silent participations. Total silent participations decreased by €0.3bn to €2.4bn following the two SoFFin conversions. SoFFin's remaining silent participation in Commerzbank is around €1.6bn.

The revaluation reserve stood at €–1.7bn as at the reporting date. This was an improvement of around €0.8bn compared with the end of 2011 and was attributable in particular to a rise in the fair values of Italian sovereign bonds. Together with the negative cash flow hedge reserves and the currency translation reserves, this amounted to a deduction of €–2.4bn from equity compared with €–3.7bn at year-end 2011.

As at 31 December 2012, risk-weighted assets fell by €28.5bn compared with year-end 2011 to €208.1bn, mainly due to planned reduction measures, securitisations and collateral management, and to the certification of our newly developed and integrated operational risk model by the regulatory authorities. Regulatory Tier I capital increased by €1.1bn compared with the end of 2011 to €27.2bn. In conjunction with the lower level of risk-weighted assets, the Tier I ratio rose to 13.1%. Core Tier I capital, which is a key variable in the context of Basel III, came to €25.0bn, or a ratio of 12.0%. The total capital ratio was 17.8% on the reporting date.

Funding and liquidity of the Commerzbank Group

The liquidity management of the Commerzbank Group is the responsibility of Group Treasury, which is represented in all major Group locations in Germany and abroad and has reporting lines in all subsidiaries.

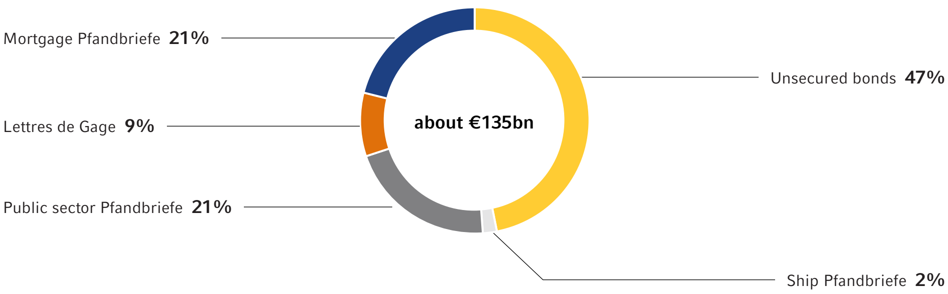
Liquidity management comprises both operational and strategic components. Operational liquidity management encompasses management of daily payment inflows and outflows, planning for expected payment flows and management of access to central banks. The division is also responsible for access to unsecured and secured sources of funding on the money and capital markets and the management of the liquidity portfolio. Strategic liquidity management involves managing maturity profiles for liquidity-relevant assets and liabilities within specified limits and corridors.

Guidelines and limits for the funding profile and funds are derived from the business strategy and reflect risk tolerance. The Group's short and medium-term funding is appropriately diversified in terms of investor groups, regions, products and currencies. Top-level decisions about liquidity management are taken by the central Asset Liability Committee (ALCO), which meets at regular intervals. The independent risk function quantifies liquidity risks using a Bank-internal model and also monitors the set limits. ALCO and the Board of Managing Directors receive regular reports on the liquidity risk situation.

› Group Risk Report
Page 170

Figure 3

Capital market funding structure
As at 31 December 2012



Commerzbank had unrestricted access to the money and capital markets throughout the reporting period; its liquidity and solvency were adequate at all times. It was always able to raise the resources required for a balanced refinancing mix and reported a comfortable liquidity position in the year under review.

Commerzbank was able to cover its funding requirements for the whole of the financial year in the first quarter of 2012. During the remainder of the financial year, funding activities were restricted to smaller private placements. The Commerzbank Group placed a total of around €4.3bn in the capital market in 2012.

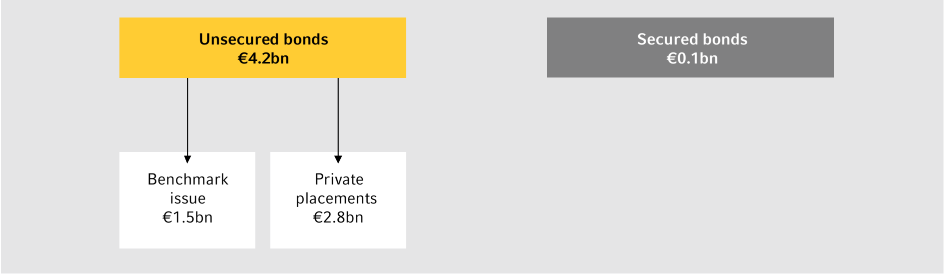
Commerzbank Aktiengesellschaft issued unsecured bonds totalling €3.8bn with an average maturity of six years. At the beginning of 2012 Commerzbank Aktiengesellschaft successfully issued a 5.5-year unsecured benchmark bond for a volume of €1bn. Unsecured private placements with a volume of €2.8bn were also issued, of which around 50% were structured bonds. Subordinate, unsecured bonds with a volume of approximately €400m were issued as part of the private placements.

In addition, the Polish subsidiary BRE Bank issued a €500m benchmark bond with a three-year maturity.

Credit spreads on the capital market tightened further during the year, meaning that the funding levels for private placements were reduced on several occasions.

Figure 4

Group capital market funding of 2012
Volume €4.3bn



In order to compensate for unexpected short-term outflows of liquidity, Commerzbank has a central liquidity portfolio of highly liquid securities eligible for central bank borrowing purposes. This centrally managed liquidity portfolio, which is supplemented by freely available cash resources, credit balances with central banks and other liquid securities positions, forms Commerzbank's liquidity reserve. The liquidity reserve was €83.4bn as at the end of the year, which represents around 13% of total assets.

The regulatory provisions applicable to liquidity as set out in the German Liquidity Regulation were complied with at all times during the year under review. As at the reporting date for 2012, Commerzbank Aktiengesellschaft's key liquidity ratio calculated using the German Liquidity Regulation's standard approach was 1.38, still significantly higher than the minimum regulatory requirement of 1.00.

The eurozone money and capital markets were dominated in the reporting year by the ECB's three-year tender operations conducted in December 2011 and February 2012 and by various three-month tender operations. The markets for government bonds issued by periphery countries were further eased by these measures and by the European Central Bank's announcement in September 2012 that it would, if necessary, conduct an unlimited buy-back via the secondary market of bonds issued by countries seeking a bail-out from the European Stability Mechanism (ESM).

› **Report on events after the reporting period**
Page 117

Thanks to its conservative and forward-looking funding strategy, Commerzbank is still not reliant on central bank liquidity facilities. Nevertheless, entities of the Group took advantage of the opportunities on offer and participated in the ECB's tender operations. Against the backdrop of the measures taken by the European Central Bank, which led to a stabilising trend in Europe, the three-month tender transactions that had been taken up were reduced to zero. This is also the case for the three-year tender of December 2011, which was reduced to zero earlier than required at the end of January 2013.

Summary of 2012 business position

Commerzbank made further progress operationally in 2012. We have been able to significantly reduce risk-weighted assets and the balance sheet volume, strengthen our capital base with a Core Tier I ratio of 12.0% and reduce our costs substantially. The reduction of the non-strategic portfolio is also proceeding according to plan.

Commerzbank's performance in 2012 was affected by the persistently difficult market environment – characterised by a further decline in interest rates – and a growing loss of customer confidence in the banking sector. Although the measures implemented by the European Central Bank contributed to a slight recovery on the markets and in customer activity during the third quarter, the debt crisis continued to have a negative impact on the banking sector. In this environment the Group achieved an operating profit of €1.2bn in the year under review. This is well above the previous year's figure of €0.5bn, although the latter was affected considerably by write-downs on Greek sovereign bonds. Interest rates, which were again significantly lower compared with the prior-year period, had a noticeable impact on this year's performance. This was compounded by continuing volatility in the capital markets and the ongoing cautious attitude of our customers. The corresponding impact on earnings was evident in all income items. We have pursued our rigorous cost management measures in this difficult environment. As a result, operating expenses fell by nearly €1bn during the reporting period to €7.0bn.

The Core Bank, which includes Commerzbank's strategically significant client-centric business, posted a solid operating profit of €2.6bn in a challenging market environment. This included a charge of €–315m from the lower market valuation of the Bank's own liabilities ("own credit spread" – OCS), which arose from the significant drop in the credit spread on Commerzbank during the course of the year. In the previous year, OCS had a positive effect of €288m on earnings. Adjusted for this positive effect and for the impact on earnings of the buyback of hybrid capital instruments amounting to around €1.1bn, the operating profit was €3.1bn in the previous year. If the OCS effect is also taken into account for 2012, the Core Bank achieved a satisfactory operating profit that was only slightly below the 2011 figure.

+1 million
Net new customers

By expanding a multi-channel bank that combines traditional values like fairness and competence with modern technology, we aim to regain customer trust. Between now and 2016, we will be investing €1bn in the private customer business.

+10%
Revenues per customer

>€300bn
Assets under control

>30%
Net Promoter Score

Segment performance

Private Customers

The Private Customers segment comprises the Private Customers, Direct Banking and Asset Management & Leasing divisions. With a customer base of around 11 million, Commerzbank is one of Germany's leading banks for private customer business. The activities of Commerz Real AG were integrated into the Asset Management & Leasing division in July 2012. This wholly-owned subsidiary of Commerzbank has over 40 years of market experience and €36bn in assets under management. In addition, responsibility for Hypothekenbank Frankfurt AG's lending business to private customers for residential purposes was transferred to the Private Customers segment.

Performance

Table 8

€m	2012	2011	Change in %/%-points
Income before provisions	3,350	4,065	–17.6
Loan loss provisions	–95	–61	55.7
Operating expenses	3,010	3,528	–14.7
Operating profit/loss	**245**	**476**	**–48.5**
Capital employed	3,919	4,155	–5.7
Operating return on equity (%)	6.3	11.5	–5.2
Cost/income ratio in operating business (%)	89.9	86.8	3.1

› **Note 45 – Segment reporting**
Page 223 ff.

The Private Customers segment was unable to post positive earnings performance in 2012 owing to the impact of the persistently low interest rate environment and the continuing cautiousness of our customers, notably with regard to capital market transactions. There were pleasing results from the new construction financing business, however, which expanded further during the course of the year. The operating profit declined by 48.5% year-on-year to €245m.

Income before loan loss provisions fell by €715m to €3,350m during the 2012 financial year. Net interest income fell by 12.9% year-on-year to €1,835m, mainly because of the steady fall in market interest rates. Net commission income fell by 17.8% to €1,546m, mainly as a result of a decline in revenues from the commission-based securities business.

This reflected a cautious attitude on the part of customers as a result of the continuing uncertainty on the financial markets. Other net income in the 2012 financial year amounted to €–57m and related mainly to the recognition of provisions for legal risks. The corresponding figure of €63m in the previous year benefited in particular from one-off effects such as the sale of the collection agency of the former Dresdner Bank and the reversal of provisions.

Loan loss provisions remained at a low level, rising by €34m year-on-year to €–95m. Operating expenses declined by 14.7% year-on-year to €3,010m. Both personnel and other expenses were reduced further thanks to rigorous cost management.

Overall the Private Customers segment posted a pre-tax profit of €245m compared with €476m in the prior-year period.

The operating return on equity based on capital employed of €3.9bn was 6.3% (previous year: 11.5%). The cost/income ratio rose from 86.8% in the prior-year period to 89.9%.

Main developments in 2012

The last tasks relating to the integration were completed in 2012. 273 branch pairs were integrated throughout Germany, thus realising synergies amounting to around €62m. In addition to 1,200 branches for advising private and business customers, Commerzbank has over 43 advisory centres for wealth management customers – the densest branch network of any single brand.

New strategy makes private customer business future-oriented and profitable

In November, Commerzbank announced its strategy for the private customer business. This was in response to changes in the market and in customer behaviour. The main thrust of the strategy includes positioning Commerzbank as a fair and competent bank, modernising its business model (in other words developing it into a multi-channel bank with a strong branch network and a high-performance online banking system), increasing profitability by clearly aligning the organisation to meet changing demands, and returning to sustainable growth. The Bank has already taken the first step by overhauling its sales organisation: the performance of the sales teams will in future be measured in terms of the key criteria of quality, growth and profitability. Quality relates to customer satisfaction, which since 2012 has also been taken into account when calculating the remuneration of managers and employees. It rose by 33 percentage points during the year.

Private Customers

The Private Customers division covers Commerzbank's branch business in Germany for private and business customers as well as Wealth Management.

New advisory process for comprehensive financial advice

The introduction of a new advisory process rigorously oriented towards the needs of our customers was a significant innovation in summer 2012. At its heart lies the use of the "Customer Compass", an IT-supported advisory application that offers customers at every branch a standardised, structured and comprehensive advisory service. Since its launch, more than 760,000 advisory sessions have taken place with the help of the "Customer Compass".

Deposits and loans drive growth in the private customer business

In 2012, the emphasis was on the lending and deposit business. The deposit business gained around €9bn thanks to attractive promotional products, and some 51,000 new customers were acquired in the first quarter alone. In the lending business, the open architecture for real estate financing was introduced. Since August, construction financing products from 250 other financial services providers have also been concluded in Commerzbank branches. Customers thus not only receive an individually tailored offering but can also select from a wide range of different products. Commerzbank was able to increase its credit business by around a third compared with the previous year. This was attributable to the home build financing business and to individual loans to business customers (companies and self-employed persons with a turnover of up to €2.5m) and wealth management customers.

Current accounts are the anchor product for the bank-customer relationship

Current accounts are at the centre of the customer relationship. The free current account has now been expanded to include a satisfaction guarantee: customers receive an initial credit of €50 and the Bank guarantees that they will be satisfied with their account thanks to professional advice and reliable services at a fair price. If the customer is not satisfied over the long term and terminates the account, they receive another €50. In 2012, over 2,500 customers a week opted for the free current account. Commerzbank also offers high-performance account and payment products for its business customers. Around 80,000 new accounts of this kind were opened during 2012.

Investment business expanded through the addition of structured asset management products

Professional asset management was once again a key focus for Commerzbank's investment business in 2012. Asset management uses the expertise of specialist providers in relation to individual investment themes, regions or sectors. Allianz Global Investors is responsible for structuring portfolios and selecting the best funds for each investment segment. Maturity funds, which offered adequate returns with diversified risk in the field of pensions, were another investment focus. In the Wealth Management division, individual wealth management helps customers achieve the best possible investment success thanks to active and stringent risk management, particularly in difficult market phases.

Wealth Management growth programme

Wealth Management, which provides services to particularly wealthy private clients who have complex wealth management requirements, continued with its growth programme in 2012. Assets under management rose by around 6% to €51bn. New services such as individual risk analysis and wealth planning concepts made a particular contribution to this increase. Income from wealth planning customers went up by around 50% in 2012 compared with the previous year. The cooperation with Mittelstandsbank was a significant success factor and was further intensified.

Net gain in new customers in private customer business – trend reversal achieved
After net losses of customers in recent years, the trend was reversed in 2012: in branch business alone, more than 120,000 net new customers were acquired.

Direct Banking

The Direct Banking division covers the activities of the comdirect group (comdirect bank AG and ebase GmbH). With some 2.8 million customers, 1.7 million securities accounts under management and 18 million securities transactions carried out, the comdirect group is the market leader in online securities business, making it one of the leading direct banks in Germany.

Stable growth
The comdirect group was able to maintain the previous year's growth despite the difficult market environment. Customer numbers increased in both direct banking business (comdirect bank) and in business with institutional partners (ebase). Net investments by customers and price effects also contributed to the rise in assets under management. Customer growth was driven partly by higher expenditure on marketing in the second half of the year and by the continuing popularity with customers of the free current account with a satisfaction guarantee. comdirect has further improved the account by adding an attractive Visa card, expanding the mobile banking service and introducing the giropay payment system. Traders and securities investors were able to take advantage of year-round flat-fee offers and enhanced trading functions. The further increase in customer satisfaction was demonstrated by the greater readiness of comdirect customers to recommend it to their friends. In its tenth year of existence, ebase continued its development as a leading B2B direct bank. The number of custody accounts and the volume of customer assets under management increased, particularly in the insurance company customer segment. This was in part because ebase took over the custody account management of another insurance company. The product range was also expanded to include an online payment transaction account and a standardised asset management offering.

Asset Management and Leasing

In mid-2012, Commerz Real AG was integrated into the Private Customers segment. It manages assets of €36bn. Its range of funds, with a focus on tangible assets, includes the open-ended property fund "hausInvest", entrepreneurial participations in various asset categories and institutional investment products. As the Commerzbank Group's leasing company, Commerz Real also offers tailored leasing concepts for moveable assets. "hausInvest" celebrated its 40th anniversary during the year under review. The fund has steadily increased in value ever since its launch, and this was also the case in its anniversary year. The half-year to 30 September 2012 closed with an annual return of 2.7%. As at the end of the reporting period, the "hausInvest" portfolio comprised 116 properties in 17 countries. Commerz Real Fonds Beteiligungsgesellschaft mbH (CFB) specialises in the design, marketing and management of entrepreneurial participations. Renewable energies are currently its main investment focus. The largest German solar fund to date was successfully issued in September 2012. In the course of the consortium participation in the transmission system operator Amprion, Commerz Real placed shares with a volume of €120m – initially taken onto its own books – in full with institutional investors in January 2012. The €100m of shares held indirectly by RWE, the former sole owner of Amprion, were also transferred to institutional investors. The main commercial focus of Commerz Real Mobilienleasing GmbH (CRM) is equipment and facilities leasing. Its service offering also includes sale-and-leaseback solutions and hire purchase models. Against the background of stable economic development in Germany, CRM can look back on a very successful business year.

Outlook for Private Customers

2013 will be characterised by the implementation of the Private Customers strategy, focusing on positioning, modernisation, growth and increasing profitability. In line with this strategy, the segment will continue as it began in 2012 with the aim of improving the three key criteria of quality, growth and profitability. Quality is measured in terms of customer satisfaction and willingness to recommend the Bank to family and friends: the aim is to boost quality further in 2013. The Bank wants customers to perceive it as a fair and professional partner. Products and services are therefore being geared consistently to this positioning in order to attract more new Commerzbank customers and achieve sustainable growth – the target is a net total of one million new customers by 2016. A new range of instalment loans with improved conditions is being developed for 2013, along with new current account models. The satisfaction guarantee is also to be extended to business customer accounts. New and existing customers will in future be treated equally in the deposit business, and there are plans to introduce more transparent custody account models in the investment advisory business. As before, independent construction financing will remain a priority thanks to the open real estate financing platform "CobaHyp". Commerzbank is also working to upgrade its business model and in 2013 will be setting down important markers on the path to the creation of a modern multi-channel bank. As part of its modernisation programme, the Bank will expand its online and mobile banking services in a way that is compatible with direct banking, thus establishing a second equivalent business alongside the branches. As a first step, it will focus on security. At the beginning of 2013 the Bank launched an innovative new security process, photoTAN. It is also retaining its branch presence and will invest in its branch network in order to align it even more closely with the needs of its customers. The aim is to operate other branch models on the market from 2014 onwards. Two of the four new branch types are being tested in 2013. By 2016, Commerzbank will invest a total of around €1bn in its technical platforms, product and service offering, advisory process and training for its employees, while keeping costs stable. These investments and the still difficult market environment will have an impact on the result for 2013, so the segment is not expected to make a positive contribution to Group earnings. Commerzbank will also retain its dual brand strategy with comdirect, since the success of the segment is strengthened through the two brands. The comdirect group's strategy will continue to be geared towards consistently exploiting the opportunities in the direct banking market while achieving growth with an emphasis on value and yield. At ebase, the focus is on enhancing custody account and account solutions for institutional partners. 2013 will point the way ahead for the Asset Management & Leasing division, particularly as regards investment products. How these products develop will depend to a large degree on the permitted scope for designing them under the forthcoming regulatory changes.

>15%
New customers

The growth focus is on expanding our position in our home market, increasing our presence in dynamic growth markets and participating more strongly in international trade flows.

+4%
Revenue growth annually

+8%
Growth in international revenues annually

>50%
Cross-selling non-loan ratio

Mittelstandsbank

The Mittelstandsbank segment consists of the three Group divisions Mittelstand Germany, Corporate Banking & International and Financial Institutions. The Mittelstand Germany division serves small and mid-sized customers, the public sector and institutional clients in Germany. The Corporate Banking & International division handles business with corporate customers with a turnover of more than €500m (provided they are not Multinational Corporates allocated to the Corporates & Markets segment) and with smaller groups with high capital market requirements as well as those with significant overseas operations. It also contains the competence centre for customers from the renewable energies sector. As a specialist in global foreign trade activities, the Financial Institutions division is responsible for relationships with banks, financial institutions and central banks in Germany and abroad. In the year under review, Mittelstandsbank generated a higher operating profit than in 2011.

Performance

Table 9

€m	2012	2011	Change in %/%-points
Income before provisions	3,016	3,293	−8.4
Loan loss provisions	−30	−190	−84.2
Operating expenses	1,337	1,515	−11.7
Operating profit/loss	**1,649**	**1,588**	**3.8**
Capital employed	5,771	6,958	−17.1
Operating return on equity (%)	28.6	22.8	5.8
Cost/income ratio in operating business (%)	44.3	46.0	−1.7

Against the backdrop of a relatively stable economic environment in Germany, the Mittelstandsbank segment posted a strong operating profit of €1,649m in 2012. This once again exceeded the high level achieved in the previous year.

› **Note 45 – Segment reporting**
Page 223 ff.

In the period under review, income before loan loss provisions came to €3,016m, 8.4% below the prior-year figure. While there was growth in revenues from direct customer business in some categories, earnings were negatively impacted in particular by low interest rates, noticeably subdued capital market activity and a significant fall in income from restructured loans compared with the previous year.

Net interest income was 13.3% lower than in the same period of 2011 at €1,954m. Although the volume of deposit business was greater, it contributed significantly less to net interest income due to lower margins caused by low market interest rates. In the lending business, however, higher margins and lower volumes compared with the previous year (as a result of the reduction in non-strategic business) boosted net interest income. This only partially offset the decline in earnings from deposit business, however.

The partial absence of income from restructured loans posted in the previous year was also reflected in the change in net interest income.

Net commission income fell by 4.9% to €1,061m. Although income from foreign trade and related product categories increased in the reporting period, demand from our customers for capital market products was subdued during the reporting period. Net trading income was €–22m, up €17m year-on-year, due largely to remeasurement effects from credit hedge transactions. Net investment income rose by €76m year-on-year to €31m, primarily because of positive effects from restructured loans and the absence of adverse valuation effects on shareholdings in the previous year. Other net income came to €–14m, compared with €–4m a year earlier.

Thanks to the relatively stable economic environment in Germany in the current year, a net allocation of only €–30m for loan loss provisions was posted in the reporting period. Net allocations of €–190m were recognised in the prior-year period.

Operating expenses fell to €1,337m, down 11.7% on the previous year's figure of €1,515m. This significant decline in costs was principally attributable to cost synergies realised in relation to the integration and to the absence of integration costs incurred in the same period of 2011.

Overall, the Mittelstandsbank segment posted a pre-tax profit of €1,649m for 2012, which represents a year-on-year increase of 3.8%.

The operating return on equity based on average capital employed of €5.8bn was 28.6% (previous year: 22.8%). The cost/income ratio was 44.3%, compared with 46.0% in the same period of 2011.

Main developments in 2012

A professional financial services provider in a persistently challenging market environment
Mittelstandsbank supports its customers as a strategic partner providing needs-based solutions in corporate finance, cash management and payment transactions, international business and investment and risk management. We work intensively with them to produce that which take account of regulatory provisions and the corporate requirements of both customers and Bank. We have thus sustained our willingness to lend and fulfilled our aim of reliably providing our customers with liquidity, even in a challenging environment. At the same time, risk-weighted assets were reduced with the help of active capital management. Despite market interest rates being low, we saw good growth in deposit volumes. Our investment and risk management advice was tailored even more closely to our customers' needs.

The bank at your side – for cash management and international business too
With our high level of performance in payment transactions, cash pooling and treasury management, we continue to be one of Germany's leading banks. We and our customers tap into the opportunities offered by the convergence of European payment markets under the banner of the Single European Payment Area (SEPA). We continue to be a major player in terms of advice and settlement of international business, and this, together with our strong international presence, forms the basis for supporting our customers in their international activities. Our expertise in this area ranges from cross-border payments, letters of credit and guarantees to structured export and trade finance. No other German bank processed more letters of credit for German exporters than Commerzbank in 2012. As trade with China grows, we offer our customers the opportunity to settle commercial transactions in all Chinese provinces in the local currency, the renminbi, and to maintain renminbi accounts for this purpose.

Takeover of Eastern European units makes best possible use of new business opportunities
On 1 January 2012, the business units in Russia (Commerzbank Eurasija), the Czech Republic, Slovakia and Hungary (Commerzbank Zrt.) were transferred from the Central & Eastern Europe segment to Mittelstandsbank. These units have since been aligned with the successfully established Mittelstandsbank business model, allowing us to offer our internationally active customers a consistent service and product range in Central and Eastern European markets as well.

Strengthening the capital base
As part of its active capital management, Mittelstandsbank continued to focus on its core business and pressed ahead with the reduction of non-strategic portfolios in Western and Eastern Europe. The capital base was further strengthened by means of improved collateral management and successful securitisation transactions on the capital market. This also enabled us to provide German SMEs with unlimited funding in a difficult market environment.

Mittelstand Germany

In the Mittelstand Germany division, our corporate customer advisors and product specialists provide solution-oriented, on-the-spot advice at 150 locations throughout Germany to our SME customers with a turnover of between €2.5m and €500m, as well as to public-sector and institutional customers. This combination of geographical proximity to our customers and specialist expertise proved to be a competitive advantage once again in the year under review.

Individual financing solutions for SMEs
Our product range is clearly oriented to the needs of our customers. In addition to classic credit products, we offer individual financing solutions for German SMEs. When designing these financing products, we focus on consistently meeting our customers' needs in terms of working as partners, flexibility and alignment with the market. Funding experts help our corporate customer advisors design and implement customised funding solutions for mid-sized and larger corporate customers.

Attractive product range even in times of uncertainty
Against the backdrop of the deteriorating outlook for the German economy – not least because of the financial crisis – our SME customers have become particularly interested in sustainable corporate financing. Our SME syndicated funding, which we offer as "club deals", give us a tried-and-tested tool for stabilising the number of banks used and consequently the funding volume, especially during economic downturns. Our customers are supported in their individual risk strategies by our corporate customer advisors and product specialists, who can draw on a wide range of modern hedging instruments. Currency, commodity price and interest rate risks are systematically limited, completely eliminated or at least kept manageable in terms of their impact on liquidity.

Corporate Banking & International

The Corporate Banking & International division, which has seven large corporate centres in Germany, supports corporate customers with a turnover of more than €500m as well as smaller groups and businesses with major foreign operations and capital market requirements. The Renewable Energies Centre of Competence, which comes under this division, makes an active contribution to funding the change in energy policy in Germany.

Support and decision-making expertise in Germany and abroad
In the Corporate Banking & International division, the focus is on looking after subsidiaries and branches of our German customers in other countries, as well as foreign companies with subsidiaries and branches in Germany. This proven customer care model is based on close networking with our locations throughout the world, the intensive collaboration of our corporate customer advisors and product specialists, and our excellent country know-how. The uncertainty on the financial markets prompted our customers to place greater emphasis on internal risk management – an area in which we are able to provide optimal support thanks to our comprehensive product range. Our close cooperation with the Corporates & Markets segment enables us to offer sophisticated funding solutions that may involve the capital markets.

Supporting the change in energy policy
For over two decades – long before the decision was taken to change Germany's energy policy – Commerzbank has been active in this future-oriented market through its Renewable Energies Centre of Competence. Our focus is on developing innovative funding models in the area of renewable energies.

Financial Institutions

The Financial Institutions division is responsible for relationships with financial institutions in Germany and abroad as well as with central banks, and also supports other Group divisions and segments in their international activities through its worldwide network of correspondent banks. Financial Institutions assists its customers throughout the world with foreign payment transactions, hedging of foreign trade risks and funding for foreign trade deals. The Financial Institutions division also provides its customers with bilateral loans, supports them in syndicated loans and, together with the Corporates & Markets segment, offers solutions for active risk management.

Global distribution network

In keeping with the global service approach of its business model, in 2012 the Financial Institutions division expanded its worldwide relationship management team by opening new offices in Bangladesh (Dhaka) and Angola (Luanda). The division's relationship managers and skilled product and risk specialists offer its customers a long-term relationship approach and comprehensive product knowledge.

Strong market position in the eurozone

According to SWIFT, Commerzbank was again able to increase its market share for the settlement of foreign trade deals in the eurozone. It is one of the leading institutions in the eurozone for the settlement of export payment transactions and export letters of credit in the eurozone. To increase the efficiency of its settlement processes in documentary business and boost growth capacity, Commerzbank opened its first trade processing centre in Lodz, Poland, in the second half of 2012.

Outlook for Mittelstandsbank

In a constantly changing regulatory environment, we expect capital-intensive business to continue to be utilised selectively. We anticipate that over the next three years or so there will be a window of opportunity for gaining market share in Germany, although greater competition can be expected from foreign banks in the medium term as a result of the attractiveness of the German corporate customer segment. To achieve our ambitious targets, the initiatives announced at our Investors' Day in November 2012 as part of our special "Market Leader" growth programme will help lay the foundations for sustainable expansion of our market position. Strategic elements of the growth programme include more intensive customer acquisition, increasing our income from existing customers, international growth and expanding our Cash Management & International Business platforms.

In 2013, Mittelstandsbank's growth will focus on the acquisition of new customers, particularly in the small and medium-sized corporate customers segment, and on the expansion of business with existing customers in Germany wherever there is potential. We want to provide optimal support to the real economy in order to consistently exploit competitive opportunities and convert them into additional market share. In the medium term, we intend to step up our business activities in other European countries by adapting the proven service model we use in Germany. We will also aim to gain further international market share by exploiting our leading market position and specific product expertise in trade services. We want to strengthen the Cash Management & International Business platform through investment in our IT platforms and SEPA, and in professional advisory capacities.

+5%

Revenue growth annually

We want to continue growing our position as the innovative leader for modern private customer banking. In business with the Mittelstand, we will boost income and profitability by bringing the Corporates and Investment Banking business in Poland closer together.

115%

Loan/deposit ratio

Central & Eastern Europe

The Central & Eastern Europe (CEE) segment comprised the universal banking and direct banking activities in this region in 2012. It includes in particular our Polish subsidiary BRE Bank, which offers banking products for corporate customers as well as modern financial services for private customers under the MultiBank brand in Poland and the mBank brand in Poland, the Czech Republic and Slovakia. Investments in microfinance banks also belonged to the CEE segment. It was decided that these would be completely sold off, and during the reporting year this process was largely completed as part of the greater emphasis on core markets in the region. The sale of Bank Forum to the Ukrainian Smart Group was also completed in the fourth quarter. The business units in Russia (Commerzbank Eurasija), the Czech Republic, Slovakia and Hungary (Commerzbank Zrt.) had already been transferred from the Central & Eastern Europe segment to Mittelstandsbank on 1 January 2012.

The Central & Eastern Europe segment reported a solid operating profit in a challenging market environment. The Group's Polish subsidiary BRE Bank made a significant contribution to this result. However, the segment's operating profit did not match the record level achieved in 2011. The figure for the previous year, however, was materially impacted by a positive valuation effect in connection with the sale of Commerzbank's share in the Russian Promsvyazbank.

Performance

Table 10

€m	2012	2011	Change in %/%-points
Income before provisions	818	1,044	– 21.6
Loan loss provisions	– 105	– 86	22.1
Operating expenses	473	531	– 10.9
Operating profit/loss	**240**	**427**	**– 43.8**
Capital employed	1,763	1,812	– 2.7
Operating return on equity (%)	13.6	23.6	– 10.0
Cost/income ratio in operating business (%)	57.8	50.9	7.0

The Central & Eastern Europe segment generated an operating profit of €240m in 2012, less than the record €427m achieved in 2011.

› **Note 45 – Segment reporting**
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In the year under review, income before loan loss provisions came to €818m, which was €226m below the figure for the previous year. The fall in profit compared with 2011 was mainly attributable to one-off effects such as the sale of the investment in the Russian Promsvyazbank, which was completed in the second quarter of 2012 (positive earnings effect of €22m in the year under review) but had already led to a remeasurement effect in the previous year's result (positive earnings effect of €154m).

Net interest income for the segment declined by €91m, having been significantly affected by lower revenues from the Ukrainian Bank Forum. At €188m, net commission income was at the same level as in 2011.

Loan loss provisions rose by €19m year-on-year to a total of €–105m.

Operating expenses fell to €473m, 10.9% lower than the previous year's figure of €531m. Both personnel and other expenses were reduced thanks to successful cost management. The sale of Bank Forum also had a significant impact in this area.

After extraordinary charges of €–268m in connection with the sale of Bank Forum, the Central & Eastern Europe segment generated a pre-tax loss of €–28m in the year under review. This was a fall of €455m compared with 2011.

The operating return on equity based on average capital employed of €1.8bn was 13.6% (previous year: 23.6%). The cost/income ratio was 57.8%, compared with 50.9% in 2010.

Main developments in 2012

The focus of our activities in 2012 was on organic growth initiatives in the universal banking business and in BRE Bank's direct banking activities. The Ukrainian Bank Forum and various minority interests in microfinance banks were sold or put up for sale.

BRE Bank also introduced its new medium-term strategy in mid-2012. This focuses on further organic growth, enhanced integration between corporate customer business and investment banking in the provision of products and services geared clearly to SMEs, and modern, customer-oriented services in the private customer business.

Customer numbers at BRE Bank rose to over 200,000 during the year, thanks in particular to the dynamic growth in direct banking. As at the end of the reporting year, Commerzbank had over 4 million customers in Central and Eastern Europe and employed around 5,400 full-time staff in 309 branches. The number of cross-border customers increased by 13% through cross-border sales initiatives to more than 3,200.

BRE Bank Group

Thanks to stable revenues and rigorous cost management, the profit generated by BRE Bank before and after tax came in slightly above the figures for the previous year. The BRE Group contributed €283m to the segment's operating profit.

New strategy

In 2012 BRE Bank set out its new medium-term strategy for 2012 to 2016. This strategy is in line with the "One Bank" philosophy, which aims at even closer integration between all areas at bank and Group level, thus providing customers with broader access to product and advisory offers.

A key measure in the new strategy is to bring all BRE activities together under the mBank brand. The already strong focus on mobile banking services in the private customer business is also to be expanded and complemented through links to social media channels. The existing, integrated branch network will in future be made accessible to all customer groups, thus enhancing the advisory services available to Internet customers.

A new interactive business model is being designed for the private customer business as part of the "New mBank" project. This is based on a newly developed online platform targeted at customers' changing requirements and geared to their increasing use of new media and technologies. The "New mBank" concept includes all aspects of transaction business, personal finance management, video chats with customer advisors and integration into social media. A modern user interface will help build long-term customer relationships based on trust. At the same time there will be increased interaction with the Bank. In addition to online banking, all banking services will also be available via mobile banking.

The Bank will further expand its position in respect of business with medium-sized enterprises. In so doing the Bank expects to benefit from the strong cross-selling potential of high-margin products, for example through integrated solutions for funding, advisory services and transaction business.

Greater responsibility and decision-making powers are to be transferred to employees and teams thanks to a flatter organisational structure.

More customers – more services

In BRE Bank's private customer business, the range of services was constantly enhanced through the launch of new credit, deposit and investment products and optimised sales processes. These improvements included the opening of new MultiBank branches for mBank customers, new mobile banking offers, the innovative mSaver long-term savings programme and Aquarius Optimal Investing, an independent online investment advisory service.

The number of customers in BRE Bank's corporate customer business grew to more than 15,000. Its range of products and services was also expanded. The iBRE Internet platform, for example, can now be integrated into corporate customers' own finance and accounting systems. There were further additions in investment banking such as the introduction of automated product platforms in the foreign currency business, which was geared more closely to smaller companies. Progress was also made in expanding cross-border business and enhancing the cooperation between Commerzbank and BRE Bank.

Award-winning bank

The bank once again won numerous awards in 2012. This included BRE Bank being named Poland's best bank in the "Best Emerging Market Banks in Central and Eastern Europe" category by the magazine "Global Finance". In the "Newsweek's Friendly Bank" competition, MultiBank was crowned "best traditional bank" and mBank "best institution offering mobile banking". BRE Bank was voted "Bank of the last 20 years" by the "Gazeta Bankowa" and was awarded a special prize as the bank that has won the most awards in this competition. For the third time in succession, Internet users gave mBank the "Golden Banker" award.

Outlook for Central & Eastern Europe

For 2013, we expect economic growth in the Central and Eastern Europe region to remain subdued due to the European sovereign debt crisis. Lower investment in infrastructure and falling consumer spending is predicted in Poland. The quantitative easing policy pursued by the National Bank of Poland in the year under review is expected to continue in 2013, and this may place additional pressure on earnings in the local banking sector. The countries in central and Eastern Europe also stand to benefit from slightly more favourable economic conditions in the eurozone. This applies to Poland as well as the Czech Republic and Slovakia, where growth is expected to accelerate markedly from 2014 onwards. Given this market environment, Commerzbank plans to expand its activities in the universal banking business and in direct banking. The focus is on organic growth initiatives.

In this regard BRE Bank will continue with the implementation of its new strategy and gear it more closely to customer requirements. It will concentrate on improving income potential and profitability. These goals should be achieved through focused growth with adequate risk distribution, an efficient use of equity and further diversification in funding. Private customer business will continue to focus on wealthy customers and on young customers who are likely to achieve an above-average income. BRE Bank will also focus on the individual needs of entrepreneurs and small companies. In addition, the “New mBank” concept will be used to enhance the Bank’s position as a leading innovator in modern banking services. In corporate customer business, BRE is positioned as the top provider for mid-sized and large companies. The Bank will steadily expand its presence in respect of business with medium-sized enterprises. Its revenues from business with large customers are set to increase further thanks to greater cross-selling in transaction business. BRE is looking to expand its position as the preferred bank for cross-border business. The main focus here will be on companies from German-speaking countries that are also major trading partners with Poland.

+4%

Revenue growth annually

We aim to continue growing our position as a focused and leading international provider of relevant products and services for customers. Bringing our corporate and private customer business closer together will be of particular help here.

€150m

Improved cost efficiency

Capital efficiency

Maintain capital efficiency under Basel III

Corporates & Markets

The Corporates & Markets segment combines Commerzbank's investment banking activities. The focus is on the sale of capital market products, advisory services and the preparation of market analyses for Group customers requiring capital market products. The segment comprises the Fixed Income & Currencies, Equity Markets & Commodities, Corporate Finance, Credit Portfolio Management and Client Relationship Management divisions, and ensures that not only Corporates & Markets customers but also customers of other Group segments, particularly Mittelstandsbank and Private Customers, have full access to the entire range of investment banking products and services.

2012 was again dominated by the turmoil surrounding the sovereign debt crisis. Market events therefore had an impact on the earnings performance of this segment, with its focus on customer activities.

Performance

Table 11

€m	2012	2011	Change in %/%-points
Income before provisions	1,596	2,234	–28.6
Loan loss provisions	–52	–146	–64.4
Operating expenses	1,347	1,505	–10.5
Operating profit/loss	**197**	**583**	**–66.2**
Capital employed	3,211	3,807	–15.7
Operating return on equity (%)	6.1	15.3	–9.2
Cost/income ratio in operating business (%)	84.4	67.4	17.0

› **Note 45 – Segment reporting**
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The capital market environment in which the Corporates & Markets segment operated remained difficult in 2012, although it benefited from a gradual decline in the risks presented by the euro crisis and consequently from an upturn in customer demand as a result of the European Central Bank's change of direction. The Corporates & Markets segment posted an operating profit of €197m for 2012, compared with €583m in the previous year. This includes effects from the measurement of own liabilities, which had an impact of €–315m on the result for 2012 after having increased profits by €288m in 2011. Without this effect, Corporates & Markets boosted its operating profit by around 74% in 2012 compared with the previous year.

In the Corporate Finance division, income was below 2011 levels. Although the fixed-income business benefited from a large number of new issues, these were unable to compensate for weaker lending. The Equity Markets & Commodities division operated in a more favourable environment and was able to stabilise its income compared with the previous year. The Fixed Income & Currencies division increased its income before taking into account the measurement of own liabilities already mentioned, benefiting in particular from an improvement in income from trading with credit products.

Overall, income before loan loss provisions fell by €638m year-on-year to €1,596m. Of this fall, some €600m was attributable to the measurement of own liabilities. Net interest income fell from €832m year-on-year to €546m because of the ongoing reduction in risk-weighted assets and positive effects from restructured loans. Net commission income rose slightly, increasing by €19m to €319m. Net trading income declined by €535m to €534m, due largely to the remeasurement of own liabilities. Loan loss provisions for lending amounted to €–52m in 2012, compared with €–146m in 2011. Operating expenses were cut significantly thanks to effective cost management, falling by €158m to €1,347m. Pre-tax profit came to €197m, compared with €583m in the previous year. With average capital employed down by 15.7% to €3.2bn, the operating return on equity based on average capital employed was 6.1% (previous year: 15.3%). The cost/income ratio was 84.4%, compared with 67.4% a year earlier. Adjusted for the effects of measurement of own liabilities, the operating return on equity would be 15.9% (prior-year period: 7.7%). The adjusted cost/income ratio would be 70.5%, compared with 77.3% a year earlier.

Main developments in 2012

The performance of the individual Group divisions was influenced both by market trends and by a number of developments within the Bank. For example, Credit Portfolio Management, which had previously belonged to the Corporate Finance division, became an independent Group division in the second quarter. A number of remaining portfolios were then transferred to it from the dissolved Portfolio Restructuring Unit in the third quarter. The significant reduction in risk-weighted assets – which was achieved despite the introduction of Basel 2.5 – also had an impact on earnings performance. Here, the Corporates & Markets segment made a substantial contribution to helping exceed the requirements of the European Banking Authority (EBA).

The successful year for the Corporate Finance division was characterised by stable business performance throughout the entire twelve-month period. However, earnings performance was considerably more volatile in the Fixed Income & Currencies division. After a sharp drop in customer activity on the equity markets in the second half of 2011, the Equity Markets & Commodities division managed to stabilise the earnings situation at the start of 2012 and maintain this over the course of the year. Credit Portfolio Management, which is now a separate division, made a large contribution to the positive result generated by Corporates & Markets. The remaining positions transferred from the former Portfolio Restructuring Unit also made a positive contribution to the division's results. Despite the allocation of additional risk-weighted assets following the dissolution of the PRU, Corporates & Markets were able to reduce risk-weighted assets by a further 16.3% to €29.8bn.

Fixed Income & Currencies

The ongoing historically low interest rates in 2012 continued to present challenges for the Fixed Income & Currencies division. Despite a further reduction in risk-weighted assets, the division was nevertheless able to exceed the previous year's result, without taking the measurement of own liabilities into account. The division reacted promptly to the tightening of regulatory requirements in respect of OTC derivatives and responded to the need for central clearing for these derivatives by introducing an appropriate service offering for customers. Commerzbank was also one of the first banks to clear its own transactions via Eurex in 2012.

The division is expanding its electronic trading platforms in order to meet increasingly sophisticated customer requirements. The Bank's success with electronic trading was reflected in Commerzbank's positive ranking by Bloomberg, Tradeweb and other leading providers. In currency trading, the "Commander" and "Commander Kristall" platforms developed by Fixed Income & Currencies continued to receive very positive feedback from customers, especially the upgrading of "Commander" to permit the trading of plain vanilla flow options. In "Deutsches Risk" magazine's peer rankings, Commerzbank achieved first place in the "Currency Overall" and "Derivatives and Risk Management Advisory" categories. The magazine also awarded Commerzbank top rankings in the "Interest Rates Overall" and "Interest Rates – Swaps, Repurchase Agreements, Options, Forward Rate Agreements, Cross Currency Swaps" categories. The Quantitative Solutions Group was set up to extend the range of index and investment products offered by Commerzbank for FX and fixed income strategies. Fixed income trading had a very successful year. This was primarily due to increased customer activity as a result of monetary measures to support the markets. Here, our timely positioning as a reliable provider of flow products with a European focus paid off.

Equity Markets & Commodities

The Equity Markets & Commodities (EMC) division made a stable contribution to the segment result in the 2012 financial year. A general movement away from more complex financial products was also noted in the EMC division during the course of the year. This was confirmed by stable earnings performance for flow products, both in equities and commodities. However, there was a need for specially tailored product solutions for certain customer groups. 2012 again confirmed the division's position as one of Germany's leading providers of equity and commodity products. The focused business approach won numerous awards for the quality of our product solutions on both the equity and the commodities side. "Deutsches Risk" magazine awarded Commerzbank first place in the "Commodities Derivatives" category and third place in the "Equity Overall" category. Commerzbank was voted "All Europe Best Overall Manufacturer" in a survey on structured products tailored to private customers carried out by Euromoney magazine. The exchange-traded funds (ETF) platform again enjoyed a high reputation with customers and gained the top rankings in the "ETF Provider of the Year" and "Most Improved ETF Provider" categories of the Börse Online ETF Awards. At the Scope Awards, Commerzbank beat its peers to first place in the "Best Issuer Certificates", "Best Issuer for Product Quality" and "Best Issuer Overall Transparency" categories.

Corporate Finance

The Corporate Finance division posted a stable earnings performance in a challenging market environment in 2012. Despite a year-on-year fall in market volume, the Debt Capital Markets Loans area concluded a large number of high-visibility transactions on the syndicated loan market in 2012, reconfirming its position as market leader. Commerzbank's outstanding reputation in the syndicated loan market was reconfirmed in 2012 through leading positions in league tables in Germany (number one in terms of number of transactions) and EMEA (number two in terms of number of transactions), and its recognition as most successful bank in various categories at the "EuroWeek" Awards. The Debt Capital Market Bonds area delivered a series of mandates in the corporate sector, public sector and bank bonds segment in a very active new issue market in 2012, generating a better result than in the previous year thanks to increased customer activity. Equity Capital Markets (ECM) was again one of Germany's leading providers of equity capital market transactions. The broad spectrum of transactions executed shows that Commerzbank is a reliable partner for equity-based capital measures for both German blue chips and SMEs. During the year, M&A Advisory further reinforced its excellent competitive position in Germany by providing professional advice on public takeovers, defensive measures, purchases/sales of unlisted companies or parts of companies, and fairness opinions. However, the unfavourable climate for equity placements and corporate mergers, characterised by a noticeable degree of risk aversion, was reflected in a decline in revenues from ECM and M&A. We were able to reinforce our leading competitive position in the leveraged finance business in Germany and Europe in 2012. Leveraged Finance maintained its position at the top of the league tables in Germany in terms of the number of transactions executed. Structured Capital Markets generated another very good result thanks to a series of mandates from various companies and banks.

Credit Portfolio Management

Credit Portfolio Management was separated from the Corporate Finance division in 2012 and established as an independent Group division. Its main activities are managing the Corporates & Markets credit portfolio and its risks, integrating and further expanding counterparty risk management, managing selected concentration risks of Mittelstandsbank and continuing with the value-maximising reduction of the remaining portfolios of the former Portfolio Restructuring Unit, which had already been greatly reduced and were integrated into this division as of 1 July 2012. As the central competence centre for integrated credit and counterparty risk management, the division made a significant contribution to the segment's positive result in 2012 thanks to targeted management of capital employed. On the basis of its strategic business model and the resulting greater focus on market and risk-adjusted pricing for credit and counterparty risk, the Credit Portfolio Management division makes a significant contribution within Corporates & Markets to the market-based valuation of customer relationships in the international credit business. Credit Portfolio Management also assists the whole bank in this respect by acting as an additional link which further integrates the segments' credit risk management within the Group.

Client Relationship Management

The Client Relationship Management division is responsible for providing global support to well-known German multinational companies, selected German family companies in all key industrial sectors and companies in the international insurance sector. The division also looks after leading private equity investors as well as the Federal Government and the individual German states. In order to offer our clients customised solutions, the division works intensively with the relevant product specialists from all areas of the Bank in Germany and abroad. In 2012, Client Relationship Management once again stood by its customers as a strong and reliable partner in investment and corporate banking. The focus as regards the division's customers was on providing innovative answers to the challenges presented by the global financial markets in terms of funding their business activities and ensuring their liquidity. The division's internal competencies, especially in the insurance sector, were constantly expanded in the year just ended.

Outlook for Corporates & Markets

In a business environment which will continue to be challenging over the next two years as regards regulatory requirements and the markets, the Corporates & Markets segment will further strengthen its position in individual Group divisions, as announced in November 2012. The Fixed Income & Currencies division, for example, will continue to deepen its existing customer relationships. It will offer added value by providing sound advice and solutions based on a comprehensive understanding of strategic customer objectives and needs. The division will also seek to further increase its customer base, especially institutional customers and companies. Thanks to its integrated business approach, the Equity Markets & Commodities division will continue to successfully exploit synergies within Commerzbank and offer a high-quality range of products to all Group customers. In particular, it will press ahead with the development of state-of-the-art trading platforms, cost-efficient asset management products and specialised, innovatively structured solutions for insurance companies and pension funds. The Corporate Finance division will also continue to develop its traditional strengths in debt capital markets. This applies in particular to Structured Capital Markets, which will be expanded. The existing structured finance expertise, in particular, will be developed further in Asset Based Finance. In Client Relationship Management, existing customers and other German insurance companies will be offered a comprehensive service approach geared to customer needs.

Special attention will be paid to better cost discipline. Substantial cost savings are expected in the current year and in 2014 thanks to the comprehensive cost initiative launched in 2012. Other influencing factors include market-sensitive customer behaviour, the efforts of customers to generate returns in a low-interest rate environment, and other adjustments made by customers and competitors in response to the constantly changing regulatory environment. Further measures to optimise the customer-focused business model will follow in the next financial year. This offers a solid basis for the moderate rise in earnings expected in the next two years as costs fall and loan loss provisions remain stable, resulting in a further improvement in operating profit.

40%

Reduction of the NCA portfolios

The value-preserving reduction of the NCA portfolios will be vigorously pursued in the coming years. By 2016 these portfolios should have been reduced by around 40% and the capital thus released used for growth within the Core Bank.

Non-Core Assets

On 1 July 2012, the measures decided by the Board of Managing Directors to restructure Eurohypo AG, which has been trading as "Hypothekenbank Frankfurt AG" since 31 August, came into force and the Non-Core Assets (NCA) run-off segment was implemented to replace the former Asset Based Finance segment. The NCA segment now includes the Commercial Real Estate (CRE) portfolio in Germany and abroad, the Public Finance (PF) portfolio and the entire ship financing portfolio (Deutsche Schiffsbank, DSB) as individual Group divisions. The CRE portfolio is principally looked after by Hypothekenbank Frankfurt AG. The PF portfolio is attributable to Hypothekenbank Frankfurt AG, its subsidiary Hypothekenbank Frankfurt International S.A. in Luxembourg and the Commerzbank subsidiary Erste Europäische Pfandbrief- und Kommunalkreditbank Aktiengesellschaft in Luxembourg. The non-core parts of Hypothekenbank Frankfurt AG's retail banking business, as well as assets and participations without current placement options belonging to Commerz Real, also come under NCA, together with other infrastructure portfolios from Commerzbank's former Portfolio Restructuring Unit (PRU).

The task of the NCA segment is to unwind the individual segment portfolios systematically and in a way that preserves value and minimises risk, and to further optimise the associated refinancing. The objective is to make the capital released through the reduction available to higher-yield, lower-risk business units within the Group, thus opening up new growth prospects for Commerzbank.

Performance

Table 12

€m	2012	2011	Change in %/%-points
Income before provisions	225	–2,677	.
Loan loss provisions	–1,374	–903	52.2
Operating expenses	376	438	–14.2
Operating profit/loss	**–1,525**	**–4,018**	**–62.0**
Capital employed	10,003	7,641	30.9
Operating return on equity (%)	–15.2	–52.6	37.3
Cost/income ratio in operating business (%)	167.1	–16.4	.

Owing to the absence of the substantial write-downs on Greek sovereign debt in the previous year, the NCA segment reported an improved, although still negative, operating loss of €–1,525m in 2012, which was up around €2.5bn on the loss of €–4,018m achieved in 2011.

› **Note 45 – Segment reporting**
Page 223 ff.

Total income before loan loss provisions came to €225m, compared with a negative figure of €–2,677m in the previous year. Net interest income amounted to €689m in the year under review, down 26.8% on 2011, due mainly to the accelerated portfolio reduction programme. The strategic decision to cease all new business activities in the NCA segment led to a year-on-year fall of 22.4% in net commission income to €104m. After a positive result of €123m in 2011, trading income generated a negative result of €–244m in 2012. This was largely attributable to the measurement of derivatives in accordance with IAS 39. Net investment income amounted to €–323m, partly because of losses on sales incurred during the ongoing risk reduction in the public finance portfolio. The figure for 2011 was €–3,796m, which included extraordinarily high valuation losses on the portfolio of Greek government bonds.

Loan loss provisions increased by 52.2% to €1,374m. In addition to the still tense situation on the commercial real estate markets in certain regions, ship financing in particular needed significantly higher valuation adjustments, which was reflected in a rise in problem loans.

Operating expenses were 14.2% below the 2011 figure at €376m due to lower staff costs and other operating costs.

In connection with the European Commission's winding up order for Hypothekenbank Frankfurt AG and the decision to fully wind down the commercial real estate financing and ship finance portfolio, restructuring provisions were recognised for a total amount of €–43m. The pre-tax loss was €– 1,568m, compared with a pre-tax loss of €–4,018m in 2011.

The operating return on equity based on average capital employed of €10.0bn was –15.2%, compared with –52.6% in the previous year. The reason for the increase of nearly a third in the equity capital allocated to the NCA segment is the intra-Group reallocation of the EBA sovereign buffer of €4bn from Others and Consolidation to the NCA segment during the year.

Main developments in 2012

Reduction strategy continued

In 2012, the emphasis was on reducing the portfolio while at the same time preserving value, lowering risks and implementing a new segment control and structure. The NCA portfolio has been reduced by €138bn or 48% since the end of 2008. The exposure at default (EaD) – including NPL – in the segment was reduced by 17% to €151bn compared with 2011, and by €16bn in the second half of 2012 alone as a result of the accelerated portfolio reduction. Rating changes, parameter adjustments and the reallocation of assets from the PRU meant that risk-weighted assets (RWA) did not decline as much as EaD, but they nevertheless fell to €67.8bn.

As part of its capital management in relation to risk reduction, the management has introduced a consistent capital management approach for all asset classes. The key management criterion for the NCA segment is the net capital effect of the portfolio reduction. EaD serves as the measure for the reduction in portfolio size.

The secured funding for NCA's activities derives in particular from mortgage and public-sector Pfandbriefe, Lettres de Gage Publiques and ship Pfandbriefe. Repo transactions also play a role in refinancing the portfolio. Optimising the refinancing structure – through active cover pool management, for example – is an important component of the reduction strategy. At the end of 2012, the percentage of unsecured refinancing in the NCA portfolio was just 30%.

As part of active portfolio management, the portfolio reduction is supported by long-term planning, ongoing controls and non-organic measures. The emphasis is on solutions-based cooperation with our customers and consortium partners.

Reduction planning is developed and implemented at individual asset level for all NCA portfolios as part of the planning process. In addition to good access to investors and capital markets, NCA management has an efficient range of portfolio reduction tools at its disposal. These include active restructuring and making use of market opportunities. One example of this is the sale of a US portfolio consisting of eleven loans with a volume of around USD 520m in the first half of 2012.

Efficient early risk detection processes and sales of selected non-performing loans (NPL) also expand the opportunities for reducing the portfolio while preserving value. The increase in collateral and margins means that an improved risk/return ratio is being achieved in terms of single assets. Prolongation and pricing mechanisms were specifically geared to reducing the portfolio while preserving value. Prolongations allow higher margins and shorter terms to be negotiated.

The NCA segment has highly qualified staff who implement the reduction process efficiently and effectively. The operational stability of the units within the NCA segment is guaranteed, allowing operational risks to be minimised in 2012.

Commercial Real Estate

Holdings of commercial real estate financing in Germany and abroad, primarily at Hypothekenbank Frankfurt AG, were significantly reduced in the 2012 financial year. Total exposure (EaD) in the CRE division decreased by €13.0bn (around 19%) to €54.7bn (including NPL) in the year under review. In CRE Germany, which holds around 45% of the exposure, EaD declined by 22%. In CRE International, which accounts for around 55% of the portfolio, EaD fell by around 16% over the course of the year. We have achieved the portfolio reduction thanks to restrictive prolongation management and proactive refinancing support for our customers. The portfolio composition by type of use remains unchanged. The main components of the exposure are the sub-portfolios office (€20.7bn), retail (€16.9bn) and residential real estate (€8.3bn).

In Germany the portfolio was reduced largely without losses, not least thanks to the economic trend, whereas in some international markets the reduction continued to take place against a backdrop of difficult macroeconomic conditions.

Public Finance

Public Finance business involves funding sovereign states, federal states, municipalities and other public-sector bodies as well as supranational institutions. It comprises the public finance portfolio of Hypothekenbank Frankfurt AG, including those of its Luxembourg subsidiary Hypothekenbank Frankfurt International S.A. and the Commerzbank subsidiary Erste Europäische Pfandbrief- und Kommunalkreditbank Aktiengesellschaft (EEPK) in Luxembourg as well as the private finance initiative (PFI) portfolio of Commerzbank in London.

Since autumn 2010 Public Finance's strategy has been geared to running off the portfolio. Since then all new business activity has been discontinued. We continued our reduction strategy during the year under review and further reduced the portfolio, particularly through active sales of assets. Combined with high maturities, EaD (including NPL and securities) fell by another €11.8bn in 2012 to €77.0bn. The target set by the European Commission in the 2009 financial year, requiring that the Public Finance division reduce its carrying amount to less than €100bn by the end of 2012, was actually met and exceeded by the end of 2011.

The main exposure of the Public Finance division is in Germany and Western Europe. The Public Finance portfolio in the NCA segment also includes claims on banks (€24.1bn EaD), where the focus is again on Germany and Western Europe (approximately 93%). Most of the bank portfolio comprises securities/loans which to a large extent are covered by grandfathering, guarantee/maintenance obligations or other public guarantees, or were issued in the form of covered bonds. Following the bond swap as part of the private sector involvement (PSI) in Greece, the holding of Greek bonds was sold in full during the year under review. In view of the continuing volatility in the public finance market, in 2012 the run-off of assets again focused on the sale of selected assets in order to minimise risks.

Deutsche Schiffsbank

Deutsche Schiffsbank AG was a wholly owned subsidiary of Commerzbank Aktiengesellschaft from November 2011 before being merged into Commerzbank Aktiengesellschaft in May 2012. The previous business area Ship Finance was renamed Deutsche Schiffsbank (DSB) as part of this process.

Compared with 31 December 2011, exposure to ship finance (EaD including NPL) fell by around 10% in the year under review, from €21.1bn to €18.9bn. The speed with which the portfolio is wound down will depend largely on developments in the shipping markets, the general condition of which deteriorated further in 2012. The exposure is divided principally between three standard types of ship, namely containers (€7.0bn), tankers (€4.7bn) and bulkers (€3.6bn). The rest of the portfolio consists of various special tonnages which are well diversified across the various ship segments.

In ship finance, the reduction strategy differs according to type of ship, size of ship, year of delivery and other factors.

The sovereign debt crisis, the uncertain economic situation in the USA and the critical developments in various European countries, as well as China's efforts to prevent inflation, have had a negative impact on shipping markets since 2009.

Outlook for Non-Core Assets

The value-preserving reduction of the NCA portfolio will be vigorously pursued in the coming years. The sovereign debt crisis in Europe and ongoing market volatility, coupled with the stricter regulatory capital requirements laid down by the European Banking Authority, have reinforced our decision to run off the non-strategic portfolios bundled in NCA over the next few years. The planned value-preserving reduction of the portfolio to around €93bn by 2016 will lead to a significant decrease in RWA. Acceleration through opportunistic portfolio sales is possible.

Although the uncertainties surrounding the sovereign debt crisis eased at the start of 2013, the sustained recession in the eurozone continued unabated on real estate markets, especially in the southern periphery countries. Further market corrections with corresponding losses in market value are therefore expected in some CRE markets. Outside the eurozone a recovery in CRE's rental and investment markets is expected only in certain countries, such as the USA. The future performance of the Public Finance portfolio is heavily dependent on how the sovereign debt crisis and the related political decisions in Europe develop. Given the existing significant level of excess supply and the growth in tonnage, which in some areas continues to exceed the increase in demand, there is considerable pressure on individual sub-markets in the standard container ship, bulker and tanker segments. The markets remain volatile and uncertain, but renewed weakness is currently being seen in charter rates of bulkers and container ships.

The focus is on optimising the refinancing structure and continuing to run off assets. The emphasis is on secured refinancing instruments such as Pfandbriefe and repo transactions. The need for unsecured funding is expected to continue to decline. There are therefore plans to reduce the percentage of unsecured funding from 33% at year-end 2012 to 27% by year-end 2016. The majority of existing maturities will no longer be replaced because of the portfolio reduction.

The NCA segment expects to make operating losses for the current and next financial year, although these should be smaller than in the respective previous years.

Others and Consolidation

The Others and Consolidation segment contains the income and expenses which are not attributable to the business segments.

Reporting in this segment under "Others" comprises equity participations that are not assigned to business segments, as well as Group Treasury. The costs of the service units, which – except for integration and restructuring costs – are charged in full to the segments, are also shown here.

Consolidation includes income and expense items that represent the reconciliation of internal management reporting figures shown in segment reporting with the consolidated financial statements in accordance with IFRS. Also shown here are the costs of the Group management units, which – except for integration and restructuring costs – are also charged in full to the segments.

Performance

› **Note 45 – Segment reporting**
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Operating profit amounted to €226m in 2012, compared with €1,581m in the previous year. Operating income before loan loss provisions fell from €1,992m in full-year 2011 to €680m in full-year 2012. The decrease of €1,312m was primarily due to positive one-off effects connected with the measures implemented in the first and fourth quarters of 2011 to optimise the capital structure along with one-off income in Group Treasury from a refinement of the valuation models for interest rate hedging transactions in the third quarter of 2011. Income for 2012 was also hit by provisions made in respect of litigation risks. There was a slight rise in operating expenses, which increased by €41m to €453m. Results for 2012 showed a pre-tax profit of €226m, compared with €1,581m in 2011.

Our employees

Capable, motivated staff are vital to the success of our Bank. Their commitment, qualifications and loyalty to Commerzbank give us a strong competitive edge. We want to reinforce our leading position in the core markets of Germany and Poland over the long term. That is why we combine modern banking and innovative strategies with traditional values such as fairness, trust and professionalism. Our staff are a key element in achieving this aspiration, so we continuously develop and expand the skills and knowledge of our employees.

At year-end 2012, Commerzbank Group employed 53,601 members of staff. This was a decrease of 4,559 employees compared with year-end 2011.

› **HR Report**
https://www.commerzbank.com/media/careers

Table 13

Actual number employed	31.12.2012	31.12.2011
Total staff Group	53,601	58,160
Total staff parent bank	41,378	42,877

The number of full-time equivalents was 48,752, compared with 52,814 the previous year. The following table shows full-time employees at year-end by segment:

Table 14

Full-time personnel	31.12.2012	31.12.2011
Private Customers	17,615	18,236
Mittelstandsbank	5,398	5,541
Central & Eastern Europe	5,601	7,907
Corporates & Markets	1,987	1,955
Non-Core Assets	687	773
Portfolio Restructuring Unit	–	25
Others and Consolidation	17,464	18,377
Group total	**48,752**	**52,814**

Most employees in the Commerzbank Group (80%) work in Germany. Their average length of service with Commerzbank Aktiengesellschaft (Germany) is around 18 years; almost 20% have worked for the Bank for up to 9 years, 35% for between 10 and 19 years, and 45% for 20 years or more. The employee turnover rate in 2012 was 4.1%. It has fallen almost continually from 9.4% in 2000 at the old Commerzbank.

Commerzbank Academy: a standard training concept

We are keen advocates of training and strive continuously and systematically to develop the skills and attainments of our staff, since they are the backbone of our corporate success. In the year under review, we enhanced our integrated and cross-divisional training and development programme at Commerzbank Academy. Since April 2012, around 1,500 courses have been available in an online training catalogue. This makes the range of professional training available more transparent and easier to access. We also introduced a basic banking qualification throughout the Bank. In the first nine months after its launch, the course was completed more than 4,000 times in person or online.

Tomorrow's employees: Commerzbank markets itself to school pupils

We are constantly seeking to attract talented young people to our Bank, provide school pupils with careers advice and enhance our visibility as an attractive employer. This is why we are active on social networks, offer insights into working life through our interactive website www.probier-dich-aus.de, and present our multifaceted world of work at fairs and candidate training seminars. In 2012 we expanded our commitment to "Business@school", an initiative of Boston Consulting Group: we help pupils in their final years of school to gain practical experience of economic topics. Helping school pupils familiarise themselves with the economy is a goal that we are also pursuing through our new "Commerzbank meets school" target school programme. Over 50 branch managers known as "target school captains" visit local schools and build links with them. To help many young people enjoy successful careers, we support the "Start" grants programme, which offers talented youngsters from immigrant backgrounds the chance to go on to higher education. As a partner in the "Joblinge" scheme, we give people wishing to obtain training the opportunity to prove themselves during an internship at our company – irrespective of school grades and traditional interviews.

Diversity at the Bank: women in focus

The diversity of our staff is a value we embrace. It has a positive effect on motivation, innovation, performance and the working atmosphere. We welcome different personalities and ensure that they can prosper. In the year under review, through our "Global Diversity Management" programme, we created a platform to ensure that our activities are also embedded in the Bank's international locations. Six Regional Diversity Councils were set up to implement the projects locally and introduce their own topics. Led by the Board Member for Human Resources, executives from all segments met to promote our "Women in management positions" project. Commerzbank Mentoring, under which members of the Board of Managing Directors and the first and second management levels mentor one or two mentees for a year, is an important element of the project. Half the mentees are women. The first year of the programme, during which 353 mentors supported 573 mentees, ended in September 2012.

Since March 2012, all employees on parental leave have been offered the chance to participate in our "Keep in Touch" and "Management Experience" schemes. "Keep in Touch" gives them the option of a 10% or 20% part-time contract allowing them to attend training courses and remain in contact with the Bank. "Management Experience" lets potential candidates deputise for managers for three to twelve months and gain management experience in the process. Our "Guaranteed Return after Parental Leave" programme gives managers, project managers and specialists the certainty that they can return to a post at the same level.

Combining career and family: childcare provision expanded

To help staff combine family and career more easily, we have significantly expanded the number of crèche and kindergarten places available in Frankfurt. In the regions we have offered kindergarten and crèche places at 13 sites since mid-2012, and have also expanded the holiday care available. The second primary school year group also started receiving afterschool care in 2012.

We introduced family caregiver leave in the year under review. Employees with family members in need of care can reduce their working hours by up to 15 hours a week for up to 24 months. During this period, we top up their salary by 50% of the amount lost. For example, if an employee reduces their working hours from 100% to 50%, they receive 75% of their previous salary. Since September 2012, the works council agreement on combining career and family has also stated that the Bank will pay the premiums for legally required insurance on behalf of employees on family caregiver leave.

Commerzbank networks celebrated an anniversary in 2012 with the tenth birthday of the gay-lesbian network "Arco". The women's network "Courage" also expanded its international presence, staging its second Global Conference in London. In Frankfurt and Hamburg, fathers at Commerzbank were offered lectures, workshops and opportunities to share experiences . Having won the Max Spohr award in 2010 for its commitment to gay and lesbian employees, Commerzbank hosted the award ceremony in 2012 – and was delighted to receive the TOTAL E-QUALITY award for "equality of opportunity in human resources policy" for the sixth time.

Capable and motivated: good health is the key

With a broad range of services and innovative health management, we help our employees to stay capable and motivated and to feel comfortable at their place of work. Our health management team constantly adapts its activities to reflect the changing requirements of the world of work. In the process, we live up to our duty of care and make health promotion a vital element in our corporate culture. The staff sickness rate at Commerzbank Aktiengesellschaft (Germany) stood at 4% in 2012, and the average length of sick leave was just under 10 days.

Because this topic is of great importance to us, we have added special seminar modules to our management training. Since 2012, we have also expanded our health and safety and prevention measures through the addition of the works council agreement on performing risk assessments. This aims to identify and reduce or prevent physical and emotional stress in the workplace.

Our health management team has been working even more closely and intensively with their regional counterparts since 2012. The regional teams, which comprise management advisors, the works council, representatives for employees with disabilities, the company doctor and health and safety experts, implement health promotion measures locally. Since 2012, health management has supported them with relevant schemes and training courses, such as stress management, and provides them with their own budget.

Innovation, management and remuneration: new paths needed

We combine our ideas. “WikIdee” is an internal online platform created to collect, discuss and thereby “refine” suggestions for improvement. At the end of the first year, our staff had submitted over 3,000 ideas on WikIdee, discussed another 2,000 by way of some 9,000 comments, and made almost 60,000 assessments. The “ComIdee” suggestions portal, which was also available online, has since been integrated into WikIdee. Suggestions for improvements can now be submitted directly to the department concerned or refined in discussion with colleagues. The platform has also been available to staff in London since 2012.

We are also treading new paths in how we develop our managers, and have optimised our Commerzbank Management Programme (CMP) for this purpose. A standardised preparatory workshop before the selection process ensures transparency and equal opportunities for participants. The management training programme has been enhanced so that participants can exchange practical experience within the setting of fixed groups. All training components have been improved in terms of content and methodology, and new management topics and modules introduced.

› **Important business policy events**
Page 68

Variable remuneration in the form of shares was another innovation which attracted considerable attention. The cash components were paid in Commerzbank shares on a voluntary basis. Almost 90% of those entitled to do so selected this option, thereby strengthening the Bank’s equity capital by more than €200m. The separate Remuneration Report for employees is available online at www.commerzbank.de.

We have given proof of our innovative capacity in another way, too: in 2012 we presented the work that has been carried out on trends by our HR division at conferences and in publications. We have introduced “trend scouts” to evaluate the significance of trends and megatrends for our HR work. This has produced recommendations for action – for the divisions and the Bank as a whole – designed to keep the Bank at the side of our customers.

Note of thanks to our employees

We would like to thank our employees most sincerely for their extraordinary efforts in 2012. They showed exceptional commitment and dedication to the Bank in a challenging environment. We would also like to thank all staff, managers, works council members, the Senior Staff Spokesmen’s Committee and other representatives who assisted us in our HR work in 2012 for their trust and constructive collaboration.

Report on events after the reporting period

Commerzbank repays funds from the ECB's first three-year tender

At the end of January 2013, Commerzbank repaid in full the €10bn taken up from the first three-year long-term refinancing operation (LTRO) of the European Central Bank (ECB). Commerzbank's subsidiary Hypothekenbank Frankfurt AG had participated in the ECB tender operation for the first time in December 2011. As a result of the stabilising measures taken by the European Central Bank and the ongoing run-off of the portfolios in the Non-Core Assets segment, the Bank repaid these funds two years before payment became due, as announced in November 2012.

Cost reduction measures hit result in first quarter of 2013

In connection with the strategic agenda for the period to 2016 announced by the Board of Managing Directors of Commerzbank on 8 November 2012, discussions with the employee representative committees on cost reduction measures in Commerzbank AG Germany commenced in mid-January. As part of the cost savings in operating costs and personnel expenses announced in November 2012, the Bank is currently working on the assumption of Group job cuts in the order of 4,000 to 6,000 full-time staff by 2016. This should result in a restructuring cost in the order of €500m in the first quarter of 2013.

Commerzbank's Board of Managing Directors issues policy statement on the planned staff reduction programme

According to a policy statement published on 22 February 2013, there are plans to cut 1,800 jobs in the branch network of the Private Customer business by no later than 31 December 2015. At the end of 2014, the Bank will conduct negotiations with the employee representatives regarding any further measures that may be necessary, on the basis of the strategic growth targets which have been met by that date.

There have been no other events of material significance.

Outlook and opportunities report

Future economic situation

The outlook for the global economy – and particularly for the economy in Germany and the other eurozone countries – is heavily dependent on how the sovereign debt crisis in the eurozone develops. The crisis has eased perceptibly since last summer. If this proves lasting – as indicated by the increasing return of capital to the eurozone periphery in recent months – we expect the global economy to grow strongly once again.

Since central banks throughout the world relaxed their monetary policies even further last year and most of them are pursuing a very expansionary course, growth is likely to accelerate again in 2013 and 2014, particularly in the emerging markets.

The recovery in the USA should also gain momentum, since the excesses of the past in terms of consumer debt and the real estate market should largely have been corrected and will probably have less and less impact on the economy. Although financial policy is likely to act as a brake on the economy at the beginning of the year, growth rates are set to pick up later in 2013 and in 2014.

Table 15

Real gross domestic product Change from previous year	**2012**	**2013**[1]	**2014**[1]
USA	2.2 %	2.0 %	2.8 %
Eurozone	–0.5 %	0.3 %	1.5 %
Germany	0.7 %	1.0 %	2.5 %
Central and Eastern Europe	1.8 %	2.9 %	3.4 %
Poland	2.0 %	0.5 %	2.8 %

[1] The figures for 2013 and 2014 are all Commerzbank forecasts.

The eurozone economy should also improve gradually and emerge from recession in the first half of 2013, because if the easing in the sovereign debt crisis is sustained, companies would be able to plan with more confidence, thus releasing the biggest brake on the economy, especially in the core countries. Financing costs in the periphery countries would probably fall significantly. However, there will still be very large differences between the individual eurozone countries. While Germany and its smaller neighbours are expected to experience a strong upturn during 2013 due to the very expansive monetary policy of the ECB and the improved global economic environment – an upturn which is expected to continue in 2014 – the periphery countries will be able to come out of recession only gradually. The economies of these countries will continue to be held back by highly restrictive fiscal policies for some time yet. In addition – unlike in the USA – the correction of earlier excesses is far from completed.

The countries of Central and Eastern Europe also stand to benefit from the slightly more favourable economic conditions in the eurozone. This applies to Poland as well, where growth is expected to accelerate markedly in 2013 after a period of very weak economic development.

An end to the sovereign debt crisis and stronger growth in the world economy would give risky assets a considerable boost on the capital markets. The equity markets should continue on the upward trend that began in the second half of 2012 and risk premiums on bonds from the eurozone periphery countries should fall further, although they are likely to remain considerably higher than they were before the sovereign debt crisis began. Conversely, yields will rise on government bonds of countries with the best credit ratings. This increase will be fairly modest, however, since the central banks in the major currency areas are unlikely to raise interest rates by very much in the next two years. Nevertheless, we think that the Federal Reserve will at least cut back on its bond purchases in the current year, with the probable result that the US dollar gains ground on the euro.

Table 16

Exchange rates	31.12.2012	31.12.2013[1]	31.12.2014[1]
Euro/US-dollar	1.32	1.28	1.20
Euro/Sterling	0.82	0.84	0.81
Euro/Zloty	4.07	4.05	3.85

[1] The figures for 2013 and 2014 are all Commerzbank forecasts.

Future situation in the banking sector

The European Central Bank's longer-term refinancing operations, together with the announcement of possible bond purchases on the secondary markets and the Eurosystem's special liquidity management measures, have succeeded in improving banks' refinancing conditions, preventing a disorderly unwinding of bank assets and reducing the yields on bonds from the eurozone periphery countries. The funding costs of eurozone banks therefore fell and access to funding resources improved in the second half of last year. The financial markets soared unexpectedly, bringing sometimes significant gains to nearly all investment classes during the year under review.

However, it is still too early to sound the all-clear for the banking environment. Although the interventions by the ECB and European politicians are having a stabilising effect, they are nevertheless impairing the role of market prices as a reliable risk measure. The economic situation remains precarious, especially since it will be some time before we can assess the full impact on the real economy of the extraordinary monetary measures taken by the central banks.

Given the uncertain outcome of the unconventional monetary policy, an end to the uncertainty about the mid to long-term stability of the currency union cannot be expected very soon. All in all, 2013 will be another year of transition. If politicians succeed in laying a course for further integration in Europe, confidence will be reinforced, with a corresponding positive impact on banking in 2014. The likelihood that the high price fluctuations seen on the financial markets in recent years will ease off in 2013 and 2014 will also bring some relief to the banking sector.

Against this backdrop, with continuing differences between the positions of individual countries, there is likely to be only a gradual improvement in the earnings situation of European banks in the near future. This is because the regulatory processes that are already under way and the persistently fierce competition are restricting earnings potential and counteracting the easing of the sovereign debt crisis. Restrictive fiscal policy and high unemployment overall in the eurozone are negative factors. The deleveraging process initiated in many countries and households is reducing the demand for credit at the moment and will increase pressure on the deposit business. Corporate investments and therefore demand for credit will probably remain low this year. Net interest income will once again be hit by flat interest rate differentials and the ensuing lack of scope for generating a structural contribution. Opportunities to use the ample supply of liquidity from central bank funds on the assets side of the Bank's balance sheet are restricted because of the requirement to reduce risks. The evident trend towards renationalising the European banking market is also taking business and earnings opportunities away from banks. Stricter capital adequacy and liquidity requirements will continue to be the main dampers for the sector as regulation increases, despite the easing of liquidity requirements recently approved by the Basel Committee on Banking Supervision. This year and next, a number of new regulations will be implemented affecting the whole financial market, which will elicit some substantial interactions. Continuing concerns about further regulatory changes, together with the risk that rules which have already been agreed may be changed again, present huge challenges to strategic planning in the banking industry.

In the future, banking in Europe will probably be less profitable than it was in the years leading up to 2007. Given the growing pressure for change resulting from regulation, structural transformation and competition, European banks continue to face the challenge of strengthening their capital bases while downsizing their balance sheets. At the same time, high volumes of bank bonds are also due to mature in the coming years, thus clashing with the ongoing heavy borrowing requirements of governments. The major profit drivers of the past – such as high lending growth and falling credit default rates – will also have a much smaller impact on profits than before. Given the persistent weakness of the economy, loan loss provisions will initially have an adverse impact – partly because of the decline in releases of provisions – and will thus act as a constraint on earnings growth in the corporate customer business. In Germany, too, losses on bad debts will normalise in the corporate sector. Furthermore, demand for new lending with domestic corporate customers will have a dampening effect. Corporate investment activity is not expected to pick up until 2014 as the world economy revives and the eurozone economy also starts to recover; this should give a boost to demand for credit. In Private Customer business, commission income will remain under pressure due to the still pronounced preference for low-commission, highly liquid forms of investment. Aggressive price competition (particularly for deposits), together with increasing price sensitivity on the part of customers and tougher competition from online banks, are also hampering the expansion of earnings potential. We see a persistently difficult time ahead in investment banking given the still subdued levels of activity in IPOs, mergers and takeovers, and globally we expect market adjustments as banks focus on core competencies and their own home region. Uncertainty is also being generated by the renewed discussion on introducing a segregated banking system, which would mean that capital market business would be separated from classical deposit and lending business in a different legal organisation. Commerzbank is following the current debate on dual banking and is constantly analysing the potential impact of the proposals of the Liikanen expert group and of draft legislation.

Even if it is possible to convince market participants long-term that a viable solution to the European sovereign debt crisis has been reached, there are two key potent developments that will shape the banking environment: firstly, the banking sector must adjust to the lack of secure assets that originated in both the government and private spheres. Investment of excess liquidity in government bonds has been and will remain a cornerstone of the business conducted by banks and insurance companies. Secondly, the banking industry must realise that the deleveraging process required of countries and households will be patchy rather than smooth. This will reduce the overall growth trend and continue to cause temporary periods of uncertainty in the financial markets.

This will further intensify competition for deposits, which are the main way of refinancing independently of the interbank market, and for the comparatively crisis-proof business of German SMEs, who are seen as increasingly attractive customers and whose contributions to earnings have not been hit by value adjustments in recent years. For the time being there will be no change in the fragmented market structure, which in some cases is also characterised by overcapacities. This will not make the competitive situation any easier, and will limit the potential for generating capital from retained profit. In addition, earnings potential is also likely to be restricted over the medium term because of the trend towards shifting activities over to low-risk, low-margin business areas. Overall, the outlook – especially in the core business areas – will be largely dependent on the extent to which the customer confidence that has been lost can be regained.

Financial outlook for the Commerzbank Group

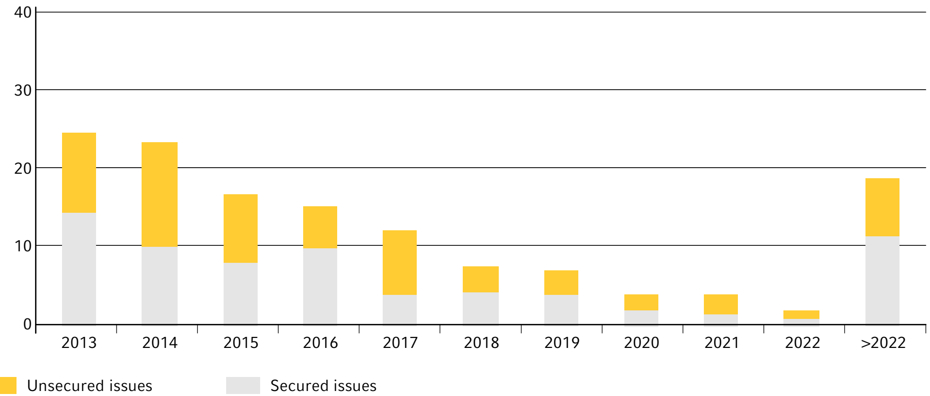
Financing plans

Commerzbank forecasts a capital market funding requirement of less than €10bn per annum over the medium term. We want to raise the greater part of this in collateralised form, primarily through Pfandbriefe issued by Commerzbank Aktiengesellschaft. The first issue of our own Pfandbrief is expected during 2013.

Since December 2012 Commerzbank has had an additional funding instrument available to it in the form of the SME Structured Covered Bond, which is covered by German SME loans. Collateralised funding instruments have gained in importance as a result of the financial crisis and the accompanying new regulatory requirements, and this is reflected in part in higher investor demand for these products. They offer issuers stable access to long-term funding with cost advantages compared with unsecured sources of funding. Commerzbank intends to launch capital market issues in the future as well: firstly private placements to meet demand from customers and secondly in the form of products that further diversify the Bank's funding base.

Figure 5

Group maturity profile of capital market issues as at 31 Dezember 2012
€bn



Hypothekenbank Frankfurt AG will have no significant funding requirements on the capital market in 2013 because of its adapted business strategy.

By regularly reviewing and adjusting the assumptions used for liquidity management and the long-term funding requirement, Commerzbank will continue to respond actively to changes in the market environment in order to secure a comfortable liquidity cushion and an appropriate funding structure.

Planned investments

In the next few years Commerzbank's investment activities will be characterised by the measures announced at the Investors' Day. An investment volume totalling over €2bn has been earmarked for the implementation of these measures in the period from 2013 to 2016. The investment proposals focus on the Private Customers, Mittelstandsbank, Central & Eastern Europe and Corporates & Markets segments of the Core Bank.

In the Private Customers segment, the branch mergers planned as part of the integration were completed during 2012. Other highlights in 2012 were investments in the open real estate financing platform "CobaHyp" and the "Customer Compass" financial analysis tool. We are also increasing the quality and efficiency of our Bank's customer-related basic and core processes through the bank-wide "Commerzbank Excellence" programme.

In the period from 2013 to 2016 we expect – as already announced at the Investors' Day in November 2012 – to invest around €1bn in the Private Customers segment. This sum will be split mainly between developing Commerzbank into a modern multi-channel bank, investing in the branch network, providing further training for employees and implementing our new "fair and professional" market positioning. In November 2012 we began to implement our performance promise through our brand campaign "The bank at your side" and the new "free account with a satisfaction guarantee" product.

Mittelstandsbank is pressing ahead with significant investments as part of the "Market Leader" growth programme launched in 2011. In addition to the implementation of regulatory requirements and ongoing system maintenance, substantial sums were also invested in the further development of the IT platforms during the year under review. These investments were principally in systems with high relevance to customer requirements. They were fully implemented as scheduled and will also continue in 2013. Furthermore, special emphasis will be placed on the core competencies of "advising customers, customer loyalty and acquisition". The individual measures within this growth programme contribute significantly to supporting the Bank's ambitious medium-term targets and assist the sustainable development of its market position. The programme bundles measures within the individual customer segments as well as in Germany and abroad. The focus is on measures to improve the segment, in addition to supporting the growth initiatives. This includes cooperation between Mittelstandsbank units in Germany and abroad, and strategic HR management. Within the IT infrastructure of the Mittelstand Germany and Corporate Banking & International divisions, the primary emphasis is on upgrading the online portals and optimising the payment transactions platforms. The Financial Institutions division is investing in expanding capacity and boosting efficiency in the processing of documents and letters of credit, with the aim of further reinforcing its strong position in this business area.

In the Central & Eastern Europe segment, Commerzbank will place particular emphasis on the organic growth of BRE Bank. The main focus of investment is the targeted acquisition of new customers and the expansion of cross-selling activities. The increased cooperation between the corporate customer business and Investment Banking is being geared more clearly to SMEs. In the private customer business the main focus is on continuing to invest in modern technologies for customer-oriented transaction solutions. Corresponding implementation measures were launched in 2012 and will be continued over the next few years. BRE Bank is also planning to bring all its customer-related activities together under its best-known "mBank" brand and gradually enable all customer groups to use its branches.

The Corporates & Markets segment launched a cost-cutting initiative in 2012. This four-year programme should lead to further significant cost savings in 2013 and 2014. The segment also successfully implemented the projects announced in the previous year to optimise and expand its IT systems, particularly in the area of eBusiness.

In the trading areas, there are plans to invest in expanding the IT landscape and increasing its capacity in 2013 and 2014; this should also make Commerzbank more attractive to customers. In the Fixed Income & Currencies division, additional products and stock exchanges are being added to the OTC client clearing service, which has been well received by customers. The eFX platform will also be developed further. New functionalities are being added to the interest rate and bond trading platforms, including plans to upgrade the valuation and risk management tools. The Equity Markets & Commodities division will build on the success of the existing platform for contracts for difference (CFDs), which is being upgraded accordingly. We will also continue to invest as necessary in order to meet the more stringent regulatory requirements.

Alongside these measures, which were announced at the Investors' Day, Commerzbank is continuing to pursue the strategic investment plans already commenced.

Work will continue as planned on the "Group Finance Architecture" (GFA) programme that was launched in 2009 to redesign the process and system architecture of the Commerzbank Group finance function. The main thrust of the programme includes developing a multi-GAAP solution, integrating financial accounting and management accounting with the aim of achieving significantly faster processes, and improving the analysis options. The next step is to develop the corresponding architecture for Commerzbank Aktiengesellschaft Germany's accounting and controlling functions. Around €185m of this investment had already been incurred by 2012, and a further sum of around €79m is expected to be employed in 2013.

As part of the Bank-wide "Commerzbank Excellence" quality programme launched in 2011, during the year under review we invested not only in the ongoing optimisation of the Bank's core processes but also in improving work flows and cooperation within individual teams and in continuing to develop an interactive online platform for determining where there is potential for improvement.

As a result of increasingly stringent regulatory requirements, Commerzbank will continue to have to make substantial investments in order to comply with national and international standards. Complex transition arrangements and new comprehensive reporting requirements (COREP, FINREP, Pillar III disclosure) will significantly increase the cost of evaluating information and reporting it to the banking authorities. In the areas of market risk and counterparty risk management, internal models and processes are constantly having to be adjusted to take account of changes in the capital markets or in supervisory law. The delay in finalising the CRD IV/CRR capital requirements proposals and the ongoing uncertainty regarding the Basel III rules originally scheduled to take effect on 1 January 2013 have forced the Bank to plan the necessary changes on the basis of preliminary drafts and to prepare itself for various implementation scenarios.

Substantial investment is required as a result of the regulation of the OTC derivatives markets (EMIR/Dodd-Frank Act), particularly in order to meet the new requirements on reporting and clearing these transactions through central counterparties. As other institutions have also announced, additional investment will be required in order to implement tax regulations and prepare the reorganisation plans demanded by the supervisory authority.

Funding for all investment planned in 2013 will be sourced from Commerzbank's freely available inflow of funds.

Liquidity outlook

2012 was characterised by a marked easing of the situation on the liquidity and capital markets. The ECB's two three-year tender operations conducted in December 2011 and February 2012 ensured that sufficient liquidity was available in the markets.

The interest rate markets were the first to benefit. At year-end, the three-month Euribor reached a new record low of 18.5 basis points. Yield curves also flattened further during the year. The ECB's announcement in September 2012 that it was ready to buy government bonds of countries that have applied to the European Stability Mechanism (ESM) for assistance resulted in further easing on the government bond markets of the periphery countries. The relaxation initially affected shorter maturities of one to three years, but also had an impact on the longer maturity brackets during the fourth quarter.

In addition, the ECB announced in December 2012 that it was ready to cut interest rates again in the new year if the economic situation in Europe deteriorated further. It remains to be seen whether the interest rate on the deposit facility will stick at 0% or even fall into negative territory. Negative interest rates would present a big challenge for the markets. At the moment a large proportion of banks' liquidity reserves are kept in accounts with central banks, since alternative investments in short-term highly liquid government debt from countries with good credit ratings as well as reverse repos using first-class securities are already trading at negative interest rates.

In addition to the easing of euro interest rates, the funding costs for the main foreign currencies have also fallen further, as demonstrated by the flattening of cross-currency basis swaps. A premium still has to be paid on the LIBOR rate for the US dollar because of the existence of offshore and onshore markets, so the currency ended 2012 considerably lower than it had been at the beginning of the year.

The Bank expects the interest rate markets to ease further in 2013, alongside a further flattening of the Euribor yield curves. If the ECB cuts the deposit facility interest rate any more, interest rates for the longer maturity brackets will also trend towards zero. The Bank also expects the credit markets to ease further. In an environment of very low interest rates, credit premiums will narrow again owing to rising demand from investors for returns; this is expected to happen to good quality credit in particular.

Liquidity management at Commerzbank is well prepared to cope with changing market conditions and is set to respond promptly to new market circumstances. The Bank has a comfortable liquidity position which is well above internal limits as well as the currently applicable requirements prescribed by the German Liquidity Regulation and MaRisk.

In order to compensate for unexpected outflows of liquidity, the Bank has a liquidity buffer comprising highly liquid assets eligible for central bank borrowing purposes. Our business planning is done such that a liquidity cushion can be maintained commensurate with the prevailing market conditions and related uncertainties as we see them. This is supported by the Bank's stable franchise in private and corporate customer business and its continued access to secured and unsecured loans in the money and capital markets.

Managing opportunities at Commerzbank

Commerzbank reacts strategically to changing conditions, such as tighter regulation, low interest rates and altered customer behaviour; it does so by optimising its capital base and continuing with its policy of strict cost management while at the same time investing in the profitability of its core activities. By consistently orienting its business model to the needs of its customers and the real economy, the Bank should be able to utilise the expected easing of the sovereign debt crisis this year and the cyclical recovery in the world economy next year to increase its profitability. This should enable Commerzbank to reinforce its position as a leading bank for private and corporate customers in Germany and Poland, even in a challenging environment.

Because the Bank is freeing up capital, winding down portfolios while preserving value, and keeping costs steady, it can invest in new products and services and should be able to increase its earnings power. In doing so, it focuses on the needs of its customers and on its traditional values. It is reacting to the more challenging conditions described above in a variety of ways: in the Private Customers business by building a modern multi-channel bank with the emphasis on customer satisfaction; in the Mittelstand business by continuing with its successful business model; in the Corporates & Markets division by expanding its position as an international leader among niche providers; and in the Central & Eastern Europe business area by continuing with its successful organic growth and developing the tried-and-tested universal bank model. At the same time, the Bank expects the planned liquidation of assets that do not belong in the core business to bring capital relief in due course.

The specific opportunities identified by the individual segments are presented in the various "Segment performance" sections.

General statement on the outlook for the Commerzbank Group

As part of its strategic realignment, Commerzbank has put in place growth initiatives and cost-cutting programmes which we shall implement rigorously in 2013 and subsequent years. We shall be developing our business model against the backdrop of a persistently challenging economic and capital market environment, which makes it difficult to formulate a reliable earnings forecast this year, 2013, and next year, 2014. We expect to see the following developments in 2013:

In terms of net interest income, we have assumed another slight decline since the negative factors experienced over the past year, such as low market interest rates and restrained demand for credit, seem likely to persist for the time being. Commerzbank is expecting to make further progress in winding down non-strategic items this year, thus further reducing interest-bearing assets and interest income in the Non-Core Assets segment. We do not yet regard the current easing of funding costs on the capital market as sustainable. If the trend continues, however, it could boost net interest income in the future. Irrespective of this, Commerzbank expects the proportion of cheaper secured funding instruments to increase.

We are cautiously confident as regards net commission income. We expect to see the first positive results of our more customer-focused advisory approach in the Private Customers business and our improved service offering for SME customers – especially in foreign business and cash management. However, the extent of the improvement will be largely determined by developments in the capital market. The high level of price volatility since the financial crisis set in has been reflected in significantly reduced customer activity in the securities business in recent years, and this has had a negative impact on net commission income.

It is difficult to forecast the trading result because of the unpredictability of developments on the global financial markets. However, Commerzbank is maintaining its risk-oriented approach and refraining from proprietary trading.

Loan loss provisions are likely to be slightly higher in 2013 than in the previous year. In the Core Bank, we have assumed less favourable framework conditions, especially in the corporate customer business. In 2013, reversals of valuation allowances are not likely to be as high as those seen in the previous year as a result of the active reduction in the volume of non-performing loans. Furthermore, the persistently uncertain economic situation in our core markets – despite the likelihood of a slight improvement during the year – could increase the volume of problem loans. We are still expecting a very difficult environment In the Non-Core Assets run-off segment, particularly for ship finance, and the level of loan loss provisions required will remain high.

Expenses of an investment nature to increase future profitability are likely to have the effect of slightly raising overall operating expenses in 2013 compared with the year under review. Commerzbank will continue with its strict cost management policy in order to keep the potential increase within narrow limits. The efficiency improvement measures which are set to be implemented in this and subsequent years will result in a restructuring cost of around €500m in the first quarter of 2013.

In the current financial year, Commerzbank is focusing on developing and optimising its business model. Strategic growth initiatives in the core business in the two core markets of Germany and Poland, cost-cutting measures and the repositioning of the Commerzbank brand, especially in the private customers business, are laying the foundations for a sustainable increase in earnings potential. In the medium term, some of the capital needed for future growth will be generated through the ongoing value-preserving run-off of the non-core portfolio in the Non-Core Assets segment.

In the Private Customers business, we are countering customers' loss of confidence in the financial sector by reorienting the advisory approach to achieve a stronger focus on customers, even if this may mean foregoing some transaction-driven income in the short term. As well as expanding our customer base, we aim to achieve higher levels of customer satisfaction and greater penetration of the existing base through new products and stronger growth in the lending business, such as real estate financing. These strategic measures are aimed at boosting earnings and are unlikely to have an impact for some time, owing to the persistent negative effects of the low interest rate environment and subdued customer activity. In the Private Customers business we predict no better than a balanced result in the current financial year, although we expect our profitability initiatives to have an increasingly noticeable impact from 2014 onwards.

Mittelstandsbank enjoys a strong market position even in times of crisis, thanks to our clear commitment to German SMEs, and we aim to build on this in the next few years to increase revenues in both the lending and the deposit business, especially with smaller companies. We also believe there is more potential in our foreign business, where we are striving to achieve market leadership in trade finance in Europe. In Mittelstandsbank, our focus remains on preserving the high quality of the loan portfolio and expanding our market share. However, we expect lower reversals of valuation allowances and muted demand for credit from the corporate sector in 2013. We are expecting the Mittelstandsbank segment's operating profit for 2013 to be below last year's. In 2014, if the economic climate is more favourable, the segment's earnings prospects should be given a further fillip by an increase in demand for credit.

In the Central & Eastern Europe segment, our subsidiary BRE Bank, which is one of the leading Polish universal banks, has a strongly positioned online banking business. In future we intend to exploit this and increase profitability through a unified market presence under the "mBank" brand, shared with the direct banking arm, while also offering innovative new services. However, we think a temporary interruption to the growth trend is a realistic possibility in 2013, since the Polish economy cannot disconnect itself from the current weak economic climate in Western Europe. We therefore expect the results for the CEE segment in 2013 to be a little below the level achieved in 2012. When the Polish economy returns to above-average growth compared with Western Europe, our activities in Central and Eastern Europe in 2014 could also join in with the positive earnings trend of recent years.

For the Corporates & Markets segment, the focus will be on stabilising income, optimising capital requirements and applying consistent cost management in the face of a generally challenging capital market environment and increasing regulatory requirements. We expect to strengthen our position as a competitive investment bank partner through our strengthened customer base and product expertise which is recognised by the market. Assuming that the markets stabilise further and customer activity on the primary and secondary markets increases, and if, at the same time, costs fall and loan loss provisions remain stable, we expect a further improvement in the operating result given the moderate rise in income anticipated this year and next. But there is uncertainty regarding current regulatory initiatives, such as the planned financial transaction tax and the current dual bank discussion.

In 2013, we shall continue to reduce volumes and risks in the Public Finance, Ship Finance and Commercial Real Estate long-term loan portfolios now held in the Non-Core Assets segment, with the aim of supporting the strategic realignment of the Commerzbank Group. The capital thus released will be utilised in the Core Bank to support growth in divisions with a more favourable risk/return ratio. Measured in terms of exposure at default (including problem loans), in the Non-Core Assets segment we are aiming for a further reduction in volume of around 40%, from €151bn at year-end 2012 to €93bn by year-end 2016. As well as directly reducing this exposure, e.g. by selling loan portfolios, we intend to improve the profitability and risk content of the remaining holdings through increased margins and additional collateral, unless the loan commitment can be terminated early or repaid on a rollover date.

In the NCA segment, the difference between the funds released by the run-off on the one hand, and the capital consumption resulting from the expected loss on the other, is expected to be negative again.

In a still challenging economic and capital market environment, the continuing pressure on earnings, rising loan loss provisions and the investment-related increase in costs will have an impact on the operating result for 2013 compared with the previous year. The pre-tax result of the Commerzbank Group will be negatively impacted by the restructuring costs to be reported in the 2013 financial year in connection with the efficiency improvement measures agreed.

Given the refinement of our business model and the recent progress in optimising our capital structure, we expect to report a Basel III Core Tier I capital ratio of well over 9% throughout 2013 (under the phase-in arrangements).

This aspiration for our capital position will also apply in the 2014 financial year, when we are likely to see earnings opportunities increase as a result of the expected improvement in economic conditions. Together with the increasing success of the measures to refine our business model, in terms of business performance in 2014 we expect to take a big step forward on the path to higher long-term profitability.

Group Risk Report

› **Group Risk Report**
Page 131 ff.

The Group Risk Report is a separate reporting section in the annual report and is part of the Group Management Report.

Group Risk Report

› In the Group Risk Report we give a comprehensive presentation of the risks we are exposed to and provide a detailed insight into the organisation and key processes of our risk management. Our primary aim is to ensure that all risks in Commerzbank are fully identified, monitored and managed on an adequate basis at all times.

› From a risk perspective, the 2012 financial year was marked by the Bank's reorganisation which saw it divided into a Core Bank and a Non-Core Assets run-off segment. The organisational structure of risk management was therefore revised to reflect the needs of the run-off segment, and the active reduction of portfolios in the sub-segments contained within Non-Core Assets continued.

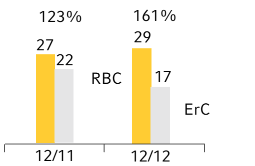
Contents

The following Group Risk Report is also part of the Group Management Report. Due to rounding, numbers and percentages may not add up precisely to the totals provided.

Executive summary 2012

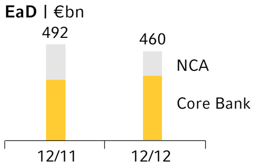
- **Solid capital adequacy and significantly improved risk-bearing capability**
  - European Banking Authority's capital requirements more than met; Core Tier I ratio at year-end 12.0%.
  - Economic risk-bearing capacity significantly improved with a risk-bearing capacity ratio of 161% compared with prior year (123%).

Risk-bearing capacity | €bn



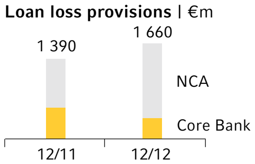
- **Exposure significantly reduced, especially in Non-Core Assets**
  - The focus of portfolio reduction in 2012 was on Commercial Real Estate (–22%), Public Finance (–13%) and ship financing (–21%).
  - Exposure in the Core Bank increased to €321bn. Portfolio quality was improved further with a risk density of 27 basis points (2011: 31 basis points).

EaD | €bn



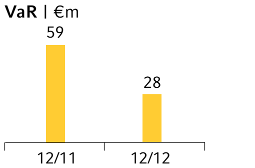
- **Loan loss provisions for the Group as expected at €1.7bn**
  - Core Bank very low at €0.3bn due to reversals.
  - In NCA, Deutsche Schiffsbank's portfolios were the main charge at €0.7bn. Loan loss provisions for CRE were still relatively high at €0.6bn, but down year on year.

Loan loss provisions | €m



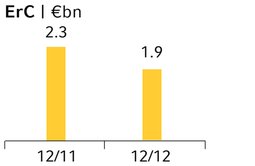
- **Market risk in the trading book significantly reduced again in 2012**
  - VaR in the trading book significantly reduced by two-thirds since the beginning of 2009.
  - VaR in the trading book was €28m at year-end compared with €59m at the end of 2011.

VaR | €m



- **Operational risk in line with expectations**
  - The total €310m charge from OpRisk events in 2012 was dominated mainly by product-related losses from liability for advice given.
  - Economically required capital for OpRisk reduced by €0.4bn to €1.9bn.

ErC | €bn



Risk-oriented overall bank management

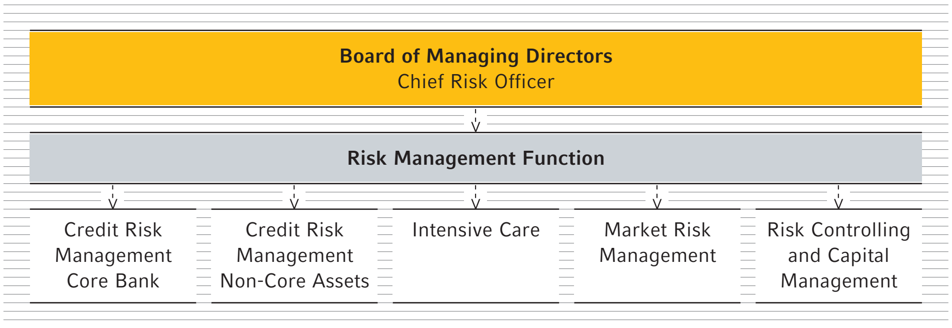
Risk management organisation

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

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

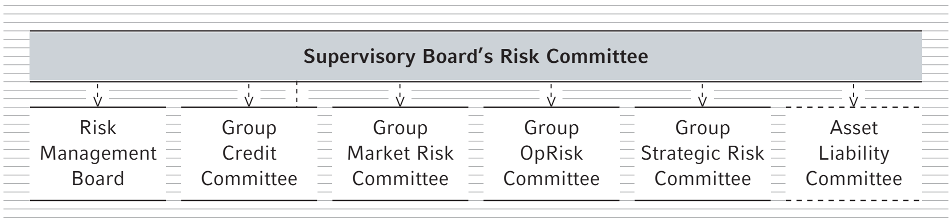
Risk management activities used to be split between Credit Risk Management, Intensive Care, Market Risk Management as well as Risk Controlling and Capital Management, but Commerzbank's Board of Managing Directors approved changes to the organisational structure of risk management in October 2012 to meet the requirements of the Non-Core Assets (NCA) run-off segment. These involved the risk function separating the NCA portfolio's back office from that of the Core Bank. This means that in organisational terms, credit risk management for the NCA segment is merged across all rating levels into one unit. All areas have a structure which spans the Group and report directly to the CRO. The heads of these five risk management divisions together with the CRO make up the Risk Management Board within Group Management.

Figure 6



The Board of Managing Directors has sole responsibility for fundamental strategic decisions. The Board of Managing Directors has delegated the operational risk management to committees. Under the relevant rules of procedure these are the Group Credit Committee, the Group Market Risk Committee, the Group OpRisk Committee and the Group Strategic Risk Committee, which decides on risk issues of an overarching nature. The CRO chairs all these committees and has the right of veto. In addition the CRO is a member of the Asset Liability Committee.

Figure 7



The **Supervisory Board's Risk Committee** comprises the Chairman of the Supervisory Board and three further Supervisory Board members. The Risk Committee is charged with monitoring the risk management system and dealing with all risks, particularly with regard to market, credit, operational and reputational risk.

The **Risk Management Board** deals with important current risk topics as a discussion and decision-making committee within the risk function. In particular, it makes decisions on strategic and organisational developments for the risk function and is responsible for creating and maintaining a consistent risk culture.

The **Group Credit Committee** is the decision-making committee for operational credit risk management below the Board of Managing Directors, comprising two representatives each from the back office and front office. The Chairman of the Group Credit Committee is the most senior member representing the back office; the Group Credit Committee cannot approve loans without his vote. The Group Credit Committee acts on the basis of the credit risk strategy and makes decisions in line with the competencies delegated to it by the Board of Managing Directors.

The **Group Market Risk Committee** is the committee that monitors market risk throughout the Group and manages limit requirements in line with risk-bearing capacity. To do this, all market risks from the trading and banking book are analysed to identify risks early and for active risk management purposes. In addition to minimising risk and avoiding losses, the focus here is on optimising the risk/return profile at an aggregated level.

The **Group OpRisk Committee** is responsible for managing operational risk in the Group and for defining relevant measures and/or recommended action as necessary. The standards on governance and assessing the functioning of the Internal Control System (ICS) in Commerzbank are closely linked to OpRisk management. Against this background, the Group OpRisk Committee also acts as the highest escalation and decision-making committee below the Board of Managing Directors for these standards.

The **Group Strategic Risk Committee** acts as the discussion and decision-making committee for all types of risk, and its main objective is to monitor and manage risks at portfolio level. This covers risk measurement, risk transparency and risk management.

The central **Asset Liability Committee** is responsible for monitoring risk-bearing capacity in the Group. It has responsibility for the group-wide management of portfolio composition, capital allocation and trends in RWAs, and is the key starting point for our internal capital adequacy assessment process (ICAAP).

The Chairman of the Board of Managing Directors (CEO) bears responsibility for controlling risks related to the Bank's business strategy and reputational risks. The Chief Financial Officer (CFO) assumes responsibility for controlling compliance risk with particular regard to investor protection, insider guidelines and money laundering.

Risk strategy and risk management

The overall risk strategy, together with the business strategy, defines the strategic guidelines for the development of Commerzbank's investment portfolio. Furthermore, the risk appetite is set as the maximum risk that the Bank is prepared and able to accept while following its business objectives. The main aim is to ensure that the Group holds sufficient liquidity and capital. Based on these requirements, suitable limits for the capital and liquidity reserve available to the Group are defined.

Banks' core functions as transformers of liquidity and risk result in inevitable threats that can in extreme cases endanger the continued existence of the institution. For Commerzbank, the existential threats inherent in its business model include, for instance, the default of Germany, Poland, one of the other EU countries (France, Italy, Spain or the United Kingdom) or the USA, a deep recession that lasts for several years with serious repercussions for the German economy or the collapse in the basic repo functionality of the ECB. When pursuing our business targets those risks are taken deliberately and lie outside the scope of the management defined within our Group risk strategy.

The overall risk strategy covers all material risks to which Commerzbank is exposed. It is detailed further in the form of sub-risk strategies for the risk types which are material. These are then specified and made operational through policies, regulations and instructions/guidelines. The annual risk inventory process ensures that all noticeable risks material to the Group are identified. The assessment of the materiality of a risk is based on whether its occurrence could have a major direct or indirect impact on the Bank's risk-bearing capacity.

As part of the planning process, the Board of Managing Directors decides the extent to which the risk coverage potential of the Group should be utilised. On that basis, individual types of risk are limited in a second stage. A capital framework is allocated to the management-relevant units through the planning process. Compliance with limits and guidelines is monitored during the year and action taken where required.

The avoidance of risk concentrations is one of the primary tasks of risk management. Risk concentrations can arise both from the synchronous movement of risk positions within a risk type ("intra-risk concentrations"), and through the synchronous movement of risk positions across differing risk types (through common risk drivers or interactions between different risk drivers of various risk types – "inter-risk concentrations").

The establishment of adequate risk management and controlling processes enabling the identification, assessment, management, monitoring and communication of substantial risks and related risk concentrations serves to ensure that all Commerzbank-specific risk concentrations are adequately taken into account. A major objective is to ensure early transparency regarding risk concentrations, and thus to reduce the potential risk of losses. Commerzbank uses a combination of portfolio and scenario analyses to manage and deal with Commerzbank-specific inter-risk concentrations. Stress tests are used to deepen the analyses of risk concentrations and, where necessary, to identify new drivers of risk concentrations. Management is regularly informed about the results of the analyses.

Under the three lines of defence principle, protecting against adverse risks is an activity not limited to the risk function. The front office represents the first line of defence and has to take risk aspects into account in business decisions. The second line of defence is the risk function whose most basic task is to manage, limit and monitor risk. The third line of defence is made up of internal and external control bodies (internal auditors, the Supervisory Board, external auditors, supervisory authorities).

Employees who have a major impact on Commerzbank's overall risk profile (risk takers) are also identified under the remuneration process regulations. Due to their particular importance for the Bank's overall results, special regulations apply to these employees for measuring their performance and determining their variable remuneration. These notably include compliance with the Code of Conduct, the sustainability of the underlying performance and the risk taker's risk behaviour. But collective criteria in terms of Group profit and liquidity risk can also result in the entitlement to salary components paid out over the long term being fully or partially clawed back.

In addition Commerzbank has established special guidelines for the risk function, the so-called risk values: as a strategic global partner, the risk function – together with the front office – makes a value-creating and sustainable contribution to the whole bank from a risk/return perspective through robust, forward-looking and holistic risk management. Methods and models are closely interlinked with portfolio expertise so that all sub-portfolios and quantifiable types of risk can be analysed and managed. This includes focusing on concentration risk, responsiveness of the portfolio and a generally risk-optimised capital allocation. Recovery successes contribute to reducing our risk costs. Together with consistent risk strategies, policies and processes, these are the cornerstone for results-oriented risk management and ensure a sustainable business policy.

Risk ratios

Commerzbank uses a comprehensive system of ratios and procedures for measuring, managing and limiting various types of risk. The most important of these are listed below:

Economically required capital (ErC) is the amount that corresponding to a high confidence level (currently 99.91% at Commerzbank) will cover unexpected losses arising from risk positions.

The **risk-bearing capacity ratio (RBC ratio)** indicates the excess coverage of the economically required capital by the risk coverage potential. Risk-bearing capacity is deemed to be assured as long as the RBC ratio is higher than 100%.

Exposure at default (EaD) is the expected exposure amount taking into account a potential (partial) drawing of open lines and contingent liabilities that will adversely affect risk-bearing capacity in the event of default. For Public Finance securities, the nominal is reported as EaD.

Expected loss (EL) measures the potential loss on a loan portfolio that can be expected within one year on the basis of historical loss data.

Risk density is the ratio of expected loss to exposure at default and thus represents the relative risk content of an exposure or a portfolio.

Value at risk (VaR) is a methodology for quantifying risk. It involves setting a holding period (such as 1 day) and a confidence level (such as 97.5%). The VaR value then denotes the relevant loss threshold that will not be exceeded within the holding period with a probability in line with the confidence level.

Credit value at risk (CVaR) is the economic capital requirement for credit risk with a confidence level of 99.91%. The term results from the application of the value at risk concept on credit risk measurement. Credit VaR is an estimate of the amount by which the losses from credit risks could potentially exceed expected loss within a single year; therefore also: unexpected loss. The idea behind this approach is that expected loss simply represents the long-term average of lending losses, but this may vary (positive or negative) from actual credit losses for the current business year.

In relation to bulk risk, the **"all-in" concept** comprises all customer credit lines by the Bank in their full amount – irrespective of the loan utilisation to date. It is independent of statistically modelled parameters and comprises internal as well as external credit lines.

Risk-bearing capacity and stress testing

The risk-bearing capacity analysis is a key part of overall bank management and Commerzbank's Internal Capital Adequacy Assessment Process (ICAAP). The purpose is to ensure that sufficient capital is held for the risk profile of Commerzbank Group at all times.

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

When determining the economic capital required, allowance is made for potential unexpected fluctuations in value. Where such fluctuations exceed forecasts, they must be covered by the available economic capital in order to absorb unexpected losses (risk coverage potential). The quantification of the risk coverage potential is based on a differentiated view of the accounting values of assets and liabilities and involves economic valuations of certain items in the balance sheet.

The capital requirement for the risks taken is quantified using the internal economic capital model. When setting the economic capital required, allowance is made for all the types of risk at Commerzbank Group that are classified as material in the annual risk inventory. The economic risk approach therefore also includes risk types that are not included in the regulatory requirements for banks' capital adequacy and reflects the effect of portfolio-specific interrelationships. The confidence level of 99.91% in the economic capital model is in line with the underlying gone concern assumptions and ensures the economic risk-bearing capacity concept is internally consistent.

The results of the annual validation of the risk-bearing capacity concept were implemented at the beginning of 2012. This involved the introduction of an enhanced model for measuring and representing business risk[1] under the risk-bearing capacity analysis. Methodological adjustments to distinguish and increase the stability of the risk measure were carried out. The business risk is no longer considered in the economically required capital but is a potential deduction from the risk coverage potential. Reserve risk, i.e. the risk of already defaulted claims giving rise to extra costs due to the need for additional loan loss provisions, is taken into account in the risk-bearing capacity analysis using a risk buffer. Since the beginning of 2012, the results of the risk-bearing capacity analysis are shown using the risk-bearing capacity ratio (RBC ratio), indicating the excess of the risk coverage potential in relation to the economically required capital.

The risk-bearing capacity is monitored and managed monthly at Commerzank Group level. Risk-bearing capacity is deemed to be assured as long as the RBC ratio is higher than 100%. The RBC ratio was always over 100% in 2012 and stood at 161% as at 31 December 2012. The increased RBC ratio towards the end of the year reflects the easing of the European sovereign debt crisis in the second half of 2012 which also significantly reduced the economically required capital for market risk.

Table 17

Risk-bearing capacity Group | €bn	**31.12.2012[1]**	**31.12.2011**
Economic risk coverage potential	**29**	**27**
Economically required capital	**17**	**22**
thereof for credit risk	13	13
thereof for market risk	4	8
thereof for OpRisk	2	2
thereof for business risk[2]	-	2
thereof diversification between risk types	−2	−4
RBC-ratio[3]	**161%**	**123%**

[1] Based on current methodology; only partially comparable to values for 2011.
[2] Since 2012 business risk is considered in the risk coverage potential.
[3] RBC ratio = economic risk coverage potential/economically required capital.

Macroeconomic stress tests are used to check risk-bearing capacity in the face of assumed adverse changes in the economic environment. The underlying scenarios, which are updated every quarter and approved by the Asset and Liability Committee, show exceptional, but plausible, negative developments in the economy and are applied across all risk types. In the scenario calculations, the input parameters for the calculation of economic capital required for all material risk types are consequently simulated to reflect the forecast macroeconomic situation. In addition to the amount of capital required, the income statement is also stressed using the macroeconomic scenarios and then, based on this, changes in the risk coverage potential are simulated. To ensure risk-bearing capacity, compliance with the limit for the stressed RBF ratio that is fixed in the overall risk strategy is constantly monitored and is a key part of internal reporting.

[1] Business risk is deemed to be a potential loss that results from discrepancies between actual income (negative deviation) and expense (positive deviation) and the respective budgeted figures.

In addition to the regular stress tests, reverse stress tests were implemented at Group level. Unlike regular stress testing, the result of the simulation is determined in advance: a sustained threat to the Bank. The aim of this analysis process in the reverse stress test is to improve the transparency of Bank-specific risk potential and interactions of risk by identifying and assessing extreme scenarios and events.

The table below gives an overview of the distribution of risk-weighted assets resulting from Commerzbank's business activities, broken down by segment and risk type:

Table 18

Risk-weighted assets Group as at 31.12.2012 | €bn	Default risk	Market risk	Operational risk	Total
Core Bank	**108**	**11**	**22**	**140**
Private Customers	20	0	9	29
Mittelstandbank	49	0	4	54
Central & Eastern Europe	14	0	1	15
Corporates & Markets	20	6	4	30
Others and Consolidation	5	5	3	12
Non-Core Assets	**67**	**0**	**1**	**68**
Commercial Real Estate	30	0	1	31
Deutsche Schiffsbank	20	0	0	20
Public Finance	16	0	0	16
Group	**175**	**11**	**23**	**208**

Regulatory environment

In mid-January 2012, Commerzbank presented a comprehensive package of measures designed to meet from its own resources the European Banking Authority's (EBA) requirement to strengthen its Core Tier I capital by €5.3bn.

Commerzbank had already introduced comprehensive measures at the end of 2011 to meet the Core Tier I ratio of 9% stipulated by the EBA (in a simulated scenario of a partial default on European government bonds). In the first quarter of 2012, the EBA's capital requirement was already exceeded, achieved in particular through rigorous continuation of our RWA management and taking the interim profit into account. Commerzbank's capital adequacy was further strengthened as a result of the additional capital strengthening effects of the capital structure optimisation measure carried out in February 2012.

As at 14 December 2012 the German Federal Financial Supervisory Authority has published the fourth amendment to the Minimum Requirements for Risk Management (MaRisk). They came into effect as at 1 January 2013. New requirements are basically to be implemented by 31 December 2013. Already at the time of publication of the first draft of the amendment of MaRisk Commerzbank has started to analyse any potential need for adjustments in the areas involved and it intends to implement new requirements within the timeframe given.

Default risk

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

Strategy and organisation

The credit risk strategy is the partial risk strategy for default risks and is derived from the overall risk strategy. It is embedded in the ICAAP process of the Commerzbank Group and therefore contributes to ensuring risk-bearing capacity.

The credit risk strategy serves as the bridge between the Bank's overall risk management across all risk types and the operationalisation of default risk management. It relies on quantitative and qualitative management tools that take account of the specific requirements of Core Bank and run-off portfolios.

Quantitative management takes place via clearly defined (economic and regulatory) key figures at Group and segment and accordingly sub-segment level with the aim of ensuring an adequate portfolio quality and granularity in addition to risk-bearing capacity.

Qualitative management guidelines in the form of credit policies define the target business of the Bank and at the level of individual transactions they regulate the transaction type with which the risk resources provided are to be used. These credit policies are firmly embedded in the credit process: transactions which do not meet the requirements are escalated through a fixed competence regulation.

The credit risk strategy describes the strategic areas of action and gives an overview of the important management concepts in credit risk management – particularly for the management of the most important risk concentrations (groups, countries, sectors).

In organisational terms, credit risk management in the Core Bank differs from risk management in the NCA segment. In the Core Bank, based on the separation of responsibility by the performing loan area on the one hand and Intensive Care on the other, discrete back-office areas are responsible for operational credit risk management on a portfolio and an individual case basis.

All credit decisions in the performing loan area are risk/return decisions. The front and back office take joint responsibility for risk and return from an exposure, with the back office having primary responsibility for the risk, and the front office for the return. Accordingly, neither office can be overruled in its primary responsibility in the lending process.

Higher-risk customers are handled by specialist Intensive Care areas. The customers are moved to these areas as soon as they meet defined transfer criteria. In addition to event-related criteria such as rating, insolvency, third-party enforcement measures or credit fraud, criteria relating to number of days overdrawn are the most important reasons for transfer to Intensive Care. This ensures that customers who are not servicing their loans can continue to be managed promptly by specialists in defined standardised processes.

Various strategies for restructuring and reorganisation are used for the operational treatment of loans in Intensive Care. Suitable measures are introduced depending on the specific problem. Customers are given close support with their loans to ensure that they adhere to any agreements made (planned repayments/ongoing amortisation). This is aimed at securing the customer's recovery and return to the performing loan area. Measures on deferments and restructurings/reorganisations for customers may include:

- Tolerance of temporary overdrafts; provided that the reason for the overdraft as well as the nature and date of settlement are transparent and foreseeable.
- Repayment agreements: unpaid loan instalments that result in an overdrawn current account are set aside as a separate amount and repaid monthly under a repayment agreement.
- Restructuring of existing credits/loans: customer loans/borrowings are refinanced in order to reduce the ongoing burden for the customer. This may also be accompanied by, for example, a change in amortisation methods and/or the loan structure/term.
- Restructuring/granting of new loans: financial support in the restructuring process of a company in crisis aimed at sustainable recovery. This normally means fundamental intervention in funding structures and contingent liabilities, and may also result in a capital repayment waiver being granted, collateral positions changed or a restructuring interest rate applied that is below standard market conditions.

By contrast, responsibilities in the NCA segment are not separated into a performing loan area and Intensive Care, as credit risk management here has been merged into one unit across all rating levels to ensure greater flexibility for responding to the requirements of portfolio reduction and restructurings.

Risk management

Commerzbank manages default risk using a comprehensive risk management system comprising an organisational structure, methods and models, a risk strategy with quantitative and qualitative management tools and regulations and processes. The risk management system ensures that the entire portfolio and the sub-portfolios, right down to individual exposure level, are managed consistently and thoroughly on a top-down basis.

Figure 8

Overview of management instruments and levels

Level	Risk strategies and policies	Limit and guideline systems	Portfolio monitoring and reporting	Structures of organisation and committees
Group	Overall risk strategy plus sub-strategies for significant risk types Establishment of a general risk understanding and creation of a uniform risk culture	Definition of Group limits (across all risk types) for capital and liquidity management Additional definition of guidelines as key points of the aspired target portfolio	Group Risk & Capital Monitor plus risk type specific Group formats (including flash reporting) Uniform, consolidated data repository as basis for Group reporting	Ensuring exchange of information and networking in committees that operate across all risk types Retaining qualified staff in line with progressive product innovation or regulatory adjustments
Sub-portfolios	Clear formulation of risk policy in guidelines (portfolios, asset classes, etc.) Differenciated credit authorities based on compliance of transactions with the Bank's risk policy	Performance metrics on level of risk categories and sub-portfolios Expansion of Group-wide performance metrics using sub-portfolio-specific indicators	Portfolio batches as per established portfolio calendar Asset quality review and analysis of High Attention Parts (HAP) Trigger monitoring with clear escalation and reporting lines	Interdisciplinary composition of segment committees Ensuring uniform economic opinions
Individual exposures	Rating-dependent and bulk-sensitive credit authority regulations with clear escalation processes	Limitation of bulk risk and uniform management according to model-independent all-in definition	Limit monitoring at individual exposure level Monthly report to the Board of Managing Directors on the development of bulk risks Review of individual customers/exposures resulting from asset quality or HAP analyses	Deal team structures Institutionalized exchange within the risk function, also taking account of economic developments Sector-wise organization of domestic corporate business

The ratios, measures and input required for the operational process of risk management are based on overarching Group objectives and are enhanced at downstream levels by sub-portfolio and product specifics. Risk-based credit approval regulations focus management attention in the highest decision-making bodies on issues such as risk concentrations or deviations from the risk strategy.

The management of risk concentrations within default risk includes both exposure-related credit risk concentrations (bulk risks) as well as country, sector and collateral concentrations.

Operational credit risk management still aims to preserve appropriate portfolio quality. In addition to further de-risking measures to reduce concentration risks, management of the effects of the euro and sovereign debt crisis and the reduction of risks in non-investment grade, the focus was also on supporting attractive new business in our growth segments. We also carry out continual checks of our credit processes to identify possible improvement measures.

Commerzbank's rating and scoring methods in use for all key credit portfolios form the basis for measuring default risks. Both the calibration of the probabilities of default assigned to individual counterparties or loans and the calculation of loss ratios are based on an analysis of historical data from the Commerzbank portfolio. The experience of the current year forms the basis for the annual recalibration of the methods.

Country risk management is based on the definition of risk limits as well as country-specific strategies for achieving a desired target portfolio.

Back-office activities in domestic corporate customer business are organised by industry sector and focus on managing exposures to weaker ratings. This allows us to directly identify issues at total and sub-portfolio level, track them down to the individual loan level and initiate appropriate measures. This also results in major progress in terms of speed, the efficiency of preventive measures and the quality of risk trend forecasting.

Critical events and the substantially reduced period of validity of regulatory requirements are increasing the need for flexible credit portfolio management. One of the key strategic action fields in credit risk management has been and remains ensuring that the portfolio is highly responsive.

Management of economic capital commitment

All risk types in the overall risk strategy for economically required capital (ErC) are given limits on a group-wide basis to ensure proper capital adequacy levels for Commerzbank Group; a CVaR limit is specified in particular. Due to the systematically restricted options for reducing default risk on a short-term basis, it is important to take account of expected trends in credit risk (medium-term and long-term) in order to remain within limits. For this reason, plan/forecast values of capital ratios and comparison with actual trends observed plays a key role in ongoing management. It has to be assured that limits are met as a result of keeping to plan/forecast. There is no cascaded limit concept for credit risk below Group level, i.e. no allocation of the Group credit limit to segments/business areas.

Expected loss (EL) plays a key role in operationalising capital management for default risk, as it consolidates key input factors of the CVaR to a meaningful ratio which has long been in established use in risk management.

Rating classification

The Commerzbank rating method comprises 25 rating levels for loans not in default (1.0 to 5.8) and five default classes (6.1 to 6.5). The Commerzbank master scale allocates a non-overlapping range of probabilities of default that are stable over time to each rating class. The rating methods are subject to annual validation and recalibration so that they reflect the latest projection based on all actual observed defaults.

Figure 9

Commerzbank master scale

Commerzbank AG rating	PD and EL mid-point as percentage	PD and EL range as percentage	S & P		
1.0	0	0	AAA	AAA	Investment grade
1.2	0.01	0–0.02			
1.4	0.02	0.02–0.03	AA+	AA	
1.6	0.04	0.03–0.05	AA, AA–		
1.8	0.07	0.05–0.08	A+, A	A	
2.0	0.11	0.08–0.13	A–		
2.2	0.17	0.13–0.21	BBB+	BBB	
2.4	0.26	0.21–0.31	BBB		
2.6	0.39	0.31–0.47			
2.8	0.57	0.47–0.68	BBB–		
3.0	0.81	0.68–0.96	BB+	BB	Non-investment grade
3.2	1.14	0.96–1.34	BB		
3.4	1.56	1.34–1.81			
3.6	2.10	1.81–2.40	BB–		
3.8	2.74	2.40–3.10	B+	B	
4.0	3.50	3.10–3.90			
4.2	4.35	3.90–4.86	B		
4.4	5.42	4.86–6.04			
4.6	6.74	6.04–7.52			
4.8	8.39	7.52–9.35	B–		
5.0	10.43	9.35–11.64			
5.2	12.98	11.64–14.48	CCC+	CCC	
5.4	16.15	14.48–18.01			
5.6	20.09	18.01–22.41	CCC to CC–		
5.8	47.34	22.41–99.99			
6.1		>90 days past due	C, D-I, D-II		Default
6.2		Imminent insolvency			
6.3	100	Restructuring with recapitalisation			
6.4		Termination without insolvency			
6.5		Insolvency			

Consistent with the master scale method, the default ranges assigned to the ratings within the Commerzbank master scale remain unchanged for the purpose of comparability (stable over time and for the portfolio). External ratings are shown as well for guidance. A direct reconciliation is not possible, however, because external ratings of different portfolios show fluctuating default rates from year to year.

The credit approval authorities of individual staff and the committees (Board of Managing Directors, credit committee, credit sub-committees) are graduated by size of exposure and rating group. The most important control variable for default risk is expected loss (EL) as derived from the ratings. The credit risk strategy sets target values for individual sub-portfolios. This ensures that the expected level of provisioning is kept in line with the strategic objectives of the Bank, such as the target rating from rating agencies or the target portfolio quality and structure.

Management of risk concentrations

The financial market crisis has shown that defaults of individual market participants may present considerable risks for the stability of the financial system. In order to detect and limit these risks at an early stage, risk concentrations of individual corporate customers (bulk risks) as well as those within countries or customer groups are actively managed amongst others under consideration of segment-specific features.

A uniform definition based on "all-in" is used to manage bulk risk. The all-in concept comprises all customer credit lines approved by the Bank in their full amount – irrespective of the loan utilisation to date.

Bulks above a defined maximum exclusion threshold are not wanted on a permanent basis and are systematically reduced. The management of risk concentrations within default risk includes both exposure-related credit risk concentrations (bulk risks) as well as country and sector concentrations.

Management and the Supervisory Board's Risk Committee are regularly informed about the results of the analyses.

Risk mitigation

The collateral, which is taken into account in risk management, is mostly held by Commerzbank Aktiengesellschaft and Hypothekenbank Frankfurt AG and totals around €113bn for the exposures in the performing book as well as roughly €9bn in the default portfolio. In the Private Customers' segment, the collateral predominantly consists of mortgages on owner-occupied and buy-to-let residential property. In Mittelstandsbank, collateral is spread over various types of security. These mainly relate to mortgages on commercial properties and various forms of guarantees. The portfolio in the Central & Eastern Europe segment is mainly secured by mortgages, in both the retail and commercial sectors. The collateral in the Corporates & Markets portfolio principally comprises assignments and pledging of assets. In the segment Non-Core Assets, collateral in the sub-segment Commercial Real Estate mainly relates to commercial land charges and also to charges on owner-occupied and buy-to-let properties, the ship finance portfolio is mostly backed by ship mortgages.

Commerzbank Group

In view of the continuing uncertain situation on the financial markets and the increasing regulatory burdens, Commerzbank resolved in June 2012 to accelerate the path it had already taken, with its focus on customer-centric and profitable core business, the minimisation of risks and a reduction in complexity. On that basis, it decided to wind up the business areas Commercial Real Estate, Deutsche Schiffsbank and Public Finance in the course of time. As a result, these areas were transferred in their entirety to the new Non-Core Assets (NCA) run-off segment. The Private Customers, Mittelstandsbank, Corporates & Markets and Central & Eastern Europe segments remain in the Core Bank.

To describe Commerzbank Group, we will go into more detail on credit risk ratios, the breakdown of the portfolio by region, loan loss provisions in the credit business, the default portfolio and on overdrafts in the performing book.

Credit risk parameters

The credit risk parameters in Commerzbank Group are distributed in the rating levels 1.0 – 5.8 as follows over the Core Bank and Non-Core Assets:

Table 19

Credit risk parameters as at 31.12.2012	Exposure at default €bn	Expected loss €m	Risk density bp	CVaR €m
Core Bank	321	869	27	7,571
Non-Core Assets	139	912	66	5,626
Group	**460**	**1,781**	**39**	**13,198**

The following table shows the breakdown of the Group portfolio by internal rating classifications, based on the PD ratings:

Table 20

Rating breakdown as at 31.12.2012 EaD in %	1.0–1.8	2.0–2.8	3.0–3.8	4.0–4.8	5.0–5.8
Core Bank	32	47	16	3	2
Non-Core Assets	31	36	20	8	6
Group	**31**	**44**	**17**	**5**	**3**

The Group’s country risk calculation records both transfer risks and region-specific event risks defined by political and economic events which impact on the individual economic entities of a country. Country risk management comprises decisions, measures and processes which aim to influence the country portfolio structure in order to achieve business, risk and return targets. Country risks have been managed and limited since 2012 based on loss at default at country level. Country exposures which are significant for Commerzbank due to their size and exposures in countries in which Commerzbank holds significant investments in comparison to the GDP of those countries are handled by the Strategic Risk Committee on a separate basis.

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

Table 21

Group portfolio by region as at 31.12.2012	Exposure at default €bn	Expected loss €m	Risk density bp
Germany	231	564	24
Western Europe	113	446	39
Central and Eastern Europe	41	207	51
North America	33	69	21
Other	42	496	119
Group	**460**	**1,781**	**39**

The table below shows the exposure to Greece, Ireland, Italy, Portugal and Spain based on the member state where the head office or the asset is located:

Table 22

EaD[1] as at 31.12.2012 €bn	Sovereign[2]	Banks	CRE	Corporates/ Other	Total 2012	Total 2011
Greece	0.0	0.0	0.2	0.1	0.2	1.1
Ireland	0.0	0.6	0.1	0.9	1.6	2.0
Italy	8.8	0.9	2.2	2.3	14.2	14.0
Portugal	0.9	0.3	1.6	0.3	3.0	3.4
Spain	2.6	3.7	3.6	2.9	12.8	14.6

[1] Excluding exposure from ship finance.
[2] Including sub-sovereigns.

Loan loss provisions

Loan loss provisions for Group lending amounted to €1,660m in 2012. This amount includes a one-off effect from reviewing and updating parameters totalling €69m net. Overall, loan loss provisions in 2012 were €270m higher than in the previous year.

The following table illustrates the development of Group loan loss provisions:

Table 23

	2012					2011				
Loan loss provisions €m	**Total**	**Q4**	**Q3**	**Q2**	**Q1**	**Total**	**Q4**	**Q3**	**Q2**	**Q1**
Core Bank	**283**	102	47	116	18	**482**	174	175	50	83
Non-Core Assets	**1,374**	512	383	301	178	**903**	181	255	231	236
Group[1]	**1,660**	**614**	**430**	**404**	**212**	**1,390**	**381**	**413**	**278**	**318**

[1] Including loan loss provisions of PRU amounting to €3m in 2012 and €5m in 2011.

Loan loss provisions are expected to increase slightly in the Group in 2013. Although they were low in the Core Bank in 2012, we expect that they will return to a normal and higher level again in 2013, as the high releases that accounted for the excellent provision result for 2012 will not continue. High loan loss provisions will continue to have a negative impact on NCA due to the ongoing crisis on the shipping market.

The risks related to the macroeconomic framework are still high. Should there be a massive economic downturn or defaults at financial institutions due to the continuing sovereign debt crisis' impact on the real economy, significantly higher loan loss provisions may become necessary under certain circumstances.

Default portfolio

The table below illustrates the development of the default portfolio in the Group:

Table 24

	2012			2011		
Default portfolio | €m	**Group**	**Core Bank**	**NCA**	**Group**[1]	**Core Bank**	**NCA**
Default volume	18,926	6,799	12,128	19,703	8,516	10,536
Loan loss provisions	7,148	3,264	3,884	7,657	3,963	3,362
GLLP	887	470	417	948	612	332
Collaterals	9,296	1,451	7,845	9,278	2,335	6,773
Coverage ratio excl. GLLP (%)	87	69	97	86	74	96
Coverage ratio incl. GLLP (%)	92	76	100	91	81	99
NPL ratio (%)[2]	4.0	2.1	8.1	3.8	2.7	5.8

[1] Including default volume of PRU amounting to €652m.
[2] NPL ratio: default volume (non-performing loans – NPL) in proportion to total exposure (EaD including NPL).

Despite a rise in NCA and due to the successful run-off measures in the Core Bank the Group's default portfolio fell by €0.8bn at the end of 2012 compared to the previous year. The volume is equivalent to claims that are in default in the category LaR.

The default portfolio is divided into five classes based on the nature of the default:

- Rating level 6.1: imminent insolvency (over 90 days past due).
- Rating level 6.2/6.3: the Bank is assisting in financial rescue/restructuring measures at the customer with or without restructuring contributions.
- Rating level 6.4/6.5: the Bank recalls the loan and the customer has become insolvent respectively.

The following table shows the breakdown of the default portfolio based on the five default classes:

Table 25

Rating classification as at 31.12.2012 | €m	**6.1**	**6.2/6.3**	**6.4/6.5**	**Group**
Default volume	1,311	11,723	5,892	18,926
Loan loss provisions	98	3,711	3,339	7,148
Collaterals	1,043	6,142	2,111	9,296
Coverage ratio excl. GLLP (%)	87	84	92	87

Overdrafts in the performing loan book

In order to avoid an increase in the default portfolio, overdrafts are closely monitored at Commerzbank. In addition to the 90 days-past-due trigger event, IT-based management of overdrafts starts on the first day the account is overdrawn. The following table shows overdrafts outside the default portfolio based on the exposure at default as at end of December 2012:

Table 26

Overdrafts | €m	> 0 ≤ 30 days	> 30 ≤ 60 days	> 60 ≤ 90 days	> 90 days	Total
Core Bank	2,434	292	112	90	2,927
Non-Core Assets	609	164	165	53	991
Group	**3,043**	**456**	**277**	**143**	**3,918**

In 2012, total foreclosed assets decreased year-on-year by €54m to €116m (additions €104m, disposals €219m, cumulative change from valuation €61m). Of the year-end portfolio of properties, the major part of around €116m related to our mortgage subsidiary Hypothekenbank Frankfurt. The properties are serviced and managed in companies in which Hypothekenbank Frankfurt owns a majority stake through subsidiaries. This is normally EF Estate Management GmbH. The aim is to increase the value and performance of the commercially-focused real estate portfolio through HF Estate's property expertise so that the properties can be placed on the market again in the short to medium term.

Core Bank

The Core Bank comprises the segments Private Customers, Mittelstandsbank, Central & Eastern Europe, Corporates & Markets and Others and Consolidation.

Credit risk parameters

The credit risk parameters are distributed in the rating levels 1.0 – 5.8 as follows over the Core Bank's segments:

Table 27

Credit risk parameters as at 31.12.2012	Exposure at default €bn	Expected loss €m	Risk density bp	CVaR €m
Private Customers	76	206	27	815
Mittelstandsbank	111	313	28	2,986
Central & Eastern Europe	25	150	59	539
Corporates & Markets	68	139	20	2,094
Others and Consolidation	41	61	15	1,137
Core Bank	**321**	**869**	**27**	**7,571**

Exposure in the Core Bank increased to €321bn due to the integration of the Portfolio Restructuring Unit. The portfolio quality was improved further with a risk density of 27 basis points (2011: 31 basis points).

The following table shows the breakdown of the Core Bank portfolio by internal rating classifications based on PD ratings:

Table 28

Rating breakdown as at 31.12.2012 EaD in %	**1.0–1.8**	**2.0–2.8**	**3.0–3.8**	**4.0–4.8**	**5.0–5.8**
Private Customers	28	49	17	4	2
Mittelstandsbank	13	60	20	4	2
Central & Eastern Europe	26	38	24	9	3
Corporates & Markets	46	40	12	1	1
Core Bank[1]	**32**	**47**	**16**	**3**	**2**

[1] Including Others and Consolidation.

Loan loss provisions

The following table shows the development of loan loss provisions in the Core Bank segments:

Table 29

	2012					**2011**				
Loan loss provisions €m	**Total**	**Q4**	**Q3**	**Q2**	**Q1**	**Total**	**Q4**	**Q3**	**Q2**	**Q1**
Private Customers	**95**	16	45	26	8	**61**	– 55	33	38	45
Mittelstandsbank	**30**	42	– 9	32	– 35	**190**	149	58	– 28	11
Central & Eastern Europe	**105**	24	28	35	18	**86**	24	26	9	27
Corporates & Markets	**52**	19	– 17	23	27	**146**	56	59	31	0
Others and Consolidation	**1**	1	0	0	0	**– 1**	0	– 1	0	0
Core Bank	**283**	**102**	**47**	**116**	**18**	**482**	**174**	**175**	**50**	**83**

Loan loss provisions in the Core Bank amounted to €283m in 2012. The charge was therefore much lower by €199m or 41% compared with the previous year. The Core Bank benefited in particular from releases due to successful restructurings and the still robust economic environment in Germany.

Default portfolio

This positive provisioning situation was also reflected in the development of the default portfolio. The Core Bank's default portfolio benefited from high outflows through successful restructurings and repayments.

Table 30

Default portfolio Core Bank | €m	31.12.2012	31.12.2011
Default volume	6,799	8,516
Loan loss provisions	3,264	3,963
GLLP	470	612
Collaterals	1,451	2,335
Coverage ratios excl. GLLP (%)	69	74
Coverage ratios incl. GLLP (%)	76	81
NPL ratio (%)	2.1	2.7

Overdrafts in the performing loan book

The following table shows overdrafts outside the default portfolio by segment based on exposure at default as at end of December 2012:

Table 31

Overdrafts | €m	> 0 ≤ 30 days	> 30 ≤ 60 days	> 60 ≤ 90 days	> 90 days	Total
Private Customers	575	81	44	16	715
Mittelstandsbank	1,508	139	35	9	1,691
Central & Eastern Europe	243	60	23	66	391
Corporates & Markets	106	12	10	0	127
Core Bank[1]	**2,434**	**292**	**112**	**90**	**2,927**

[1] Including Others and Consolidation.

Private Customers

The Private Customers segment covers the activities of the Private Customers division, which includes branch business in Germany for private and business customers as well as wealth management, direct banking and Commerz Real, which has been part of the Core Bank since the fourth quarter of 2012.

Risks that are subject to changes in the economic environment, unemployment levels and real estate market prices are managed and monitored through defined credit standards, active new business controlling, intensive tracking of the real estate market and an IT-supported overdraft management system. Furthermore, unusual loans are identified through selected triggers and processed in a special way in the early risk identification area.

Table 32

Credit risk parameters as at 31.12.2012	Exposure at default €bn	Expected loss €m	Risk density bp
Residential mortgage loans	46	92	20
Investment properties	5	11	21
Individual loans	12	46	40
Consumer and instalment loans/credit cards	10	41	43
Domestic subsidiaries	3	7	28
Foreign subsidiaries and other	1	8	73
Private Customers	**76**	**206**	**27**

We meet the financing needs of our customers with a broad and modern product range. The focus of the portfolio is on traditional owner-occupied home financing and financing real estate capital investments (residential mortgage loans and investment properties with an EaD of €51bn). Another major activity is to ensure the supply of credit services for our business customers (individual loans €12bn). In addition, we meet our customers' day-to-day lending requirements with consumer loans (consumer and instalment loans, credit cards €10bn).

The portfolio increase by €11bn to €76bn is largely due to the integration of Commerz Real and parts of Hypothekenbank Frankfurt's building finance business into the Private Customers segment.

Risk management, which was optimised in 2012 in particular with the implementation of systematic management measures in lower rating classes, and the expansion of early risk identification, also helped to bring down the risk density to 27 basis points, as did the now higher proportion of lower-risk construction finance and the positive market development.

Loan loss provisions for private customer business were €34m higher year-on-year. Adjusted for parameter updating in the fourth quarter of 2011, operational loan loss provisions were stable overall and below the previous year's level.

In the private customers business, the reduction in the default portfolio was significant at over 21% or more than €309m. Collateral in the Private Customers segment consists predominantly of mortgages on owner-occupied and rented properties.

Table 33

Default portfolio Private Customers | €m	31.12.2012	31.12.2011
Default volume	1,135	1,444
Loan loss provisions	392	493
GLLP	128	164
Collaterals	527	669
Coverage ratios excl. GLLP (%)	81	80
Coverage ratios incl. GLLP (%)	92	92
NPL ratio (%)	1.5	1.9

Mittelstandsbank

This segment comprises all the Group's activities with mainly mid-size corporate customers, the public sector and institutional customers (where they are not assigned to other segments). The segment is also responsible for the Group's relationships with domestic and foreign banks, financial institutions and central banks. As at 1 January 2012, Commerzbank Eurasija in Russia, our branches in the Czech Republic and Slovakia and Commerzbank Zrt. in Hungary were transferred from the Central & Eastern Europe segment to Mittelstandsbank. In line with the Mittelstandsbank segment's focus on German corporate customers and international corporate customers connected to Germany through their core business, growth was the main focus in these areas. The risk appetite is geared towards the assessment of the relevant sector, but also towards the market conditions for the companies in the main countries in which they operate. However, regardless of these market conditions, every exposure is ultimately subject to an individual analysis of the creditworthiness and sustainability of the customer's business model.

Table 34

Credit risk parameters as at 31.12.2012	Exposure at default €bn	Expected loss €m	Risk density bp
Financial Institutions	18	52	30
Corporates Domestic	78	214	27
Corporates International	15	46	31
Mittelstandsbank	**111**	**313**	**28**

The current positive economic situation in Germany is reflected in the Corporates Domestic sub-portfolio through an improvement in the risk ratios compared to the previous year. The risk density in this area was at a comparatively low 27 basis points as at 31 December 2012. In Corporates International, EaD totalled €15bn at 31 December 2012. Risk density here was 31 basis points.

› **Financial Institutions portfolio**
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Despite low demand for loans due to the excellent economic situation, EaD for the Mittelstandsbank for the whole of 2012 remained relatively constant at €111bn with a slightly improved risk density. See page 162 for details on changes in the Financial Institutions portfolio.

Loan loss provision costs for Mittelstandsbank in 2012 remained at an historically low level. Provisions fell by €160m compared to the previous year. The main drivers of this were successful restructurings and a fall in portfolio loan loss provisions as a result of very good portfolio quality.

Mittelstandsbank's default portfolio fell by €556m in line with loan loss provision trends.

Table 35

Default portfolio Mittelstandsbank | €m	**31.12.2012**	**31.12.2011**
Default volume	2,632	3,188
Loan loss provisions	1,439	1,753
GLLP	232	302
Collaterals	482	653
Coverage ratios excl. GLLP (%)	73	75
Coverage ratios incl. GLLP (%)	82	85
NPL ratio (%)	2.3	2.6

Central & Eastern Europe

After the successful sale of Bank Forum of Ukraine in October 2012, activities in the CEE segment focused mainly on the BRE Bank operating unit in Poland. The BRE Group's main areas of business cover private customer business with complementary direct bank units in Poland, the Czech Republic and Slovakia as well as corporate business with a broad product range, such as corporate finance, corporate treasury sales, leasing and factoring. The segment's strategic focus in particular lies on the further expansion of Polish Mittelstand business and cross-border business.

Table 36

Credit risk parameters as at 31.12.2012	Exposure at default €bn	Expected loss €m	Risk density bp
Central & Eastern Europe	**25**	**150**	**59**

After several years of above-average economic growth, the Polish economy lost momentum in 2012. However, we still expect positive economic growth next year.

Against this background, the risk density fell further in 2012. Taking account of the economic environment, we expect the portfolio quality to deteriorate slightly in 2013.

In 2012, loan loss provisions for the Central & Eastern Europe segment rose by €19m to €105m. However, it should be remembered that a reversal from a portfolio sale by BRE Bank and a one-off reversal due to parameter effects in loan loss provisions were recognised in the previous year.

In the Central & Eastern Europe segment, default volume fell by €697m compared with the previous year. This was essentially due to the sale of Commerzbank's stake in Bank Forum.

Table 37

Default portfolio CEE | €m	31.12.2012	31.12.2011
Default volume	1,069	1,766
Loan loss provisions	579	934
GLLP	54	67
Collaterals	383	953
Coverage ratios excl. GLLP (%)	90	107
Coverage ratios incl. GLLP (%)	95	111
NPL ratio (%)	4.0	7.2

Corporates & Markets

This segment covers customer-oriented capital market activities (Markets), including commercial business with multinationals, institutional clients and selected large corporate customers (Corporates) of Commerzbank Group. The Portfolio Restructuring Unit (PRU) – a run-off unit that was not previously part of the Core Bank – was dissolved on 1 July 2012 and the remaining portfolio integrated into the Corporates & Markets segment's operating business. The Private Finance Initiatives/ Infrastructure Financings were not included in this and are now managed in the NCA segment. Compared to the previous year, the integration of the PRU portfolio was reflected at 31 December 2012 in higher EaD of €68bn (prior year €61bn) for Corporates & Markets.

The regional focus of the segment is on Germany and Western Europe, which account for just under three-quarters of exposure; North America accounted for around €9bn at the end of December 2012.

Table 38

Credit risk parameters as at 31.12.2012	Exposure at default €bn	Expected loss €m	Risk density bp
Germany	23	45	20
Western Europe	27	54	20
Central and Eastern Europe	2	4	25
North America	9	26	28
Other	7	10	15
Corporates & Markets	**68**	**139**	**20**

Corporates & Markets focuses among others on actively supporting its customers over the long term in all funding opportunities (such as equities, bonds, syndicated loans) with a range of services in underwriting and new issues. Underwriting risk for all product types is necessarily restricted through strict guidelines and defined limits. The positions that remain on the Bank's books through its activity as lead arranger or market maker are closely monitored from market and credit risk perspectives as well as at counterparty and portfolio level.

The Bank also focuses on systematically reducing bulk risks, especially with banks and insurance companies. There has been closer scrutiny of risk management in relation to stock exchanges and clearing houses due to the new regulatory requirements on derivatives.

Since the beginning of the year, the nominal volume of the structured credit sub-portfolio was almost halved by €8.5bn to €10.8bn, and risk values[1] by €4.5bn to €5.4bn (including the default portfolio in each case). The following table shows the composition and changes in the structured credit portfolio:

Table 39

	31.12.2012			31.12.2011		
Structured credit portfolio	Nominal values €bn	Risk values €bn	Markdown ratio[1] %	Nominal values €bn	Risk values €bn	Markdown ratio[1] %
RMBS	1.6	1.1	30	3.2	1.9	40
CMBS	0.2	0.1	51	0.6	0.3	43
CDO	4.5	3.1	30	9.8	5.9	40
Other ABS	1.3	1.1	20	2.1	1.7	19
CIRC	0.0	0.0	-	0.0	0.0	-
Further structured credit exposure	3.2	0.0	-	3.6	0.1	-
Total	**10.8**	**5.4**	**50**	**19.3**	**9.9**	**49**

[1] Markdown ratio = 1–(risk value/nominal value).

In large part the portfolio consists of collateralised debt obligations (CDOs). These largely securitise US subprime RMBSs (CDOs of ABSs) and corporate loans in the USA and Europe (CLOs). Residential mortgage-backed securities (RMBSs) are instruments that securitise private, largely European, real estate loans.

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

We expect there to be more write-ups over the residual life of the portfolio. Possible future write-downs on assets such as US RMBSs and US CDOs of ABSs (which have already been substantially written down) will probably be offset by a positive performance from other assets. However, these are limited due to the sizeable reduction over the year. The long period that has now passed since the structures were launched enables a more and more reliable basis for the assessment of the future performance of the portfolio. The economies that are important to us are performing in line with our risk assessment.

In Corporates & Markets which is dominated by the performance of individual exposures, the need for loan loss provisions fell significantly by €94m compared to the same period in 2011.

The default portfolio in the Corporates & Markets segment was reduced by €155m in 2012.

Table 40

Default portfolio Corporates & Markets | €m	**31.12.2012**	**31.12.2011**
Default volume	1,961	2,116
Loan loss provisions	853	772
GLLP	54	78
Collaterals	59	60
Coverage ratios excl. GLLP (%)	47	39
Coverage ratios incl. GLLP (%)	49	43
NPL ratio (%)	2.8	3.3

Non-Core Assets

Commercial Real Estate, Deutsche Schiffsbank and Public Finance were bundled in the Non-Core Assets run-off segment in 2012. All portfolios in these areas are due to be wound up completely in the course of time.

Exposure at default for the segment totalled €139bn at the end of 2012, which is €31bn less than the comparative figure for the NCA portfolio at the end of 2011.

Table 41

Credit risk parameters as at 31.12.2012	**Exposure at Default** €bn	**Expected loss** €m	**Risk density** bp	**CVaR** €m
Commercial Real Estate	47	272	58	
Deutsche Schiffsbank	14	435	302	
Public Finance	77	206	27	
Non-Core Assets	**139**	**912**	**66**	**5,626**

The table below illustrates the development of loan loss provisions in Non-Core Assets segment:

Table 42

	2012					2011				
Loan loss provisions €m	**Total**	**Q4**	**Q3**	**Q2**	**Q1**	**Total**	**Q4**	**Q3**	**Q2**	**Q1**
Commercial Real Estate	**625**	224	213	131	57	**697**	72	189	246	190
Deutsche Schiffsbank	**741**	296	160	170	114	**232**	112	63	−15	71
Public Finance	**8**	−9	10	0	7	**−26**	−4	3	0	−25
Non-Core Assets	**1,374**	**512**	**383**	**301**	**178**	**903**	**181**	**255**	**231**	**236**

Non-Core Assets continued to incur substantial charges during 2012. Overall, loan loss provisions rose by €471m compared to the previous year. This was due mainly to a significant year-on-year rise in provisioning at Deutsche Schiffsbank, as conditions are still tough on the shipping market.

The default portfolio for Non-Core Assets rose by €1.6bn compared to 2011, due mainly to defaults in the shipping portfolio.

Table 43

Default portfolio Non-Core Assets | €m	**31.12.2012**	**31.12.2011**
Default volume	12,128	10,536
Loan loss provisions	3,884	3,362
GLLP	417	332
Collaterals	7,845	6,773
Coverage ratio excl. GLLP (%)	97	96
Coverage ratio incl. GLLP (%)	100	99
NPL ratio (%)	8.1	5.8

Commercial Real Estate

In 2012, holdings were reduced in line with strategy, primarily at Hypothekenbank Frankfurt AG. Total EaD in the performing loan book decreased by €13bn to €47bn during the course of the year. The relative portfolio composition by type of uses remains unchanged. The main components of exposure are the sub-portfolios office (€17bn), retail (€15bn) and residential real estate (€8bn). The decrease in exposure in the fourth quarter of 2012 was the result of loan repayments, exchange rate fluctuations and transfers to the default portfolio.

Although the uncertainties surrounding the sovereign debt crisis subsided to a large extent, the sustained recession in the eurozone continued unabated on real estate markets, primarily in the southern peripheral countries. The development of CRE market values there remains clearly negative, with rental markets in particular trending further downwards. Solid demand for high-value real estate is supporting price levels, from which the liquid investment markets such as London, Germany and the USA are still profiting. However, less valuable properties are much harder to place on the market.

Table 44

CRE-portfolio by region as at 31.12.2012 | €bn	Exposure at default
Germany	22
Western Europe	18
Central and Eastern Europe	4
North America	2
Other	1

Compared to 2011, loan loss provisions in 2012 for Commercial Real Estate fell slightly by €72m, but they still remained high at €625m.

The default portfolio for Commercial Real Estate rose slightly against the previous year. New inflows were offset by loan repayments and exchange rate fluctuations. There is still a noticeably positive trend on the German market.

Table 45

	31.12.2012					31.12.2011
Default portfolio CRE by country | €m	Total	Germany	Spain	UK	US	Total
Default volume	**7,643**	2,286	1,949	1,337	603	7,577
Loan loss provisions	**2,672**	509	966	279	106	2,627
GLLP	**130**	37	14	9	7	189
Collaterals	**5,056**	1,646	1,051	1,088	514	4,888
Coverage ratio excl. GLLP (%)	**101**	94	103	102	103	99
Coverage ratio incl. GLLP (%)	**103**	96	104	103	104	102
NPL ratio (%)	**14.0**	9.3	34.7	20.0	26.8	11.2

Deutsche Schiffsbank

Deutsche Schiffsbank AG was merged into Commerzbank Aktiengesellschaft in May 2012. Compared to 31 December 2011, exposure to ship finance in the performing loan book fell from €18bn to €14bn.

The exposure is divided into three standard types of ship, whose shares are largely unchanged, i.e. containers (€5bn), tankers (€4bn) and bulkers (€3bn). The remaining portfolio consists of various special tonnages which are well diversified across the various ship segments.

Market trends in 2012 were dominated by another fall – sometimes dramatic – in charter rates and therefore by rising insolvency figures.

The continued systematic reduction in risk in the existing portfolio is also the focus of our activities under the defined, value-preserving reduction strategy for 2013. We do not expect shipping markets to recover in 2013.

Loan loss provisions for Deutsche Schiffsbank business rose significantly by €509m compared to the previous year. This includes a one-off effect from adjusting the parameters for calculating loan loss provisions of €145m in the fourth quarter.

The default portfolio increased considerably compared to 2011 due to the uncertain economic situation on shipping markets.

Table 46

	31.12.2012				31.12.2011
Default-Portfolio DSB by ship type | €m	**Total**	**Container**	**Tanker**	**Bulker**	**Total**
Default volume	**4,482**	2,157	1,104	579	2,945
Loan loss provisions	**1,211**	521	359	138	722
GLLP	**272**	158	61	36	135
Collaterals	**2,789**	1,334	635	424	1,885
Coverage ratio excl. GLLP (%)	**89**	86	90	97	89
Coverage ratio incl. GLLP (%)	**95**	93	96	103	93
NPL ratio (%)	**23.7**	30.9	23.7	16.0	12.1

Public Finance

Commerzbank's NCA segment holds a large part of the government financing positions as well as secured and unsecured bond issues/loans from banks, held available as substitute cover for Pfandbrief issues. The Public Finance portfolio comprises receivables and securities held in our subsidiaries Hypothekenbank Frankfurt AG and Erste Europäische Pfandbrief- und Kommunalkreditbank (EEPK).

The Private Finance Initiative (PFI) portfolio, with EaD of €3bn, was transferred to the NCA segment from the Portfolio Restructuring Unit in the third quarter. It comprises the long-term private financing and the operation of public sector facilities and services, such as hospitals and water utilities in the United Kingdom. Most of the PFI portfolio is secured and is set to be wound down over time in a value-preserving manner.

The borrowers in the Public Finance business in NCA (€50bn EaD) are sovereigns, federal states, regions, cities and local authorities as well as supranational institutions. The main exposure is in Germany and Western Europe.

The remaining Public Finance portfolio in NCA is accounted for by banks (€24bn EaD), where the focus is again on Germany and Western Europe (approximately 93%). Most of the bank portfolio comprises securities/loans which to a large extent are covered by grandfathering, guarantee/maintenance obligations or other public guarantees, or were issued in the form of covered bonds.

The Public Finance EaD, cut by €40bn to €89bn in 2010 and 2011 largely by using maturities but also through active portfolio reduction, fell further to €77bn in 2012. It is planned to reduce the portfolio to around €55bn by the end of 2016. All Greek bond holdings were sold in the second quarter of 2012 following the bond swap as part of the private sector involvement (PSI) in Greece.

Loan loss provisions in Public Finance rose from €–26m to €8m year on year. The release of loan loss provisions in 2011 – largely due to one specific case – was offset by charges from portfolio valuation allowances in 2012.

The Public Finance default portfolio fell by €11m to €2m year on year.

Other portfolio analyses

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

Corporates portfolio by sector

The table below shows the breakdown of the Bank's corporates exposure by sector, regardless of the existing segment allocation:

Table 47

	31.12.2012			31.12.2011		
Sub-portfolio corporates by sector	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp
Basic materials/ Energy/Metals	25	130	51	25	96	38
Consumption	22	85	39	21	82	40
Chemicals/Plastics	11	48	43	11	33	29
Transport/Tourism	11	22	20	10	38	38
Technology/ Electrical industry	9	25	27	10	23	23
Automotive	9	21	23	11	26	25
Services/Media	8	29	35	9	50	53
Mechanical engineering	8	20	26	8	25	32
Construction	4	17	39	4	17	41
Other	15	34	23	17	58	34
Total	**122**	**430**	**35**	**126**	**447**	**36**

Financial Institutions portfolio

The focus of our risk strategy for the Financial Institutions sub-portfolio in 2012 continued to be both on proactive risk reduction, especially in the Public Finance business, and selective new business with clients with a good rating, either through trade finance activities performed on behalf of our corporate customers in Mittelstandsbank or through capital market activities in Corporates & Markets. Consideration of country risks played a major part in this. Bulk risk in the portfolio was cut back further. Despite the markets easing somewhat, the development of risk in the portfolio will continue to be influenced by the progress of the euro and sovereign debt crisis.

Table 48

	31.12.2012			31.12.2011		
FI portfolio by region[1]	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp
Germany	14	8	6	17	10	6
Western Europe	28	49	18	28	81	29
Central/Eastern Europe	9	22	25	8	52	62
North America	1	<1	3	3	1	6
Other	13	41	31	16	41	26
Total	**65**	**121**	**19**	**72**	**185**	**26**

[1] Excluding exceptional debtors.

Non-Bank Financial Institutions portfolio

The Non-Bank Financial Institutions (NBFI) portfolio continued to focus on attractive new business with clients of good credit standing and further portfolio optimisation during the whole period under review. The creditworthiness of the insurance sub-sector benefited from a large fall in major claims from natural disasters compared with last year. Despite predominantly positive results in our clients' operating businesses, we regard the uncertainty arising from the continuing sovereign debt crisis in Europe as a significant adverse factor for the sector.

Table 49

	31.12.2012			31.12.2011		
NBFI portfolio by region	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp
Germany	11	24	22	10	22	22
Western Europe	18	41	23	13	22	18
Central/Eastern Europe	1	4	27	1	6	43
North America	8	22	29	5	42	92
Other	2	4	23	3	3	11
Total	**40**	**96**	**24**	**32**	**95**	**30**

Originator positions

Commerzbank and Hypothekenbank Frankfurt AG have in recent years securitised loan receivables due from the Bank's customers with a current volume of €7.5bn, primarily for capital management purposes. As at the reporting date on 31 December 2012, risk positions of €5.1bn were retained, with by far the largest portion of these positions (€4.9bn) consisting of senior tranches.

Table 50

		Commerzbank volume[1]				
Securitisation pool €bn	**Maturity**	**Senior**	**Mezzanine**	**First loss piece**	**Total volume[1] 31.12.2012**	**Total volume[1] 31.12.2011**
Corporates	2020–2022	4.5	0.1	<0.1	5.0	4.5
MezzCap	2036	<0.1	<0.1	<0.1	0.1	0.2
RMBS	2048	<0.1	<0.1	<0.1	0.1	0.2
CMBS	2013–2084	0.4	<0.1	<0.1	2.3	4.0
Total		**4.9**	**0.1**	**0.1**	**7.5**	**8.9**

[1] Tranches/retentions (nominal): banking and trading book.

Conduit exposure and other asset-backed exposures

Conduit exposure from strategic customer business, which will continue to be allocated to the Core Bank in future, and other asset-backed exposures are described below.

Table 51

	31.12.2012		31.12.2011	
Conduit and other asset-backed exposure €bn	**Nominal values**	**Risk values**	**Nominal values**	**Risk values**
Conduit exposure	3.1	3.1	3.3	3.3
Other asset-backed exposures	5.5	5.4	6.1	5.8
Total	**8.6**	**8.5**	**9.4**	**9.1**

The conduit exposures reported here mainly comprise liquidity facilities/back-up lines in favour of the special purpose vehicle Silver Tower. These are mainly trading and leasing receivables. In this Commerzbank sponsored conduit, Commerzbank structures, arranges and securitises the receivables of Mittelstandsbank and Corporates & Markets customers. The conduit in turn is usually financed through the issue of asset-backed commercial papers (ABCPs). Other asset-backed exposures comprise mainly government guaranteed ABSs issued by Hypothekenbank Frankfurt in the Public Finance area and Commerz Europe (Ireland).

Market risk

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

Strategy and organisation

Given the experience of the financial market crisis, comprehensive guidelines relating to the management and monitoring of market price risks were implemented with the market risk strategy. The market risk strategy is derived from the overall risk strategy and the business strategies of individual segments and determines the market risk management objectives with regard to Commerzbank's key business activities. The core tasks of market risk management are the identification of all key market risks and drivers of market risk for the Group, the independent measurement and evaluation of these risks, and risk/return-oriented management for the Commerzbank Group based on these results and evaluations.

The Board of Managing Directors of Commerzbank is responsible for ensuring the effective management of market price risk throughout the Commerzbank Group. Specific levels of authority and responsibility in relation to market risk management have been assigned to the appropriate market risk committees.

Within the Bank, various market risk committees are established in which segment representatives discuss current risk positioning issues and management measures with the risk function and the finance function and decide on action. Chaired by the risk function, the Group Market Risk Committee, which meets monthly, deals with the Group's market risk position. Discussions centre on the monthly market risk report which is also presented to the Board of Managing Directors for their consideration. The report summarises the latest developments on financial markets, the Bank's positioning and subsequent risk ratios. The Segment Market Risk Committee, which focuses on trading-intensive segments (Corporates & Markets and Treasury), meets once a week. Furthermore, a separate Market Risk Committee, meeting once a month, was set up in November 2012 to manage market risks in Non-Core Assets.

The risk management process (risk identification, risk measurement, management, monitoring and reporting) is the responsibility in functional terms of market risk management, which is independent of trading activities. Central market risk management is complemented by decentralised market risk management units at segment level and by regional units and subsidiaries. As central and local risk management is closely integrated with the business units, the risk management process already starts in the trading areas. These trading units are responsible in particular for the active management of market risk positions, e.g. reduction measures or hedging.

Risk management

Commerzbank uses a wide range of quantitative and qualitative tools to manage and monitor market price risks. Quantitative targets for sensitivities, value at risk figures, stress tests, scenario analyses and data on economic capital limit the market risk. Guidelines on portfolio structure, new products, maturity limits and minimum ratings are designed to ensure the quality of market risk positions. Within the framework of the market risk strategy all the different factors are weighted individually for each segment by their relevance. Thereby allowance is made for the varying impact of the parameters for the management of the segments in compliance with the business strategy.

Market risk is managed internally at Group level, segment level and in the segment's reporting units. All market risk-relevant positions are covered and trading and banking book positions are jointly managed. A comprehensive internal limit system broken down to portfolio level is implemented and forms an important part of internal market risk management.

The quantitative and qualitative factors limiting market price risk are determined by the market risk committees. The utilisation of these limits, together with the relevant net income figures, is reported daily to the Board of Managing Directors and the responsible heads of the business segments. Based on qualitative analyses and quantitative ratios, the market risk function identifies potential future risks, anticipates, in collaboration with the finance function, potential financial losses, and draws up proposals for further action, which are discussed with the market units. Voting on the proposed measures or risk positions takes place in the market risk committees and is subsequently submitted to the Board of Managing Directors for approval.

Risk concentrations are restricted directly with specific limits or are indirectly avoided (for example, using stress test limits). In addition, the combination of various conventional risk measures (for example, VaR, sensitivities) ensures the appropriate management of concentration risks. Furthermore risk drivers are analysed on a regular basis in order to identify concentrations. The risk management of existing concentrations is also reviewed using situation-driven analyses and, where necessary, supplemented by targeted measures, such as limits and specific processes.

Market risk in the trading book

A standardised value at risk model incorporating all positions is used for the internal management of market risk. VaR quantifies the potential loss from financial instruments as a result of changed market conditions during a pre-defined time horizon and with a fixed probability. For internal management purposes, a confidence level of 97.5% and a holding period of 1 day are assumed. The value at risk concept allows risks in various business areas to be compared and enables many positions to be aggregated, taking account of correlations between different assets. This ensures a consolidated view of the market risk at all times.

A 10-day holding period and confidence level of 99% are used for regulatory capital adequacy requirements. These assumptions meet the requirements of the Basel Committee and other international standards on the management of market risk. VaR is also calculated on a 1-day holding period for other evaluations, such as backtesting or disclosure. In order to provide for a consistent presentation of the risk parameters in this report all figures relating to VaR base on a confidence level of 99% and a holding period of 1 day.

VaR in the trading book declined significantly at the end of 2012 from €59m to €28m. This is due mainly to an additional reduction in non-strategic risk positions. Furthermore, markets were less volatile in 2012 than in 2011 which resulted in a lower VaR figure.

Table 52

VaR of portfolios in the trading book[1] | €m	2012	2011
Minimum	21	38
Median	39	66
Maximum	70	102
Year-end figure	**28**	**59**

[1] 99% confidence level, holding period 1 day, equally-weighted market data, 254 days history.

The market risk profile is diversified across all asset classes. Despite both falling sharply, the dominant asset classes are still interest rate risk (€15m) and credit spread risk (€7m). Interest rate risk also contains basis and inflation risk. Basis risk arises if, for example, positions are closed through hedging transactions with a different type of price setting than the underlying transaction.

Table 53

VaR contribution by risk type in the trading book[1] | €m	31.12.2012	31.12.2011
Credit spreads	7	18
Interest rates	15	31
Equities	2	4
FX	3	4
Commodities	1	3
Total	**28**	**59**

[1] 99% confidence level, holding period 1 day, equally-weighted market data, 254 days history.

Further risk ratios are being calculated for regulatory capital adequacy as part of Basel 2.5 reporting. This includes in particular the calculation of stressed VaR, which evaluates the risk arising from the current positioning in the trading book with market movements in a fixed crisis period. Stressed VaR fell back by €17m to €35m year on year. The crisis observation period used for this is checked regularly through model validation and approval processes and adjusted where necessary. An adjustment was made accordingly in the first half of 2012.

The reliability of the internal models is checked on a daily basis using backtesting methods. The calculated VaR data is compared with the profits and losses generated from actual price changes on the market. This provides the basis for the assessment of the internal risk models by the supervisory authorities. If the resulting loss exceeds the risk predicted using the value at risk model, this is referred to as a negative backtesting outlier. If, however, the resulting profit exceeds the predicted return, this is referred to as a positive backtesting outlier.

Analysing the results of backtesting provides important guidance for checking parameters and improving the market risk model. Furthermore, all negative outliers at Group level are classified under a traffic-light system laid down by the supervisory authorities and reported immediately to the supervisory authorities with details on the extent and cause of the failure. No negative outliers were measured during 2012.

As the VaR concept gives a prediction of potential losses on the assumption of normal market conditions, it is supplemented by the calculation of stress tests. These tests measure the risk which Commerzbank is exposed to, based on unlikely but still plausible events. These events may be simulated using extreme movements on various financial markets. The key scenarios relate to major changes in credit spreads, interest rates and yield curves, exchange rates, share prices and commodities prices. Extensive Group-wide stress tests and scenario analyses are carried out as part of risk monitoring.

The VaR and stress test models were permanently validated in 2012. Model adjustments were implemented that improved further the accuracy of risk measurement.

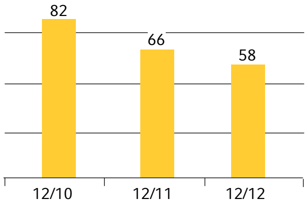
Market risk in the banking book

The key driver of market risk in the banking book is the credit spread risk in the Public Finance portfolio, including the positions held by the subsidiaries Hypothekenbank Frankfurt AG and Erste Europäische Pfandbrief- und Kommunalkreditbank (EEPK). This area was allocated to Non-Core Assets in 2012 and continues to be systematically run down. The Treasury portfolios with their credit spread risk, interest rate risk, and basis risk also have a particular impact on market risk in the banking book.

The adjoining diagram documents the development of credit spread sensitivities for all securities and derivative positions (excluding loans) at Commerzbank Group. The reduction in the Public Finance portfolio as part of the de-risking strategy and lower market values of the government bond portfolio led to a decline with an overall position of €58m at year-end. Close on 80% of credit spreads relate to securities positions classified as loans and receivables (LaR). Changes in credit spreads have no impact on the revaluation reserve or the income statement for these portfolios.

Credit spread sensitivities

Downshift 1 bp | €m



There were also equity risks in the banking book in 2012 which were created through larger investment positions. These were largely run down by year-end so that equity risk in the banking book was not a major factor at 31 December 2012.

The impact of an interest rate shock on the economic value of the Group's banking books is simulated monthly in compliance with regulatory requirements. In accordance with the Banking Directive, the Federal Financial Supervisory Authority has prescribed two uniform, sudden and unexpected changes in interest rates to be used by all banks, which have to report on the results of this stress test every quarter.

In line with supervisory authority requirements, the applicable changes in interest rates were set at +200 basis points and −200 basis points. On this basis, an interest rate shift of +200 basis points would give a potential loss of €1,621m, a shift of −200 basis points would give a potential gain of €118m. These figures include the exposures of Commerzbank Aktiengesellschaft and significant subsidiaries. The numbers represent a clear undershooting of the defined threshold value for a potential reduction in equity capital.

Pension fund risk is also part of market risk in the banking book. The pension fund portfolio comprises a well diversified investment section and the section of insurance technical liabilities. Due to the extremely long duration of the liabilities (cash outflows modelled over almost 90 years), the main portion of the overall portfolio's present value risk is in maturities of 15 and more years. Main risk drivers are long-term euro interest rates, credit spreads and expected euro inflation due to anticipated dynamics in pensions. Equity, volatility and currency risk also need to be taken into consideration. Diversification effects between individual risks reduce overall risk, interest rate and inflation rate risk in particular are offset to a certain extent. The extremely long maturities of these liabilities represent the greatest challenge, particularly for hedging credit spread risk. This is because there is insufficient liquidity in the market for corresponding hedging products.

Market liquidity risk

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

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

At the end of 2012 Commerzbank earmarked €0.2bn in economic capital to cover market liquidity risk in the trading and banking book. Securities which are more susceptible to market liquidity risk include in particular asset-backed securities and other run-off portfolios.

Liquidity risk

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

Strategy and organisation

The global framework for liquidity risk management is the liquidity risk strategy which is derived from the Bank's business and risk strategy and is agreed by the Board of Managing Directors. The liquidity risk strategy contains guidelines that define liquidity risk management, including risk tolerance, and also takes the increasing regulatory requirements into account. As the ability to meet payment obligations at all times is an existential requirement, liquidity risk management focuses on a combination of liquidity provisioning and risk limitation. The guidelines of the liquidity risk strategy are supplemented by regulations such as the Liquidity Risk Policy, the Model Validation Policy, the Model Change Policy and the Limit Policy.

Group Treasury at Commerzbank is responsible for the operational management of liquidity risk. Additional information on this subject can be found in the section "Funding and Liquidity of Commerzbank Group" in the Group Management Report. Liquidity risks occurring over the course of the year are monitored by the independent risk function using an internal liquidity risk model. Key decisions on liquidity risk management and monitoring are made by the central Asset Liability Committee. This includes, amongst others, the setting of liquidity risk limits and the definition of the liquidity reserve.

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As part of contingency planning, the central Asset Liability Committee can decide upon different measures to secure liquidity. This contingency plan is based on an integrated process which consists of the liquidity risk contingency plan and the supplementary liquidity contingency measures of the Treasury. This concept enables a clear allocation of responsibility for the processes to be followed in emergency situations as well as the adequate definition of any action that may need to be taken.

Risk management

Commerzbank uses a wide range of quantitative and qualitative tools – based on an internal liquidity risk model - to manage and monitor liquidity risks. Key decisions on liquidity risk management and monitoring are taken by the central Asset Liability Committee. At an operating level, additional sub-committees are responsible for dealing with liquidity risk issues at a local level and with methodological issues regarding the quantification and limitation of liquidity risks that are of lesser significance for the Group.

A comprehensive limit concept ensures that any emerging liquidity bottlenecks can be identified at the earliest possible stage and that steps can be taken to overcome any problems. Under the limit concept, liquidity risk limits for the Commerzbank Group are specified using the risk tolerance defined in the liquidity risk strategy. These limits are then broken down into the individual Group entities, both for individual currencies and through all currencies. In addition to liquidity limits for the time horizon of up to one year, the Bank has defined a target corridor for structural long-term liquidity risk.

Quantification and stress testing

The internal bank liquidity risk model is the basis for liquidity management and reporting to the Board of Managing Directors. Referring to a reference date, this risk measurement approach calculates the available net liquidity (ANL) for the next twelve months based on various scenarios. Commerzbank's available net liquidity is calculated for various stress scenarios using the following three components: deterministic, i.e. contractually agreed cash flows, statistically expected economic cash flows for the relevant scenario, and the realisable assets in the relevant scenario.

The stress scenario relevant for management which underlies the modelling allows for the impact of both a bank-specific stress event and a broader market crisis when calculating liquidity and setting limits. The parameterisation of the stress scenario comes from the risk tolerance that was set in accordance with the overall risk strategy. This also includes defining scenarios that are not covered by risk tolerance.

Risk concentrations can lead to increased outflows of liquidity, particularly in a stress situation, and thus to increased liquidity risk. Risk concentrations occur in the liquidity risk management environment in various forms, for example, in terms of maturities, large individual creditors or currencies. Liquidity risk management is performed centrally through the existing liquidity risk limit structure and takes into account liquidity risk tolerance. With the support of ongoing monitoring and reporting, risk concentrations on the funding front are recognised in a timely manner and can largely be avoided.

Additional components of liquidity risk management are a survival period calculation in terms of MaRisk plus the analysis of additional inverse stress scenarios.

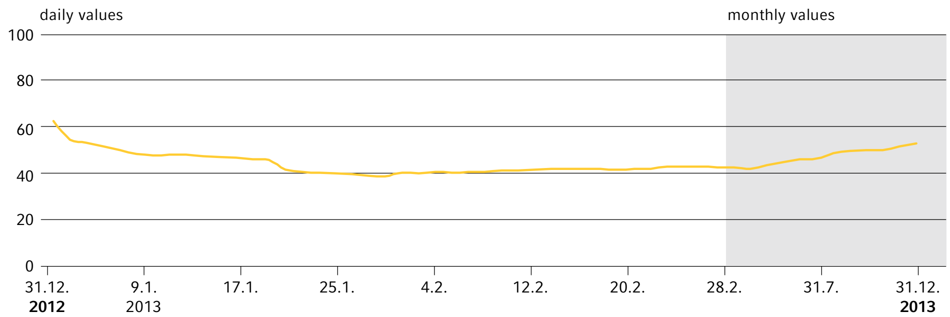
The stress scenarios relevant for management in the ANL model are run daily and reported to management. The underlying assumptions and the limits set are checked regularly and adjusted to reflect changed market conditions as necessary.

In addition, the stress scenarios described form the basis of the above mentioned contingency plans, in the context of which the central Asset Liability Committee can approve various measures to secure liquidity.

The following ANL graph shows that under the stress scenario relevant for the risk management calculated as at 31 December 2012, a sufficient liquidity surplus existed throughout the period analysed.

Figure 10

Available net liquidity in the combined stress scenario of the internal liquidity risk model
€bn



In 2012, the growing liquidity surplus in the money market was also reflected in Commerzbank's internal liquidity ratios, which were always significantly above the limits set by the Board of Managing Directors. The same applies to compliance with the external regulatory German Liquidity Regulation and the survival period calculation set down by MaRisk. In this respect we continue to benefit from our core business activities in retail and corporate banking and a widely diversified funding base in terms of products, regions and investors in the money and capital markets. In order to cope with short-term liquidity bottlenecks, the Bank has a liquidity buffer of assets eligible for discounting at the central bank and cash reserves. The composition, availability and amount of these assets are checked and reported on daily. The regular analyses focus in particular on the quality of the assets contained and on reasonable diversification. As at 31 December 2012, the volume of freely available assets eligible for discounting at the central bank after haircut, that was included in ANL modelling, plus central bank deposits was €83.4bn. The Bank has also taken measures to react to a possible breakup of the euro and mitigate the liquidity impact this would have.

The internal ANL model with a time horizon of up to one year is supplemented by the stable funding concept with a horizon of more than one year. The stable funding concept forms the basis for the internal offsetting of liquidity costs and is used to determine the volume of issues planned on the capital markets. The structural liquidity requirement for the Bank's core lending business is compared to the liabilities available long-term to the Bank, including core customer deposit bases.

The Bank is looking closely at the central issues arising from Basel III, the offsetting of liquidity costs and the management of liquidity risk within the internal liquidity risk model. It is continuing to systematically enhance the range of management tools as part of a strategic project. The Bank is increasing the analysis options available for liquidity risk reporting by continuously developing the infrastructure used for this purpose.

Operational risk

Commerzbank actively measures and manages operational risk (OpRisk) using a group-wide consistent framework aimed at systematically identifying OpRisk profile and risk concentrations as well as defining and prioritising measures to mitigate risk. Operational risk is defined according to the German Solvency Regulation as the risk of loss resulting from the inadequacy or failure of internal processes, systems and people or from external events. This definition includes legal risks; it does not cover reputational and strategic risks.

OpRisk and governance of the internal control system (ICS) are closely linked at Commerzbank both in terms of organisational structure and methodology. This close connection is due to the fact that the causes of many OpRisk cases are linked to the failure of control mechanisms. This means that an effective ICS plays a part in reducing or avoiding operational risk. Conversely, the systems for operational risk offer the possibility of gearing the ICS so that it is risk-oriented and consistent with OpRisk management.

Strategy and organisation

Commerzbank's OpRisk strategy is approved on an annual basis by the Board of Managing Directors after it has been discussed and voted upon in the Group OpRisk Committee. It describes risk profile, key elements of the desired risk culture (including risk limit), management framework and measures by Commerzbank in respect of operational risk. In implementing the OpRisk strategy, Commerzbank pursues the following objectives:

- To largely prevent high OpRisk losses (before they materialise) using proactive measures and therefore protect the Bank against serious negative effects.
- To highlight potential problem areas in the process organisation and hence providing a basis for optimisation.

Commerzbank's OpRisk organisation has a clear allocation of responsibilities and tasks and creates the basic organisational framework and structures for targeted and effective OpRisk management and controlling. As such, OpRisk management is based on three consecutive levels (three lines of defence) which, when taken together, are crucial for reaching the given strategic aims:

- As the first line of defence, the segments and the Group Services, Group Management and Group Risk Management units have direct responsibility for identifying and managing operational risk in their areas of responsibility and provide effective and prompt segment risk management.
- The OpRisk & ICS area as the second line of defence provides uniform and binding methods and systems to the Bank's units to help to identify, evaluate and monitor operational risk. These are used throughout the Group and supplemented by tools and regulations of other monitoring functions and used to mitigate operational risk.
- Internal and external control bodies, such as the internal auditors, are the third line of defence. They are charged with independently auditing OpRisk methodology and implementation in Commerzbank.

Chaired by the CRO, the Group OpRisk Committee meets four times a year and deals with the management of operational risks within Commerzbank Group. It also acts as the escalation and decision-making committee for key OpRisk topics that straddle all areas. The Segment OpRisk Committees deal with the management of operational risk in the relevant units, the structured analysis affecting the OpRisk topics for the unit in question (e.g. loss events) and the definition of subsequent measures or recommended action.

Risk management

The management and limitation of operational risks differs systematically from limiting credit and market risk, since the relevant management units are not made up of individual clients or positions but internal processes. For this type of risk, the focus is on anticipatory management by the segments and cross-sectional units based on an overarching risk strategy for operational risks and their specific aspects.

OpRisk ratios at Group level are managed through economic capital (ErC) and regulatory capital (RWA). Commerzbank uses various methods for OpRisk management. These include:

- Annual evaluation of the Bank's ICS and carrying out risk scenario assessments.
- Continuous analysis of OpRisk loss events.
- Carrying out lessons learned activities for loss events ≥ €1m.
- Systematic evaluation of external OpRisk events at competitors.

A structured, centralised and decentralised reporting system ensures that the management of the Bank and its segments, members of the OpRisk Committees and the supervisory bodies are informed regularly, promptly and fully about operational risk. OpRisk reports are prepared on a monthly and quarterly basis and form part of the risk reporting process to the Board of Managing Directors. They contain the latest risk assessments of the segments, their main loss events, current risk analyses, changes in the capital requirement and the status of measures implemented.

OpRisk developments

The total charge at the end of the fourth quarter of 2012 for OpRisk events was €310m (full year 2011: €250m)[1]. As in previous years, the events were dominated by product-related losses (liability for advice given).

Table 54

OpRisk events | €m	**31.12.2012**	**31.12.2011**
Internal fraud	−1	3
External fraud	7	9
Material damage and system failures	−4	1
Product-related losses	214	231
Procedural errors	19	7
Events relating to employment conditions	75	1
Group	**310**	**250**

Risk-weighted assets (RWA) from operational risks based on the internal AMA-model amounted to €22.6bn as at the end of 2012 (31 December 2011: €26.3bn). The security premium contained in the 2011 year-end figure to cover possible residual uncertainties stemming from the separate model calculation has not been used anymore since the new model was certified in the 2nd quarter of 2012. The use of the integrated AMA-model allows the Bank to manage regulatory RWA and ErC for operational risk within one model approach.

[1] Losses incurred and provisions, less OpRisk-based income and repayments.

Other risks

To meet the requirements of pillar 2 of the Basel framework, MaRisk insists on an integrated approach to risk that also includes unquantifiable risk categories. In Commerzbank these are subjected to a qualitative management and control process. The following risks are outside the responsibility of the CRO.

Human resources risk

Human resources risk falls within the definition of operational risk in Section 269 (1) SolvV. The internal management interpretation of this definition at Commerzbank includes the following elements in human resources risk:

- Adjustment risk: We offer selected internal and external training, continuing education and change programmes to ensure that the level of employee qualifications keeps pace with the current state of developments, structural changes are supported accordingly and our employees can fulfil their duties and responsibilities.
- Motivation risk: Employee surveys enable us to respond as quickly as possible to potential changes in our employees' level of corporate loyalty and to initiate adequate measures.
- Departure risk: We take great care to ensure that the absence or departure of employees does not result in long-term disruptions to our operations. Quantitative and qualitative measures of staff turnover are monitored regularly.
- Supply risk: Our quantitative and qualitative staffing aims to ensure that the internal operating requirements, business activities, and Commerzbank's strategy can be implemented.

Employees are a key resource for Commerzbank. Our success is based on the specialist knowledge, skills, abilities and motivation of our employees. Human resources risk is systematically managed by Group Human Resources with the aim of identifying risks as early as possible and assessing and managing them by applying selected personnel tools, for instance. The Board of Managing Directors is regularly informed about human resources risks.

Business strategy risk

Business strategy risk is the medium to long-term risk of negative influences on the achievement of Commerzbank's strategic goals, for example, as a result of changes in market conditions, or inadequate implementation of Group strategy.

Group strategy is developed further within the framework of a structured strategy process. The results of this strategy process are used to set a sustainable business strategy which describes the major business activities and the steps to reach these goals. To ensure proper implementation of Group strategy to achieve the business targets, strategic controls are carried out through regular monitoring of quantitative and qualitative targets in the Group and the segments.

Responsibility for strategic corporate management lies with the Board of Managing Directors. Specific business policy decisions (acquisition and sale of equity holdings representing >1% of equity capital) also require the authorisation of the Risk Committee of the Supervisory Board. All major investments are subject to careful review by the Investment and Resources Allocation Committee.

Reputational risk

Reputational risk is the risk that stakeholder groups may lose confidence in Commerzbank or that its reputation may be damaged as a result of negative events in its business activities. Stakeholder groups include the public and the media, employees and customers, rating agencies, shareholders and business partners. Therefore reputational risk goes hand in hand with communication risk.

The operational divisions, branches and subsidiaries bear direct responsibility, within the scope of their business operations, for reputational risk arising from their particular activity. Reputational risk may also stem from other types of risk and even amplify such risks. A special department in Group Communications is responsible for the management of reputational risk in an overall Bank context. Its tasks include the timely monitoring, recognition and response to internal and external reputational risks (early warning function).

For this reason, relevant measures and activities relating to business policy are subjected to careful scrutiny. In particular, Commerzbank avoids business policy measures and transactions which entail significant tax or legal risks, and also ethical, ecological and social risks. All relevant credit decisions are voted on individually with regard to any reputational risk incurred. These votes may result in transactions being declined.

Compliance risk

The confidence of our customers, shareholders and business partners in Commerzbank's proper and legitimate actions forms the fundament of our business activities. This confidence is based in particular on compliance with applicable regulations and conformity with customary market standards and codes of conduct (compliance). The non-compliance with legal, regulatory and other provisions, Commerzbank' business activities are subject to, leads to compliance risks. They comprise in particular:

- Regulations to avoid money laundering and financing of terrorism.
- Compliance with imposed sanctions.
- Behavioural code for the delivery of investment services and non-core investment services.
- Combating against fraud and corruption.

As far as it is possible to quantify compliance risk it is measured as operational risk together with legal risk, human resources risk and IT risk.

To reinforce confidence in the Group's integrity, all risks arising in this regard are effectively managed. The ever-growing complexity of national and international laws, regulations and market standards is taken into account through constant improvements to our management of compliance risk and through adjustments to reflect current developments and challenges.

Disclaimer

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

Group Financial Statements

› Our Group accounts are drawn up in accordance with International Financial Reporting Standards (IFRS), and their interpretation by the International Financial Reporting Interpretations Committee. We have taken account of all the standards and interpretations that are binding in the European Union for the financial year 2012.

Financial Statements of the Commerzbank Group as at December 2012

Contents

Statement of comprehensive income

Income statement

€m	Notes	1.1.–31.12.2012	1.1.–31.12.2011	Change in %
Interest income	(31)	14,559	17,343	–16.1
Interest expense	(31)	9,020	10,619	–15.1
Net interest income	(31)	5,539	6,724	–17.6
Loan loss provisions	(32)	–1,660	–1,390	19.4
Net interest income after loan loss provisions		3,879	5,334	–27.3
Commission income	(33)	3,711	4,055	–8.5
Commission expense	(33)	520	560	–7.1
Net commission income	(33)	3,191	3,495	–8.7
Net trading income	(34)	1,113	2,109	–47.2
Net income from hedge accounting	(35)	8	–123	.
Net trading income and net income from hedge accounting	(34, 35)	1,121	1,986	–43.6
Net investment income	(36)	81	–3,611	.
Current net income from companies accounted for using the equity method	(37)	46	42	9.5
Other net income	(38)	–77	1,253	.
Operating expenses	(39)	7,025	7,992	–12.1
Impairments of goodwill and brand names		–	–	.
Restructuring expenses	(40)	43	–	.
Net gain or loss from sale of disposal groups		–268	–	.
Pre-tax profit or loss		**905**	**507**	**78.5**
Taxes on income	(41)	796	–240	.
Consolidated profit or loss		**109**	**747**	**–85.4**
Consolidated profit or loss attributable to non-controlling interests		103	109	–5.5
Consolidated profit or loss attributable to Commerzbank shareholders		6	638	–99.1

Earnings per share | €		1.1.–31.12.2012	1.1.–31.12.2011	Change in %
Earnings per share	(43)	–0.04	0.18	.

The earnings per share, calculated in accordance with IAS 33, are based on the consolidated profit attributable to Commerzbank shareholders less the dividend on silent participations. As in the previous year, no conversion or option rights were outstanding during the financial year. The figure for diluted earnings per share was therefore identical to the undiluted figure.

Condensed statement of comprehensive income

€m	Notes	1.1.–31.12.2012	1.1.–31.12.2011	Change in %
Consolidated profit or loss		109	747	–85.4
Change in revaluation reserve	(74)			
Reclassified to income statement		–232	696	.
Change in value not recognised in income statement		1,096	–1,477	.
Change in cash flow hedge reserve	(74)			
Reclassified to income statement		184	213	–13.6
Change in value not recognised in income statement		10	–18	.
Change in currency translation reserve	(74)			
Reclassified to income statement		–175	14	.
Change in value not recognised in income statement		545	–166	.
Change in companies accounted for using the equity method		5	–1	.
Other comprehensive income		1,433	–739	.
Total comprehensive income		**1,542**	**8**	**.**
Comprehensive income attributable to non-controlling interests		212	47	.
Comprehensive income attributable to Commerzbank shareholders		1,330	–39	.

The breakdown of other comprehensive income for the 2012 financial year was as follows:

Other comprehensive income | €m	**1.1.–31.12.2012**		
	Before taxes	**Taxes**	**After taxes**
Change in revaluation reserve	1,173	–309	864
Change in cash flow hedge reserve	277	–83	194
Change in currency translation reserve	370	–	370
Change in companies accounted for using the equity method	5	–	5
Other comprehensive income	**1,825**	**–392**	**1,433**

In the previous year, other comprehensive income developed as follows:

Other comprehensive income | €m	**1.1.–31.12.2011**		
	Before taxes	**Taxes**	**After taxes**
Change in revaluation reserve	–1,007	226	–781
Change in cash flow hedge reserve	289	–94	195
Change in currency translation reserve	–152	–	–152
Change in companies accounted for using the equity method	–1	–	–1
Other comprehensive income	**–871**	**132**	**–739**

Balance sheet

Assets | €m	**Notes**	**31.12.2012**	**31.12.2011**	**Change in %**
Cash reserve	(7, 46)	15,755	6,075	.
Claims on banks	(8, 9, 10, 47, 49, 50, 80)	88,028	87,790	0.3
of which pledged as collateral	(79)	45	77	−41.6
Claims on customers	(8, 9, 10, 48, 49, 50, 80)	278,546	296,586	−6.1
of which pledged as collateral	(79)	–	–	.
Value adjustment portfolio fair value hedges	(11, 51)	202	147	37.4
Positive fair values of derivative hedging instruments	(12, 52)	6,057	5,132	18.0
Trading assets	(13, 53, 80)	144,144	155,700	−7.4
of which pledged as collateral	(79)	12,680	16,025	−20.9
Financial investments	(14, 54, 80)	89,142	94,523	−5.7
of which pledged as collateral	(79)	2,495	3,062	−18.5
Holdings in companies accounted for using the equity method	(4, 55)	744	694	7.2
Intangible assets	(15, 56)	3,051	3,038	0.4
Fixed assets	(16, 57)	1,372	1,399	−1.9
Investment properties	(18, 59)	637	808	−21.2
Non-current assets and disposal groups held for sale	(19, 60)	757	1,759	−57.0
Current tax assets	(26, 58)	790	716	10.3
Deferred tax assets	(26, 58)	3,015	4,154	−27.4
Other assets	(17, 61)	3,638	3,242	12.2
Total		**635,878**	**661,763**	**−3.9**

Liabilities and equity | €m	**Notes**	**31.12.2012**	**31.12.2011**	**Change in %**
Liabilities to banks	(10, 20, 62, 80)	110,242	98,481	11.9
Liabilities to customers	(10, 20, 63, 80)	265,842	255,344	4.1
Securitised liabilities	(20, 64, 80)	79,332	105,673	−24.9
Value adjustment portfolio fair value hedges	(11, 65)	1,467	938	56.4
Negative fair values of derivative hedging instruments	(21, 66)	11,739	11,427	2.7
Trading liabilities	(22, 67, 80)	116,111	137,847	−15.8
Provisions	(23, 24, 68)	3,259	3,761	−13.3
Current tax liabilities	(26, 69)	324	680	−52.4
Deferred tax liabilities	(26, 69)	90	189	−52.4
Liabilities from disposal groups held for sale	(19, 70)	2	592	−99.7
Other liabilities	(71)	6,523	6,568	−0.7
Subordinated capital	(27, 72, 80)	12,316	13,285	−7.3
Hybrid capital	(27, 73, 80)	1,597	2,175	−26.6
Equity	(30, 74, 75, 76)	27,034	24,803	9.0
Subscribed capital	(74)	5,828	5,113	14.0
Capital reserve	(74)	11,681	11,158	4.7
Retained earnings	(74)	8,614	8,822	−2.4
Silent participations	(74)	2,376	2,687	−11.6
Other reserves	(5, 6, 14, 74)	−2,353	−3,676	−36.0
Total before non-controlling interests		26,146	24,104	8.5
Non-controlling interests	(74)	888	699	27.0
Total		**635,878**	**661,763**	**−3.9**

Statement of changes in equity

€m	Subscribed capital	Capital reserve	Retained earnings	Silent participations	Other reserves			Total before non-controlling interests	Non-controlling interests	Equity
					Revaluation reserve	Cash flow hedge reserve	Currency translation reserve			
Equity as at 1.1.2011	**3,047**	**1,507**	**9,140**	**17,178**	**−1,731**	**−1,005**	**−263**	**27,873**	**785**	**28,658**
Total comprehensive income	–	–	638	–	−780	195	−92	−39	47	8
Consolidated profit or loss			638					638	109	747
Change in revaluation reserve					−780			−780	−1	−781
Change in cash flow hedge reserve						195		195		195
Change in currency translation reserve							−91	−91	−61	−152
Change in companies accounted for using the equity method							−1	−1		−1
Dividend paid on silent participations								–		–
Dividend paid on shares								–	−26	−26
Change in accounting par value	−2,142	2,142						–		–
Capital increases	4,184	7,470						11,654		11,654
Withdrawal from retained earnings			−873					−873		−873
Decrease in silent participations				−14,491				−14,491		−14,491
Changes in ownership interests			38					38	−57	−19
Other changes[1]	24	39	−121					−58	−50	−108
Equity as at 31.12.2011	**5,113**	**11,158**	**8,822**	**2,687**	**−2,511**	**−810**	**−355**	**24,104**	**699**	**24,803**
Total comprehensive income	–	–	6	–	813	194	142	1,155	207	1,362
Consolidated profit or loss			6					6	103	109
Change in revaluation reserve					813			813	51	864
Change in cash flow hedge reserve						194		194		194
Change in currency translation reserve							137	137	53	190
Change in companies accounted for using the equity method							5	5		5
Dividend paid on silent participations			−221					−221		−221
Dividend paid on shares								–	−16	−16
Capital increases	717	498						1,215	−2	1,213
Withdrawal from retained earnings								–		–
Decrease in silent participations				−311				−311		−311
Changes in ownership interests			−5					−5	−2	−7
Other changes[1]	−2	25	12		−1		175	209	2	211
Equity as at 31.12.2012	**5,828**	**11,681**	**8,614**	**2,376**	**−1,699**	**−616**	**−38**	**26,146**	**888**	**27,034**

[1] Including change in treasury shares, change in derivatives on own equity instruments and changes in the group of consolidated companies.

In March 2012 we increased our share capital for non-cash contributions from authorised capital by 7% (360,509,967 shares), with shareholders' pre-emptive rights excluded. The new shares were subscribed in their entirety and paid for by non-cash contributions of hybrid, subordinate and other financial instruments issued by Commerzbank Aktiengesellschaft and companies within the Commerzbank Group. The nominal value of the financial instruments returned was €1.0bn and it generated non-recurring income of €0.1bn within the income statement. Subscribed capital increased by €0.4bn and the capital reserve by €0.3bn as a result. The costs incurred for the capital increase were €11m, which were recognised in the capital reserve.

The Financial Market Stabilisation Fund (SoFFin) subsequently converted a portion of its silent participations into shares in order to maintain its stake in Commerzbank of 25% plus 1 share. Thus silent participations with a nominal value of €0.2bn were converted into 120,169,989 shares from conditional capital.

In January 2012, Commerzbank approved a package of measures to meet the new higher capital requirements of the European Banking Authority (EBA) by 30 June 2012. These measures included paying the individual variable compensation entitlements of non pay-scale staff for 2011 in Commerzbank shares. In June 2012 these payments were made by issuing 176,553,636 shares from authorised capital. This led to an increase of €177m in subscribed capital and an increase of €37m in capital reserves.

The Financial Market Stabilisation Fund (SoFFin) subsequently converted a portion of its silent participations into shares in order to maintain its stake in Commerzbank of 25% plus 1 share. Thus silent participations with a nominal value of €80m were converted into 58,851,212 shares from conditional capital.

As a result, the subscribed capital of Commerzbank Aktiengesellschaft pursuant to the Bank's articles of association stood at €5,830m as at 31 December 2012 and was divided into 5,829,513,857 no-par-value shares with an accounting par value per share of €1.00. After deducting the 1,193,353 treasury shares held by the Bank as at 31 December 2012, the subscribed capital amounted to €5,828m.

The Bank made use of the authorisation approved by the Annual General Meeting of 23 May 2012 to purchase its own shares for the purpose of securities trading, pursuant to Art. 71 (1) no. 7 of the German Companies Act (Aktiengesetz). Gains and losses from trading in the Bank's own shares were recognised directly in equity.

There was no impact on the other reserves from assets held for sale and disposal groups.

Other changes in the statement of changes in equity also include the reclassification to the income statement of the currency translation reserve of €175m resulting in particular from the sale of Bank Forum in the 2012 financial year.

€–3m of the changes in ownership interests of €–5m in the 2012 financial year resulted from the purchase of additional shares in already consolidated companies. The effect from the disposal of shares in subsidiaries that continue to be consolidated was €–2m.

No dividend is being paid for 2012, since other retained earnings including the distributable profit of Commerzbank Aktiengesellschaft in its parent company accounts did not exceed the distribution limit laid down in Art. 268 (8) of the German Commercial Code (HGB).

A dividend of €221m on the silent participations reported in equity will however be paid because the agreement mandates such a payment if it does not lead to Commerzbank reporting a net loss.

Further details on equity are contained in Notes 74, 75 and 76.

Cash flow statement

€m	Notes	2012	2011
Consolidated profit or loss		**109**	**747**
Non-cash positions in consolidated profit or loss and reconciliation with cash flow from operating activities:			
Write-downs, depreciation, adjustments, write-ups on fixed and other assets, changes in provisions and net changes due to hedge accounting		−21	4,006
Change in other non-cash positions		−3,628	−12,194
Gain or loss on disposal of assets	(36)	−147	343
Net gain or loss on the sale of fixed assets	(38)	–	–
Other adjustments	(31)	−6,247	−7,373
Sub-total		**−9,934**	**−14,471**
Change in assets and liabilities from operating activities after adjustment for non-cash positions:			
Claims on banks	(47)	−557	22,924
Claims on customers	(48)	18,258	32,373
Trading securities	(53)	−4,300	12,393
Other assets from operating activities	(54-57, 59-61)	−121	1,906
Liabilities to banks	(62)	11,723	−39,144
Liabilities to customers	(63)	10,534	−7,483
Securitised liabilities	(64)	−26,186	−25,683
Net cash from contributions into plan assets	(68)	−412	−438
Other liabilities from operating activities	(65-71)	−26	−4,502
Interest received	(31)	11,997	14,294
Dividends received	(31)	221	115
Interest paid	(31)	−5,971	−7,036
Income tax paid	(41)	271	−29
Net cash from operating activities		**5,497**	**−14,781**
Proceeds from the sale of:			
Financial investments and investments in companies accounted for using the equity method	(36, 37, 54, 55)	5,503	17,783
Fixed assets	(38, 57)	63	74
Payments for the acquisition of:			
Financial investments and investments in companies accounted for using the equity method	(36, 37, 54, 55)	−157	−335
Fixed assets	(38, 57)	−457	−296
Effects from changes in the group of consolidated companies			
Cash flow from acquisitions less cash reserves acquired	(46)	–	–
Cash flow from disposals less cash reserves disposed of	(46)	–	83
Net cash from investing activities		**4,952**	**17,309**
Proceeds from capital increases	(74)	927	−2,774
Dividends paid	(74)	–	–
Net cash from changes in ownership interests in consolidated companies		−7	−58
Net cash from other financing activities (subordinated capital)	(72, 73)	−1,546	−1,632
Net cash from financing activities		**−626**	**−4,464**
Cash and cash equivalents at the end of the previous period		**6,075**	**8,053**
Net cash from operating activities		5,497	−14,781
Net cash from investing activities		4,952	17,309
Net cash from financing activities		−626	−4,464
Effects from exchange rate changes		−40	67
Effects from non-controlling interests		−103	−109
Cash and cash equivalents at the end of the period	**(46)**	**15,755**	**6,075**

The breakdown of cash and cash equivalents was as follows:

€m	31.12.2012	31.12.2011	Change in %
Cash on hand	1,687	1,572	7.3
Balances with central banks	13,678	3,998	.
Debt issued by public-sector borrowers and bills of exchange rediscountable at central banks	390	505	–22.8

Cash and cash equivalents as at 31 December 2012 did not include any amounts from companies consolidated for the first time (previous year: –). There were also no effects from deconsolidations in 2012 (previous year: €–2m).

The cash flow statement shows the structure of and changes in cash and cash equivalents during the financial year. It is broken down into operating activities, investing activities and financing activities.

Net cash from operating activities includes payments (inflows and outflows) relating to claims on banks and customers and also securities held for trading and other assets. Increases and decreases in liabilities to banks and customers, securitised liabilities and other liabilities also belong to operating activities. The interest and dividend payments resulting from operating activities are similarly reflected in net cash from operating activities.

Changes in net cash from operating activities also result from disposals of consolidated companies. Other assets and liabilities from operating activities include disposals of companies that were classified as held for sale and were sold during the reporting year. The following table provides an overview of the assets and liabilities at the time of disposal.

Assets | €m	**31.12.2012**
Claims on banks	439
Claims on customers	10
Trading assets	280
Financial investments	466
Fixed assets	–
Other assets	863

Liabilities | €m	**31.12.2012**
Liabilities to banks	–
Liabilities to customers	–
Securitised liabilities	258
Trading liabilities	13
Other liabilities	625

Net cash from investing activities is made up of cash flows relating to financial investments, intangible assets and fixed assets. The cash flows relating to the acquisition or disposal of subsidiaries are also shown here. Net cash from financing activities consists of the proceeds of capital increases as well as payments made or received on subordinated and hybrid capital. Dividends paid are also reported here.

Cash and cash equivalents consists of items that can be rapidly converted into liquid funds and are subject to a negligible risk of changes in value. It consists of the cash reserve, containing cash on hand, balances held at central banks, debt issued by public-sector borrowers and bills of exchange eligible for rediscounting at central banks (see Note 46). Claims on banks which are due on demand are not included.

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

Notes

Significant accounting principles

Our consolidated financial statements as at 31 December 2012 were prepared in accordance with Art. 315 a (1) of the German Commercial Code (HGB) and Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 (the IAS Regulation). Other regulations for adopting certain international accounting standards on the basis of the International Financial Reporting Standards (IFRS) approved and published by the International Accounting Standards Board (IASB) and their interpretation by the International Financial Reporting Interpretations Committee (IFRIC) have been applied as well. All standards and interpretations which are mandatory within the EU in 2012 have been applied.

As permitted under the regulations, we have not applied standards and interpretations which do not enter into force until the financial year 2013 or later (IFRS 9, 10, 11, 12 and 13, revised IAS 19, 27, 28 and 32 and revised IFRS 7; amendments arising from the annual improvement process of the IASB). The adoption of IFRS 9, which has only been partially published by the IASB and has not yet been approved by the EU, could have significant effects on the Group's accounting and measurement practices. Due to the fact that significant portions of the standard have not yet been finalised and the standard has yet to be adopted by the EU, it is impossible to quantify the effects with any degree of accuracy. The expected changes and effects arising from the first application of the revised IAS 19 for the financial year 2013 are described on page 208. We do not expect any significant changes in the group of consolidated companies or any significant impact on retained earnings from IFRS 10, 11 and 12, which have already been approved but do not need to be applied yet. With regard to the impact on the total assets of the Commerzbank Group, we expect an increase of approximately 0.5% compared with 31 December 2012. Nor do we expect any significant effects on the consolidated financial statements from other standards and interpretations which do not need to be applied yet.

The revised standards and interpretations applied for the first time in the financial year 2012 (revised IAS 12, IFRS 1 and 7, plus amendments from the IASB's annual improvement process) did not have any significant impact on the consolidated financial statements.

In addition to the statement of comprehensive income and the balance sheet, the consolidated financial statements also include the statement of changes in equity, the cash flow statement and the notes. Segment reporting is to be found in the notes (Note 45).

The Group Management Report, including a separate report on forward-looking risks and opportunities (Group Risk Report) pursuant to Art. 315 of the German Commercial Code (HGB), appears on pages 61 to 178 of our annual report.

The reporting currency of the consolidated financial statements is the euro. Unless otherwise indicated, all amounts are shown in millions of euros. In the statement of comprehensive income, the balance sheet, the statement of changes in equity and the cash flow statement, amounts under €500,000.00 are shown as €0m; where an item is €0.00 this is denoted by a dash. In all other notes both amounts rounded down to €0m and zero items are indicated by a dash.

Accounting and measurement policies

1) Basic principles

The consolidated financial statements are based on the going concern principle. Assets are generally measured at amortised cost, unless a different form of measurement is required by IFRS. This applies in particular to certain financial instruments classified in accordance with IAS 39, investment properties and non-current assets held for sale.

Income and expenses are accounted for on an accrual basis; they are recognised in the income statement for the period to which they are attributable in economic terms. Interest from all contractual agreements relating to financial assets or liabilities is reported in net interest income on an accrual basis or in net trading income if it relates to trading transactions and the funding of these transactions. Dividend income is only recognised where a corresponding legal entitlement exists. Commission income and expenses are recognised in net commission income on the one hand on the basis of the accounting treatment of the associated financial instruments and on the other hand on the basis of the nature of the activity.

Commission for services which are performed over a certain period are recognised over the period in which the service is performed. Fees which are associated with the completion of a particular service are recognised at the time of completion of the service. Performance-related fees are recognised when the performance criteria are met. Commission on trading transactions is reported in net trading income.

Borrowing costs that are directly attributable to the acquisition, construction or production of a significant tangible or intangible asset are capitalised in the balance sheet, provided that a period of at least 12 months is required to prepare the asset for its intended use.

Financial assets and liabilities relating to the same business partner are netted and shown in the balance sheet on a net basis if there is a legally enforceable right to net the amounts and the transactions are fulfilled on a net basis or the asset is realised simultaneously with the settlement of the liability. In addition to the netting of positive and negative fair values attributable to derivatives and any variation margins payable on them, this also applies to the netting of claims and liabilities in reverse repo and repo transactions.

For fully consolidated companies and holdings in companies accounted for using the equity method in the Group financial statements we have generally used financial statements prepared as at 31 December 2012. In the case of companies accounted for using the equity method in some cases we use the most recent audited financial statements if the company's financial statements for the last financial year are not yet available at the date the Group financial statements are being prepared.

Where there is an intention to sell subsidiaries and companies accounted for using the equity method, and their sale is highly probable within one year, they are reported separately in the relevant balance sheet items and notes (see Notes 60 and 70) and in the statement of changes in equity in accordance with IFRS 5 until transfer of the shares is completed.

Note 80 contains a breakdown of all balance sheet items into short-term and long-term. Moreover, residual maturities are reported in the Commerzbank Group for all financial instruments with contractual maturity dates (see Notes 78 and 80).

The consolidated financial statements include values which are determined, as permitted, on the basis of estimates and judgements. The estimates and judgements used are based on past experience and other factors, such as planning and expectations or forecasts of future events that are considered likely as far as we know today. The estimates and judgements themselves and the underlying estimation methods and judgement factors are reviewed regularly and compared with actual results. In our view the parameters we have used are reasonable and appropriate. Estimates of pension obligations, goodwill and the market value of investment properties among other items are subject to uncertainty.

Pension obligations are measured based on the projected-unit-credit method for defined benefit pension plans. In measuring such obligations, assumptions have to be made regarding long-term trends for salaries, pensions and average life expectancy in particular. Changes in the underlying assumptions from year to year and divergences from the actual effects each year are reported under actuarial gains and losses (see Note 68 Provisions on the impact of changes in parameters).

The impairment test for goodwill, which must be carried out at least once a year, uses the recognised discounted cash flow method. This is based on the future cash flows projected in management's latest planning figures. An analysis of the uncertainties surrounding the estimation of goodwill and fair value of financial instruments is set out in Notes 15 and 82, respectively.

For uncertainties relating to the market value of real estate held as a financial investment we carry out analyses based on the parameters of the property yield and the land value (see Note 59).

Estimates of deferred taxes, loan loss provisions and the measurement of the fair value of financial instruments on the basis of valuation models are to a large extent also subject to uncertainty.

For loan loss provisions please refer to the Group Risk Report.

The assumptions and parameters underlying the estimates we have made are based on the exercise of appropriate judgement by management. This applies in particular to the appropriate selection and use of parameters, assumptions and modelling techniques when valuing financial instruments for which there are no market prices and no comparative parameters observable on the market. Where differing valuation models lead to a range of different potential valuations, management uses its judgement to determine the choice of the model to be used.

The following items in the financial statements are also subject to the judgement of management:

- The reclassification of certain financial assets from the category of available-for-sale financial instruments to the category loans and receivables (see Note 5).
- The impairment of loans and the recognition of provisions for off-balance-sheet lending exposures (in particular the choice of criteria and the assessment of whether collateral is impaired, see Note 9).
- Impairment testing of other financial assets such as holdings in companies accounted for using the equity method and non-current assets held for sale (in particular the choice of criteria used to determine whether an asset is impaired; see Note 19).
- Impairment testing of non-financial assets such as goodwill and other intangible assets (in particular the criteria used to determine the recoverable amount, see Note 15).
- Impairment testing of deferred tax assets in accordance with IAS 12.24 ff. (in particular determining the methodology used for tax planning and to assess the probability that the expected future tax effects will actually occur; see Note 26),
- The recognition of provisions for uncertain liabilities (see Note 23).

Uniform accounting and measurement methods explained in the notes below are used throughout the Commerzbank Group in preparing the financial statements.

(2) Changes to accounting and measurement policies

In essence we have employed the same accounting policies as for the Group financial statements for the year ended 31 December 2011.

Currency translation gains or losses from the consolidation of the capital accounts reported in the currency translation reserve were previously only recognised in profit or loss on the full disposal and related deconsolidation of companies reporting in foreign currencies.

In order to achieve a more accurate presentation of the currency translation reserve in the Commerzbank Group, since 1 April 2012 the currency translation reserve has also taken account of partial disposals of companies reporting in a foreign currency. Even if an equity holding in a foreign currency is reduced without being fully deconsolidated, the effect of this partial reduction on the currency translation reserve is recognised in profit or loss, as a rule within net investment income. However, no restatements for the previous financial year were required, as no partial disposals or partial reductions of equity holdings have taken place to date.

With the implementation of the provisions of German Accounting Standard (DRS) 17 for the Remuneration Report as at 31 December 2012, we decided to adjust the presentation in line with IAS 24. Note 95 presents the transition from effort-based total remuneration in accordance with IAS 24.17 to total compensation in accordance with DRS 17. The Remuneration Report presents the information broken down by individual. The prior-year figures have been restated accordingly.

In the 2012 financial year we also made a change to the estimated valuation parameters for an issue of a structured product. The valuation effect of €35m had a positive impact on net trading income. We also refined our valuation models for collateralised derivatives in line with a change in discounting conventions on the market. This led to an expense of €119m within net trading income in the current financial year.

(3) Consolidated companies

The Group financial statements include all material subsidiaries in which Commerzbank Aktiengesellschaft directly or indirectly holds more than 50% of the voting rights or exercises a controlling influence by other means. These also include significant special purpose entities and funds that are controlled as defined by SIC 12. Significant associates and jointly controlled entities are accounted for using the equity method.

Subsidiaries, associates and jointly controlled entities of minor significance for the Group's financial position have not been fully consolidated or not accounted for using the equity method; instead, they are reported under financial investments as holdings in non-consolidated subsidiaries or equity holdings. The total assets of the non-significant subsidiaries amount to less than 0.1% of the Group's aggregated assets (previous year: 0.1%).

A full list of all ownership interests of the Commerzbank Group is contained in Note 102. The following material companies were consolidated for the first time in 2012:

Name of company	Equity share and voting rights	Acquisition cost	Assets	Liabilities
	%	€m	€m	€m
ASBERGIA Grundstücks-Vermietungsgesellschaft mbH, Düsseldorf	100.0	0.0	70.7	70.7
Bosphorus Investments Ltd., Dublin	0.0	0.0	101.9	101.9
BRE Agent Ubezpieczeniowy, Warsaw	100.0	0.0	1.5	0.0
Brussels Urban Invest S.A., Brussels	100.0	7.7	26.5	20.1
CFS Commerz Funds Solutions S.A., Luxembourg	100.0	5.0	12.3	4.7
Coco Finance II–1 Ltd., Dublin	0.0	0.0	156.8	156.8
Commerz Pearl Limited, London	100.0	0.0	0.0	0.0
Commerz Property GmbH, Frankfurt/Main	100.0	70.5	70.5	0.0
Commerz Transaction Services Ost GmbH, Halle (Saale)	100.0	0.1	0.1	0.0
ComStage ETF MSCI Emerging Markets Leveraged 2x Daily TRN, Luxembourg	0.0	10.3	10.5	1.3
COSMO Finance II–2 Ltd., Dublin	0.0	0.0	193.1	193.1
Loxodrome Inc., George Town, Grand Cayman	0.0	0.0	43.2	43.2
Number X Real Estate GmbH, Eschborn	100.0	8.8	8.8	0.0
Olympic Investment Fund II, Luxembourg	100.0	120.4	105.8	0.0
Property Invest Ferdinando di Savoia S.r.l., Milan	100.0	3.1	12.4	8.2
Property Invest Roma S.r.l., Milan	100.0	2.1	1.5	0.8
Riverbank Trustees Limited, London	100.0	0.2	0.2	0.0
Sterling Energy II LLC, New York	100.0	42.6	42.6	0.0
Zelos Belgium I SA, Forest, Belgium	100.0	0.0	12.2	12.7
Zelos Belgium II SA, Forest, Belgium	100.0	0.0	11.0	11.3
Zelos Belgium III SA, Forest, Belgium	100.0	0.0	10.8	10.9
Zelos Belgium IV SA, Forest, Belgium	100.0	0.0	12.0	12.3
Zelos Luxembourg S.C.S., Luxembourg	100.0	0.0	0.0	0.0

The first-time consolidations did not give rise to any goodwill. Negative differences were reported in the income statement as at the date of acquisition in accordance with IFRS 3.34. The first-time consolidations involved companies that have exceeded our materiality thresholds for consolidation, as well as additional purchases of existing holdings or entities newly formed in the course of structured financing transactions, for example.

Subsequent measurement of the reserves and liabilities from the acquisition of Dresdner Bank uncovered in 2009 led to an expense of €388m before tax or €232m after tax being recognised in the income statement in the current financial year. The main effects derive from the imputation of interest to the subordinated and hybrid capital.

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

- Disposals
  - Commerzbank Europe Finance (Ireland) plc, Dublin
  - Dresdner Kleinwort Pfandbriefe Investments II, Inc., Wilmington/Delaware
  - Dresdner Kleinwort Wasserstein (Argentina) S.A., Buenos Aires
  - FM LeasingPartner GmbH, Bissendorf
  - Limited Liability Company "ABRIO", Kiev, Ukraine
  - Limited Liability Company "ACUS", Kiev, Ukraine
  - Limited Liability Company "CLIOS", Kiev, Ukraine
  - Limited Liability Company "FESTLAND", Kiev, Ukraine
  - Limited Liability Company "MERUS", Kiev, Ukraine
  - Limited Liability Company "MODUS CAPITAL", Kiev, Ukraine
  - Limited Liability Company "RIDOS", Kiev, Ukraine
  - Limited Liability Company "SANTOS CAPITAL", Kiev, Ukraine
  - Limited Liability Company "VALIDUS" , Kiev, Ukraine
  - Olympic Investment Fund, Luxembourg
  - PUBLIC JOINT STOCK COMPANY "BANK FORUM", Kiev, Ukraine

The proceeds from the sale of these companies amounted to roughly €0.9bn. This amount was paid entirely in cash. The gain on the disposal amounted to €–269m and was almost entirely reported under the result from the sale of groups held for sale (€–268m).

- Liquidations (including companies which have ceased operating activities and entities that have permanently fallen below our materiality threshold for consolidation or were no longer subject to a consolidation requirement)
  - BRE Gold Fund, Warsaw
  - CBK SICAV, Hesperange, Luxembourg
  - Commerzbank Leasing December (7) Limited, Edinburgh
  - Commerzbank Leasing (Guernsey) Limited, St. Peter Port, Guernsey
  - Commerzbank Leasing September (6) Limited, London
  - Commerzbank (South East Asia) Ltd., Singapore
  - CoSMO Finance 2007–1 Ltd., Dublin
  - CoSMO Finance 2008–1 Ltd., Dublin
  - GIE Dresdner Kleinwort France i.L., Paris[1]
  - Gresham Bond, Luxembourg
  - Grundbesitzgesellschaft Berlin Rungestr. 22–24 mbH, Eschborn
  - Langham Nominees Ltd, St. Peter Port, Guernsey
  - Marlyna Ltd, London
  - Messestadt Riem "Office am See" I GmbH, Eschborn[1]
  - Messestadt Riem "Office am See" III GmbH, Eschborn[1]
  - Millstone II LLC, Dover/Delaware
  - RCL Securitisation GmbH, Frankfurt/Main
  - Silver Tower 125 Inc., George Town, Grand Cayman
  - TARA Immobiliengesellschaft mbH, Eschborn[1]
  - TIGNATO Beteiligungsgesellschaft mbH & Co. KölnTurm MediaPark KG, Eschborn[1]
  - Victoria Capital (Ireland) Public Limited Company, Luxembourg
  - Victoria Capital Holdings S.A., Luxembourg
  - Victoria Capital S.A., Luxembourg

The following companies were merged into a Commerzbank Group consolidated company during the current financial year:

- Commerz Real Baumanagement GmbH, Düsseldorf
- Commerz Real Mietkauf GmbH, Düsseldorf
- Deutsche Schiffsbank Aktiengesellschaft, Hamburg/Bremen
- Forum Immobiliengesellschaft mbH, Eschborn
- Futura Hochausprojektgesellschaft mbH, Eschborn
- Hibernia Beta Beteiligungsgesellschaft mit beschränkter Haftung, Frankfurt/Main
- Hibernia Sigma Beteiligungsgesellschaft mit beschränkter Haftung, Frankfurt/Main
- Messestadt Riem "Office am See" II GmbH, Eschborn
- Süddeutsche Industrie-Beteiligungs-GmbH, Frankfurt/Main
- Unica Immobiliengesellschaft mbH, Eschborn

No companies were added to the group of companies accounted for using the equity method in 2012.

The following companies are no longer accounted for using the equity method:

- 36th Street CO-INVESTMENT, L.P., Wilmington, Delaware
- GIE Céline Bail, Paris
- GIE Morgane Bail, Paris
- MM Cogène 2, Paris
- RECAP Alta Phoenix Lofts Investment, L.P., New York
- RECAP/Commerz Greenwich Park Investment, L.P, New York
- Servicing Advisors Deutschland GmbH, Frankfurt/Main
- Southwestern Co-Investment, L.P., New York

[1] Fell below materiality threshold.

In August 2012 our subsidiary Eurohypo Aktiengesellschaft changed its name to Hypothekenbank Frankfurt Aktiengesellschaft. The abolition of the Eurohypo brand name resulted from the European Commission's decision in March 2012 to change its previous requirement for Commerzbank to sell Eurohypo into a requirement to wind the company down.

(4) Principles of consolidation

Subsidiaries are companies in which Commerzbank Aktiengesellschaft directly or indirectly holds the majority of the voting rights or where it has power to determine their financial and operating policies in another way and thus exercise control over them so as to obtain benefits from their activities. Consolidation takes effect from the date on which the Group acquires the majority of the voting rights or gains control over the company concerned.

For the consolidation of capital, we remeasure the assets and liabilities of subsidiaries completely every year, regardless of the percentage share of equity at the time of acquisition. The assets and liabilities remeasured at fair value are included in the consolidated balance sheet net of deferred taxes; identified hidden reserves and liabilities are accounted for in accordance with the applicable standards in subsequent reporting periods. Any difference over net assets on remeasurement is recognised as goodwill.

Associated companies are entities over which Commerzbank Aktiengesellschaft has a significant direct or indirect influence. A significant influence is assumed to exist where the share of voting rights is between 20% and 50%. Additional criteria for judging whether there is significant influence include substantial business transactions with the entity in question, membership of a management or supervisory board, or involvement in setting the entity's business policies.

Jointly controlled entities are companies over which we exercise joint control together with another company. Joint control may arise as a result of each company holding equal voting rights or based on contractual agreements.

Associated companies and jointly controlled entities are ordinarily accounted for using the equity method and are reported in the balance sheet under holdings in companies accounted for using the equity method.

The acquisition cost of these investments including goodwill is determined at the time of their initial consolidation, applying by analogy the same rules as for subsidiaries. For material associated companies and jointly controlled entities appropriate adjustments are made to the carrying value in the accounts.

Holdings in subsidiaries not consolidated for reasons of immateriality and holdings in associated companies and jointly controlled entities which, because of their immateriality, are not accounted for using the equity method are shown under financial investments at their fair value or, if this cannot be reliably established, at cost.

Subsidiaries are deconsolidated as of the date on which the Bank loses its control over them. Equity accounting for holdings in associated companies ends on the date that the share of voting rights falls below 20% or other possibilities of exercising significant influence over the associated company cease to apply. Equity accounting for joint ventures ends on the date the joint management of the venture comes to an end.

The obligation to consolidate special purpose entities under certain circumstances derives from SIC 12. This stipulates that consolidation is required if the special purpose entity is controlled by the parent company. This may be the case if, in substance,

- the activities of the special purpose entity are conducted on behalf of the entity according to its specific business needs so that the entity obtains benefits from the operations of the special purpose entity;
- the entity has the decision-making powers to obtain the majority of the benefits of the activities of the special purpose entity or, by setting up an autopilot mechanism, the entity had delegated these decision-making powers;
- the entity has rights to obtain the majority of the benefits of the special purpose entity and therefore may be exposed to risks incident to the activities of the special purpose entity;
- the entity retains the majority of the residual or ownership risks related to the special purpose entity or its assets in order to obtain benefits from its activities.

In the Commerzbank Group the obligation to consolidate special purpose entities is examined by means of a process that includes transactions where we form a special purpose entity with or without the involvement of third parties, and transactions in which we enter into contractual relations with an already existing special purpose entity with or without the involvement of third parties. The decision to consolidate is regularly reviewed by us. All consolidated special purpose entities and special purpose entities that have not been consolidated for materiality reasons are listed in Note 102.

There are generally no restrictions on the ability of special purpose entities to transfer financial resources such as cash dividends on equity instruments or payments of interest and principal on debt instruments to Commerzbank. On the one hand, this applies to special purpose entities where Commerzbank holds voting shares by virtue of company law which enable it to control all operating decisions including the transfer of financial resources. On the other hand, there are no restrictions with regard to special purpose entities where Commerzbank does not hold shares by virtue of company law but has a right to financial transfers on the basis of debt contracts with the special purpose entities.

All receivables and liabilities as well as income and expenses based on intra-group business relationships are eliminated when liabilities and income and expenses are consolidated. Intra-group interim profits or losses are eliminated unless they are of minor importance.

(5) Financial instruments: Recognition and measurement (IAS 39)

In accordance with IAS 39 all financial investments and liabilities – which also include derivative financial instruments – must be recognised in the balance sheet. A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. On initial recognition financial instruments are measured at fair value; as a rule, this is the transaction price at the time they are acquired.

Depending on their respective category, financial instruments are recognised in the balance sheet subsequently either at (amortised) cost or fair value. Fair value is the amount at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the balance sheet date. Fair value is determined by the price established for the financial instrument in an active market (mark to market principle; fair value hierarchy level I). If no market prices are available, valuation is based on quoted prices for similar instruments in active markets. In cases where no quoted prices are available for identical or similar financial instruments, fair value is established with the aid of valuation models which use market parameters to the maximum extent possible (mark to model; fair value hierarchy level II). If insufficient recent observable market data is available to establish fair value, parameters which are not observable on the market will be used in the valuation models. These parameters may include data derived by approximation from historical data or similar methods (fair value hierarchy level III). Please refer to Note 82 for a detailed explanation of the fair value hierarchies.

The following section provides an overview of how the rules of IAS 39, in their latest version, have been applied within the Group:

a) Recognition and derecognition of financial instruments

A financial asset or a financial liability is generally recognised in the balance sheet when the Group becomes a party to the contractual provisions of the financial instrument. For regular way purchases or sales of financial assets in the cash market the trading and settlement dates normally differ. These regular way cash market purchases and sales may be recognised using either trade date or settlement date accounting. The Group uses trade date accounting for all regular way purchases and sales of financial assets both on recognition and derecognition.

The derecognition rules of IAS 39 are based both on the concept of risks and rewards and on the concept of control. However, when deciding whether an asset qualifies for derecognition, the evaluation of the transfer of the risks and rewards of ownership takes precedence over the evaluation of the transfer of control.

If the risks and rewards are transferred only partially and control over the asset is retained, the continuing involvement approach is used. The financial asset continues to be recognised to the extent of the Group's continuing involvement and special accounting policies apply. The extent of the continuing involvement is the extent to which the Group is exposed to changes in the value of the transferred asset. A financial liability (or part of a financial liability) is derecognised when it is extinguished, i.e. when the obligations arising from the contract are discharged or cancelled or expire. The repurchase of own debt instruments is also a transfer of financial liabilities that qualifies for derecognition. Any differences between the carrying value of the liability (including discounts and premiums) and the purchase price are recognised in profit or loss; if the asset is sold again at a later date a new financial liability is recognised at cost equal to the price at which the asset was sold. Differences between this cost and the repayment amount are allocated over the term of the debt instrument using the effective interest rate method.

b) Classification of financial assets and liabilities and their measurement

Below we set out an overview of the categories defined in IAS 39. These are: loans and receivables, held-to-maturity financial assets, financial assets or liabilities at fair value through profit or loss, available-for-sale financial assets and other financial liabilities.

- Loans and receivables:
  Non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market are assigned to this category. This holds true regardless of whether they were originated by the Bank or acquired in the secondary market. An active market exists if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. Measurement of these assets is at amortised cost. If there is impairment, this is recognised in profit or loss when determining the amortised cost. Premiums and discounts are recognised in net interest income over the life of the asset.

  In the case of reclassified securities contained in the loans and receivables category the fair value at the date of reclassification is taken as the new carrying amount. The revaluation reserve net of deferred taxes existing at this point remains in the other reserves within equity and is amortised over the remaining term of the reclassified securities.

  For financial assets classified as loans and receivables impairments are recognised in the same way as for lending business (see Note 9). Impairment of these financial instruments is included in net investment income and deducted directly from the financial investments. If the indicators for impairment of particular securities cease to apply or no longer suggest an impairment, the impairment of the securities must be reversed through profit or loss, but to no more than the level of amortised cost. Similarly, an improved risk environment can lead to the reversal of an impairment that was previously recognised at the portfolio level.

- Held-to-maturity financial assets:
  Non-derivative financial assets with fixed or determinable payments and fixed maturity may be included in this category if the entity has the positive intention and ability to hold them to maturity. Measurement of these assets is at amortised cost. If there is impairment, this is recognised in profit or loss when determining the amortised cost. Premiums and discounts are recognised in net interest income over the life of the asset. In the 2012 financial year Commerzbank Group again made no use of the held-to-maturity financial assets category.

- Financial assets or financial liabilities at fair value through profit or loss; this category comprises two sub-categories:

  – Financial assets or liabilities held for trading:
    This sub-category includes financial assets and financial liabilities held for trading purposes (trading assets and trading liabilities).

    Derivative financial instruments used for hedging purposes are only reported under trading assets or trading liabilities if they do not meet the conditions for the application of hedge accounting (see below in this note). Otherwise, they are shown as fair values from derivative hedging instruments.

    Trading assets and trading liabilities are measured at their fair value on each balance sheet date.

    If the fair value cannot be established on an active market, items are measured by means of comparable prices, indicative prices of pricing service providers or other banks (lead managers) or internal valuation models (net present value or option pricing models). Interest-rate and cross-currency interest-rate derivatives are measured taking account of the fixing frequency for variable payments. In the case of derivative positions costs may be incurred in closing positions in the event of counterparty default if a positive market value remains after offsetting and collateral agreements have been taken into account. These potential replacement costs must be factored in when determining the fair value of trading positions. Commerzbank establishes Counterparty Default Adjustments (CDAs) for these positions, which reflect the expected loss from any potential counterparty default.

Gains or losses on measurement or disposal are recorded under net trading income in the income statement. Net trading income also includes the interest and dividend income and funding costs related to trading positions.

– Financial instruments designated at fair value through profit or loss:
  Under the fair value option it is permissible to voluntarily measure any financial instrument at fair value and to recognise the net result of this valuation in the income statement. The decision as to whether or not to use the fair value option must be made upon acquisition of the financial instrument and is irrevocable. The fair value option may be applied to a financial instrument provided that:
  – an accounting mismatch will be prevented or significantly reduced; or
  – a portfolio of financial instruments is managed, and its performance measured, on a fair value basis; or
  – the financial instrument has one or more embedded derivatives that must be separated.

  Financial instruments for which the fair value option is employed are shown in the appropriate balance sheet item for their respective category. Gains and losses on remeasurement are recognised in profit or loss under net trading income, while interest income and expenses are reported in net interest income. Further details on how and to what extent the fair value option is used in the Commerzbank Group can be found in Note 83.

• Available-for-sale financial assets:
  This category comprises all non-derivative financial assets not assignable to one of the above categories or which have been designated as available-for-sale. Primarily, these are interest-bearing securities, equities and equity holdings. They are measured at fair value. If the fair value cannot be established on an active market, items are measured by means of comparable prices, indicative prices of pricing service providers or other banks (lead managers) or internal valuation models (net present value or option pricing models). If in exceptional cases the fair value of equity instruments cannot be reliably determined, measurement is at amortised cost less any impairments required. Gains and losses on remeasurement are shown net of deferred taxes in equity in a separate item within other reserves (revaluation reserve). Premiums and discounts on debt instruments are recognised in profit or loss under net interest income over the life of the instrument. Interest income, dividends and current profits and losses from equity holdings classified in this category are also reported under net interest income. If the financial assets are sold, the cumulative measurement gain or loss previously recognised in the revaluation reserve is reversed and taken to the income statement.

  In accordance with IAS 39.59 financial instruments in this category must be monitored for any objective indications of a loss (such as breach of contract, loss event, increased likelihood of bankruptcy proceedings or insolvency) incurred after the date of initial recognition that would lead to a reduction in the cash flow arising from them. An impairment exists when the net present value of the expected cash flows is lower than the carrying value of the financial instrument concerned. In the event of an impairment, the net change on remeasurement is no longer recognised in the revaluation reserve in equity but must be taken through the income statement under net investment income as an impairment charge.

In the Commerzbank Group, equity instruments in the available-for-sale portfolio are written down if their fair value is either significantly lower than their historic cost (≥20%) or has been below historic cost for a considerable period (at least nine months). Besides these quantitative trigger events, the qualitative trigger events cited in IAS 39.59 are also taken into account in the monitoring process. Impairment reversals may not be recognised through profit or loss for equity instruments designated as available-for-sale; instead, they are recognised directly in the revaluation reserve in equity. Impairment reversals are never permitted on unlisted equity instruments for which it is not possible to determine a reliable fair value on a regular basis and that are therefore carried at historic cost less any necessary impairment.

Debt instruments are reviewed individually for impairment if any qualitative trigger events have occurred (IAS 39.59). To operationalise qualitative trigger events, additional indicators for an impairment have been developed in the Commerzbank Group. For example, an impairment charge for debt instruments in this category must generally be recognised if the debtor's rating is CCC or lower (see the Commerzbank master scale in the Risk Report) and the fair value is lower than amortised cost.

If the reasons for an impairment of debt instruments cease to apply, the impairment is reversed through profit or loss, but to no more than the level of amortised cost. Any amount exceeding amortised cost is recognised in the revaluation reserve.

- Other financial liabilities
  All financial liabilities that are not classified as held for trading and to which the fair value option was not applied are allocated to the category other financial liabilities. This category includes liabilities to banks and customers as well as securitised liabilities. Measurement of these assets is at amortised cost. Premiums and discounts are recognised in net interest income over the life of the liability.

c) Net gains or losses

Net gains or losses include fair value measurements recognised in the income statement, impairments, impairment reversals, gains realised on disposal, and subsequent recoveries on written-down financial instruments classified in the respective IAS 39 categories. The components are detailed for each IAS 39 category in the notes on net interest income, loan loss provisions, net trading income and net investment income.

d) Financial guarantee contracts

IAS 39 defines a financial guarantee contract as a contract that requires the issuer to make specified payments that reimburse the holder for a loss incurred because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. This can include, for example, bank guarantees (see Note 88). If Commerzbank is the guarantee holder, the financial guarantee is not recorded in the accounts and only recognised when determining an impairment of a guaranteed asset. As the issuer, the Commerzbank Group recognises the liability arising from a financial guarantee at inception. Initial measurement is at fair value at the time of recognition. In general terms, the fair value of a financial guarantee contract at inception is zero because for fair market contracts the value of the premium agreed normally corresponds to the value of the guarantee obligation (known as the net method). Subsequent measurement is at the higher of amortised cost or the provision that is required to be recognised in accordance with IAS 37 and IAS 39 if payment of the guarantee becomes probable.

If a financial guarantee is a component of a financing commitment where there is an intention to trade, the financial guarantee also has to be classified as held for trading. Such financial guarantees are then treated in accordance with the rules for held-for-trading instruments rather than those set out above (see Note 5b).

e) Embedded derivatives

IAS 39 also regulates the treatment of derivatives embedded in financial instruments (embedded derivatives). These include, for example, reverse convertible bonds (bonds that may be repaid in the form of equities) or bonds with index-linked interest payments. According to IAS 39, under certain conditions the embedded derivative must be shown separately from the host contract as a stand-alone derivative.

Such a separation must be made if the following three conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract;

- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative under IAS 39; and
- the hybrid (combined) contract is not measured at fair value through profit or loss.

In this case, the separately shown embedded derivative is regarded as part of the trading portfolio and recognised at fair value. Changes on remeasurement are recognised in the income statement under net trading income. The host contract is accounted for and measured applying the rules of the category to which the financial instrument is assigned.

If the above three conditions are not met, the embedded derivative is not shown separately and the hybrid financial instrument or structured product is measured as a whole in accordance with the general provisions of the category to which the financial instrument is assigned.

f) Hedge accounting

IAS 39 contains extensive hedge accounting regulations which apply if it can be shown that the hedging instruments – especially derivatives – are employed to hedge risks in the underlying non-trading transactions.

Two main types of hedge accounting are used:

- Fair value hedge accounting:
  IAS 39 prescribes the use of hedge accounting to avoid accounting mismatches for derivatives which serve to hedge the fair value of assets or liabilities against one or more defined risks. It is above all the Group's issuing and lending business and its securities holdings for liquidity management, where these consist of fixed-income securities, that are subject to interest rate risk. Interest rate swaps are primarily used to hedge these risks.

  In line with the regulations for fair value hedge accounting, the derivative financial instruments used for hedging purposes are recognised at fair value as fair values of derivative hedging instruments. Any changes in the fair value of the hedged asset or hedged liability resulting from an opposite move in the hedged risk are also recognised in profit or loss under net income from hedge accounting. Counterbalancing changes on remeasurement associated with the hedging instruments and the hedged underlying transactions are recognised in the income statement as net income from hedge accounting. Any portion of the changes in fair value that are not attributable to the hedged risk are accounted for in accordance with the rules of the valuation category to which the hedged asset or liability belongs. For interest rate risks fair value hedge accounting can take the form of either a micro fair value hedge or a portfolio fair value hedge.
  - In micro fair value hedge accounting an underlying transaction is linked with one or more hedging transactions in a hedging relationship. The carrying amounts of the hedged transactions are adjusted through profit or loss in the event of changes in fair value attributable to the hedged risk.
  - In a portfolio fair value hedge interest rate risks are hedged at the portfolio level. It is not individual transactions or groups of transactions with a similar risk structure that are hedged, but instead a portfolio of underlying transactions is created grouped by maturity bands in accordance with the expected repayment and interest adjustment dates. Portfolios may contain only assets, only liabilities, or a mixture of both. In this type of hedge accounting, changes in the fair value of the underlying transactions are reported in the balance sheet as a separate asset or liability item. The hedged amount of the underlying transactions is computed in the consolidated financial statements excluding demand or savings deposits (we have thus elected not to use the EU carve-out regulations).

- Cash Flow Hedge Accounting:
  IAS 39 prescribes the use of cash flow hedge accounting to avoid accounting mismatches for derivatives which serve to hedge the risk of a change in future cash flows. Derivatives used in cash flow hedge accounting are measured at fair value. The effective portion of gains and losses are recognised net of deferred taxes in the cash flow hedge reserve under equity. The ineffective portion, on the other hand, is reported in the income statement in net income from hedge accounting. The general accounting rules set out above for the underlying transactions of the hedged cash flows remain unchanged by this.

The application of hedge accounting rules is tied to a number of conditions. These relate above all to the documentation of the hedging relationship and also to its effectiveness.

The hedge must be documented at inception. Documentation must include in particular the identification of the hedging instrument, the related hedged item or transaction, the nature of the risk being hedged and how effectiveness of the hedge is assessed. In addition to documentation, IAS 39 requires the effectiveness of a hedge to be demonstrated during the entire term of the hedge in order for hedge accounting rules to be applied. Effectiveness in this context means the relationship between the change in fair value or cash flow of the hedged item and the change in fair value or cash flow of the hedging instrument. If these changes offset each other almost fully, a high degree of effectiveness exists. Proof of effectiveness requires, firstly, that a high degree of effectiveness can be expected from a hedge in the future (prospective effectiveness); secondly, when a hedge exists, it must be regularly demonstrated that it was highly effective during the period under review (retrospective effectiveness). Both the retrospective and prospective effectiveness must be within a range of between 0.8 and 1.25.

Commerzbank uses regression analysis to assess effectiveness in micro fair value hedge accounting. The changes in fair value of the hedged transaction and the hedging instrument are determined by means of historical simulations for the prospective effectiveness test, while the actual changes in fair value are used for the retrospective effectiveness test. Regression analysis is also used for the prospective effectiveness test in portfolio fair value hedge accounting, while the dollar-offset method is used for the retrospective effectiveness test.

(6) Currency translation

Monetary assets and liabilities denominated in foreign currencies and pending spot foreign exchange transactions are translated at the spot mid rate, and foreign exchange forward contracts at the forward rate, on the balance sheet date. Realised income and expenses are normally translated using the spot rate applying on the date of realisation. Average prices may also be used to translate income and expenses, provided these prices are representative, i.e. the price has not undergone major fluctuations. Hedged expenses and income are translated using the hedge rate. Expenses and income resulting from the translation of balance sheet items are recognised in profit or loss under net trading income.

Non-monetary items such as equity holdings are generally translated at historic exchange rates, if they are measured at amortised cost. If they are measured at fair value, the current rate method of foreign exchange translation is used. Gains and losses on the translation of non-monetary items are recognised either in equity or the income statement depending on the way the net gain or loss is recognised.

Income and expenses in the financial statements of consolidated subsidiaries and companies accounted for using the equity method are translated at the exchange rate prevailing on the transaction date. For simplification purposes a price can be used for translation which represents an approximation of the exchange rate on the transaction date, for example the average price of a period. All differences arising on translation are recognised as a separate component of equity in the currency translation reserve. Translation gains or losses from the consolidation of the capital accounts are also recognised in equity under the currency translation reserve. On the date of the disposal or partial disposal of companies reporting in a foreign currency, the translation gains or losses are recognised in the income statement under net investment income. Even if an equity holding in a foreign currency is reduced without the company being fully deconsolidated, the effect of this partial reduction on the currency translation reserve is recognised in profit or loss (see Note 2).

(7) Cash reserve

The cash reserve comprises cash on hand, balances held at central banks, debt issued by public-sector borrowers and bills of exchange eligible for rediscounting at central banks. With the exception of debt issued by public-sector borrowers, which is shown at its fair value, all the items are stated at their nominal value.

(8) Claims

The Commerzbank Group's claims on banks and customers which are not held for trading and are not quoted on an active market are reported at amortised cost. Premiums and discounts are recognised in net interest income over the term of the claim. Claims on banks and customers for which the fair value option is applied are accounted for at fair value. The carrying amounts of claims to which micro fair value hedge accounting is applied are adjusted for changes in fair value attributable to the hedged risk. In portfolio fair value hedge accounting changes in fair value are reported in the balance sheet item value adjustments for portfolio fair value hedges.

(9) Loan loss provisions

We make provision for the particular risks of on- and off-balance sheet lending in the loans and receivables category in the form of specific loan loss provisions (SLLPs), portfolio loan loss provisions (PLLPs) and general loan loss provisions (GLLPs).

When determining provisioning levels the fundamental criteria include whether the claims are in default or not and whether the claims are significant (over €1m) or insignificant (up to €1m). All claims which are in default under the Basel II regulations are identified as in default or non-performing. The following events can be indicative of a customer default:

- Imminent insolvency (over 90 days past due);
- The Bank is assisting in financial rescue/restructuring measures at the customer with or without restructuring contributions;
- The Bank has demanded immediate repayment of its claims;
- The customer is in insolvency proceedings.

For significant claims which are in default we recognise specific loan loss provisions in accordance with uniform standards across the Group. The net present value of the expected future cash flows is used to calculate both specific valuation allowances as well as specific loan loss provisions. In addition to the expected payments the cash flows include the expected proceeds from realising collateral and other recoverable cash flows. The loan loss provision or valuation allowance is therefore equal to the difference between the carrying value of the loan and the net present value of all the expected cash flows. The increase in the net present value over time using the original effective interest rate (unwinding) is recognised as interest income.

A portfolio loan loss provision (PLLP impaired) is recognised for insignificant defaulted claims using internal parameters.

For non-defaulted claims we account for credit risk in the form of general loan loss provisions (GLLPs). The level of the general loan loss provisions, both for on- and off-balance sheet lending, is determined using parameters derived from Basel II methodology.

We deduct the total loan loss provision, insofar as it relates to on-balance sheet claims, directly from the respective asset item. However, the provision for losses in off-balance sheet business (e.g. contingent liabilities, lending commitments) is shown under provisions for lending business.

Unrecoverable accounts for which no specific loan loss provisions have been formed are written off immediately. Amounts recovered on claims written off are recognised in the income statement under loan loss provisions. Impaired claims are (partially) written down, utilising any specific provisions, if such claims prove to be partially or entirely unrecoverable. We also directly write off portions of impaired claims that exceed existing loan loss provisions if they are unrecoverable.

(10) Repurchase agreements and securities lending

Repurchase agreements include repo and reverse repo transactions. Repo transactions combine the spot purchase or sale of securities with their forward sale or repurchase, the counterparty being identical in both cases. The securities sold under repurchase agreements (spot sale) continue to be recognised and measured in the consolidated balance sheet as part of the securities portfolio in accordance with the category to which they are assigned. The securities are not derecognised as we retain all risks and opportunities connected with the ownership of the security sold under the repurchase agreement. The same risks and opportunities therefore apply to financial assets which have been transferred but not derecognised as apply to the non-transferred financial assets described in Note 5.

The inflow of liquidity from the repo transaction is shown in the balance sheet as a liability to either banks or customers, depending on the counterparty. Agreed interest payments are recognised as interest expense in net interest income according to maturity.

The outflows of liquidity arising from reverse repos are accounted for as claims on customers or banks. They are measured either at fair value using the fair value option or at amortised cost. The securities bought under repurchase agreements which underlie the financial transaction (spot purchase) are not carried in the balance sheet and are thus not measured. Agreed interest payments in reverse repos are recognised as interest income within net interest income according to maturity.

We conduct securities lending transactions with other banks and customers in order to meet delivery commitments or to enable us to effect securities repurchase agreements. We report these transactions in a similar manner to securities repurchase transactions. Securities lent remain in our securities portfolio (trading assets or financial investments) and are measured according to the rules of IAS 39. Borrowed securities do not appear in the balance sheet, nor are they measured. In securities lending transactions, the counterparty credit risk can be avoided by obtaining collateral, which may be provided in the form of cash, for example. Collateral furnished for a securities lending transaction is known as cash collateral out and collateral received as cash collateral in. In addition, cash collateral outs are deposited as collateral in connection with derivative transactions. We show cash collateral which we have furnished for securities lending transactions as a claim and collateral received as a liability. Interest and expenses from securities lending transactions are recognised in net interest income according to their maturity.

(11) Value adjustments portfolio for fair value hedges

This item contains interest-rate-related positive and negative changes in the fair value of hedged transactions for which portfolio fair value hedge accounting is used.

(12) Positive fair values of derivative hedging instruments

This item contains derivative financial instruments used for hedging purposes which qualify for hedge accounting and have a positive fair value. The hedging instruments are measured at fair value.

(13) Trading assets

Under trading assets we report financial instruments measured at fair value. These include fixed income and equity securities, promissory note loans and units in investment funds. Also shown at fair value are all derivative financial instruments which are not used as hedging instruments in hedge accounting and have a positive fair value. Lending commitments with a positive fair value allocated to the trading book are also shown in this item.

(14) Financial investments

Financial investments are financial instruments not assigned to any other balance sheet item. Financial investments comprise all bonds, notes and other interest-rate-related securities, shares and other equity-related securities, units in investment funds, equity holdings and holdings in non-consolidated subsidiaries unless they must be treated as assets held for sale as defined by IFRS 5. Holdings in companies not accounted for using the equity method and in jointly controlled entities are reported as financial investments under equity holdings.

Financial instruments from the loans and receivables category contained in financial investments are measured at amortised cost.

Portfolio items classified as available-for-sale financial assets are recognised and measured at their fair value.

Premiums and discounts are recognised in net interest income over the lifetime of the asset. Net interest income also includes interest income from bonds, dividends on shares including shares in unconsolidated affiliated companies and current gains or losses from equity holdings.

If, however, an effective fair value hedge with a derivative financial instrument exists for financial instruments reported in this item, then that portion of the change in fair value attributable to the hedged risk is shown under net income from hedge accounting. Changes in the fair values of financial investments to which the fair value option has been applied are recognised in the net gain or loss from application of the fair value option, which is part of net trading income.

(15) Intangible assets

Intangible assets mainly consist of software, acquired brand names, customer relationships and goodwill. They are recognised at amortised cost. Due to their finite useful economic lives software and customer relationships are written off on a straight line basis over their prospective useful lives. In the case of brands and brand names our assumption is that they can generate cash flows indefinitely. As a result brand names and goodwill with indefinite useful economic lives are tested for impairment at least once a year.

Impairment test methodology

All goodwill and brand names are allocated to the cash-generating units at the time of acquisition. Commerzbank has defined the segments as cash generating units in accordance with IFRS 8. Further details on the segments are provided in Note 45. The expected future economic benefits of these assets are tested at the level of the individual underlying cash generating units at least once annually at each balance sheet date. In the process, the carrying amount of the capital employed in a cash generating unit (including the attributed goodwill) is compared with the recoverable amount of these assets. The recoverable amount is the higher of value in use and fair value less costs to sell. The value in use is based on the expected profitability of the unit and the cost of capital as set out in the medium-term planning for the individual segments approved by the board. If the value in use falls below the carrying amount, the fair value less costs to sell is also calculated. The higher of the two figures is reported.

Assumptions underlying the impairment testing

The discounted cash flow calculations are based on the multi-year planning for the segments. In addition to profitability projections this involves forecasts for risk-weighted assets and capital employed. The main value drivers are receivables volumes, net interest income after loan loss provisions and net commission income. Risk assets are a further sensitive planning parameter. The projections are based on forecasts from the economic research department for the macroeconomic outlook as well as other significant parameters such as movements in interest rates, exchange rates, equity and bond markets. Planning is based both on management's past experience and an assessment of risks and opportunities based on the forecasts.

Multi-year planning normally has a four-year horizon. For impairment testing the profitability projections from the last planning year were extrapolated out to 2019 in order to reflect the impact of Basel III including the transitional arrangements on capital employed.

In calculating the discounted cash flow we use average risk-adjusted interest rates (before tax) of between 11.1% (previous year: 10.1%) and 11.9% (previous year: 13.2%). A long-term growth rate of 2.0% is assumed for all segments (previous year: 2.0%).

If there are objective indications that the economic benefits originally identified will no longer be realised, an impairment must initially be recognised on the cash-generating unit's goodwill and reported in a separate item in the income statement. Any additional impairment required is divided pro-rata between the remaining assets in the unit.

We amortise acquired customer relationships over a period of ten to fifteen years.

Software is amortised on a straight-line basis over its expected useful economic life of usually two to eight years and sometimes up to sixteen years and charged to operating expenses. Software includes both in-house developed software and acquired software. Where the reason for an impairment recognised in previous financial years ceases to apply, the impairment of intangible assets is reversed to no more than amortised cost. Impairment reversals are not permitted for goodwill.

(16) Fixed assets

The land and buildings, and also office furniture and equipment, shown under this item are recognised at cost, less regular depreciation. Impairments are made in an amount by which the carrying value exceeds the higher of fair value less costs to sell and the value in use of the asset.

Where the reason for recognising an impairment in previous financial years ceases to apply, the impairment is reversed to no more than amortised cost.

In determining the useful life, the likely physical wear and tear, technical obsolescence and legal and contractual restrictions are taken into consideration. All fixed assets are depreciated or written off largely over the following periods, using the straight-line method:

	Expected useful life years
Buildings	25–50
Office furniture and equipment	2–25

In line with the materiality principle, purchases of low-value fixed assets were recognised immediately as operating expenses. Profits realised on the disposal of fixed assets appear under other income, with losses being shown under other expenses.

(17) Leasing

In accordance with IAS 17, a lease is classified as an operating lease if it does not substantially transfer to the lessee all the risks and rewards incidental to ownership. By contrast, leases where substantially all of the risks and rewards are transferred to the lessee are classified as finance leases. The present value of the lease payments is central to determining the risks and rewards of the lease. If the present value amounts to at least substantially all of the fair value of the leased asset, the lease is classified as a finance lease. The most commonly leased assets are properties and vehicles.

- Operating leases
  If the risks and rewards of ownership remain substantially with the lessor, the asset will continue to be reported on the balance sheet. Leased assets are reported in the consolidated balance sheet under other assets and are shown at cost, less depreciation over their useful economic lives and/or impairments. Unless a different distribution is appropriate in individual cases, we recognise the proceeds from leasing transactions on a straight-line basis over the lifetime of the lease and report them under other net income.
- Finance leases
  If virtually all the risks and rewards relating to the leased asset are transferred to the lessee, the Commerzbank Group recognises a claim on the lessee. The claim is shown at its net investment value at the inception of the lease. Lease payments received are divided into an interest portion and a repayment portion. The income is recognised as interest income through profit or loss for the respective period.

The Group as lessor

Real estate lease agreements have a fixed basic rental period and generally include an option for the lessee to buy. The payments to be made by the lessee are calculated based on the total investment costs less the residual value of the leased asset as determined at the start of the lease agreement. During the fixed basic rental period the lessee bears all the asset-related costs and the third-party costs of the leasing company. The risk of unexpected or partial loss of the leased asset is borne by the lessor.

Lease agreements for moveable assets (vehicles, IT equipment) are structured as partially amortising agreements with an option to purchase and can be terminated. Because the fixed rental period is shorter in relation to the normal length of use in the case of partially amortising agreements, only part of the total investment costs are amortised.

Leases which may be terminated have no fixed rental period. In the event of termination a previously agreed final payment becomes due, which covers the portion of the total investment costs not yet amortised. If notice of termination is not given, the lease rolls over. The risk of unexpected or partial loss of the leased asset is then borne again by the lessor.

The Group as lessee

Expenditure on operating leases is always recorded on a straight-line basis over the life of the lease agreement and reported under operating expenses.

Finance leases where the Commerzbank Group is a lessee are of minor significance.

(18) Investment properties

Investment properties are defined as land and buildings held for the purpose of earning rental income or because they are expected to increase in value. Commerzbank Group also reports properties acquired as a result of the realisation of collateral in this category (rescue purchases).

Investment properties are measured at cost including directly attributable transaction costs on initial recognition in accordance with IAS 40. The fair value model is used for the subsequent measurement of investment property. Fair value is normally determined on the basis of annual valuations conducted by internal experts and on prices currently obtainable in the market. Properties used for commercial purposes are usually measured based on capitalised income; individual residential buildings are generally measured using the cost or sales comparison approach. Gains and losses arising from changes in fair value are shown under other net income in the income statement for the period.

Current income and expenses are recognised in net interest income.

(19) Assets and disposal groups held for sale

Non-current assets and disposal groups that can be sold in their current condition and if their sale is highly probable must be classified as held for sale. These assets must be measured at fair value less costs to sell in cases where this is lower than book value. However, for interest-bearing and non-interest-bearing financial instruments and investment property the only accounting change is the reclassification to the relevant balance sheet items in accordance with IFRS 5. They continue to be measured in accordance with IAS 39 or IAS 40.

If impairments are established as a result of measurement in accordance with IFRS 5, these are recognised in the corresponding position in the income statement, depending on the underlying transaction. Any subsequent write-up is limited to the total of impairments previously recognised.

After the assets have been sold, the gains or losses on disposal are recognised in other net income for non-current assets and usually in net investment income for disposal groups.

(20) Liabilities

If they are not held for trading purposes, financial liabilities are carried at amortised cost. The derivatives embedded in liabilities are separated from their host debt instrument where this is required, measured at fair value and recognised under either trading assets or trading liabilities. In micro fair value hedge accounting, hedged liabilities are adjusted for the change in fair value attributable to the hedged risk. In portfolio fair value hedge accounting the changes in fair value are reported under liabilities as value adjustments for portfolio fair value hedges. Liabilities for which the fair value option is used are recognised at their fair value.

(21) Negative fair values of derivative hedging instruments

This item shows derivative financial instruments that are used for hedging purposes and qualify for hedge accounting if they have a negative fair value. The hedging instruments are measured at fair value.

(22) Trading liabilities

Derivative financial instruments which are not used as hedging instruments in hedge accounting, lending commitments in the trading book which have a negative fair value are reported under trading liabilities. We also report own issues in the trading book and delivery obligations from short sales of securities in this item. Trading liabilities are measured at fair value through profit or loss.

(23) Provisions

A provision must be shown if on the balance sheet date, as the result of an event in the past, a current legal or factual obligation has arisen, an outflow of resources to meet this obligation is likely and it is possible to make a reliable estimate of the amount of this obligation. Accordingly we make provisions for liabilities of an uncertain amount to third parties and anticipated losses arising from pending transactions in the amount of the claims expected.

The different types of provisions are allocated via various items in the income statement. Provisions for lending business are charged to loan loss provisions, provisions for restructuring to restructuring expenses and provisions for legal risks to other net income. Other provisions are generally charged to operating expenses.

Restructuring provisions are recognised if the Commerzbank Group has a detailed formal restructuring plan and has already begun implementing this plan or has announced the main details of the restructuring. The detailed plan must contain information on the departments involved, the approximate number of staff whose jobs are affected by the restructuring, the costs involved and the period during which the restructuring will be carried out. The detailed plan must be communicated in such a way that those affected can expect it to be realised. The restructuring expenses item in the income statement contains further direct restructuring expenses which are not included in the restructuring provision.

Discounting

The amount recognised as a provision represents the best possible estimate of the expense required to meet the current obligation as at the reporting date. The estimate takes account of risks and uncertainties. Provisions are recognised at their net present value if they are long-term.

(24) Provisions for pensions and similar commitments

The company pension arrangements for current and former employees of Commerzbank Aktiengesellschaft and a number of domestic and foreign subsidiaries, together with their surviving dependants, are based on a number of different benefit schemes (both defined benefit and defined contribution plans).

Employees acquire a pension entitlement based on a contribution-related commitment from external pension providers in which a number of external companies participate. To finance this the Group, together with its current employees, pays a fixed amount to the external pension provider (such as BVV Versicherungsverein des Bankgewerbes a.G., Berlin, and BVV Versorgungskasse des Bankgewerbes e.V., Berlin). The level of current and future pension benefits is determined by contributions paid and the return earned on the assets. For these indirect systems the accounting standards laid down in IAS 19 are applied as for a defined contribution plan which means that the contributions paid to the external pension providers are recognised under personnel expenses. No provisions are formed, since the assumption of secondary liability under the law is regarded as unlikely.

The Group also operates defined benefit plans based on a direct pension commitment on the part of Commerzbank, where the level of the pension payment is pre-defined and dependent on factors such as age, salary level and length of service. IAS 19 accounting principles for defined benefit pension plans are applied to these pension schemes, so provisions are created.

For employees entitled to pension benefits who joined Commerzbank Aktiengesellschaft or certain other consolidated companies before 31 December 2004, the pension entitlements are based on the regulations of the Commerzbank modular plan for company pension benefits, known as the CBA. The amount of the benefits under CBA consists of an initial module for the period up to 31 December 2004, plus a benefit module – possibly augmented by a dynamic module – for each contributory year from 2005 onwards. Staff joining the Bank after 1 January 2005 have pension rights under the Commerzbank capital plan for company pension benefits, known as the CKA. The CKA guarantees a minimum benefit on the modular basis, but also offers additional opportunities for higher pension benefits through investing assets in investment funds.

Since 1 January 2010 the direct pension arrangements for staff formerly employed by Dresdner Bank Aktiengesellschaft have also been based on the company pension modules of the CBA.

Furthermore, some foreign subsidiaries and branches, primarily in the UK and the USA, also have defined benefit and defined contribution plans.

In order to meet the direct pension liabilities in Germany, cover assets were transferred to a legally independent trustee, Commerzbank Pension Trust e. V. (CPT). The assets held by CPT and the cover assets for pension obligations in our foreign units qualify as plan assets within the definition of IAS 19.7. Under IAS 19.54 the fair value of the plan assets are netted with the present value of the defined benefit obligations, which results in a corresponding reduction in pension provisions within the Group.

In addition to the above mentioned company pension plans, there is an internally-financed healthcare plan in the UK which entitles members in retirement to reimbursement of medical costs or a contribution to private medical insurance. The resulting obligations are accounted for according to the rules for defined benefit pension plans as specified by IAS 19.

Pension expense reported under personnel expenses for the direct pension commitments consist of two components: the service cost, representing the entitlements earned by members during the financial year; and the interest cost on the present value of the pension obligations, as the time when the pension obligations will have to be met has moved forward by one period. The expected net income from the assets in the scheme reduces pension expense, however. Moreover, the level of pension expense continues to be affected by the amortisation of actuarial gains or losses which have not yet been recognised in the income statement. If the direct pension commitments are changed and this leads to a change in the payment obligation, a past service cost (or income) is reported.

The size of the provision calculated in accordance with IAS 19.54 is therefore as follows:

Present value of the defined-benefit obligation (DBO) for direct commitments
less fair value of plan assets
less/plus unrecognised actuarial losses/gains
less/plus any past service cost or income which has not yet been recognised

= level of the pension provision

For defined-benefit plans the pension provisions and similar obligations (e.g. age-related short-time working, early retirement and anniversary provisions) are calculated annually by an independent actuary using the projected unit credit method. This calculation is based on biometric assumptions (for example, Heubeck-Richttafeln 2005G), in particular the current yield-based discount rate for high-quality long-term corporate bonds, assumptions regarding staff turnover and career trends as well as expected future rates of salary and pension increases. For German pension obligations, the discount factor is determined using a proprietary Commerzbank model derived from eurozone swap rates with the same maturity adjusted by a spread premium for high-quality corporate bonds.

According to IAS 19.92 ff., any actuarial gains and losses that have not yet been amortised do not have to be recognised until the reporting period in which they exceed the corridor of 10% of the greater of DBO or the fair value of the plan assets at the beginning of the period.

Commerzbank has decided to recognise unrealised actuarial profits and losses faster than the standard amortisation schedules recommended in IAS 19. Above a significance threshold of 75% of the 10% corridor, 20% of the gains and losses within the corridor are amortised.

The corridor method was dropped when the amended IAS 19 became applicable on 1 January 2013. As of that date, actuarial profits and losses are fully recognised in equity without affecting the income statement. Given the interest levels at the end of 2012, we expect a net charge to equity of around €0.7bn and an offsetting increase in pension provisions of around €0.9bn. In addition, the past service cost resulting from retrospective plan changes must be recognised in the income statement immediately and in full. However, this does not result in any additional cost to the Commerzbank Group because to date there has been no past service cost that has not been recognised. As a result of these changes, the offsetting of pension liabilities and plan assets means that the entire net pension liability is recognised in the balance sheet. Another insignificant effect of €–2m results from the fact that partial retirement top-up payments must be accumulated on a straight-line basis up to the end of the working period instead of being recognised in full on the date of acceptance as previously.

Furthermore, net interest costs must be calculated pursuant to the amended IAS 19 when pension liabilities are financed through plan assets. This involves calculating the interest on the net debt or net assets (defined benefit obligation less fair value of plan assets) at a uniform interest rate. For the financial year 2012, this would result in an additional charge of around €20m in the income statement compared with the previous use of different interest rates for interest cost and income from plan assets.

(25) Staff remuneration plans

1. Description of the main remuneration plans

a) Commerzbank Incentive Plan (CIP)

The Commerzbank Incentive Plan (CIP) was established in 2011. In addition to a cash component it grants beneficiaries a certain number of Commerzbank shares. The CIP applies to the entire Commerzbank Group.

The mechanism of the new remuneration model for variable remuneration comprises both a short-term incentive (STI) and a long-term incentive (LTI) in various formats. The STI component is designed as compensation for the previous financial year. The LTI component is designed as compensation for a vesting period of four years.

The proportion of the variable remuneration granted in the form of shares depends on the risk-taker group.

- Risk-taker I (executives, members of management)
- Risk-taker II (chairmen of important committees, functions with a significant impact on the bank's overall risk profile)
- Non risk-takers (other staff whose variable remuneration exceeds a certain threshold)

Risk-taker groups I and II differ in the weighting of the STI and LTI. In both cases around half of the short-term and long-term components is paid out in shares. In the non-risk-taker group half of the amount of the long-term component in excess of the threshold is paid in shares.

The different remuneration components are estimated and recognised in profit or loss in the financial year on the basis of plan calculations. The level of variable remuneration and therefore the proportion accounted for by shares per employee is finalised in the annual target attainment meeting (performance appraisal I), which is held in the first three months of the following year. This amount represents the upper limit for variable remuneration for the entire 4-year vesting period. Thereafter it can only be reduced in the annual target attainment meetings as a result of Group-specific quantitative and individual qualitative attainment metrics. The number of shares granted is determined by dividing the shares portion of the variable remuneration by the average Xetra closing price of the Commerzbank share in January and February plus December of the previous year.

In the STI the shares are subject to a 6-month lockup period. In the LTI the beneficiaries gain the right to acquire the shares after performance appraisal II at the end of the vesting period of four years (including the initial financial year), i.e. three years after determining the underlying number of shares. There is again a 6-month lockup period from the date on which the beneficiaries gain the right to acquire the shares.

If Commerzbank has paid dividends during the term of the CIP, an additional cash amount equal to the dividend is paid out when the CIP matures.

For staff in foreign locations where payment in equity instruments is not legally possible, or although possible is unattractive for staff as a result of administrative restrictions, the CIPs will be cash-settled.

b) Share awards

Share awards are a deferred component of variable compensation where non pay-scale employees of Commerzbank Aktiengesellschaft are allocated virtual Commerzbank shares. They entitle the holder to receive the gross cash value of the shares allocated on the award date after the vesting period has elapsed. The amount of the provision for variable compensation and the portion of the variable compensation to be paid in the form of share awards is dependent on the bank's overall performance and is not determined until the spring of the year following the year for which the award is paid. The number of share awards is determined on the date of allocation by dividing the variable compensation amount by the average Xetra closing price of the Commerzbank share for January and February of the year of the award and December of the previous year.

The average Xetra closing price of the Commerzbank share in January and February of the year of payout and December of the previous year are also used to determine the amount paid out. The amount paid out, normally three years from the date of the award, is determined by multiplying this average price by the number of share awards allocated on the award date. If Commerzbank has paid dividends during the term of the award, a cash amount equal to the dividend multiplied by the number of share awards allocated is paid out in addition to the gross cash value of the shares.

The Commerzbank Incentive Plan (CIP) was introduced as a result of the Banking Remuneration Regulation (Instituts-Vergütungsverordnung), which became law in Germany in October 2010. For the financial years from 2011 onwards, share awards are therefore used for selected employees only.

c) Long-Term Performance Plans (LTPs)

Commerzbank operated long-term performance plans (LTPs) for managers and other selected employees until the financial year 2008. These were variable compensation plans linked to the Commerzbank share price and lasting from three to five years, for which a personal investment in Commerzbank shares was necessary. Payment is linked to specific performance criteria of the Commerzbank share. No new LTP has been set up since 2009 and there are no plans to launch any more plans for the foreseeable future. Under the LTP plan for 2008, which is still ongoing, payments geared to the performance of the share price and the index are still theoretically possible until the end of 2013. No payouts were made under LTPs in 2011 and 2012. We do not expect the exercise criteria to be met in 2013 either.

The LTP is accounted for as a cash-settled share-based compensation transaction.

d) BRE Bank S.A.

In 2008, BRE Bank SA launched two share-based remuneration plans for the members of its Management Board. The members of the Management Board of our subsidiary could participate in these plans from 2009 to 2011. The first plan provided for the subscription of BRE Bank shares. The second plan (modified in 2010) allows for an amount to be drawn in cash corresponding to the Commerzbank share value. The last payout will be made in 2015. In 2012 a new share-based programme was established in which members of the Management Board can participate up until 2016. It comprises both a short-term component (cash payment) and a long-term component of pro-rata subscriptions of BRE Bank shares over a period of three years. Similar to the 2008 programme, a given quantity of these shares are issued each year and made available to those entitled for purchase at a pre-determined price below the accounting par value. In all of these programmes, participation is linked to at least the return on equity of the BRE Bank sub-group. The long-term component of the new programme is also coupled with the Management Board member’s performance assessment.

Both plans which entitle the participants to subscribe to BRE Bank shares (2008 and 2012) are classified as share-based payments settled in the form of equity instruments. The second programme from 2008 is accounted for as a cash-settled share-based compensation transaction.

2. Accounting treatment and measurement

The staff compensation plans described here are accounted for under the rules of IFRS 2 – Share-based Payment. IFRS 2 distinguishes between share-based payments settled in the form of equity instruments and those settled in cash. For both forms, however, the granting of share-based payments has to be recognised at fair value in the annual financial statements.

- Equity-settled share-based payment transactions

  The fair value of share-based payments settled in the form of equity instruments is recognised as personnel expense within equity in the capital reserve. The fair value of the STI component is determined on the date on which the rights are granted. The fair value of the LTI component is determined once only on the date of performance appraisal I (March n+1) as an average of the Xetra closing prices in the months January, February and December of the previous year and is recognised in profit or loss on a straight-line basis over the term of the vesting period. The amount recognised as an expense may only be adjusted if our estimate of the number of equity instruments to be finally issued changes.

  If rights cannot be exercised because the conditions for exercise (e.g. a performance target) are not met, no change is made to the amounts already recognised in equity.

- Cash-settled share-based payment transactions

  The portion of the fair value of share-based payments settled in cash that relates to services performed up to the date of measurement is recognised as personnel expense while at the same time being recorded as a provision. The fair value is recalculated on each balance sheet date up to and including the settlement date. Any change in the fair value of the obligation must be recognised through profit or loss. On the date of settlement, therefore, the provision must correspond as closely as possible to the amount payable to the eligible employees. In the case of share awards the portion of the provisions attributable to share awards is reassigned from other personnel provisions to the provision for share awards at the date of the award. The provision is calculated as the product of the number of rights allocated multiplied by the average Xetra closing price of Commerzbank shares in January and February of the year of the award and December of the previous year. The provisions fluctuate on each balance sheet date in parallel with the performance of the Commerzbank Aktiengesellschaft share price. Discounts are not applied for staff natural wastage as the share awards do not lapse on the departure or death of an employee. If

Commerzbank pays dividends during the vesting period a cash payment equal to the dividend will be paid out for each share award at the payout date in addition to the payout value of the share awards.

- Measurement

  The closing price of the Commerzbank share on 31 December 2012 was used to measure the provision for the share awards.

  A Monte Carlo model, which simulates rising future share prices, is used to calculate the fair value of the LTP staff compensation plan within the Commerzbank Group. The model is based on the assumption that stock returns are statistically normally distributed around a mean corresponding to a risk-free investment in an interest-bearing security.

  For the second programme of BRE Bank (2008), the equivalent value of the Commerzbank shares is calculated on the basis of the average market price of the share at the time of issue.

(26) Taxes on income

Current tax assets and liabilities are calculated on the basis of the expected payment to or rebate from each fiscal authority using the current tax rates applicable in the relevant country.

Deferred tax assets and liabilities are formed to reflect differences between the IFRS carrying amounts of assets or liabilities and the taxable value, provided that these temporary differences are likely to increase or reduce future taxes on income and there is no rule against disclosing them. In addition, deferred taxes are recognised for both tax loss carryforwards as well as for as yet unused tax credits. The valuation of deferred taxes is based on income tax rates already approved as at 31 December 2012 and applicable upon realisation of the temporary differences.

Deferred tax assets on tax-reducing temporary differences, unused tax losses and unused tax credits are only recognised if and to the extent that it is probable that the same taxable entity will generate tax gains or losses in the foreseeable future with respect to the same fiscal authority.

Deferred tax assets and liabilities are recognised and continued – depending on the reason for the deferral – either under taxes on income in the income statement or directly in equity.

Income tax expenses or income are reported under taxes on income in the income statement.

Deferred tax assets and liabilities have been netted if there is a right to net current taxes on income and the deferred tax assets and liabilities relate to taxes on income levied by the same fiscal authority on the same taxable entity.

Taxable temporary differences relating to shares in Commerzbank group companies for which no deferred income tax liabilities were recognised amount to €115m (previous year: €113m).

The current and deferred tax assets and current and deferred tax liabilities are set out in the balance sheet and detailed in Notes 58 and 69.

(27) Subordinated and hybrid capital

Under subordinated and hybrid capital we show issues of profit-sharing certificates, securitised and non-securitised subordinated liabilities as well as hybrid capital instruments. They are recognised at amortised cost. Premiums and discounts are recognised in net interest income over the lifetime of the instrument.

The carrying amounts of the subordinated and hybrid capital, to which micro fair value hedge accounting is applied, are adjusted for the changes in fair value attributable to the hedged risk. In portfolio fair value hedge accounting the changes in fair value are reported under liabilities as value adjustments for portfolio fair value hedges. Subordinated and hybrid capital to which the fair value option is applied is reported at fair value.

(28) Fiduciary transactions

Fiduciary business involving the management or placing of assets for the account of others is not shown in the balance sheet. Commissions received from such business are included under net commission income in the income statement.

(29) Contingent liabilities and irrevocable lending commitments

This item mainly shows contingent liabilities arising from guarantees and indemnity agreements as well as irrevocable lending commitments at their nominal value.

Situations where the reporting company acts as guarantor to the creditor of a third party for the fulfilment of a liability of that third party must be shown as guarantees. Indemnity agreements include contractual obligations that involve taking responsibility for a particular outcome or performance.

All obligations that could incur a credit risk must be shown here as irrevocable lending commitments. These include obligations to grant loans (e.g. lines that have been advised to customers), to buy securities or provide guarantees or acceptances. However, lending commitments attributable to the trading book are reported under trading assets or trading liabilities.

Provisions for risks in respect of contingent liabilities and lending commitments are included in provisions for loan losses.

Income from guarantees is reported in net commission income; the level of this income is determined by the application of agreed rates to the nominal amount of the guarantees.

(30) Treasury shares

Treasury shares held by Commerzbank Aktiengesellschaft on the balance sheet date are deducted directly from equity. Gains or losses on treasury shares are recognised in equity.

Impact of the European sovereign debt crisis

At the emergency eurozone summit on 21 July 2011, the banks and insurance companies agreed to make a contribution to supporting Greece. After completing their negotiations on 21 February 2012 and reaching agreement with the troika on 24 February 2012 the private-sector creditors were offered the opportunity by Greece to participate in a debt swap of Greek bonds. Under this Private Sector Involvement (PSI) creditors were asked to waive €535 per €1,000 nominal of their existing Greek bond holdings. The following bonds were offered in exchange for the remaining nominal €465 per €1,000 bond:

- New Greek sovereign bonds with integrated but detachable GDP warrants[1] with a nominal value of €315 each (term from 11 to 30 years)
- EFSF bonds with a nominal value of €150 each (half with a maturity of 1 year and half with a maturity of 2 years)
- EFSF bonds for accrued interest (6-month maturity)

The Commerzbank Group took part in the exchange in March 2012 and afterwards sold all of the new Greek bonds received in the exchange, including the GDP warrants. The exchange and the subsequent sale resulted in a loss of €69m in the first quarter of the 2012 financial year.

[1] The GDP warrants will lead to an additional payment of 1% of nominal value from 2015 if certain defined GDP growth criteria are met.

Notes to the income statement

(31) Net interest income

€m	2012	2011	Change in %
Interest income	14,559	17,343	–16.1
Interest income from lending and money market transactions and from the securities portfolio (available-for-sale)	876	1,232	–28.9
Interest income from lending and money market transactions and from the securities portfolio (loans and receivables)	12,856	15,456	–16.8
Interest income from lending and money market transactions and from the securities portfolio (from applying the fair value option)	101	119	–15.1
Prepayment penalty fees	139	87	59.8
Gains on the sale of loans and receivables and repurchase of liabilities[1]	264	166	59.0
Dividends from securities	221	115	92.2
Current net income from equity holdings and non-consolidated subsidiaries	21	41	–48.8
Current income from properties held for sale and from investment properties	69	127	–45.7
Other interest income	12	–	.
Interest expense	9,020	10,619	–15.1
Interest expense on subordinated and hybrid capital	891	940	–5.2
Interest expense on securitised liabilities	2,733	3,584	–23.7
Interest expense on other liabilities	4,922	5,256	–6.4
Interest expense from applying the fair value option[2]	50	36	38.9
Losses on the sale of loans and receivables and repurchase of liabilities[1]	103	73	41.1
Current expenses from properties held for sale and from investment properties	54	78	–30.8
Other interest expense	267	652	–59.0
Total	**5,539**	**6,724**	**–17.6**

[1] Of which €195m gains and €30m losses on the repurchase of liabilities in the current financial year (previous year: €112m gains and €10m losses).
[2] Of which – for subordinated and hybrid capital (previous year: €1m).

There was an unwinding effect of €157m (previous year: €195m) for commitments which have been terminated and impaired commercial real estate loans.

Net interest income included €12m from derivative financial instruments not included in the trading book (previous year: €–342m).

The breakdown of interest income and interest expense from investment properties was as follows:

€m	2012	2011	Change in %
Rental income	58	61	–4.9
Other income	–	–	.
Total income	**58**	**61**	**–4.9**
Building and occupancy expense for rented properties	29	27	7.4
Other expenses	24	33	–27.3
Total expenses	**53**	**60**	**–11.7**

(32) Loan loss provisions

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

€m	2012	2011	Change in %
Allocation to loan loss provisions[1]	–3,133	–3,467	–9.6
Reversals of loan loss provisions[1]	1,709	2,489	–31.3
Direct write-downs	–456	–594	–23.2
Write-ups and amounts recovered on claims written-down	220	182	20.9
Total	**–1,660**	**–1,390**	**19.4**

[1] Gross figures (e.g. migrations between different types of provisions are not netted off).

Loan loss provisions in the Group amounted to €1,660m in 2012. This amount includes a one-off effect from reviewing and updating parameters totalling €69m net. Overall, loan loss provisions in 2012 were €270m higher than in the previous year. The breakdown of the net allocation to provisions was as follows:

€m	2012	2011	Change in %
Specific risks	–1,482	–1,349	9.9
Claims on banks	69	24	.
Claims on customers	–1,688	–1,376	22.7
Off-balance sheet items	137	3	.
Portfolio risks	58	371	–84.4
Claims on banks	17	–20	.
Claims on customers	2	320	–99.4
Off-balance sheet items	39	71	–45.1
Direct write-downs, write-ups and amounts recovered on claims written down	–236	–412	–42.7
Total	**–1,660**	**–1,390**	**19.4**

(33) Net commission income

€m	2012	2011	Change in %
Commission income	**3,711**	**4,055**	**–8.5**
Securities transactions	1,019	1,221	–16.5
Asset management	176	161	9.3
Payment transactions and foreign business	1,365	1,303	4.8
Real estate lending business	152	193	–21.2
Guarantees	238	230	3.5
Net income from syndicated business	152	272	–44.1
Intermediary business	303	325	–6.8
Fiduciary transactions	8	8	0.0
Other income	298	342	–12.9
Commission expense	**520**	**560**	**–7.1**
Securities transactions	170	181	–6.1
Asset management	34	22	54.5
Payment transactions and foreign business	131	131	0.0
Real estate lending business	37	36	2.8
Guarantees	69	86	–19.8
Net income from syndicated business	1	4	–75.0
Intermediary business	67	67	0.0
Fiduciary transactions	3	3	0.0
Other expenses	8	30	–73.3
Net commission income			
Securities transactions	849	1,040	–18.4
Asset management	142	139	2.2
Payment transactions and foreign business	1,234	1,172	5.3
Real estate lending business	115	157	–26.8
Guarantees	169	144	17.4
Net income from syndicated business	151	268	–43.7
Intermediary business	236	258	–8.5
Fiduciary transactions	5	5	0.0
Other	290	312	–7.1
Total	**3,191**	**3,495**	**–8.7**

Commission income included €937m (previous year: €882m) and commission expense included €139m (previous year: €133m) from transactions with financial instruments that were not recognised at fair value through profit or loss.

(34) Net trading income

Net trading income is comprised of three components:

- Net trading gain or loss (this includes trading in securities, promissory note loans, precious metals and derivative instruments plus the net gain or loss on the remeasurement of derivative financial instruments that do not qualify for hedge accounting)
- Net interest income
- Net gain or loss from applying the fair value option

The net gain or loss from applying the fair value option includes the changes in fair value of the underlying derivatives.

€m	2012	2011	Change in %
Net trading gain or loss[1]	473	703	– 32.7
Net interest income	974	1,114	– 12.6
Net gain or loss from applying the fair value option	– 334	292	.
Total	**1,113**	**2,109**	**– 47.2**

[1] Including net gain or loss on the remeasurement of derivative financial instruments.

Net interest income from trading was made up of €2,224m in interest income (previous year: €3,694m) and €1,250m in interest expense (previous year: €2,580m) for funding trading transactions. Net interest income from derivative financial instruments is contained in interest income and came to €631m in the year under review (previous year: €102m).

(35) Net income from hedge accounting

Net income from hedge accounting includes gains and losses on the remeasurement of effective hedges in fair value hedge accounting as well as the ineffective portion of effective cash flow hedges. The breakdown was as follows:

€m	2012	2011	Change in %
Fair value hedges			
Changes in fair value attributable to hedging instruments	– 155	– 3,215	– 95.2
Micro fair value hedges	– 1,063	– 3,721	– 71.4
Portfolio fair value hedges	908	506	79.4
Changes in fair value attributable to hedged items	163	3,092	– 94.7
Micro fair value hedges	1,103	3,967	– 72.2
Portfolio fair value hedges	– 940	– 875	7.4
Cash flow hedges			
Net gain or loss of effectively hedged cash flow hedges (ineffective part only)	–	–	.
Total	**8**	**– 123**	**.**

(36) Net investment income

Net investment income contains gains or losses on the disposal and remeasurement of securities in the loans and receivables and available-for-sale categories, equity holdings, holdings in companies accounted for using the equity method and subsidiaries.

€m	2012	2011	Change in %
Net gain or loss from interest-bearing business	**–150**	**–3,520**	**–95.7**
In the available-for-sale category	125	–343	.
Gains on disposals (including reclassification from revaluation reserve)[1]	391	555	–29.5
Losses on disposals (including reclassification from revaluation reserve)[1]	–263	–576	–54.3
Net remeasurement gain or loss[1]	–3	–322	–99.1
In the loans and receivables category	–275	–3,177	–91.3
Gains on disposals	11	3	.
Losses on disposals	–226	–283	–20.1
Net remeasurement gain or loss[2]	–60	–2,897	–97.9
Net income from equity instruments	**231**	**–91**	**.**
In the available-for-sale category	141	88	60.2
Gains on disposals (including reclassification from revaluation reserve)[1]	141	99	42.4
Losses on disposals (including reclassification from revaluation reserve)[1]	–	–11	.
In the available-for-sale category, measured at acquisition cost	157	53	.
Net remeasurement gain or loss[1]	–27	–77	–64.9
Net gain or loss on disposals and remeasurement of companies accounted for using the equity method	–40	–155	–74.2
Total	**81**	**–3,611**	**.**

[1] This includes a net of €229m (previous year: €88m) of reclassification from the revaluation reserve created in the financial year 2012.
[2] Includes portfolio valuation allowances of €58m (prior year: €40m) for reclassified securities.

(37) Current net income from companies accounted for using the equity method

Current net income from companies accounted for using the equity method was €46m (previous year: €42m). Including the net gain or loss on disposals and remeasurement of companies accounted for using the equity method of €–40m (previous year: €–155m), which is included in net investment income, total net income from companies accounted for using the equity method was €6m (previous year: €–113m).

(38) Other net income

Other net income primarily comprises allocations to and reversals of provisions, income and expenses from operating leases as well as interim expenses and income attributable to hire-purchase agreements. Expenses and income arising from building and architects' fees relate to the construction management of our sub-group Commerz Real. Other taxes are also included in this item.

€m	2012	2011	Change in %
Other material items of expense	**607**	**436**	**39.2**
Allocations to provisions	347	300	15.7
Operating lease expenses	213	91	.
Expenses arising from building and architects' services	6	11	−45.5
Hire-purchase expenses and sublease expense	41	34	20.6
Other material items of income	**522**	**547**	**−4.6**
Reversals of provisions	232	375	−38.1
Operating lease income	232	116	.
Income from building and architects' services	11	12	−8.3
Hire-purchase proceeds and sublease income	40	34	17.6
Income from disposal of fixed assets	7	10	−30.0
Balance of sundry other expenses/income[1]	8	1,142	−99.3
Other net income	**−77**	**1,253**	**.**

[1] Of which: €39m (previous year: €–9m) attributable to exchange rate movements.

The reversals of provisions and allocations to provisions in other net income were impacted in 2012 by changes to our estimates of litigation losses.

(39) Operating expenses

The Group's operating expenses of €7.025m (previous year: €7.992m) consisted of personnel expenses of €3,956m (previous year: €4,178m), other operating expense of €2,664m (previous year: €3,340m) and depreciation and amortisation of office furniture and equipment, property and other intangible assets of €405m (previous year: €474m). The breakdown of operating expenses was as follows:

Personnel expenses | €m	2012	2011	Change in %
Wages and salaries	3,729	3,797	−1.8
Expenses for pensions and similar employee benefits	227	381	−40.4
Total	**3,956**	**4,178**	**−5.3**

Personnel expenses included €488m expenses for social security contributions (previous year: €483m).

Operating expenses | €m	**2012**	**2011**	**Change in %**
Occupancy expenses	818	817	0.1
IT expenses	473	926	–48.9
Workplace and information expenses	280	321	–12.8
Compulsory contributions	169	164	3.0
Advisory, audit and other expenses required to comply with company law	293	364	–19.5
Travel, representation and advertising expenses	274	343	–20.1
Personnel-related operating expenses	111	154	–27.9
Other operating expenses	246	251	–2.0
Total	**2,664**	**3,340**	**–20.2**

The fees for the group auditors (PricewaterhouseCoopers Aktiengesellschaft, Frankfurt, Germany) amounted to €26.0m excluding VAT for the financial year 2012, of which €251,000 was attributable to services provided during the financial year 2011.

Auditors' fees | €1,000	**2012**	**2011**	**Change in %**
Audit of financial statements	15,945	17,876	–10.8
Provision of other certificates or assessments	5,211	8,763	–40.5
Tax consulting services	3,247	2,090	55.4
Other services	1,641	6,528	–74.9
Total	**26,044**	**35,257**	**–26.1**

Depreciation and amortisation of office furniture and equipment, property and other intangible assets were as follows:

€m	**2012**	**2011**	**Change in %**
Office furniture and equipment	172	192	–10.4
Property	55	43	27.9
Other intangible assets	178	239	–25.5
Total	**405**	**474**	**–14.6**

The amortisation of other intangible assets included impairment charges of €1m (previous year €30m). There was an impairment charge on property of €17m (previous year: €5m).

(40) Restructuring expenses

€m	**2012**	**2011**	**Change in %**
Expenses for restructuring measures introduced	43	–	.
Total	**43**	**–**	**.**

The restructuring expenses in financial year 2012 resulted from the realignment of the Group in compliance with the European Commission requirement to wind down Hypothekenbank Frankfurt Aktiengesellschaft (formerly Eurohypo Aktiengesellschaft), combined with the decision to exit ship finance and commercial real estate lending. These expenses primarily involved personnel costs.

(41) Taxes on income

The breakdown of income tax expense was as follows:

€m	2012	2011	Change in %
Current taxes on income	127	29	.
Tax expense or income for the current year	207	197	5.1
Tax expense or income for the previous year	–80	–168	–52.4
Deferred taxes on income	669	–269	.
Tax expense or income due to change in temporary differences and loss carryforwards	157	56	.
Tax rate differences	–4	5	.
Tax expense due to write-offs of deferred taxes previously recognised on loss carryfowards	516	170	.
Tax income from previously unrecognised tax loss carryforwards	–	–500	.
Total	**796**	**–240**	**.**

The combined income tax rate applicable to Commerzbank Aktiengesellschaft and its German tax group was 31.2%.

The following reconciliation shows the connection between net pre-tax profit according to IFRS and tax expense in the reporting year.

The Group income tax rate selected as a basis for the reconciliation is made up of the corporate income tax rate of 15.0% applied in Germany, plus the solidarity surcharge of 5.5%, and an average rate of 15.3% for trade tax. This produces a German income tax rate of 31.2% (previous year: 31.2%).

Income tax effects result from discrepancies between the tax rates applying to foreign units. Tax rates outside Germany ranged between 0% (Dubai) and 46% (New York).

As at 31 December 2012 the Group tax rate was 88% (previous year: –47.3%). Tax expense for the full year resulted mainly from the write-down of deferred tax assets for domestic Group companies, the London and New York branches and Hypothekenbank Frankfurt (€673m). In turn, the use of loss carryforwards for which no deferred tax assets had been recognised in previous years (€–130m) and current taxes relating to other periods (€–40m) had a positive effect on the Group tax rate.

€m	2012	2011
Pre-tax profit or loss under IFRS	**905**	**507**
Group's income tax rate (%)	31.2	31.2
Calculated income-tax expense in financial year	**282**	**158**
Effects of differing tax rates and tax rate changes on tax accruals recognised in income	–4	5
Impact of the recognition of deferred taxes on loss carryforwards	673	–500
Effects of non-deductible operating expenses and tax-exempt income	62	–24
Unrecognised deferred tax assets	–42	683
Utilisation of tax carryforwards for which no deferred tax assets had been calculated	–130	–254
Effects of additions and deductions for trade tax	–29	12
Current taxes relating to other periods	–40	–267
Other effects	24	–53
Taxes on income	**796**	**–240**

The table below shows the value of current and deferred taxes resulting from items that were directly credited or debited to equity:

Taxes on income not recognised in the income statement | €m	31.12.2012	31.12.2011	Change in %
Current taxes on income	–	–	.
Deferred taxes on income	1,184	1,559	–24.1
Measurement differences arising from cash flow hedges	233	298	–21.8
Revaluation reserve	713	1,044	–31.7
Loss carryforwards	238	217	9.7
Other	–	–	.
Total	**1,184**	**1,559**	**–24.1**

(42) Net income

Net income consists of remeasurements to fair value, impairments/impairment reversals, realised gains on disposal and subsequent recoveries on written-down financial instruments (see Note 5c). The net interest income table shows the interest components from the net interest income and net trading income notes by IAS 39 category.

€m	2012	2011	Change in %
Net profit or loss from			
Trading assets and liabilities	481	580	–17.1
Applying the fair value option	–334	292	.
Available-for-sale financial assets and holdings in companies accounted for using the equity method	356	–434	.
Loans and receivables	–1,935	–4,567	–57.6
Other financial liabilities	–	–	.

€m	2012	2011	Change in %
Net interest income from			
Financial instruments held for trading	343	1,012	–66.1
Applying the fair value option	51	83	–38.6
Available-for-sale financial assets	876	1,232	–28.9
Loans and receivables	12,856	15,456	–16.8
Other financial liabilities	–8,546	–9,780	–12.6

(43) Earnings per share

	2012	2011	Change in %
Operating profit (€m)	1,216	507	.
Consolidated profit or loss attributable to Commerzbank shareholders (€m)	6	638	.
Average number of ordinary shares issued	5,608,746,850	3,459,978,549	62.1
Operating profit per share (€)	0.18	0.15	20.0
Earnings per share (€)	–0.04	0.18	.

The earnings per share, calculated in accordance with IAS 33, are based on the consolidated profit attributable to Commerzbank shareholders less the dividend on silent participations. As in the previous year, no conversion or option rights were outstanding during the financial year. The figure for diluted earnings per share was therefore identical to the undiluted figure. The breakdown of operating profit is set out in the segment report (Note 45).

(44) Cost/income ratio

%	2012	2011	Change in % points
Cost/income ratio in operating business	71.0	80.8	–9.8

The cost/income ratio is the ratio of operating expenses to income before provisions.

(45) Segment reporting

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

Our segment reporting covers five operating segments plus the Others and Consolidation segment. The Portfolio Restructuring Unit (PRU), which was wound up on 1 July 2012, is shown separately with its results for the first half of the year. This reflects the Commerzbank Group's organisational structure and forms the basis for internal management reporting. The business segments are divided up on the basis of distinctions between products, services and/or customer target groups. The Commerzbank Group reorganised a number of segments in the third quarter of 2012. The structural changes are set out in the reports on the individual segments. Except for the small number of ongoing activities from the closed PRU segment that have been transferred to Corporates & Markets and Non-Core Assets, the prior year figures have been restated accordingly.

- The Private Customers segment was reorganised in several areas in the third quarter of 2012. Its activities comprise Private Customers, Direct Banking and CommerzReal (formerly Asset Management & Leasing). The Private Customers division combines the classic branch business with retail, private banking and corporate customers. The dense national network of local branches offers a full service range of banking products including loan, deposit, security, payment transactions and pension products. Wealth Management provides services to wealthy clients in Germany and abroad and also contains the Group's portfolio management activities. The focus is on services such as securities management/portfolio management, credit management and loans and real estate management. We also provide advice on trust and inheritance issues and corporate investments. Moreover, this segment includes Commerz Direktservice GmbH, which provides call centre services for Commerzbank customers. The Joint Venture Commerz Finanz, which is focused on consumer lending, is managed centrally by the Private Customers segment and also reports its results there. Since 1 July 2012 the private real estate portfolio of the Private Customer portfolio of Hypothekenbank Frankfurt Aktiengesellschaft (formerly Eurohypo Aktiengesellschaft) has been part of the Private Customers division. The Direct Banking division comprises the activities of the comdirect Group. The B2B (ebase) and B2C businesses (comdirect) contained in Direct Banking provide standardised, primarily internet-based advisory and service offerings for customers. CommerzReal has been a division of the Private Customers segment since July 2012 (except for the Warehouse sector). Its products range from open-ended real estate funds (hausinvest), to closed-end funds for real estate, aircraft, ships and renewable energy, institutional investments and structured investments as well as equipment leasing.

- The Mittelstandsbank segment is divided into the three group divisions Mittelstand Germany, Corporate Banking & International and Financial Institutions. The Mittelstand Germany division serves small and mid-sized customers, the public sector and institutional clients. Our comprehensive service offering includes payments and cash management solutions, flexible financing solutions, interest rate and currency management products, professional investment advisory services and innovative investment banking solutions. In the Corporate Banking & International division we concentrate on serving corporate groups with revenues of over €500m (except for multinational corporates, which are handled by Client Relationship Management within the Corporates & Markets segment). Smaller groups with a strong capital market affinity or significant operations outside Germany are also serviced by this division. With our foreign branch offices we act as a strategic partner for both the international activities of our German corporate customers and for international companies with business activities in our home market of Germany. The Corporate Banking & International division also contains the competence centre for companies from the renewable energy sector. With effect from 1 January 2012 the corporate customer business of the branches in the Czech Republic and Slovakia, Commerzbank Eurasija (SAO) in Russia and Commerzbank Zrt. in Hungary was transferred from the Central & Eastern Europe segment to this division. The prior-year figures were restated accordingly. The Financial Institutions division is responsible for relationships with banks and financial institutions in Germany and abroad, as well as with central banks. The strategic focus is on Commerzbank becoming customers' preferred source of trade finance services. Financial Institutions uses a network of over 7,000 correspondent banks, together with business relationships in emerging markets, to support the financing and settlement of the worldwide foreign trade activities of all of the Commerzbank Group's customers, and thus supports other divisions of the Bank in their international strategies.
- The Central & Eastern Europe segment contains the universal banking and direct banking activities in this region in 2012. It includes in particular our Polish subsidiary BRE Bank, which offers banking products for corporate customers as well as financial services for private customers under the mBank and MultiBank brands in Poland, the Czech Republic and Slovakia. Other investments in microfinance banks, which with the exception of one investment were sold during 2012, also belonged to the CEE segment. Furthermore, the sale of Bank Forum to the Ukrainian Smart Group was completed in the fourth quarter. The resulting impairment is reported in net gain or loss from sale of disposal groups.
- Corporates & Markets consists of four main businesses: Equity Markets & Commodities comprises trading and sales of equity and commodity-related financial products. Fixed Income & Currencies includes trading and sales of interest rate, credit and currency instruments. Corporate Finance provides arrangement and advisory services for equity, debt and hybrid instruments, securitisation solutions and mergers & acquisitions. Credit Portfolio Management is responsible for actively managing the credit risk portfolio of Corporates & Markets on a uniform global basis. The assets transferred from

the Portfolio Restructuring Unit are also worked out in this division in a value-maximising manner. Corporates & Markets also houses Client Relationship Management, which is responsible for servicing German multinational industrial companies, German and international insurers, private equity investors, sovereign wealth funds and public sector customers.

- The Non-Core Assets (NCA) segment was created with effect from 1 July 2012. The NCA segment groups together the results from the Commercial Real Estate (CRE), CRE Germany, CRE International, Public Finance (including Private Finance Initiatives, which were transferred from the PRU to NCA with effect from 1 July 2012) and Deutsche Schiffsbank (DSB NCA) divisions. CRE Germany, CRE International and Public Finance belong almost entirely to the Commerzbank subsidiary Hypothekenbank Frankfurt Aktiengesellschaft (formerly Eurohypo Aktiengesellschaft). The DSB NCA division contains the ship financing business of the Commerzbank Group, including all ship financing activities of the former Deutsche Schiffsbank Aktiengesellschaft, which was merged with Commerzbank Aktiengesellschaft in May 2012, as well as the Warehouse assets of Commerz Real Aktiengesellschaft.
- The Portfolio Restructuring Unit segment was dissolved as at 1 July 2012. The remaining assets were transferred either to the Corporates & Markets segment or to the Non-Core Assets (NCA) segment. The results of this segment in the first half of 2012 will continue to be reported until the end of 2012. The Portfolio Restructuring Unit was responsible for managing down assets related to proprietary trading and investment activities which no longer fitted into Commerzbank's client-centric strategy and were discontinued in 2009. The segment's goal was to reduce the portfolio in a way that optimised the bank's capital position. The positions managed by this segment initially included asset-backed securities (ABS) without a state guarantee, other structured credit products, proprietary trading positions in corporate or financial bonds and exotic credit derivatives. These positions were primarily transferred from the Corporates & Markets and former Commercial Real Estate segments to the Portfolio Restructuring Unit.
- The Others and Consolidation segment contains the income and expenses which are not attributable to the operational business segments. The Others category within this segment includes equity holdings which are not assigned to the operating segments as well as Group Treasury. The costs of the service units, which – except for integration and restructuring costs – are charged in full to the segments are also shown here. Consolidation includes income and expense items that represent the reconciliation of internal management reporting figures shown in segment reporting with the consolidated financial statements in accordance with IFRS. The costs of the Group management units which are charged in full to the segments, except for integration and restructuring costs, are also reported under this heading.

The performance of each segment is measured in terms of operating profit or loss and pre-tax profit or loss, as well as return on equity and the cost/income ratio. Operating profit or loss is defined as the sum of net interest income after loan loss provisions, net commission income, net trading income and net income from hedge accounting, net investment income, current net income from companies accounted for using the equity method and other net income less operating expenses. As we report pre-tax profits, non-controlling interests are included in the figures for both profit or loss and average capital employed. All the revenue for which a segment is responsible is thus reflected in the pre-tax profit.

The return on equity is calculated as the ratio of profit (both operating and pre-tax) to average capital employed. It shows the return on the capital employed in a given segment. The cost/income ratio in operating business reflects the cost efficiency of the various segments and expresses the relationship of operating expenses to income before loan loss provisions.

Income and expenses are reported in the segments by originating unit and at market prices, with the market interest rate method being used for interest rate operations. The actual funding costs for the segment-specific equity holdings allocated to each segment are shown in net interest income. The Group's return on capital employed is allocated to the net interest income of the various segments in proportion to the average capital employed in the segment. The interest rate used is the long-term risk-free rate on the capital market. The average capital employed is calculated using the Basel II methodology, based on average risk-weighted assets and the capital charges for market risk positions (risk-weighted asset equivalents). At Group level, investors' capital is shown, which is used to calculate the return on equity. In the light of increased regulatory capital requirements, from 2012 the capital requirement for risk-weighted assets assumed for segment reporting purposes is 9%. We have restated the prior-year figures accordingly. The capital allocation for the risks of EU government bonds required by the EBA is shown in the NCA segment.

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

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

The carrying amounts of companies accounted for using the equity method were €744m (previous year: €694m) and are divided over the segments as follows: Private Customers €335m (previous year: €278m), Mittelstandsbank €98m (previous year: €96m), Corporates & Markets €88m (previous year: €85m), Non-Core Assets €139m (previous year: €154m) and Others and Consolidation €84m (previous year: €81m).

Assets of €7.5bn deriving from the dissolved Portfolio Restructuring Unit were attributable to the Corporates & Markets segment as at 31 December 2012 and assets of €920m to Non-Core Assets. The main gains or losses arising from these assets were as follows: €60m net trading income, €37m loan loss provisions and €84m pre-tax profit was attributable to the Corporates & Markets segment, while €37m net trading income and €30m pre-tax profit was attributable to the NCA segment.

The tables below contain information on the segments for the financial years 2012 and 2011.

2012 €m	Private Customers	Mittelstandsbank	Central & Eastern Europe	Corporates & Markets[1]	Non-Core Assets[1,2]	Portfolio Restructuring Unit[3]	Others and Consolidation	Group
Net interest income	1,835	1,954	482	546	689	42	−9	5,539
Loan loss provisions	−95	−30	−105	−52	−1,374	−3	−1	−1,660
Net interest income after loan loss provisions	1,740	1,924	377	494	−685	39	−10	3,879
Net commission income	1,546	1,061	188	319	104	–	−27	3,191
Net trading income and net income from hedge accounting	3	−22	103	534	−244	146	601	1,121
Net investment income	−4	31	9	208	−323	28	132	81
Current net income from companies accounted for using the equity method	27	6	–	12	−2	–	3	46
Other net income	−57	−14	36	−23	1	–	−20	−77
Income before loan loss provisions	*3,350*	*3,016*	*818*	*1,596*	*225*	*216*	*680*	*9,901*
Income after loan loss provisions	*3,255*	*2,986*	*713*	*1,544*	*−1,149*	*213*	*679*	*8,241*
Operating expenses	3,010	1,337	473	1,347	376	29	453	7,025
Operating profit or loss	**245**	**1,649**	**240**	**197**	**−1,525**	**184**	**226**	**1,216**
Impairments of goodwill and brand names	–	–	–	–	–	–	–	–
Restructuring expenses	–	–	–	–	43	–	–	43
Net gain or loss from sale of disposal groups	–	–	−268	–	–	–	–	−268
Pre-tax profit or loss	**245**	**1,649**	**−28**	**197**	**−1,568**	**184**	**226**	**905**
Assets	**65,511**	**80,747**	**24,825**	**213,781**	**172,158**	**–**	**78,856**	**635,878**
Average capital employed	**3,919**	**5,771**	**1,763**	**3,211**	**10,003**	**1,378**	**3,399**	**29,444**
Operating return on equity (%)	**6.3**	**28.6**	**13.6**	**6.1**	**−15.2**			**4.1**
Cost/income ratio in operating business (%)	**89.9**	**44.3**	**57.8**	**84.4**	**167.1**			**71.0**
Return on equity of pre-tax profit or loss (%)	**6.3**	**28.6**	**−1.6**	**6.1**	**−15.7**			**3.1**
Staff (average headcount)	17,597	5,836	8,444	2,017	760	25	19,119	53,798

[1] The remaining holdings of the dissolved Portfolio Restructuring Unit (PRU) segment were transferred on 1 July 2012 to the Corporates & Markets segment or the Non-Core Assets (NCA) segment.
[2] The Non-Core Assets (NCA) segment was formed from the former Asset Based Finance segment (refer to the segment report for details).
[3] The Portfolio Restructuring Unit (PRU) segment was dissolved on 1 July 2012. The result for the first half of the year was reported up until the end of 2012.

2011 €m	**Private Custom-ers**	**Mittel-stands-bank**	**Central & Eastern Europe**	**Corpo-rates & Markets**	**Non-Core Assets[1]**	**Portfolio Restruc-turing Unit**	**Others and Con-solidation**	**Group**
Net interest income	2,107	2,254	573	832	941	49	– 32	6,724
Loan loss provisions	– 61	– 190	– 86	– 146	– 903	– 5	1	– 1,390
Net interest income after loan loss provisions	2,046	2,064	487	686	38	44	– 31	5,334
Net commission income	1,880	1,116	187	300	134	–	– 122	3,495
Net trading income and net income from hedge accounting	–	– 39	247	1,069	123	– 108	694	1,986
Net investment income	– 5	– 45	1	30	– 3,796	4	200	– 3,611
Current net income from companies accounted for using the equity method	20	11	–	15	– 9	–	5	42
Other net income	63	– 4	36	– 12	– 70	– 7	1,247	1,253
Income before loan loss provisions	*4,065*	*3,293*	*1,044*	*2,234*	*– 2,677*	*– 62*	*1,992*	*9,889*
Income after loan loss provisions	*4,004*	*3,103*	*958*	*2,088*	*– 3,580*	*– 67*	*1,993*	*8,499*
Operating expenses	3,528	1,515	531	1,505	438	63	412	7,992
Operating profit or loss	**476**	**1,588**	**427**	**583**	**– 4,018**	**– 130**	**1,581**	**507**
Impairments of goodwill and brand names	–	–	–	–	–	–	–	–
Restructuring expenses	–	–	–	–	–	–	–	–
Pre-tax profit or loss	**476**	**1,588**	**427**	**583**	**– 4,018**	**– 130**	**1,581**	**507**
Assets	**68,293**	**88,406**	**23,035**	**204,921**	**196,809**	**15,768**	**64,531**	**661,763**
Average capital employed	**4,155**	**6,958**	**1,812**	**3,807**	**7,641**	**1,200**	**4,661**	**30,234**
Operating return on equity (%)	**11.5**	**22.8**	**23.6**	**15.3**	**– 52.6**			**1.7**
Cost/income ratio in operating business (%)	**86.8**	**46.0**	**50.9**	**67.4**	**.**			**80.8**
Return on equity of pre-tax profit or loss (%)	**11.5**	**22.8**	**23.6**	**15.3**	**– 52.6**			**1.7**
Staff (average headcount)	18,179	5,900	9,206	1,991	826	32	19,783	55,917

[1] The Non-Core Assets (NCA) segment was formed from the former Asset Based Finance segment (refer to the segment report for details).

Details for Others and Consolidation:

€m	2012			2011		
	Others	**Consoli-dation**	**Others and Consoli-dation**	**Others**	**Consoli-dation**	**Others and Consoli-dation**
Net interest income	62	–71	–9	–49	17	–32
Loan loss provisions	–1	–	–1	1	–	1
Net interest income after loan loss provisions	61	–71	–10	–48	17	–31
Net commission income	–26	–1	–27	–119	–3	–122
Net trading income and net income from hedge accounting	576	25	601	643	51	694
Net investment income	144	–12	132	201	–1	200
Current net income from companies accounted for using the equity method	3	–	3	5	–	5
Other net income	–21	1	–20	1,242	5	1,247
Income before loan loss provisions	*738*	*–58*	*680*	*1,923*	*69*	*1,992*
Income after loan loss provisions	*737*	*–58*	*679*	*1,924*	*69*	*1,993*
Operating expenses	461	–8	453	425	–13	412
Operating profit or loss	**276**	**–50**	**226**	**1,499**	**82**	**1,581**
Impairments of goodwill and brand names	–	–	–	–	–	–
Restructuring expenses	–	–	–	–	–	–
Net gain or loss from sale of disposal groups	–	–	–	–	–	–
Pre-tax profit or loss	**276**	**–50**	**226**	**1,499**	**82**	**1,581**
Assets	**78,856**	**–**	**78,856**	**64,531**	**–**	**64,531**

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

- Remeasurement effects from the application of hedge accounting to intra-bank transactions as per IAS 39 are shown in Consolidation.
- The pre-tax equivalent of tax-related transactions allocated to net interest income in the Corporates & Markets segment is eliminated again under Consolidation.
- Net remeasurement gains or losses on own bonds and shares incurred in the segments are eliminated under Consolidation.
- Other consolidation effects from intra-group transactions are also reported here.
- Integration and restructuring expenses of the Group management units are reported under Consolidation.

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

2012 financial year €m	**Germany**	**Europe excluding Germany**	**America**	**Asia**	**Others**	**Total**
Net interest income	3,596	1,766	92	85	–	5,539
Loan loss provisions	–899	–769	63	–55	–	–1,660
Net interest income after loan loss provisions	2,697	997	155	30	–	3,879
Net commission income	2,679	434	43	35	–	3,191
Net trading income and net income from hedge accounting	859	187	45	30	–	1,121
Net investment income	–72	143	1	9	–	81
Current net income from companies accounted for using the equity method	31	10	5	–	–	46
Other net income	–135	39	–9	28	–	–77
Income before loan loss provisions	*6,958*	*2,579*	*177*	*187*	–	*9,901*
Income after loan loss provisions	*6,059*	*1,810*	*240*	*132*	–	*8,241*
Operating expenses	5,460	1,327	132	106	–	7,025
Operating profit or loss	**599**	**483**	**108**	**26**	**–**	**1,216**
Credit-risk-weighted assets	**114,945**	**52,256**	**4,043**	**3,340**	**–**	**174,584**

In 2011 we achieved the following results in the various geographical markets:

2011 financial year €m	**Germany**	**Europe excluding Germany**	**America**	**Asia**	**Others**	**Total**
Net interest income	4,377	2,055	197	95	–	6,724
Loan loss provisions	–618	–955	182	1	–	–1,390
Net interest income after loan loss provisions	3,759	1,100	379	96	–	5,334
Net commission income	2,999	401	54	41	–	3,495
Net trading income and net income from hedge accounting	1,374	545	48	19	–	1,986
Net investment income	–3,179	–438	7	–1	–	–3,611
Current net income from companies accounted for using the equity method	33	9	–	–	–	42
Other net income	1,211	35	–3	10	–	1,253
Income before loan loss provisions	*6,815*	*2,607*	*303*	*164*	–	*9,889*
Income after loan loss provisions	*6,197*	*1,652*	*485*	*165*	–	*8,499*
Operating expenses	6,236	1,482	165	109	–	7,992
Operating profit or loss	**–39**	**170**	**320**	**56**	**–**	**507**
Credit-risk-weighted assets	**122,556**	**55,850**	**7,385**	**3,978**	**–**	**189,769**

Around 34% of income before loan loss provisions in Europe was accounted for by our units in the UK (previous year: 43%), 35% by our units in Poland (previous year: 34%) and 15% by our units in Luxembourg (previous year: 7%). Credit risk-weighted assets are shown for the geographical segments rather than non-current assets.

In accordance with IFRS 8.32 Commerzbank has decided not to provide a breakdown of the Commerzbank Group's total profits by products and services. Neither internal management activities nor management reporting are based on this information.

Notes to the balance sheet

(46) Cash reserve

We include the following items in the cash reserve:

€m	31.12.2012	31.12.2011	Change in %
Cash on hand	1,687	1,572	7.3
Balances with central banks	13,678	3,998	.
Debt issued by public-sector borrowers and bills of exchange rediscountable at central banks	390	505	– 22.8
Total	**15,755**	**6,075**	**.**

The balances with central banks include claims on the Bundesbank totalling €5,637m (previous year: (previous year: €1,179m). The average minimum reserve requirement for the period December 2012 to January 2013 amounted to €2,550m (previous year: €2,205m). Minimum reserve requirements are measured on the basis of average credit balances, so there were no restrictions on access to balances held at Deutsche Bundesbank.

(47) Claims on banks

	Total			Due on demand		Other claims	
€m	31.12.2012	31.12.2011	Change in %	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Banks in Germany	25,685	26,721	– 3.9	10,388	10,961	15,297	15,760
Banks outside Germany	62,449	61,311	1.9	24,104	24,906	38,345	36,405
Total	**88,134**	**88,032**	**0.1**	**34,492**	**35,867**	**53,642**	**52,165**
of which relate to the category							
Loans and receivables	53,453	64,253	– 16.8				
Available-for-sale financial assets	–	–	.				
At fair value through profit or loss (fair value option)	34,681	23,779	45.8				

Claims on banks after deduction of loan loss provisions amounted to €88,028m (previous year: €87,790m).

The table below shows a breakdown of claims on banks by main transaction types:

€m	31.12.2012	31.12.2011	Change in %
Reverse repos and cash collaterals	55,861	51,606	8.2
Claims from money market transactions	2,938	2,789	5.3
Promissory note loans	6,641	8,491	– 21.8
Other claims	22,694	25,146	– 9.8
Total	**88,134**	**88,032**	**0.1**

The promissory note loans and other claims on banks include €4,961m of public-sector loans (previous year: €8,205m).

(48) Claims on customers

€m	31.12.2012	31.12.2011	Change in %
Claims on customers in Germany	175,234	192,645	– 9.0
Claims on customers outside Germany	110,966	111,854	– 0.8
Total	**286,200**	**304,499**	**– 6.0**
of which relate to the category			
Loans and receivables	255,157	280,636	– 9.1
Available-for-sale financial assets	–	–	.
At fair value through profit or loss (fair value option)	31,043	23,863	30.1

Claims on customers after deduction of loan loss provisions amounted to €278,546m (previous year: €296,586m). The table below shows a breakdown of claims on customers by main transaction types:

€m	31.12.2012	31.12.2011	Change in %
Reverse repos and cash collaterals	33,924	26,042	30.3
Claims from money market transactions	7,292	8,022	– 9.1
Promissory note loans	20,208	21,601	– 6.4
Mortgages and other claims secured by property charges	100,863	117,952	– 14.5
Other claims	123,913	130,882	– 5.3
Total	**286,200**	**304,499**	**– 6.0**

The promissory note loans and other claims on banks include €21,396m of public-sector loans (previous year: €27,690m).

(49) Total lending

€m	31.12.2012	31.12.2011	Change in %
Loans to banks	21,041	26,082	– 19.3
Loans to customers	251,807	277,831	– 9.4
Total	**272,848**	**303,913**	**– 10.2**

We distinguish loans from claims on banks and customers such that only claims for which a special loan agreement has been concluded with the borrower are shown as loans. Interbank money market transactions and reverse repo transactions, for example, are thus not shown as loans. Acceptance credits are also included in loans to customers.

(50) Loan loss provisions

Provisions for loan losses are made in accordance with rules that apply Group-wide and cover all discernible credit risks. For loan losses which have already occurred but are not yet known, we have calculated portfolio valuation allowances in line with procedures derived from the Basel II methodology. The breakdown of loan loss provisions was as follows:

€m	As at 1.1.2012	Allocations	Reversals	Utilisation	Change in the group of consolidated companies	Exchange rate changes/ reclassifications	As at 31.12.2012
Provisions for on-balance sheet loan losses	8,155	2,993	1,393	1,479	– 406	– 110	7,760
Claims on banks	242	11	97	80	3	27	106
Claims on customers	7,913	2,982	1,296	1,399	– 409	– 137	7,654
Provisions for off-balance sheet loan losses	508	140	316	–	–	–	332
Total	**8,663**	**3,133**	**1,709**	**1,479**	**– 406**	**– 110**	**8,092**

With direct write-downs, write-ups and recoveries on claims written down taken into account, the allocations and reversals recognised in profit or loss resulted in loan loss provisions of €1,660m (previous year: €1,390m).

	Valuation allowances for specific risks		Valuation allowances for portfolio risks		Valuation allowances total		
€m	2012	2011	2012	2011	2012	2011	Change in %
As at 1.1.	**7,366**	**8,361**	**789**	**1,096**	**8,155**	**9,457**	**– 13.8**
Allocations	2,685	2,893	308	162	2,993	3,055	– 2.0
Disposals	2,545	3,669	327	463	2,872	4,132	– 30.5
of which utilised	1,479	2,129	–	–	1,479	2,129	– 30.5
of which reversals	1,066	1,540	327	463	1,393	2,003	– 30.5
Changes in the group of consolidated companies	– 401	– 53	– 5	– 1	– 406	– 54	.
Exchange rate changes/ reclassifications	– 112	– 166	2	– 5	– 110	– 171	– 35.7
As at 31.12.	**6,993**	**7,366**	**767**	**789**	**7,760**	**8,155**	**– 4.8**

	Provisions for specific risks		Provisions for portfolio risks		Provisions for lending business		
€m	2012	2011	2012	2011	2012	2011	Change in %
As at 1.1.	**349**	**384**	**159**	**231**	**508**	**615**	**– 17.4**
Allocations	107	357	33	55	140	412	– 66.0
Disposals	244	368	72	125	316	493	– 35.9
of which utilised	–	7	–	–	–	7	.
of which reversals	244	361	72	125	316	486	– 35.0
Changes in the group of consolidated companies	–	–	–	–	–	–	.
Exchange rate changes/ reclassifications	–	– 24	–	– 2	–	– 26	.
As at 31.12.	**212**	**349**	**120**	**159**	**332**	**508**	**– 34.6**

The loan loss provisions for default risks by customer group were as follows as at 31 December 2012:

€m	Specific valuation allowances and provisions for lending business	Loan losses[1] in 2012	Net allocation[2] to valuation allowances and provisions in lending business
Customers in Germany	**3,285**	**1,092**	**616**
Corporate customers	2,638	605	495
Manufacturing	781	184	– 17
Construction	48	12	7
Trading	205	75	19
Services and others	1,604	334	486
Private customers	647	487	121
Customers outside Germany	**3,851**	**744**	**935**
Corporate and retail customers	3,849	744	933
Public sector	2	–	2
Provisions for customer credit risk	**7,136**	**1,836**	**1,551**
Banks in Germany	–	–	– 58
Banks outside Germany	69	99	– 11
Provisions for bank credit risk	**69**	**99**	**– 69**
Total	**7,205**	**1,935**	**1,482**

[1] Direct write-downs, utilised valuation allowances and utilised loan loss provisions.
[2] Allocations less reversals.

Credit defaults and net allocations to loan loss provisions were counterbalanced by income of €1m from write-ups (previous year: €1m) and €219m from recoveries on claims that had been written down (previous year: €181m). The table below presents the key loan loss provision ratios:

%	2012	2011
Allocation ratio[1]	0.57	0.44
Default ratio[2]	0.59	0.81
Provision cover ratio[3]	2.79	2.74

[1] Net loan loss provisions (new loan loss provisions less reversals of valuation allowances and loan loss provisions, plus the balance of direct write-downs, write-ups and recoveries on previously written-down claims) as a percentage of total lending.
[2] Credit defaults (utilised valuation allowances and loan loss provisions, plus the net balance of direct write-downs, write-ups and recoveries on previously written-down claims) as a percentage of total lending.
[3] Total loan loss provisions (valuation allowances and loan loss provisions) as a percentage of total lending; total lending = claims under special credit agreements with borrowers (Note 49).

(51) Value adjustments for portfolio fair value hedges

The adjustment to the fair value of underlying transactions hedged against interest rate risk was €202m (previous year: €147m). A matching liability from hedging transactions is shown on the other side of the balance sheet under negative fair values attributable to derivative hedging instruments.

(52) Positive fair values of derivative hedging instruments

The positive fair values of derivatives which are used to hedge underlying transactions against interest rate risk are shown under this item.

€m	31.12.2012	31.12.2011	Change in %
Positive fair values of micro fair value hedges	5,663	4,989	13.5
Positive fair values of fair value hedges	394	143	.
Total	**6,057**	**5,132**	**18.0**

(53) Trading assets

The Group's trading activities include trading in:

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

Other trading assets comprise positive fair values of loans to be syndicated, lending commitments, emission rights as well as loans and money market trading transactions.

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

€m	31.12.2012	31.12.2011	Change in %
Bonds, notes and other interest-rate-related securities	18,381	20,903	– 12.1
Money market instruments	3,020	2,731	10.6
issued by public-sector borrowers	2,170	2,334	– 7.0
issued by other borrowers	850	397	.
Bonds and notes	15,361	18,172	– 15.5
issued by public-sector borrowers	5,328	6,607	– 19.4
issued by other borrowers	10,033	11,565	– 13.2
Promissory note loans	1,366	1,063	28.5
Shares, other equity-related securities and units in investment funds	17,759	9,703	83.0
Equities	13,357	4,205	.
Units in investment funds	4,338	5,464	– 20.6
Other equity-related securities	64	34	88.2
Positive fair values of derivative financial instruments	106,400	123,607	– 13.9
Currency-related derivative transactions	12,939	17,515	– 26.1
Interest-rate-related derivative transactions	89,139	98,365	– 9.4
Other derivative transactions	4,322	7,727	– 44.1
Other trading assets	238	424	– 43.9
Total	**144,144**	**155,700**	**– 7.4**

Of the bonds, notes and other interest-rate-related securities and shares, other equity-related securities and units in investment funds €28,084m were listed on a stock exchange (previous year: €20,470m). Other fair values of derivative financial instruments consisted mainly of €1,917m in equity derivatives (previous year: €3,303m) and €2,104m in credit derivatives (previous year: €4,060m).

(54) Financial investments

Financial investments are financial instruments not assigned to any other balance sheet item. They comprise bonds, notes and other interest-rate-related securities, shares and other equity-related securities not used for trading purposes, as well as units in investment funds, equity holdings (including companies not accounted for using the equity method and joint ventures) and holdings in non-consolidated subsidiaries.

€m	31.12.2012	31.12.2011	Change in %
Bonds, notes and other interest-rate-related securities[1]	87,548	92,526	– 5.4
Money market instruments	2,504	2,084	20.2
issued by public-sector borrowers	479	364	31.6
issued by other borrowers	2,025	1,720	17.7
Bonds and notes	85,044	90,442	– 6.0
issued by public-sector borrowers	43,061	42,831	0.5
issued by other borrowers	41,983	47,611	– 11.8
Shares, other equity-related securities and units in investment funds	1,299	1,506	– 13.7
Equities	175	289	– 39.4
Units in investment funds	956	1,125	– 15.0
Other equity-related securities	168	92	82.6
Equity holdings	138	347	– 60.2
of which in banks	29	64	– 54.7
Holdings in non-consolidated subsidiaries	157	144	9.0
of which in banks	–	–	.
Total	**89,142**	**94,523**	**– 5.7**
of which relate to the category			
Loans and receivables	52,427	60,618	– 13.5
Available-for-sale financial assets	34,268	30,587	12.0
of which measured at amortised cost	423	456	– 7.2
At fair value through profit or loss (fair value option)	2,447	3,318	– 26.3

[1] Reduced by portfolio valuation allowances for reclassified securities of €149m (previous year: €91m).

As at 31 December 2012 the financial investments included €423m (previous year: €456m) of equity-related securities which are predominantly unlisted (e.g. shareholdings in limited companies) and are measured at cost, as we do not have any reliable data to calculate fair value for these assets.

The table below shows the listed holdings contained in financial investments. The available-for-sale financial investments and investments for which the fair value option is applied are listed with their fair values. Financial investments in the loans and receivables category are shown at amortised cost.

€m	31.12.2012	31.12.2011	Change in %
Bonds, notes and other interest-rate-related securities	76,109	79,040	– 3.7
Shares, other equity-related securities and units in investment funds	680	894	– 23.9
Equity holdings	3	10	– 70.0
Total	**76,792**	**79,944**	**– 3.9**

In its press release of 13 October 2008, the IASB issued an amendment to IAS 39 relating to the reclassification of financial instruments. In accordance with the amendment, securities in the Public Finance portfolio for which there was no active market were reclassified from the available-for-sale financial assets category to the loans and receivables category in the financial years 2008 and 2009. In respect of the reclassified holdings we had the intention and ability at the reclassification date to hold the securities for the foreseeable future or to final maturity. The securities concerned are primarily issued by public-sector borrowers (including European and North American local authorities and publicly guaranteed asset-backed securities) and financial institutions.

The revaluation reserve after deferred taxes for all the securities reclassified in financial years 2008 and 2009 was €−0.7bn as at 31 December 2012 (previous year: €−0.8bn). This negative amount will be dissolved over the remaining lifetime of the reclassified securities. If these reclassifications had not been carried out in 2008 and 2009, there would have been a revaluation reserve after deferred taxes of €−4.2bn for the reclassified securities as at 31 December 2012 (previous year: €−4.3bn); the change compared with a year ago was therefore €0.1bn (change 31 December 2010 to 31 December 2011: €−1.5bn).

In addition to the portfolio valuation allowances of €58m (previous year €40m), a net €1.1bn was recognised in the income statement for the reclassified securities in the current financial year (previous year: €1.5bn plus €–1.9bn of impairments on reclassified Greek government bonds).

As at 31 December 2012 the carrying amount of the reclassified securities was €50.0bn (previous year: €57.6bn), fair value was €45.0bn (previous year: €52.6bn) and the cumulative portfolio valuation allowances were €149m (previous year: €91m) respectively. The transactions had average effective interest rates of between 0.4% and 13.1% (previous year: between 0.5% and 14.3%) and are expected to generate a cash inflow of €58.2bn (previous year: €70.2bn).

Changes in equity holdings and holdings in non-consolidated subsidiaries:

	Equity holdings		Holdings in non-consolidated subsidiaries	
€m	2012	2011	2012	2011
Fair value as at 1.1.	**347**	**807**	**144**	**124**
Acquisition cost as at 1.1.	518	878	608	343
Exchange rate changes	1	1	10	– 1
Additions	23	163	29	21
Disposals	270	229	7	26
Reclassifications to non-current assets and disposal groups held for sale	–	– 294	–	–
Other reclassifications/changes in the group of consolidated companies	–	– 1	– 45	271
Acquisition cost as at 31.12.	272	518	595	608
Write-ups	–	–	–	–
Cumulative write-downs as at 1.1.	272	326	464	219
Exchange rate changes	1	1	7	–
Additions	11	8	12	4
Disposals	151	2	4	18
Reclassifications to non-current assets and disposal groups held for sale	–	– 61	–	–
Other reclassifications/changes in the group of consolidated companies	–	–	– 41	259
Cumulative write-downs as at 31.12.	133	272	438	464
Cumulative changes from remeasurement to fair value	– 1	101	–	–
Fair value as at 31.12.	**138**	**347**	**157**	**144**

(55) Holdings in companies accounted for using the equity method

€m	2012	2011
Fair value as at 1.1.	**694**	**737**
Acquisition cost as at 1.1.	933	821
Exchange rate changes	– 1	–
Additions	69	125
Disposals	65	27
Reclassifications to non-current assets and disposal groups held for sale	–	–
Other reclassifications/changes in the group of consolidated companies	–	14
Acquisition cost as at 31.12.	936	933
Write-ups	23	–
Cumulative write-downs as at 1.1.	304	156
Exchange rate changes	–	–
Additions	64	158
Disposals	49	10
Reclassifications to non-current assets and disposal groups held for sale	–	–
Other reclassifications/changes in the group of consolidated companies	–	–
Cumulative write-downs as at 31.12.	319	304
Cumulative changes from remeasurement using the equity method	104	65
Fair value as at 31.12.	**744**	**694**
of which holdings in banks	398	339

The fair values include €59m (previous year: €106m) from holdings in listed companies accounted for using the equity method; the corresponding market value as at 31 December 2012 was €69m (previous year: €103m).

In the Commerzbank Group, losses attributable to companies accounted for using the equity method are only recognised up to the level of the equity book value. In three cases (previous year: seven) the equity book value was €0. Losses in excess of this amount were not recognised, since there is no obligation to offset excess losses. Future profits are first offset against unrecognised losses.

Where there are obligations arising from contingent liabilities towards discontinued operations at companies accounted for using the equity method, the Commerzbank Group is liable to the extent of its respective ownership interest. Our share in the total assets, liabilities, contingent liabilities, income and expenses of our holdings in companies accounted for using the equity method was as follows:

€m	31.12.2012	31.12.2011	Change in %
Assets	5,335	4,603	15.9
Liabilities	4,350	3,860	12.7
Income	423	413	2.4
Expenses	368	547	– 32.7
Contingent liabilities	378	403	– 6.2

There were no discontinued operations at companies accounted for using the equity method.

Our share in the total assets, liabilities, income and expenses of associated companies and jointly controlled entities which are of minor significance was as follows:

€m	31.12.2012	31.12.2011	Change in %
Assets	477	542	– 12.0
Liabilities	508	588	– 13.6
Income	74	134	– 44.8
Expenses	65	129	– 49.6

(56) Intangible assets

€m	31.12.2012	31.12.2011	Change in %
Goodwill	2,080	2,088	– 0.4
Other intangible assets	971	950	2.2
Customer relationships	438	495	– 11.5
Brand names	–	9	.
In-house developed software	349	243	43.6
Other	184	203	– 9.4
Total	**3,051**	**3,038**	**0.4**

Acquired software accounted for €181m (previous year: €198m) of the other item.

	Goodwill		Brand names	
€m	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Private Customers	1,079	1,079	–	–
Mittelstandsbank[1]	633	569	–	–
Central & Eastern Europe[1]	227	299	–	9
Corporates & Markets	138	138	–	–
Non-Core Assets	–	–	–	–
Portfolio Restructuring Unit	–	–	–	–
Others and Consolidation	3	3	–	–
Total	**2,080**	**2,088**	**–**	**9**

[1] As a result of the partial restructuring of the segments in 2012, €64m was reclassified from the Central & Eastern Europe segment to the Mittelstandsbank segment (see segment reporting, Note 45).

The impairment testing of goodwill did not identify any impairments in the financial year 2012. When testing for impairment, beta factors were applied for the detailed planning phase, as shown in the following table.

	Private Customers	Mittelstandsbank	Corporates & Markets	Central & Eastern Europe
Beta factor assumptions	1.50	1.50	1.50	1.50

Varying the beta factors to 1.0 and 2.0 for the detailed planning phase produced the following ratios of excess or deficient cover to carrying amount:

		Private Customers	Mittelstandsbank	Corporates & Markets	Central & Eastern Europe
Realistic value	Beta factor assumptions	18.0%	120.7%	37.0%	63.8%
Sensitivity analysis	Beta 1.00	29.7%	143.2%	49.1%	84.5%
	Beta 2.00	7.8%	101.0%	26.3%	45.7%

There was no impact on goodwill within the sensitivities. Intangible assets changed as follows:

	Goodwill		In-house developed software		Brand names and customer relationships		Other intangible assets	
€m	2012	2011	2012	2011	2012	2011	2012	2011
Carrying amount as at 1.1.	**2,088**	**2,081**	**243**	**219**	**504**	**555**	**203**	**246**
Cost of acquisition/production as at 1.1.	2,856	2,850	773	825	989	987	1,543	1,797
Exchange rate changes	– 2	7	6	– 7	–	–	17	– 21
Additions	–	–	152	120	–	–	69	79
Disposals	–	1	94	179	–	–	48	290
Reclassifications/changes in the group of consolidated companies	– 6	–	–	14	– 24	2	– 5	– 22
Cost of acquisition/production as at 31.12.	2,848	2,856	837	773	965	989	1,576	1,543
Write-ups	–	–	–	–	–	–	–	–
Cumulative write-downs as at 1.1.	768	769	530	606	485	432	1,340	1,551
Exchange rate changes	–	–	6	– 6	–	–	11	– 11
Additions	–	–	46	89	50	51	82	100
of which unscheduled	–	–	–	27	–	1	1	1
Disposals	–	1	94	172	–	–	40	279
Reclassifications/changes in the group of consolidated companies	–	–	–	13	– 8	2	– 1	– 21
Cumulative write-downs as at 31.12.	768	768	488	530	527	485	1,392	1,340
Carrying amount as at 31.12.	**2,080**	**2,088**	**349**	**243**	**438**	**504**	**184**	**203**
Borrowing costs capitalised in the current financial year	–	–	–	–	–	–	–	–
Range of interest rates used (%)	–	–	–	–	–	–	–	–

(57) Fixed assets

	Land and buildings		Office furniture and equipment	
€m	**2012**	**2011**	**2012**	**2011**
Carrying amount as at 1.1.	**794**	**874**	**605**	**716**
Cost of acquisition/production as at 1.1.	1,262	1,329	2,815	3,488
Exchange rate changes	13	– 16	19	– 18
Additions	156	29	118	125
Disposals	34	27	339	693
Reclassifications to non-current assets and disposal groups held for sale	–	– 7	–	128
Other reclassifications/changes in the group of consolidated companies	– 49	– 46	– 15	– 215
Cost of acquisition/production as at 31.12.	1,348	1,262	2,598	2,815
Write-ups	–	–	–	–
Cumulative write-downs as at 1.1.	468	455	2,210	2,772
Exchange rate changes	5	– 6	14	– 10
Additions	55	43	172	192
of which unscheduled	17	5	2	–
Disposals	18	10	300	653
Reclassifications to non-current assets and disposal groups held for sale	– 4	–	–	33
Other reclassifications/changes in the group of consolidated companies	– 9	– 14	– 19	– 124
Cumulative write-downs as at 31.12.	497	468	2,077	2,210
Carrying amount as at 31.12.	**851**	**794**	**521**	**605**
Borrowing costs capitalised in the current financial year	–	–	–	–
Range of interest rates used (%)	–	–	–	–

The total value of fixed assets in the Commerzbank Group was €1,372m (previous year: €1,399m). None of these assets were pledged as collateral (previous year: €0.1m). Beyond this there were no restrictions with regard to rights of disposal relating to our fixed assets.

(58) Tax assets

€m	**31.12.2012**	**31.12.2011**	**Change in %**
Current tax assets	**790**	**716**	**10.3**
in Germany	742	620	19.7
outside Germany	48	96	– 50.0
Deferred tax assets	**3,015**	**4,154**	**– 27.4**
Tax assets recognised in income statement	1,803	2,583	– 30.2
Tax assets not recognised in income statement	1,212	1,571	– 22.9
Total	**3,805**	**4,870**	**– 21.9**

Deferred tax assets represent the potential income tax charge arising from temporary differences between the values assigned to assets and liabilities in the Group balance sheet in accordance with IFRS and their values for tax accounting purposes as reported by the group companies in accordance with the local tax regulations, as well as future income tax relief arising from tax carryforwards and as yet unused tax credits. In the year under review we refined the method used to estimate future income tax relief from tax loss carryforwards, which led to a reduction of €75m in the write-downs on deferred tax assets.

For the following tax loss carryforwards no deferred tax assets nor any impairments of existing deferred tax assets were recognised as at 31 December 2012 due to the limited planning horizon and the resulting insufficient probability of their being utilised.

Tax loss carryforwards | €m	**31.12.2012**	**31.12.2011**	**Change in %**
Corporation tax/Federal tax	**11,485**	**11,680**	**−1.7**
Can be carried forward for an unlimited period	10,002	10,417	−4.0
Can be carried forward for a limited period[1]	1,483	1,263	17.4
of which expire in the subsequent reporting period	–	–	.
Trade tax/Local tax	**4,929**	**4,628**	**6.5**
Can be carried forward for an unlimited period	4,171	3,966	5.2
Can be carried forward for a limited period[1]	758	662	14.5
of which expire in the subsequent reporting period	–	–	.

[1] Expiry after ten years.

Deferred tax assets are recognised mainly for German tax group, the London branch and UK subsidiaries. Deferred tax assets were recognised in connection with the following items:

€m	**31.12.2012**	**31.12.2011**	**Change in %**
Fair values of derivative hedging instruments	558	819	−31.9
Trading assets and liabilities	414	714	−42.0
Claims on banks and customers	30	35	−14.3
Financial investments	96	140	−31.4
Provisions	18	45	−60.0
Liabilities to banks and customers	91	109	−16.5
Other balance sheet items	136	259	−47.5
Tax loss carryforwards	1,672	2,033	−17.8
Total	**3,015**	**4,154**	**−27.4**

(59) Investment properties

Investment properties stood at €637m (previous year: €808m) and developed as follows:

€m	2012	2011
Carrying amount as at 1.1.	**808**	**1,192**
Cost of acquisition/production as at 1.1.	1,217	1,470
Exchange rate changes	– 1	–
Additions	56	–
Disposals	180	115
Changes in the group of consolidated companies	– 98	4
Reclassifications	54	– 142
Cost of acquisition/production as at 31.12.	1,048	1,217
Cumulative changes from remeasurement to fair value	– 411	– 409
Carrying amount as at 31.12.	**637**	**808**
Borrowing costs capitalised in the current financial year	–	–
Range of interest rates used (%)	–	–

Of the investment properties €116m (previous year: €170m) were acquired in rescue purchases. The additions during the period did not contain any subsequent acquisition costs for significant properties (previous year: €4m). This item does not include any property held under operating lease agreements. There are no restrictions on resale, nor are there any obligations to purchase properties that need to be reported here.

In the sensitivity analyses we assume a 50 bp upward or downward move in the property yield for investment properties and a 20% rise or fall in the land value for building land. For the main investment properties this would cause market value to fall by around €51m, or rise by €58m, respectively. There were no significant holdings of building land in 2012 and therefore no sensitivity analysis was carried out.

(60) Non-current assets and disposal groups held for sale

The balance sheet item non-current assets and disposal groups held for sale broke down as follows:

€m	31.12.2012	31.12.2011	Change in %
Claims on banks	–	10	.
Claims on customers	495	158	.
Financial investments	212	378	– 43.9
Fixed assets	29	65	– 55.4
Other assets	21	1,148	– 98.2
Total	**757**	**1,759**	**– 57.0**

In all cases of non-current assets and disposal groups held for sale, sales agreements have either already been concluded or will be concluded shortly. The contracts are expected to be fulfilled in 2013. The following subsidiaries in the Non-Core Assets segment are affected:

- CG New Venture 2 Verwaltungsgesellschaft mbH, Wiesbaden
- CG New Venture 4 GmbH & Co. KG, Wiesbaden
- GO German Office GmbH, Wiesbaden

Receivables and investment fund units are also held for sale in the Non-Core Assets and Private Customers segments.

The liabilities of disposal groups held for sale are described in Note 70.

Due to the global crisis on the shipping market in 2012 a sale of the following special purpose entities

- MS “CPO Alicante” Offen Reederei GmbH & Co.KG, Hamburg
- MS “CPO Ancona” Offen Reederei GmbH & Co.KG, Hamburg
- MS “CPO Bilbao” Offen Reederei GmbH & Co.KG, Hamburg
- MS “CPO Marseille” Offen Reederei GmbH & Co.KG, Hamburg
- MS “CPO Palermo” Offen Reederei GmbH & Co.KG, Hamburg
- MS “CPO Toulon” Offen Reederei GmbH & Co.KG, Hamburg
- MS “CPO Valencia” Offen Reederei GmbH & Co.KG, Hamburg

was no longer considered likely within the next year. As a result the underlying ships have been reported as leased assets under other assets since 1 January 2012 and are carried at amortised cost in accordance with IAS 17. Most of the associated liabilities are now reported under liabilities to banks at amortised cost. A sale of the real estate company Property Invest Italy Srl, Milan, and of claims in the Mittelstandsbank segment are also no longer expected in the foreseeable future. The underlying real estate assets have consequently been reported as investment property at fair value since December 2012 and the receivables are reported in the claims on customers at amortised cost.

We sold one of the disposal groups held for sale in the previous year as planned in the year under review.

(61) Other assets

Other assets mainly comprise the following items:

€m	31.12.2012	31.12.2011	Change in %
Collection items	311	253	22.9
Precious metals	666	882	– 24.5
Leased equipment	851	209	.
Accrued and deferred items	256	304	– 15.8
Initial/variation margins receivable	296	270	9.6
Other assets	1,258	1,324	– 5.0
Total	**3,638**	**3,242**	**12.2**

Changes in leased assets within other assets were as follows:

€m	2012	2011
Carrying amount as at 1.1.	**209**	**221**
Cost of acquisition/production as at 1.1.	377	364
Exchange rate changes	6	– 6
Additions	55	62
Disposals	12	43
Changes in the group of consolidated companies	1	–
Reclassifications	790	–
Cost of acquisition/production as at 31.12.	1,217	377
Cumulative write-downs as at 1.1.	168	143
Exchange rate changes	2	– 2
Additions	108	41
of which unscheduled	47	–
Disposals	8	14
Changes in the group of consolidated companies	–	–
Reclassifications	96	–
Cumulative write-downs as at 31.12.	366	168
Cumulative changes from remeasurement to fair value	–	–
Carrying amount as at 31.12.	**851**	**209**

(62) Liabilities to banks

	Total		
€m	31.12.2012	31.12.2011	Change in %
Banks in Germany	42,613	45,302	– 5.9
Banks outside Germany	67,629	53,179	27.2
Total	**110,242**	**98,481**	**11.9**
of which relate to the category			
Liabilities measured at amortised cost	90,206	85,451	5.6
At fair value through profit or loss (fair value option)	20,036	13,030	53.8

of which	Due on demand		Other liabilities	
€m	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Banks in Germany	7,746	8,358	34,867	36,944
Banks outside Germany	35,343	25,483	32,286	27,696
Total	**43,089**	**33,841**	**67,153**	**64,640**

The table below shows a breakdown of liabilities to banks by main transaction types:

€m	31.12.2012	31.12.2011	Change in %
Repos and cash collaterals	23,850	18,985	25.6
Liabilities from money market transactions	41,062	25,286	62.4
Other liabilities	45,330	54,210	– 16.4
Total	**110,242**	**98,481**	**11.9**

(63) Liabilities to customers

Liabilities to customers consist of savings deposits, demand deposits and time deposits, including savings certificates.

	Total		
€m	31.12.2012	31.12.2011	Change in %
Customers in Germany	**204,882**	**202,725**	**1.1**
Corporate customers	120,153	127,277	– 5.6
Private customers and others	74,214	66,946	10.9
Public sector	10,515	8,502	23.7
Customers outside Germany	**60,960**	**52,619**	**15.9**
Corporate and retail customers	55,276	47,517	16.3
Public sector	5,684	5,102	11.4
Total	**265,842**	**255,344**	**4.1**
of which relate to the category			
Liabilities measured at amortised cost	228,643	223,491	2.3
At fair value through profit or loss (fair value option)	37,199	31,853	16.8

	Savings deposits		Other liabilities			
			due on demand		with agreed term or period of notice	
€m	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Customers in Germany	**9,673**	**4,390**	**108,439**	**102,552**	**86,770**	**95,783**
Corporate customers	90	42	48,522	47,971	71,541	79,264
Private customers and others	9,583	4,348	57,266	53,071	7,365	9,527
Public sector	–	–	2,651	1,510	7,864	6,992
Customers outside Germany	**3,287**	**2,472**	**33,938**	**27,179**	**23,735**	**22,968**
Corporate and retail customers	3,286	2,471	32,022	23,715	19,968	21,331
Public sector	1	1	1,916	3,464	3,767	1,637
Total	**12,960**	**6,862**	**142,377**	**129,731**	**110,505**	**118,751**

Savings deposits broke down as follows:

€m	31.12.2012	31.12.2011	Change in %
Savings deposits with agreed period of notice of three months	10,807	6,155	75.6
Savings deposits with agreed period of notice of more than three months	2,153	707	.
Total	**12,960**	**6,862**	**88.9**

The table below shows a breakdown of liabilities to customers by main transaction types:

€m	31.12.2012	31.12.2011	Change in %
Repos and cash collaterals	31,997	28,209	13.4
Liabilities from money market transactions	42,620	44,232	– 3.6
Other liabilities	191,225	182,903	4.5
Total	**265,842**	**255,344**	**4.1**

(64) Securitised liabilities

Securitised liabilities consist of bonds and notes, including mortgage and public Pfandbriefe, money market instruments (e.g. certificates of deposit, euro notes, commercial paper), index certificates, own acceptances and promissory notes outstanding.

Mortgage Pfandbriefe of €21,530m (previous year: €29,353m) and public Pfandbriefe of €27,758m (previous year: €34,990m) were included in securitised liabilities.

€m	31.12.2012	31.12.2011	Change in %
Bonds and notes issued	78,855	100,311	– 21.4
Money market instruments issued	466	5,224	– 91.1
Own acceptances and promissory notes outstanding	11	138	– 92.0
Total	**79,332**	**105,673**	**– 24.9**
of which relate to the category			
Liabilities measured at amortised cost	75,903	102,593	– 26.0
At fair value through profit or loss (fair value option)	3,429	3,080	11.3

New issues with a total volume of €19.2bn were issued in 2012. In the same period the volume of bonds maturing amounted to €41.3bn and redemptions to €4.3bn.

The table below lists the most important bonds and notes issued in 2012:

Equivalent €m	Currency	Issuer	Interest rate %	Maturity
1,000	EUR	Commerzbank Aktiengesellschaft	3.625	2017
500	EUR	BRE Corporate Finance France S.A.	2.750	2015

(65) Value adjustments for portfolio fair value hedges

The adjustment to the fair value of underlying transactions hedged against interest rate risk was €1,467m (previous year: €938m). A matching asset item from hedging transactions is shown on the other side of the balance sheet under positive fair values attributable to derivative hedging instruments.

(66) Negative fair values of derivative hedging instruments

The negative fair values of derivatives used to hedge underlying transactions against interest rate risk are shown under this item.

€m	31.12.2012	31.12.2011	Change in %
Negative fair values of micro fair value hedges	11,604	11,378	2.0
Negative fair values of portfolio fair value hedges	31	26	19.2
Negative fair values of cash flow hedges	104	23	.
Total	**11,739**	**11,427**	**2.7**

(67) Trading liabilities

Trading liabilities show the negative fair values of derivative financial instruments that do not qualify for hedge accounting as well as lending commitments with negative fair values. Own issues in the trading book and delivery commitments arising from short sales of securities are also included under trading liabilities.

€m	31.12.2012	31.12.2011	Change in %
Currency-related derivative transactions	13,959	20,762	– 32.8
Interest-rate-related derivative transactions	85,503	96,736	– 11.6
Other derivative transactions	5,672	8,433	– 32.7
Certificates and other notes issued	5,201	5,789	– 10.2
Delivery commitments arising from short sales of securities, negative market values of lending commitments and other trading liabilities	5,776	6,127	– 5.7
Total	**116,111**	**137,847**	**– 15.8**

Other derivative transactions consisted mainly of €3,220m in equity derivatives (previous year: €3,714m) and €2,183m in credit derivatives (previous year: €4,305m).

(68) Provisions

Provisions broke down as follows:

€m	31.12.2012	31.12.2011	Change in %
Provisions for pensions and similar commitments	210	437	– 51.9
Other provisions	3,049	3,324	– 8.3
Total	**3,259**	**3,761**	**– 13.3**

a) Provisions for pensions and similar commitments

Changes in provisions for pensions and similar commitments were as follows in 2012:

€m	As at 1.1.2012	Pension payments	Additions	Allocation to plan assets[1]	Reclassifications/ exchange rate changes	Changes in the group of consolidated companies	As at 31.12.2012
Pension entitlements of active and former employees and pension entitlements of pensioners	287	244	57	92	73	– 1	80
Early retirement	66	24	16	–	–	–	58
Part-time scheme for older staff	84	51	40	1	–	–	72
Total	**437**	**319**	**113**	**93**	**73**	**– 1**	**210**

[1] If taken into account when setting the level of provisions.

b) Pension obligations

Pension obligations and pension expense are calculated annually by independent actuaries, using the projected unit credit method. The underlying actuarial parameters are based on the norms in the country in which the pension plan was established.

The parameters outside Germany are shown on the basis of weighted averages taking account of the respective relevant pension plans.

%	31.12.2012	31.12.2011
Parameters for pension plans in Germany		
for determining the pension obligation at year-end		
Discount rate	3.8	4.8
Change in salaries	2.5	2.5
Adjustment to pensions	1.8	1.8
for determining pension expense in the financial year		
Discount rate	4.8	4.9
Change in salaries	2.5	2.5
Adjustment to pensions	1.8	1.8
Expected return on plan assets	5.4	5.5
Parameters for pension plans outside Germany		
for determining the pension obligation at year-end		
Discount rate	4.3	4.8
Change in salaries	2.8	3.0
Adjustment to pensions	2.8	2.9
for determining pension expense in the financial year		
Discount rate	4.8	5.3
Change in salaries	3.0	3.2
Adjustment to pensions	2.9	3.2
Expected return on plan assets	4.4	5.3
Parameters for post-employment medical plan		
for determining the benefit obligation at year-end		
Discount rate	4.4	4.8
Health care cost increase rate	5.5	5.7
for determining the expense in the financial year		
Discount rate	4.8	5.4
Health care cost increase rate	5.7	6.0

The pension obligations changed as follows:

€m	2012	2011
Pension obligations as at 1.1.	**6,242**	**6,073**
Service cost	65	68
Interest expense	293	295
Pension payments	– 281	– 283
Actuarial gains (–) or losses (+)	936	36
Experience adjustments	– 4	– 62
Other adjustments	940	98
Changes in the group of consolidated companies	– 1	– 4
Past service cost	1	–
Curtailments/Settlements	–	–
Exchange rate changes	18	31
Other changes	–	26
Pension obligations as at 31.12.	**7,273**	**6,242**
of which completely or partially funded by plan assets	7,133	6,064
of which not funded by plan assets	140	178

The geographical breakdown of the pension obligations was as follows:

€m	31.12.2012	31.12.2011
Germany	6,067	5,157
Europe (excluding Germany)	1,110	989
America	93	94
Asia and others	3	2
Total	**7,273**	**6,242**

A change in the discount rate or the rate of increase in health costs as at 31 December 2012 would have had the following effects:

€m	Obligation as at 31.12.2012	Expenses in 2013
Interest rate sensitivity		
Discount rate +50bp	– 548	2
Discount rate – 50bp	623	– 3
Health care cost increase sensitivity		
Health care cost increase rate +100bp	2	–
Health care cost increase rate – 100bp	– 2	–

The expenses for pensions and other employee benefits consisted of the following components:

€m	2012	2011
Service cost	65	68
Interest expense	293	295
Expected income from plan assets	– 297	– 284
Past service cost	1	–
Curtailments/Settlements	–	–
Amortisation of actuarial gains (–) or losses (+)	– 5	107
Other	–	–
Expenses for defined benefit plans	**57**	**186**
Expenses for defined contribution plans	89	88
Other pension benefits (early retirement and part-time scheme for older staff)	56	87
Other pension-related expenses	25	19
Exchange rate changes	–	–
Expenses for pensions and similar employee benefits	**227**	**380**

In addition, personnel expense included €242m (previous year: €235m) in employers' contributions to the state pension scheme.

The expected return on plan assets is based on long-term bond yields at the balance sheet date for fixed-interest securities and on past market performance for other investments. The plan assets changed as follows:

€m	2012	2011
Fair value as at 1.1.	**5,730**	**5,194**
Change in the group of consolidated companies	–	–
Employer contributions	92	73
Expected income from plan assets	297	284
Pension payments	– 37	– 38
Reclassifications	–	33
Exchange rate changes	22	29
Actuarial gains (+) or losses (–)	385	155
Fair value as at 31.12.	**6,489**	**5,730**
Current income from plan assets	682	439

In the financial year 2013 employer contributions of €55m to plan assets for defined benefit pension plans are expected in the Group as well as pension payments of €249m.

The breakdown of the plan assets was as follows:

%	31.12.2012	31.12.2011
Fixed-income securities	77.5	67.3
Equities	11.6	12.8
Investment fund units	0.1	8.8
Liquid assets	1.7	2.8
Others	9.1	8.3

Summary overview of the main components of defined benefit pension plans:

€m	2012	2011	2010	2009	2008
Pension obligation (projected unit credit)	**7,273**	**6,242**	**6,073**	**5,699**	**2,118**
Fair value of plan assets	6,489	5,730	5,194	4,764	2,039
Funded status	**784**	**512**	**879**	**935**	**79**
Unrecognised actuarial gains (+) or losses (–)	– 908	– 353	– 576	– 416	33
Past service income (+) or expense (–)	–	–	–	–	–
Recognition of defined benefit assets	204	128	53	33	–
Provisions for pensions	**80**	**287**	**356**	**552**	**112**
Experience adjustments (profits (+) or losses (–)) in current year:					
Pension obligation	4	62	5	– 3	– 1
Plan assets	385	155	149	98	– 181

c) Other provisions

Changes in other provisions:

€m	As at 1.1.2012	Allocations	Utilisation	Reversals	Reclassification/ change in the group of consolidated companies	As at 31.12.2012
Personnel provisions	679	386	451	27	2	589
Restructuring measures	627	46	195	13	3	468
Specific risks in lending business	349	107	–	244	–	212
Portfolio risks in lending business	159	33	–	72	–	120
Bonuses for special savings schemes	31	92	12	–	– 1	110
Legal proceedings and recourse claims	822	355	142	113	60	982
Other	657	365	256	146	– 52	568
Total	**3,324**	**1,384**	**1,056**	**615**	**12**	**3,049**

The personnel provisions are predominantly short-term in nature, but also include provisions for service anniversaries, which are by their nature long-term and are utilised successively in subsequent reporting periods. They also contain provisions for the long-term cash component of the Commerzbank Incentive Plan which are utilised after the expiry of the 4-year vesting period.

The average residual term of loan loss provisions is based on the residual terms of the contingent liabilities and irrevocable lending commitments set out in Note 88. In the case of legal disputes it is impossible to forecast the duration of proceedings or the amount of the liability with certainty at the date of establishing the provision. The provisions listed under other mostly have a residual term of under one year.

The provisions for restructuring measures derive predominantly from measures relating to the integration of the Dresdner Bank Group and from the realignment of the Group in conjunction with the requirement to wind down Hypothekenbank Frankfurt Aktiengesellschaft (formerly Eurohypo Aktiengesellschaft). They are largely attributable to the Human Resources and Organisation departments and are mainly spread over a term of up to four years, with the majority expected to be utilised by the end of 2013.

(69) Tax liabilities

€m	31.12.2012	31.12.2011	Change in %
Current tax liabilities	**324**	**680**	**– 52.4**
Tax liabilities to tax authorities	4	5	– 20.0
Provisions for income tax	320	675	– 52.6
Deferred tax liabilities	**90**	**189**	**– 52.4**
Tax liabilities recognised in income statement	62	176	– 64.8
Tax liabilities not recognised in income statement	28	13	.
Total	**414**	**869**	**– 52.4**

Provisions for taxes on income are potential tax liabilities which have not yet been formally assessed and potential liabilities for risks associated with tax audits. The liabilities to tax authorities represent payment obligations in respect of current taxes towards German and foreign tax authorities.

Deferred tax liabilities represent the potential income tax charge arising from temporary differences between the values assigned to assets and liabilities in the consolidated balance sheet in accordance with IFRS and their values for tax accounting purposes as reported by the group companies in accordance with the local tax regulations. They were recognised in connection with the following items:

€m	31.12.2012	31.12.2011	Change in %
Trading assets and liabilities	16	38	– 57.9
Fair values of derivative hedging instruments	32	56	– 42.9
Financial investments	12	25	– 52.0
Claims on banks and customers	6	12	– 50.0
Liabilities to banks and customers	1	19	– 94.7
Other balance sheet items	23	39	– 41.0
Total	**90**	**189**	**– 52.4**

(70) Liabilities from disposal groups held for sale

The breakdown of liabilities from disposal groups held for sale was as follows:

€m	31.12.2012	31.12.2011	Change in %
Liabilities to banks	–	484	.
Liabilities to customers	2	11	– 81.8
Negative fair values of derivative hedging instruments	–	97	.
Total	**2**	**592**	**– 99.7**

(71) Other liabilities

€m	31.12.2012	31.12.2011	Change in %
Liabilities attributable to film funds	1,915	1,952	– 1.9
Liabilities attributable to non-controlling interests	2,441	2,576	– 5.2
Accrued and deferred items	439	484	– 9.3
Variation margins payable	162	108	50.0
Other liabilities	1,566	1,448	8.1
Total	**6,523**	**6,568**	**– 0.7**

(72) Subordinated capital

Subordinated liabilities and profit-sharing certificates are equity within the meaning of Art. 10 (5) and (5a) of the German Banking Act (KWG) in the new version and were broken down as follows:

€m	31.12.2012	31.12.2011	Change in %
Subordinated liabilities	**11,186**	**12,094**	**– 7.5**
of which maturing within 2 years	1,629	1,701	– 4.2
Profit-sharing certificates outstanding	**865**	**975**	**– 11.3**
of which maturing within 2 years	12	36	– 66.7
Accrued interest, including discounts[1]	– 161	– 165	– 2.4
Remeasurement effects	426	381	11.8
Total	**12,316**	**13,285**	**– 7.3**
of which relate to the category			
Liabilities measured at amortised cost	12,308	13,261	– 7.2
At fair value through profit or loss (fair value option)	8	24	– 66.7

[1] Including the impact of the adjustment of fair values of subordinated capital at the date of acquisition of Dresdner Bank.

In 2012, the volume of subordinated liabilities maturing amounted to €1.1bn, redemptions to €0.1bn and new issues to €0.3bn. €0.1m of profit-sharing certificates were redeemed.

The claims of creditors to repayment of these liabilities are subordinate to those of other creditors. The issuer cannot be obliged to repay the liability before the maturity date. In the event of insolvency or winding-up, subordinated liabilities may only be repaid after the claims of all senior creditors have been satisfied.

In the year under review, the interest expense of the Group for subordinated liabilities totalled €663m (previous year: €682m). Interest accruals for interest not yet paid totalled €312m (previous year: €321m).

The following major subordinated liabilities were outstanding at the end of 2012:

Start of maturity	€m	Currency in m	Issuer	Interest rate %	Maturity
2011	1,254	1,254 EUR	Commerzbank Aktiengesellschaft	6.375	2019
2011	1,250	1,250 EUR	Commerzbank Aktiengesellschaft	7.750	2021
2007	600	600 EUR	Commerzbank Aktiengesellschaft	1.120[1]	2017
2008	500	500 EUR	Commerzbank Aktiengesellschaft	6.250	2014
2006	492	492 EUR	Commerzbank Aktiengesellschaft	1.081[1]	2016
2009	379	500 USD	Commerzbank Aktiengesellschaft	7.250	2015
2011	322	322 EUR	Commerzbank Aktiengesellschaft	5.000	2018
2011	300	300 EUR	Commerzbank Aktiengesellschaft	5.000	2018
2003	250	250 EUR	Hypothekenbank Frankfurt Aktiengesellschaft[2]	5.000	2016
2009	250	250 EUR	Commerzbank Aktiengesellschaft	5.000	2017
2006	228	300 CAD	Commerzbank Aktiengesellschaft	2.159[1]	2016
2003	220	220 EUR	Hypothekenbank Frankfurt Aktiengesellschaft[2]	5.000	2014
2007	196	196 EUR	Commerzbank Aktiengesellschaft	2.039	2017
1999	184	150 GBP	Commerzbank Aktiengesellschaft	6.625	2019
2012	177	177 EUR	Commerzbank Aktiengesellschaft	10.000	2017
2012	170	170 EUR	Commerzbank Aktiengesellschaft	9.500	2019

[1] Floating interest rate.
[2] Formerly Eurohypo Aktiengesellschaft.

Part of the profit-sharing certificate capital of the Commerzbank Group participates fully in losses. Interest payments are made only if the issuing institution earns a distributable profit. The claims of holders of profit-sharing certificates for the repayment of principal are subordinate to those of other creditors.

Interest expense on the outstanding profit-sharing certificates in the 2012 financial year amounted to €102m (previous year: €107m). Interest accruals for interest not yet paid totalled €221m (previous year: €194m).

At year-end 2012, the following major profit-sharing certificate was outstanding:

Start of maturity	€m	Currency in m	Issuer	Interest rate %	Maturity
2006	662	662 EUR	Commerzbank Aktiengesellschaft	5.386	2015

(73) Hybrid capital

€m	31.12.2012	31.12.2011	Change in %
Hybrid capital	2,057	2,830	– 27.3
Accrued interest, including discounts[1]	– 969	– 1,131	– 14.3
Remeasurement effects	509	476	6.9
Total	**1,597**	**2,175**	**– 26.6**
of which relate to the category			
Liabilities measured at amortised cost	1,597	2,175	– 26.6
At fair value through profit or loss (fair value option)	–	–	.

[1] Including the impact of the adjustment of fair values of hybrid capital at the date of acquisition of Dresdner Bank.

At the end of 2012, the following hybrid capital instruments were outstanding:

Start of maturity	€m	Currency in m	Issuer	Interest rate %	Maturity
1999	758	1,000 USD	Dresdner Capital LLC I	8.151	2031
2006	416	416 EUR	Commerzbank Aktiengesellschaft	5.386	for an unlimited period
2006	186	186 EUR	Commerzbank Capital Funding Trust III	2.524	for an unlimited period
2005	152	152 EUR	Eurohypo Capital Funding Trust II	3.486	for an unlimited period
2006	148	148 EUR	Commerzbank Capital Funding Trust I	5.012	for an unlimited period
2003	119	119 EUR	Eurohypo Capital Funding Trust I	6.445	for an unlimited period
2006	114	93 GBP	Commerzbank Capital Funding Trust II	5.905	for an unlimited period

In financial year 2012 interest of €126m was payable on hybrid capital (previous year: €152m). Hybrid capital forms part of the Bank's liable equity capital. Interest payments are due in accordance with the issue conditions of the instrument. The claims of holders of hybrid instruments for repayment of their capital are subordinate to the claims of creditors of the liabilities reported under subordinated liabilities and profit-sharing certificates.

In March 2012, parts of the Trust Preferred Securities (TruPS) of Commerzbank Capital Funding Trust I and II and Eurohypo Capital Funding Trust I were repurchased. TruPS with a nominal value of €1.0bn were then paid in as non-cash contributions in return for payment in shares (see page 187). This repurchase increased our Core Tier I capital by €0.8bn. Beyond this there were no significant changes.

(74) Equity structure

€m	31.12.2012	31.12.2011	Change in %
a) Subscribed capital	5,828	5,113	14.0
b) Capital reserve	11,681	11,158	4.7
c) Retained earnings	8,614	8,822	– 2.4
d) Silent participations	2,376	2,687	– 11.6
Other reserves	– 2,353	– 3,676	– 36.0
e) Revaluation reserve	– 1,699	– 2,511	– 32.3
f) Cash flow hedge reserve	– 616	– 810	– 24.0
g) Currency translation reserve	– 38	– 355	– 89.3
Total before non-controlling interests	**26,146**	**24,104**	**8.5**
Non-controlling interests	888	699	27.0
Equity	**27,034**	**24,803**	**9.0**

a) Subscribed capital

The subscribed capital (share capital) of Commerzbank Aktiengesellschaft consists of no-par-value shares, each with an accounting par value of €1.00. The shares are issued in bearer form. Purchases and disposals of treasury shares are added to or deducted from subscribed capital at an accounting par value of €1.00.

	Units
Number of shares outstanding as at 1.1.2012	**5,112,566,043**
plus treasury shares as at 31.12. of the previous year	863,010
Issue of new shares	716,084,804
Number of issued shares as at 31.12.2012	**5,829,513,857**
less treasury shares as at balance sheet date	1,193,353
Number of shares outstanding as at 31.12.2012	**5,828,320,504**

Before the treasury shares held by Commerzbank were deducted, the subscribed capital amounted to €5.830m. There are no preferential rights or restrictions on the payment of dividends at Commerzbank Aktiengesellschaft. All shares in issue are fully paid up. The value of issued, outstanding and authorised shares was as follows:

	31.12.2012		31.12.2011	
	€m	1,000 units	€m	1,000 units
Issued shares	5,829.5	5,829,514	5,113.4	5,113,429
./. Treasury shares	1.2	1,193	0.9	863
= Shares outstanding	5,828.3	5,828,321	5,112.6	5,112,566
Shares not yet issued from authorised capital	5,068.0	5,068,000	2,000.0	2,000,000
Total	**10,896.3**	**10,896,321**	**7,112.6**	**7,112,566**

The number of authorised shares was 10.897.514,000 (previous year: 7.113.429,000 units). The accounting par value of the authorised shares was €10.897,5m (previous year: €7.113,5m).

As at 31 December 2012, 32,223,000 shares had been pledged with the Group as collateral (previous year: 30,306,000 shares). This represents 0,6% (previous year: 0.6%) of the shares outstanding as at the balance sheet date.

Securities transactions in treasury shares pursuant to Art. 71 (1), no. 7 of the German Companies Act (Aktiengesetz) were as follows:

	Number of shares in units	Accounting par value[1] €1,000	Percentage of share capital %
Balance as at 31.12.2012	1,193,353	1,193	0.02
Largest number acquired during the financial year	38,917,378	38,917	0.67
Total shares pledged by customers as collateral as at 31.12.2012	32,223,091	32,223	0.55
Shares acquired during the financial year	860,165,799	860,166	–
Shares disposed of during the financial year	859,835,456	859,835	–

[1] Accounting par value per share €1.00.

The Bank has given an undertaking to the Financial Market Stabilisation Fund (SoFFin), represented by the Financial Market Stabilisation Authority (FMSA), that neither it nor any of its affiliated companies will buy back shares or other components of its liable equity capital (except as specified under Art. 71 (1) no. 2 and no. 4 (purchase on behalf of another party), no. 7 or no. 8 of the German Companies Act/Aktiengesetz).

b) Capital reserve

The capital reserve shows, in addition to premiums from the issue of shares, fair values of share-based remuneration transactions in equity instruments that have not yet been exercised. If bonds and notes are issued for conversion and option rights entitling holders to purchase shares, the amounts realised are recognised in the capital reserve.

In addition, costs arising in connection with capital increases, which must be shown as a deduction from equity in accordance with IAS 32.35, are deducted from the capital reserve.

For the resale of treasury shares, the difference between the accounting par value and the market value of the share is recognised in the capital reserve, if the latter exceeds the original acquisition costs of these shares.

c) Retained earnings

Retained earnings consist of the statutory reserve and other reserves. The statutory reserve contains reserves which are mandated by German law; in the parent company financial statements, the amounts assigned to this reserve may not be distributed. The total amount of retained earnings stated in the balance sheet resulted from other retained earnings of €8,614m (previous year: €8,822m). There were no statutory reserves as at 31 December 2012 or 31 December 2011.

For purchases of treasury shares, the difference between the acquisition costs and the accounting par value is recognised in retained earnings. The resale of treasury shares is reported as a mirror-image of the purchase of treasury shares.

d) Silent participations

The contributions of SoFFin, represented by the FMSA, were reduced by €0.3bn from €1.9bn to €1.6bn over the course of the year through a number of capital measures (see page 187). The silent participations are based on the agreement dated 19 December 2008, most recently amended on 29 June 2012, and the supplementary agreement dated 3 June 2009 on the establishment of a silent partnership concluded between SoFFin, represented by the FMSA, and Commerzbank Aktiengesellschaft. Interest of 9% p.a. will be paid on the participations, which are eligible in full as Tier I capital. The repayment will be at par. The interest rate on the silent participations rises in years when a dividend is paid. The additional interest to be paid in such cases is based on the total cash dividend. For approximately every €5.9m of cash dividend paid, the interest rate will rise by 0.01 percentage points.

SoFFin participates in any net loss in proportion to the ratio of the book value of the silent participation to the overall book value of all of the Company's liable capital participating in the net loss (Art. 10 (2a), (4) and (5) German Banking Act). After a reduction the silent participation will be written up again in the following financial years to its full original nominal value, provided that this does not thereby cause or increase a net loss.

Furthermore, Commerzbank Aktiengesellschaft and Allianz SE concluded an agreement on 3 June 2009 on the establishment of a silent partnership, on the basis of which Allianz, through a subsidiary, provided Commerzbank Aktiengesellschaft with a silent participation of €750m. The silent participation comes with a profit participation consisting of fixed interest of 9% p.a. on the nominal participation amount plus additional dividend-linked remuneration of 0.01% p.a. for approximately each €5.9m of cash dividends paid.

Under IFRS the silent participations must be recognised separately within equity, and the interest paid on the silent participations set off directly against equity without affecting the income statement. Interest is only payable on the silent participations if the Company reports a net profit in its separate accounts under the German Commercial Code (HGB). This condition was met in 2012, and the dividend amounted to €221m (previous year: –).

e) Revaluation reserve

Gains or losses from revaluing financial investments at fair value are recognised in the revaluation reserve net of deferred taxes. Gains or losses are recognised in the income statement only if the asset has been disposed of or impaired.

f) Cash flow hedge reserve

The net gain or loss on remeasuring the effective part of cash flow hedges is reported in this equity item after deduction of deferred taxes. We ended cash flow hedge accounting in the financial year 2009 with only a few exceptions and since then have been using micro hedge accounting and portfolio fair value hedge accounting to manage interest rate risks. From the date of this change, the cash flow hedge reserve reported in equity and the associated hedging transactions have been amortised in net interest income over the residual term of the hedging transactions. This has no impact on net income.

g) Currency translation reserve

The reserve from currency translation relates to translation gains and losses arising upon the consolidation of the capital accounts. This includes exchange rate differences arising from the consolidation of subsidiaries and companies accounted for using the equity method.

(75) Conditional capital

Conditional capital is intended to be used for the issue of options or convertible bonds or bonds with warrants and profit-sharing certificates with option or conversion rights. Conditional capital developed as follows:

						of which	
€m	Conditional capital 1.1.2012	Additions	Expirations/ Utilisations	Authorisation expired	Conditional capital[1] 31.12.2012	Used conditional capital	Conditional capital still available
Convertible bonds/bonds with warrants/profit-sharing certificates	1,553	3,685	179	665	4,394	–	4,394
Total	**1,553**	**3,685**	**179**	**665**	**4,394**	**–**	**4,394**

[1] The conditional capital in the amount of €1,644m is to enable the issuance of shares in the event of the exercise of conversion rights granted to the Financial Market Stabilisation Fund SoFFin, established under the German Financial Market Stabilisation Act and represented by the Financial Market Stabilisation Authority, as silent partner in the Company. The conditional capital increase will only be carried out to the extent that SoFFin exercises these conversion rights.

As resolved at the Annual General Meeting of 23 May 2012, the Company's share capital shall be conditionally increased by up to €2,750,000,000.00, divided into up to 2,750,000,000 bearer shares with no par value (Conditional Capital 2012/I in accordance with Art. 4 (4) of the Articles of Association). The conditional capital increase will only be carried out to the extent that holders/creditors of convertible bonds or warrants attached to bonds or profit-sharing certificates with warrants issued or guaranteed until 22 May 2017 by Commerzbank Aktiengesellschaft (or by companies in which Commerzbank Aktiengesellschaft directly or indirectly holds a majority interest (Group companies as defined in Art. 18 (1) of the German Companies Act)) on the basis of the authorisation resolved at the Annual General Meeting dated 23 May 2012 (Authorisation 2012) exercise their conversion/option rights or fulfil their related conversion or option obligations, and other forms of settlement are not chosen.

As resolved at the Annual General Meeting of 23 May 2012, the Company's share capital shall be conditionally increased by up to €935,000,000.00, divided into 935,000,000 bearer shares with no par value (Conditional Capital 2012/II in accordance with Art. 4 (8) of the Articles of Association). The conditional capital increase is to enable the issuance of shares in the event of the exercise of the conversion rights granted to the Financial Market Stabilisation Fund, established under the Financial Market Stabilisation Act and represented by the Financial Market Stabilisation Authority, as silent partner in the Company. The conditional capital increase will only be carried out to the extent that the Financial Market Stabilisation Fund exercises the conversion right.

As resolved at the Annual General Meeting of 6 May 2011, the Company's share capital shall be conditionally increased by up to €709,312,132.00, divided into 709,312,132 bearer shares with no par value (Conditional Capital 2011/III in accordance with Art. 4 (5) of the Articles of Association). The conditional capital increase is to enable the issuance of shares in the event of the exercise of the conversion rights granted to the Financial Market Stabilisation Fund, established under the Financial Market Stabilisation Act and represented by the Financial Market Stabilisation Authority, as silent partner in the Company. The conditional capital increase will only be carried out to the extent that the Financial Market Stabilisation Fund exercises the conversion right.

(76) Authorised capital

Date of AGM resolution	Original amount €m	Used in previous years for capital increases €m	Used in 2012 for capital increases €m	Authorisation expired €m	Residual amount €m	Date of expiry
6.5.2011	2,000	–	537	–	1,463	5.5.2016
23.5.2012	1,150	–	–	–	1,150	22.5.2017
23.5.2012	2,455	–	–	–	2,455	22.5.2017
Total	**5,605**	**–**	**537**	**–**	**5,068**	

The Board of Managing Directors is authorised, with the approval of the Supervisory Board, to increase the Company's share capital until 5 May 2016 through the issuance of new shares with no par value in exchange for cash or contributions in kind, in either one or several tranches, but not exceeding a maximum amount of €1,462,936,397.00 (Authorised Capital 2011 in accordance with Art 4 (3) of the Articles of Association). In principle, shareholders shall be offered subscription rights. The statutory subscription right may also be granted in such a manner that the new shares are underwritten by a bank or a syndicate of banks under an obligation to offer them for subscription to shareholders of Commerzbank Aktiengesellschaft. However, the Board of Managing Directors is authorised to exclude subscription rights, with the approval of the Supervisory Board, in the following cases:

- in order to exclude fractional amounts from subscription rights;
- to the extent necessary to grant the holders of conversion or option rights, either already issued or still to be issued by Commerzbank Aktiengesellschaft or by companies in which Commerzbank Aktiengesellschaft directly or indirectly holds a majority interest (Group companies as defined in Art. 18 (1) of the Stock Corporation Act), subscription rights in the amount to which they would be entitled after exercising their conversion or option rights or fulfilling their corresponding conversion or option obligation;

- in order to issue shares up to the amount of €20,000,000.00 to employees of Commerzbank Aktiengesellschaft or of companies in which Commerzbank Aktiengesellschaft directly or indirectly holds a majority interest (Group companies as defined in Art. 18 (1) of the Stock Corporation Act);
- in order to increase the share capital in exchange for contributions in kind;
- in the event of capital increases for cash, if the issue price of the new shares is not significantly lower than the market price for identical shares of the Company at the time the issue price is determined. The shares issued with the exclusion of subscription rights pursuant to Articles 203 (1), 186 (3) sentence 4 of the Stock Corporation Act on the basis of this authorisation may not exceed a total of 10% of the share capital of the Company, either at the time the authorisation becomes effective or at the time the authorisation is exercised, whichever amount is lower. The upper limit of 10% of the share capital is reduced by the proportional amount of share capital corresponding to those of the Company's own shares that are sold during the period of validity of Authorised Capital 2011, while excluding shareholders' subscription rights in accordance with Art. 71 (1) no. 8 sentence 5 and Art. 186 (3) sentence 4 of the Stock Corporation Act. The upper limit is further reduced by the proportional amount of share capital corresponding to those shares that must be issued to service options and convertible bonds with option or conversion rights or with option or conversion obligations, provided such bonds are issued during the period of validity of Authorised Capital 2011, while excluding subscription rights subject to appropriate application of Art. 186 (3) sentence 4 of the Stock Corporation Act.

The Board of Managing Directors is authorised, with the approval of the Supervisory Board, to increase the Company's share capital until 22 May 2017 through the issuance of new shares with no par value for cash or contributions in kind, in either one or several tranches, but not exceeding a maximum amount of €1,150,000,000.00 (Authorised Capital 2012/I in accordance with Art. 4 (6) of the Articles of Association). In principle, shareholders shall be offered subscription rights. The statutory subscription right may also be granted in such a manner that the new shares are underwritten by a bank or a syndicate of banks under an obligation to offer them for subscription to shareholders of Commerzbank Aktiengesellschaft. However, the Board of Managing Directors is authorised to exclude subscription rights, with the approval of the Supervisory Board, in the following cases:

- in order to exclude fractional amounts from subscription rights;
- to the extent necessary to grant the holders of conversion or option rights, either already issued or still to be issued by Commerzbank Aktiengesellschaft or by companies in which Commerzbank Aktiengesellschaft directly or indirectly holds a majority interest (Group companies as defined in Art. 18 (1) of the Stock Corporation Act), subscription rights in the amount to which they would be entitled after exercising their conversion or option rights or fulfilling their corresponding conversion or option obligation;
- in order to issue shares to the Board of Managing Directors, members of management or the employees of Commerzbank Aktiengesellschaft or of companies in which Commerzbank Aktiengesellschaft directly or indirectly holds a majority interest (Group companies as defined in Art. 18 (1) of the German Companies Act) in exchange for contributions in kind through contribution of claims to variable remuneration components, bonuses or similar claims against the Company or Group companies.

The Board of Managing Directors is authorised, with the approval of the Supervisory Board, to increase the Company's share capital until 22 May 2017 through the issuance of new shares with no par value in exchange for cash and/or the partial or full contribution of the silent participations from silent partnerships entered into by AZ-Arges Vermögensverwaltungsgesellschaft mbH and the Financial Market Stabilisation Fund, in either one or several tranches, but not exceeding a maximum amount of €2,455,000,000.00 (Authorised Capital 2012/II in accordance with Art. 4 (7) of the Articles of Association). The Board of Managing Directors may make use of this authorisation to issue shares against cash contributions only in order to use the funds thus flowing into the Company, after deduction of the issuing costs, for the full or partial repayment of existing silent participations. In this connection, the funds flowing into the Company from a capital increase are always to be used predominantly for the repayment of the existing silent participation of the Financial Market Stabilisation Fund. In principle, shareholders shall be offered subscription rights. The statutory subscription right may also be granted in such a manner that the new shares are underwritten by a bank or a syndicate of banks under an obligation to offer them for subscription to shareholders of Commerzbank Aktiengesellschaft. AZ-Arges Vermögensverwaltungsgesellschaft mbH and the Financial Market Stabilisation Fund, represented by the Financial Market Stabilisation Authority, may be granted the right, in the event of the exercise of their subscription rights, to contribute silent participations from silent partnerships entered into by AZ-Arges Vermögens-verwaltungsgesellschaft mbH and the Financial Market Stabilisation Fund in the corresponding amount for payment of the subscription price for each share subscribed to, instead of a cash contribution. The Board of Managing Directors is authorised to exclude the subscription right of the shareholders, with the approval of the Supervisory Board, in the following cases:

- in order to exclude fractional amounts from subscription rights;
- in order to admit exclusively AZ-Arges Vermögensverwaltungsgesellschaft mbH and/or the Financial Market Stabilisation Fund, represented by the Financial Market Stabilisation Authority, to subscription against partial or full contribution of the silent participations from silent partnerships entered into by AZ-Arges Vermögensverwaltungsgesellschaft mbH or the Financial Market Stabilisation Fund.

The Board of Managing Directors is authorised to determine the further details of the capital increases and their implementation.

(77) The Bank's foreign currency position

As at 31 December 2012 the Commerzbank Group had the following foreign currency assets and liabilities (excluding fair values of derivatives):

€m	31.12.2012					31.12.2011	
	USD	PLN	GBP	Others	Total	Total	Change in %
Cash reserve	6,064	914	67	1,512	8,557	3,768	.
Claims on banks	18,143	431	2,150	2,620	23,344	27,151	– 14.0
Claims on customers	33,308	8,364	14,448	16,569	72,689	81,917	– 11.3
Trading assets	12,250	325	2,243	1,983	16,801	22,149	– 24.1
Financial investments	16,224	4,809	1,921	2,462	25,416	28,678	– 11.4
Other balance sheet items	1,317	726	438	220	2,701	1,689	59.9
Foreign currency assets	**87,306**	**15,569**	**21,267**	**25,366**	**149,508**	**165,352**	**– 9.6**
Liabilities to banks	26,870	634	3,704	4,345	35,553	33,891	4.9
Liabilities to customers	15,222	11,153	3,563	4,263	34,201	37,755	– 9.4
Securitised liabilities	6,592	692	445	7,838	15,567	19,349	– 19.5
Trading liabilities	1,172	32	562	1,103	2,869	3,297	– 13.0
Other balance sheet items	1,800	442	659	898	3,799	3,759	1.1
Foreign currency liabilities	**51,656**	**12,953**	**8,933**	**18,447**	**91,989**	**98,051**	**– 6.2**

The open balance sheet positions outside the trading business are matched by corresponding foreign exchange forward contracts and currency swaps with matching maturities.

Notes on financial instruments

(78) Derivative transactions

The Commerzbank Group conducts transactions with derivative financial instruments, as explained below.

A derivative is a financial instrument with a value determined by a so-called underlying asset. The underlying asset may, for example, be an interest rate, commodity price, share price, foreign exchange rate or bond price. The financial instrument does not require any or only a low initial net investment compared to other contracts with a similar response to changes in market factors. It is settled at a future date.

Most of the derivatives transactions involve OTC derivatives, with a nominal amount, maturity and price which are agreed individually between the Bank and its counterparties. However, the Bank also concludes derivatives contracts on regulated stock exchanges. These are standardised contracts with standardised nominal amounts and settlement dates.

The nominal amount shows the volume traded by the Bank. The positive and negative fair values listed in the table, however, are the expenses which would be incurred by the Bank or the counterparty to replace the contracts originally concluded with transactions of an equivalent financial value. From the Bank's point of view, a positive fair value thus indicates the maximum potential counterparty-specific default risk that existed from derivative transactions on the balance sheet date.

In order to minimise both the economic and regulatory credit risk arising from these instruments, we conclude master agreements (bilateral netting agreements) with our counterparties (such as 1992 ISDA Master Agreement Multi-Currency Cross-Border; German Master Agreement for Financial Futures). By means of such bilateral netting agreements, the positive and negative fair values of the derivatives contracts included under a master agreement can be offset against one another and the future regulatory risk add-ons for these products can be reduced. Through this netting process, the credit risk is limited to a single net claim on the party to the contract (close-out netting).

For both regulatory reports and the internal measurement and monitoring of our credit commitments, we use such risk-mitigating techniques only where we consider them enforceable in the jurisdiction in question, if the counterparty becomes insolvent. We obtain legal opinions from various international law firms in order to verify enforceability.

Similar to the master agreements are the collateral agreements (e.g. collateralisation annex for financial futures contracts, Credit Support Annex), which we conclude with our business associates to secure the net claim or liability remaining after netting (receiving or furnishing of security). As a rule, this collateral management reduces credit risk by means of prompt – mostly daily or weekly – measurement and adjustment of the customer exposure.

The table below shows the nominal amounts and the fair values of the derivative business broken down by interest rate-based contracts, currency-based contracts and contracts based on other price risks and the maturity structure of these transactions. The fair values are the sum totals of the positive and negative amounts per contract and are shown without deducting collateral and without taking account of any netting agreements, because these work on a cross-product basis. By definition, no positive fair values exist for options which have been written. The nominal amount represents the gross volume of all sales and purchases. The maturity dates listed for the transactions are based on the term to maturity of the contracts and not the maturity of the underlying. The table below also shows the fair value of derivatives based on the net method of presentation as set out in Note 1. The netting volume as at 31 December 2012 totalled €162,271m (previous year: €194,925m). On the assets side, €158,561m of this was attributable to positive fair values (previous year: €193,561m) and €3,710m to margins payable (previous year: €1,364m). Netting on the liabilities side involved negative fair values of €162,133m (previous year: €194,753m) and €138m in margins payable (previous year: €172m).

31.12.2012	Nominal amount Residual terms						Fair value	
€m	due on demand	up to 3 months	3 months to 1 year	1 year to 5 years	more than 5 years	Total	positive	negative
Foreign-currency-based forward transactions								
OTC products	6	282,388	158,932	170,518	118,569	730,413	13,592	14,119
Foreign exchange spot and forward contracts	–	223,807	77,333	21,506	616	323,262	4,444	4,516
Interest rate and currency swaps	–	21,531	44,708	134,440	111,055	311,734	7,535	7,999
Currency call options	–	16,710	15,865	6,633	3,305	42,513	1,417	–
Currency put options	–	19,780	19,809	7,183	2,985	49,757	–	1,391
Other foreign exchange contracts	6	560	1,217	756	608	3,147	196	213
Exchange-traded products	–	1,049	91	1	–	1,141	–	–
Currency futures	–	1,033	91	–	–	1,124	–	–
Currency options	–	16	–	1	–	17	–	–
Total	**6**	**283,437**	**159,023**	**170,519**	**118,569**	**731,554**	**13,592**	**14,119**
Interest-based forward transactions								
OTC products	16	523,252	2,004,294	2,019,132	1,728,384	6,275,078	253,072	259,183
Forward rate agreements	–	157,479	1,341,339	7,059	–	1,505,877	501	440
Interest rate swaps	–	362,127	615,895	1,892,321	1,536,202	4,406,545	240,282	246,267
Call options on interest rate futures	–	1,525	26,685	58,753	84,749	171,712	9,799	–
Put options on interest rate futures	–	1,438	16,921	56,885	100,475	175,719	–	10,790
Other interest rate contracts	16	683	3,454	4,114	6,958	15,225	2,490	1,686
Exchange-traded products	–	2,372	87,779	5,355	10,759	106,265	–	–
Interest rate futures	–	1,479	32,940	3,980	8,781	47,180	–	–
Interest rate options	–	893	54,839	1,375	1,978	59,085	–	–
Total	**16**	**525,624**	**2,092,073**	**2,024,487**	**1,739,143**	**6,381,343**	**253,072**	**259,183**
Other forward transactions								
OTC products	1,013	18,111	51,785	111,903	16,740	199,552	4,354	5,704
Structured equity/ index products	1,010	8,213	7,403	14,025	1,422	32,073	1,020	1,923
Equity call options	–	1,313	6,230	5,438	144	13,125	896	–
Equity put options	–	1,373	6,395	8,256	1,140	17,164	–	1,297
Credit derivatives	–	5,929	30,475	81,987	13,991	132,382	2,137	2,215
Precious metal contracts	2	723	585	668	–	1,978	59	87
Other transactions	1	560	697	1,529	43	2,830	242	182
Exchange-traded products	–	26,883	24,637	17,235	415	69,170	–	–
Equity futures	–	12,034	261	23	–	12,318	–	–
Equity options	–	11,533	17,042	14,795	415	43,785	–	–
Other futures	–	1,805	2,032	1,008	–	4,845	–	–
Other options	–	1,511	5,302	1,409	–	8,222	–	–
Total	**1,013**	**44,994**	**76,422**	**129,138**	**17,155**	**268,722**	**4,354**	**5,704**
Total pending forward transactions								
OTC products	1,035	823,751	2,215,011	2,301,553	1,863,693	7,205,043	271,018	279,006
Exchange-traded products	–	30,304	112,507	22,591	11,174	176,576	–	–
Total	**1,035**	**854,055**	**2,327,518**	**2,324,144**	**1,874,867**	**7,381,619**	**271,018**	**279,006**
Net position in the balance sheet							**112,457**	**116,873**

31.12.2011			Nominal amount Residual terms				Fair value	
€m	due on demand	up to 3 months	3 months to 1 year	1 year to 5 years	more than 5 years	Total	positive	negative
Foreign-currency-based forward transactions								
OTC products	5	367,938	192,056	169,590	104,667	834,256	17,891	20,805
Foreign exchange spot and forward contracts	–	304,435	102,508	26,620	683	434,246	7,621	8,250
Interest rate and currency swaps	–	21,507	49,745	125,972	96,200	293,424	7,881	10,306
Currency call options	–	19,580	17,747	7,881	3,814	49,022	2,065	–
Currency put options	–	22,002	20,255	8,263	3,370	53,890	–	2,078
Other foreign exchange contracts	5	414	1,801	854	600	3,674	324	171
Exchange-traded products	–	547	63	3	–	613	–	–
Currency futures	–	544	63	1	–	608	–	–
Currency options	–	3	–	2	–	5	–	–
Total	**5**	**368,485**	**192,119**	**169,593**	**104,667**	**834,869**	**17,891**	**20,805**
Interest-based forward transactions								
OTC products	7	656,015	2,013,079	2,805,060	2,406,901	7,881,062	296,597	302,788
Forward rate agreements	–	84,028	1,017,256	4,886	–	1,106,170	314	318
Interest rate swaps	–	565,961	946,942	2,671,066	2,225,766	6,409,735	283,700	289,933
Call options on interest rate futures	–	2,587	25,838	63,043	77,493	168,961	9,824	–
Put options on interest rate futures	–	2,818	19,028	58,601	95,768	176,215	–	10,442
Other interest rate contracts	7	621	4,015	7,464	7,874	19,981	2,759	2,095
Exchange-traded products	–	1,406	33,716	2,452	3,902	41,476	–	–
Interest rate futures	–	1,314	25,602	2,438	3,888	33,242	–	–
Interest rate options	–	92	8,114	14	14	8,234	–	–
Total	**7**	**657,421**	**2,046,795**	**2,807,512**	**2,410,803**	**7,922,538**	**296,597**	**302,788**
Other forward transactions								
OTC products	698	24,887	44,681	161,952	21,124	253,342	7,812	8,518
Structured equity/ index products	693	12,766	8,976	15,165	1,432	39,032	2,059	1,604
Equity call options	–	4,032	6,450	6,029	98	16,609	1,244	–
Equity put options	–	3,850	7,882	9,913	1,348	22,993	–	2,109
Credit derivatives	–	3,077	19,585	129,066	18,194	169,922	4,145	4,390
Precious metal contracts	3	788	1,001	413	–	2,205	92	121
Other transactions	2	374	787	1,366	52	2,581	272	294
Exchange-traded products	–	27,241	30,358	19,179	232	77,010	–	–
Equity futures	–	6,740	638	3	–	7,381	–	–
Equity options	–	14,754	20,539	14,740	232	50,265	–	–
Other futures	–	1,500	1,730	1,060	–	4,290	–	–
Other options	–	4,247	7,451	3,376	–	15,074	–	–
Total	**698**	**52,128**	**75,039**	**181,131**	**21,356**	**330,352**	**7,812**	**8,518**
Total pending forward transactions								
OTC products	710	1,048,840	2,249,816	3,136,602	2,532,692	8,968,660	322,300	332,111
Exchange-traded products	–	29,194	64,137	21,634	4,134	119,099	–	–
Total	**710**	**1,078,034**	**2,313,953**	**3,158,236**	**2,536,826**	**9,087,759**	**322,300**	**332,111**
Net position in the balance sheet							**128,739**	**137,358**

Breakdown of derivatives business by borrower group:

The table below shows the positive and negative fair values of the Commerzbank Group's derivative business broken down by counterparty. The Commerzbank Group conducts derivative business primarily with counterparties with excellent credit ratings. A large portion of the fair values is concentrated in banks and financial institutions based in OECD countries.

€m	31.12.2012		31.12.2011	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
OECD central governments	4,238	3,597	2,957	2,723
OECD banks	95,171	103,702	117,508	132,843
OECD financial institutions	161,583	165,678	190,712	190,841
Other entities, private individuals	9,169	3,488	10,020	3,375
Non-OECD banks	857	2,541	1,103	2,329
Total	**271,018**	**279,006**	**322,300**	**332,111**

As at the balance sheet date, the outstanding volume of the Commerzbank Group's transactions as a protection buyer or seller amounted to €68,634m (previous year: €89,804m) and €63,748m (previous year: €80,118m) respectively. We employ these products, which are used to transfer credit risk, both for arbitrage purposes in trading and in the banking book for diversifying our loan portfolios. The table below shows our risk structure in terms of the various risk assets that have been hedged.

€m	31.12.2012		31.12.2011	
	Nominal values Buyer of protection	Nominal values Seller of protection	Nominal values Buyer of protection	Nominal values Seller of protection
OECD central governments	6,565	6,248	7,731	6,277
OECD banks	6,967	7,135	8,094	8,108
OECD financial institutions	4,474	4,479	7,883	9,174
Other entities, private individuals[1]	49,074	45,131	64,831	55,630
Non-OECD banks	1,554	755	1,265	929
Total	**68,634**	**63,748**	**89,804**	**80,118**

[1] Prior-year figure restated.

Details of derivatives in cash flow hedge accounting:

The nominal values of derivatives used for cash flow hedging until this was ended in 2009 (see Note 74) totalled €184bn as at 31 December 2012 (previous year: €233bn). The table below shows the periods in which these are likely to expire:

€bn	31.12.2012	31.12.2011
Up to 3 months	6	17
More than 3 months up to 1 year	27	31
More than 1 year up to 5 years	135	160
More than 5 years	16	25

Underlying hedged transactions existed in each maturity band with at least the same nominal value.

(79) Transferred financial assets

a) Assets pledged as collateral (own and third-party holdings)

Financial assets were pledged as collateral for the following financial liabilities:

€m	31.12.2012	31.12.2011	Change in %
Liabilities to banks	54,625	41,834	30.6
Liabilities to customers	43,485	29,148	49.2
Securitised liabilities	–	–	.
Other liabilities	17	–	.
Total	**98,127**	**70,982**	**38.2**

The following financial assets (own and third-party holdings) were pledged as collateral for the above-mentioned liabilities, which are shown after netting. Furthermore, own secured bonds amounting to €5,526m which had been bought back were pledged as collateral for financial liabilities to banks.

€m	31.12.2012	31.12.2011	Change in %
Claims on banks and customers	23,691	24,031	– 1.4
Trading assets and financial investments	72,300	60,371	19.8
Other assets	17	–	.
Total	**96,008**	**84,402**	**13.8**

The recipient of the collateral has the right under contract or in accordance with customary practice to sell or pledge the following financial assets of the Commerzbank Group to others:

€m	31.12.2012	31.12.2011	Change in %
Claims on banks and customers	45	77	– 41.6
Trading assets and financial investments	15,175	19,087	– 20.5
Other assets	–	–	.
Total	**15,220**	**19,164**	**– 20.6**

Collateral was furnished to borrow funds as part of securities repurchase agreements (repos). Collateral was also furnished for funds borrowed for specific purposes and securities-lending transactions. The transactions were carried out under the standard market terms for securities lending and repurchase transactions.

b) Financial assets which have been transferred but not derecognised (own holdings)

Securities from the Bank's own holdings were pledged as collateral in securities repurchase and lending transactions. These securities were not derecognised as all the risks and opportunities connected with the ownership of these securities were retained within the Commerzbank Group. In addition, own secured bonds amounting to €5,526m which had been bought back were also pledged as collateral for liabilities to central banks. The transferred securities and associated liabilities (before netting) were as follows as at 31 December 2012:

€m	Trading assets	Financial investments		
	Held for trading	At fair value through profit or loss	Available-for-sale financial assets	Loans and receivables
Repurchase agreements as a borrower				
Carrying amount of securities transferred	10,609	–	231	2,228
Carrying amount of associated liabilities	11,247	–	239	2,067
Securities lent in securities lending transactions				
Carrying amount of securities transferred	2,071	–	809	–
Carrying amount of associated liabilities	2,204	–	37	–
Securities transferred to central bank (without repo agreements)				
Carrying amount of securities transferred	–	–	–	10,023
Carrying amount of associated liabilities	–	–	–	13,822

The fair values of transactions where the counterparty (protection buyer) only has recourse to the transferred assets were as follows as at 31 December 2012:

€m	Trading assets	Financial investments		
	Held for trading	At fair value through profit or loss	Available-for-sale financial assets	Loans and receivables
Repurchase agreements as a borrower				
Fair value of securities transferred	10,609	–	231	2,154
Fair value of associated liabilities	11,247	–	239	2,067
Net position	**–638**	**–**	**–8**	**87**
Securities lent in securities lending transactions				
Fair value of securities transferred	2,071	–	809	–
Fair value of associated liabilities	2,204	–	37	–
Net position	**–133**	**–**	**772**	**–**
Securities transferred to central bank (without repo agreements)				
Fair value of securities transferred	–	–	–	9,963
Fair value of associated liabilities	–	–	–	13,819
Net position	**–**	**–**	**–**	**–3,856**

c) Transferred and derecognised financial assets with continuing involvement

Continuing involvement exists if after a transfer of financial assets the contractual rights and obligations relating to the transferred asset remain within the Commerzbank Group. Continuing involvement may also arise from the assumption of new rights and obligations in connection with the transferred assets. No significant transactions were concluded in the Commerzbank Group where the assets were derecognised in spite of continuing involvement.

(80) Maturities of assets and liabilities

The table below lists all assets and liabilities (except for positive and negative fair values of derivative financial instruments) classified by whether they are short-term or long-term. Please refer to Note 78 for the maturity breakdown of derivatives. The residual term or the time of anticipated realisation or fulfilment is defined as short-term if the period between the reporting date and the instrument's maturity date is less than one year. Financial instruments in trading assets and liabilities without contractual maturities, the cash reserve item, non-current assets and liabilities held for sale and current taxes on income are classified as short-term. By contrast, the items holdings in companies accounted for using the equity method, intangible assets, fixed assets, investment properties and deferred taxes are generally classified as long-term. When classifying other assets and liabilities we make an assessment for the main items. For information on how the maturities of the main types of provisions are classified, please refer to Note 68.

€m	Short-term	Long-term
Cash reserve	15,755	–
Claims on banks	79,174	8,854
Claims on customers	105,328	173,218
Trading assets	24,640	13,104
Financial investments	9,740	79,402
Holdings in companies accounted for using the equity method	–	744
Intangible assets	–	3,051
Fixed assets	–	1,372
Investment properties	–	637
Non-current assets and disposal groups held for sale	757	–
Current tax assets	790	–
Deferred tax assets	–	3,015
Other assets	2,323	1,517
Total	**238,507**	**284,914**
Liabilities to banks	70,141	40,101
Liabilities to customers	220,352	45,490
Securitised liabilities	17,963	61,369
Trading liabilities	8,609	2,368
Provisions	2,633	626
Current tax liabilities	324	–
Deferred tax liabilities	–	90
Liabilities from disposal groups held for sale	2	–
Other liabilities	3,634	4,356
Subordinated and hybrid capital	564	13,349
Total	**324,222**	**167,749**

In the maturity breakdown, we show the residual terms of financial instruments that are subject to contractual maturities. The residual term is defined as the period between the balance sheet date and the contractual maturity date of the financial instruments. In the case of financial instruments which are paid in partial amounts, the residual term of each partial amount has been used.

31.12.2012			**Residual terms**		
€m	**due on demand and unlimited term**	**up to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**more than 5 years**
Claims on banks	34,492	34,180	10,597	8,125	740
Claims on customers	29,308	45,564	37,340	84,913	89,075
Bonds, notes and other interest-rate-related securities and promissory note loans in trading assets	100	2,835	3,708	6,312	6,792
Bonds, notes and other interest-rate-related securities held in financial investments	–	5,130	4,610	33,576	44,232
Total	**63,900**	**87,709**	**56,255**	**132,926**	**140,839**
Liabilities to banks	43,089	21,670	5,382	27,396	12,705
Liabilities to customers	142,377	61,999	15,976	16,129	29,361
Securitised liabilities	–	8,301	9,662	47,302	14,067
Trading liabilities	4	843	1,986	1,173	1,195
Subordinated and hybrid capital[1]	–	375	197	5,052	8,484
Total	**185,470**	**93,188**	**33,203**	**97,052**	**65,812**

[1] Excluding interest accruals and discounts (€–1,130m) and valuation effects (€935m).

31.12.2011			**Residual terms**		
€m	**due on demand and unlimited term**	**up to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**more than 5 years**
Claims on banks	35,867	30,236	11,475	8,858	1,596
Claims on customers	24,716	49,752	34,677	98,002	97,352
Bonds, notes and other interest-rate-related securities and promissory note loans in trading assets	42	3,617	3,649	6,208	8,450
Bonds, notes and other interest-rate-related securities held in financial investments	4	4,407	5,886	33,092	49,137
Total	**60,629**	**88,012**	**55,687**	**146,160**	**156,535**
Liabilities to banks	33,841	23,526	5,023	22,456	13,635
Liabilities to customers	129,731	62,481	16,543	12,119	34,470
Securitised liabilities	–	17,727	10,433	58,921	18,592
Trading liabilities	1,180	1,132	1,940	1,489	48
Subordinated and hybrid capital[1]	–	–	1,175	3,919	10,805
Total	**164,752**	**104,866**	**35,114**	**98,904**	**77,550**

[1] Excluding interest accruals and discounts (€–1,296m) and valuation effects (€857m).

(81) Fair value of financial instruments

Determination of fair value

This note provides more information on the fair values of financial instruments which are not recognised at fair value in the balance sheet, but for which a fair value must be disclosed in accordance with IFRS 7. For the financial instruments reported in the balance sheet at fair value the accounting methodology is set out in the accounting and measurement policies (Notes 2 to 30) and in the sections "Measurement of financial instruments" and "Fair value hierarchy" in Note 82.

The nominal value of financial instruments that fall due on a daily basis is considered as their fair value. These instruments include the cash reserve as well as overdrafts and demand deposits in the claims on banks and customers or liabilities to banks and customers items.

Market prices are not available for loans and deposits as there are no organised markets in which these financial instruments are traded. Fair value is determined for these instruments by using recognised mathematical valuation methods with current market parameters. A discounted cash flow model is used for loans with parameters based on a market yield curve (swap curve), a business-specific risk premium and other premiums to cover liquidity costs, administrative expenses and the cost of capital. The same yield curve is also used to determine the fair value of liabilities, with Commerzbank Aktiengesellschaft's own credit spread plus a premium for administrative costs also being incorporated. The model also uses varying market risk premiums by product category for mortgage Pfandbriefe, public Pfandbriefe and loans taken out by the Bank.

The fair value of securitised liabilities, subordinated liabilities and hybrid capital is determined on the basis of market prices as far as possible. If no market prices are available, the fair values are determined on the basis of mathematical valuation models (e.g. discounted cash flow or option price models), which are in turn based on parameters available on the market, e.g. yield curves, volatilities and Commerzbank's own credit spread. In cases where the Bank has issued structured debt instruments, which are designated in the fair value option, the Bank's own credit risk is recognised in the income statement.

The table below compares the fair values of the balance sheet items with their carrying values:

	Fair value		Carrying amount		Difference	
Assets | €bn	**31.12.2012**	**31.12.2011**	**31.12.2012**	**31.12.2011**	**31.12.2012**	**31.12.2011**
Cash reserve	15.8	6.1	15.8	6.1	–	–
Claims on banks	87.9	87.6	88.0	87.8	– 0.1	– 0.2
Reverse repos and cash collaterals	55.9	51.6	55.9	51.6		
Claims from money market transactions	2.9	2.8	2.9	2.8		
Promissory note loans	6.5	8.3	6.6	8.5	– 0.1	– 0.2
Other claims	22.7	25.1	22.7	25.1	0.0	0.0
Loan loss provisions	– 0.1	– 0.2	– 0.1	– 0.2		
Claims on customers	281.5	292.9	278.5	296.6	3.0	– 3.7
Reverse repos and cash collaterals	33.9	26.0	33.9	26.0		
Claims from money market transactions	7.3	8.0	7.3	8.0		
Promissory note loans	19.9	21.1	20.2	21.6	– 0.3	– 0.5
Mortgages and other claims secured by property charges	100.8	115.2	100.9	118.0	– 0.1	– 2.8
Other claims	127.3	130.5	123.9	130.9	3.4	– 0.4
Loan loss provisions	– 7.7	– 7.9	– 7.7	– 7.9		
Value adjustment portfolio fair value hedges[1]	0.0	0.0	0.2	0.1	– 0.2	– 0.1
Positive fair values of derivative hedging instruments	6.1	5.1	6.1	5.1	–	–
Trading assets	144.1	155.7	144.1	155.7	–	–
Financial investments	84.3	89.4	89.1	94.5	– 4.8	– 5.1
Loans and receivables	47.6	55.5	52.4	60.6	– 4.8	– 5.1
Available-for-sale	33.9	30.1	33.9	30.1		
Unlisted equity holdings	0.4	0.5	0.4	0.5		
At fair value through profit or loss	2.4	3.3	2.4	3.3		
Other assets	14.0	15.8	14.0	15.8	–	–

[1] The fair value adjustments on portfolio fair value hedges are contained in the relevant balance sheet line items for the hedged items.

	Fair value		Carrying amount		Difference	
Liabilities | €bn	**31.12.2012**	**31.12.2011**	**31.12.2012**	**31.12.2011**	**31.12.2012**	**31.12.2011**
Liabilities to banks	110.3	98.3	110.2	98.5	0.1	– 0.2
Repos and cash collaterals	23.8	19.0	23.8	19.0		
Liabilities from money market transactions	41.1	25.3	41.1	25.3		
Other liabilities	45.4	54.0	45.3	54.2	0.1	– 0.2
Liabilities to customers	266.1	255.1	265.8	255.3	0.3	– 0.2
Repos and cash collaterals	32.0	28.2	32.0	28.2		
Liabilities from money market transactions	42.6	44.2	42.6	44.2		
Other liabilities	191.5	182.7	191.2	182.9	0.3	– 0.2
Securitised liabilities	83.0	104.6	79.3	105.7	3.7	– 1.1
Measured at amortised cost	79.6	101.5	75.9	102.6	3.7	– 1.1
At fair value through profit or loss	3.4	3.1	3.4	3.1		
Value adjustment portfolio fair value hedges[1]	0.0	0.0	1.5	0.9	– 1.5	– 0.9
Negative fair values of derivative hedging instruments	11.7	11.4	11.7	11.4	–	–
Trading liabilities	116.1	137.8	116.1	137.8	–	–
Subordinated and hybrid capital	13.2	11.8	13.9	15.5	– 0.7	– 3.7
Other liabilities	10.2	11.8	10.2	11.8	–	–

[1] The fair value adjustments on portfolio fair value hedges are contained in the relevant balance sheet line items for the hedged items.

(82) Information on the fair value hierarchy of financial instruments

Measurement of financial instruments

Under IAS 39, all financial instruments are initially recognised at fair value; in the case of financial instruments that are not classified as at fair value through profit or loss, fair value plus certain transaction costs. The subsequent measurement of those financial instruments that are classified as at fair value through profit or loss or available-for-sale financial assets are measured at fair value on an ongoing basis. For this purpose, at fair value through profit or loss includes derivatives, instruments held for trading and instruments designated at fair value.

The fair value of a financial instrument is the amount for which it could be exchanged between knowledgeable, willing, independent parties in an arm's length transaction. The most suitable measure of fair value is the quoted price for an identical instrument in an active market (fair value hierarchy Level I). If quoted prices are not available, valuation is based on quoted prices for similar instruments in active markets. To reflect the price at which an asset could be exchanged or a liability settled, asset positions are measured at the bid price and liability positions are measured at the offer price. Where quoted prices are not available for identical or similar financial instruments, fair value is derived using an appropriate valuation model where the data inputs are obtained, as far as possible, from observable market sources (fair value hierarchy Level II).

While most valuation techniques rely on data from observable market sources, certain financial instruments are measured using models that incorporate other inputs for which there is insufficient recent observable market data. These valuations inherently include a greater level of management judgement. These unobservable inputs may include data that is extrapolated, interpolated, or may be derived by approximation to correlated or historical data. However, such inputs maximise market or third-party inputs and rely as little as possible on company-specific inputs (fair value hierarchy Level III).

The fair values which can be realised at a later date can deviate from the fair values as calculated under Level III. Valuation models must be consistent with accepted economic methodologies for pricing financial instruments and must incorporate all factors that market participants would consider appropriate in setting a price. All fair values are subject to the Group's internal controls and procedures which set out the standards for independently verifying or validating fair values. These controls and procedures are managed by the Independent Price Verification (IPV) Group within the Finance function. The models, inputs, and resulting fair values are reviewed regularly by Senior Management and the Risk function.

Fair value hierarchy

Under IFRS 7, financial instruments carried at fair value are assigned to the three levels of the fair value hierarchy as follows (see also "Measurement of financial instruments"):

Level I: Financial instruments where the fair value is based on quoted prices for identical financial instruments in an active market;

Level II: Financial instruments where no quoted prices are available for identical instruments in an active market and the fair value is established using valuation techniques;

Level III: Financial instruments where valuation techniques reused that incorporate inputs for which there is insufficient observable market data and where these inputs have more than a slight impact on the fair value.

The allocation of certain financial instruments to the relevant level is subject to the judgement of management on a systematic basis, particularly if the valuation is based both on observable market data and unobservable market data. An instrument's classification may change over time, to take account of changes in market liquidity and in the interests of price transparency.

In the tables below the financial instruments reported in the balance sheet at fair value are broken down by balance sheet item and valuation method. They are broken down according to whether fair value is based on quoted market prices (Level I), observable market data (Level II) or unobservable market data (Level III).

Financial assets | €bn		31.12.2012				31.12.2011			
		Level I	**Level II**	**Level III**	**Total**	**Level I**	**Level II**	**Level III**	**Total**
Claims on banks	At fair value through profit or loss	–	34.7	–	34.7	–	23.8	–	23.8
Claims on customers	At fair value through profit or loss	–	30.7	0.3	31.0	–	23.7	0.2	23.9
Positive fair values of derivative hedging instruments	Hedge accounting	–	6.1	–	6.1	–	5.1	–	5.1
Trading assets	Held for trading	34.6	107.3	2.2	144.1	29.7	121.8	4.2	155.7
of which positive fair values from derivatives		–	105.4	1.0	106.4	–	121.1	2.5	123.6
Financial investments	At fair value through profit or loss	2.3	–	0.1	2.4	3.1	–	0.2	3.3
	Available-for-sale financial assets	30.7	3.0	0.6	34.3	27.7	2.1	0.8	30.6
Total		**67.6**	**181.8**	**3.2**	**252.6**	**60.5**	**176.5**	**5.4**	**242.4**

Financial liabilities | €bn		31.12.2012				31.12.2011			
		Level I	Level II	Level III	Total	Level I	Level II	Level III	Total
Liabilities to banks	At fair value through profit or loss	0.0	20.0	–	20.0	0.1	12.9	–	13.0
Liabilities to customers	At fair value through profit or loss	0.0	37.2	–	37.2	1.5	30.4	–	31.9
Securitised liabilities	At fair value through profit or loss	3.4	–	–	3.4	3.1	–	–	3.1
Negative fair values of derivative hedging instruments	Hedge accounting	–	11.7	–	11.7	–	11.4	–	11.4
Trading liabilities	Held for trading	10.8	104.5	0.8	116.1	11.6	124.8	1.4	137.8
of which negative fair values from derivatives		–	104.5	0.7	105.2	–	124.7	1.2	125.9
Subordinated capital	At fair value through profit or loss	–	–	–	–	–	–	–	–
Total		**14.2**	**173.4**	**0.8**	**188.4**	**16.3**	**179.5**	**1.4**	**197.2**

In 2012 we reclassified €0.7bn of available-for-sale securities from Level I to Level II, as no quoted market prices were available. In turn, we reclassified €0.7bn of held-for-trading interest-rate-related securities and €0.4bn of available-for-sale securities from Level II to Level I, as quoted market prices were available again. Improved availability and observability of relevant market data resulted in a further reclassification from Level III to Level II concerning €0.8bn in positive fair values from derivatives and €0.5bn in negative fair values from derivatives. Market data for one structured transaction were no longer available, resulting in a reclassification of €0.1bn from Level II to Level III. Apart from this, there were no other significant reclassifications between Level I, Level II and Level III.

The changes in financial instruments in the Level III category in financial years 2011 and 2012 were as follows:

Financial assets €m	**Claims on customers**	**Trading assets**	**of which positive fair values from derivatives**	**Financial investments**		**Total**
	At fair value through profit or loss	**Held for trading**	**Held for trading**	**At fair value through profit or loss**	**Available-for-sale financial assets**	
Fair value as at 1.1.2011	**214**	**4,004**	**693**	**432**	**1,294**	**5,944**
Changes in the group of consolidated companies	–	–	–	–	–	–
Gains or losses recognised in income statement during the period	–	166	– 7	–	–	166
Gains or losses recognised in equity		–	–	–	– 11	– 11
Purchases	–	234	154	–	456	690
Sales	–	– 976	– 113	–	– 20	– 996
Issues	–	–	–	–	–	–
Redemptions	–	– 253	– 59	–	– 622	– 875
Reclassifications	– 22	1,049	1,868	– 269	– 270	488
Fair value as at 31.12.2011	**192**	**4,224**	**2,536**	**163**	**827**	**5,406**
Changes in the group of consolidated companies	–	–	–		–	–
Gains or losses recognised in income statement during the period	– 2	129	139		–	127
Gains or losses recognised in equity	– 4	– 189	– 187	8	–	– 185
Purchases	–	98	3		–	98
Sales	–	– 1,232	– 760	– 18	– 164	– 1,414
Issues	–	–	–		–	–
Redemptions	–	– 61	– 1	– 96	– 8	– 165
Reclassifications	116	– 794	– 776	– 4	– 10	– 692
Fair value as at 31.12.2012	**302**	**2,175**	**954**	**53**	**645**	**3,175**

Financial liabilities €m	Trading liabilities Held for trading	of which negative fair values from derivatives Held for trading	Total
Fair value as at 1.1.2011	**1,291**	**20**	**1,291**
Changes in the group of consolidated companies	–	–	–
Gains or losses recognised in income statement during the period	–32	–24	–32
Gains or losses recognised in equity	–	–	–
Purchases	32	–	32
Sales	–63	–63	–63
Issues	59	59	59
Redemptions	–216	–216	–216
Reclassifications	332	1,386	332
Fair value as at 31.12.2011	**1,403**	**1,162**	**1,403**
Changes in the group of consolidated companies	–	–	–
Gains or losses recognised in income statement during the period	–	–	–
Gains or losses recognised in equity	–48	–48	–48
Purchases	89	89	89
Sales	2	2	2
Issues	–	–	–
Redemptions	–47	–47	–47
Reclassifications	–559	–476	–559
Fair value as at 31.12.2012	**840**	**682**	**840**

Sensitivity analysis

Where the value of financial instruments is based on unobservable input parameters, the precise level of these parameters at the balance sheet date may be derived from a range of reasonable possible alternatives at the judgement of the management. In preparing the financial statements, appropriate levels for these unobservable input parameters are chosen which are consistent with existing market evidence and in line with the Group's valuation control approach.

The purpose of this disclosure is to illustrate the potential impact of the relative uncertainty in the fair values of financial instruments with valuations based on unobservable input parameters. These parameters lie at the extremes of their range of reasonable possible alternatives. In practice, however, it is unlikely that all unobservable parameters would simultaneously lie at the extremes of this range. Consequently, the estimates provided are likely to exceed the actual uncertainty in the fair values of these instruments. The purpose of these figures is not to estimate or predict future changes in fair value. The unobservable parameters were either shifted by 1% to 10% as deemed appropriate by our independent valuation experts for each type of instrument or a measure of standard deviation was applied.

The table below presents the sensitivity analysis by type of instrument:

€m	2012		
	Positive effects on income statement	Negative effects on income statement	Changed parameters
Derivatives	**93**	**–93**	
Equity-related transactions	–	–	Cash flow
Credit derivatives	66	–66	Correlation, discount yield
Interest-rate-related transactions	27	–27	Mean reversion, correlation
Other transactions	–	–	
Securities	**105**	**–73**	
Interest-rate-related transactions	105	–73	Credit spread, discount yield
of which ABS	62	–31	Yield, recovery rate, credit spread
Equity-related transactions	–	–	
Loans	**–**	**–**	

Day One profit or loss

The Commerzbank Group has entered into transactions where the fair value was calculated using a valuation model, where not all material input parameters are observable in the market. The initial carrying value of such transactions is the transaction price. The difference between the transaction price and the fair value of the valuation model is termed the day one profit or loss. The day one profit or loss is not recognised in profit or loss immediately, but over the tenor of the respective transaction. As soon as there is a quoted market price on an active market for such transactions or all material input parameters become observable, the accrued day one profit or loss is immediately recognised in net trading income. A cumulated difference between transaction price and model valuation is calculated for all Level III inventory. Material impacts only result from financial instruments held for trading; the development was as follows:

Day one profit or loss | €m	2012			2011		
	Trading assets	Trading liabilities	Total	Trading assets	Trading liabilities	Total
Balance as at 1.1.	–	3	3	1	1	2
Allocations not recognised in income statement	–	1	1	–	3	3
Reversals recognised in income statement	–	2	2	1	1	2
Balance as at 31.12.	**–**	**2**	**2**	**–**	**3**	**3**

(83) Information on financial assets and financial liabilities for which the fair value option is applied

In the Commerzbank Group, the fair value option is primarily used to avoid accounting mismatches arising from securities and loans hedged with interest rate or credit derivatives. This also applies to structured debt instruments we have issued which have been hedged with interest rate or foreign currency derivatives.

The fair value option is also used for financial instruments if their management and performance is evaluated on a fair value basis and for financial instruments with embedded derivatives.

All in all, the net gain or loss from applying the fair value option amounted to €–334m (previous year: €292m) (see Note 34).

Applying the fair value option in order to avoid accounting mismatches and for financial instruments with embedded derivatives produced the following values as broken down by balance sheet item:

€m	31.12.2012	31.12.2011	Change in %
Claims on banks	–	–	.
Claims on customers	521	619	–15.8
Financial investments	2,237	2,597	–13.9
Total assets	**2,758**	**3,216**	**–14.2**
Liabilities to banks	171	34	.
Liabilities to customers	1,791	1,497	19.6
Securitised liabilities	3,429	3,080	11.3
Subordinated and hybrid capital	8	24	–66.7
Total liabilities	**5,399**	**4,635**	**16.5**

Of the total claims of €521m measured at fair value, €209m (previous year: €266m) were hedged by credit derivatives. In the year under review, the change in the fair value of claims attributable to changes in default risk was €–5m (previous year: €24m) and amounted cumulatively to €–153m (previous year: €–148m).

The change in the fair value of the related risk-limiting credit derivatives amounted to €40m in the financial year 2012 (previous year: €30m) and amounted cumulatively to €38m (previous year: €–2m).

For liabilities to which the fair value option was applied, the change in fair value for credit risk reasons was €332m for the 2012 financial year (previous year: €–293m). The cumulative change was €–27m (previous year: €–359m). The repayment amount of the financial liabilities measured at fair value was €5,593m (previous year: €4,501m).

The credit risk-specific changes in the fair value of the claims and liabilities were primarily calculated as changes in fair values less value changes resulting from market conditions.

The fair value option was also used for financial instruments if their management and performance is measured on a fair value basis. This applied chiefly to repurchase agreements, money market transactions and cash collaterals paid and received. The following balance sheet items were affected:

€m	31.12.2012	31.12.2011	Change in %
Claims on banks	34,681	23,779	45.8
Claims on customers	30,522	23,244	31.3
Financial investments	210	721	– 70.9
Total assets	**65,413**	**47,744**	**37.0**
Liabilities to banks	19,865	12,996	52.9
Liabilities to customers	35,408	30,356	16.6
Securitised liabilities	–	–	.
Subordinated and hybrid capital	–	–	.
Total liabilities	**55,273**	**43,352**	**27.5**

There were no significant changes in the fair values of assets and liabilities arising from default risk, since these consisted of short-term money market transactions and collaterals in securities lending business. Furthermore, for €57,142m of financial assets at fair value through profit or loss (reverse repos after netting; previous year: €40,535m) we received €70,796m (previous year: €48,642m) of securities as collateral to reduce counterparty risk.

The repayment amount of the financial liabilities measured at fair value was €61,916m (previous year: €43,284m).

Other notes

(84) Concentration of credit risk

Concentrations of credit risk may arise through business relations with individual borrowers or groups of borrowers which share a number of features and which are individually able to service debt and are influenced to the same extent by changes in certain overall economic conditions. Besides obtaining collateral and applying a uniform lending policy, the Bank has entered into a number of master netting agreements to minimise credit risks. These give the Bank the right to net claims on and liabilities to a customer in the event of the default or insolvency of that customer. The carrying values of credit risks relating to claims on customers were as follows as at 31 December 2012:

	Claims	
€m	31.12.2012	31.12.2011
Customers in Germany	**175,234**	**192,645**
Corporate customers	87,532	98,876
Manufacturing	24,037	20,833
Construction	1,165	2,264
Trading	7,745	8,706
Services and others	54,585	67,073
Public sector	23,795	25,707
Private customers	63,907	68,062
Customers outside Germany	**110,966**	**111,854**
Corporate and retail customers	102,990	103,059
Public sector	7,976	8,795
Sub-total	**286,200**	**304,499**
Less valuation allowances	−7,654	−7,913
Total	**278,546**	**296,586**

The carrying values of credit risks relating to contingent liabilities and irrevocable lending commitments were as follows as at 31 December 2012:

	Contingent liabilities, irrevocable lending commitments	
€m	31.12.2012	31.12.2011
Customers and banks in Germany	**39,398**	**43,288**
Banks	459	749
Corporate customers	34,981	39,769
Manufacturing	21,365	10,939
Construction	1,796	1,091
Trading	4,509	4,217
Services and others	7,311	23,522
Public sector	79	67
Private customers	3,879	2,703
Customers and banks outside Germany	**46,474**	**48,291**
Banks	10,873	9,906
Corporate and retail customers	35,370	37,691
Public sector	231	694
Sub-total	**85,872**	**91,579**
Less provisions	−288	−451
Total	**85,584**	**91,128**

The book values of credit risk concentrations in loans and receivables, contingent liabilities and irrevocable lending commitments listed above do not form the basis for the internal management of credit risk, as credit risk management also takes account of collateral, probabilities of default and other economic factors. To this extent these amounts are therefore not representative of the bank's assessment of its actual credit risk.

(85) Maximum credit risk

The maximum credit risk exposure in accordance with IFRS 7 – excluding collateral or other credit enhancements – is equal to the carrying amount of the relevant assets in each class, or the nominal value in the case of irrevocable lending commitments and contingent liabilities. The table below shows the carrying amounts or nominal values of financial instruments with a potential default risk:

Maximum credit risk | €m	**31.12.2012**	**31.12.2011**	**Change in %**
Bonds, notes and other interest-rate-related securities under	107,295	114,492	– 6.3
Trading assets	19,747	21,966	– 10.1
Financial investments	87,548	92,526	– 5.4
Claims on banks	88,134	88,032	0.1
Claims on customers	286,200	304,499	– 6.0
Positive fair values of derivative financial instruments	112,457	128,739	– 12.6
Trading assets	106,400	123,607	– 13.9
Hedging instruments under IAS 39	6,057	5,132	18.0
Other trading assets	238	424	– 43.9
Irrevocable lending commitments	49,747	53,911	– 7.7
Contingent liabilities	35,837	37,217	– 3.7

The maximum credit risk exposures listed above do not form the basis for the management of credit risk internally, as credit risk management also takes account of collateral, probabilities of default and other economic factors (see the default risk chapter in the Risk Report). These amounts are therefore not representative of the Bank's assessment of its actual credit risk.

(86) Liquidity ratio of Commerzbank Aktiengesellschaft

The liquidity of a bank is considered adequate if the liquidity ratio is not lower than 1. The liquidity ratio is the ratio between the funds available from the reporting date up to the end of the following month (first maturity bracket) and the outflows expected during this period. The standardised approach under the German Liquidity Regulation was used by Commerzbank Aktiengesellschaft in 2012.

As at 31 December 2012 the liquidity ratio calculated by Commerzbank Aktiengesellschaft was 1.38 (previous year: 1.17). Excess liquidity from the first maturity bracket was €68.4bn (previous year: €29.0bn). The following are the liquidity ratios for Commerzbank Aktiengesellschaft in 2012:

	Month-end level		Month-end level
January	1.13	July	1.37
February	1.23	August	1.32
March	1.29	September	1.30
April	1.31	October	1.34
May	1.31	November	1.33
June	1.38	December	1.38

(87) Subordinated assets

The following subordinated assets were included in the assets shown in the balance sheet:

€m	31.12.2012	31.12.2011	Change in %
Claims on banks	50	56	−10.7
Claims on customers	510	564	−9.6
Trading assets	188	147	27.9
Financial investments	466	519	−10.2
Total	**1,214**	**1,286**	**−5.6**
of which on or in banks in which an equity holding exists	–	–	.

Assets are considered to be subordinated if the claims they represent may not be met until after those of other creditors in the event of the liquidation or insolvency of the issuer.

(88) Contingent liabilities and irrevocable lending commitments

The Commerzbank Group extends credit facilities to its customers, granting them rapid access to funds to meet their short-term and long-term financing needs. The credit facilities can be provided in different forms, as shown in the following examples:

- Guarantees, where the Group guarantees the repayment of a loan borrowed by a customer from another party;
- Standby letters of credit, which enhance a customer's credit standing and enable the customer to obtain trade finance at a lower cost;
- Documentary credits for trade finance payments, which are made on behalf of a customer and where the Group is reimbursed at a later date;
- Standby facilities for short-term debt instruments and debt paper issued on a revolving basis, which enable customers to issue money market paper or medium-term debt instruments when needed without having to go through the normal issue procedure every time.

Customers' total exposure under loans and guarantees may be secured by collateral. In addition third parties may have sub-participations in irrevocable lending commitments and guarantees.

The figures listed in the table below would only have to be written off, if all customers utilised their facilities completely and then defaulted (and there was no collateral). However, in practice the majority of these facilities expire without ever being utilised. As a result these amounts are unrepresentative in terms of assessing risk, the actual future loan exposure or resulting liquidity requirements. The risk report contains further information on credit risk arising from financial guarantee contracts and irrevocable lending commitments as well as on the monitoring and management of liquidity risks.

€m	31.12.2012	31.12.2011	Change in %
Contingent liabilities	**35,837**	**37,217**	**−3.7**
from rediscounted bills of exchange credited to borrowers	5	1	.
from guarantees and indemnity agreements	35,783	37,160	−3.7
Credit guarantees	2,148	3,085	−30.4
Other guarantees	25,169	26,368	−4.5
Letters of credit	8,051	7,274	10.7
Guarantees for ABS securitisations	–	–	.
Other warranties	415	433	−4.2
Other commitments	49	56	−12.5
Irrevocable lending commitments	**49,747**	**53,911**	**−7.7**
Book credits to banks	1,369	1,332	2.8
Book credits to customers	47,119	51,121	−7.8
Acceptance credits	1,025	1,429	−28.3
Letters of credit	234	29	.
Total	**85,584**	**91,128**	**−6.1**

The maturities of contingent liabilities and irrevocable lending commitments were as follows:

€m	31.12.2012	31.12.2011	Change in %
Due on demand	749	2,284	−67.2
Up to 3 months	30,771	30,925	−0.5
More than 3 months up to 1 year	16,761	20,254	−17.2
More than 1 year up to 5 years	34,209	34,617	−1.2
More than 5 years	3,094	3,048	1.5
Total	**85,584**	**91,128**	**−6.1**

Loan loss provisions for off balance-sheet commitments have been deducted from the respective items in these tables.

(89) Repurchase agreements (repo and reverse repo transactions), securities lending and cash collaterals

Under its repurchase agreements, the Commerzbank Group sells or purchases securities with the obligation to repurchase or return them. The money received from repurchase agreements where we are the borrower (i.e. where we are under an obligation to take the securities back) is shown in the balance sheet as a liability to banks or customers. The securities delivered to the lender continue to be reported in the balance sheet in accordance with their relevant category. As lender the Commerzbank Group recognises a claim on the borrower equal to the cash collateral it has paid out. We hold the securities, which are the collateral for the transaction, in custody. Securities lending transactions are conducted with other banks and customers in order to cover our need to meet delivery commitments or to enable us to effect securities repurchase agreements in the money market. We show lent securities in our balance sheet under our trading portfolio or under financial investments, whereas borrowed securities do not appear in the balance sheet. We report cash collateral which we have furnished for securities lending transactions (cash collaterals out) as a claim and collateral received as a liability (cash collaterals in). Cash collaterals out are also deposited as security in connection with derivative transactions.

The repurchase agreements and securities lending transactions concluded up to the balance sheet date and the cash collaterals broke down as follows:

€m	31.12.2012	31.12.2011	Change in %
Repurchase agreements as a borrower			
Carrying amount of securities transferred	49,134	37,697	30.3
Cash collaterals received			
Liabilities to banks	9,147	9,164	−0.2
Liabilities to customers	27,715	20,529	35.0
Securities lent in securities lending transactions			
Carrying amount of securities transferred	18,424	12,699	45.1
Cash collaterals received			
Liabilities to banks	14,703	9,821	49.7
Liabilities to customers	4,282	7,680	−44.2
Sum of the carrying amounts of securities transferred	**67,558**	**50,396**	**34.1**
Sum of collaterals received	**55,847**	**47,194**	**18.3**
Repurchase agreements as a lender			
Fair value of securities received	71,510	50,002	43.0
Cash collaterals paid			
Claims on banks	31,956	24,082	32.7
Claims on customers	25,929	17,922	44.7
Securities borrowed in securities lending transactions			
Fair value of securities received	17,681	12,491	41.5
Cash collaterals paid[1]			
Claims on banks	23,905	27,524	−13.1
Claims on customers	7,995	8,120	−1.5
Sum of fair value from securities received	**89,191**	**62,493**	**42.7**
Sum of collaterals given	**89,785**	**77,648**	**15.6**

[1] Including cash collateral paid out in connection with derivatives.

The carrying value of securities lent was €18,424m (previous year: €12,699m), against which there were related liabilities of €18,985m (previous year: €17,501m) as well as securities of €4,924m (previous year: €583m) as collateral. The claims and liabilities from repurchase agreements are shown after netting.

(90) Collateral received

The fair value of collaterals received, which the Bank has a right to resell or pledge even where the provider does not default, were as follows:

€m	31.12.2012	31.12.2011	Change in %
Total amount of collaterals received	89,191	93,218	−4.3
of which			
Resold or repledged	46,686	30,726	51.9
of which			
Subject to an obligation to return	–	–	.

The transactions were carried out on standard market terms for securities lending and repurchase transactions and loan transactions.

(91) Fiduciary transactions

Fiduciary transactions, which do not have to be shown in the balance sheet, amounted to the following on the balance sheet date:

€m	31.12.2012	31.12.2011	Change in %
Claims on banks	49	53	−7.5
Claims on customers	650	728	−10.7
Other assets	485	492	−1.4
Fiduciary assets	**1,184**	**1,273**	**−7.0**
Liabilities to banks	58	66	−12.1
Liabilities to customers	1,126	1,207	−6.7
Fiduciary liabilities	**1,184**	**1,273**	**−7.0**

(92) Capital requirements and capital ratios

The German Banking Act and the Solvency Regulation, which implemented the Basel II Capital Accord in Germany, impose obligations on the German banks to maintain minimum capital ratios. Banks are required to maintain a minimum ratio of capital to risk-weighted assets of 8% (total capital ratio). A minimum requirement of 4% applies for the ratio of Tier I capital to risk-weighted assets (Tier I capital ratio).

A bank's total capital is made up of Tier I, Tier II and Tier III capital. Core Tier I capital consists largely of subscribed capital plus reserves, non-controlling interests and the silent participations of the Financial Market Stabilisation Fund (SoFFin), less certain items such as goodwill, equity holdings and intangible assets. Adding hybrid capital gives us Tier I capital. Tier II capital comprises profit-sharing certificates and subordinated long-term liabilities.

In addition the European Banking Authority (EBA) conducted an EU-wide capital exercise which introduced a new capital requirement for Europe's major banks. This required banks to meet a core Tier I ratio of 9% by 30 June 2012 after taking account of hidden liabilities on their holdings of European government bonds. The Commerzbank Group had a Core Tier I ratio of 12.2% (10.3% after hidden liabilities) as at 30 June 2012. The Group's Core Tier I capital therefore exceeded the EBA's capital requirement by €2.8bn.

Commerzbank seeks to achieve the following objectives in managing its capital:

- Adherence to the statutory minimum capital requirements at Group level and in all companies included in the regulatory Group
- Ensuring that the planned capital ratios are met, including the new EBA requirements
- Provision of sufficient reserves to guarantee the Bank's freedom of action at all times
- Strategic allocation of Tier I capital to business segments and divisions in order to exploit growth opportunities

During the financial crisis the importance of adequate Tier I capital levels for banks has become an issue of increasing public concern. At Commerzbank Tier I capital has always been a key management target. The bank's specifications for the capital ratios far exceed the minimum statutory requirements. The bank's risk-taking capability and market expectations play an important role in determining the internal capital ratio targets. As a result Commerzbank has set minimum thresholds for regulatory capital; these are currently >9% for Core Tier I capital and >10% for Tier I capital.

Tier I capital is allocated via a regular process which takes account of the bank's strategic direction, profitable new business opportunities in the core business of each banking department as well as risk appetite issues.

All measures relating to the Bank's capital are proposed by the Bank's central asset-liability committee and approved by the Board of Managing Directors, subject to the authorisation granted by the Annual General Meeting.

In the past year Commerzbank met the minimum statutory capital requirements, the much stricter requirements of SoFFin and the EBA requirements as at 30 June 2012 at all times. The structure of the Commerzbank Group's capital was as follows:

€m	31.12.2012	31.12.2011	Change in %
Core Tier I			
Subscribed capital	5,828	5,113	14.0
Reserves, non-controlling interests, treasury shares	18,188	17,430	4.3
Silent participations	1,626	1,937	−16.1
Other	−656	−1,037	−36.7
Total Core Tier I	**24,986**	**23,443**	**6.6**
Hybrid capital	2,259	2,746	−17.7
Total Tier I	**27,245**	**26,189**	**4.0**
Tier II capital			
Hybrid capital	–	–	.
Profit-sharing certificates	731	726	0.7
Reserves in securities (amount reported: 45%)	25	61	−59.0
Subordinated liabilities	9,777	10,533	−7.2
Other	−655	−949	−31.0
Total Tier II	**9,878**	**10,371**	**−4.8**
Total capital	**37,123**	**36,560**	**1.5**

The changes in Tier I capital primarily reflect the capital increases carried out in 2012. A portion of the SoFFin silent participation was repaid as a result of these capital increases.

	Capital adequacy requirement		Risk-weighted assets[1]		
€m	31.12.2012	31.12.2011	31.12.2012	31.12.2011	Change in %
Credit risk	13,967	15,182	174,584	189,769	–8.0
Market risk	880	1,640	10,999	20,500	–46.3
Operational risk	1,804	2,106	22,552	26,325	–14.3
Total	**16,651**	**18,928**	**208,135**	**236,594**	**–12.0**
Core Tier I	24,986	23,443			
Tier I capital	27,245	26,189			
Total capital	37,123	36,560			
Core Tier I ratio (%)	12.0	9.9			
Tier I capital ratio (%)	13.1	11.1			
Total capital ratio (%)	17.8	15.5			

[1] Risk-weighted assets are calculated by multiplying the capital requirements by 12.5.

The reconciliation of equity reported in the balance sheet with regulatory capital was as follows:

31.12.2012 €m	Core Tier I	Hybrid capital	Total Tier I	Tier II capital	Total capital
Reported in balance sheet	27,034	–	27,034	12,316	39,350
Revaluation reserve	1,699		1,699		1,699
Cash flow hedge reserve	616		616		616
Non-controlling interests not to be shown in Tier I capital (incl. revaluation reserve, cash flow hedge reserve), changes in the group of consolidated companies and goodwill	–1,961		–1,961		–1,961
Intangible assets	–969		–969		–969
Other capital subject to a 15% limit		889	889		889
Other capital subject to a 35% limit		1,370	1,370		1,370
Reclassification from silent participations to other capital	–750	–	–750		–750
Parts of subordinated capital not eligible due to limited residual term			–	–1,146	–1,146
Deferred revaluation reserves for securities	–		–	25	25
Other	–683		–683	–1,317	–2,000
Regulatory capital	**24,986**	**2,259**	**27,245**	**9,878**	**37,123**

As the reconciliation for hybrid capital is only carried out from a regulatory perspective, no balance sheet figure is shown.

(93) Securitisation of loans

The use of credit derivatives (such as credit default swaps, total return swaps and credit-linked notes) can reduce the risk weighting of a loan portfolio. The hedging effect of a credit derivative may relate both to individual loans or securities and to entire portfolios of loans or securities. As a rule, security is furnished by means of a synthetic securitisation by credit default swap (CDS) and/or by credit-linked notes (CLNs). This enables us to achieve three important goals:

- Risk diversification (reduction of credit risks in the portfolio, especially concentration risks)
- Easing the burden on equity capital (the transfer of credit risks to investors leads to a reduction in the regulatory capital requirements under the Solvency Regulation)
- Funding (use of securitisation as an alternative funding instrument to unsecured bearer bonds)

At the financial year-end of 2012, the Commerzbank Group (Commerzbank Aktiengesellschaft and one subsidiary) had launched six securitisation programmes as the buyer of protection.

The range of legal maturity dates stretches from 9 to 76 years. A total of €6.0bn loans to customers had been securitised by end-December 2012. This reduced the Bank's risk-weighted assets by €2.6bn.

Name of transaction	Buyer of protection	Year transacted	Contract period of transactions in years	Type of claim	Total lending €m	Reduction of risk-weighted assets €m
CoSMO Finance II–1 Limited	Commerzbank Aktiengesellschaft	2011	9	Mittelstand customers	985	338
COSMO Finance II–2 Limited	Commerzbank Aktiengesellschaft	2011	10	Mittelstand customers	1,965	906
CoCo Finance II–1 Limited	Commerzbank Aktiengesellschaft	2012	10	Large corporates	1,958	1,111
Provide GEMS 2002–1 PLC	Hypothekenbank Frankfurt Aktiengesellschaft (formerly Eurohypo Aktiengesellschaft)	2002	45	Residential real estate portfolio	180	29
Semper Finance 2006–1	Hypothekenbank Frankfurt Aktiengesellschaft (formerly Eurohypo Aktiengesellschaft)	2006	76	Project Castle – commercial real estate portfolio	559	107
Semper Finance 2007–1	Hypothekenbank Frankfurt Aktiengesellschaft (formerly Eurohypo Aktiengesellschaft)	2007	36	Commercial real estate portfolio	316	63
					5,963	**2,554**

(94) Average number of staff employed by the Bank during the year

	2012			2011		
	Total	Male	Female	Total	Male	Female
Group	53,798	26,240	27,558	55,917	27,097	28,820
in Germany	41,171	20,091	21,080	42,377	20,977	21,400
outside Germany	12,627	6,149	6,478	13,540	6,120	7,420

The above figures include both full-time and part-time personnel. Not included in the figures is the average number of employees undergoing training within the Group. The average time worked by part-time staff was 62% (previous year: 62%) of the standard working time.

	2012			2011		
	Total	Male	Female	Total	Male	Female
Trainees	2,298	1,121	1,177	2,503	1,227	1,276

(95) Related party transactions

a) Business relationships

As part of its normal business Commerzbank Aktiengesellschaft and/or its consolidated companies do business with related entities and persons. These include subsidiaries that are controlled but not consolidated for reasons of materiality, jointly controlled entities, associated companies accounted for using the equity method, equity holdings, external providers of occupational pensions for employees of Commerzbank Aktiengesellschaft, key management personnel and members of their families as well as companies controlled by these persons. Key management personnel refers exclusively to members of Commerzbank Aktiengesellschaft's Board of Managing Directors and Supervisory Board who were active during the financial year.

As the guarantor of the Financial Market Stabilisation Authority (FMSA), which administers the Financial Market Stabilisation Fund (SoFFin), the German federal government holds a stake of 25% plus 1 share in Commerzbank Aktiengesellschaft, which gives it the potential to exert significant influence over the Bank. As a result the German federal government and entities controlled by it constitute related parties as defined by IAS 24. In the tables below we present relationships with federal government-controlled entities and agencies separately from relationships with other related parties. Assets, liabilities and off-balance sheet items involving related parties (excluding federal agencies) changed as follows in the year under review:

Assets | €m	31.12.2012	31.12.2011	Change in %
Claims on banks	**172**	**343**	−49.9
Non-consolidated subsidiaries	–	–	.
Jointly controlled entities[1]	–	341	−100.0
Holdings in associated companies accounted for using the equity method and holdings in related companies[1]	172	2	.
Claims on customers	**1,569**	**1,876**	−16.4
Non-consolidated subsidiaries	249	600	−58.5
Jointly controlled entities[1]	14	14	0.0
Holdings in associated companies accounted for using the equity method and holdings in related companies[1]	1,294	1,256	3.0
Key management personnel	5	2	.
Other related entities/persons	7	4	75.0
Trading assets	**37**	**1**	.
Non-consolidated subsidiaries	24	–	.
Jointly controlled entities[1]	–	–	.
Holdings in associated companies accounted for using the equity method and holdings in related companies[1]	11	1	.
Other related entities/persons	2	–	.
Financial investments	**188**	**105**	79.0
Non-consolidated subsidiaries	39	64	−39.1
Jointly controlled entities[1]	–	–	.
Holdings in associated companies accounted for using the equity method and holdings in related companies[1]	3	5	−40.0
Other related entities/persons	146	36	.
Other assets	**271**	**426**	−36.4
Non-consolidated subsidiaries	–	–	.
Jointly controlled entities[1]	–	–	.
Holdings in associated companies accounted for using the equity method and holdings in related companies[1]	271	426	−36.4
Total	**2,237**	**2,751**	−18.7

[1] Prior-year figures restated due to separation of jointly controlled entities and holdings in associated companies accounted for using the equity method and holdings in related companies.

Liabilities and equity | €m	31.12.2012	31.12.2011	Change in %
Liabilities to banks	**–**	**2**	−100.0
Non-consolidated subsidiaries	–	–	.
Jointly controlled entities[1]	–	1	−100.0
Holdings in associated companies accounted for using the equity method and holdings in related companies[1]	–	1	−100.0
Liabilities to customers	**1,145**	**1,236**	−7.4
Non-consolidated subsidiaries	105	106	−0.9
Jointly controlled entities[1]	4	3	33.3
Holdings in associated companies accounted for using the equity method and holdings in related companies[1]	570	368	54.9
Key management personnel	11	8	37.5
Other related entities/persons	455	751	−39.4
Trading liabilities	**–**	**8**	−100.0
Non-consolidated subsidiaries	–	–	.
Jointly controlled entities[1]	–	–	.
Holdings in associated companies accounted for using the equity method and holdings in related companies[1]	–	8	−100.0
Other related entities/persons	–	–	.
Subordinated capital	**620**	**622**	−0.3
Non-consolidated subsidiaries	–	–	.
Jointly controlled entities[1]	–	–	.
Holdings in associated companies accounted for using the equity method and holdings in related companies[1]	–	–	.
Other related entities/persons	620	622	−0.3
Other liabilities	**21**	**23**	−8.7
Non-consolidated subsidiaries	18	19	−5.3
Jointly controlled entities[1]	–	–	.
Holdings in associated companies accounted for using the equity method and holdings in related companies[1]	3	4	−25.0
Total	**1,786**	**1,891**	**−5.6**

[1] Prior-year figures restated due to separation of jointly controlled entities and holdings in associated companies accounted for using the equity method and holdings in related companies.

The total liabilities to other related companies include €0.9bn (previous year: €1.2bn) for external pension providers.

Off-balance sheet items | €m	31.12.2012	31.12.2011	Change in %
Guarantees and collaterals granted to	**109**	**146**	−25.3
Non-consolidated subsidiaries	22	41	−46.3
Jointly controlled entities[1]	–	48	−100.0
Associated companies accounted for using the equity method and holdings in related companies[1]	87	57	52.6
Key management personnel	–	–	.
Other related entities/persons	–	–	.
Guarantees and collaterals received from	**8**	**7**	14.3
Non-consolidated subsidiaries	8	7	14.3
Jointly controlled entities[1]	–	–	.
Associated companies accounted for using the equity method and holdings in related companies[1]	–	–	.
Key management personnel	–	–	.
Other related entities/persons	–	–	.

[1] Prior-year figures restated due to separation of jointly controlled entities and holdings in associated companies accounted for using the equity method and holdings in related companies.

The following income arose from loan agreements with, deposits from and services provided in connection with related parties (excluding federal agencies):

Income | €m	1.1.–31.12.2012	1.1.–31.12.2011	Change in %
Non-consolidated subsidiaries			
Interest income	13	44	−70.5
Commission income	12	8	50.0
Goods and services	3	–	.
Jointly controlled entities[1]			
Interest income	–	34	−100.0
Commission income	–	–	.
Current net income from companies accounted for using the equity method	−6	19	.
Goods and services	–	–	.
Holdings in associated companies accounted for using the equity method and holdings in related companies[1]			
Interest income	46	37	24.3
Commission income	18	9	100.0
Current net income from companies accounted for using the equity method	52	23	.
Goods and services	–	–	.
Key management personnel			
Interest income	–	–	.
Commission income	–	–	.
Goods and services	–	–	.
Other related entities/persons			
Interest income	5	2	.
Commission income	–	–	.
Goods and services	–	–	.
Totals			
Interest income	64	117	−45.3
Commission income	30	17	76.5
Current net income from companies accounted for using the equity method	46	42	9.5
Goods and services	3	–	.

[1] Prior-year figures restated due to separation of jointly controlled entities and holdings in associated companies accounted for using the equity method and holdings in related companies.

The expenses from loan agreements with, deposits from and services provided in connection with related parties (excluding federal agencies) are shown in the table below.

The operating expenses under key management personnel relate to remuneration of board members reported as personnel expense and salaries of the employee representatives on the Supervisory Board employed by the Commerzbank Group. They also include remuneration paid to the members of the Supervisory Board. The taxes item relates to VAT reimbursed to members of the Board of Managing Directors and Supervisory Board.

Expenses | €m	1.1.–31.12.2012	1.1.–31.12.2011	Change in %
Non-consolidated subsidiaries			
Interest income	2	1	100.0
Commission income	27	30	−10.0
Goods and services	20	14	42.9
Write-downs/impairments	34	–	.
Jointly controlled entities[1]			
Interest income	–	–	.
Commission income	–	11	−100.0
Goods and services	–	–	.
Write-downs/impairments	–	–	.
Holdings in associated companies accounted for using the equity method and holdings in related companies[1]			
Interest income	3	8	−62.5
Commission income	8	5	60.0
Goods and services	12	12	0.0
Write-downs/impairments[2]	43	155	−72.3
Key management personnel			
Interest income	–	–	.
Commission income	–	–	.
Operating expenses	15	8	87.5
Goods and services	–	–	.
Write-downs/impairments	–	–	.
Taxes	–	–	.
Other related entities/persons			
Interest income	49	54	−9.3
Commission income	–	–	.
Goods and services	–	–	.
Write-downs/impairments	–	–	.
Totals			
Interest income	54	63	−14.3
Commission income	35	46	−23.9
Operating expenses	15	8	87.5
Goods and services	32	26	23.1
Write-downs/impairments	77	155	−50.3
Taxes	–	–	.

[1] Prior-year figures restated due to separation of jointly controlled entities and holdings in associated companies accounted for using the equity method and holdings in related companies.
[2] Prior-year figures restated.

Claims on key management personnel were as follows:

	31.12.2012		31.12.2011	
	Board of Managing Directors	Supervisory Board	Board of Managing Directors	Supervisory Board
Claims (€1,000)	4,008	605	1,773	322
Last due date[1]	2042	2038	2042	2037
Range of interest rates used (%)[2]	2.09–7.56	2.45–6.3	3.2–8.3	2.6–6.3

[1] As well as loans with fixed repayment dates, loans were also extended with "on demand" terms.
[2] In individual cases up to 13.2% for overdrafts.

Collaterals for the cash advances and loans to members of the Board of Managing Directors and the Supervisory Board are provided on normal market terms, if necessary through land charges or rights of lien.

With the exception of rental guarantees the companies of the Commerzbank Group did not have any contingent liabilities relating to members of the Board of Managing Directors or the Supervisory Board in the year under review.

Banking transactions with related parties are carried out on normal market terms and conditions.

Transactions with federal agencies

The Commerzbank Group conducts transactions with federal government-controlled entities as part of its ordinary business activities on standard market terms and conditions. Details of the relationship with SoFFin are contained in Note 74. The table below sets out the assets and liabilities relating to transactions with federal agencies as at 31 December 2012:

€m	31.12.2012	31.12.2011	Change in %
Cash reserve	5,637	1,179	.
Claims on banks	129	286	–54.9
Claims on customers	2,114	3,349	–36.9
Trading assets	2,761	3,576	–22.8
Financial investments	4,066	3,865	5.2
Total	**14,707**	**12,255**	**20.0**
Liabilities to banks	14,866	13,390	11.0
Liabilities to customers	382	256	49.2
Trading liabilities	1,312	299	.
Silent participations	1,626	1,937	–16.1
Total	**18,186**	**15,882**	**14.5**
Guarantees and collaterals			
granted	333	24	.
received	–	5,000	–100.0

The financial instruments included under trading assets and financial investments are debt instruments.

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

€m	1.1.–31.12.2012	1.1.–31.12.2011	Change in %
Income			
Interest income	352	320	10.0
Commission income	5	–	.
Goods and services	2	8	–75.0
Expenses			
Interest income	59	82	–28.0
Commission income	2	48	–95.8
Goods and services	–	–	.
Write-downs/impairments	–	–	.

b) Remuneration of key management personnel

A detailed description of the remuneration system for the members of the Board of Managing Directors and for members of the Supervisory Board is provided in the remuneration report (see p. 35 ff.).

Board of Managing Directors. The table below shows a breakdown of the total remuneration of the Board of Managing Directors in accordance with both the IAS 24.17 and German Accounting Standard 17 classifications (see the remuneration report). The expense under the IAS 24 classification is based on the regulations of the underlying standards (IAS 19 and IFRS 2).

The short-term employee benefits also contain the other remuneration. This includes standard non-monetary benefits (chiefly use of company cars and insurance plus the tax due on these, and employer contributions to the BVV occupational retirement fund).

The post-employment benefits contain the service cost included in pension provisions.

Figures for individual board members in accordance with the German Accounting Standard 17 rules are set out in the remuneration report (p. 42 f.).

€1,000	2012	2011
Short-term employee benefits	9,682	5,371
Post-employment benefits	3,186	2,743
Other long-term benefits	–	–
Termination benefits	625	–
Share-based remuneration	2,991	–
Total remuneration in accordance with IAS 24.17	**16,484**	**8,114**
less		
Post-employment benefits	–3,186	2,743
Termination benefits	–625	–
Measurement and other differences[1]	209	28
Total remuneration in accordance with the Remuneration Report[2]	**12,882**	**5,343**

[1] This includes the difference arising from measurement on the grant date (German Accounting Standard 17) and on the balance sheet date (IFRS 2) among other factors.
[2] The legal basis is Art. 314 (1) no. 6 (a) sentence 1 of the German Commercial Code (HGB).

The assets backing the Bank's retirement benefit plan for present and former members of the Board of Managing Directors or their surviving dependants have been transferred to Commerzbank Pensions-Trust e.V. as part of a contractual trust arrangement.

As at 31 December 2012 the present value of the pension entitlements for active members of the Board of Managing Directors was €17,146,000 (previous year: 11,848,000). The service cost included in the calculation of pension provisions amounted to €3,186,000 (previous year: €2,723,000). The amounts take account of the current term of appointment of the individual board members and assume that the pension will not be drawn until a member's 65th birthday, except in cases of incapacity, and that the member will remain on the board until the pension is due. The pension entitlements and service costs for the individual board members are set out in the remuneration report (p. 40).

After deduction of plan assets transferred and after allowing for actuarial gains and losses, there were no provisions for pension obligations in respect of active members of the Board of Managing Directors at 31 December 2012 (provisions previous year: €0.2m). The defined benefit assets arising from the deduction amounted to €0.1m.

Payments to former members of the Board of Managing Directors of Commerzbank Aktiengesellschaft and their surviving dependants came to €6,100,000 in the financial year 2012 (previous year: €8,275,000). The pension liabilities for these persons amounted to €82.5m (previous year: €74.4m).

Supervisory Board. Remuneration for the members of the Supervisory Board is regulated in Art. 15 of the Articles of Association of Commerzbank Aktiengesellschaft. Members of the Supervisory Board received total net remuneration for financial year 2012 of €1,640,000 (previous year: €1,619,000). Of this, the fixed remuneration and remuneration for committee memberships accounted for €1,251,000 (previous year: €1,199,000) and attendance fees for €389,000 (previous year: €420,000). Attendance fees are paid for participating in the meetings of the Supervisory Board and its six committees (Presiding, Audit, Risk, Nomination, Conciliation and Social Benefit Committees) which met in the year under review. The overall remuneration of €1,640,000 (previous year: €1,619,000) is categorised as short-term employee benefits in accordance with IAS 24.17.

The value added tax (currently 19%) payable on the remuneration of the members of the Supervisory Board resident in Germany was reimbursed by the Bank, but is not counted as a component of remuneration. No value added tax is payable for members of the Supervisory Board resident outside Germany.

The Board of Managing Directors and Supervisory Board held no more than 1% in total (previous year: under 1%) of the issued shares and option rights of Commerzbank Aktiengesellschaft as at 31 December 2012.

(96) Share-based payment plans

Due to the performances already made by employees (including the Board of Managing Directors) there were again expenses relating to share-based payments in the 2012 financial year. These were reduced slightly by the Board of Managing Directors waiving the STI and LTI components related to Economic Value Added (EVA) and by the additional waiver by the Chairman of the Board of Managing Directors of his performance-related remuneration for 2012. Further details and the terms and conditions of the LTP are available in Note 25 of this annual report. Share-based payment expense was as follows:

€m	2012	2011
Cash-settled plans	1	4
of which		
LTP	–	–
Share awards	–	–
CIP	–	2
Equity-settled plans	23	17
of which		
CIP	20	15
Total	**24**	**21**

The provisions for cash-settled plans and the reserves in equity for plans settled with equity instruments were as follows:

€m	31.12.2012	31.12.2011
Provisions	17	12
of which		
LTP	–	–
Share awards	13	8
CIP	2	2
Equity reserves	31	20
of which		
CIP	23	15

Share Awards. The number of rights outstanding under the share award programmes developed as follows during the financial year:

Number of awards units	2012	2011
Balance as at 1.1.	**6,390,804**	**–**
Granted during the year	864,685	6,842,932
Forfeited during the year	78,363	174,882
Exercised during the year	578,014	277,246
Expired during the year	36,694	–
Balance as at 31.12.	**6,562,418**	**6,390,804**

Commerzbank Incentive Plan. As set out in Note 25, the number of shares which beneficiaries are entitled to acquire under the applicable Commerzbank Incentive Plan is not determined until the following year. The expense of €20m recognised for the CIP is matched by an allocation of €8m to the capital reserve and a cash payment of €12m. No provisions were recognised for cash-settled plans.

Number of awards units	2012	2011
Balance as at 1.1.	**–**	**–**
Granted during the year	18,082,133	–
Forfeited during the year	–	–
Exercised during the year	7,424,718	–
Expired during the year	–	–
Balance as at 31.12.	**10,657,415**	**–**

Long-Term Performance Plan (LTPs) Due to the exercise criteria for LTP plans set out in Note 25 we do not expect these to pay out at any time up to the expiry of the final plan in 2013. As a result, the fair value for the outstanding rights could no longer be determined. There were no longer any provisions for LTP plans in 2012. The number of outstanding LTP rights changed as follows:

Number of awards units	2012	2011
Balance as at 1.1.	**678,950**	**947,850**
Granted during the year	–	–
Forfeited during the year	42,000	6,300
Exercised during the year	–	–
Expired during the year	290,900	262,600
Balance as at 31.12.	**346,050**	**678,950**

(97) Other commitments

Payment commitments to Group external entities and non-consolidated entities on shares not fully paid up amounted to €22.9m (previous year: €56.3m).

The Bank had an additional funding obligation of up to €96m (previous year: €96m) to Liquiditäts-Konsortialbank (Liko) GmbH, Frankfurt/Main. The individual banking associations have also undertaken additional funding obligations to Liko. To cover such obligations, Group companies have guaranteed to Liko as primary obligor that they will meet any payment to their respective associations.

In accordance with Art. 5 (10) of the statutes of the German banks' Deposit Insurance Fund, we have undertaken to indemnify the Association of German Banks, Berlin, for any losses incurred as a result of support provided for banks in which Commerzbank holds a majority interest.

Securities with a book value of €7,519m (previous year: €7,381m) have been deposited as collateral to meet obligations to futures and options exchanges and clearing houses.

(98) Lessor and lessee figures

Lessor disclosures – operating leases

Commerzbank acts as a lessor in operating lease arrangements. As at the balance sheet date these leases primarily comprised leased real estate and vehicles.

The following minimum leasing payments stemming from non-cancellable leases will accrue to the Commerzbank Group over the next few years from operating leases granted:

Due date | €m	31.12.2012	31.12.2011
Up to 1 year	140	196
1 year to 5 years	358	508
More than 5 years	3	69
Total	**501**	**773**

No conditional lease instalments have been agreed in the leases.

Lessor disclosures – finance leases

Commerzbank acts as a lessor for finance leases. As at the balance sheet date these leases primarily comprise leased real estate and office furniture and equipment (e.g. vehicles, copying machines). The relationship between gross investments and net present value of the minimum leasing payments was as follows:

€m	31.12.2012	31.12.2011
Outstanding lease payments	1,506	2,042
+ guaranteed residual values	108	114
= minimum lease payments	1,614	2,156
+ non-guaranteed residual values	9	9
= gross investments	1,623	2,165
– unrealised financial income	185	260
= net investments	1,438	1,905
– net present value of non-guaranteed residual values	7	6
= net present value of minimum lease payments	1,431	1,899

The minimum lease payments include the total lease instalments to be paid by the lessee under the lease agreement plus the guaranteed residual value. The non-guaranteed residual value is estimated at the beginning of the lease agreement and reviewed as of the reporting date on a regular basis. Unrealised financial income is equivalent to the interest implicit in the lease agreement between the reporting date and the end of the contract. The term of the gross investment and net present values of the minimum lease payments from non-cancellable finance leases broke down as follows:

Residual terms as at 31.12.	Gross investments		Net present value of minimum lease payments	
€m	2012	2011	2012	2011
Up to 1 year	496	782	432	677
1 year to 5 years	864	989	769	878
More than 5 years	263	394	230	344
Total	**1,623**	**2,165**	**1,431**	**1,899**

Lessee disclosures – operating leases

The Group's existing obligations arising from operating leases involve rental and leasing agreements for buildings, office furniture and equipment and led in the financial year 2012 to expenses of €609m (previous year: €618m) respectively. The breakdown of the expenses was as follows:

€m	2012
Minimum lease payments	279
Payments for terminable agreements	13
Conditional payments	325
– Sublease income	8
Total	**609**

For rental and lease agreements that cannot be terminated, the following expenses are forecast for future years:

Due date | €m	31.12.2012	31.12.2011
Up to 1 year	457	547
1 year to 5 years	1,333	1,483
More than 5 years	1,044	1,236
Total	**2,834**	**3,266**

For real estate, mostly rental agreements were concluded, but occasionally also lease agreements. Rental agreements usually have terms of between 1 and 30 years with up to 3 options to extend the rental by a further 3 to 5 years, and in some cases up to 6 years. Price adjustment clauses exist in a number of different forms such as step-up leases and index clauses. Lease agreements may also include purchase options. Subletting agreements have been signed for buildings no longer in use in the Commerzbank Group. These leases have a non-cancellable contract term. The following income will accrue to the Commerzbank Group in the next few years from these leases:

Due date | €m	31.12.2012	31.12.2011
Up to 1 year	41	39
1 year to 5 years	54	86
More than 5 years	12	11
Total	**107**	**136**

As in the previous year, these leases do not contain any agreements on contingent rents.

(99) Date of release for publication

The Group financial statements were approved by the Board of Managing Directors for submission to the Supervisory Board on 25 February 2013. The Supervisory Board is responsible for reviewing and formally approving the Group financial statements. Preliminary figures for the 2012 results were released by the Board of Managing Directors for publication on 12 February 2013.

(100) Corporate Governance Code

We have issued our annual declaration of compliance with the German Corporate Governance Code pursuant to Art. 161, German Companies Act (Aktiengesetz) and made it permanently available to shareholders on the internet (www.commerzbank.com). An annual declaration of compliance with the German Corporate Governance Code pursuant to Art. 161, German Companies Act (Aktiengesetz) has also been issued for comdirect bank Aktiengesellschaft and made permanently available on the internet (www.comdirect.de).

(101) Letters of comfort

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

Name	Registered office
AFÖG GmbH & Co. KG	Frankfurt/Main
comdirect bank Aktiengesellschaft	Quickborn
Commerzbank (Eurasija) SAO	Moscow
Commerzbank Inlandsbanken Holding GmbH	Frankfurt/Main
Commerzbank International S.A.	Luxembourg
CommerzTrust GmbH	Frankfurt/Main
Commerz Markets LLC	New York
Erste Europäische Pfandbrief- und Kommunalkreditbank Aktiengesellschaft in Luxemburg	Luxembourg
Hypothekenbank Frankfurt Aktiengesellschaft (formerly Eurohypo Aktiengesellschaft)	Eschborn

(102) Holdings in affiliated and other companies

We provide the following information pursuant to Art. 313 (2) of the German Commercial Code (HGB) on the consolidated financial statements. Footnotes and comments on the tables below appear at the end of this note.

1. Affiliated companies

a) Affiliated companies included in the consolidated financial statements

Name	Registered office	Share of capital held %	Voting rights (where different) %	Currency	Equity 1,000	Net profit or loss 1,000	
ABORONUM Grundstücks-Vermietungs-gesellschaft mbH & Co. Objekt Berlin KG	Düsseldorf	0.0	85.0	EUR	0	4	
ADMERA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0		EUR	23	−3	
AFÖG GmbH & Co. KG	Frankfurt/Main	100.0		EUR	78,367	−6,717	
AGV Allgemeine Grundstücksverwaltungs- und -verwertungsgesellschaft mit beschränkter Haftung	Eschborn	100.0		EUR	47	–	b)
AJUNTA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0		EUR	−5,906	−998	
ALDUNA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0		EUR	−10,176	221	
ALTEREGO Beteiligungsgesellschaft mbH	Düsseldorf	100.0		EUR	173	−786	
ASBERGIA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0		EUR	22	0	a)
ASCARA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0		EUR	−1,069	−381	
ASTUTIA Beteiligungsgesellschaft mbH	Düsseldorf	100.0		EUR	3,788	–	b)
Atlas Vermögensverwaltungsgesellschaft mbH	Frankfurt/Main	100.0		EUR	243,239	–	b)
BERGA Grundstücks-Verwaltungsgesellschaft mbH & Co. KG	Grünwald	100.0	19.0	EUR	−1,372	58	
Brafero-Sociedade Imobiliária, S.A.	Lisbon, Portugal	100.0		EUR	25,378	3,600	
BRE Agent Ubezpieczeniowy Sp. z.o.o.	Warsaw, Poland	100.0		PLN	10,798	10,748	a)
BRE Bank Hipoteczny S.A.	Warsaw, Poland	100.0		PLN	498,213	8,718	
BRE Bank SA	Warsaw, Poland	69.7		PLN	9,163,858	1,199,485	
BRE Faktoring S.A.	Warsaw, Poland	100.0		PLN	66,690	14,114	
BRE Finance France S.A.	Levallois Perret, France	100.0		EUR	138	−2	
BRE Holding Sp. z.o.o.	Warsaw, Poland	100.0		PLN	537,212	26,471	
BRE Leasing Sp. z o.o.	Warsaw, Poland	100.0		PLN	168,632	39,673	
BRE Ubezpieczenia Sp. z.o.o.	Warsaw, Poland	100.0		PLN	62,888	17,222	
BRE Ubezpieczenia Towarzystwo Ubezpieczen i Reasekuracji S.A.	Warsaw, Poland	100.0		PLN	83,878	16,775	
BRE.locum S.A.	Lodz, Poland	80.0		PLN	122,394	2,906	
Bridge Re Limited	Hamilton, Bermuda	100.0		USD	571	5	
Brussels Urban Invest S.A.	Brussels, Belgium	100.0		EUR	7,650	−8,380	a)
CB Building Kirchberg GmbH	Düsseldorf	100.0		EUR	4,082	978	

Name	Registered office	Share of capital held %	Voting rights (where different) %	Currency	Equity 1,000	Net profit or loss 1,000	
CBG Commerz Beteiligungsgesellschaft Holding mbH	Frankfurt/Main	100.0		EUR	6,137	–	b)
CBG Commerz Beteiligungskapital GmbH & Co. KG	Frankfurt/Main	100.0		EUR	45,976	6,353	
CFB-Fonds Transfair GmbH	Düsseldorf	100.0		EUR	26	–	b)
CG New Venture 2 Verwaltungsgesellschaft mbH	Wiesbaden	100.0		EUR	86	2	
CG NL Holding B.V.	Amsterdam, Netherlands	100.0		EUR	68	–35	
CG Real Estate Master FCP-SIF S.A.R.L.	Luxembourg, Luxembourg	55.4		EUR	146,658	–56,585	
CGM Lux 1 S.à.r.l.	Luxembourg, Luxembourg	100.0		EUR	–151,110	–153,664	
CGM Lux 2 S.à.r.l.	Luxembourg, Luxembourg	100.0		EUR	–61,077	–60,733	
CGM Lux 3 S.à.r.l.	Luxembourg, Luxembourg	100.0		EUR	–92,597	92,031	
Coba Vermögensverwaltungsgesellschaft mbH	Düsseldorf	100.0		EUR	26	–	b)
comdirect bank Aktiengesellschaft	Quickborn	81.1		EUR	467,641	71,053	
Commerz (East Asia) Limited	Hong Kong, Hong Kong	100.0		EUR	2,402	58	
Commerz Asset Management Asia Pacific Pte Ltd	Singapore, Singapore	100.0		SGD	28,049	–1,433	
Commerz Bankenholding Nova GmbH	Frankfurt/Main	100.0		EUR	1,566,644	–	1) b)
Commerz Business Consulting GmbH	Frankfurt/Main	100.0		EUR	84	–	b)
Commerz Direktservice GmbH	Duisburg	100.0		EUR	1,178	–	b)
Commerz Europe (Ireland)	Dublin, Ireland	100.0		EUR	347,903	–9,071	2)
Commerz Funds Solutions S.A.	Luxembourg, Luxembourg	100.0		EUR	8,441	2,969	a)
Commerz Grundbesitz Beteiligungsgesellschaft mbH & Co. KG	Frankfurt/Main	90.0		EUR	14,387	1,185	
Commerz Japan Real Estate Finance Corporation	Tokyo, Japan	100.0		JPY	4,428,164	540,322	3)
Commerz Markets LLC	Wilmington, Delaware, USA	100.0		USD	429,625	5,518	
Commerz Pearl Limited	London, United Kingdom	100.0		GBP	0	0	a)
Commerz Property GmbH & Co. Hamburg KG	Frankfurt/Main	100.0		EUR	70,513	461	
Commerz Real AG	Eschborn	100.0		EUR	408,394	–	b)
Commerz Real Asset Verwaltungsgesellschaft mbH	Grünwald	100.0		EUR	25	–	b)
Commerz Real Baumanagement GmbH	Düsseldorf	100.0		EUR	4,238	–	4) b)
Commerz Real Fonds Beteiligungsgesellschaft mbH	Düsseldorf	100.0		EUR	151	–	b)
Commerz Real Immobilien GmbH	Düsseldorf	100.0		EUR	12,936	–	b)
Commerz Real Investmentgesellschaft mbH	Wiesbaden	100.0		EUR	21,968	–	b)
Commerz Real IT-Leasing GmbH	Düsseldorf	100.0		EUR	1,954	–	b)
Commerz Real Mobilienleasing GmbH	Düsseldorf	100.0		EUR	–2,662	–	b)
Commerz Real Spezialfondsgesellschaft mbH	Wiesbaden	100.0		EUR	5,948	–	b)
Commerz Real Verwaltung und Treuhand GmbH	Düsseldorf	100.0		EUR	26	–	b)
Commerz Securities Hong Kong Limited	Hong Kong, Hong Kong	100.0		EUR	20,170	1,459	
Commerz Services Holding GmbH	Frankfurt/Main	100.0		EUR	14,114	–	b)

Name	Registered office	Share of capital held %	Voting rights (where different) %	Currency	Equity 1,000	Net profit or loss 1,000
Commerz Systems GmbH	Frankfurt/Main	100.0		EUR	6,464	– [b]
Commerz Transaction Services Mitte GmbH	Erfurt	100.0		EUR	2,913	– [b]
Commerz Transaction Services Nord GmbH	Magdeburg	100.0		EUR	1,614	– [b]
Commerz Transaction Services Ost GmbH	Halle (Saale)	100.0		EUR	1,550	– [a] [b]
Commerz Transaction Services West GmbH	Hamm	100.0		EUR	1,402	– [b]
Commerzbank (Eurasija) SAO	Moscow, Russia	100.0		RUB	12,165,512	1,165,019
Commerzbank Asset Management Asia Ltd.	Singapore, Singapore	100.0		SGD	2,028	766
Commerzbank Auslandsbanken Holding AG	Frankfurt/Main	100.0		EUR	1,492,196	– [b]
Commerzbank Capital Funding LLC I	Wilmington, Delaware, USA	100.0		EUR	2	0
Commerzbank Capital Funding LLC II	Wilmington, Delaware, USA	100.0		GBP	2	0
Commerzbank Capital Funding LLC III	Wilmington, Delaware, USA	100.0		EUR	2	0
Commerzbank Capital Funding Trust I	Newark, Delaware, USA	100.0		EUR	1	0
Commerzbank Capital Funding Trust II	Newark, Delaware, USA	100.0		GBP	1	0
Commerzbank Capital Funding Trust III	Newark, Delaware, USA	100.0		EUR	1	0
Commerzbank Capital Investment Company Limited	London, United Kingdom	100.0		GBP	0	0
Commerzbank Finance 2 S.à.r.l.	Luxembourg, Luxembourg	100.0		EUR	367	–18
Commerzbank Finance 3 S.à.r.l.	Luxembourg, Luxembourg	100.0		EUR	649	7
Commerzbank Finance BV	Amsterdam, Netherlands	100.0		EUR	1,343	–150
Commerzbank Holdings (UK) Limited	London, United Kingdom	100.0		GBP	502,383	18,426
Commerzbank Holdings France	Paris, France	100.0		EUR	80,674	0
Commerzbank Immobilien- und Vermögensverwaltungsgesellschaft mbH	Frankfurt/Main	100.0		EUR	462,597	– [b]
Commerzbank Inlandsbanken Holding GmbH	Frankfurt/Main	100.0		EUR	1,598,385	– [b]
Commerzbank International S.A.	Luxembourg, Luxembourg	100.0		EUR	558,321	96,187
Commerzbank Investments (UK) Limited	London, United Kingdom	100.0		GBP	112,712	82,941
Commerzbank Leasing 1 S.à.r.l.	Luxembourg, Luxembourg	100.0		GBP	210	29
Commerzbank Leasing 2 S.à.r.l.	Luxembourg, Luxembourg	100.0		GBP	32,445	24
Commerzbank Leasing 4 S.à.r.l.	Luxembourg, Luxembourg	100.0		GBP	4,973	–8
Commerzbank Leasing 5 S.à r.l.	Luxembourg, Luxembourg	100.0		GBP	10,202	63
Commerzbank Leasing 6 S.à.r.l.	Luxembourg, Luxembourg	100.0		GBP	93	26
Commerzbank Leasing December (1) Limited	London, United Kingdom	100.0		GBP	333	1,353
Commerzbank Leasing December (10)	London, United Kingdom	100.0		GBP	0	0

Name	Registered office	Share of capital held %	Voting rights (where different) %	Currency	Equity 1,000	Net profit or loss 1,000
Commerzbank Leasing December (11)	London, United Kingdom	100.0		GBP	0	0
Commerzbank Leasing December (12) Limited	London, United Kingdom	100.0		GBP	356	494
Commerzbank Leasing December (13) Limited	London, United Kingdom	100.0		GBP	0	0
Commerzbank Leasing December (15)	London, United Kingdom	100.0		GBP	0	0
Commerzbank Leasing December (17) Limited	London, United Kingdom	100.0		GBP	0	−4,291
Commerzbank Leasing December (19) Limited	London, United Kingdom	100.0		GBP	0	−12,741
Commerzbank Leasing December (20) Limited	London, United Kingdom	100.0		GBP	0	−300
Commerzbank Leasing December (21) Limited	London, United Kingdom	100.0		GBP	0	0
Commerzbank Leasing December (22) Limited	London, United Kingdom	100.0		GBP	0	0
Commerzbank Leasing December (23) Limited	London, United Kingdom	100.0		GBP	0	−60
Commerzbank Leasing December (24) Limited	London, United Kingdom	100.0		GBP	0	0
Commerzbank Leasing December (26) Limited	London, United Kingdom	100.0		GBP	0	−240
Commerzbank Leasing December (3) Limited	London, United Kingdom	100.0		GBP	476	327
Commerzbank Leasing December (4) Limited	London, United Kingdom	100.0		GBP	0	0
Commerzbank Leasing December (8) Limited	London, United Kingdom	100.0		GBP	0	0
Commerzbank Leasing December (9) Limited	London, United Kingdom	100.0		GBP	0	0
Commerzbank Leasing Holdings Limited	London, United Kingdom	100.0		GBP	2,137	−1,298
Commerzbank Leasing Limited	London, United Kingdom	100.0		GBP	962	−1,776
Commerzbank Leasing March (3) Limited	London, United Kingdom	100.0		GBP	9	5
Commerzbank Leasing September (5) Limited	London, United Kingdom	100.0		GBP	17	9
Commerzbank Online Ventures Limited	London, United Kingdom	100.0		EUR	0	0
Commerzbank Overseas Holdings Limited	London, United Kingdom	100.0		GBP	0	0
Commerzbank Property Management & Services Limited	London, United Kingdom	100.0		GBP	0	0
Commerzbank Securities Ltd	London, United Kingdom	100.0		GBP	10	0
Commerzbank Securities Nominees Limited	London, United Kingdom	100.0		GBP	0	0
Commerzbank U.S. Finance, Inc.	Wilmington, Delaware, USA	100.0		USD	606	−68
Commerzbank Zrt.	Budapest, Hungary	100.0		HUF	24,941,022	792,495

Name	Registered office	Share of capital held %	Voting rights (where different) %	Currency	Equity 1,000	Net profit or loss 1,000
CommerzFactoring GmbH	Mainz	50.1		EUR	1,099	– b)
CR KaiserKarree Holding S.a.r.l.	Luxembourg, Luxembourg	100.0		EUR	–41,365	–40,175
CSA COMMERZ SOUTH AFRICA (PROPRIETARY) LIMITED	Johannesburg, South Africa	100.0		ZAR	3,601	–1,675
Dom Inwestycyjny BRE Banku S.A.	Warsaw, Poland	100.0		PLN	89,646	16,886
Dresdner Capital LLC I	Wilmington, Delaware, USA	100.0		USD	1,707	42
Dresdner Capital LLC IV	Wilmington, Delaware, USA	100.0		JPY	18,594	136
Dresdner Kleinwort – Grantchester, Inc.	Wilmington, Delaware, USA	100.0		USD	27,845	–1
Dresdner Kleinwort & Co. Holdings, Inc.	Wilmington, Delaware, USA	100.0		USD	231,580	–639
Dresdner Kleinwort Capital Inc.	Wilmington, Delaware, USA	100.0		USD	4,527	3,706
Dresdner Kleinwort do Brasil Limitada	Rio de Janeiro, Brazil	100.0		BRL	–16,382	3
Dresdner Kleinwort EIV Manager, Inc.	Wilmington, Delaware, USA	100.0		USD	–18	0
Dresdner Kleinwort Finance Inc.	Wilmington, Delaware, USA	100.0		USD	2,652	704
Dresdner Kleinwort Flags Inc.	Wilmington, Delaware, USA	100.0		USD	140,479	0
Dresdner Kleinwort Group Holdings, LLC	Wilmington, Delaware, USA	100.0		USD	170,917	–1
Dresdner Kleinwort Group LLC	Wilmington, Delaware, USA	100.0		USD	394,779	–57
Dresdner Kleinwort Holdings II, Inc.	Wilmington, Delaware, USA	100.0		USD	83,147	633
Dresdner Kleinwort Holdings LLC	Wilmington, Delaware, USA	100.0		USD	376,641	51
Dresdner Kleinwort Limited	London, United Kingdom	100.0		GBP	11,647	11,283
Dresdner Kleinwort LLC	Wilmington, Delaware, USA	100.0		USD	34,165	–2
Dresdner Kleinwort Luminary Inc.	Wilmington, Delaware, USA	100.0		USD	790,566	–15,577
Dresdner Kleinwort Moon LLC	Wilmington, Delaware, USA	100.0		USD	24,210	–4,634
Dresdner Kleinwort Services (Guernsey) Limited	St. Peter Port, Guernsey	100.0		GBP	2	0
Dresdner Kleinwort Wasserstein Securities (India) Private Limited	Mumbai, India	75.0		INR	49,229	–33,670
Dresdner Lateinamerika Aktiengesellschaft	Hamburg	100.0		EUR	32,109	– b)
Dresdner UK Investments 2 B.V.	Amsterdam, Netherlands	100.0		EUR	966	0
Dresdner UK Investments N.V.	Amsterdam, Netherlands	100.0		EUR	1,738	1
DSB Vermögensverwaltungsgesellschaft mbH	Frankfurt/Main	100.0		EUR	25	– b)
EH MoLu IV, LLC	Dover, Delaware, USA	100.0		USD	1,677	–1,445

Name	Registered office	Share of capital held %	Voting rights (where different) %	Currency	Equity 1,000	Net profit or loss 1,000	
EHY Real Estate Fund I, LLC	Wilmington, Delaware, USA	100.0		USD	−3,758	231	
Elco Leasing Limited	London, United Kingdom	100.0		GBP	0	0	
Erste Europäische Pfandbrief- und Kommunalkreditbank Aktiengesellschaft in Luxemburg	Luxembourg, Luxembourg	100.0		EUR	445,132	77,900	
Espacio Leon Propco S.L.U.	Madrid, Spain	100.0		EUR	−18,417	−1,878	
Eurohypo Capital Funding LLC I	Wilmington, Delaware, USA	100.0		EUR	1	0	
Eurohypo Capital Funding LLC II	Wilmington, Delaware, USA	100.0		EUR	3	0	
Eurohypo Capital Funding Trust I	Wilmington, Delaware, USA	100.0		EUR	1	0	
Eurohypo Capital Funding Trust II	Wilmington, Delaware, USA	100.0		EUR	1	0	
European Bank for Fund Services Gesellschaft mit beschränkter Haftung (ebase)	Aschheim	100.0		EUR	26,981	3,999	
European Venture Partners (Holdings) Ltd	St. Helier, Jersey	85.0		GBP	0	0	
European Venture Partners Ltd	London, United Kingdom	100.0		GBP	0	0	
FABA Vermietungsgesellschaft mbH	Düsseldorf	95.0	75.0	EUR	25	–	b)
Felix (CI) Limited	George Town, Grand Cayman, Cayman Islands	100.0		GBP	26	0	
FHB – Immobilienprojekte GmbH	Eschborn	100.0		EUR	52	–	b)
Film Library Holdings LLC	Wilmington, Delaware, USA	51.0		USD	21,455	−2,828	
Forum Almada, Gestao de Centro Comercial, Sociedade Unipessoal Lda. II & Comandita	Lisbon, Portugal	100.0		EUR	32,216	9,544	
Forum Almada-Gestao de Centro Commercial, Sociedade Unipessoal, Lda.	Lisbon, Portugal	100.0		EUR	−65,480	−28,974	
Forum Montijo, Gestao de Centro Comercial Sociedade Unipessoal, Lda	Lisbon, Portugal	100.0		EUR	−50,419	−25,343	
Frankfurter Gesellschaft für Vermögensanlagen mit beschränkter Haftung	Eschborn	100.0		EUR	5,952	–	b)
General Leasing (No.16) Limited	London, United Kingdom	100.0		GBP	546	249	
G-G-B Gebäude- und Grundbesitz GmbH	Eschborn	100.0		EUR	256	–	b)
GO German Office GmbH	Wiesbaden	100.0		EUR	−12,431	–	b)
gr Grundstücks GmbH Objekt Corvus	Frankfurt/Main	100.0		EUR	43	−5	
gr Grundstücks GmbH Objekt Corvus & Co. Sossenheim KG	Frankfurt/Main	100.0		EUR	97	−97	
Gresham Leasing March (1) Limited	London, United Kingdom	100.0		GBP	0	−965	
Gresham Leasing March (2) Limited	London, United Kingdom	25.0	100.0	GBP	2,392	219	
Herradura Ltd	London, United Kingdom	100.0		GBP	5	0	
HF Estate Management GmbH	Eschborn	100.0		EUR	3,280	–	5) b)
Hibernia Eta Beteiligungsgesellschaft mit beschränkter Haftung	Frankfurt/Main	85.0		EUR	31,058	−8	

Name	Registered office	Share of capital held %	Voting rights (where different) %	Currency	Equity 1,000	Net profit or loss 1,000	
Hibernia Gamma Beteiligungsgesellschaft mit beschränkter Haftung	Frankfurt/Main	60.6		EUR	102,634	−1	
Hurley Investments No.3 Limited	London, United Kingdom	100.0		GBP	0	66	
Hypothekenbank Frankfurt AG	Eschborn	100.0		EUR	5,661,992	–	6) b)
Hypothekenbank Frankfurt International S.A.	Senningerberg, Luxembourg	100.0		EUR	166,016	−30,047	7)
IVV – Immobilien – Verwaltungs- und Verwertungsgesellschaft mbH	Eschborn	100.0		EUR	26	–	b)
KENSTONE GmbH	Eschborn	100.0		EUR	26	–	b)
Kommanditgesellschaft MS “CPO ALICANTE” Offen Reederei GmbH & Co.	Hamburg	90.0	90.0	EUR	3,636	−14,785	
Kommanditgesellschaft MS “CPO ANCONA” Offen Reederei GmbH & Co.	Hamburg	77.3	77.3	EUR	19,134	−18,594	
Kommanditgesellschaft MS “CPO BILBAO” Offen Reederei GmbH & Co.	Hamburg	90.0	90.0	EUR	1,901	−16,425	
Kommanditgesellschaft MS “CPO MARSEILLE” Offen Reederei GmbH & Co.	Hamburg	77.3	77.2	EUR	18,078	−18,559	
Kommanditgesellschaft MS “CPO PALERMO” Offen Reederei GmbH & Co.	Hamburg	73.9	73.9	EUR	20,370	−17,381	
Kommanditgesellschaft MS “CPO TOULON” Offen Reederei GmbH & Co.	Hamburg	90.0	90.0	EUR	16,305	−19,748	
Kommanditgesellschaft MS “CPO VALENCIA” Offen Reederei GmbH & Co.	Hamburg	90.0	90.0	EUR	11,685	−9,739	
LAUREA MOLARIS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Berlin Anthropolis KG i.L.	Ludwigshafen	94.5	94.4	EUR	−4,874	1,883	8)
LAUREA MOLARIS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Berlin Grindelwaldweg KG i.L.	Düsseldorf	94.5	94.6	EUR	−6,644	4,385	9)
LUGO Photovoltaik Beteiligungs gesellschaft mbH	Düsseldorf	100.0		EUR	−11,892	120	
Marylebone Commercial Finance (2)	London, United Kingdom	100.0		GBP	0	−47	
Marylebone Commercial Finance Limited	London, United Kingdom	100.0		GBP	0	−571	
Max Lease S.à.r.l. & Cie. Secs	Luxembourg, Luxembourg	100.0		EUR	4,491	786	
MERKUR Grundstücks GmbH	Frankfurt/Main	100.0		EUR	44,594	–	b)
MLV 35 Sp. z o.o. SKA	Warsaw, Poland	100.0		PLN	289,962	−50	
Morris (S.P.) Holdings Limited	London, United Kingdom	100.0		GBP	0	0	
NAVALIS Schiffsbetriebsgesellschaft mbH & Co. MS “NEDLLOYD JULIANA” KG	Hamburg	93.6	92.8	EUR	17,641	1,202	
NAVIPOS Schiffsbeteiligungs gesellschaft mbH	Hamburg	100.0		EUR	231	−671	
NORA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Lampertheim KG	Düsseldorf	100.0		EUR	0	184	
NORA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekte Plön und Preetz KG	Düsseldorf	90.0	65.0	EUR	−436	90	
Nordboden Immobilien- und Handelsgesellschaft mbH	Eschborn	100.0		EUR	315	–	b)

Name	Registered office	Share of capital held %	Voting rights (where different) %	Currency	Equity 1,000	Net profit or loss 1,000	
NOVELLA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0		EUR	11,176	–	b)
Number X Real Estate GmbH	Eschborn	100.0		EUR	8,773	–8,364	a)
OLEANDRA Grundstücks-Vermietungs-gesellschaft mbH & Co. Objekt Jupiter KG	Grünwald	100.0	51.0	EUR	27,552	2,096	
OLEANDRA Grundstücks-Vermietungs-gesellschaft mbH & Co. Objekt Luna KG	Grünwald	100.0	51.0	EUR	1,491	336	
OLEANDRA Grundstücks-Vermietungs-gesellschaft mbH & Co. Objekt Neptun KG	Grünwald	100.0	51.0	EUR	18,045	1,589	
OLEANDRA Grundstücks-Vermietungs-gesellschaft mbH & Co. Objekt Pluto KG	Grünwald	100.0	51.0	EUR	30,701	3,533	
OLEANDRA Grundstücks-Vermietungs-gesellschaft mbH & Co. Objekt Uranus KG	Grünwald	100.0	51.0	EUR	44,181	309	
OLEANDRA Grundstücks-Vermietungs-gesellschaft mbH & Co. Objekt Venus KG	Grünwald	100.0	51.0	EUR	25,046	1,769	
Pisces Nominees Limited	London, United Kingdom	100.0		GBP	0	0	
Property Invest Ferdinando di Savoia S.r.l.	Milan, Italy	100.0		EUR	13,601	–1,143	a)
Property Invest GmbH	Eschborn	100.0		EUR	36,220	–11,349	
Property Invest Italy S.r.l.	Milan, Italy	100.0		EUR	47,169	–9,797	
Property Invest Roma S.r.l.	Milan, Italy	100.0		EUR	1,372	–156	a)
Real Estate Holdings Limited	Hamilton, Bermuda	100.0		BMD	19,887	–440	
Real Estate TOP TEGEL Drei GmbH	Eschborn	94.0		EUR	60	–	b)
Real Estate TOP TEGEL Eins GmbH	Eschborn	94.0		EUR	421	–	b)
Real Estate TOP TEGEL Sechs GmbH	Eschborn	94.0		EUR	129	–	b)
Real Estate TOP TEGEL Vier GmbH	Eschborn	94.0		EUR	60	–	b)
Real Estate TOP TEGEL Zwei GmbH	Eschborn	94.0		EUR	60	–	b)
REFUGIUM Beteiligungsgesellschaft mbH	Grünwald	100.0		EUR	8,508	–337	
Riverbank Trustees Limited	London, United Kingdom	100.0		GBP	0	–35	a)
Rood Nominees Limited	London, United Kingdom	100.0		GBP	0	0	
Rook Finance LLC	Wilmington, Delaware, USA	100.0		USD	77,467	152	
SB-Bauträger GmbH & Co. Urbis Hochhaus-KG	Frankfurt/Main	100.0		EUR	201	0	
SECUNDO Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0		EUR	5,811	–	b)
Service-Center Inkasso GmbH Düsseldorf	Düsseldorf	100.0		EUR	153	–	b)
South East Asia Properties Limited	London, United Kingdom	100.0		GBP	22,537	–9,607	
Space Park GmbH & Co. KG	Frankfurt/Main	90.0		EUR	–93,027	2,029	
Sterling Energy Holdings Inc.	Wilmington, Delaware, USA	76.2	100.0	USD	46,271	298	
Sterling Energy II LLC	Wilmington, Delaware, USA	100.0		USD	57,862	4,173	a)
Sterling Energy LLC	Wilmington, Delaware, USA	100.0		USD	134,457	205	
TARA Immobilienprojekte GmbH	Eschborn	100.0		EUR	25	–	b)

Name	Registered office	Share of capital held %	Voting rights (where different) %	Currency	Equity 1,000	Net profit or loss 1,000	
Thurlaston Finance Limited	George Town, Grand Cayman, Cayman Islands	100.0		GBP	0	0	
TOMO Vermögensverwaltungs-gesellschaft mbH	Frankfurt/Main	100.0		EUR	22,778	–	b)
Transfinance a.s.	Prague, Czech Republic	100.0		CZK	280,210	10,752	
Twins Financing LLC	Dover, Delaware, USA	60.0		USD	18,312	1,804	
U.S. Residential Investment I, L.P.	Wilmington, Delaware, USA	90.0		USD	19,891	−9,062	
Watling Leasing March (1)	London, United Kingdom	100.0		GBP	0	−46	
WebTek Software Private Limited	Bangalore, India	100.0		INR	204,864	−27,336	
WESTBODEN – Bau- und Verwaltungs-gesellschaft mit beschränkter Haftung	Eschborn	100.0		EUR	55	–	b)
Westend Grundstücksgesellschaft mbH	Eschborn	100.0		EUR	260	–	b)
Wohnbau-Beteiligungsgesellschaft mbH	Eschborn	90.0		EUR	291	−3	
Yarra Finance Limited	George Town, Grand Cayman, Cayman Islands	100.0		GBP	0	0	
Zelos Luxembourg S.C.S.	Luxembourg, Luxembourg	100.0		EUR	10	−314	a)

b) Affiliated companies not included in the consolidated financial statements due to their minor significance[c)]

Name	Registered office	Share of capital held %	Voting rights (where different) %
1. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf	100.0	
10. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf	100.0	
11. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf	100.0	
12. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf	100.0	
13. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf	100.0	
14. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf	100.0	
14. CR Immobilien-Vermietungsgesellschaft mbH & Co. Objekt Berlin Lindencorso KG	Düsseldorf	80.8	80.8
14. CR Immobilien-Vermietungsgesellschaft mbH & Co. Objekt ENEX-Babelsberg KG	Düsseldorf	76.1	76.2
2. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf	100.0	
3. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf	100.0	
4. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf	100.0	
5. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf	100.0	
6. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf	100.0	
7. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf	100.0	
8. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf	100.0	
9. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf	100.0	
ABANTITIM Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0	
ABANTUM Beteiligungsgesellschaft mbH	Düsseldorf	100.0	
ABELASSA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0	
ABENITA Photovoltaik Beteiligungsgesellschaft mbH	Düsseldorf	100.0	
ABESTA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0	
ABORONUM Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0	
ABOTORIUM Finanz- und Verwaltungsgesellschaft mbH i.L.	Düsseldorf	100.0	
ACARINA Beteiligungsgesellschaft mbH	Düsseldorf	100.0	
ACCESSA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0	
ACINA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0	
ACOLA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0	
ACREDA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0	
ACRONA Photovoltaik-Beteiligungsgesellschaft mbH	Düsseldorf	100.0	
Actium Leasobjekt Gesellschaft mbH	Frankfurt/Main	100.0	[b)]
ACTOSA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0	
ADAMANTA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0	
ADELIA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0	
ADELIA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Berlin Teltow KG	Düsseldorf	92.4	92.1
ADELKA Grundstücks-Vermietungsgesellschaft mbH i.L.	Düsseldorf	100.0	
ADENARA Flugzeug-Leasinggesellschaft mbH	Düsseldorf	100.0	
ADUKKA Grundstücks-Vermietungsgesellschaft mbH i.L.	Düsseldorf	100.0	
ADURAMA Verwaltung und Treuhand GmbH	Düsseldorf	100.0	
AFINA, Bufete de Socios Financieros, S.A.	Madrid, Spain	98.7	99.3
AFÖG Vermögensverwaltungsgesellschaft mbH	Frankfurt/Main	94.2	
AGALINA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0	
AGARBA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0	

Name	Registered office	Share of capital held %	Voting rights (where different) %
AGASILA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0	
AGREGATA Grundstücks-Vermietungsgesellschaft mbH i.L.	Haan	100.0	
AJOLA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0	
AKERA Verwaltung und Treuhand GmbH	Düsseldorf	100.0	
AKUSTIA Verwaltung und Treuhand GmbH i.L.	Düsseldorf	100.0	
ALACRITAS Verwaltungs- und Treuhand GmbH	Düsseldorf	100.0	
ALBELLA Verwaltung und Treuhand GmbH	Düsseldorf	100.0	
ALBOLA Verwaltung und Treuhand GmbH	Düsseldorf	100.0	
ALCARDA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0	
ALDANZA Grundstücks-Vermietungsgesellschaft mbH i.L.	Düsseldorf	100.0	
ALDINGA Verwaltung und Treuhand GmbH	Düsseldorf	100.0	
ALDULA Verwaltung und Treuhand GmbH	Düsseldorf	100.0	
ALEMANTA Photovoltaik Beteiligungsgesellschaft mbH	Düsseldorf	100.0	
ALEMONA Verwaltung und Treuhand GmbH	Düsseldorf	100.0	
ALFRIDA Grundstücks-Vermietungsgesellschaft mbH i.L.	Düsseldorf	100.0	
ALFUTURA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0	
ALIBORA Verwaltung- und Treuhand GmbH i. L.	Düsseldorf	100.0	
ALICANTE NOVA Shipping Limited	Monrovia, Liberia	100.0	
ALIDA Photovoltaik-Beteiligungsgesellschaft mbH i.L.	Düsseldorf	100.0	
ALIVERA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0	
ALKANTA Beteiligungsgesellschaft mbH i.L.	Düsseldorf	100.0	
ALMARENA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0	
ALMONDA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0	
ALMURUS Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0	
ALONGA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0	
ALSANTA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0	
ALSANTA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekte RiCö KG	Düsseldorf	0.0	85.0
ALSENNA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0	
ALSTRUCTA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0	
Alternative Asset Management S.A.	Luxembourg, Luxembourg	100.0	
ALUBRA Verwaltung und Treuhand GmbH	Düsseldorf	100.0	
ALUDANTA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0	
ALVENTA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0	
ALVINA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0	
ALZOLA Beteiligungsgesellschaft mbH	Düsseldorf	100.0	
AMALIA Verwaltung und Treuhand GmbH	Düsseldorf	100.0	
AMENA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0	
AMERA Verwaltung und Treuhand GmbH	Düsseldorf	100.0	
AMITEA Beteiligungsgesellschaft mbH i.L.	Düsseldorf	100.0	
AMITICULA Photovoltaik Beteiligungsgesellschaft mbH i.L.	Düsseldorf	100.0	
AMONEUS Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0	
AMTERA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0	
AMUNDA Verwaltung und Treuhand GmbH i.L.	Düsseldorf	100.0	
ANBANA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0	
ANCAVA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0	
ANCONA NOVA Shipping Limited	Monrovia, Liberia	100.0	

Name	Registered office	Share of capital held %	Voting rights (where different) %	
ANDROMEDA Verwaltungsgesellschaft mbH	Düsseldorf	100.0		
ANEA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0		
ANSELMA Grundstücks-Vermietungsgesellschaft mbH i.L.	Düsseldorf	100.0		
ARAFINA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0		
ARBITRIA Verwaltungsgesellschaft mbH	Düsseldorf	100.0		
AREBA Verwaltung und Treuhand GmbH	Düsseldorf	100.0		
Ariondaz SAS	Paris, France	100.0		
ARMANDA Flugzeug-Leasinggesellschaft mbH	Düsseldorf	100.0		
AROSA Flugzeug-Leasinggesellschaft mbH i.L.	Düsseldorf	100.0		
ARVINA Verwaltung und Treuhand GmbH	Düsseldorf	100.0		
ASCETO Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0		
ASERTUNA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0		
ASILUS Grundstücks-Vermietungsgesellschaft mbH i.L.	Düsseldorf	100.0		
ASISTA Grundstücks-Vermietungsgesellschaft mbH i.L.	Düsseldorf	100.0		
ASKANZA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0		
ASKANZA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Lüdenscheid KG	Düsseldorf	94.4	86.0	
ASKIBA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0		
ASPERGA Grundstücks-Vermietungsgesellschaft mbH i.L.	Düsseldorf	100.0		
Aspiro net Sp. z.o.o. w likwidacji	Lodz, Poland	100.0		
Aspiro S.A.	Lodz, Poland	100.0		
ASSANDRA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0		
ASSENTO Photovoltaik-Beteiligungsgesellschaft mbH	Düsseldorf	100.0		
ASSERTA Flugzeug-Leasinggesellschaft mbH	Düsseldorf	100.0		
ASTRELLA Grundstücks-Vermietungsgesellschaft mbH i.L.	Berlin	100.0		
ASTRIFA Mobilien-Vermietungsgesellschaft mbH i.L.	Düsseldorf	100.0		
ATERNA Mobilien-Vermietungsgesellschaft mbH	Berlin	100.0		
Atlas-Alpha GmbH	Frankfurt/Main	100.0		[b]
ATUNO Verwaltung und Treuhand GmbH	Düsseldorf	100.0		
AURESTA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0		
AVANCIA Vermietungsgesellschaft mbH	Düsseldorf	100.0		
AVARICA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0		
AVENDO Beteiligungsgesellschaft mbH	Stuttgart	100.0		
AVERTUM Flugzeug-Leasinggesellschaft mbH	Düsseldorf	100.0		
AVERTUM Flugzeug-Leasinggesellschaft mbH & Co. Zweite Legacy 600 KG	Düsseldorf	100.0		
BACUL Beteiligungsgesellschaft mbH	Eschborn	100.0		
Bankowy Dom Hipoteczny Sp. z. o.o.	Warsaw, Poland	100.0		
Belus Immobilien- und Beteiligungsgesellschaft mbH	Eschborn	100.0		[b]
Beteiligungsgesellschaft für Industrie und Handel mbH	Frankfurt/Main	100.0		
BILBAO NOVA Shipping Limited	Monrovia, Liberia	100.0		
Blue Amber Fund Management S.A.	Luxembourg, Luxembourg	100.0		
BONITAS Mobilien-Vermietungsgesellschaft mbH & Co. Objekt Neustadt-Schwaig KG	Grünwald	85.5	86.0	
BRE Centrum Operacji Sp. z o.o.	Aleksandrów Lódzki, Poland	100.0		[10]
BRE Corporate Finance S.A.	Warsaw, Poland	100.0		
BRE Property Partner Sp. z o.o.	Warsaw, Poland	100.0		
BRE Wealth Management S.A.	Warsaw, Poland	100.0		

Name	Registered office	Share of capital held %	Voting rights (where different) %	
BREL-AN Sp. z.o.o. w likwidacji	Warsaw, Poland	100.0		
BREL-COM Sp. z.o.o.	Warsaw, Poland	100.0		
BREL-ESTATE Sp. z.o.o. w likwidacji	Warsaw, Poland	100.0		11)
BREL-FIN Sp. z.o.o. w likwidacji	Warsaw, Poland	100.0		12)
BREL-IMMO Sp. z.o.o.	Warsaw, Poland	100.0		
BREL-PRO Sp. z.o.o.	Warsaw, Poland	100.0		
Call Center Poland S.A.	Warsaw, Poland	100.0		
CB Euregio GmbH	Frankfurt/Main	100.0		
CB Lux Kirchberg GmbH	Frankfurt/Main	100.0		
CBG Commerz Beteiligungskapital Verwaltungs GmbH	Frankfurt/Main	100.0		
CCR Courtage i.L.	Paris, France	100.0		
CERI International Sp. z o.o.	Lodz, Poland	100.0		13)
CG Japan GmbH	Wiesbaden	100.0		
CG Real Estate Luxembourg S.à.r.l.	Luxembourg, Luxembourg	100.0		
CGG Canada Grundbesitz GmbH	Wiesbaden	100.0		
CGI Stadtgalerie Schweinfurt Verwaltungs- GmbH	Wiesbaden	100.0		
CGI Victoria Square Limited	London, United Kingdom	100.0		
CGI Victoria Square Nominees Limited	London, United Kingdom	100.0		
CIV GmbH Beta	Frankfurt/Main	100.0		
COLLEGIUM GLASHÜTTEN Zentrum für Kommunikation Gesellschaft mit beschränkter Haftung	Glashütten	100.0		b)
Commerz Building and Management GmbH	Essen	100.0		b)
Commerz Grundbesitz Gestao de Centros Commerciais, Sociedade Unipessoal, Lda.	Lisbon, Portugal	100.0		
Commerz Keyes Avenue Properties (Proprietary) Ltd.	Johannesburg, South Africa	100.0		
Commerz Management Services Limited	Dublin, Ireland	100.0		
Commerz Nominees Limited	London, United Kingdom	100.0		
Commerz Property GmbH	Frankfurt/Main	100.0		14) a) b)
Commerz Real Autoservice GmbH i.L.	Düsseldorf	100.0		
Commerz Real CZ s.r.o.	Prague, Czech Republic	100.0		
Commerz Real Direkt GmbH i.L.	Düsseldorf	100.0		
Commerz Real Finanzierungsleasing GmbH	Düsseldorf	100.0		b)
Commerz Real Nederland B. V.	Capelle a/d Ijssel, Netherlands	100.0		
Commerz Real Partner Süd GmbH	Düsseldorf	100.0		
Commerz Real Projektconsult GmbH	Düsseldorf	100.0		b)
Commerz Real Southern Europe GmbH	Wiesbaden	100.0		
Commerz Real Vertrieb GmbH	Düsseldorf	100.0		
Commerz Real Western Europe GmbH	Wiesbaden	100.0		
Commerz Trade Services Sdn. Bhd.	Kuala Lumpur, Malaysia	100.0		
Commerz U.S. Financial Corporation	Wilmington, Delaware, USA	100.0		
Commerzbank Capital Management Unternehmens-beteiligungs GmbH	Frankfurt/Main	100.0		b)
Commerzbank International (Jersey) Limited	St. Helier, Jersey	100.0		
Commerzbank Leasing December (25) Limited	London, United Kingdom	70.0		
Commerzbank Leasing December (6) Limited	London, United Kingdom	100.0		
Commerzbank Pension Trustees Limited	London, United Kingdom	100.0		
Commerzbank Representative Office Nigeria Limited	Lagos, Nigeria	100.0		

Name	Registered office	Share of capital held %	Voting rights (where different) %	
Commerzbank Representative Office Panama, S.A.	Panama City, Panama	100.0		
Commerzbank Sao Paulo Servicos Ltda.	Sao Paulo, Brazil	100.0		
Commerzbank Sponsoring GmbH	Frankfurt/Main	100.0		b)
CommerzKommunalbau GmbH	Düsseldorf	100.0		
CommerzLeasing GmbH	Düsseldorf	100.0		
CommerzStiftungsTreuhand GmbH	Frankfurt/Main	100.0		
CommerzTrust GmbH	Frankfurt/Main	100.0		
Communication One Consulting Sp. z o.o.	Warsaw, Poland	100.0		
ContactPoint Sp. z o.o.	Warsaw, Poland	100.0		
CR Station General Partner Inc.	Toronto, Canada	100.0		
Crédito Germánico S.A.	Montevideo, Uruguay	100.0		
CRI Erste Beteiligungsgesellschaft mbH	Wiesbaden	100.0		
CRI Zweite Beteiligungsgesellschaft mbH	Wiesbaden	100.0		
CSK Sp. z.o.o.	Lodz, Poland	100.0		
Czwarty Polski Fundusz Rozwoju Sp. z.o.o.	Lodz, Poland	100.0		
Delphi I Eurohypo LLC	Wilmington, Delaware, USA	100.0		
DFI S.p.A. in liquidazione	Milan, Italy	100.0		
Dr. Gubelt Immobilien Vermietungs-Gesellschaft mbH & Co. Objekt Chemnitz KG	Düsseldorf	100.0	98.8	
Dresdner Kleinwort Derivative Investments Limited	London, United Kingdom	100.0		
Dresdner Private Placement GmbH	Bad Vilbel	100.0		
EHNY Montelucia Manager, LLC	Dover, Delaware, USA	100.0		
Elfte Umbra Vermögensverwaltungsgesellschaft mbH	Frankfurt/Main	100.0		b)
EP Euro-Projektentwicklungs-Verwaltungs GmbH	Frankfurt/Main	100.0		
EuREAM GmbH	Wiesbaden	100.0		
Eurohypo Investment Banking Limited	London, United Kingdom	100.0		
Eurohypo Nominees 1 Limited	London, United Kingdom	100.0		
Eurologistik 1 Leasehold General Partner BVBA	Brussels, Belgium	100.0		
Fernwärmenetz Leipzig GmbH	Leipzig	100.0		
Forum Algarve – Gestao de Centro comercial, Sociedade Unipessoal, Lda.	Lisbon, Portugal	100.0		
Frega Vermögensverwaltungsgesellschaft mbH	Frankfurt/Main	100.0		
Galbraith Investments Limited	London, United Kingdom	100.0		
Garbary Sp. z.o.o.	Poznan, Poland	100.0		
Gesellschaft für Kreditsicherung mbH	Berlin	63.3		
GIE Dresdner Kleinwort France i.L.	Paris, France	100.0		
GIE Victoria Aéronautique	Paris, France	100.0		
GRANADA Investment GmbH i.L.	Düsseldorf	100.0		
Grundbesitzgesellschaft Berlin Rungestr. 22–24 mbH i.L.	Eschborn	100.0		15)
Grundstücks- und Vermögensverwaltungsgesellschaft Geretsried mbH i.L.	Düsseldorf	51.1	51.0	16)
Grupa PINO Sp. z o.o. w likwidacji	Warsaw, Poland	100.0		
H 47 GmbH & Co. KG	Düsseldorf	100.0		
H 47 Verwaltungsgesellschaft mbH	Düsseldorf	94.4	94.0	
Hamudi S.A.	Madrid, Spain	100.0		
Haus am Kai 2 O.O.O.	Moscow, Russia	100.0		
HDW Grundstücks-Vermietungsgesellschaft mbH	Frankfurt/Main	100.0		
Histel Beteiligungs GmbH	Frankfurt/Main	100.0		b)

Name	Registered office	Share of capital held %	Voting rights (where different) %	
HVI Handels- und Verwertungsgesellschaft für Immobilien mbH	Düsseldorf	94.0		
Immobiliengesellschaft Ost Hägle, spol. s.r.o	Prague, Czech Republic	100.0		
Immobilien-Vermietungsgesellschaft Reeder & Co. Objekt Airport Bürocenter Dresden KG	Dresden	87.2	86.6	
Immobilienverwaltungsgesellschaft Grammophon Büropark mbH	Berlin	100.0		
Immobilienverwaltungsgesellschaft Schlachthof Offenbach mbH	Eschborn	100.0		
IMMOFIDUCIA Sp. z. o.o.	Warsaw, Poland	100.0		
IWP International West Pictures GmbH & Co. Erste Produktions KG	Cologne	95.0		
IWP International West Pictures Verwaltungs GmbH	Cologne	100.0		
KTC Kommunikations- und Trainings-Center Königstein GmbH	Königstein	100.0		
LAUREA MOLARIS Grundstücks-Vermietungsgesellschaft mbH	Ludwigshafen	94.0		
LOFRA GmbH & Co.KG	Frankfurt/Main	99.9	100.0	
LOFRA Verwaltungs-Gesellschaft mbH	Frankfurt/Main	100.0		
Lufthansa Leasing GmbH & Co. Echo-Oscar KG i. L.	Grünwald	100.0	99.6	
Mandas Receivables No.1 Limited	St. Helier, Jersey	100.0		
Mandas Receivables No.2 Limited	St. Helier, Jersey	100.0		
Marseille Shipping Limited	Monrovia, Liberia	100.0		
Max Lease Sàrl	Luxembourg, Luxembourg	100.0		
Messestadt Riem "Office am See" I GmbH i.L.	Eschborn	100.0		17) b)
Messestadt Riem "Office am See" III GmbH i.L.	Eschborn	100.0		18) b)
MLV 35 Sp. z o.o.	Warsaw, Poland	100.0		
MOLBINA Vermietungsgesellschaft mbH & Co. Objekt Düsseldorf Ludwig-Erhard-Allee KG	Düsseldorf	94.3	91.2	
MOLMELFI Vermietungsgesellschaft mbH & Co. Objekt Burghausen KG	Düsseldorf	100.0	51.0	
MOLRATUS Vermietungsgesellschaft mbH	Düsseldorf	100.0		
MONEA Vermietungsgesellschaft mbH	Düsseldorf	100.0		
Montitail – Gestao de Retail Park, Sociedade Unipessoal Lda.	Lisbon, Portugal	100.0		
NACOLO Schiffsbetriebsgesellschaft mbH	Hamburg	100.0		
NACONA Schiffsbetriebsgesellschaft mbH	Hamburg	100.0		
NACONEO Schiffsbetriebsgesellschaft mbH i.L.	Hamburg	100.0		
NACONGA Schiffsbetriebsgesellschaft mbH	Hamburg	100.0		
NACORINO Schiffsbetriebsgesellschaft mbH i.L.	Hamburg	100.0		
NACORONA Schiffsbetriebsgesellschaft mbH i.L.	Hamburg	100.0		
NACOTA Schiffsbetriebsgesellschaft mbH i.L.	Hamburg	100.0		
NAFARI Schiffsbetriebsgesellschaft mbH	Hamburg	100.0		
NAFIRINA Schiffsbetriebsgesellschaft mbH	Hamburg	100.0		
NAMINO Schiffsbetriebsgesellschaft mbH i.L.	Hamburg	100.0		
NAROLA Schiffsbetriebsgesellschaft mbH i.L.	Hamburg	100.0		
NASIRO Schiffsbetriebsgesellschaft mbH	Hamburg	100.0		
NASTO Schiffsbetriebsgesellschaft mbH	Hamburg	100.0		
NAUCULA Schiffsbetriebsgesellschaft mbH	Hamburg	100.0		
NAULUMO Schiffsbetriebsgesellschaft mbH	Hamburg	100.0		
NAUMOSA Schiffsbetriebsgesellschaft mbH i.L.	Hamburg	100.0		
NAUPEUS Schiffsbetriebsgesellschaft mbH i.L.	Hamburg	100.0		
NAURANTO Schiffsbetriebsgesellschaft mbH	Hamburg	100.0		
NAURATA Schiffsbetriebsgesellschaft mbH	Hamburg	100.0		

Name	Registered office	Share of capital held %	Voting rights (where different) %
NAUSOLA Schiffsbetriebsgesellschaft mbH	Hamburg	100.0	
NAUTARO Schiffsbetriebsgesellschaft mbH	Hamburg	100.0	
NAUTESSA Schiffsbetriebsgesellschaft mbH	Hamburg	100.0	
NAUTIS Schiffsbetriebsgesellschaft mbH	Hamburg	100.0	
NAUTLUS Schiffsbetriebsgesellschaft mbH	Hamburg	100.0	
NAUTO Schiffsbetriebsgesellschaft mbH	Hamburg	100.0	
NAUTORIA Schiffsbetriebsgesellschaft mbH	Hamburg	100.0	
NAUTUGO Schiffsbetriebsgesellschaft mbH	Hamburg	100.0	
NAVALIS Schiffsbetriebsgesellschaft mbH	Hamburg	100.0	
NAVALIS Shipping Limited	Monrovia, Liberia	100.0	
NAVIBOLA Schiffsbetriebsgesellschaft mbH	Hamburg	100.0	
NAVIBOTO Schiffsbetriebsgesellschaft mbH	Hamburg	100.0	
NAVIFIORI Schiffsbetriebsgesellschaft mbH	Hamburg	100.0	
NAVIGA Schiffsbeteiligung GmbH	Hamburg	100.0	
NAVIGATO Schiffsbetriebsgesellschaft mbH	Hamburg	100.0	
NAVIGOLO Schiffsbetriebsgesellschaft mbH	Hamburg	100.0	
NAVILO Vermietungsgesellschaft mbH	Hamburg	100.0	
NAVINA Schiffsbetriebsgesellschaft mbH	Hamburg	100.0	
NAVIRENA Schiffsbetriebsgesellschaft mbH	Hamburg	100.0	
NAVIROSSA Schiffsbetriebsgesellschaft mbH	Hamburg	100.0	
NAVISTA Verwaltungund Treuhand GmbH i.L.	Düsseldorf	100.0	
NAVITA Schiffsbetriebsgesellschaft mbH	Hamburg	100.0	
NAVITARIA Schiffsbetriebsgesellschaft mbH	Hamburg	100.0	
NAVITONI Schiffsbetriebsgesellschaft mbH	Hamburg	100.0	
NAVITOSA Schiffsbetriebsgesellschaft mbH	Hamburg	100.0	
NAVITURA Schiffsbetriebsgesellschaft mbH	Hamburg	100.0	
NEB Shipping Co.	Monrovia, Liberia	100.0	
NEPTANA Schiffsbetriebsgesellschaft mbH	Hamburg	100.0	
NEPTILA Schiffsbetriebsgesellschaft mbH	Hamburg	100.0	
NEPTORA Schiffsbetriebsgesellschaft mbH	Hamburg	100.0	
NEPTUGA Schiffsbetriebsgesellschaft mbH	Hamburg	100.0	
NEPTUNO Schiffsbetriebsgesellschaft mbH	Hamburg	100.0	
NESTOR Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0	
NESTOR Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Hamme KG	Düsseldorf	100.0	
NESTOR Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Landau KG	Düsseldorf	5.0	55.0
NESTOR Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Wiemelhausen KG	Düsseldorf	100.0	
NORA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0	
NOSCO Grundstücks-Vermietungsgesellschaft mbH	Mainz	100.0	
NOTITIA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0	
NOVITAS Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0	
Nr. X Real Estate Hungary Kft.	Budapest, Hungary	100.0	
Number X Bologna S.r.l.	Milan, Italy	100.0	
NUMERIA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0	
NURUS Beteiligungsgesellschaft mbH	Düsseldorf	100.0	[b]
Octopus Investment Sp. z o.o.	Warsaw, Poland	100.0	

Name	Registered office	Share of capital held %	Voting rights (where different) %
OSKAR Medienbeteiligungsgesellschaft mbH	Düsseldorf	100.0	
PALERMO Shipping Limited	Monrovia, Liberia	100.0	
PAREO Kraftwerk-Beteiligungsgesellschaft mbH	Leipzig	100.0	
Property Invest Spain, S.L.	Barcelona, Spain	100.0	
PRUNA Betreiber GmbH	Grünwald	51.0	
RAMONIA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0	
RAPIDA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0	
RAVENNA Kraków Sp. z.o.o.	Warsaw, Poland	100.0	
Receivable Partners Inc.	Wilmington, Delaware, USA	66.0	
RECURSA Grundstücks-Vermietungsgesellschaft mbH	Frankfurt/Main	100.0	
RESIDO Flugzeug-Leasinggesellschaft mbH	Düsseldorf	100.0	
RIMA Medien-Beteiligungsgesellschaft mbH i.L.	Düsseldorf	100.0	
RIPA Medien-Beteiligungsgesellschaft mbH	Düsseldorf	100.0	
ROSARIA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0	
ROSARIA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Baden-Airpark KG	Düsseldorf	50.0	65.0
ROSATA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0	
ROSEA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0	
ROSINTA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0	
ROSOLA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0	
ROSOLA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Heddernheim KG	Düsseldorf	94.0	65.0
ROTUNDA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0	
SB-Bauträger Gesellschaft mit beschränkter Haftung	Eschborn	100.0	[b)]
Schiffahrtsgesellschaft HANSA mbH	Hamburg	100.0	
Solar Cuever del Negro 1, S.L.U.	Madrid, Spain	100.0	
Solar Cuever del Negro 10, S.L.U.	Madrid, Spain	100.0	
Solar Cuever del Negro 11, S.L.U.	Madrid, Spain	100.0	
Solar Cuever del Negro 12, S.L.U.	Madrid, Spain	100.0	
Solar Cuever del Negro 13, S.L.U.	Madrid, Spain	100.0	
Solar Cuever del Negro 14, S.L.U.	Madrid, Spain	100.0	
Solar Cuever del Negro 15, S.L.U.	Madrid, Spain	100.0	
Solar Cuever del Negro 16, S.L.U.	Madrid, Spain	100.0	
Solar Cuever del Negro 17, S.L.U.	Madrid, Spain	100.0	
Solar Cuever del Negro 18, S.L.U.	Madrid, Spain	100.0	
Solar Cuever del Negro 2, S.L.U.	Madrid, Spain	100.0	
Solar Cuever del Negro 3, S.L.U.	Madrid, Spain	100.0	
Solar Cuever del Negro 4, S.L.U.	Madrid, Spain	100.0	
Solar Cuever del Negro 5, S.L.U.	Madrid, Spain	100.0	
Solar Cuever del Negro 6, S.L.U.	Madrid, Spain	100.0	
Solar Cuever del Negro 7, S.L.U.	Madrid, Spain	100.0	
Solar Cuever del Negro 8, S.L.U.	Madrid, Spain	100.0	
Solar Cuever del Negro 9, S.L.U.	Madrid, Spain	100.0	
Solar Los Arroyos de Escuzar 1, S.L.U.	Madrid, Spain	100.0	
Solar Los Arroyos de Escuzar 10, S.L.U.	Madrid, Spain	100.0	
Solar Los Arroyos de Escuzar 11, S.L.U.	Madrid, Spain	100.0	
Solar Los Arroyos de Escuzar 12, S.L.U.	Madrid, Spain	100.0	
Solar Los Arroyos de Escuzar 13, S.L.U.	Madrid, Spain	100.0	

Name	Registered office	Share of capital held %	Voting rights (where different) %
Solar Los Arroyos de Escuzar 14, S.L.U.	Madrid, Spain	100.0	
Solar Los Arroyos de Escuzar 15, S.L.U.	Madrid, Spain	100.0	
Solar Los Arroyos de Escuzar 16, S.L.U.	Madrid, Spain	100.0	
Solar Los Arroyos de Escuzar 17, S.L.U.	Madrid, Spain	100.0	
Solar Los Arroyos de Escuzar 18, S.L.U.	Madrid, Spain	100.0	
Solar Los Arroyos de Escuzar 2, S.L.U.	Madrid, Spain	100.0	
Solar Los Arroyos de Escuzar 3, S.L.U.	Madrid, Spain	100.0	
Solar Los Arroyos de Escuzar 4, S.L.U.	Madrid, Spain	100.0	
Solar Los Arroyos de Escuzar 5, S.L.U.	Madrid, Spain	100.0	
Solar Los Arroyos de Escuzar 6, S.L.U.	Madrid, Spain	100.0	
Solar Los Arroyos de Escuzar 7, S.L.U.	Madrid, Spain	100.0	
Solar Los Arroyos de Escuzar 8, S.L.U.	Madrid, Spain	100.0	
Solar Los Arroyos de Escuzar 9, S.L.U.	Madrid, Spain	100.0	
SOLTRX Transaction Services GmbH	Düsseldorf	100.0	[b]
Space Park Erste Verwaltungs GmbH	Frankfurt/Main	100.0	
TARA Immobilien-Besitz GmbH	Eschborn	100.0	[b]
TARA Immobiliengesellschaft mbH	Eschborn	100.0	[b]
TARA Immobilien-Verwaltungs-GmbH	Eschborn	100.0	
TARA Property-Management GmbH	Eschborn	100.0	
Tele-Tech Investment Sp. z.o.o.	Warsaw, Poland	100.0	
TIGNARIS Beteiligungsgesellschaft mbH & Co. Objekt Ostfildern KG	Düsseldorf	94.9	97.0
TIGNARIS Beteiligungsgesellschaft mbH & Co. Streubesitz KG	Düsseldorf	94.8	
TIGNATO Beteiligungsgesellschaft mbH	Essen	100.0	
TIGNATO Beteiligungsgesellschaft mbH & Co. KölnTurm MediaPark KG	Eschborn	100.0	
TOULON NOVA Shipping Limited	Monrovia, Liberia	100.0	
TRANSFERIA Managementgesellschaft mbH i.L.	Dortmund	100.0	
VALENCIA NOVA Shipping Limited	Monrovia, Liberia	100.0	
Wall Street Technology Managers LP	New York, New York, USA	90.0	
Webtel Sp. z o.o. w likwidacji	Warsaw, Poland	100.0	
Wijkertunnel Beheer III B.V.	Amsterdam, Netherlands	100.0	
WST-Broker-GmbH i.L.	Frankfurt/Main	90.0	

2. Associated companies

a) Associated companies in the consolidated financial statements accounted for using the equity method

Name	Registered office	Share of capital %	Voting rights (where different) %	Currency	Equity 1,000	Net profit or loss 1,000
AKA Ausfuhrkredit-Gesellschaft mbH	Frankfurt/Main	31.6		EUR	176,547	16,775
Argor-Heraeus S.A.	Mendrisio, Switzerland	31.2		CHF	89,002	34,873
Capital Investment Trust Corporation	Taipei, Taiwan	24.0		TWD	– 3,106,323	–514,217
Captain Holdings S.à.r.l.	Luxembourg, Luxembourg	46.0		GBP	3,852	71
Commerz Finanz GmbH	Munich	49.9		EUR	402,038	–11,424
Commerz Unternehmens-beteiligungs-Aktiengesellschaft	Frankfurt/Main	40.0		EUR	92,297	5,106
COMUNITHY Immobilien GmbH	Düsseldorf	49.9		EUR	–7,978	920
DTE Energy Center, LLC	Wilmington, Delaware, USA	49.5	50.0	USD	91,830	6,223
Exploitatiemaatschappij Wijkertunnel C.V.	Amsterdam, Netherlands	33.3		EUR	14,523	7,451
GIE Fleur de Canne	Paris, France	10.0		EUR	22,380	343
GIE Northbail	Puteaux, France	25.0		EUR	0	7
HAJOBANTA GmbH & Co. Asia Opportunity I KG	Düsseldorf	20.8	20.8	EUR	116,626	13,962
ILV Immobilien-Leasing Verwaltungs-gesellschaft Düsseldorf mbH	Düsseldorf	50.0		EUR	19,501	1,964
Inmobiliaria Colonial, S.A.	Barcelona, Spain	18.7		EUR	2,221,241	109,782
KGAL GmbH & Co. KG	Grünwald	40.5		EUR	97,648	5,047
KGAL Verwaltungs-GmbH	Grünwald	45.0		EUR	8,688	325
MFG Flughafen-Grundstücks-verwaltungsgesellschaft mbH & Co. BETA KG	Grünwald	29.4	29.0	EUR	–63,291	3,008
RECAP/Commerz AMW Investment, L. P.	New York, New York, USA	50.0		USD	8,688	–1,311
Reederei MS "E.R. INDIA" Beteiligungsgesellschaft mbH & Co.KG	Hamburg	26.1		EUR	6,653	2,425

b) Associated companies in the consolidated financial statements not accounted for using the equity method due to their minor significance

Name	Registered office	Share of capital %	Voting rights (where different) %
36th Street CO-INVESTMENT, L.P.	Wilmington, Delaware, USA	49.0	50.0
4239466 Canada Inc.	Toronto, Canada	50.0	
ACTIUM Leasobjekt GmbH & Co. Objekt Bietigheim OHG	Düsseldorf	100.0	50.0
ACTIUM Leasobjekt GmbH & Co. Objekte Amberg und Landshut KG	Düsseldorf	50.0	
ADAMANTA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Elbphilharmonie KG	Düsseldorf	50.0	
AF Eigenkapitalfonds für deutschen Mittelstand GmbH & Co. KG	Munich	47.5	47.5
AGASILA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Düsseldorf KG	Düsseldorf	23.4	25.0
ALIVERA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Düsseldorf-Lichtenbroich KG	Düsseldorf	5.2	23.0
Ampton B.V.	Amsterdam, Netherlands	50.0	
ASTIRA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	50.0	
BAF Berlin Animation Film GmbH	Berlin	49.0	
Banco Comercial S. A.	Montevideo, Uruguay	33.3	
BONUS Vermietungsgesellschaft mbH	Düsseldorf	30.0	
Commerz GOA Realty Associates LLC	New York, New York, USA	49.0	
COMMERZ GOA REALTY Management, LLC	Atlanta, Georgia, USA	49.0	
Commerz Realty Associates GP V, LLC	Wilmington, Delaware, USA	49.0	
DRABELA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	50.0	
DREBACUSA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	50.0	
DREBANTA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	50.0	
DREBENDA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	50.0	
DREBOSTA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	50.0	
DRECORA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	50.0	
DREDOLA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	50.0	
DREFLORA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	50.0	
DREFUMA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	50.0	
DREHERA Grundstücks-Vermietungsgesellschaft mbH i.L.	Düsseldorf	50.0	
DREKONTA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	50.0	
DRELARA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	50.0	
DRELOBA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	50.0	
DRELOSINA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	50.0	
DREMARA Grundstücks-Vermietungsgesellschaft mbH i.L.	Düsseldorf	50.0	
DRENITA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	50.0	
DRESANA Vermietungsgesellschaft mbH	Düsseldorf	50.0	
DRETERUM Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	50.0	
DREVERA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	50.0	
Düsseldorfer Börsenhaus GmbH	Düsseldorf	20.0	
FERO Vermietungsgesellschaft mbH	Düsseldorf	26.0	
FORNAX Kraftwerk-Beteiligungsgesellschaft mbH	Grünwald	50.0	
FOSSUM Beteiligungsgesellschaft mbH	Düsseldorf	24.8	25.0
FUNGOR Vermietungsgesellschaft mbH	Düsseldorf	43.6	
GIE Cinquieme Lease	Puteaux, France	33.3	

Name	Registered office	Share of capital %	Voting rights (where different) %
GIE Go Lease	Puteaux, France	50.0	
GIE Hu Lease	Puteaux, France	50.0	
GIE Quatrieme Lease	Puteaux, France	33.3	
GMF German Mittelstand Fund GmbH i. L.	Frankfurt/Main	23.5	
GOPA Gesellschaft für Organisation, Planung und Ausbildung mbH	Bad Homburg v. d. Höhe	24.8	28.8
GRAMEDA Vermietungsgesellschaft mbH	Grünwald	50.0	
GRAMINA Vermietungsgesellschaft mbH	Grünwald	50.0	
GRAMOLINDA Vermietungsgesellschaft mbH	Grünwald	50.0	
GRAMOLINDA Vermietungsgesellschaft mbH & Co. Objekt Frankfurt KG	Grünwald	94.0	40.0
GRASSANO Vermietungsgesellschaft mbH	Grünwald	50.0	
GRATNOMA Grundstücks-Vermietungsgesellschaft mbH	Grünwald	50.0	
GRENADO Vermietungsgesellschaft mbH	Grünwald	50.0	
GRETANA Vermietungsgesellschaft mbH	Grünwald	50.0	
GRISLEVA Vermietungsgesellschaft mbh	Grünwald	50.0	
GRONDOLA Vermietungsgesellschaft mbH	Grünwald	50.0	
GROSINA Vermietungsgesellschaft mbH	Grünwald	50.0	
GROTEGA Vermietungsgesellschaft mbH	Grünwald	50.0	
GRUMENTO Vermietungsgesellschaft mbH	Grünwald	50.0	
GRUMONA Vermietungsgesellschaft mbH	Grünwald	50.0	
GRUMOSA Vermietungsgesellschaft mbH	Grünwald	50.0	
GRUNATA Vermietungsgesellschaft mbh	Grünwald	50.0	
GZ Verwaltungsgesellschaft für Transportmittel mbH i.L.	Munich	50.0	
HAJOTARA Beteiligungsgesellschaft mbH & Co. Solarkraftwerke KG	Düsseldorf	6.0	30.0
Immobilien-Vermietungsgesellschaft Dr. Rühl GmbH & Co. Objekt Stutensee KG	Düsseldorf	3.5	25.0
Industriedruck Krefeld Kurt Janßen GmbH & Co KG	Krefeld	25.7	
Irving Place Co-Investment, L.P.	New York, New York, USA	37.7	50.0
Kapelaansdijk I BV	Amsterdam, Netherlands	25.0	
Koppelenweg I BV	Hoevelaken, Netherlands	33.3	
La Tasca Holdings Limited	Luton, United Kingdom	39.2	
Lerchesberg Grundstücks-Gesellschaft mbH i.L.	Frankfurt/Main	49.0	
LOUISENA Vermietungsgesellschaft mbH	Grünwald	50.0	
MAECENA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Dortmund KG	Düsseldorf	5.0	33.3
MANICA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Neutraubling KG	Düsseldorf	5.0	50.0
MARBANA Vermietungsgesellschaft mbH & Co. Objekt Hallenbad Flensburg KG	Flensburg	40.0	
MARBREVA Vermietungsgesellschaft mbH & Co. Objekt AOK Bayern KG	Düsseldorf	100.0	50.0
MARBREVA Vermietungsgesellschaft mbH & Co. Objekt AOK Rheinland-Pfalz KG	Düsseldorf	100.0	50.0
Marie Lease S.à r.l.	Luxembourg, Luxembourg	49.0	
MARIUS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Hannover KG	Düsseldorf	21.0	40.0
MAROLA Vermietungsgesellschaft mbH & Co. Objekt Essen KG	Düsseldorf	0.1	50.0
MINERVA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Radolfzell KG	Düsseldorf	21.0	
MITEC engine.tec gmbh & Co. Objekt Krauthausen KG	Eisenach	0.5	45.0

Name	Registered office	Share of capital %	Voting rights (where different) %
MOLANCONA Vermietungsgesellschaft mbH	Düsseldorf	50.0	
MOLARIS Beteiligungsgesellschaft mbH & Co. Objekt Kurhaus KG	Düsseldorf	100.0	49.0
Molathina Vermietungsgesellschaft mbH & Co. Objekt Rostock KG	Düsseldorf	0.1	50.0
MOLBARVA Vermietungsgesellschaft mbH	Düsseldorf	50.0	
MOLBERA Vermietungsgesellschaft mbH & Co. Objekt Aalen KG	Düsseldorf	0.1	50.0
MOLBERNO Vermietungsgesellschaft mbH	Grünwald	50.0	
MOLBONA Vermietungsgesellschaft mbH	Berlin	50.0	
MOLCASA Vermietungsgesellschaft Objekt Smart mbH i.L.	Grünwald	50.0	
MOLDOMA Vermietungsgesellschaft mbH & Co. Objekt Augsburg KG	Düsseldorf	100.0	50.0
MOLFRIEDA Vermietungsgesellschaft mbH & Co. Objekt Wesel KG	Düsseldorf	0.1	50.0
MOLGRADO Vermietungsgesellschaft Objekt Göttingen und Oldenburg mbH	Grünwald	50.0	
MOLKIRA Vermietungsgesellschaft mbH & Co. Objekt Herten KG	Düsseldorf	0.1	50.0
MOLKRIMA Vermietungsgesellschaft mbH & Co. Objekt Triptis KG	Düsseldorf	0.1	50.0
MOLPIKA Vermietungsgesellschaft mbH & Co. Objekt Tuttlingen KG	Düsseldorf	0.1	50.0
MOLPIREAS Vermietungsgesellschaft mbH	Düsseldorf	50.0	
MOLSOLA Vermietungsgesellschaft mbH & Co. Objekt Aquarius KG	Düsseldorf	98.5	49.0
MOLSOLA Vermietungsgesellschaft mbH & Co. Objekt Aries KG	Düsseldorf	98.5	49.0
MOLSOLA Vermietungsgesellschaft mbH & Co. Objekt Düsseldorf Hohe Straße KG	Düsseldorf	98.5	49.0
MOLSOLA Vermietungsgesellschaft mbH & Co. Objekt Geminus KG	Düsseldorf	98.5	49.0
MOLSOLA Vermietungsgesellschaft mbH & Co. Objekt Halle Markt 11 KG	Düsseldorf	98.5	49.0
MOLSOLA Vermietungsgesellschaft mbH & Co. Objekt Halle Riegel KG	Düsseldorf	98.5	49.0
MOLSOLA Vermietungsgesellschaft mbH & Co. Objekt Pforzheim KG	Düsseldorf	98.5	49.0
MOLSOLA Vermietungsgesellschaft mbH & Co. Objekt Taurus KG	Düsseldorf	98.5	49.0
MOLSTINA Vermietungsgesellschaft mbH & Co. Objekt Stuttgart KG	Düsseldorf	0.1	50.0
MOLSURA Vermietungsgesellschaft mbH	Düsseldorf	50.0	
MOLWANKUM Vermietungsgesellschaft mbH & Co. Objekt Landkreis Hildburghausen KG	Düsseldorf	6.0	29.0
MOLWARGA Vermietungsgesellschaft mbH & Co. Objekt Aue KG	Düsseldorf	4.6	25.0
MS „Meta“ Stefan Patjens GmbH & Co. KG	Drochtersen	30.5	
NESTOR Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Erlangen KG	Düsseldorf	10.0	50.0
NOSSIA Grundstücks-Verwaltungsgesellschaft mbH & Co. KG	Pöcking	2.5	25.0
ORBITA Kraftwerk-Beteiligungsgesellschaft mbH	Düsseldorf	50.0	
ORNATUS Grundstücks-Vermietungsgesellschaft mbH	Schönefeld (Dahme-Spreewald)	50.0	
OSCA Grundstücks-Verwaltungsgesellschaft mbH & Co. KG	Grünwald	26.0	
Pinova GmbH & Co. Erste Beteiligungs KG	Munich	41.8	
RECAP Alta Phoenix Lofts Investment, L.P.	New York, New York, USA	50.0	
RECAP/Commerz Greenwich Park Investment, L.P	New York, New York, USA	50.0	
Rendite Partner Gesellschaft für Vermögensverwaltung mbH i. L.	Frankfurt/Main	33.3	
ROSARIA Grundstücks-Vermietungsgesellschaft mbH & Co. Logistikobjekt Schweinfurt KG	Düsseldorf	2.5	35.0
ROSARIA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Pforzheim KG	Düsseldorf	0.5	50.0
SCI L Argentiere	Grenoble, France	30.0	
SITA Immobilia GmbH & Co. KG	Cologne	5.1	50.0
Southwestern Co-Investment, L.P.	New York, New York, USA	50.0	

Name	Registered office	Share of capital %	Voting rights (where different) %
TAMOLDINA Vermietungsgesellschaft mbH	Grünwald	50.0	
TAMOLTEMPA Vermietungsgesellschaft mbH	Grünwald	50.0	
TAMOLTESSA Vermietungsgesellschaft mbH	Grünwald	50.0	
The World Markets Company GmbH i. L.	Frankfurt/Main	25.2	
U.S. Residential I GP, LLC	Wilmington, Delaware, USA	49.0	50.0

3. Jointly controlled entities

a) Jointly controlled entities in the consolidated financial statements accounted for using the equity method

Name	Registered office	Share of capital %	Voting rights (where different) %	Currency	Equity 1,000	Net profit or loss 1,000
Carbon Trade & Finance SICAR S.A.	Senningerberg, Luxembourg	50.0		EUR	4,751	−4,416
Delphi I LLC	Wilmington, Delaware, USA	33.3	33.3	EUR	−380,981	−23,032
FV Holding S.A.	Brussels, Belgium	60.0		EUR	10,892	2,190
Kaiserkarree S.a.r.l.	Luxembourg, Luxembourg	50.0		EUR	44,620	−18,894

b) Jointly controlled entities in the consolidated financial statements not accounted for using the equity method due to their minor significance

Name	Registered office	Share of capital %	Voting rights (where different) %
Bonitos GmbH & Co. KG	Frankfurt/Main	50.0	
Bonitos Verwaltungs GmbH	Frankfurt/Main	50.0	
NULUX NUKEM LUXEMBOURG GmbH	Luxembourg, Luxembourg	49.5	

4. Special purpose entities

a) Special purpose entities included in the consolidated financial statements pursuant to IAS 27/SIC 12

Name	Registered office	Share of capital %	Voting rights (where different) %	Currency	Equity 1,000	
Asset Securitisation Programme for Insured Receivables Ltd. (ASPIRE)	Dublin, Ireland	0.0		EUR	2	
Barrington II LLC	Dover, Delaware, USA	0.0		USD	0	
Barrington II CDO Ltd.	George Town, Grand Cayman, Cayman Islands	0.0		USD	0	
Beethoven Funding Inc	Dover, Delaware, USA	0.0		USD	3	
Borromeo Finance S.r.l.	Milan, Italy	0.0		EUR	21,153	
Bosphorus Capital Ltd.	Dublin, Ireland	0.0		EUR	212	
Bosphorus Investments Limited	Dublin, Ireland	0.0		EUR	2,675	a)
CB MezzCAP Limited Partnership	St. Helier, Jersey	0.0		EUR	346	

Name	Registered office	Share of capital %	Voting rights (where different) %	Currency	Equity 1,000	
Classic I (Netherlands) BV 2008–1	Amsterdam, Netherlands	0.0		EUR	0	
Coco Finance II–1 Ltd.	Dublin, Ireland	0.0		EUR	1	a)
CoSMO Finance II–2 Ltd.	Dublin, Ireland	0.0		EUR	1	a)
CoSMO II–1 Ltd.	Dublin, Ireland	0.0		EUR	1	
Danube Delta PLC	Delaware, USA	0.0		USD	–28,143	
Dock 100 GmbH & Co. KG	Berlin	0.0		EUR	–31,095	
FAF Inc.	George Town, Grand Cayman, Cayman Islands	0.0		EUR	146	
Global One Funding III LLC	Wilmington, Delaware, USA	0.0		USD	0	
Greenway Infrastructure Fund	St. Helier, Jersey	0.0		GBP	0	
HFR MF iQArts Master Trust	Hamilton, Bermuda	0.0		USD	0	
Honeywell Grundbesitzverwaltungs-GmbH & Co. Vermietungs-KG	Grünwald	100.0	19.0	EUR	–14,860	d)
Idilias SPC Inc.	George Town, Grand Cayman, Cayman Islands	0.0		USD	230	
Justine Capital SRL	Milan, Italy	0.0		EUR	1,875	
Kalmus Grundstücks Gesellschaft Objekt Erfurt KG	Grünwald	0.0		EUR	–1,093	19)
LAMINA Grundstücks-Verwaltungs-gesellschaft mbH & Co. Objekt Leipzig KG	Grünwald	100.0	16.7	EUR	–8,180	
Liffey (Emerald) Limited	Dublin, Ireland	0.0		EUR	0	
Livingstone Mortgages Limited	London, United Kingdom	0.0		GBP	25,196	
Loxodrome Inc.	George Town, Grand Cayman, Cayman Islands	0.0		USD	0	a)
Merkur Grundstücks Gesellschaft Objekt Berlin Lange Strasse KG	Grünwald	4.0		EUR	–889	
Metrofinanciera Warehousing Trust 2007	Delaware, USA	0.0		USD	–67	
MORE Global Inc.	George Town, Grand Cayman, Cayman Islands	0.0		EUR	117	
Pantheon Master Fund	Delaware, USA	0.0		USD	–28,143	
Plymouth Capital Limited	St. Helier, Jersey	0.0		EUR	1,637	
Rügen I GmbH	Frankfurt/Main	0.0		EUR	25	
Semper Finance 2006–1 Ltd.	St. Helier, Jersey	0.0		GBP	–9	
Semper Finance 2007–1 GmbH	Frankfurt/Main	0.0		EUR	405	
Steel Finance Inc.	George Town, Grand Cayman, Cayman Islands	0.0		USD	7	
Symphony No.2 Llc	Wilmington, Delaware, USA	0.0		USD	29	
Symphony No.4 Llc	Dover, Delaware, USA	0.0		USD	0	
Thames SPC	George Town, Grand Cayman, Cayman Islands	0.0		EUR	0	
Truckman Inc	George Town, Grand Cayman, Cayman Islands	0.0		EUR	–3	
TS Co. mit One GmbH	Frankfurt/Main	0.0		EUR	25	
TS Lago One GmbH	Frankfurt/Main	0.0		EUR	26	
Viaduct Invest FCP – SIF	Luxembourg, Luxembourg	0.0		EUR	1,300	
Zelos Belgium I SA	Forest, Belgium	100.0		EUR	141	a)
Zelos Belgium II SA	Forest, Belgium	100.0		EUR	146	a)
Zelos Belgium III SA	Forest, Belgium	100.0		EUR	135	a)
Zelos Belgium IV SA	Brussels, Belgium	100.0		EUR	138	a)

b) Special purpose entities not included in the consolidated financial statements pursuant to IAS 27/SIC 12 due to their minor significance

Name	Registered office	Share of capital %	Voting rights (where different) %
Dock 100 Logistik GmbH	Berlin	0.0	
Feather Leasing Stichting	Luxembourg, Luxembourg	0.0	
Gangrey Ltd	London, United Kingdom	0.0	
Goldman Sachs Multi-Strategy Portfolio (Class B/E)	George Town, Grand Cayman, Cayman Islands	0.0	
Opera France One FCC	Paris, France	0.0	
Opera Germany No. 2 plc.	Dublin, Ireland	0.0	
Opera Germany No. 3 Ltd.	Dublin, Ireland	0.0	
Ryder Square Limited	St. Helier, Jersey	0.0	
Star Global Multi Strategy	George Town, Grand Cayman, Cayman Islands	0.0	
Viking Capital Ltd.	Jersey	0.0	

5. Special funds

a) Special funds included in the consolidated financial statements pursuant to IAS 27/SIC 12

Name	Registered office	Share of investor in fund %	Voting rights (where different) %	Currency	Fund volume 1,000	
CBK SICAV	Hesperange, Luxembourg	61.4		EUR	25,072	
CDBS-Cofonds	Frankfurt/Main	100.0		EUR	109,180	
CDBS-Cofonds II	Frankfurt/Main	100.0		EUR	94,074	
CDBS-Cofonds III	Frankfurt/Main	100.0		EUR	105,908	
CDBS-Cofonds IV	Frankfurt/Main	100.0		EUR	106,459	
ComStage ETF SICAV	Luxembourg, Luxembourg	59.4		EUR	4,877,766	a)
Olympic Investment Fund II	Luxembourg, Luxembourg	100.0		EUR	2,430,400	a)
OP-Fonds CDBS V	Luxembourg, Luxembourg	100.0		EUR	97,857	
Premium Management Immobilien-Anlagen	Frankfurt/Main	93.5		EUR	495,232	
VFM Mutual Fund AG & Co. KG	Vaduz, Liechtenstein	85.4		USD	337,317	

b) Special funds not included in the consolidated financial statements pursuant to IAS 27/SIC 12 due to their minor significance

Name	Registered office	Share of investor in fund %	Voting rights (where different) %
ALLIANZ BULGARIA PENSION FUND	Paris, France	100.0	
HQ Trust Kensington Ltd.	George Town, Grand Cayman, Cayman Islands	100.0	
HSC Life Policy Pooling S.A.R.L.	Luxembourg, Luxembourg	100.0	
LIFE PLUS FUNDS FCP-SIF	Luxembourg, Luxembourg	100.0	
Protect Global Winner 2014	Luxembourg, Luxembourg	100.0	

6. Investments in large corporations where the investment exceeds 5% of the voting rights

Name	Registered office	Share of capital %	Voting rights (where different) %
ConCardis Gesellschaft mit beschränkter Haftung	Eschborn	13.9	
EURO Kartensysteme Gesellschaft mit beschränkter Haftung	Frankfurt/Main	13.9	
GEWOBA Aktiengesellschaft Wohnen und Bauen	Bremen	7.1	

Footnotes	
1) Renamed:	Commerzbank Auslandsbanken Holding Nova GmbH has been transformed to Commerz Bankenholding Nova GmbH
2) Renamed:	Commerzbank Europe (Ireland) has been transformed to Commerz Europe (Ireland)
3) Renamed:	Eurohypo (Japan) Corporation has been transformed to Commerz Japan Real Estate Finance Corporation
4) Renamed:	Commerz Real Baucontract GmbH has been transformed to Commerz Real Baumanagement GmbH
5) Renamed:	EH Estate Management GmbH has been transformed to HF Estate Management GmbH
6) Renamed:	Eurohypo Aktiengesellschaft has been transformed to Hypothekenbank Frankfurt AG
7) Renamed:	EUROHYPO Europäische Hypothekenbank S.A. has been transformed to Hypothekenbank Frankfurt International S.A.
8) Renamed:	LAUREA MOLARIS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Berlin Anthropolis KG has been transformed to LAUREA MOLARIS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Berlin Anthropolis KG i.L.
9) Renamed:	LAUREA MOLARIS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Berlin Grindelwaldweg KG has been transformed to LAUREA MOLARIS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Berlin Grindelwaldweg KG i.L.
10) Renamed:	Centrum Rozliczen i Informacji CERI Sp. z.o.o. has been transformed to BRE Centrum Operacji Sp. z o.o.
11) Renamed:	BREL-ESTATE Sp. z.o.o. has been transformed to BREL-ESTATE Sp. z.o.o. w likwidacji
12) Renamed:	BREL-FIN Sp. z.o.o. has been transformed to BREL-FIN Sp. z.o.o. w likwidacji
13) Renamed:	BRE Systems Sp. z.o.o. has been transformed to CERI International Sp. z o.o.
14) Renamed:	CIV GmbH Alpha has been transformed to Commerz Property GmbH
15) Renamed:	Grundbesitzgesellschaft Berlin Rungestr. 22–24 mbH has been transformed to Grundbesitzgesellschaft Berlin Rungestr. 22–24 mbH i.L.
16) Renamed:	Grundstücks- und Vermögensverwaltungsgesellschaft Geretsried mbH has been transformed to Grundstücks- und Vermögensverwaltungsgesellschaft Geretsried mbH i.L.
17) Renamed:	Messestadt Riem "Office am See" I GmbH has been transformed to Messestadt Riem "Office am See" I GmbH i.L.
18) Renamed:	Messestadt Riem "Office am See" III GmbH has been transformed to Messestadt Riem "Office am See" III GmbH i.L.
19) Renamed:	Kalmus Grundstücks Gesellschaft Objekt KG has been transformed to Kalmus Grundstücks Gesellschaft Objekt Erfurt KG

Notes and explanations
a) Included in the consolidated financial statements for the first time in the year under review.
b) Profit transfer agreement.
c) No disclosures persuant to Art. 285 No.11a of the German Commercial Code (HGB) are provided due to their minor significance as defined in Art. 286 (3) No.1 HGB.
d) Consolidated in accordance with SIC 12 as the share of voting rights is 19 %.

Foreign exchange rates for €1 as at 31 December 2012		
Albania	ALL	139.7400
Bermuda	BMD	1.3194
Brazil	BRL	2.7036
Bulgaria	BGN	1.9558
Chile	CLP	631.3217
United Kingdom	GBP	0.8161
India	INR	72.5600
Japan	JPY	113.6100
Canada	CAD	1.3137
Poland	PLN	4.0740
Russia	RUB	40.3295
Switzerland	CHF	1.2072
Singapore	SGD	1.6111
South Africa	ZAR	11.1727
Taiwan	TWD	38.3026
Czech Republic	CZK	25.1510
Ukraine	UAH	10.6143
Hungary	HUF	292.3000
USA	USD	1.3194

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Deputy Chairman
Employee of
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Dott. Sergio Balbinot
(until 23.5.2012)
Managing Director
Assicurazioni Generali S. p. A.

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Former Chairman of the
Board of Managing Directors
E.ON Ruhrgas AG

Dr. Nikolaus von Bomhard
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Corporate Strategies
Industriegewerkschaft Bergbau,
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Ulrich Middelmann**
Former Deputy Chairman of the Board of
Managing Directors ThyssenKrupp AG

Dr. Helmut Perlet
Chairman of the Supervisory Board
Allianz SE

Barbara Priester
Employee of
Commerzbank Aktiengesellschaft

Mark Roach[1]
Secretary, ver.di Trade Union
National Administration

Dr. Marcus Schenck
Member of the
Board of Managing Directors
E.ON AG

Dr. Gertrude Tumpel-Gugerell
(since 1.6.2012)
Former member of the Executive Board
European Central Bank

Dr. Walter Seipp
Honorary Chairman

[1] Elected by the Bank's employees.

Board of Managing Directors

Martin Blessing
Chairman

Frank Annuscheit

Markus Beumer

Stephan Engels
(since 1.4.2012)

Jochen Klösges

Michael Reuther

Dr. Stefan Schmittmann

Ulrich Sieber

Dr. Eric Strutz
(until 31.3.2012)

Martin Zielke

Responsibility statement by the Board of Managing Directors

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the management report of the Group provides a true and fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Frankfurt/Main, 25 February 2013
The Board of Managing Directors

Martin Blessing	Frank Annuscheit	Markus Beumer
Stephan Engels	Jochen Klösges	Michael Reuther
Stefan Schmittmann	Ulrich Sieber	Martin Zielke

Independent Auditors' Report[1]

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of COMMERZBANK Aktiengesellschaft, Frankfurt/Main, and its subsidiaries, which comprise the statement of financial position, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the notes to the consolidated financial statements for the business year from 1 January to 31 December 2012.

Board of Managing Directors' Responsibility for the Consolidated Financial Statements

The Board of Managing Directors of COMMERZBANK Aktiengesellschaft is responsible for the preparation of these consolidated financial statements. This responsibility includes that these consolidated financial statements are prepared in accordance with International Financial Reporting Standards, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) and that these consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The Board of Managing Directors is also responsible for the internal controls as the Board of Managing Directors determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) and additionally observed the International Standards on Auditing (ISA). Accordingly, we are required to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The selection of audit procedures depends on the auditor's professional judgement. This includes the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In assessing those risks, the auditor considers the internal control system relevant to the entity's preparation of consolidated financial statements that give a true and fair view. The aim of this is to plan and perform audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

According to § 322 Abs. 3 Satz (sentence) 1 HGB, we state that our audit of the consolidated financial statements has not led to any reservations.

In our opinion based on the findings of our audit, the consolidated financial statements comply, in all material respects, with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets and financial position of the Group as at 31 December 2012 as well as the results of operations for the business year then ended, in accordance with these requirements.

[1] Translation of the independent auditors' report issued in German language on the consolidated financial statements prepared in German language by the management of Commerzbank Aktiengesellschaft, Frankfurt/Main. The German language statements are decisive.

Report on the Group Management Report

We have audited the accompanying group management report of COMMERZBANK Aktiengesellschaft for the business year from 1 January to 31 December 2012. The Board of Managing Director of COMMERZBANK Aktiengesellschaft is responsible for the preparation of the group management report in accordance with the requirements of German commercial law applicable pursuant to § 315a Abs. 1 HGB. We conducted our audit in accordance with § 317 Abs. 2 HGB and German generally accepted standards for the audit of the group management report promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Accordingly, we are required to plan and perform the audit of the group management report to obtain reasonable assurance about whether the group management report is consistent with the consolidated financial statements and the audit findings, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

According to § 322 Abs. 3 Satz 1 HGB we state, that our audit of the group management report has not led to any reservations.

In our opinion based on the findings of our audit of the consolidated financial statements and group management report, the group management report is consistent with the consolidated financial statements, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt/Main, 26 February 2013

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Clemens Koch	Peter Goldschmidt
(Wirtschaftsprüfer)	(Wirtschaftsprüfer)
(German Public Auditor)	(German Public Auditor)

Further information

› We inform you about the composition of the Central Advisory Board and the seats on mandatory supervisory boards and similar bodies for members of the Board of Managing Directors, members of the Supervisory Board and employees of Commerzbank as well as provide a glossary of the most important financial terms and the quarterly results by segment.

Central Advisory Board

Dr. Simone Bagel-Trah
Chairwoman of the Supervisory Board
and the Shareholders' Committee
Henkel AG & Co. KGaA
Düsseldorf

Dott. Sergio Balbinot
Group Chief Insurance Officer
Assicurazioni Generali S.p.A.
Trieste

Dr. Olaf Berlien
ThyssenKrupp AG
Essen

Cathrina Claas-Mühlhäuser
Chairwoman of the Supervisory Board
and Deputy Chairwoman of the
Shareholders' Committee
CLAAS KGaA mbH
Harsewinkel

Prof. Dr. Hans Heinrich Driftmann
General and Managing Partner
Peter Kölln KGaA
Elmshorn
President of the Deutscher Industrie-
und Handelskammertag
Berlin

Dr. Hubertus Erlen
Berlin

Ulrich Grillo
Chairman of the Executive Board
Grillo-Werke AG
Duisburg

Dr. Margarete Haase
CFO
Deutz AG
Cologne

Prof. Dr. Johanna Hey
Head of Institute of Fiscal Law
University of Cologne
Cologne

Prof. Dr. Edward G. Krubasik
Member of the Managing Board
Siemens AG (retired)
Munich
Member of the Supervisory Board
Vallourec SA
Paris

Uwe Lüders
Chairman of the Board
of Managing Directors
L. Possehl & Co. mbH
Lübeck

Dipl.-Kfm. Friedrich Lürßen
Managing Partner
Fr. Lürssen Werft GmbH & Co. KG
Bremen

Dr.-Ing. E.h. Hartmut Mehdorn
Management consultant
Berlin

Dr. Christoph M. Müller
Lawyer
Member of the Shareholders'
Committee and the Supervisory Board
Vaillant GmbH
Remscheid

Prof. Hans Georg Näder
Managing Partner
Otto Bock HealthCare GmbH
Duderstadt

Klaus M. Patig
Königstein

Hans Dieter Pötsch
Member of the Board
of Managing Directors
Volkswagen AG
Wolfsburg

Dr. Helmut Reitze
Director
Hessischer Rundfunk
Frankfurt am Main

Dr. Axel Frhr. v. Ruedorffer
Bad Homburg

Georg F.W. Schaeffler
Chairman of the Supervisory Board
Schaeffler AG
Herzogenaurach

Dr. Ernst F. Schröder
General Partner
Dr. August Oetker KG
Bielefeld

Jürgen Schulte-Laggenbeck
CFO
OTTO (GmbH & Co KG)
Hamburg

Prof. Dennis J. Snower, Ph.D.
President
Kiel Institute for the World Economy
Kiel

Dr. Dr. h.c. Edmund Stoiber
Bavarian *Ministerpräsident* (retired)
Lawyer
Wolfratshausen

Nicholas Teller
CEO
E.R. Capital Holding GmbH & Cie. KG
Hamburg

Dr. Bernd W. Voss
Frankfurt am Main/Kronberg

Dr. Michael Werhahn
Member of the Board
of Managing Directors
Wilh. Werhahn KG
Neuss

Dr. Wendelin Wiedeking
Entrepreneur
Bietigheim-Bissingen

The lists of members of our regional advisory committees North, Northwest, West, East, Central, South and Southwest can be found in the internet under www.commerzbank.com > Investor Relations > Corporate governance > Advisory Committees.

Seats on supervisory boards and similar bodies

Members of the Board of Managing Directors of Commerzbank Aktiengesellschaft

Information pursuant to Art. 285, no. 10, of the German Commercial Code (HGB)
As of December 31, 2012

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

Martin Blessing

– –

Frank Annuscheit

a) comdirect bank Aktiengesellschaft[1]
Deputy Chairman

Markus Beumer

a) ABB AG
(since 1.7.2012)

Commerz Real AG[1]
(until 19.6.2012)

Stephan Engels
(since 1.4.2012)

a) Commerzbank Auslandsbanken Holding AG[1]
Deputy Chairman
(since 1.4.2012)

Hypothekenbank Frankfurt AG[1]
(formerly Eurohypo Aktiengesellschaft)
(since 10.8.2012)

b) BRE Bank SA[1]
(since 1.4.2012)

Commerz Bankenholding Nova GmbH[1]
(formerly Commerzbank Auslandsbanken Holding Nova GmbH)
Chairman
(until 30.10.2012)

Commerzbank Inlandsbanken Holding GmbH[1]
Chairman
(until 1.11.2012)

SdB – Sicherungseinrichtungsgesellschaft deutscher Banken mbH
(since 1.4.2012)

Jochen Klösges

a) Commerz Real AG[1]
Chairman
(until 13.8.2012)

Commerz Real Investmentgesellschaft mbH[1]
Chairman
(until 15.8.2012)

Deutsche Schiffsbank Aktiengesellschaft[1]
Chairman
(until 22.5.2012)

Hypothekenbank Frankfurt AG[1]
(formerly Eurohypo Aktiengesellschaft)
(until 9.8.2012)

b) Commerzbank Inlandsbanken Holding GmbH[1]
Deputy Chairman
(until 1.11.2012)

Michael Reuther

a) EUREX Deutschland AöR[2]

Frankfurter Wertpapierbörse AöR[2]

Hypothekenbank Frankfurt AG[1]
(formerly Eurohypo Aktiengesellschaft)
(until 30.6.2012)

RWE Power AG[2]
(since 1.7.2012)

b) Verlagsbeteiligungs- und Verlagsgesellschaft mit beschränkter Haftung
(since 1.7.2012)

Dr. Stefan Schmittmann

a) Commerz Real AG[1]
Deputy Chairman

Commerzbank Auslandsbanken Holding AG[1]

Hypothekenbank Frankfurt AG[1]
(formerly Eurohypo Aktiengesellschaft)
Deputy Chairman

Schaltbau Holding AG[2]

Verlagsgruppe Weltbild GmbH

Ulrich Sieber

a) BVV Pensionsfonds des Bankgewerbes AG
Deputy Chairman

BVV Versicherungsverein des Bankgewerbes a.G.
Deputy Chairman

Commerzbank Auslandsbanken Holding AG[1]
Chairman

Hypothekenbank Frankfurt AG[1]
(formerly Eurohypo Aktiengesellschaft)
Chairman
(since 1.7.2012)

[1] Seat on the board of a consolidated company.
[2] Seat on the supervisory board of an external listed company or a supervisory body of a company subject to similar regulations (pursuant to section 5.4.5 of the German Corporate Governance Code).

b) BRE Bank SA[1]
Deputy Chairman

BVV Versorgungskasse des Bankgewerbes e. V.
Deputy Chairman

Dr. Eric Strutz
(until 31.3.2012)

a) ABB AG
(until 30.6.2012)

Commerzbank Auslandsbanken Holding AG[1]
Deputy Chairman
(until 31.3.2012)

RWE Power AG[2]
(until 30.6.2012)

b) BRE Bank SA[1]
(until 30.3.2012)

Commerz Bankenholding Nova GmbH[1]
(formerly Commerzbank Auslandsbanken Holding Nova GmbH)
Chairman
(until 16.3.2012)

Commerzbank Inlandsbanken Holding GmbH[1]
Chairman
(until 16.3.2012)

Mediobanca Banca di Credito Finanziario S.p.A.[2]

Partners Group Holding AG[2]

SdB – Sicherungseinrichtungsgesellschaft deutscher Banken mbH
(until 31.3.2012)

Verlagsbeteiligungs- und Verwaltungsgesellschaft mit beschränkter Haftung
(until 30.6.2012)

Martin Zielke

a) Allianz Global Investors Kapitalanlagegesellschaft mbH
(until 31.8.2012)

comdirect bank Aktiengesellschaft[1]
Chairman

Commerz Real AG[1]
Chairman

Commerz Real Investmentgesellschaft mbH[1]
Chairman

Members of the Supervisory Board of Commerzbank Aktiengesellschaft

Information pursuant to Art. 285, no. 10, of the German Commercial Code (HGB)
As of December 31, 2012

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

Klaus-Peter Müller

a) Fresenius Management SE

Fresenius SE & Co. KGaA

Linde Aktiengesellschaft

b) Landwirtschaftliche Rentenbank

Parker Hannifin Corporation

Uwe Tschäge

– –

Hans-Hermann Altenschmidt

a) BVV Pensionsfonds des Bankgewerbes AG

BVV Versicherungsverein des Bankgewerbes a.G.

b) BVV Versorgungskasse des Bankgewerbes e. V.

Dott. Sergio Balbinot
(until 31.5.2012)

a) AachenMünchener Lebensversicherung AG[1]

AachenMünchener Versicherung AG[1]

Deutsche Vermögensberatung AG

Generali Deutschland Holding AG[1]

b) Europ Assistance Holding[1]

Future Generali India Insurance Co. Ltd.[1]

Future Generali India Life Insurance Co. Ltd.[1]

Generali Asia N.V.[1]

Generali China Insurance Company Ltd.[1]
Deputy Chairman

Generali China Life Insurance Co. Ltd.[1]
Deputy Chairman

Generali España, Holding de Entidades de Seguros, S.A.[1]
Deputy Chairman

Generali España S.A. de Seguros y Reaseguros[1]

Generali Finance B.V.[1]

Generali France S.A.[1]
Deputy Chairman

Generali Holding Vienna AG[1]
Deputy Chairman

Generali Investments SpA[1]

Generali PPF Holding BV[1]
Chairman

Generali (Schweiz) Holding[1]
Deputy Chairman

Migdal Insurance & Financial Holdings Ltd.[1]

Participatie Maatschappij Graafschap Holland N.V.[1]

Transocean Holding Corporation[1]

[1] Seat on the board of a consolidated company.
[2] Seat on the supervisory board of an external listed company or a supervisory body of a company subject to similar regulations (pursuant to section 5.4.5 of the German Corporate Governance Code).

Dr.-Ing. Burckhard Bergmann

a) Allianz Lebensversicherungs-AG
Deputy Chairman

E.ON Energie AG

b) Accumulatorenwerke Hoppecke Carl Zoellner & Sohn GmbH

Jaeger Beteiligungsgesellschaft mbH & Co. KG
Chairman

OAO Novatek

Telenor

Dr. Nikolaus von Bomhard

a) ERGO Versicherungsgruppe AG[1]
Chairman

Munich Health Holding AG[1]
Chairman

Karin van Brummelen

– –

Astrid Evers

– –

Uwe Foullong

– –

Daniel Hampel

– –

Dr.-Ing. Otto Happel

– –

Beate Hoffmann

– –

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

a) Deutsche Messe AG

National-Bank AG

ThyssenKrupp AG

b) Heitkamp & Thumann Group

RAG Stiftung
(until 16.10.2012)

Alexandra Krieger

– –

Dr. h. c. Edgar Meister

b) DWS Investment GmbH

Standard & Poor's Credit Market Services Europe Limited

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

a) Deutsche Telekom AG

LANXESS AG

LANXESS Deutschland GmbH

b) Hoberg & Driesch GmbH
Chairman

Dr. Helmut Perlet

a) Allianz SE
(since 9.5.2012)

Allianz Deutschland AG
(until 23.3.2012)

GEA GROUP AG

b) Allianz France S.A.
(until 14.3.2012)

Allianz Life Insurance Company of North America
(until 29.2.2012)

Allianz of America Inc.
(until 29.2.2012)

Allianz S.p.A.
(until 16.3.2012)

Fireman's Fund Ins. Co.
(until 29.2.2012)

Barbara Priester

– –

Mark Roach

a) Fiducia IT AG

Dr. Marcus Schenck

a) AXA S.A.

E.ON Ruhrgas AG[1]
(until 21.8.2012)

b) E.ON Energy Trading SE[1]

E.ON IT GmbH[1]

SMS GmbH

Dr. Gertrude Tumpel-Gugerell
(since 1.6.2012)

a) Vienna Insurance Group AG
(since 4.5.2012)

b) Finanzmarktbeteiligung Aktiengesellschaft des Bundes
Vienna

Österreichische Bundesbahnen Holding AG, Vienna

Österreichische Forschungsförderungsgesellschaft mbH
Chairwoman
(since 29.6.2012)

Verein zur Förderung der BBRZ Gruppe, Linz

Wien Holding GmbH, Vienna

[1] Seat on the board of a consolidated company.

Employees of Commerzbank Aktiengesellschaft

Information pursuant to Art. 340a, (4), no. 1, of the German Commercial Code (HGB)
As of December 31, 2012

Michael Bonacker

Commerz Real AG[1]

Commerz Real Investmentgesellschaft mbH[1]
Deputy Chairman

Hypothekenbank Frankfurt AG[1]
(formerly Eurohypo Aktiengesellschaft)

Manfred Breuer

Deutsche Edelstahlwerke GmbH

Gerold Fahr

Stadtwerke Ratingen GmbH

Martin Fischedick

Borgers AG

Commerz Real AG[1]

Commerz Real Investmentgesellschaft mbH[1]

Bernd Förster

SE Spezial Electronic Aktiengesellschaft

Jörg van Geffen

Häfen und Güterverkehr Köln AG

NetCologne Gesellschaft für Telekommunikation mit beschränkter Haftung

Sven Gohlke

Bombardier Transportation GmbH

Bernd Grossmann

Textilgruppe Hof AG

Detlef Hermann

Kaiser's Tengelmann GmbH

Ritzenhoff AG

Jochen H. Ihler

Hüttenwerke Krupp Mannesmann GmbH

Werner Lubeley

TNT Express GmbH

Michael Mandel

Commerz Real AG[1]

Commerz Real Investmentgesellschaft mbH[1]

Schufa Holding AG

Annegret Oerder

BVV Pensionsfonds des Bankgewerbes AG

Andreas Schmidt

Goodyear Dunlop Tires Germany GmbH

Sabine Schmittroth

comdirect bank Aktiengesellschaft[1]

Dirk Wilhelm Schuh

GEWOBA Aktiengesellschaft Wohnen und Bauen

Dirk Schuster

Commerz Real Investmentgesellschaft mbH[1]

Berthold Stahl

Maincor AG
Deputy Chairman

Rupert Winter

Klinikum Burgenlandkreis GmbH

Christoph Wortig

Commerz Real AG[1]

[1] Seat on the board of a consolidated company.

Glossary

Ad hoc disclosure A key objective of ad hoc disclosure is to prevent insider trading. Art. 15 of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG) requires issuers whose securities are admitted to official trading or to the Regulated Market to make disclosures on an ad hoc basis. A new fact has to be disclosed if it has occurred within the company's area of activity and is not known to the public. In addition, the new fact must affect the issuer's net assets or financial position or its general business progress and must be likely to exert a considerable influence on the market price of the listed securities.

Asset-backed securities (ABSs) Securities whose interest payment and repayment of principal are covered, or backed, by the underlying pool of receivables. As a rule they are issued by a special purpose entity in securitised form.

Associated company Associated companies are firms over whose financial and business policies a company included in the consolidated financial statements is able to exert significant influence. A significant influence is assumed to exist where the share in the voting rights is between 20% and 50%. Inclusion in the consolidated financial statements takes place in principle according to the equity method.

Back-testing A procedure for monitoring the quality of value at risk models. For this purpose, actual losses are compared to the forecast loss ceiling over a lengthy period.

Banking book The banking book contains all banking transactions that are not allocated to the trading book.

Collateralised debt obligations (CDOs) A type of ABS secured on a pool of different assets, in particular loans and other securitised bonds.

Commercial Mortgage Backed Securities (CMBS) A type of ABS secured on commercial mortgages.

Confidence level The probability that a potential loss will not exceed the loss ceiling defined by the value at risk.

Core Tier I capital Core Tier I capital defines the Bank's liable equity capital. It comprises equity capital (common stock and capital reserves), retained earnings and silent participations.

Core Tier I ratio The core Tier I ratio is defined by the regulations issued by the Basel Committee and governs banks' minimum capital adequacy. It is calculated as the ratio of hard core Tier I capital to risk-weighted assets.

Corporate governance Corporate governance establishes guidelines for transparent corporate management and supervision. The recommendations of the German Corporate Governance Code create transparency and strengthen confidence in responsible management; in particular, they serve to protect shareholders.

Credit default swaps (CDSs) A credit derivative used to transfer the credit risk from a reference asset (e.g. a security or loan). For this purpose, the buyer of protection pays the seller of protection a premium and receives a compensation payment if a previously specified credit event occurs.

Credit derivative A financial instrument whose value depends on an underlying asset, e.g. a loan or security. As a rule, these contracts are concluded on an OTC basis. They are used for managing risk, among other things. The most frequently used credit derivative product is the credit default swap.

Default portfolio Portfolio containing loans classified as in default (as defined by the Basel II regulations).

Deferred taxes Deferred taxes are future tax burdens or tax reductions resulting from temporary differences and from unused tax losses and tax credits. Such temporary differences include differences in the value of an asset or liability recognised for financial reporting or IFRS accounting purposes and the values recognised for tax purposes (the liability method), which balance each other out in later financial years and result in actual tax effects. Deductible temporary differences and unused tax losses and tax credits lead to deferred tax assets, while taxable temporary differences lead to deferred tax liabilities. Deferred tax assets/tax liabilities must be reported separately from actual tax assets/tax liabilities.

Derivatives Financial instruments whose value is determined by the price of an underlying asset (e.g. security or loan) of by a market-based reference parameter (e.g. interest rate or currency). Among other things, these instruments offer possibilities for hedging risk.

EONIA (Euro Overnight Index Average) Average interest rate for overnight money in the euro interbank market calculated on the basis of actual transactions. It is computed as a weighted average of all overnight unsecured lending transactions denominated in euro quoted by a group of specific banks in the eurozone.

Equity method A method of accounting for equity investments carried as associated companies or jointly controlled entities in the consolidated financial statements. The company's proportional share of net profit/loss for the year is included in the consolidated income statement as current gain/loss on investments in companies measured at equity. The investments are recognised in the balance sheet at the proportional amount of the equity capital of the company measured at equity.

EURIBOR (Euro Interbank Offered Rate) Average interest rate at which euro interbank term deposits are being offered by one prime bank to another of first class credit standing. The EURIBOR rate is calculated daily on the basis of the interest rates quoted by selected banks for maturities of up to twelve months.

Expected loss Measure of the potential loss on a loan portfolio that can be expected within a single year on the basis of historical loss data.

Futures A futures contract is a binding agreement committing both parties to deliver or take delivery of a certain number or amount of an underlying security or asset at a fixed price on an agreed date. Unlike options, futures contracts are very strongly standardised.

Goodwill The difference between the purchase price and the value of the net assets acquired after disclosure of hidden reserves and unrealised losses when an equity investment is acquired or a company is taken over.

Going concern assumptions The risk coverage potential is sufficient in order to – after liquidating the entity – cover simulated losses under this defined economic scenario (that means after full usage of equity positions).

Hedging A strategy under which transactions are effected with the aim of providing cover against the risk of unfavourable price movements (interest rates, prices, commodities).

Hybrid financial instruments Hybrid financial instruments are sources of funding that combine the characteristics of equity and debt. Typical examples of hybrid financial instruments include subordinated loans, silent participations and profit-sharing certificates.

Internal capital adequacy assessment process (ICAAP) A process aimed at ensuring that banks have adequate internal capital to cover all material risks.

International Financial Reporting Standards (IFRS)/ International Accounting Standards (IAS) Accounting regulations approved by the International Accounting Standards Board. The objective of financial statements prepared according to IFRS is to provide investors with information to help them reach a decision with regard to the company's asset and financial position and also its earnings performance. By contrast, financial statements according to the German Commercial Code (HGB) are primarily geared to the principle of prudence (capital preservation and investor protection).

Mark-to-Market Measurement of items at current, quoted market prices.

Mezzanine Mezzanine capital or mezzanine financing refers to types of financing which, in their legal and economic form, are a hybrid of equity and debt. Mezzanine capital can be issued in equity-like forms (known as equity mezzanine) such as profit-sharing rights, securitised profit-sharing certificates or silent participations. It is especially suitable for smaller businesses seeking to strengthen their capital base but not wishing to alter their ownership structure.

Options Options are agreements giving one party (the buyer of the option) the unilateral right to buy or sell a previously determined amount of goods or securities at a price established in advance within a defined period of time.

OTC Abbreviation for "over the counter", which is used to refer to the off-the-floor trading of financial instruments.

Rating Standardised assessment of the creditworthiness of companies, countries or debt instruments issued by them, on the basis of standardised qualitative and quantitative criteria. The rating process forms the basis for determining the probability of default, which in turn is used in calculating the capital needed to back the credit risk. Ratings may be produced by the Bank itself (internal ratings) or by specialised rating agencies such as Standard & Poor's, Fitch and Moody's (external ratings).

Residential Mortgage Backed Securities (RMBS)
A type of ABS secured with private mortgages.

Risk-weighted assets The loans and claims granted by a bank vary greatly in terms of their risk profile, which is primarily determined by the borrower's credit rating. The better the rating, the lower the risk weight. The risk profile is to be taken into account when calculating the risk-weighted assets to be backed by capital. In this calculation, the relevant risk weight for a transaction is multiplied by the amount of the claim to be taken into account for this transaction. Total risk-weighted assets is the sum of the individual risk-weighted assets for all transactions.

Securitisation In a securitisation, receivables (such as loans, commercial bills or leasing receivables) are pooled and transferred to a buyer, usually a special-purpose vehicle (SPV). The SPV raises funds by issuing securities (e.g. ABSs). Repayment and the interest payments on the securities are directly linked to the performance of the underlying receivables rather than to that of the issuer.

Spread The difference between two prices or interest rates, e.g. the differential between the bid and offer price of securities, or the premium paid over a market interest rate in the case of weaker creditworthiness.

STOXX The STOXX "family" of indices is a system of European benchmark, blue chip and sectoral indices.

Subsidiary Company controlled by its parent and in principle fully consolidated. If the subsidiary is of minor significance for the group, it is not included in the consolidation. In this case, the company appears in the financial statements at its fair value or, if this cannot be reliably established, at amortised cost.

Sustainability Sustainability describes business management on a long-term basis which is compatible with acceptable living conditions now and in the future. Its guiding objectives are environmental responsibility and balanced social relations.

Swaps Financial instruments in which the swapping of payment flows (interest and/or currency amounts) is agreed over a fixed period. Through interest-rate swaps, interest payment flows are exchanged (e.g. fixed for floating rate). Currency swaps offer the additional opportunity to eliminate the exchange-rate risk by swapping amounts of capital.

Trading book Trading book positions are held for the purpose of being resold quickly with the aim of achieving a profit, and primarily consist of financial instruments, equity investments and tradable claims. Positions that are closely related to trading book positions with the aim of hedging trading book risks are also shown in the trading book.

90 days past due (90dpd) A default criterion under Basel II. Commitments that are past due for more than 90 days (taking minimum claims limits into account) must be recorded as in default under Basel II. At Commerzbank, these come under rating category 6.1.

Many other terms are explained in our online glossary at www.commerzbank.de

Quarterly results by segment

1st quarter 2012 €m	Private Customers	Mittelstandsbank	Central & Eastern Europe	Corporates & Markets[1]	Non-Core Assets[1,2]	Portfolio Restructuring Unit[3]	Others and Consolidation	Group
Net interest income	473	543	120	119	186	5	–17	1,429
Loan loss provisions	–8	35	–18	–27	–178	–16	–	–212
Net interest income after loan loss provisions	465	578	102	92	8	–11	–17	1,217
Net commission income	416	270	50	83	30	–	–6	843
Net trading income and net income on hedge accounting	1	–13	38	195	–215	169	282	457
Net investment income	2	–1	1	3	–203	17	5	–176
Current income on companies accounted for using the equity method	7	–	–	6	–1	–	–1	11
Other net income	7	–8	11	–9	26	1	–7	21
Income before loan loss provisions	*906*	*791*	*220*	*397*	*–177*	*192*	*256*	*2,585*
Income after loan loss provisions	*898*	*826*	*202*	*370*	*–355*	*176*	*256*	*2,373*
Operating expenses	757	338	115	340	98	12	129	1,789
Operating profit or loss	**141**	**488**	**87**	**30**	**–453**	**164**	**127**	**584**
Impairments of goodwill and brand names	–	–	–	–	–	–	–	–
Restructuring expenses	–	–	–	–	34	–	–	34
Net gain or loss from sale of disposal groups	–	–	–	–	–	–	–	–
Pre-tax profit or loss	**141**	**488**	**87**	**30**	**–487**	**164**	**127**	**550**

2nd quarter 2012 €m	Private Customers	Mittelstandsbank	Central & Eastern Europe	Corporates & Markets[1]	Non-Core Assets[1,2]	Portfolio Restructuring Unit[3]	Others and Consolidation	Group
Net interest income	449	488	121	113	158	37	–33	1,333
Loan loss provisions	–26	–32	–35	–23	–301	13	–	–404
Net interest income after loan loss provisions	423	456	86	90	–143	50	–33	929
Net commission income	368	272	47	60	19	–	–9	757
Net trading income and net income on hedge accounting	–	1	28	208	124	–23	217	555
Net investment income	–	–6	5	1	–54	11	20	–23
Current income on companies accounted for using the equity method	3	–	–	3	1	–	–	7
Other net income	–18	–7	9	4	–8	–1	–22	–43
Income before loan loss provisions	*802*	*748*	*210*	*389*	*240*	*24*	*173*	*2,586*
Income after loan loss provisions	*776*	*716*	*175*	*366*	*–61*	*37*	*173*	*2,182*
Operating expenses	743	326	116	321	88	17	120	1,731
Operating profit or loss	**33**	**390**	**59**	**45**	**–149**	**20**	**53**	**451**
Impairments of goodwill and brand names	–	–	–	–	–	–	–	–
Restructuring expenses	–	–	–	–	9	–	–	9
Net gain or loss from sale of disposal groups	–	–	–86	–	–	–	–	–86
Pre-tax profit or loss	**33**	**390**	**–27**	**45**	**–158**	**20**	**53**	**356**

[1] The remaining holdings of the dissolved Portfolio Restructuring Unit (PRU) segment were transferred on 1 July 2012 to the Corporates & Markets segment or the Non-Core Assets (NCA) segment.
[2] The Non-Core Assets (NCA) segment was formed from the former Asset Based Finance segment (refer to the segment report for details).
[3] The Portfolio Restructuring Unit (PRU) segment was dissolved on 1 July 2012. The result for the first half of the year was reported up until the end of 2012.

3rd quarter 2012 €m	Private Customers	Mittel-stands-bank	Central & Eastern Europe	Corporates & Markets[1]	Non-Core Assets[1,2]	Portfolio Restruc-turing Unit[3]	Others and Con-solidation	Group
Net interest income	449	469	120	143	158	–	40	1,379
Loan loss provisions	−45	9	−28	17	−383	–	–	−430
Net interest income after loan loss provisions	404	478	92	160	−225	–	40	949
Net commission income	409	258	47	102	25	–	−1	840
Net trading income and net income on hedge accounting	1	−13	24	157	−100	–	77	146
Net investment income	−4	–	2	121	−79	–	−10	30
Current income on companies accounted for using the equity method	6	3	–	3	–	–	4	16
Other net income	−26	−4	8	−29	−5	–	23	−33
Income before loan loss provisions	*835*	*713*	*201*	*497*	*−1*	–	*133*	*2,378*
Income after loan loss provisions	*790*	*722*	*173*	*514*	*−384*	–	*133*	*1,948*
Operating expenses	749	327	121	323	92	–	120	1,732
Operating profit or loss	**41**	**395**	**52**	**191**	**−476**	**–**	**13**	**216**
Impairments of goodwill and brand names	–	–	–	–	–	–	–	–
Restructuring expenses	–	–	–	–	–	–	–	–
Net gain or loss from sale of disposal groups	–	–	3	–	–	–	–	3
Pre-tax profit or loss	**41**	**395**	**55**	**191**	**−476**	**–**	**13**	**219**

4th quarter 2012 €m	Private Customers	Mittel-stands-bank	Central & Eastern Europe	Corporates & Markets[1]	Non-Core Assets[1,2]	Portfolio Restruc-turing Unit[3]	Others and Con-solidation	Group
Net interest income	464	454	121	171	187	–	1	1,398
Loan loss provisions	−16	−42	−24	−19	−512	–	−1	−614
Net interest income after loan loss provisions	448	412	97	152	−325	–	–	784
Net commission income	353	261	44	74	30	–	−11	751
Net trading income and net income on hedge accounting	1	3	13	−26	−53	–	25	−37
Net investment income	−2	38	1	83	13	–	117	250
Current income on companies accounted for using the equity method	11	3	–	–	−2	–	–	12
Other net income	−20	5	8	11	−12	–	−14	−22
Income before loan loss provisions	*807*	*764*	*187*	*313*	*163*	–	*118*	*2,352*
Income after loan loss provisions	*791*	*722*	*163*	*294*	*−349*	–	*117*	*1,738*
Operating expenses	761	346	121	363	98	–	84	1,773
Operating profit or loss	**30**	**376**	**42**	**−69**	**−447**	**–**	**33**	**−35**
Impairments of goodwill and brand names	–	–	–	–	–	–	–	–
Restructuring expenses	–	–	–	–	–	–	–	–
Net gain or loss from sale of disposal groups	–	–	−185	–	–	–	–	−185
Pre-tax profit or loss	**30**	**376**	**−143**	**−69**	**−447**	**–**	**33**	**−220**

[1] The remaining holdings of the dissolved Portfolio Restructuring Unit (PRU) segment were transferred on 1 July 2012 to the Corporates & Markets segment or the Non-Core Assets (NCA) segment.
[2] The Non-Core Assets (NCA) segment was formed from the former Asset Based Finance segment (refer to the segment report for details).
[3] The Portfolio Restructuring Unit (PRU) segment was dissolved on 1 July 2012. The result for the first half of the year was reported up until the end of 2012.

Index of figures and tables

Tables *(continued)*

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Disclaimer

Reservation regarding forward-looking statements

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

The German version of this Annual Report is the authoritative version and only the German version of the Group Management Report and the Group Financial Statements were audited by the auditors.

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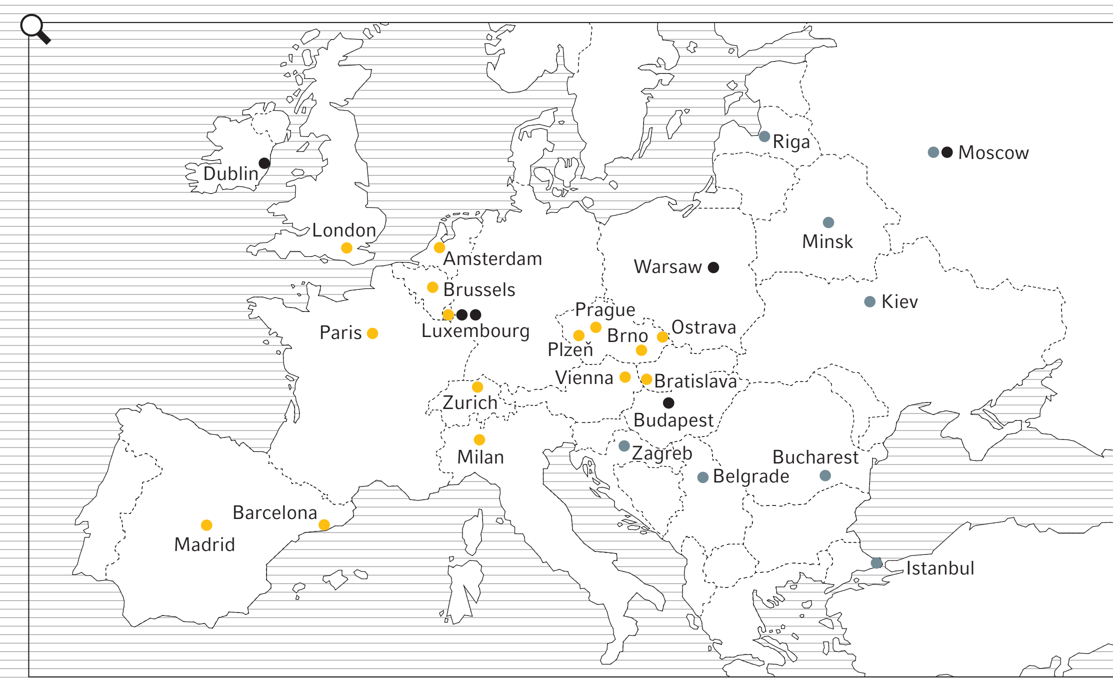
Publication of the Annual Report as at March 22, 2013



Commerzbank worldwide

Operative foreign branches	23
Representative offices	35
Group companies and major foreign holdings	7
Domestic branches in private customer business	1,200
Foreign branches	330
Worldwide staff	53,601
International staff	10,744
Domestic staff	42,857

As at 31.12.2012

Five-year overview

Income statement | €m	2012	2011	2010	2009[1]	2008[1,2]
Net interest income	5,539	6,724	7,054	7,174	4,689
Loan loss provisions	–1,660	–1,390	–2,499	–4,214	–1,855
Net commission income	3,191	3,495	3,647	3,773	2,846
Net trading income and net income on hedge accounting	1,121	1,986	1,958	–409	–454
Net investment income	81	–3,611	108	417	–665
Current income on companies accounted for using the equity method	46	42	35	15	40
Other income	–77	1,253	–131	–22	–27
Operating expenses	7,025	7,992	8,786	9,004	4,956
Operating profit	1,216	507	1,386	–2,270	–382
Impairments of goodwill and brand names	–	–	–	768	–
Restructuring expenses	43	–	33	1,621	25
Net gain or loss from sale of disposal groups	–268	–	–	–	–
Pre-tax profit or loss	905	507	1,353	–4,659	–407
Taxes on income	796	–240	–136	–26	–466
Profit or loss attributable to non-controlling interests	103	109	59	–96	59
Consolidated profit or loss[3]	**6**	**638**	**1,430**	**–4,537**	**0**

Key figures					
Earnings per share (€)	–0.04	0.18	1.21	–4.40	0.00
Dividend total (€m)	–	–	–	–	–
Dividend per share (€)	–	–	–	–	–
Operating return on equity (%)	4.1	1.7	4.5	–8.0	–2.6
Return on equity of consolidated profit or loss[3, 4] (%)	0.0	2.2	4.7	–16.5	0.0
Cost/income ratio in operating business (%)	71.0	80.8	69.3	82.2	77.1

Balance sheet | €bn	31.12.2012	31.12.2011	31.12.2010	31.12.2009[1]	31.12.2008[2]
Total assets	635.9	661.8	754.3	844.1	625.2
Total lending	272.8	303.9	330.3	368.4	313.7
Liabilities	455.4	459.5	531.8	567.0	464.5
Equity	27.0	24.8	28.7	26.6	19.8

Capital ratios | %					
Core capital ratio	13.1	11.1	11.9	10.5	10.1
Total capital ratio	17.8	15.5	15.3	14.8	13.9

Long/short-term rating					
Moody's Investors Service, New York	A3/P-2	A2/P-1	A2/P-1	Aa3/P-1	Aa3/P-1
Standard & Poor's, New York	A/A-1[5]	A/A-1	A/A-1	A/A-1	A/A-1
Fitch Ratings, New York/London	A+/F1+	A+/F1+	A+/F1+	A+/F1+	A/F1

[1] Restatement due to harmonization of reporting structure.
[2] After counterparty default adjustments.
[3] Insofar as attributable to Commerzbank shareholders.
[4] The capital base comprises the average Group capital attributable to Commerzbank shareholders without the average revaluation reserve and the cash flow hedge reserve.
[5] Rating since February 2013 "Credit Watch Negative".

2013/2014 Financial calendar	
19 April 2013	Annual General Meeting
7 May 2013	Interim Report Q1 2013
8 August 2013	Interim Report Q2 2013
7 November 2013	Interim Report Q3 2013
End-March 2014	Annual Report 2013

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