# annual report 2001

COMMERZBANK

Annual report 2001

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# highlights of commerzbank group

| | 2001 | 2000 | 1999 |
|---|---|---|---|
| **Income statement** | | | |
| Pre-tax profit (€ m) | 43 | 2,234 | 1,371 |
| Net profit (€ m) | 102 | 1,342 | 911 |
| Earnings per share (€) | 0.19 | 2.59 | 1.83 |
| After-tax return on equity (%) | 0.9 | 12.4 | 9.3 |
| Cost/income ratio before provisioning (%) | 82.4 | 65.2 | 68.5 |
| **Income statement** 1) | | | |
| Pre-tax profit (€ m) | 43 | 1,018 | 1,371 |
| Earnings per share (€) | 0.19 | 1.10 | 1.83 |
| After-tax return on equity (%) | 0.9 | 5.3 | 9.3 |
| Cost/income ratio before provisioning (%) | 82.4 | 76.3 | 68.5 |

| | 31.12.2001 | 31.12.2000 | 31.12.1999 |
|---|---|---|---|
| **Balance sheet** | | | |
| Balance-sheet total (€ m) | 501,312 | 459,662 | 372,040 |
| Risk-weighted assets according to BIS (€ m) | 203,606 | 220,160 | 187,709 |
| Equity (€ m) | 11,760 | 12,523 | 11,141 |
| Own funds (€ m) | 23,628 | 23,653 | 20,103 |
| **BIS capital ratios** | | | |
| Core capital ratio (%) | 6.2 | 6.5 | 6.3 |
| Own funds ratio (%) | 10.3 | 9.9 | 9.7 |
| **Commerzbank share** | | | |
| Number of shares outstanding (million units) | 541.8 | 541.8 | 513.6 |
| Share price (€, 1.1.–31.12.) high | 33.60 | 47.49 | 36.70 |
| low | 14.08 | 28.05 | 24.04 |
| Book value per share (€) | 21.94 | 23.48 | 21.70 |
| Market capitalization (€ bn) | 9.47 | 16.74 | 18.72 |
| **Staff** | | | |
| Germany | 31,899 | 31,716 | 30,557 |
| Abroad | 7,582 | 7,328 | 4,313 |
| Total | 39,481 | 39,044 | 34,870 |
| **Short/long-term rating** | | | |
| Moody's Investors Service, New York | P-1/A1 | P-1/AA3 | P-1/AA3 |
| Standard & Poor's New York | A-1/A | A-1+/AA- | A-1+/AA- |
| Fitch IBCA, London | F1/A+ 2) | F1/A+ | F1+/AA- |

1) 2000 figures without proceeds from comdirect bank AG; 2) as of February 7, 2002: A

# annual report 2001

## COMMERZBANK GROUP

COMMERZBANK

*"with the first-time application of ias 39 in connection with our overall accounting, we have met the demand for even greater transparency".*

**Klaus-Peter Müller**
Chairman of the Board
of Managing Directors

April 2002

Dear shareholders,

A bank should and indeed must be primarily a provider of services. Its market success is gauged first and foremost by how well it performs this function. The yardstick is customer satisfaction, to which we at Commerzbank are wholeheartedly committed.

Although this formula should be generally valid, for customers, analysts, investors and the broader public the yardstick for success has changed several times over the past few decades. It was often mere size, for instance a bank's total assets, its total lending and deposits, the number of branches, customers or employees it had. The capital base has also been used as a means of assessing banks' relative positions. After years of intensive debate on shareholder value, success today is mainly determined by market capitalization, the value of a company on the stock market. This value primarily depends on earnings, though not solely on current income, but rather also on that which is thought likely for the company in the future.

In this respect, we have apparently not yet managed to convince the capital markets. Some claim that we lack the necessary size to hold costs down to a competitive level. Others think that the Bank's profile or identity cannot be distinguished well enough.

We take critical comments from shareholders, customers, analysts or the media very seriously. But we are convinced that we should not fall into line with short-lived trends and opinions; rather, we should systematically pursue and realize the strategy outlined in our CB 21 project. We want to prove to you – and I am sure that we will – that this Bank is finding its way back onto the path of success, without losing sight of its core goal of a high level of customer satisfaction.

Who or what is Commerzbank? We see ourselves as an efficient provider of financial services for demanding private customers in Germany. We are also the creative relationship bank for the successful German *Mittelstand*, for major corporates and institutions in Europe as well as multinationals from all over the world. This description also defines our core target groups, where we already have acceptable market shares, that can be raised further, however. Above all, we want to be the number one bank for Germany's strong *Mittelstand* companies.

It was never our ambition to be present as a universal bank everywhere in the world. In regional terms, we are concentrating on Germany, where we provide integrated financial services, operating a nationwide branch network to advise and sell our products to all customer groups. In corporate business, we also look upon Western, Central and Eastern Europe as our core market, and North America as well, where we have a long tradition that has above all generated strong earnings.

Thirdly, alongside this focus on target groups and regions, we consider it necessary to concentrate our range of products. For private customers, we intend to focus primarily on the accumulation and management of assets. It is very important that the Bank is easy to reach, which means that online access also has high priority. Here and in discount brokerage, thanks to our early move in Germany, we have sizeable market shares, which need to be defended and expanded. For corporate clients and institutions, we are concentrating on integrated commercial and investment-banking products and we are strengthening our position as a specialist for debt and risk management.

All the measures required for implementing this focused strategy were approved and set in motion last year. We will keep you informed of the progress made.

Even more important for you, however, is an answer to the question when Commerzbank will be able to present good earnings figures again and achieve a return in line with market conditions on its equity. Let me briefly look back and remind you that the Commerzbank Group was riding on a wave of success at least until mid-2000.

In the first half of 2000, we had achieved all our ambitious goals as regards the return on equity and the cost/income ratio. Admittedly, the business and financial-market setting was favourable at that time. But we are not a fair-weather bank that is incapable of mastering more difficult conditions. It is true that we were hit surprisingly hard by the bad-weather front. Expecting a continued rise in earnings, we had budgeted strong cost increases in autumn 2000, which in view of the dramatic deterioration of conditions on the stock market and the economic setting could no longer be justified last year.

Our reaction was prompt and systematic, however. With our cost-cutting offensive, we have been tackling the increase in costs since last year, and the first successes were already registered in the final quarter. In the current year, we intend to reduce overall operating expenses to their 2000 level. These efforts are being flanked by an earnings offensive. The strategic goals presented last year as part of our CB 21 project remain valid; however, some of them have to be adapted to the changed environment. All the measures taken together will be reflected in sinking costs and rising earnings this year.

But, in our planning, we have not assumed that substantial support or relief will soon be forthcoming from improved overall economic conditions and more buoyant financial markets. Both of these would be welcome, but we have to be successful in a weaker environment as well.

This is why we are persisting with our efforts to reshape the Commerzbank Group as a lean, flexible and modern provider of financial services in the heart of Europe.

In the course of this year, the activities of Rheinhyp are to be merged with those of Eurohypo and Deutsche Hyp to form a strong and also internationally active, new Eurohypo. In transaction banking, we are pursuing a highly promising course in our search for cost-reducing cooperation. And in asset management, the focus on core business should see us return to black figures this year.

At this year's Annual General Meeting in Frankfurt-Höchst on May 31, we will inform you of the progress made in this respect. We will also request your approval for certain capital-raising measures mainly designed to improve our commercial flexibility. These points are described in detail in the invitation to the AGM.

On account of the especially weak second half of 2001 and the additional expense of restructuring provisions, it was difficult for us to decide upon a dividend payment. In view of the more positive tendencies in operative business, we decided to propose payment of a dividend of €0.40 per share. For one thing, this enables us to offer investors a steady return on their investment; for another, it is an expression of our confidence for the years ahead.

Commerzbank has an outstanding reservoir of talented and committed employees. Over the past months in particular, we have been able to recruit highly-qualified banking specialists, men and women who gladly identify with us and with our strategic goals. Our work is focused more than ever on our customers, whom we try to satisfy every day afresh.

Like all our employees and executives, the Board of Managing Directors approaches the challenges of the current year with confidence and determination. I ask you to continue to place your trust in us.

Yours sincerely,

Klaus-Peter Müller

# contents

## Management report



## Financial statements of the Commerzbank Group 2001



## Boards, membership of other boards, Group managers, branch managers and managers of Group companies



## Tables and charts

*/ ideas ahead /*

By nature, people are creative and inventive. So encouraging our employees to give free rein to their ideas is a really attractive task for me. Even minor inspirations are welcome. This involvement forges ever stronger links with our Bank.

**Michael Krug, Head of COMIDEE**

# survey of the commerzbank group

## International economy: unexpected slackening

Worldwide, there was a sharp slowdown of economic activity in 2001. At year-end, GDP was stagnating in most industrial countries. A development of this kind last occurred in the early eighties in the wake of the second oil-price shock. The downturn was caused by the end of the boom in information and communications technology, the rise in the price of crude oil and, not least, the tightening of monetary policy in the United States and the eurozone up to autumn 2000. In this phase of weakness, the world economy was hard hit by the terrorist attacks of September 11. Companies and households perceptibly lost confidence in the future, while in the financial markets, investors became less willing to take on risks. It was only the determined actions of the central banks, and in the U.S. fiscal policy as well, which prevented a deep recession.

In Germany, GDP grew by a mere 0.6% last year, compared with 3% in 2000. The slowdown was primarily attributable to weak domestic demand, due among other things to an ongoing adjustment crisis in construction. At the same time, the situation in the labour market deteriorated considerably. By year-end, the jobless total had already reached the 4 million mark. On account of the higher costs of energy and food in particular, consumer prices rose by 2.5%, the sharpest increase since 1994.

There are signs of an improvement in 2002. We expect economic growth to register between 2% and 2½% from year-end to year-end; average growth will be much lower, however. The muted prospects for economic performance and the financial markets are also reflected in our planning for the year, details of which can be found on pages 35-39.

## First-time application of IAS 39

In the 2001 financial statements, we have applied IAS 39 for the first time, without having to adjust the year-earlier figures. IAS 39 has far-reaching consequences for our figures, as the accounting and measurement of financial instruments have been revised.

Financial instruments are defined very broadly in this connection – in particular, loans, interest-bearing securities, equities, liabilities and derivatives. The main novel feature is the new categorization of financial instruments, which we will measure in future either at their fair value or historical cost. But the number of financial instruments to be measured at fair value extends far beyond our previous trading portfolio. It comprises virtually all the securities and investments which used to form the core of financial investments.

In addition, IAS 39 contains detailed rules on accounting for financial instruments and hedging transactions. On the liabilities side, it is above all equity that is affected; it is extended to include a revaluation reserve and the result measured for cash flow hedges. You will find a comprehensive explanation of IAS 39 in the Notes on pages 73-76.

## Consolidated balance sheet tops €500bn

In the course of 2001, the Commerzbank Group's balance-sheet total expanded by 9% to €501.3bn. Ten companies were consolidated for the first time, including Erste Europäische Pfandbrief- und Kommunalkreditbank in Luxembourg and P.T. Bank Finconesia in Jakarta. On the other hand, seventeen enterprises were removed from the list of consolidated companies; in this connection, Bankhaus Bauer in Stuttgart should be mentioned, which we sold last year.

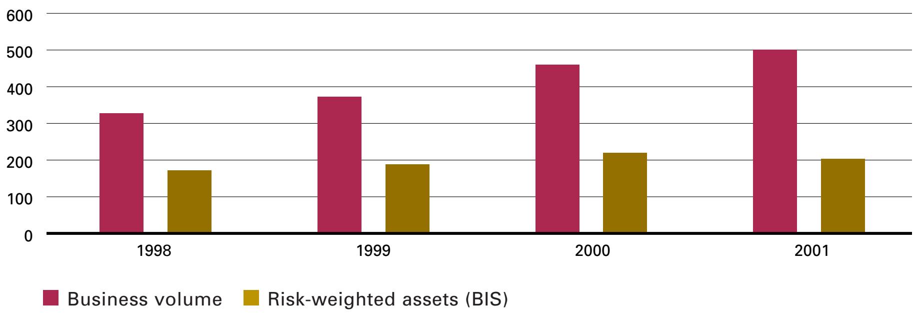
Interbank lending and claims on customers declined by 15% to €63.4bn and by 2% to €220.3bn, respectively. This development was largely because we transferred altogether €19bn of claims on banks and customers to the investments and securities portfolio, which in accordance with IAS 39 have to be shown under this item as claims not originated by the Bank – in particular, promissory notes. In addition, so-called IAS 39 effects now appear under claims and liabilities. Here the results of measuring hedged items appear, which are measured using the same methods as their related derivatives.

Newly included on the assets side are the positive fair values from derivative hedging instruments, whose corresponding negative values are shown on the liabilities side. These are primarily interest-rate instruments which serve to hedge claims or liabilities.

Assets held for dealing purposes expanded by 37% to €95.8bn, for one thing, due to transfers and, for another, on account of the expansion in investment-banking activities. The same holds true for the investments and securities portfolio, which similarly increased by 37% to €104.5bn.

### Risk-conscious expansion

Commerzbank Group, in € bn




## Investors turn to savings and time deposits

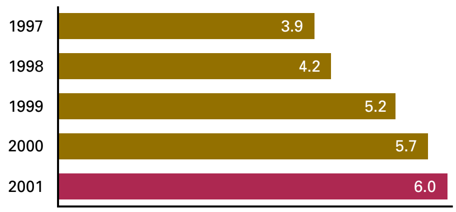
Liabilities to customers rose 8% to €116.4bn, with savings deposits registering an increase of €1bn. Time and sight deposits grew by €7.8bn.

Securitized liabilities rose by 6% to €190.7bn, retaining their significance as the Bank's strongest source of funding. The increase was primarily fuelled by the Parent Bank and its mortgage-bank subsidiaries.

We raised subordinated capital by 6.3% to €10.5bn; while subordinated liabilities expanded, there was a slight decline in profit-sharing certificates outstanding.

Through the application of IAS 39, two items have been added to our equity. For one thing, the price potential contained in the securities and investments portfolio is shown here; this has boosted equity by €189m. For another, the measurement result from cash flow hedges is included in this item, with a negative result of €397m. All told, we have equity of €11.8bn, which is almost 6% lower than a year previously. Despite this decline, our core capital ratio remained a good 6.2%; our own funds ratio was even higher than last year at 10.3%.

**Customers with the Commerzbank Group**
in millions




## Difficult environment for banks

The weak condition of the markets and lacklustre economic performance have clearly left their mark on our income statement. However, we were satisfied with the rise of just under 2% in net interest income to €3.6bn. We achieved this increase even though our risk-weighted assets were no higher than a year earlier and, due to the first-time application of IAS 39, no less than €65m was transferred from net interest income to the trading profit.

## Provisioning reflects economic weakness

In view of the mounting risks worldwide, we stepped up our provisioning for possible loan losses by more than a third to altogether €927m. Given total on-balance lending of €240bn, this represents a provisioning ratio of 0.39%; but this is still a fairly favourable level and no higher than the average for the past five years. We considerably raised our provisioning for small to medium-sized businesses in Germany, and in particular for firms with an annual turnover of less than €50m. Provision for new doubtful credits more than doubled; but it also had to be increased for domestic problem credits that had already been identified at the start of 2000, while due to the expiry of collateral, a smaller amount of valuation allowances was written back.

We also had to increase provisioning outside Germany, mainly in the U.S. and South-East Asia. When providing for country risks, we took developments in Argentina, where our exposure is small, adequately into account and also stepped up provisioning for Indonesia. Thanks to effective early recognition of problems, however, the Bank was not affected, or only marginally so, by the spectacular major international failures of 2001.

***/ ideas ahead /***
Under COMIDEE, Commerzbank's internal suggestions scheme, the ideas contributed by employees have steadily increased over the past few years. Everyone in our Bank has to question the existing way of doing things and venture to think along new lines.

**Commerzbank's shareholdings in the non-financial sector**

5% of capital and above, as of December 31, 2001

| | | |
|---|---|---|
| **Alno AG** | Pfullendorf/Baden | 29.4% |
| **Buderus AG** | Wetzlar | 10.5% |
| **Heidelberger Druckmaschinen AG** | Heidelberg | 9.9%[1] |
| **Linde AG** | Wiesbaden | 10.4% |
| **MAN AG** | Munich | 6.5%[2] |
| **Sachsenring Automobiltechnik AG** | Zwickau | 10.0%[2] |

1) held indirectly and directly;
2) held indirectly

## Weak securities business erodes commission income

The weak condition of the equity markets had an especially negative impact on net commission income; last year, it was down almost 17% to €2.3bn. Commissions from securities business, which still account for just over 40% of overall commission income, fell by practically a third; in asset management, we achieved net commission income that was 10% lower. By contrast, the development of other types of commission, especially from payments, was encouraging.

At €1.2bn, our trading profit was 26% higher than in 2000. We managed to more than compensate for the sharp decline in trading in equities and other price risks by successes in trading in interest-rate risks and derivatives. This item has also been affected by the first-time application of IAS 39, for here – in addition to the securities remeasured at their fair value – the effects attributable to derivatives held for global interest-rate management, which do not qualify for hedge accounting, also appear. In accordance with IAS 39, these are included under trading rather than hedging transactions.

The measurement of hedging transactions, however, is reflected in the new income-statement item "Net result on hedge accounting", where we registered income of €63m.

The result on the investments and securities portfolio – previously the result on financial investments – was €219m. In the course of the past year, we disposed of smaller blocks of shares, primarily non-strategic investments outside Europe.

## First effects of cost-cutting offensive felt

In the second half of 2001, operating expenses developed in line with the cost-cutting decisions taken in the second quarter. In the year as a whole, they rose by 6.9% to €5.85bn. At the halfway stage, the increase had amounted to a sizeable 17.8%. Compared with the same period a year earlier, operating expenses even declined by more than 2% from June to December. In the year as a whole, personnel costs climbed by a mere 2% to €3.1bn, reflecting above all the reduction of provisions for bonuses. We were able to rein in the climb in other operating costs, which reached €2.22bn (+12.5%).

## Special items also reduce earnings

The balance of other income and expenses of minus €220m includes a series of non-recurring and special burdens. For instance, we contributed an extra €51m in 2001 to the German Business Foundation Initiative. We also had to set aside €28m for an EU fine, relating to alleged price-rigging in connection with exchanging notes and coins of eurozone currencies. However, we have lodged an objection – with good chances of success. Last but not least, the costs of the introduction of euro notes and coins and the related conversion of accounts also had an impact here.

The balance of all income and expense items yields a profit from ordinary activities of €325m.

Apart from the above-mentioned special burdens, however, further extraordinary items occurred, which we have grouped together as restructuring expenses. All in all, these amounted to €282m, €46m of which relates to branch closures.

After these expenses have been deducted, our pre-tax profit is €43m, compared with €2,234m a year previously, which also included the proceeds (€1.2bn) from the IPO and capital increase of comdirect bank.

In addition, we registered tax income of €114m in the income statement for 2001. This is due to advantages deriving from losses carried forward. Once the profits and losses attributable to minority interests have been deducted, a net profit of €102m remains.

Despite the unsatisfactory earnings performance, we will propose to the Annual General Meeting on May 31 that a lower dividend of €0.40 be paid. The overall dividend payout amounts to €217m and can be realized on the basis of the individual financial statements of the Parent Bank, prepared in accordance with HGB. In the consolidated financial statements, however, it is necessary to withdraw €115m from retained earnings.

## Successes and weaknesses in individual business lines

The individual areas of the Bank developed very unevenly. In our segment reporting as well, comparison with the previous year is made difficult by the application of IAS 39.

In Retail banking, we recorded a negative result. One prime factor here was the decline of more than €300m in commissions from securities business. Provisioning was stepped up by €29m.

In Asset management, too, we registered a fall of almost €130m in commissions. The other operating result was adversely affected by higher amortization of goodwill at subsidiaries. As in Retail banking, we did not manage here to achieve a positive return on equity.

The development of the Corporate customers and institutions segment continues to be encouraging. The higher outlays for provisioning were more than offset by strong increases in earnings, above all net interest income. The return on equity rose to 10.8%, while the cost/income ratio was unchanged at 49.4%.

The Securities segment was especially hard hit by the weak condition of the markets. Both its net commission income and its trading profit were lower than a year earlier. On balance, we registered a slightly positive result, which translated into a return on equity of no less than 5.3%.

### Structure of provision for possible loan losses

| Commerzbank Group, in € m | 2001 | 2000 | 1999 | 1998 |
|---|---|---|---|---|
| Germany | 555 | 529 | 522 | 395 |
| Abroad | 325 | 148 | 89 | 394 |
| Global provision | 47 | 8 | 78 | 92 |
| Total net provision | 927 | 685 | 689 | 881 |

Last year was a very successful one for Treasury and foreign exchange. In both net interest income and in trading with interest-rate risks, foreign exchange and precious metals, we achieved far higher results than in the previous year. The return on equity stands at 58.2%, and the cost/income ratio is encouragingly low, at 33.1%.

In Mortgage banking, we had to accept higher charges for valuation allowances. By way of compensation, net interest income was stronger and the results deriving from the measurement of financial instruments in accordance with IAS 39 were positive. While the return on equity amounted to just over 18.4%, the cost/income ratio was an outstanding 20.6%.

In the "Others/Consolidation" segment, the net interest income of –€799m is striking. This includes, above all, the financing costs of our strategic investments.

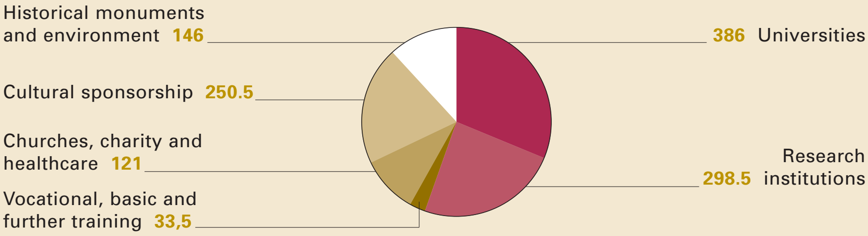
We cannot be satisfied with the return on equity of 0.9% for the Group as a whole and the cost/income ratio of 82.4%. However, we are confident that the many structural measures and our strategic focus will enable us to achieve a distinct improvement in the current year.

### Commerzbank Foundation in 2001

The Commerzbank Foundation was set up in 1970 on the occasion of the Bank's 100-year anniversary. Its initial capital of DM5m was increased several times and was doubled to DM40m when the Bank celebrated its 125th anniversary. In December 2000, it was raised by a further €5m. All told, the Foundation's capital, with reserves included, amounts to more than €26m.

In 2001, the Foundation registered its highest level of support for projects, donating altogether €1,235,500. Its financial support is distributed between the following areas:

**Volume of support of Commerzbank Foundation in 2001**
in € '000



## Quarterly results

| Financial year 2001*) | | | | | |
|---|---|---|---|---|---|
| in € m | 1st quarter | 2nd quarter | 3rd quarter | 4th quarter | Total year |
| Net interest income | 905 | 929 | 859 | 888 | 3,581 |
| Provision for possible loan losses | –152 | –177 | –242 | –356 | –927 |
| Net interest income after provisioning | 753 | 752 | 617 | 532 | 2,654 |
| Net commission income | 613 | 603 | 569 | 482 | 2,267 |
| Net result on hedge accounting | 2 | 11 | 15 | 35 | 63 |
| Trading profit | 312 | 290 | 58 | 537 | 1,197 |
| Net result on investments and securities portfolio (available for sale) | 129 | 50 | –74 | 114 | 219 |
| Operating expenses | 1,430 | 1,479 | 1,459 | 1,487 | 5,855 |
| Other operating result | –56 | 19 | –5 | –178 | –220 |
| **Profit from ordinary activities before restructuring expenses** | **323** | **246** | **–279** | **35** | **325** |
| Restructuring expenses | – | – | – | 282 | 282 |
| **Profit from ordinary activities after restructuring expenses** | **323** | **246** | **–279** | **–247** | **43** |
| Extraordinary expenses | – | – | – | – | – |
| **Pre-tax profit** | **323** | **246** | **–279** | **–247** | **43** |
| Taxes on income | 120 | 92 | –104 | –222 | –114 |
| **After-tax profit** | **203** | **154** | **–175** | **–25** | **157** |
| Profit/loss attributable to minority interests | –27 | –28 | –16 | 16 | –55 |
| **Net profit** | **176** | **126** | **–191** | **–9** | **102** |

*) Due to the first-time application of IAS 39, the quarterly figures are not identical to those in the 2001 interim reports.

| Financial year 2000 | | | | | |
|---|---|---|---|---|---|
| in € m | 1st quarter | 2nd quarter | 3rd quarter | 4th quarter | Total year |
| Net interest income | 757 | 939 | 950 | 870 | 3,516 |
| Provision for possible loan losses | –141 | –115 | –141 | –288 | –685 |
| Net interest income after provisioning | 616 | 824 | 809 | 582 | 2,831 |
| Net commission income | 751 | 672 | 652 | 649 | 2,724 |
| Trading profit | 360 | 240 | 151 | 198 | 949 |
| Result on financial investments | 67 | 4 | 93 | –84 | 80 |
| Operating expenses | 1,198 | 1,272 | 1,383 | 1,624 | 5,477 |
| Other operating result | 2 | 832 | 196 | 97 | 1,127 |
| **Profit from ordinary activities** | **598** | **1,300** | **518** | **–182** | **2,234** |
| Extraordinary expenses | – | – | – | – | – |
| **Pre-tax profit** | **598** | **1,300** | **518** | **–182** | **2,234** |
| Taxes on income | 217 | 557 | 157 | –108 | 823 |
| **After-tax profit** | **381** | **743** | **361** | **–74** | **1,411** |
| Profit/loss attributable to minority interests | –17 | –12 | –18 | –22 | –69 |
| **Net profit** | **364** | **731** | **343** | **–96** | **1,342** |

***/ ideas ahead /***

"Everything in the world depends upon a bright inspiration and firm resolution." (Goethe)
As an employee and customer, I go about our Bank with open eyes, develop ideas for making improvements or economizing, and then pass them on to COMIDEE. For me, that's part of corporate identity.
**Henning Möller, Retail Banking**

# retail banking and asset management

The operative business of the Commerzbank Group is split between two divisions; this structure is based on our customer groups. In the Retail Banking and Asset Management division – whose results were completely unsatisfactory in 2001 – the emphasis is on the investment and accumulation of assets, which has become ever more important in recent years.

## Retail Banking department

### Difficult environment influences growth

After five years of sharply rising prices on international stock markets, equities experienced two decidedly negative years in 2000 and 2001 for the first time since the oil crises in the seventies. With interest rates falling and inflation marginal, but with large-scale revisions of profits and company evaluations, the markets suffered an extreme loss of confidence. As a result, earnings in securities business dropped considerably, which could not be offset by stronger bancassurance and lending activities. This becomes very clear from the commissions earned by Retail Banking, which were 26% down on a year earlier. With our CB 21 programme for boosting earnings and the cost-cutting offensive launched in the second quarter of 2001, we have set the stage for a marked improvement in results in the years ahead.

**Retail Banking department**

| | 2001 |
|---|---|
| Equity tied-up (€ m) | 1,380 |
| Return on equity | –5.2% |
| Cost/income ratio | 102.0% |

### Ingredients of success: all-round advice and rapid information

The market situation described above has seriously depleted the assets of many of our customers. For instance, the volume of custody accounts held at our branches was reduced from €61bn at end-2000 to €54bn at the end of last year. For us, this is a further incentive to continue to work on the quality of our consulting and on information systems. Thanks to improved consulting modules and the implementation of the information broker, a system for providing rapid information on markets, companies and securities, we can offer our customers important information for decisions relevant to their assets. We believe that we are well-equipped, therefore, to experience a more successful year on the stock market and to achieve ever greater customer satisfaction, strengthening their loyalty to the Bank.

We generated a record amount of €1.5bn for our open-ended property fund, Haus-Invest. This represented a key contribution to the success of this fund last year, when it was able to attract 25% of the overall inflows registered by all publicly-offered property funds in Germany. Haus-Invest manages assets of altogether €7.1bn, €6.2bn of which is invested in real estate. It is remarkable that, in the meantime, 74% of such properties are situated outside Germany, and that it achieved an excellent return of over 6%, a high proportion of which is tax-exempt.

**The Retail Banking department includes**

| | |
|---|---|
| **comdirect bank AG** | |
| Quickborn | 58.7% |
| **CFM Commerz Finanz Management GmbH** | |
| Frankfurt am Main | 100.0% |
| **Commerz Service Gesellschaft für Kundenbetreuung mbH** | |
| Essen | 100.0% |
| **COMMERZ PARTNER Beratungsgesellschaft für Vorsorge- und Finanzprodukte mbH** | |
| Frankfurt am Main | 100.0% |

In 2000, we took steps to begin distributing the funds offered by selected third-party sources. The successful launch of the fund of funds "Best-in-One World" and the provision of advisory tools to help customers select the best investment funds based on defined criteria deserve particular mention here.

To meet the needs of the different groups (private, individual, business and private-banking customers), we have not only modified and extended our range of products, but have also started to add to existing locations – e.g. in the growth segment private banking.

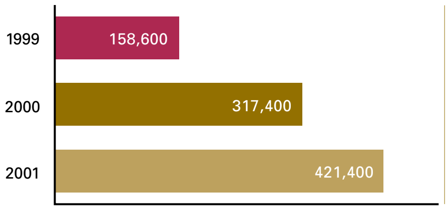
### Tight cost management and improved efficiency

We have resolved various measures in order to achieve a sustained improvement in our results:

After we have further concentrated our branch network, turning the offices into either consulting centres, service points or property centres, we will have a nationwide presence consisting of 725 offices by end-2002. This includes our decision to close down the 30 Commerzbank Shops in shopping centres throughout Germany. Though initially successful, this model did not offer adequate earnings prospects over the medium to long term.

All of these measures will help reduce costs and raise efficiency in dealings with private customers, without neglecting the needs of our customers and their degree of satisfaction. We will achieve this above all by networking all the communications channels with our customers.

**Online banking increasingly popular**
Parent Bank, number of users




### Focus on the internet

We are very satisfied, for example, with the increase in the number of online customers to more than 420,000 – without comdirect – and also with the related expansion in online transactions. Reflecting this dynamic trend, we will launch an important new segment in Commerzbank's multi-channel range of products for our customers this year: the internet branch. From mid-2002, they will find an increasing number of branch services on the internet as well, at www.commerzbanking.de. As distribution channels become linked up with one another, it will be increasingly convenient for customers to avail themselves of Commerzbank's services via the branch, telephone or internet, just as they please.

From the statement of account to quality consulting, our call centre in Essen offers the entire range of services, seven days a week, practically right around the clock. In telephone banking, we raised the number of participants by 100,000 to 570,000, and the number of contacts by 14% to 2.3 million.

**Parent Bank: Business involving private clients**

| year-end figures | 2001 | 2000 | 1999 | 1998 |
|---|---|---|---|---|
| Private clients | 3,925,800*) | 3,754,600 | 3,596,700 | 3,490,700 |
| Custody accounts | 1,312,000 | 1,397,200 | 1,165,100 | 1,070,300 |

*) including TUI Card customers

### SparCard very popular

Since September 2000, we have offered our customers the Commerzbank SparCard, which has been very well received by all age groups. By end-2001, we had already issued around 250,000 SparCards to customers, who thus enjoy many advantages over the traditional savings book. With the SparCard, for example, access to savings accounts is possible worldwide from virtually all cash dispensers and thus independently of branch opening times. Long waits at the counter have become a thing of the past, therefore, and our service section can deal with customers' wishes even more quickly. What is more, the SparCard provides customers not only with savings-account statements but also access to overviews of their personal finances and information on their custody accounts from all Commerzbank statement-of-account printers.

### Exploring growth areas

In addition to the above-outlined expansion of our investment-advice facilities, through which we intend to increase our market shares substantially over the next few years, we are stepping up our activities in the bancassurance area and in property financing.

### Bancassurance – products for old-age provision

Last year, the focus was on intensifying cooperation with AMB Generali Holding AG. As part of a new distribution model, up to 850 specialists of our joint subsidiary will be providing customers with advice on insurance and home-loan savings products at our branches by end-2005. The business operations of these bancassurance centres were launched on May 1, 2001. By year-end, 100 specialists of Commerz Partner Beratungsgesellschaft für Vorsorge- und Finanzprodukte mbH were already active.

In addition to building up this organization of specialists, Commerzbank initiated a programme in May designed to present the Bank as an efficient partner and originator of products for old-age provision incorporating government promotion (the so-called Riester plan). By introducing our "provision report", we have begun a long-term dialogue with our customers. PC-based all-round consulting helps them in their search for individual solutions to the complex situation with regard to provision and incorporates the new government support scheme. In the autumn, we added two pension insurance plans to our product range which meet the requirements of the relevant German legislation and in the meantime have been officially certified. We offer a traditional and a fund-linked variant. At year-end, we rounded off our range with an entirely fund-based solution. Newly generated business in insurance policies was 40% higher than in the previous year.

In view of the decline in property-financing business, sales of home-loan savings plans were weaker than expected. All the same, results exceeded those of the previous year by 30%.

***/ ideas ahead /***

In Retail Banking, the department with the most customers and staff, many ideas are generated. Apart from numerous improvements in terms of detail, these frequently also include real innovations and radically novel suggestions.

The volume of banking business which our partners generated for us expanded by 60%. This gain was primarily due to Deutsche Vermögensberatung, which last year virtually doubled its share of new business involving home loans from either Commerzbank or its subsidiaries.

In order to be even more efficient in answering and dealing with the questions and wishes of our customers as far as home loans are concerned, we began to install real-estate centres in major German conurbations in mid-2001. All told, our customers will have 40 such centres at their disposal by mid-2002.

### Despite difficult market situation, comdirect remains successful

The core activity of comdirect bank AG, online brokerage, continues to be a successful model. Despite last year's general economic downturn, the company achieved a positive result from its ordinary activities in Germany. In addition, comdirect acquired roughly 70,000 new customers in the period under review and, with around 649,000 customers within the group, it maintained its leading position in the industry.

comdirect's website continues to have the best reputation with Germany's internet users. With roughly 160 million page impressions and 50 million visits per month, it stands unchallenged as Germany's top financial portal.

In order to reflect the decline in commissions, caused by the fall on the stock market, comdirect has prescribed for itself an ambitious cost-cutting programme. This also had repercussions in the personnel area. The introduction of voluntary reductions in working hours and short-time working was a clear signal for employees that comdirect is behaving in a responsible manner and has assumed an active role in order to ensure that the jobs of its employees are safe in a long-term perspective. At the same time, it has managed to prune its workforce perceptibly without dismissing people – solely by imposing a recruitment freeze at an early stage and through normal staff turnover.

In Europe, comdirect will concentrate in future entirely on those two markets in which it is already successfully positioned: Germany and the United Kingdom. Business development in France and Italy last year failed to live up to plans and expectations. As break-even point could no longer be reached within the originally intended time, it was decided to dispose of these two subsidiaries. The cost of doing so – a double-digit million figure – is included under restructuring expenses.

### Positive outlook overall

We believe that we are well-equipped to achieve profitable growth in the future in retail-banking business by systematically concentrating – with new ideas as well – on the needs of our customers.

## Asset Management department

**Asset Management department**

| | 2001 |
|---|---|
| Equity tied-up (€ m) | 474 |
| Return on equity | –4.4% |
| Cost/income ratio | 142.1% |

### Clear focus on Europe

Worldwide, we were managing assets of €124.2bn at end-2001. Our 15 European companies generated more than 75% of the overall volume in asset management. In future, the focus will be even more strongly on Europe. Here we are successfully positioned and are able to benefit from the positive earnings prospects for asset managers.

### Fresh strategic orientation

In mid-2001, a new orientation was introduced for our European marketing and distribution structures. The emphasis was on creating a stronger customer orientation by means of an all-inclusive approach not based on individual products and distribution geared to target groups. Europe-wide, distribution activities are being split into institutional and retail business, permitting country-specific marketing measures and promoting cross-border distribution of products. In this connection, a new management structure, the Asset Management Committee, was established in order to make reporting lines even shorter.

### Strong presence in Germany

Our retail-fund subsidiary ADIG maintained its number 5 position in the German investment sector with a market share of 6.8%. Despite the difficult capital-market situation, its net inflow of funds was slightly positive, reaching €0.3bn. At end-2001, it had €24.7bn of assets under management, as against €27.3bn a year earlier.

ADIG expects a sizeable inflow from its newly developed products in the area of extra private provision with government support, the so-called Riester old-age pension. With its already certified products, ADIG has created the basis for becoming one of the top three investment companies in the field of provision for old age.

Through the formation of ebase, European Bank for Fund Services GmbH, ADIG has established a new settlement platform where fund units of different investment companies can be held in a single custody account. In this way, we are responding promptly to the higher demands made on service by customers and third-party distribution partners.

Our German subsidiary for non-publicly-offered funds, Commerzbank Investment Management GmbH (Commerzinvest) launched 37 new portfolios last year with an overall volume of roughly €2bn. As a result, altogether 421 special funds with a volume of €29.1bn were being managed at end-2001. Another €1.2bn was added to existing non-publicly-offered funds. Furthermore, about 1,000 smaller and mid-sized institutional investors were being looked after in twelve Commerzbank investment funds, which had an overall volume of €1.1bn at the end of last year.

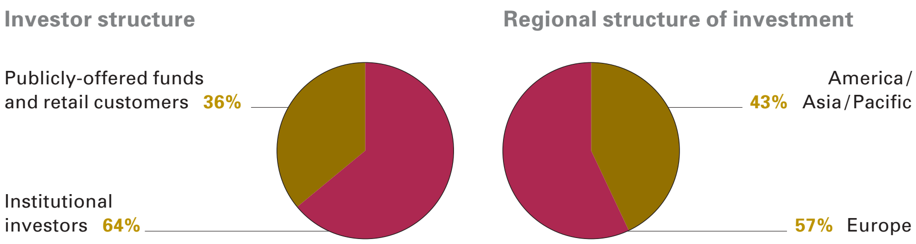
Last December, Commerz International Capital Management GmbH (CICM), which mainly served foreign institutional investors, was integrated into Commerzinvest, which meant that the latter was managing assets of altogether €33.7bn at end-2001.

### Foreign subsidiaries successful

Our French subsidiary specializing in money-market funds, Caisse Centrale de Réescompte (CCR), increased the assets it manages by roughly 10% in a year-on-year comparison. This was due to stronger demand for money-market products combined with outstanding fund performance. In addition, CCR was able to strengthen its position in the European market further, with both equity products based on a value approach and alternative investments.

Jupiter International Group plc ended the year with more than €18bn of assets under management. It expanded its business involving innovative hedge funds and funds of funds. Furthermore, Jupiter Global Active Fund SICAV was

**Asset Management**
Commerzbank Group, end-2001




launched, a fund of funds with actively managed portfolios that is available in the leading European countries.

After only a year of operations, the Madrid-based Afina asserted its position in the Spanish market to reach break-even point sooner than planned. At end-2001, it was managing assets of €400m. Pentor, the broker acquired at the start of the year, was successfully integrated and will contribute to further growth in the private-banking segment. In addition, Afina became active in Latin America. Considerable growth is also expected in institutional business. By end-2002, the volume of assets is expected to double to €1bn.

Commerzbank Asset Management Italia, formed in 2000, manages roughly €520m for more than 7,300 clients. With its nationwide network of financial counsellors and 25 private-banking centres, it now ranks among the five largest distribution organizations in Italy in terms of net inflows.

### Activities in USA and Asia

Our US fund company Martingale Asset Management was managing €1bn at year-end. Given ever greater interest in a value-oriented approach to investment, we expect further growth in 2002. Montgomery Asset Management in San Francisco registered a US$2.7bn decline to US$7.5bn in its assets under management in the past year. In the course of this development, the company cut its operating costs and shed 20% of its staff. This year, Montgomery expects the distribution of alternative investment products to produce rising net inflows. As part of our focus on Europe, we intend to incorporate Montgomery into a new transatlantic strategic partnership.

In Asia, we will increasingly concentrate on distribution activities. The existing seven units will be systematically used as distribution channels for both asset-management products and private-banking and trust products. All in all, stepped-up distribution activities should raise the assets under management to €1bn by the end of the year and to €3bn by end-2005. We also intend to use opportunities for external growth, such as cooperation agreements in distribution and strategic alliances. As we generally no longer see Asia as a focal point for production, the cost base in this region will be reduced substantially.

### Consolidation making progress

Sections of the previously separate portfolio management activities of ADIG, Commerzinvest, and CICM, together with the related research, were bundled to form Commerz Asset Managers GmbH (CAM) at the start of last year. Through this move, we are able to meet the requirements of our customers with regard to product quality and innovation. For the first half of 2002, we plan the complete integration of our entire portfolio management into CAM and a distinct streamlining of the product range.

In mid-2001, we combined our Asian asset-management activities under a single roof, Commerz Asset Management Asia Pacific in Singapore. The choice of Singapore makes it possible to respond quickly to market changes, enables us to tighten our management structure and guarantees the above-mentioned focus on distribution together with ambitious cost-cutting measures.

At the close of the past business year, we dissolved the Prague-based Commerz Asset Management (Czech) in the course of the concentration process; the existing custody accounts were transferred to our Prague branch.

All these measures are designed to make systematic use of potential synergies and to achieve significant cost-savings. The consolidation process that has been set in motion will be maintained; for this reason, we expect the current year to produce a distinct improvement in earnings.

## The Commerzbank Group's Asset Management units

### Europe

| | | |
|---|---|---|
| **ADIG Allgemeine Deutsche Investment-Gesellschaft mbH** | Munich/Frankfurt a. M. | 95.8%[2] |
| **Commerz Asset Managers GmbH** | Frankfurt am Main | 100.0%[2] |
| **Commerzbank Investment Management GmbH** | Frankfurt am Main | 100.0%[2] |
| **ebase European Bank for Fund Services GmbH** | Munich | 100.0%[2] |
| **ADIG-Investment Luxemburg S.A.** | Luxembourg | 99.0%[1] |
| **AFINA Bufete de Socios Financieros, S.A.** | Madrid | 48.7% |
| **Caisse Centrale de Réescompte, S.A.** | Paris | 92.1% |
| **CICM Fund Management Ltd.** | Dublin | 100.0%[2] |
| **Commerzbank Asset Management Italia S.p.A.** | Rome | 100.0% |
| **Commerzbank Europe (Ireland)** | Dublin | 40.0% |
| **Commerzbank International S.A.** | Luxembourg | 100.0%[2] |
| **Commerzbank (Switzerland) Ltd** | Zurich | 100.0%[2] |
| **Hispano Commerzbank (Gibraltar) Ltd.** | Gibraltar | 50.0% |
| **Jupiter International Group plc** | London | 100.0%[2] |
| **SKARBIEC TFI S.A.** | Warsaw | 100.0%[2] |

### Asia

| | | |
|---|---|---|
| **Capital Investment Trust Corporation** | Taipei | 24.0%[1] |
| **Commerz Advisory Management Co. Ltd.** | Taipei | 100.0% |
| **Commerzbank Asset Management Asia Ltd.** | Singapore | 100.0%[2] |
| **Commerzbank (South East Asia) Ltd.** | Singapore | 100.0% |
| **Commerz International Capital Management (Japan) Ltd.** | Tokyo | 100.0%[2] |
| **Commerzbank International Trust (Singapore) Ltd.** | Singapore | 100.0%[1] |
| **KEB Commerz Investment Trust Management Co. Ltd.** | Seoul | 45.0% |

### USA

| | | |
|---|---|---|
| **Martingale Asset Management L.P.** | Boston | 59.5%[2] |
| **Montgomery Asset Management, LLC** | San Francisco | 98.7% |

1) The Parent Bank holds some of the interest indirectly.
2) The Parent Bank holds the interest indirectly.

*| ideas ahead |*

Modern banking calls for the latest technologies as well. Here time-saving, user-friendly IT programs play a key role. As experienced users of such programs, we're frequently the first to recognize where and how the technology can be improved.

**Sebastian Schneider, Corporate Banking, and Ulrich Köver, Hamburg Branch, Corporate Lending section**

# corporate and investment banking

In the partially restructured Corporate and Investment Banking division, all the business relations with companies and institutions are combined and also the necessary product and trading sections as well as real-estate business.

With the goal of creating clear-cut responsibilities and of concentrating expertise, the customer-oriented Corporate Banking, Multinational Corporates and Financial Institutions departments have been assigned to a single member of the Board of Managing Directors since the start of this year. The scope of Corporate Banking was extended to the whole of Europe, while Multinational Corporates and Financial Institutions continue to be active worldwide. At the same time, since the start of the year, we have had regional board members for the first time to look after clients: four in Germany, two in other European countries, and one each for America and Asia.

## Corporate Banking department

The new structure also introduces a change of paradigm towards clearly-defined, continuous reporting lines. With this fresh orientation, we are substantially strengthening distribution, while systematically monitoring commercial risks and ambitious targets for returns. Our strong customer orientation as a relationship bank is underscored by

- the sustained expansion of our modern services and financing through a decentralized distribution system with broad national coverage,
- the combination of regional and sectoral distribution for our major customers, incorporating specialists, above all from investment banking and
- a target-group-oriented product range and professional consulting services for corporate plans and strategic issues.

**Corporate Banking and Institutions**

| | 2001 |
|---|---|
| Equity tied-up (€ m) | 5,755 |
| Return on equity | 10.8% |
| Cost/income ratio | 49.4% |

We want to ensure that business opportunities for investment-banking products are better exploited, particularly as regards larger SMEs, through the close meshing of Corporate and Investment Banking. Here we set great store by the close customer contact maintained by our branches on the spot and the support of the investment-banking specialists from head office.

### Multinationals looked after on a sectoral basis

The Multinational Corporates department is organized into altogether 17 sectors. Roughly 200 German and foreign companies with annual turnover of more than €5bn are looked after directly by the management board member responsible for the relevant industry, in order to guarantee a close relationship of trust between client and bank at the level of top management.

### *Mittelstand* internet portal
Starting at mid-year, we will offer SMEs an internet portal. By integrating key functions such as account management, payments and investment transactions, we are providing access to these banking products independently of office hours. At the same time, we want to give the users of this internet portal access to valuable financial and sectoral information, as well as the latest news and share prices. We will create added value by working with selected external partners who will complement the portal's range of services with bank-related products.

### Public sector ever more important
For the public sector, which is covered by Corporate Banking, we also offer specially tailored solutions – with an encouraging response. For instance, our specialists develop proposals for active debt management by municipalities and communal enterprises. We have modern investment-banking and corporate-finance products to offer communal areas in which liberalization is making rapid progress.

### Dynamic growth of company pension schemes expected
The new statutory provisions for improving company pension schemes are making it necessary for many companies to modify and adjust their existing models.

In conjunction with professional partners, Commerzbank offers sound advice in all matters related to the management of old-age provision. The focus here is on comprehensive all-inclusive solutions rather than isolated products. Our range covers:

- company pension arrangements
- fund models organized by employers for private provision by employees
- financing of flexible working-time models and protecting them against bankruptcy.

Together with Höfer Vorsorge-Management GmbH & Co. KG, we have formed Pensor Pensionsfonds AG, which will secure for SMEs in particular the advantages of professional and reasonably-priced provision for their staff, also making it possible to transfer provisions for pensions that are shown in the balance sheet.

### Structured financing
The positive trend continued in medium to long-term export financing. Despite the difficult economic situation, we maintained our position well, especially in aircraft and ship financing.

In Europe, we won several contracts to act as arrangers, thanks to our long experience in the area of transport, utilities and telecommunications. An innovative financing transaction in Poland earned us the title "European transport deal of the year" from the specialist press. External rating lists show Commerzbank among the first ten banks worldwide in the financing of power station projects.

The stronger integration of corporate and investment banking has enabled us to respond to the changing needs of our clients with creative capital-market and treasury products. For this purpose, we have increased the number of advisers in our branches.

### New service in documentary foreign commercial business

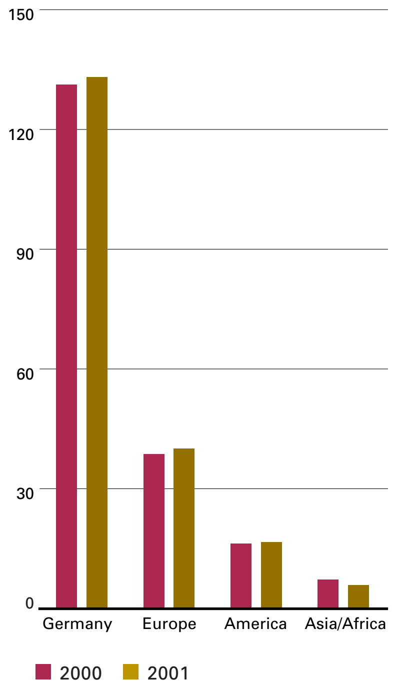
For those of our firms with extensive documentary foreign commercial business, we introduced a new internet-based service last year, top@doc. Drawing upon case studies, this service deals every month with different current problems relating to letters of credit, collections and guarantees, providing concrete tips and recommendations. top@doc also makes it possible to have direct contact with our transaction-management specialists. This new product is complemented by an e-mail service, making potential users aware of the current topic under focus.

## Financial Institutions department

Relations with international banks, other financial institutions and countries are the responsibility of the Financial Institutions department. Commerzbank is well-positioned in this area.

Thanks to our existing contacts with roughly 6,000 banks worldwide, we are also able to help our corporate customers with their international business. Once again, this enabled us to play a significant role in handling the financial side of Germany's external trade, where we have a market share of just over 16%.

**Geographical spread of risk-weighted assets**
according to BIS, Commerzbank Group, in € bn




### Launch of euro cash a special challenge

One of our special activities in 2001 was to inform and provide active support for our customers – outside the eurozone as well – in connection with the introduction of euro notes and coins. All told, we supplied 90 foreign banks with euro cash. We asserted our position as a leading clearing bank in the euro-clearing systems Target, EBA and RTGSplus.

### Worldwide presence

Through its foreign branches, Group companies, representative offices and major holdings abroad, Commerzbank maintains a global distribution network, with a clear focus on its home market, Europe. We currently have a direct presence in 43 countries.

Over the past decade, our strategic priorities have included the construction of a network of outlets in Central and Eastern Europe. To complement our activities based on BRE Bank in Poland and operative units in the Czech Republic,

***/ ideas ahead /***
That's how to do it!
A functioning suggestions scheme – from the practical level for the practical level – puts us ideas ahead, even without major projects.

Hungary and Russia, Commerzbank took up an interest, together with other international financial institutions, in Micro Enterprise Bank Kosovo. In the meantime, we participate in similar institutions in Yugoslavia, Bulgaria and Georgia.

Last year, our operative units in Central and Eastern Europe once again produced excellent results. BRE Bank, in which we have a 50% interest, is Poland's fifth-largest listed bank but ranks second in terms of profits. Its return on equity reached 16.5% and averaged almost 30% over the past five years. The bank has proved that, thanks to its great flexibility and good market position, it can compensate for weaker performance in one area by extra earnings in others. An especially positive development was registered by its internet subsidiary, mBank, which already had 190,000 customers by year-end. Multibank, which looks after wealthy private and smaller business clients, represented another new innovative distribution channel in 2001.

Our subsidiary in Budapest, Commerzbank (Budapest) Rt., managed to practically double its profit last year. The bank is now offering more services for Hungarian SMEs. It is also active in investment banking, now that forint transactions have been liberalized.

As part of the consolidation announced under the CB 21 project, we have concentrated our entire Asian activities outside Japan, above all the trading and IT functions, in the form of Commerzbank Asia-Pacific on Singapore. In addition to the already launched measures, we converted the Mumbai branch into a representative office and raised our interest in Bank Finconesia in Jakarta. We have also substantially reduced our personnel capacity in Asia.

## Securities department

**Securities department**

| | 2001 |
|---|---|
| Equity tied-up (€ m) | 1,256 |
| Return on equity | 5.3% |
| Cost/income ratio | 103.6% |

The Securities department has further refined its model of a Europe-wide investment bank with global reach. With an operative presence in the key financial centres, it has built up its business step by step over the past few years, starting with equities. Subsequently, the areas of fixed income and mergers & acquisitions were integrated. Now, corporate finance has to be built into this global platform.

### In a difficult environment

Last year, investment-banking activities had to cope with extremely difficult market conditions. IPOs were especially hard hit by the weakness of the stock market. However, the development of bond business was encouraging. We see it as positive that the structure of earnings now reveals a more balanced regional pattern.

### *Mittelstand* increasingly seeks capital-market solutions

We offer the larger and mid-sized companies that we serve in Germany and elsewhere in Europe a modern and broad range of corporate-banking, equity, bond and derivative products as well as extensive consulting services. The integrated approach is intended to produce a perceptible improvement in earnings. In the meantime, our investment-banking unit has been recognized and also accepted by the market. This is due, among other things, to its 190 analysts. In the prominent Extel survey of European equity research, our team was given a good ninth place. In each of the categories asset-backed securities, support services, structured products & convertibles, quantitative analysis and technical analysis for bonds, we were even awarded first place.

Despite the acute weakness of the *Neuer Markt* and the other European stock markets, we achieved fairly good performance in the equity capital markets area. We believe that we are well-positioned, therefore, to benefit to a disproportionately great extent from a future market rebound. Tax reform in particular should trigger a number of capital-market transactions by German companies.

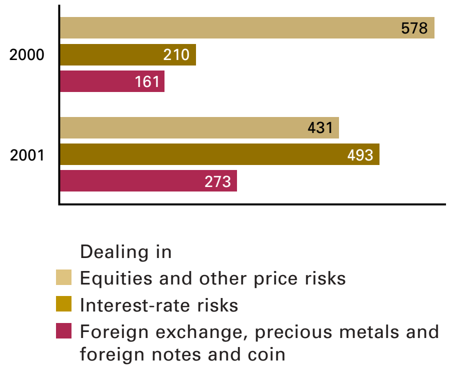
### Boom in bond segment

Unlike equity markets, bond business flourished last year, producing a wave of new issues. Above all, we improved our position considerably with German companies, lead-managing more than 9% of all offerings denominated in euros. We also defended our leading position in European jumbo *Pfandbriefe*, and registered a sharp increase in medium-term notes. We were also very active in issuing equity-linked bonds and convertible bonds.

Despite the weaker market environment, we continued to expand our M&A operations. One important mandate was to advise RWE in its acquisition of Transgas. We have already received several interesting commissions for the current year.

In derivatives business, particularly equity derivatives, we achieved a substantial profit contribution in 2001. One of our special strengths continues to be the products for private customers. Measured in terms of market shares for warrants, we ranked first in Brussels and Amsterdam, fifth in Paris and seventh in Germany. Encouraged by these successes, we began to trade our own warrants in Spain, Sweden and Italy in the course of the year.

**Commerzbank Group's trading profit**
in € m




## Treasury and Financial Products department

2001 was the department's best year to date. Even in special areas such as trading in precious metals and banknotes, we registered an encouraging development.

By systematically refocusing our business in good time on currencies other than the euro, we were even able to overcompensate for the loss of important trading opportunities caused by the introduction of the euro. Our important market position was also underlined by the changeover to euro cash. Commerzbank is one of the foremost institutions in European dealings in foreign notes and coin.

**Treasury and Financial Products department**

| | 2001 |
|---|---|
| Equity tied-up (€ m) | 624 |
| Return on equity | 58.2% |
| Cost/income ratio | 33.1% |

### Concentration in forex dealing

In order to tighten up our operations, we have concentrated all our Asian foreign-exchange dealing activities in Singapore, while sales activities remain decentralized. The next steps which we plan are an even stronger concentration of trading on a few leading global centres, combined with an unchanged broad deployment of our sales capacity.

One outstanding event was the move in late summer to the new trading centre in Frankfurt, the largest of its kind in Europe. By assembling all the trading sections under one roof – including equities, bonds and derivatives, in addition to foreign exchange – we have greatly improved internal communication and interaction.

The enthusiasm that prevailed at many banks a year ago about the introduction of e-commerce has given way to a more sober assessment. We believe that internet-based business models will thrive only in selected areas. For this reason, we are concentrating on individual, promising products such as the ComForex trading platform for our commercial clientele. Since last November, our business customers have been able to trade with us directly via this platform.

## Real Estate department

Our Real Estate department comprises CommerzLeasing und Immobilien AG (CLI), Germany's largest property-leasing company, and Commerz Grundbesitz-gesellschaft mbH (CGG), where all of the real-estate fund activities are bundled that are subject to the capital investment legislation.

### Record result for CLI group

The earnings of the CLI group, advancing by 7% in a difficult environment, were again very encouraging. Its return on equity is over 50%.

Real-estate leasing and real-estate projects generated new business of €1.3bn, giving the CLI group a leading market position again. Its subsidiary CFB Commerz Fonds Beteiligungsgesellschaft acquired new business worth €387m. Among foreign investments, the International Financial Tower in New Jersey should be mentioned, a project with an overall volume of US$169m extending the prospect of a sizeable increase in value.

Commerz Immobilien (CIMO) concluded various project developments last year. CommerzBaumanagement handled investment projects in the commercial and communal segments. COMUNITHY Immobilien AG, a joint venture with ThyssenKrupp Immobilien formed in 1999, has acquired another stock of 1,000 apartments and has become involved in three project developments. In the leasing of moveable goods, new contracts amounting to €518m were concluded.

### CGG group successful

Commerz Grundbesitz-Investmentgesellschaft manages the open-ended property fund Haus-Invest, for which 2001 was the most successful year in its almost 30-year history (see page 13).

One of the innovations in terms of organization was the formation of Commerz Grundbesitz-Spezialfonds Gesellschaft, which is in charge of business involving non-publicly-offered real-estate for institutional investors and has developed successful market activities in the meantime.

# Group companies and equity participations in the Corporate and Investment Banking division

## Corporate Banking department

| | | |
|---|---|---|
| **BRE Bank SA** | Warsaw | 50.0% |
| **Commerzbank (Budapest) Rt.** | Budapest | 100.0% |
| **Commerzbank (Eurasija) SAO** | Moscow | 100.0% |
| **Commerzbank (Nederland) N.V.** | Amsterdam | 100.0%[2] |
| **Commerzbank International (Ireland)** | Dublin | 100.0%[2] |
| **Commerz (East Asia) Ltd.** | Hong Kong | 100.0% |
| **P.T. Bank Finconesia** | Jakarta | 51.0% |
| **Banque Marocaine du Commerce Extérieur, S.A.** | Casablanca | 10.0% |
| **Majan International Bank SAOC** | Muscat | 15.0% |
| **Unibanco – União de Bancos Brasileiros S.A.** | São Paulo | 8.7%[1] |

## Securities department

| | | |
|---|---|---|
| **CBG Commerz Beteiligungsgesellschaft Holding mbH** | Bad Homburg v.d.H. | 100.0% |
| **Commerzbank Capital Markets Corporation** | New York | 100.0% |
| **Commerzbank Capital Markets (Eastern Europe) a.s.** | Prague | 100.0% |
| **Commerz Securities (Japan) Company Ltd.** | Hong Kong/Tokyo | 100.0% |

## Real Estate department

| | | |
|---|---|---|
| **Commerz Grundbesitzgesellschaft mbH** | Wiesbaden | 100.0% |
| **CommerzLeasing und Immobilien AG** | Düsseldorf | 100.0% |

## Treasury and Financial Products department

| | | |
|---|---|---|
| **Commerz Futures, LLC** | Chicago | 100.0%[1] |

1) The Parent Bank holds some of the interest indirectly.
2) The Parent Bank holds the interest indirectly.

# commerzbank worldwide

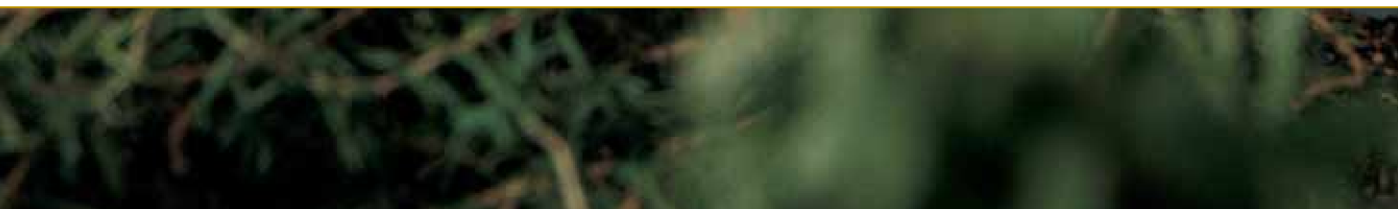


Foreign branches
Representative offices
Group companies and major foreign holdings

***/ ideas ahead /***

"Networking helps your career" – this also holds true for the women from Courage, Commerzbank's women's network.

**Jutta Frost, Transaction Banking, Petra Eberlein-Kemper, project office for CB 21 & cost-cutting offensive, Nikola Köller, Corporate Banking, Barbara David, Human Resources, Karin Goldstein, Transaction Banking (from left to right)**



# staff and welfare report

In view of the abrupt changes in market conditions, we also had to make a rapid adjustment to our human-resources policy. Whereas in the first few months of last year, there were still signs of expansion in some business lines, we countered the negative business trend in May by means of a recruitment freeze and in October with the decision to shed roughly 3,400 jobs.

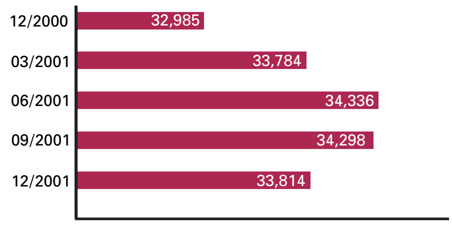
## Cost-cutting offensive

In order to achieve the first savings in personnel costs within the 2001 financial year, individual salary measures were suspended and the so-called Christmas bonus was reduced, except in the case of the lower brackets of collectively negotiated salaries.

Our motto in implementing staff reduction is to enact all the measures swiftly, within a reasonable cost framework and, last but not least, in a socially acceptable manner. For this purpose, a number of possibilities and instruments have been worked out. They range from individual and collective shortening of the hours worked, via far more recourse to the Group's internal labour market, the selective use of normal staff turnover, measures to improve staff qualifications, early retirement and part-time work models for older staff, to individual and group outplacement of personnel. In addition, we have agreed upon a support programme with Adcom, our company for temporary personnel and outplacements.

Based on this catalogue of measures, Commerzbank and its employee representatives reached internal agreement on concrete steps allowing rapid implementation. One core aspect of this agreement is to dispense with dismissals until end-2003, insofar as the shedding of jobs proceeds on the agreed time-scale. Certain criteria will be applied on June 30, September 30 and December 31 of this year to check whether developments are running according to plan. The Bank will only resort to dismissals in order not to endanger the implementation of the job reductions. At this point, we wish to thank the staff council. What was achieved in the agreement represents professional, partner-like and constructive cooperation even in a difficult phase.

**Changes in permanent staff, 2001**
Commerzbank Group




As earnings were expected to expand further, we planned another increase by 3,004 full-time staff at Group level in 2001. Due to the recruitment freeze imposed at mid-year as part of the cost-cutting offensive, however, our permanent staff expanded by only 829 full-time personnel in the course of the year. While a rise of 1,351 was registered in the first half of the year, the number of permanent staff contracted by 522 in the second half.

## Variable, performance-linked remuneration

A prominent feature of good remuneration systems today is their flexibility. They have to be capable of responding quickly and reliably to changed market conditions and adjusting to the strategic goals of the company. At the same time, they are an important factor in the attractiveness of a company like Commerzbank as an employer. With our profit and performance-oriented remuneration, we have developed a reliable and modern system of remuneration which meets these requirements. Variable components based on a performance-linked target bonus system complement the basic remuneration of our employees and, together with our additional benefits, ensure attractive and market-related compensation. The risks and rewards for employees and Commerzbank

### Data on Commerzbank's personnel*)

| | 2001 | 2000 | Change in % |
|---|---|---|---|
| **Total staff Group** 1) | **39,481** | **39,044** | **1.1** |
| **Permanent staff Group** 2) | **36,053** | **35,599** | **1.3** |
| **Total staff Parent Bank** 1) | **30,021** | **29,611** | **1.4** |
| including: based abroad | 2,552 | 2,386 | 7.0 |
| including: trainees | 1,651 | 1,639 | 0.7 |
| **Permanent staff Parent Bank** | **26,693** | **26,538** | **0.6** |
| Years of service | | | |
| more than 10 | 50.77% | 48.30% | |
| more than 20 | 22.20% | 21.30% | |
| Staff turnover 3) | 5.60% | 6.20% | |
| Total pensioners and surviving dependants | 10,892 | 9,718 | 12.1 |
| including: those retiring during the year | 519 | 498 | 4.2 |
| those entering early retirement | 182 | 138 | 31.9 |
| Older staff on part-time scheme | 235 | 257 | –8.6 |

*) Actual number employed; 1) including local staff in representative offices and cleaning and kitchen personnel, excluding staff on maternity leave and long-term sick; 2) employees, excluding trainees, junior executive staff, temporary staff, volunteers, cleaning and kitchen personnel, staff on maternity leave and long-term sick; 3) due to staff giving notice.

alike are fairly balanced. In good times, employees share in the company's success. Commerzbank, for its part, retains the option of adjusting the variable components of remuneration accordingly in bad times.

### Constant development of executive personnel

Our executive personnel are especially important for the success of our company, above all in connection with the measures introduced to reduce costs. Accordingly, we set great store by the careful selection and qualification of our executives and have extended the special qualification programmes for the first three management levels (management circles A to C). The number of staff participating in the selection procedure for management circle C (qualification for level-three managerial duties) was about as high as in the previous year, at 268.

77 employees took part in the selection procedure for management level B (second level of management), 14% of them women. Management circle A has continued to grow in significance; currently, it consists of 24 people, twelve of whom have already taken over a top-level managerial position, either in Germany or elsewhere. Internationally, too, the management-circle system is meeting with ever stronger acceptance. This holds especially true for the international management circle C, which was offered last year in London and Frankfurt.

### The Commerzbank Feedback System

In order to use other sources in addition to employee assessment, we have developed the Commerzbank Feedback System. This is an anonymously run online questionnaire relating to the assessment of a person. The questionnaire draws upon several sources: assessment of people by their superiors, by colleagues, other staff and customers. In specialist jargon, this method is known as 360° assessment.

Studies show that such a system encourages employees to focus on results and increases their motivation. As part of a pilot project, a central segment of the Commerzbank Feedback System is initially being realized in the Kiel main branch, which was the instigator of this project.

**Company pension scheme facing fresh challenges**

Together with the central staff council, we implemented the new statutory regulations for promoting company and private provision for old age at the end of the year. Since end-November, our employees can find detailed information on the Bank's intranet with regard to the scope for voluntary self-financed provision for old age incorporating the so-called "Riester promotion".

**More attractive as an employer**

In order to make it easier for women staff to move into executive positions, we have supported the "CrossMentoring" project, together with Bosch, Deutsche Bank, Deutsche Telekom, Fraport, Lufthansa, Merck, and Procter & Gamble. Mentoring is a process in which a mentor supports the career and development of a female mentee outside the normal superior/subordinate relationship; under cross-mentoring, this occurs across company boundaries.

So that career and family can be more easily combined, the childcare unit Kids & Co was created. This is an institution in Frankfurt specializing in looking after the children of employees spontaneously on a short-term basis. This first project nationwide has also met with a decidedly positive response on the part of the public.

We are the first German company to offer an internet-based virtual career advisory service for university graduates. By means of "Hotstaff", interested visitors become acquainted in the virtual Commerzbank high-rise building with the demands of and benefits provided by Commerzbank as an employer and learn to assess their specific abilities. The number of visitors went up by 30% to 32,000 last year, and the response was highly positive.

We thank the local staff councils, the central staff council and also the senior staff spokesmen's committee for their constructive cooperation. We also wish to thank all our active employees, as well as those who retired in the course of the past year. Their commitment, their skill and their identification with the Bank played a major part in keeping Commerzbank on course, even though the overall conditions in recent months were very unfavourable in this respect.

Our special thanks is extended to all those employees in the branches and at head office whose great efforts helped ensure a smooth changeover to euro notes and coins.

*/ ideas ahead /*

Courage enables women to swap experience and information, to try out new functions inside the network, and it also encourages them to take over responsible positions within the Bank. Female staff from head office, the branches and Group subsidiaries play an active role in Courage.

***/ ideas ahead /***

We want to make an authentic and credible impression. Only then will investors commit themselves on a long-term basis. New communications systems create additional scope. This will give us more time in future for personal discussion.

**Jürgen Ackermann, Head of Investor Relations, with Simone Nuxoll, Mary Wong-Sommer and Dr. Ingolf Hegner (from left to right)**

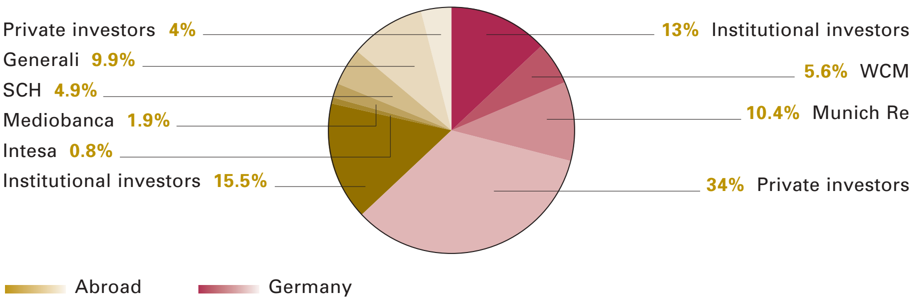
# our share, strategy and outlook

In the past financial year as well, we maintained intensive communication with shareholders and potential investors. By taking part in numerous investor conferences, through meetings with analysts and investors, some of which were readily accessible via internet for those interested, Commerzbank strengthened its contact with professional market participants. At the same time, we increased the number of conference calls and also our one-on-one and group discussions. By adding to the range of information which we provide via internet, we have acknowledged the great interest of private investors, which we also register in the form of e-mail enquiries. This medium gives us the opportunity to make information on Commerzbank available to all groups of investors simultaneously.

It is our goal to provide all market participants in Germany and elsewhere with a reliable information base for their investment decisions. The fact that we are on the right course here is underlined, among other things, by the business journal Capital's analysis of the information content of the annual reports of all German financial institutions. In this survey, conducted in mid-2001 by a prominent consulting firm, Commerzbank was awarded first place. With the first-time application of IAS 39 in connection with our overall accounting, we have met the demand for even greater transparency.

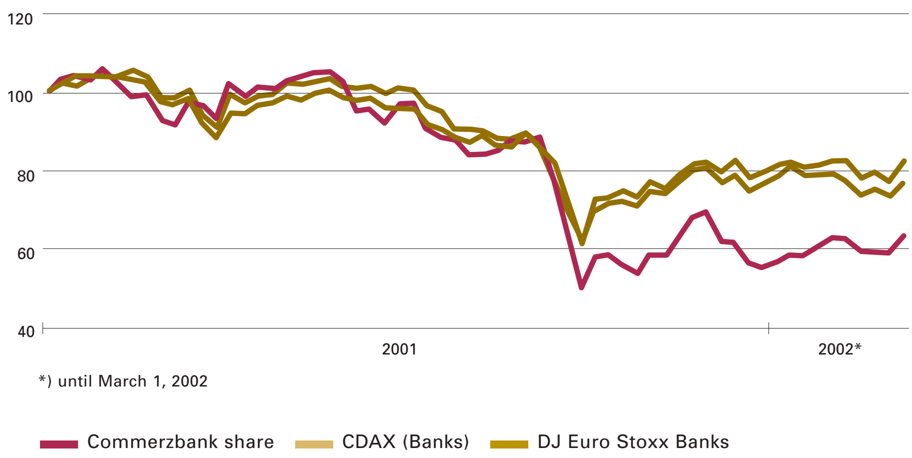
Despite these more intensive communication activities, the Commerzbank share price was unable to shrug off the general weakness of the stock market. In the course of the year, the Commerzbank share forfeited 43% of its value. The final Xetra quotation of the year was €17.47. Our share managed to recover by only just under 25% from its annual low of €14.08, triggered by the tragic events of September 11 in the U.S. In the development during the final quarter of 2001 and the continuing recovery since the start of this year, we see positive signs for a sustained rise in our share price. With our modified strategic positioning, improved operative earnings figures and a communications policy that remains frank and open, we are working to ensure that this trend is maintained.

**Commerzbank's 361,000 shareholders**
share of capital held
(as of March 2002)



**Performance of the Commerzbank share**

End-of-week figures, January 2001 = 100




In a year-on-year comparison, the trading volume of the Commerzbank share also declined in line with its price performance last year. The 504m Commerzbank shares that were traded represented about 1.6% of the overall turnover in the shares of German listed companies. One striking feature is the especially lively trading in Commerzbank shares during the first quarter. We look upon the decline in subsequent quarters as an indication that now more and more investors with a longer-term orientation are holding Commerzbank in their portfolios.

Last year, our CB 21 programme to boost earnings did not produce the successes that we had imagined when it was implemented. The reason for this was feeble economic performance which could not have been expected on this scale. All the same, we are convinced that the central points of this programme are valid. That is why we are quite systematically realizing them.

In particular, the restructuring of our business activities into two divisions, Retail Banking and Asset Management, on the one hand, and Corporate and Investment Banking, on the other, is proving to be increasingly successful in exploring synergies between business lines. In the future, we will further strengthen our focus on Germany, where we serve our private and business customers on a nationwide basis. In addition, we are quite consciously targeting the European and North American markets in our corporate business.

Alongside this concentration on geographical regions and target groups, we will gear our product range more strongly to the needs of our customers. Our data-based marketing platforms, now available to our account managers for both retail and individual customers, are assisting us in this respect. Due to the wealth of information on our customers generated by this system, we are now in a far better position to channel the needs of our clients into selected business activities.

Another pillar of our strategic positioning in private-customer business is our cooperation with the German subsidiaries of the Italian Generali insurance group. Here, more quickly than planned, workplaces have been set up at our branches for insurance experts.

The successful meshing of commercial business and investment banking continues to be of cardinal importance. In the case of our *Mittelstand* and large corporate clients, this task has been entrusted to the regional board members appointed at the start of this year. The creation of this level of management underlines the Bank's intention to pursue this business model swiftly and successfully. Early experience with our corporate customers has proved to be highly encouraging.

## Cost-cutting offensive supports turnaround

To complement our CB 21 programme for boosting earnings, we launched our cost-cutting offensive in mid-2001. In the meantime, this has developed into a five-point programme, also comprising the credit-portfolio check and price-offensive projects, as well as personnel measures. We are convinced that this overall package will produce the turnaround which Commerzbank needs.

Apart from the reduction of the branch network, envisaged by CB 21, from an original 945 at end-2000 to 781 offices, we have resolved to remove another 50 branches. We will implement this measure in the course of 2002.

In asset management, we are reorganizing the corporate centres and bundling the settlement functions of the individual companies.

In investment banking, we are reducing front and back-office IT expenses, streamlining business processes and aiming for further automation in the settlement of securities transactions.

At the same time, primarily in transaction banking and information technology, we will quite consciously replace expensive external personnel by our own staff. In these areas, more than 2,000 external personnel were active for the Bank at year-end.

## Higher creditworthiness thanks to credit-portfolio check

Even this year, the third point of our turnaround programme, the credit-portfolio check, should have a positive impact on our risk management. The aim of this measure is to limit provisioning, which last year amounted to roughly 0.4% of total lending. We will examine our credit portfolio exhaustively for special risks, the appropriate collateral and adequate margins. What is new is that the examination is taking place at various hierarchic levels, depending on the size of the Bank's exposure.

Parallel to the credit-portfolio check, we are taking a critical look at all our products and services and will make use of possible existing scope if their pricing is unsatisfactory.

## Personnel measures produce surge in creativity

Another point in our programme relates to various personnel measures. The appointment of regional board members has presented our top *Mittelstand* and major corporate customers as well as our sophisticated private clients with inter-

***/ ideas ahead /***

Investors want to be well informed at all times. That is why we are reorganizing and further extending the service which we provide – above all, via internet. The live internet transmission of events, such as analysts' conferences, is already a firmly established part of this service.

nationally experienced business associates, who can give them support with their strategic decisions. We have also appointed new heads for several departments. We look to them to generate fresh ideas and a great deal of creativity in exploring new and interesting groups of customers.

**Fresh strategic orientation complements action on earnings and costs**

Both the cost-cutting offensive and our programme to boost earnings are showing the first effects. However, the entire five-point programme is not enough to take us much closer to our long-term target of 15% for our return on equity. We have therefore resolved further measures, which will be implemented in the course of this year. We refer to these under the collective heading "fresh strategic orientation".

As a first point, we have decided to sharpen the strategic profile of the Bank as a whole. For one thing, this means that distribution and production will be separated more strictly – a concentration on adding value in distribution – and, for another, our new external slogan "Ideas ahead". This communication campaign underscores our intention to encourage competition in ideas on behalf of our customers and between our employees.

Secondly, we are going to reposition asset management strategically. In order to achieve cost synergies, we combined our German units for institutional business, Commerzinvest for German and CICM for international clients, at the end of last year. If necessary, we will have to dispose completely of less profitable units or those which do not fit in with our strategy.

In retail banking, our target-group and distribution-channel strategy is to be adapted to changed market conditions and customers' needs. This also applies to our direct broker comdirect, which will concentrate in future more strongly on the core region Germany. The exception will be the UK, where comdirect UK plc, on current planning, will reach break-even point next year.

In addition, we are also examining various possibilities to cooperate with others in transaction banking. It is probably only in this way that permanently low prices – which are consequently in line with the market – can be realized for standard services.

We have made more efficient steering of the Bank as a whole the third point of the new strategic orientation. Financial controlling will be further expanded; this includes the deployment of reliable instruments for measuring the performance of individual business lines.

**Commerzbank's strategic thrust**

In Germany, Commerzbank will continue to strengthen its position as the efficient bank for demanding private customers. For this purpose, we are expanding our individual-customer and private-banking activities. At the same time, we believe it is important to focus asset management on the requirements of distribution and less on production.

In corporate business, we will step up the development of investment-banking products for larger SMEs and major corporates. Today, 39% of *Mittelstand* firms have an account with Commerzbank and we intend to raise this share to become the top German bank for successful SMEs.

## Earnings outlook for 2002

Our earnings performance in the current year will largely depend upon the economic setting and the stock markets. We assume that, thanks to the perceptible interest-rate cuts of the European Central Bank and the marked year-on-year drop in crude oil prices, the mood of German companies and consumers will brighten. The latest economic data from the United States are also positive and show that the recession had bottomed out by end-2001.

All told, we believe that gross earnings will increase only marginally this year. As we firmly assume that Rheinhyp will be removed from the list of consolidated companies, a slight improvement in net interest income could be considered a successful result. Here the positive impulses should come from a widening of the average interest-rate margin. We do not think that any relief will be forthcoming on the provisioning front, unless our main target group, German *Mittelstand* companies, rapidly regains momentum.

We expect our net commission income to register a double-digit percentage increase on 2001. The decisive factor will be how quickly the faith of our customers in the securities markets is restored. However, in our planning, we envisage further positive effects from the CB 21 project and the price offensive. As announced at end-2001, we want to hold our operating expenses at about €5.5bn. We are confident that the systematic implementation of the measures under our cost-cutting offensive will yield this result.

We cannot be satisfied with the budgeted pre-tax profit of between €700m and €800m. These conservatively calculated figures do not contain any income from possible disposals of investments. In addition, the removal of Rheinhyp from the list of consolidated companies should yield a three-digit million figure in the form of a tax-exempt gain.

Earnings performance in 2002 will certainly point in the right direction. However, it will be no more than an interim stage on the way back to the Bank's former earnings strength.

## Key Commerzbank dates in 2002/2003

| | |
|---|---|
| May 8, 2002 | Interim report as of March 31, 2002 |
| May 31, 2002, 10.00 a.m. | AGM, Jahrhunderthalle Frankfurt am Main-Höchst |
| August 8, 2002 | Interim report as of June 30, 2002 |
| November 12, 2002 | Interim report as of September 30, 2002 |
| November 13, 2002 | DVFA Analysts' conference, Frankfurt am Main |
| Early February 2003 | Key financial figures for 2002 |
| April 1, 2003 | Press conference for 2002 results |
| Early May 2003 | Interim report as of March 31, 2003 |
| May 30, 2003 | AGM, Jahrhunderthalle Frankfurt am Main-Höchst |
| Early August 2003 | Interim report as of June 30, 2003 |
| November 11, 2003 | Interim report as of September 30, 2003 |

All the major Commerzbank news items are also available from "Investor Relations" on our homepage: www.commerzbank.com.

*/ ideas ahead /*

"No one in the world feels as insecure as a person who never takes a risk." (Bertrand Russell)
Banking involves risk. In order to monitor and manage risk properly in an ever more complex environment, you must constantly question the status quo and have fresh ideas.
**Stefan Michel and Françoise Balança, Risk Control**

# risk report

## Overview



## Risk strategy and risk-management organization

### Strategy and goals of risk management

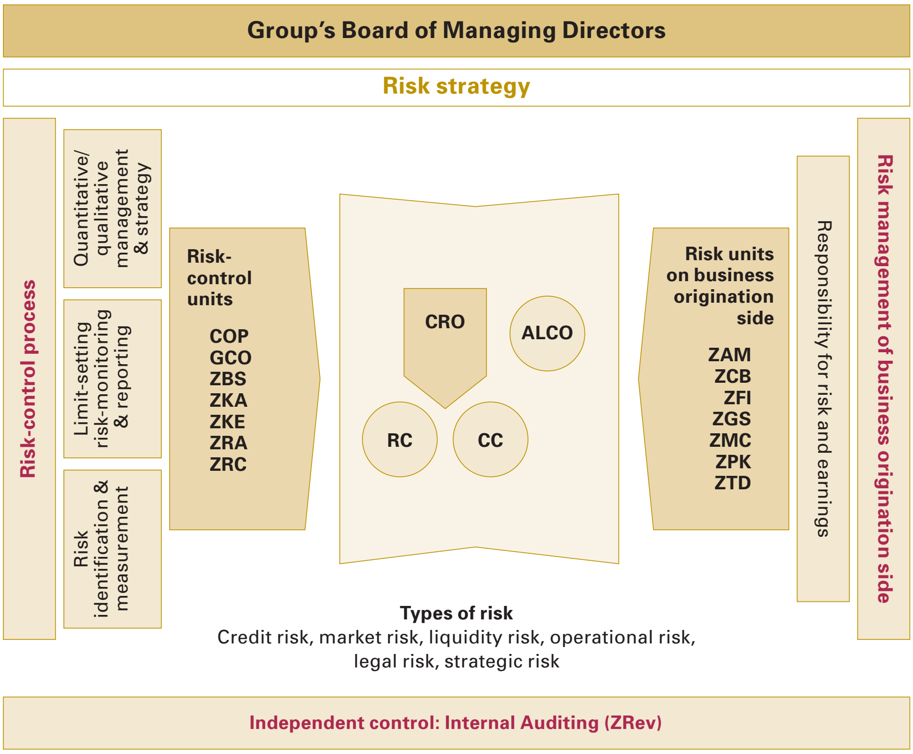
The key pillars of our risk strategy are to identify, measure and monitor all the risks of the Commerzbank Group in the sense of a control loop and to integrate the information gained as a result into a risk/earnings-based management system for the Bank as a whole. The main object is to limit the risks relating to the generation of income by means of risk-policy guidelines and limit structures, thus protecting the Bank from unexpected burdens.

In order to achieve this, a transparent and prompt flow of information to decision-makers is essential, enabling them to weigh up the risks against the rewards. In addition to its central function of preparing and making available information, monthly risk reporting for the entire Bank ensures that previously determined limits are monitored at the highest level of decision-making. This forms the basis, therefore, for managing the outlined risks, taking into consideration both the earnings achieved and the regulatory requirements.

### Organization of risk management

The internal control and management of risk is the responsibility of Commerzbank's risk-management organization, whereby we understand risk management in the broader sense as all the appropriate measures for managing risks. The risk-control process, i.e. risk management in the narrower sense, comprises the identification, measurement, limitation, monitoring, reporting and steering of risks.

## Organization of risk management




The risk-policy guidelines are laid down by the Group's Board of Managing Directors. As a member of this body, the Chief Risk Officer (CRO) has direct responsibility within the framework of the risk-management organization for the Risk Control (ZRC) and Credit Risk Management (ZKA) staff departments. He is responsible for implementing the risk-policy guidelines throughout the Group. Special committees have been set up to bundle and monitor decisions relevant for risk, and these support the Group's Board of Managing Directors in their decision-making.

The Risk Committee (RC), chaired by the CRO, primarily deals with all topics related to market risk, operational risk and the Bank's overall risk situation. The New Product Committee (NPC), a sub-committee of the Risk Committee, is made up of representatives of various trading units and service departments and is chaired by the head of the Risk Control department. It is responsible for approving and introducing new products and markets.

Within the overall hierarchy of loan approval powers, the Credit Committee (CC), similarly chaired by the CRO, decides by taking ratings into consideration all of Commerzbank's lending commitments up to 2% of its liable equity and also issues a recommendation on all the credit decisions to be taken by the Board of Managing Directors.

The Asset Liability Committee (ALCO), chaired by the management board member responsible for treasury, determines the Bank's interest-rate strategy as well as its asset/liability and liquidity position.

**Risk-control process**

The risk-control process at Commerzbank is entrusted for all types of risk to the COP (head of Credit Operations Domestic Private Customers) and the GCO (head of Global Credit Operations), as well as to the units ZBS (Accounting and Taxes), ZKA, ZKE (Strategy and Controlling), ZRA (Legal Services) and ZRC.

With its globally-oriented organization, the *Risk Control* department plays a key role in implementing the risk policy established by the Board of Managing Directors. Apart from creating risk transparency and controlling the Commerzbank Group's overall risk, aggregated for all the different types, it is committed to developing an even more sophisticated risk and earnings-oriented management for the Bank as a whole. This entails working out economic capital in connection with the calculation of risk-taking capability and subsequently assigning the various types of risk to the respective business lines.

As part of this calculation, the Group's overall risk is set off against the economic capital for covering risks. The purpose of this comparison is to ascertain whether the Bank is in a position to cope with potential unexpected losses. In order to distinguish it from other concepts of capital used in accounting, the calculated overall risk is also referred to as economic capital, as it is economically necessary for cushioning unexpected fluctuations in results. For all types of risk, the economic capital relates to a period of twelve months per balance-sheet date and also to a confidence level of 99.80%, reflecting Commerzbank's target rating of Aa3.

The core functions of ZRC within the risk-control process include both the daily calculation, analysis and reporting of market risk and also its pro-active control. In addition, its main duties comprise the development of guidelines and procedures for dealing with market, credit (credit value-at-risk) and operational risk, and also the conception of methods for calculating these.

Apart from implementing supervisory requirements (on the topic of risk), ZRC concentrates on preparing information for the Board of Managing Directors and producing quantitative risk analyses and key ratios for steering trading positions. At the same time, ZRC also performs an internal advisory function on all risk-relevant issues.

Primary responsibility for all credit risk is borne by the CRO. The central credit function lies with the *Credit Risk Management* department, which helps the banking departments optimize the credit portfolio in terms of credit risk and is responsible on a Group-wide basis for managing credit risk, taking into account the largely distribution-oriented activities of the banking departments. Observing the statutory provisions, ZKA is primarily responsible for credit-portfolio management as well as measuring and monitoring credit risk, including the formation of adequate provisions. Its duties also include the formulation of general guidelines for analysing and deciding individual lending commitments, as well as preparing a borrower-unit-related decision on all major commitments.

***/ ideas ahead /***

The supervisory requirements will make our risk-management methods even more professional, while narrowing the gap between economic and regulatory capital.

In accordance with the German Banking Act, credit risks are pooled on a borrower-unit basis for the entire Commerzbank Group and monitored by country, business line, rating class, sector and target group (e.g. *Mittelstand*) on a portfolio basis. Loans involving enhanced risks or problem credits are managed by intensive-treatment units, responsible for either Germany or other countries. Credit risk in investment banking is calculated and monitored by a separate section of the department.

With a view to greater efficiency and the "Minimum requirements for the credit business of credit institutions" (MaK), the operative credit function in the corporate and retail-customer segments is being restructured.

In the case of corporate business, the credit analysis and approval function (operative credit function) is entrusted to a "head of Global Credit Operations" (GCO), and for retail business in Germany to a "head of Credit Operations Domestic Private Customers" (COP). GCO and COP report directly to the Chief Risk Officer who is a member of the Board of Managing Directors; they manage branch credit business within the framework of the established guidelines and credit approval powers. In domestic corporate business, the GCO is supported by four regional credit officers (RCO), who assume responsibility for the area covered by the four regional board members and to whom the heads of credit at main-branch level, with their staff, directly report. In retail business, the COP will be in charge of six regional credit officers in future. These will manage six credit centres, at which the credit function in retail business will be regionally concentrated. By end-2002, all of the other operative credit functions (abroad, IB credit, financial institutions) will have been placed under the charge of the CRO.

#### Risk-management process

Risk management in the narrower sense – risk-steering – is handled for the various types of risk by the relevant trading units: ZGS (Securities), ZTD (Treasury and Financial Products) and ZAM (Asset Management), and also by ZPK (Retail Banking), ZCB (Corporate Banking), ZFI (Financial Institutions), and ZMC (Multinational Corporates). Within the scope of their business activities, therefore, the risk-management units bear immediate responsibility for risks and earnings. Insofar as systems, procedures and technology are involved, the head-office service departments are responsible for managing operational risk.

#### Independent audit

All the risk-control and risk-management activities are independently audited by the Internal Auditing department.

### Definitions

A uniform interpretation of risk is indispensable for creating an awareness of risk within the Bank. Risk is the potential negative change in the forecast asset, financial and net profit position as a result of an unexpected event. Here the following types of risk are distinguished:

- *Credit risk* is the risk of losses or lost profits due to unexpected defaults or unexpected deterioration in the creditworthiness of counterparties. In addition to this, credit risk covers above all issuer risk, counterparty risk and country risk.

- *Market risk* is the potential loss which can arise for positions held by the Bank due to changes in prices or price-influencing parameters in the financial markets. We distinguish between general and specific market risk as well as interest-rate, currency, equity, precious-metal/commodity and volatility risk.

- *Liquidity risk* is the risk of the Bank not being able to meet its current and future payment commitments. The market-liquidity risk describes the risk that the Bank is unable to settle or hedge its trading positions on time to the desired extent.

- *Operational risk* is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

- Other major risks such as legal risk resulting from contractual agreements or the overall legal framework, or *strategic risk* resulting from fundamental decisions on the part of the Bank's management, and also *reputational risk*, which threatens confidence in the Bank on account of negative business practices that have become familiar to the public.

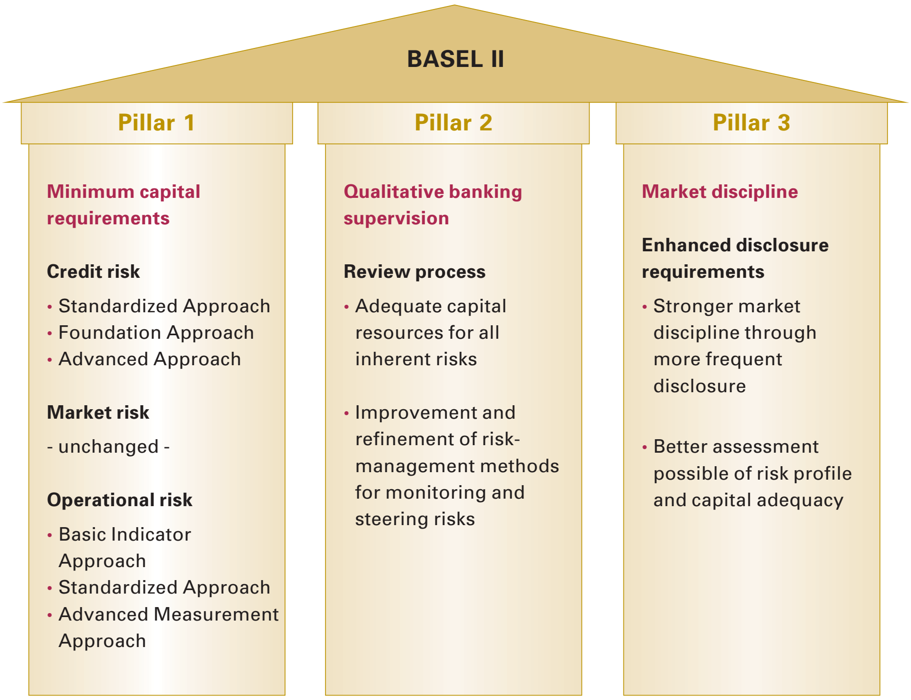
Risk management pursues the goal of increasing the company's market value by steering all risks. These are systematically identified and quantified in connection with the opportunities which arise. Risks which pose a threat to the Bank's earnings are limited and the consequences of assuming risks and the related earnings are analysed.

### The new Basel Capital Accord

The principal goal of the new Basel Capital Accord – known as Basel II for short – is to ensure the stability of the banking system and to promote a change of paradigm towards banking supervision that focuses more on quality. For this purpose, Basel II builds upon three pillars. Pillar 1 seeks to bring the capital backing for both credit risk and operational risk more into line with the economic risk, whereby the explicit capital backing for operational risk breaks fresh ground in banking supervision. Pillar 2 is designed to make sure that banks develop and apply better risk-management procedures in monitoring and steering their risks. Pillar 3 describes the tougher disclosure rules for banks, making it easier for investors and market participants to assess their risk position.

The capital charge for credit risk can be worked out using three different methods. These approaches differ in terms of their complexity and the requirements which they make on banks. While the standardized approach rests upon the ratings of external agencies, the two others (the IRB (internal ratings-based) foundation approach and the IRB advanced approach) involve recourse to banks' internal ratings.

In calculating the equity needed to back operational risk, three approaches are distinguished in terms of their complexity. Each of them contains a factor laid down by the supervisory authorities. Whereas the basic indicator approach takes a single risk indicator (gross earnings) into consideration for the bank as a whole, the gross earnings for each type of business are used for the standardized approach. By contrast, the advanced measurement approach measures operational risk on the basis of loss data.




Commerzbank sees the new Basel Capital Accord as support for its efforts to establish an even more differentiated appraisal of the risks relating to its business and to make its system of modern portfolio management ever more refined. The Bank believes that this will ultimately boost its earnings performance, as the market will accept a pricing of risks that reflects credit standing, and the gap between regulatory and economic capital will be narrowed.

Last year, a Basel II project team was installed at ZRC, which regularly reports to a steering committee chaired by the CRO and, working with the banking departments, staff departments and subsidiaries, coordinates implementation throughout the Group of the requirements to be met. The emphasis is initially on Pillar 1, as for both credit and operational risk minimum records of historical data have to be compiled or disclosed.

As part of our preparations to implement the IRB approach, we are also making sure that we will be able to measure the equity needed to back credit risks, applying either the foundation or the advanced approach. As regards the substantive issues, Commerzbank plays an active role in international and national bodies such as the Institute of International Finance (IIF) and the risk-policy committee of the Bundesverband deutscher Banken (Association of German Banks).

Our general objective is to establish the capital backing required for operational risk using the advanced measurement approach, i.e. reflecting the Bank's risk profile. On account of the requirements that were not clearly specified in the Basel II consultative document, however, we will also create the conditions for applying the basic indicator and standardized approaches.

## Risk-control/risk-management process

### Monitoring and steering of credit risk

#### Rating process and rating procedures

Since the early nineties, Commerzbank has had recourse to detailed rating and scoring procedures for checking creditworthiness and standardizing credit decisions. These are binding for our branches and subsidiaries in Germany and elsewhere.

Ratings are a central element of the credit process and help to

- make the assessment of creditworthiness and credit risk more objective,
- systematically identify risks,
- steer risks throughout the Group and present them in the credit portfolio,
- achieve adequate pricing in credit business.

Ratings are established for all fresh commitments, increases in existing credits, loan extensions and examinations of commitments, and also if economic conditions change. We distinguish between the counterparty rating and the credit rating.

| | |
|---|---|
| **Counterparty rating** | |
| Borrower's creditworthiness | Financial statements, current performance, market development potential, management, personal creditworthiness |
| Market segment | Industry, turnover category |
| Relationship with other companies | For example, degree of integration into a group |
| Country risk | Country rating of the sovereign borrower |
| **Credit rating** | |
| Collateral | Realistic assumption as to value of collateral |
| Credit structure | Lifetime, repayment, covenants |
| Quality of customer relationship | Length of credit relationship, account management, Commerzbank's position as a lender |

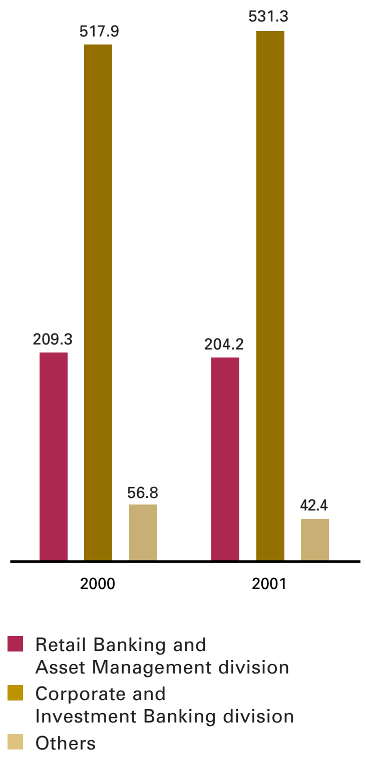
Borrowers are assigned to twelve different rating levels, ranging from 1.0 (exceptionally good creditworthiness) to 6.5 (work-out commitments).

Rating and scoring methods exist for companies (small to medium-sized firms, major customers, multinational corporates, banks, non-banking financial institutions), private customers (business customers, overdraft and consumer credits, credit cards, home loans, other personal loans), specialized lending (commercial real-estate financing, aircraft financing, ship financing, project finance, structured financing) and also for countries and industries.

The rating for German *Mittelstand* clients is worked out with the support of a team of experts that analyse the key figures of the financial statements, also taking into account qualitative company data. In the private-customer segment, the Bank uses standardized scoring procedures, which also make suggestions for lending decisions. For this purpose, Commerzbank's behavioural-scoring procedure is employed, which regularly monitors account movements and can automatically adjust limits.

Last year, the Bank focused on its *Mittelstand* customers in the validation of ratings. Analysis of the average default rates confirms that Commerzbank's internal rating procedures correctly classify or forecast the identified risks. With priority being determined by the importance and the volume of rated loans, each rating procedure is successively validated with descriptive statistics, benchmarks set to external ratings or mathematical-statistical models.

**Standard risk costs**
Commerzbank Group,
Average for year, in € m




### Quantification of credit risk

For internal control purposes, credit portfolio models are now entering the banking world. These are preparing the way for regulatory recognition as regards the capital required to back credit risk. Credit portfolio models are very important for the overall steering of the Bank from the risk/return standpoint. The demands made on such models range from global, Group-wide monitoring of portfolios to the risks represented by individual transactions or contracts.

The prime focus, however, is on the loss distribution of the credit portfolio. From this, both the expected loss (standard risk costs – SRC) and the credit value-at-risk (unexpected loss) are derived. The SRC are intended to cover the expected credit defaults in the form of an insurance premium. In preliminary costing, they are included as a risk premium in calculating the target margin. In actual costing, they form part of the calculation of performance in customer business. In substantive terms, the credit value-at-risk represents an estimate of the amount by which, with a given probability, the potential loss of the loan portfolio exceeds the expected loss.

In order to quantify the credit value-at-risk within the Commerzbank Group, the Credit Risk+© model is employed, which is widely used in banking. The assumptions with regard to distribution and functional dependencies on which this model is based were adapted to the specific requirements of Commerzbank and are constantly being refined. They make it possible to present the distribution of portfolio losses analytically. The statistical input parameters, especially default rates, recovery rates, etc., which are worked out on the basis of well-founded methods of estimation as part of the Basel II project, are incorporated into the credit-risk model. This approach enables Commerzbank to meet future supervisory requirements ("Basel III") involving the use of credit portfolio models to determine the capital charges.

### Credit approval powers and limit-setting procedure

Commerzbank's structure of rating-related credit approval has a key function in managing credit risk for the entire Bank. Credit decisions for individual borrowers or groups of borrowers are made on the basis of either the aggregated exposure pursuant to Art. 19, (2), German Banking Act – KWG (borrower unit), or a larger economic risk entity. The relevant level of credit approval is determined by the size of the credit and the rating.

We ensure that decisions are made independently of the business origination side by forming credit groups in our branches that report in both disciplinary and business terms solely to the respective head of the credit units at branch level. By integrating them into the new head-office units Global Credit Operations (GCO) and Credit Operations Domestic Private Customers (COP), we have ensured independence of the business origination side right up to management board level in the future. All commitments exceeding the approval powers of the branches are decided by ZKA or in credit committees (up to an overall exposure of 2% of the Bank's liable equity). Beyond that level, credit decisions are taken by the Board of Managing Directors, based on the recommendation of ZKA and CC, with the Board subsequently being informed about all the decisions of the head-office credit committees.

### Limit-monitoring procedure for trading activities

The monitoring of risk and the Bank's controlling measures are based on a system of limits ensuring that daily utilization remains within the set framework. The system of limits directly intervenes in trading systems and ensures that credit exposure arising from trading activities is monitored globally, in real time, and right around the clock. In addition to such information, trading units are provided with data on whether the relevant limits are available. Only if the so-called pre-deal limit check has confirmed that free trading lines are available may deals be concluded. Limit overruns are reported daily to the management. By means of a graduated procedure, such overruns are reduced.

### Development of risk and risk provisioning

We take account of discernible credit risks by forming the appropriate provisions. For latent risks, we form general provisions. For concrete creditworthiness risks of individual borrowers – which are indicated by the rating – provision is made, applying Group-wide standards, by means of specific valuation allowances on the scale of the potential loss. The amount of provisioning required is gauged by the unsecured part of the exposure for credits with a rating of 6.0 for work-out commitments.

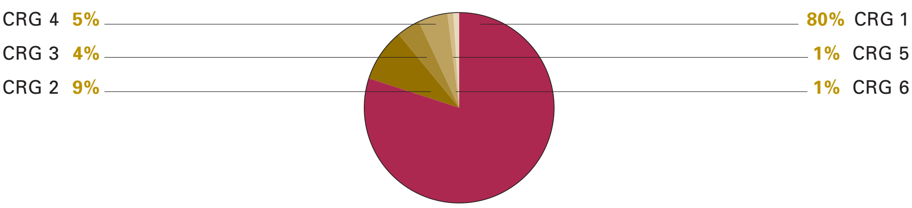
In international credit business, the economic and political situation of the country is also reflected in the overall assessment of a borrower. For loans to borrowers with an enhanced country risk (transfer or event risk), provisions are formed, if necessary, on the unsecured loans, reflecting the relevant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

Problem credits (6.0 and 6.5 ratings) are classified by rating and kept in a special IT system, which makes it possible to process individual transactions effectively and to monitor risks. We regularly monitor the adequacy of our provisioning at the portfolio level. In addition, on the basis of careful estimates, the Commerzbank Group's expected need for provisions is worked out each spring and autumn. These estimates form the basis for analyses of discrepancies and for the measures to be adopted as a result.

### Country risk

Due to the international character of business, the monitoring and management of country risk by means of country ratings that are constantly updated is especially important. Ratings are worked out independently by a group at ZKV (Corporate Communications and Economic Research). A traffic-lights system points the direction for future lending; a reporting system is used for possible discrepancies between the projected trends and the actual development of the Bank's exposure, and counter-measures are taken promptly. Country-risk reports appear at periodic intervals, describing the development of individual countries and regions and establishing guidelines for future lending. In this way, we achieve risk-oriented control and geographical diversification in our exposure abroad.

**Net exposure, by country-rating group (CRG)**
Commerzbank Group



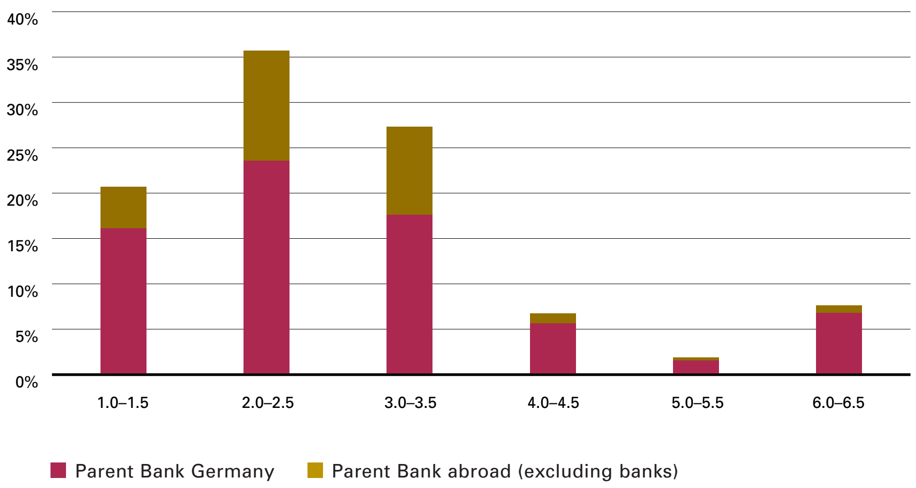

### Reporting

In 2001, Commerzbank's central management credit information systems (CoMKIS), presenting the main steering parameters and risk ratios for lending business, were further refined. As a result, the lending sections of the main branches in Germany have at their disposal detailed, branch-specific portfolio information on rating and sectoral structure, on risk provisioning and the equity tied up, as well as on loan processing. We systematically recognize the increasingly decentralized responsibility for portfolios by regularly providing information on credit portfolios on a near-time basis. At present, we are developing CoMKIS into a Group-wide information system for lending by incorporating portfolio information from branches and subsidiaries outside Germany.
Credit risk arising from trading transactions is reported on the basis of the "Minimum requirements for the trading activities of credit institutions" (MaH). Limit overruns are reported daily to the management. In addition, the management is informed every month about the largest exposures in off-balance business. Furthermore, limits and exposures are reported by type of business, maturity of transaction, country, risk classification and counterparty category. Portfolio reports are prepared on a regular basis for certain groups of counterparties.

### Credit portfolio management

Based on many years of ratings-oriented lending, clear guidelines for risk segments, pricing geared to the standard risk costs, and a risk-oriented structure in terms of organization and operations, which is being further developed with a view to MaK 2002, we are constantly working towards a risk and earnings-oriented improvement in the quality of our credit portfolio.

**Borrowing, by rating structure**
Parent Bank, per 31.12.2001




For years, we have used rating-related structural goals to achieve a risk-oriented optimization of our credit portfolio, examining individual cases and borrower units, industries and segments of industries, and also country concentration. Here we identify and manage concentrations of borrower units or borrower groups sharing a number of common features whose individual ability to repay debt is influenced by a change in certain shared economic conditions (e.g. membership of the same sector). Drawing upon the development that is forecast for the various sectors, we coordinate the basic approach with our operative units in the form of credit quality reviews. In our segment reporting, we present the breakdown by sector.

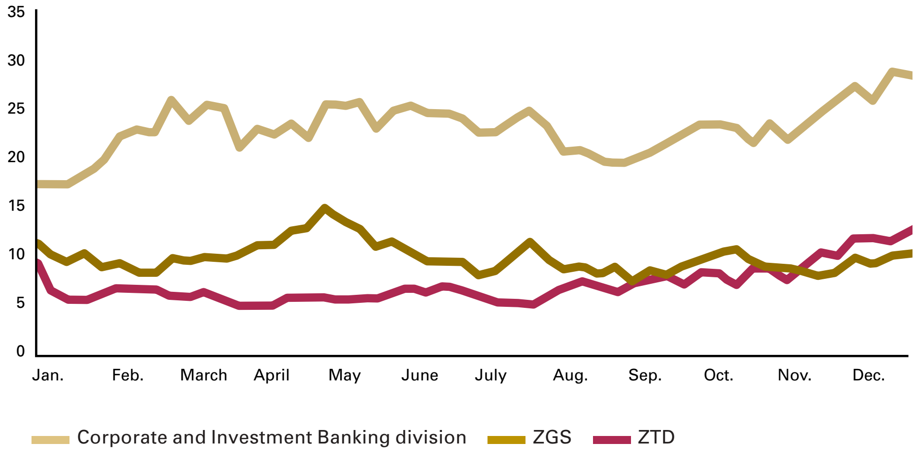
## Monitoring and steering of market risk

In 2001, Commerzbank received approval for its internal model for measuring capital requirements, which recognizes virtually all of the market risk relevant for Principle I. The model was approved for the Parent Bank with its foreign branches worldwide and covers the equity, interest-rate and foreign-exchange risk categories of general market risk. Within the equity category, it also includes residual risk, which quantifies the risk profile of the individual equity instrument compared with the overall market. After the model had been used internally for roughly two years and the quality of its forecasts had been found to be good in extensive statistical procedures, it was recognized by the Federal Banking Supervisory Office for the purpose of working out the capital backing that is required. We are currently extending the internal model in order to recognize specific interest-rate risk.

### Value-at-risk approach

The value-at-risk (VaR) method is the procedure currently used by the majority of all internationally active banks for measuring market risk. The VaR indicates the maximum loss in value of a portfolio with a given degree of probability (confidence level), whereby it is assumed that the composition of the portfolio remains unchanged during the holding period. A VaR of €1m with a 99% con-

**Value-at-risk in the course of 2001**
Weekly averages, in € m
1-day holding period; 97.5 % confidence level




fidence interval and a one-day holding period means that a loss of more than €1m within one day will only occur with a probability of no more than 1%, insofar as positions remain unchanged.

The advantages of the VaR approach lie in its universal applicability, its statistical information value and the resulting possibility to compare and aggregate risk in different portfolios.

### Historical simulation

The historical simulation method is employed by Commerzbank to calculate VaR. This is the most transparent of the current methods for measuring market risk and entails the smallest model risk. Here, every day, the market changes of the respective past year (or more precisely: the last 255 trading days) are applied to the existing portfolio and the distribution of potential gains and losses is estimated. Changes in interest rates, currencies, equity prices and volatility are incorporated into historical simulation. Typically, marked deviations from a normal distribution can be observed here, in particular large changes in value – so-called fat tails – are more likely than if normal distribution were assumed.

Depending on the confidence interval, the VaR corresponds to simulated losses in the least favourable scenarios for the respective portfolio. At Commerzbank, a confidence interval of 97.5% is used, which corresponds to the seventh-highest simulated loss. For external reporting – and for calculating regulatory capital – a confidence interval of 99% is used, corresponding to the third-largest simulated loss, which in addition is rescaled to a 10-day holding period. A special advantage of historical simulation is that it is fairly easy to calculate the overall risk on the basis of the individual results for lower portfolio levels.

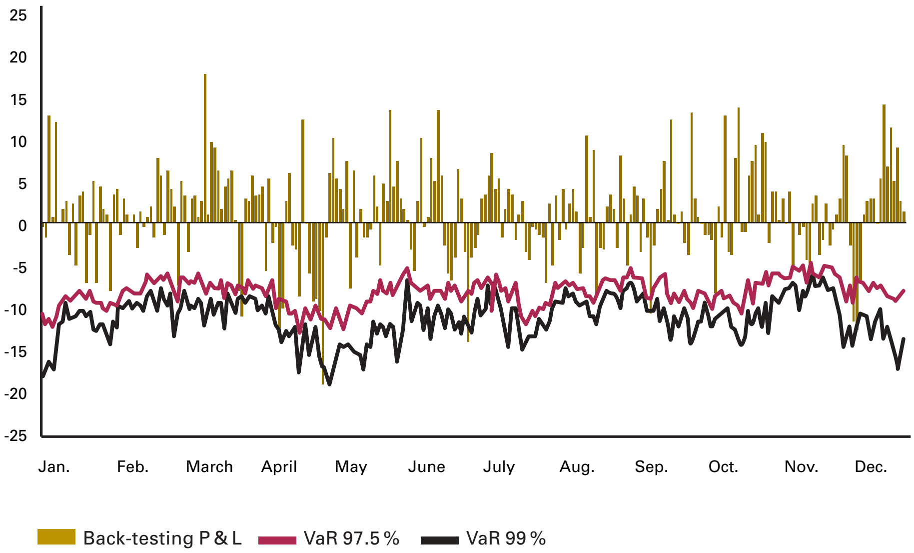
### Back-testing

In order to assess and constantly improve the forecasting quality of the risk model employed, and also in view of the supervisory requirements in accordance with Principle I, KWG, the reliability of the VaR methods that are applied is regularly examined.

This begins with a comparison of the forecast risks with the profits and losses which would have occurred under the assumption of unchanged positions (so-called "clean back-testing"). Accordingly, the VaR at the 99% confidence interval should be exceeded in merely 1% of all the trading days that are examined. The number of exceptions forms the basis for the evaluation of internal risk models by the supervisory authorities, and consequently for calculating regulatory capital as well.

In the 2001 financial year, three exceptions were recognized at Group level due to extreme market fluctuations. This is in line with statistical expectations and thus meets the regulatory requirement. In addition to this approach, Commerzbank uses a number of other statistical methods for assessing and refining its risk model.

**Back-testing in the course of 2001**
in € m




### Stress testing

As the VaR method does not take account of extreme market movements, the quality and reliability of risk quantification have to be complemented by additional stress tests. These evaluate the scale of losses under extreme market conditions such as those which emerged in past crisis situations. As a rule, the assumed scenarios are based on long-term studies and relate to all markets. In some cases, past crises are also "reconstructed". The stress tests that are used differ from business line to business line and are adapted to accommodate individual portfolios.

### Interest-rate risk

The Commerzbank Group's interest-rate risk results from both trading-book and banking-book positions. In the banking book, interest-rate risks mainly arise through different maturities for the Bank' assets and liabilities, e.g. due to the short-term funding of long-dated credits. In measuring interest-rate risks, we include both balance-sheet interest items and the related derivatives.

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

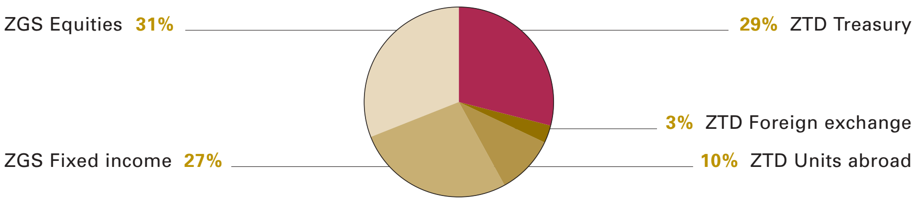
**Procedure for setting limits**

Commerzbank has developed a comprehensive system of limits for restricting market risk. It is based on the already-specified risk ratios as well as on other factors such as sensitivity ratios for traded products. The market-risk limits are determined by the Board of Managing Directors or the Risk Committee. The global market-risk limits have been assigned to specific sub-portfolios (i.e. individual product groups or trader teams) within the respective trading units and may only be altered by means of a formal process for changing limits. By subdividing the limits, we are able to manage the Bank's overall market risk precisely at all levels. At Commerzbank, the following risk categories *inter alia* have been established:

- overnight VaR limits using a 97.5% one-sided confidence interval based on historical simulation;
- overnight stress-test limits in order to cover – outside the VaR calculation – risks arising through extreme market situations, based on various stress-test methods;
- loss-review triggers as a warning signal that a trading unit has reached a certain loss level; this is calculated by setting the accumulated losses against the budgeted trading profit and interest income for the current year.

In addition, further product-specific limits (structural limits) may be established at all levels, e.g. for restricting market-liquidity risk.

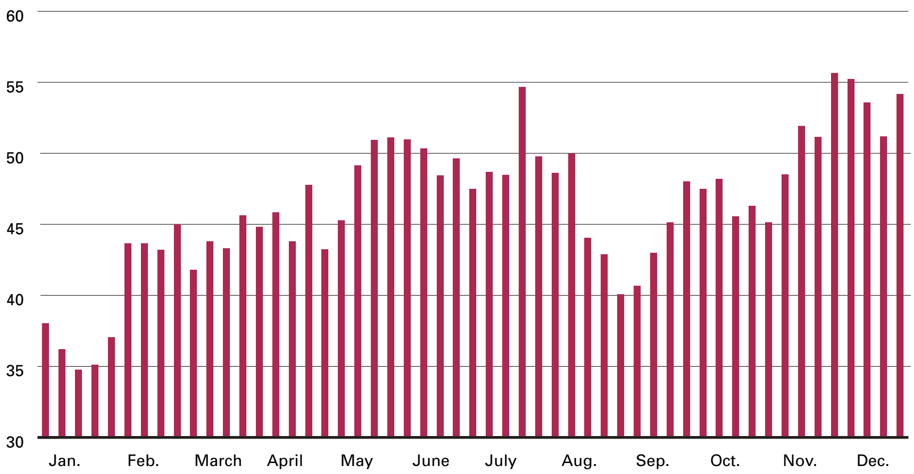
**Average percentage distribution of market risk**
Corporate and Investment Banking division
1-day holding period; 97.5 % confidence level



**Market risk in the course of 2001**

Weekly averages, in € m

1-day holding period; VaR 97.5 % confidence level




### Limit-monitoring process

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

### Reporting

Risk reporting within the Commerzbank Group occurs at various portfolio levels, on both a daily and a monthly basis. The local risk controllers report the risk figures that they have worked out to all decision-takers within the trading units. In addition, the risk figures are collected, condensed and finally aggregated to form a Group risk figure. Risk reporting takes the form of two reports which appear at different times and also differ in content. Supplementing the so-called flash report, which represents a preliminary form of information, the end-of-day report contains risk figures for all the relevant portfolio levels, including the profit and loss figures worked out by ZBS (Accounting and Taxes).

In close coordination with their parent company, the mortgage banks affiliated with Commerzbank and also comdirect bank AG have established their own risk control. The risks arising at these subsidiaries are managed and controlled on the spot. The risk figures which they establish are used by the central risk-control unit of Commerzbank in order to compute the Group risk. The risk figures of the mortgage banks and comdirect bank AG are also incorporated into the above-mentioned reports.

A comprehensive risk report is also produced at monthly intervals. This is presented to the Board of Managing Directors and to the Risk Committee. The monthly risk report contains detailed evaluations and presentations on all the relevant types of risk, and especially on such topics as the risk-taking capability, market risk, credit risk and operational risk.

### Risk management

Drawing upon the key risk ratios and analyses provided by Risk Control, the risk management installed at the Bank's operative units Asset Management (ZAM), Securities (ZGS) and Treasury and Financial Products (ZTD) manages, within a set framework, the risks arising from trading in an active, profit-oriented manner.

## Monitoring and steering of equity holding risk

From an organizational standpoint, the monitoring and steering of equity holding risk are handled by two different units of the Bank; private equity/venture capital business is looked after by Securities, while Strategy and Controlling is responsible for both the strategic and all the other non-strategic equity holdings.

The position of the Bank or its subsidiaries as shareholders of other companies entails special risks. Prior to the possible acquisition of an interest, the targeted enterprise is examined, frequently by external consultants such as firms of auditors or lawyers, in terms of its strategic and market-oriented features, its earnings performance and also the plausibility of its budgeted figures, its legal situation, existing agreements and specific labour-legislation characteristics. Whereas the above-mentioned due diligence measures should uncover risk in advance in the case of new acquisitions of interests, other ways of recognizing risk are needed for already existing equity investments.

As a rule, the identification of equity holding risk begins with recourse to and evaluation of sectoral analyses to assess and classify the equity investment in question relative to the average for the relevant industry. In addition, the analyses of individual listed companies have to be consulted – insofar as they are at least partially comparable with the equity investment – in order to classify and assess the conceivable risks attaching to the equity investment, for the purpose of recognizing in good time negative discrepancies which are untypical of the industry.

When the Bank becomes a shareholder, a monitoring system based on regular reports by the enterprise in which the interest has been acquired is immediately installed. With the acquisition of an interest, the Bank as a rule is entitled to take over a seat on the supervisory board or advisory board, making it possible to recognize developments very quickly at enterprises in which the Bank is a shareholder.

In addition to these extensive measures, the risk stemming from the Bank's listed equity investments is quantified, similarly to the calculation of trading positions, regularly monitored and reported to the Board of Managing Directors. One monitoring instrument is the monthly report, presenting the risks arising from strategic and non-strategic investments of the Commerzbank Group as part of the aggregate risk.

## Monitoring and steering of liquidity risk

### Liquidity risk

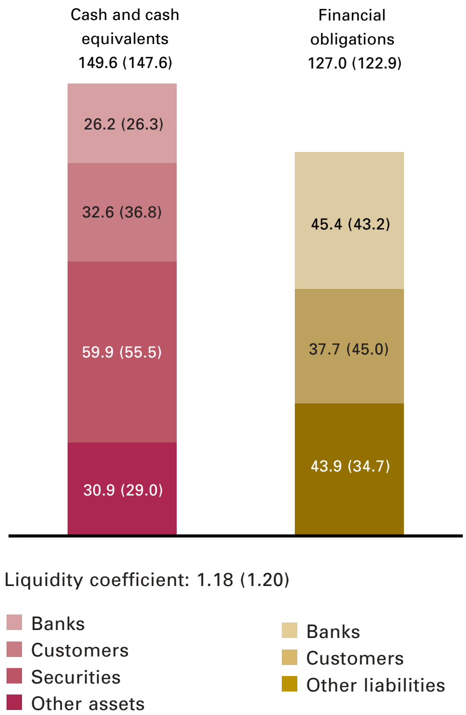
Treasury and Financial Products (ZTD) is responsible for managing liquidity risk. In order to ensure professional liquidity management, ZTD prepares liquidity balances and makes cash-flow forecasts. In the course of the year, these are constantly examined. On the basis of these analyses, the future need for borrowed funds is worked out. The aim is to make liquidity management as efficient as possible by raising funds regularly and to cover the Bank sufficiently against market fluctuations. In addition, Commerzbank holds an adequate amount of eligible securities to cover the danger of a short-term liquidity bottleneck. This can occur, for example, if expected incoming payments are delayed, deposits are unexpectedly withdrawn or pledged credit lines are drawn down to a greater extent than expected.

In accordance with Principle II, an institution's liquidity is deemed adequate if the liquid assets available to it within 30 days cover the payment obligations callable during this period. The quotient formed by eligible liquid assets and payment obligations is known as the liquidity ratio and must always have a value of at least 1.

Last year, the liquidity coefficient in accordance with Principle II lay between 1.13 (1.17 in 2000) and 1.23 (1.31) and was thus at all times above the value required by the supervisory authorities. Commerzbank constantly had adequate liquidity at its disposal, therefore.

ZRC and ZTD are currently implementing the principles formulated by the Basel Committee for Banking Supervision on banks' liquidity management. As part of this project, liquidity reporting is being developed and the Bank's instruments for managing and securing liquidity are also being extended and refined.

**Compliance with Principle II**
Relevant amounts, Parent Bank, 31.12.2001*, in € bn




*) Figures in brackets: 31.12.2000

### Market-liquidity risk

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

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

## Monitoring and steering of operational risk

The monitoring of operational risk is the responsibility of Risk Control. The main tasks are to develop the methodological guidelines for identifying, quantifying and managing operational risk and to introduce an adequate system of risk reporting. In order to ensure that risk is identified, reported and steered on a broad scale, both qualitative and quantitative methods will be employed in the risk-management process in future. Responsibility for managing/restricting operational risk – insofar as it relates to systems, procedures and technology – is borne by the Services division.

### Quantitative method

Taking into account the Basel II requirements which have been specified up to now, we have revised the organization of a structured loss-data database, initiated in 2000, partly redefining it and incorporating it into a new conception of loss-data collection.

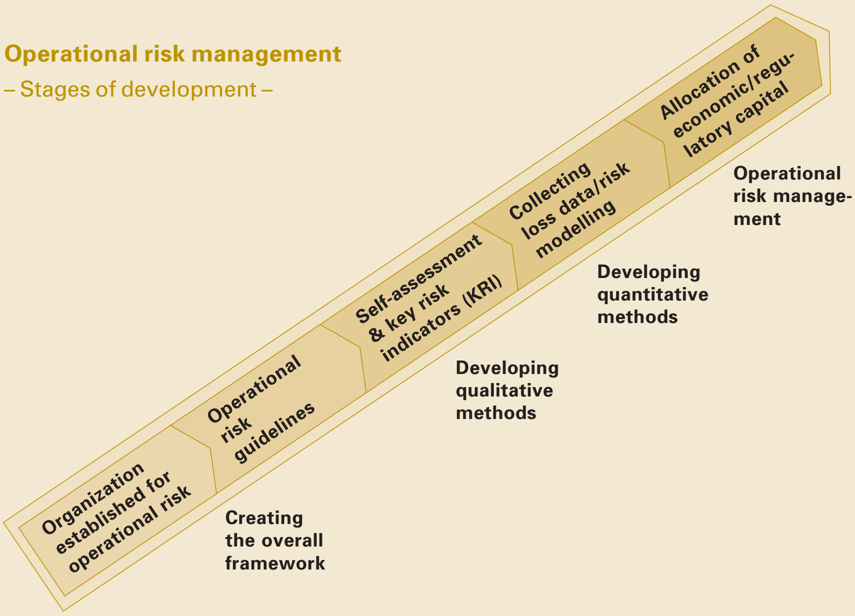
The internal collection of loss data is regarded as a key element in the internal model which we are seeking to establish for determining the equity needed to back operational risk. In order to complement and compare (benchmarking) our internal loss data with the experience of the industry as a whole with regard to loss, we intend to take part in an international data-sharing initiative. In future, therefore, loss data will also be available to the industry for rare – but in some cases very high – losses, which are included in our risk modelling.

### Qualitative methods

To complement the quantitative collection of loss data, we are continuing to develop the "Surveillance and Monitoring System online" application (an early warning system for operational risk) and have started the planned implementation in investment banking. Indicators have been identified for the key business processes from the risk angle and these have been weighted to reflect their degree of risk (so-called key risk indicators – KRI). This system makes it possible to perform a qualitative and objective assessment of business processes/organizational units on a daily basis. Self-assessment methods are also being examined with a view to the Basel II requirements.

**Operational risk management**

– Stages of development –



### Monitoring and steering of legal risk

The identification and handling of legal risk is entrusted to Legal Services (ZRA). In order to restrict or eliminate such risk, ZRA makes recommendations, which are realized in conjunction with other units of the Bank. ZRA is responsible for producing guidelines and standard contracts, and also for their implementation and monitoring. In addition, it advises domestic branches, head-office departments, various foreign outlets and subsidiaries with regard to legal issues. The duties of ZRA also include informing the Board of Managing Directors and head-office departments about major legal changes and risk, as well as adapting, if necessary, its own guidelines and specimen contracts to new situations and conditions.

## Independent control: internal auditing

The Internal Auditing department (ZRev) forms an integral part of the central risk-management system. Free from directives and external influence, it works as a unit independent of business processes with the goal of identifying risk at an early stage and monitoring it. ZReV mainly focuses on testing and assessing the effectiveness of both security measures built into the work process and existing internal checks, as well as on reporting on the structure, functioning and adequacy of risk monitoring to the Bank's management, the banking departments and the related support departments.

The reports provide assessments and recommendations and suggest possible improvements; they are made available to the management and to the units audited, which report on the measures they have adopted. They also take the form of IT system checks and examinations of the internal control system and document the risk process. The chief emphases of the risk-oriented audits are the recognition, analysis, restriction, limit monitoring and reporting of credit and market risk, as well as the recognition and limitation of operational risk.

ZRev addresses credit risk by checking creditworthiness at the individual transaction level under rating-based credit approval powers, and also by ensuring that the scoring procedure is being observed. In examining the methods for limiting market risk arising from trading, ZRev concentrates especially on the consistency of the trading and settlement transactions (legal position), on ensuring conformity with market conditions and with the transactions to be coordinated with counterparties, on the parameters used to calculate risks and results, and the reporting and information which is based on them.

At least once a year, Internal Auditing provides information for all trading units with regard to the implementation of a system of limits and its observance, on how completely, accurately and promptly positions and results are calculated between trading units and the Bank's accounting system. In the area of operational risk, ZRev focuses on weak points in the settlement and control of trading procedures. In this connection, it checks emergency plans (business continuity plans) in trading locations and assesses the systemic presentation of new (derivative) products in the New Product Committee.

## Outlook

The methods and measuring systems used in our Bank's risk-control and risk-management process are designed to represent the risks adequately, thus making them the basis of a value-oriented management system for the entire Bank. In 2002 as well, the focus will be not only on refining the systems of analysis for credit risk and the specific market risk of interest-rate products, but also on risk and earnings-oriented management.

At the same time, we are concentrating on the new supervisory requirements imposed on us by the new Basel Capital Accord and the "Minimum requirements for the credit business of credit institutions" (MaK).

As we develop from being a risk taker to a risk manager, we continue to be guided by the following ideas:

- For us, professional risk management remains a key competitive advantage.

- We will continue to employ traditional and modern risk-management procedures alongside one another and in a complementary manner.

- Professional risk management, as a core competency of our Bank, is the basis for steadily raising shareholder value.

# structure of commerzbank group

## Board of Managing Directors

### Corporate Divisions

| Group Management | Retail Banking and Asset Management | Corporate and Investment Banking | Services |
|---|---|---|---|
| **Staff departments** | **Banking departments** | | **Service departments** |
| • Accounting and Taxes<br>• Compliance and Security<br>• Corporate Communications and Economic Research<br>• Credit Risk Management<br>• Human Resources<br>• Internal Auditing<br>• Legal Services<br>• Risk Control<br>• Strategy and Controlling | • Asset Management<br>• Credit Operations Domestic Private Customers<br>• Retail Banking | • Corporate Banking<br>• Financial Institutions<br>• Global Credit Operations<br>• Multinational Corporates<br>• Real Estate<br>• Securities<br>• Treasury and Financial Products | • Global Operations Investment Banking<br>• IT Development<br>• IT Investment Banking<br>• IT Production<br>• IT Support<br>• Organization<br>• Transaction Banking |
| | **Domestic and foreign branch network** | | |
| | **Cooperation in bancassurance area** | | |

### Group companies and major holdings

| Group Management | Retail Banking and Asset Management | Corporate and Investment Banking | Services |
|---|---|---|---|
| • RHEINHYP Rheinische Hypothekenbank AG<br>• Hypothekenbank in Essen AG<br>• Erste Europäische Pfandbrief- und Kommunalkredit-bank AG<br><br>• Korea Exchange Bank | • ADIG Allgemeine Deutsche Investment-Gesellschaft mbH<br>• Commerz Asset Managers GmbH<br>• Commerzbank Investment Management GmbH<br>• ADIG-Investment Luxemburg S.A.<br>• Caisse Centrale de Réescompte, S.A.<br>• Commerzbank Asset Management Italia S.p.A.<br>• Commerzbank Europe (Ireland)<br>• Commerzbank International S.A.<br>• Commerzbank (South East Asia) Ltd.<br>• Commerzbank (Switzerland) Ltd<br>• Hispano Commerzbank (Gibraltar) Ltd.<br>• Jupiter International Group plc<br>• Montgomery Asset Management, LLC<br><br>• comdirect bank AG<br>• CFM Commerz Finanz Management GmbH<br>• Commerz Service GmbH | • BRE Bank SA<br>• Commerzbank (Budapest) Rt.<br>• Commerzbank (Eurasija) SAO<br>• Commerzbank International (Ireland)<br>• Commerzbank (Nederland) N.V.<br>• Commerz (East Asia) Ltd.<br>• P.T. Bank Finconesia<br>• Banque Marocaine du Commerce Extérieur<br>• Unibanco – União de Bancos Brasileiros S.A.<br><br>• Commerz Grundbesitz-gesellschaft mbH<br>• CommerzLeasing und Immobilien AG<br><br>• CBG Commerz Beteiligungs-gesellschaft Holding mbH<br>• Commerzbank Capital Markets Corp.<br>• Commerzbank Capital Markets (Eastern Europe) a.s.<br>• Commerz Securities (Japan) Co. Ltd.<br><br>• Commerz Futures, LLC | • Commerz NetBusiness AG<br>• pdv.com Beratungs-GmbH<br>• TC TrustCenter AG |

As of January 2002

*/ ideas ahead /*

In the world of accounting, you always have to keep up with new developments and implement changes immediately throughout the Group with our international team. Figures do not only provide information; they form a dynamic system.

**Fung Chuan Joseph Lim and Martina Kühne, Accounting and Taxes**

# financial statements in accordance with international accounting standards (ias) for the commerzbank group as of december 31, 2001

## Notes

# income statement

| | Notes | 1.1.–31.12.2001<br>€ m | 1.1.–31.12.2000<br>€ m | Change<br>in % |
|---|---|---|---|---|
| Interest received | | 22,571 | 18,811 | 20.0 |
| Interest paid | | 18,990 | 15,295 | 24.2 |
| Net interest income | (29) | 3,581 | 3,516 | 1.8 |
| Provision for possible loan losses | (11, 30, 46) | –927 | –685 | 35.3 |
| Net interest income after provisioning | | 2,654 | 2,831 | –6.3 |
| Commissions received | | 2,566 | 2,912 | –11.9 |
| Commissions paid | | 299 | 188 | 59.0 |
| Net commission income | (31) | 2,267 | 2,724 | –16.8 |
| Net result on hedge accounting | (32) | 63 | – | • |
| Trading profit | (33) | 1,197 | 949 | 26.1 |
| Net result on investments and securities portfolio (available for sale) | (34, 49) | 219 | 80 | • |
| Operating expenses | (35, 52) | 5,855 | 5,477 | 6.9 |
| Other operating result | (36) | –220 | 1,127 | • |
| **Profit from ordinary activities before restructuring expenses** | | **325** | **2,234** | **–85.5** |
| Restructuring expenses | (37) | 282 | – | • |
| **Profit from ordinary activities after restructuring expenses** | | **43** | **2,234** | **–98.1** |
| Extraordinary result | | – | – | – |
| **Pre-tax profit** | | **43** | **2,234** | **–98.1** |
| Taxes on income | (38) | –114 | 823 | • |
| **After-tax profit** | | **157** | **1,411** | **–88.9** |
| Profit/loss attributable to minority interests | | –55 | –69 | –20.3 |
| **Net profit** | (39) | **102** | **1,342** | **–92.4** |

| Appropriation of profit | 2001 € m | 2000 € m | Change in % |
|---|---|---|---|
| Net profit | 102 | 1,342 | –92.4 |
| Allocation to retained earnings | – | 800 | – |
| Transfer from retained earnings | 115 | – | • |
| **Consolidated profit** | **217** | **542** | **–60.0** |

The transfer from the Group's retained earnings has no negative impact on the equity ratios of the Commerzbank Group pursuant to the German Banking Act (KWG). When calculated in accordance with the Basel capital accord, the transfer from retained earnings reduces equity.

The consolidated profit corresponds to the distributable profit of the Parent Bank, Commerzbank Aktiengesellschaft. The proposal will be made to the AGM to resolve payment of a dividend of €0.40 per share from the net profit of the Parent Bank. With 541.8m shares issued, this translates into an overall payout of €217m (previous year: 541.8m shares, payout €542m).

| Basic earnings per share | Notes | 2001 € | 2000 € | Change in % |
|---|---|---|---|---|
| Basic earnings per share | (39) | 0.19 | 2.59 | –92.7 |

The calculation of the basic earnings per share according to IAS is based on the net profit, with minority interests not taken into consideration. Diluted earnings per share are identical to the basic earnings per share, since – as in the previous year – no conversion or option rights were outstanding on the balance-sheet date.

# balance sheet

| Assets | Notes | 31.12.2001 € m | 31.12.2000 € m | Change in % |
|---|---|---|---|---|
| Cash reserve | (9, 41) | 7,632 | 7,895 | –3.3 |
| Claims on banks | (10, 42, 44, 45) | 63,392 | 74,654 | –15.1 |
| Claims on customers | (10, 43, 44, 45) | 220,315 | 224,837 | –2.0 |
| Provision for possible loan losses | (11, 46) | –5,648 | –5,398 | 4.6 |
| Positive fair values from derivative hedging instruments | (13, 47) | 3,868 | – | • |
| Assets held for dealing purposes | (14, 48) | 95,826 | 69,920 | 37.1 |
| Investments and securities portfolio | (15, 45, 49, 52) | 104,455 | 76,075 | 37.3 |
| Intangible assets | (16, 50, 52) | 1,484 | 1,517 | –2.2 |
| Fixed assets | (17, 18, 51, 52) | 3,374 | 3,537 | –4.6 |
| Tax assets | (24, 53) | 3,618 | 2,132 | 69.7 |
| Other assets | (54) | 2,996 | 4,493 | –33.3 |
| **Total** | | **501,312** | **459,662** | **9.1** |

| Liabilities and equity | Notes | 31.12.2001 € m | 31.12.2000 € m | Change in % |
|---|---|---|---|---|
| Liabilities to banks | (19, 44, 55) | 109,086 | 103,536 | 5.4 |
| Liabilities to customers | (19, 44, 56) | 116,398 | 107,654 | 8.1 |
| Securitized liabilities | (19, 57) | 190,670 | 179,951 | 6.0 |
| Negative fair values from derivative hedging instruments | (20, 58) | 5,381 | – | • |
| Liabilities from dealing activities | (21, 59) | 47,836 | 35,726 | 33.9 |
| Provisions | (22, 23, 60) | 3,356 | 2,864 | 17.2 |
| Tax liabilities | (24, 61) | 2,098 | 1,015 | • |
| Other liabilities | (62) | 2,859 | 5,263 | –45.7 |
| Subordinated capital | (25, 63) | 10,524 | 9,897 | 6.3 |
| Minority interests | | 1,344 | 1,233 | 9.0 |
| Equity | (27, 64, 65, 66) | 11,760 | 12,523 | –6.1 |
| Subscribed capital | (64) | 1,394 | 1,386 | 0.6 |
| Capital reserve | (64) | 6,197 | 6,052 | 2.4 |
| Retained earnings | (64) | 4,046 | 4,517 | –10.4 |
| Revaluation reserve | (15, 64) | 189 | – | • |
| Measurement of cash flow hedges | (4, 64) | –397 | – | • |
| Reserve from currency translation | (8, 64) | 114 | 26 | • |
| Consolidated profit | | 217 | 542 | –60.0 |
| **Total** | | **501,312** | **459,662** | **9.1** |

# statement of changes in equity

| € m | Sub-scribed capital | Capital reserve | Retained earnings | Revalu-ation reserve[1] | Valuation of cash flow hedges | Reserve from currency translation | Consoli-dated profit | Total 2001 | Total 2000 |
|---|---|---|---|---|---|---|---|---|---|
| Equity as of 31.12. in previous year | 1,386 | 6,052 | 4,517 | – | – | 26 | 542 | 12,523 | 11,141 |
| Effect of first-time application of IAS 39 | – | – | –331 | 1,505 | –79 | – | – | 1,095 | – |
| **Equity as of 1.1.** | **1,386** | **6,052** | **4,186** | **1,505** | **–79** | **26** | **542** | **13,618** | **11,141** |
| Capital increase for cash | | | | | | | | | 608 |
| Capital increase against contributions in kind | | | | | | | | | 360 |
| Issue of shares to employees | | | | | | | | | 69 |
| Allocation to retained earnings from net profit | | | | | | | | | 800 |
| Transfer from retained earnings | | | –115 | | | | | –115 | – |
| Distribution of dividend | | | | | | | –542 | –542 | –411 |
| Consolidated profit | | | | | | | 217 | 217 | 542 |
| Net changes in revaluation reserve | | | | –1,316 | | | | –1,316 | – |
| Net changes arising from cash flow hedges | | | | | –318 | | | –318 | – |
| Purchase of treasury shares | | | | | | | | 0 | –255 |
| Sale of treasury shares | 8 | 145 | | | | | | 153 | – |
| Other changes | | | –25 | | | 88 | | 63 | –331 |
| **Equity as of 31.12.** | **1,394** | **6,197** | **4,046** | **189** | **–397** | **114** | **217** | **11,760** | **12,523** |

[1] for investments and securities portfolio

As of December 31, 2001, the subscribed capital of Commerzbank Aktiengesellschaft stood at €1,408,751,234.80 pursuant to the Bank's statutes; it is divided into 541,827,398 no-par-value shares (notional value per share: €2.60). After the 5,776,088 treasury shares held by the Bank on December 31, 2001, are deducted, its subscribed capital amounts to €1,393,733,406.00.

The Bank made use of the authorization resolved by the Annual General Meeting of May 25, 2001 to purchase its own shares for the purpose of securities trading, pursuant to Art. 71, (1), no. 7, German Stock Corporation Act – AktG. Gains and losses from trading in the Bank's own shares do not appear in the income statement and are shown under Other changes.

No use was made in the 2001 financial year of the resolution of the Annual General Meeting of May 26, 2000, authorizing the Bank to repurchase its own shares pursuant to Art. 71, (1), no. 8, AktG, for purposes other than securities trading.

Other changes in retained earnings relate to changes in equity at associated companies which, in accordance with IAS 28, have to be shown on a pro-rata basis with no effect on the net profit.

Due to the first-time application of IAS 39, changes in equity also reflect the measurement at fair value of the investments and securities portfolio and the effective part of cash flow hedges.

## Changes in minority interests

| € m | Minority interests | Revaluation reserve | Valuation of cash flow hedges | Reserve from currency translation | Gains/ losses | Total 2001 | Total 2000 |
|---|---|---|---|---|---|---|---|
| Minority interests as of 31.12. in previous year | 1,163 | – | – | 1 | 69 | 1,233 | 685 |
| Effect of first-time application of IAS 39 | –122 | 84 | –58 | – | – | –96 | – |
| **Minority interests as of 1.1.** | **1,041** | **84** | **–58** | **1** | **69** | **1,137** | **685** |
| Capital increases | 78 | | | | | 78 | 501 |
| Allocation from net profit | | | | | 55 | 55 | 69 |
| Distribution of profit | | | | | –57 | –57 | –22 |
| Net changes in revaluation reserve | | 131 | | | | 131 | – |
| Net changes arising from cash flow hedges | | | –29 | | | –29 | – |
| Other changes | 12 | | | 29 | –12 | 29 | – |
| **Minority interests as of 31.12.** | **1,131** | **215** | **–87** | **30** | **55** | **1,344** | **1,233** |

# cash flow statement

| | 2001 | 2000 |
|---|---|---|
| | € m | € m |
| **Net profit** | **102** | **1,342** |
| Non-cash positions in net profit and adjustments to reconcile net profit with net cash provided by operating activities: | | |
| Write-downs, depreciation, adjustments, write-ups to fixed and other assets, changes in provisions and net changes due to hedge accounting | 1,573 | 2,480 |
| Change in other non-cash positions: | | |
| Positive and negative fair values from derivative financial instruments (trading and hedging derivatives) | 985 | 5,774 |
| Net allocations to deferred taxes | –499 | 235 |
| Profit from the sale of assets | –219 | –231 |
| Profit from the sale of fixed assets | –1 | 17 |
| Other adjustments (net) | –3,581 | –3,516 |
| **Sub-total** | **–1,640** | **6,101** |
| Change in assets and liabilities from operating activities after correction for non-cash components: | | |
| Claims on banks | 11,262 | –24,614 |
| Claims on customers | 4,522 | –21,306 |
| Securities held for dealing purposes | –12,815 | –19,804 |
| Other assets from operating activities | 1,165 | –2,438 |
| Liabilities to banks | 5,550 | 30,875 |
| Liabilities to customers | 8,744 | 16,612 |
| Securitized liabilities | 10,719 | 22,984 |
| Other liabilities from operating activities | –2,567 | 1,726 |
| Interest and dividends received | 22,571 | 18,811 |
| Interest paid | –18,990 | –15,295 |
| Income tax paid | –48 | –474 |
| **Net cash provided by operating activities** | **28,473** | **13,178** |
| Proceeds from the sale of: | | |
| Investments and securities portfolio | 14,798 | 49,678 |
| Fixed assets | 822 | 576 |
| Payments for the acquisition of: | | |
| Investments and securities portfolio | –43,049 | –63,546 |
| Fixed assets | –1,556 | –2,654 |
| Effects of changes in the group of companies included in the consolidation | | |
| Payments from the acquisition of subsidiaries | –11 | –225 |
| **Net cash used by investing activities** | **–28,996** | **–16,171** |
| Proceeds from capital increases | 153 | 713 |
| Dividends paid | –542 | –411 |
| Other financing activities (net) | 627 | 1,620 |
| **Net cash provided by financing activities** | **238** | **1,922** |
| **Cash and cash equivalents at end of previous period** | **7,895** | **8,952** |
| Net cash provided by operating activities | 28,473 | 13,178 |
| Net cash used by investing activities | –28,996 | –16,171 |
| Net cash provided by financing activities | 238 | 1,922 |
| Effects of exchange-rate changes on cash and cash equivalents | 22 | 14 |
| **Cash and cash equivalents at end of period** | **7,632** | **7,895** |

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.

Under net cash provided by operating activities, payments (inflows and outflows) from claims on banks and customers and also securities from the trading portfolio and other assets are shown. Additions and disposals from liabilities to banks and customers, securitized liabilities and other liabilities also belong to operating activities. The interest and dividend payments resulting from operating activities are similarly reflected in the net cash provided by operating activities.

The net cash used by investing activities shows payments for the investments and securities portfolio as well as for fixed assets and payments for the acquisition of subsidiaries. The effects of changes in the list of consolidated companies are also recognized.

The net cash provided by financing activities covers the proceeds from capital increases, against which dividend payments are set off, and basically payments received and made with regard to subordinated capital.

We define cash and cash equivalents as the balance-sheet item Cash reserve, which includes cash on hand, balances held at central banks and also debt issued by public-sector borrowers and bills of exchange eligible for rediscounting at central banks. Claims on banks which are due on demand are not included, as we regard these as part of operating business.

# notes

## Consolidated accounting principles

As in the previous year, the Commerzbank Group's financial statements as of December 31, 2001 were prepared in accordance with the directives 83/349/EEC (directive on consolidated financial statements) and 86/635/EEC (directive on annual accounts of banks) on the basis of the International Accounting Standards (IASs), approved and published by the International Accounting Standards Board (IASB) – formerly International Accounting Standards Committee (IASC) – and with their interpretation by the Standing Interpretations Committee (SIC). A summary of the regulations that have been applied can be found on pages 76-77. The necessary compliance with the directive on the annual accounts of banks was achieved by means of the appropriate structuring of items in the notes. Pursuant to Art. 292a, German Commercial Code (HGB), these consolidated financial statements prepared in accordance with IAS exempt the Bank from the need to prepare financial statements according to German accounting principles. We have presented the main differences between IAS financial statements and those prepared in accordance with German accounting rules on pages 85 and 86 of this report.

The consolidated financial statements also reflect the standards approved by the German Accounting Standards Board (GASB) and published by the German Federal Ministry of Justice pursuant to Art. 342, (2), HGB.

When preparing the consolidated financial statements, we also provided the details required by the German legislation for control and transparency in the corporate sector (KonTraG) in the notes on the consolidated accounts. In addition, a report on the risks related to future developments (Risk report pursuant to Art. 315, (1), HGB) appears on pages 41-60.

In addition to the consolidated income statement and the consolidated balance sheet, the consolidated financial statements include the statement of changes in equity and minority interests, a cash flow statement and the notes. Segment reporting appears in the notes on pages 94-102.

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

## Accounting and measurement methods

### (1) Basic principles

The consolidated financial statements are based on the going concern principle. Income and expenses are recognized on a pro-rata basis; they are shown for the period to which they may be assigned in economic terms.

In the 2001 financial year, accounting was performed applying IAS 39 for the first time, together with the different classification and measurement principles prescribed by this standard. In order to reflect the differing approaches, financial assets and financial liabilities have been assigned to the following categories:

1. Loans and claims originated by the Bank.
2. Financial assets held to maturity.
3. Financial assets held for trading (Assets held for dealing purposes) and certain financial liabilities (Liabilities from dealing activities).
4. Available-for-sale financial assets.
5. Other financial liabilities.

The detailed rules for hedge accounting are applied in the case of derivative hedging instruments.

All the companies included in the consolidation prepared their financial statements as of December 31, 2001.

In accordance with IAS 27, uniform accounting and measurement methods are applied throughout the Commerzbank Group in preparing the financial statements.

**(2) Changes due to IAS 39 – general section –**

The IAS 39 (Financial instruments: recognition and measurement) regulations were published by IASC in December 1998; they provide for extensive changes in accounting for and measuring financial instruments. In this context, financial instruments are defined above all as loans or claims, interest-bearing securities, equities, investments, liabilities and derivatives (e.g. swaps, forwards, options). Basically, the changes entail a new categorization and largely fair-value measurement of financial instruments, as well as extensive rules for derivative hedge accounting.

These regulations had to be implemented for the first time in the 2001 financial year. As the standard has had to be applied since January 1, 2001, the year-ago figures have not been adjusted. The cumulative effect due to the change in the accounting and measurement rules is reflected in the opening balance sheet of January 1, 2001, and – after deferred taxes had been taken into consideration – it was set off against equity.

Accounting for financial assets and liabilities is dependent upon assignment to the categories described below. IAS 39 provides the following categories for financial assets:

- Loans and claims originated by the Bank:
  Loans granted directly to the borrower and claims due directly from the borrower are assigned to this category. They are measured at amortized cost. Premiums and discounts appear under Net interest income over the entire lifetime.

- Held-to-maturity financial assets:
  Non-derivative financial assets with a fixed maturity may be included in this category if they cannot be assigned to the "Loans and claims originated by the Bank" category and if both the intent and the ability exist to hold them to final maturity. They are measured at amortized cost, whereby premiums and discounts are recognized over the entire life to maturity. The Commerzbank Group has not used the "Held-to-maturity financial assets" category with respect to the 2001 financial year.

- Assets held for trading purposes:
  All financial assets are assigned to this class which are held for trading purposes. These include original financial instruments (especially interest-bearing securities, equities, promissory notes), precious metals and derivative financial instruments with a positive fair value. In accordance with IAS 39, derivative financial instruments are classified as part of the trading portfolio insofar as they do not qualify as hedging derivatives used in hedge accounting. Financial assets held for trading are initially measured at cost and subsequently at their fair value. Measurement gains and losses appear under Trading profit in the income statement.

- Available-for-sale financial assets:
  All non-derivative financial assets are assigned to this class which were not covered by one of the above classes. Primarily, these are interest-bearing securities, equities, promissory notes and investments.
  They are initially measured at cost and subsequently at their fair value. After deferred taxes have been taken into consideration, the result of measurement is recognized with an income-neutral effect in a separate equity item (revaluation reserve). If the financial asset is sold, the cumulative valuation previously recognized in the revaluation reserve is released and shown in the income statement. Should the asset's value be permanently impaired, the revaluation reserve has to be reduced by the amount of the impairment, which is reflected in the income statement. If the fair value cannot be reliably ascertained, measurement is made at amortized cost. Premiums and discounts are recognized under Net interest income over the entire lifetime.

The following categories are available for financial liabilities:

- Liabilities held for trading:
  All financial liabilities which are held for trading purposes are assigned to this class. This includes derivative financial instruments, insofar as they have a negative fair value, and delivery obligations arising from short sales of securities. In accordance with IAS 39, derivative financial instruments are classified as part of the trading portfolio insofar as they do not qualify as hedging derivatives used in hedge accounting. Derivative financial instruments are initially measured at cost and subsequently at their fair value. Measurement gains and losses appear in the income statement under Trading profit. Delivery obligations arising from short sales

of securities are also measured at their fair value. Changes in the fair value are shown in the income statement under Trading profit.

- Other financial liabilities:
  These include all original financial liabilities, especially liabilities to banks and customers and also securitized liabilities. Measurement is made at amortized cost. Premiums and discounts are recognized under Net interest income over the entire lifetime.

**(3) Changes due to IAS 39 – embedded derivatives –**
IAS 39 also regulates the treatment of embedded derivatives. These are derivatives which are part of an original financial instrument and are inseparably linked to it (so-called hybrid financial instruments). Hybrid financial instruments include reverse convertible bonds (bonds whose repayment may take the form of equities) or bonds with indexed interest payments. In accordance with IAS 39, the embedded derivative should be separated from the original host contract under certain conditions and accounted for and measured separately at fair value as a stand-alone derivative. Such separation has to be made if the characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract. In this case, the embedded derivative should be regarded as part of the trading portfolio and recognized at its fair value. Changes in the fair value have to be shown in the income statement. The host contract is accounted for and measured applying the rules of the relevant category of the financial instrument. However, if the characteristics and risks of the embedded derivative are closely linked to those of the host contract, the embedded derivative is not separated from the latter.

**(4) Changes due to IAS 39 – hedge accounting –**
IAS 39 introduces extensive regulations concerning accounting for hedging instruments, which are superimposed upon the general accounting rules described above for derivatives and also for secured, non-derivative transactions. In line with general regulations, derivatives are classified as trading transactions (assets held for dealing purposes or liabilities from dealing activities) and are measured at their fair value. The result of such measurement is shown in the income statement under Trading profit.

If derivatives are used to hedge risks from non-trading transactions, IAS 39 permits, under certain conditions, the application of special regulations in so-called hedge accounting. Depending on the type of risk to be hedged, two forms of hedge accounting in particular are distinguished:

- Fair value hedge accounting:
  For derivatives which serve to hedge the fair value of recognized assets or liabilities (so-called fair value hedges), IAS 39 prescribes the use of fair value hedge accounting. The risk of a change in fair value exists above all for loans, securities and liabilities with a fixed interest rate.
  In line with the regulations for fair value hedge accounting, the hedging derivative is shown at fair value, with changes in its fair value appearing in the income statement. Any changes in the fair value of the hedged asset or hedged liability resulting from the hedged risk also have to be recognized in the income statement. Given a perfect hedging relationship, the gains and losses recognized in the income statement for the hedge and the hedged transaction will largely balance one another.
  If the asset or liability is recognized at amortized cost according to the general regulations (e.g. an extended loan or a bond that has been issued), the book value has to be adjusted for the accumulated changes in fair value resulting from the hedged risk. However, contrary to the general regulations, if the asset is recognized at fair value (e.g. an available-for-sale security), the changes in fair value resulting from the hedged risk have to be recognized in the income statement. The changes in fair value of the hedged financial assets appear – after deferred taxes have been taken into consideration – in the Revaluation reserve with an income-neutral effect, insofar as they do not result from the hedged risk.

- Cash flow hedge accounting:
  For derivatives which serve to hedge future cash flows (so-called cash flow hedges), IAS 39 prescribes the use of cash flow hedge accounting.
  A risk with regard to the size of future cash flows exists in particular for floating-interest-rate loans, securities and liabilities as well as forecasted transactions (e.g. forecasted fund-raising or financial

investments). At the same time, IAS 39 also prescribes the application of cash flow hedge accounting rules for the hedging of future cash flows from pending business.

Cash flow hedge derivatives appear at fair value. Reporting of the gain or loss has to be divided into an effective and an ineffective part. The effective portion of the gain or loss is that portion which represents an effective hedge of the cash flow risk. This is recognized directly in a separate item under equity. By contrast, the ineffective portion is shown in the income statement.

For the transactions underlying cash flow hedges, there is no change in the general accounting rules described above.

Quite apart from the requirements outlined above, the application of hedge accounting rules is tied to a number of extra conditions. These relate above all to disclosure of the hedging relationship and also to the effectiveness of the hedge.

The hedging relationship has to be disclosed at the time of its conclusion. Disclosure extends above all to an identification of the hedging derivative and the hedged transaction and also details of the hedged risk and the method employed to determine the effectiveness of the hedge. Disclosure for a transaction hedged with a derivative may relate to either an individual asset, liability, pending business or forecasted transaction or a portfolio of such items which are given similar accounting treatment. However, it is not sufficient to disclose a net risk position to be hedged.

In addition to disclosure, IAS 39 calls for evidence of highly effective hedging for the application of hedge accounting rules. Effectiveness in this connection means the relationship between the change in fair value or the cash flow resulting from the hedged risk and the change in fair value or the cash flow resulting from the hedging derivative. If these changes almost entirely balance one another, a high degree of effectiveness exists. Proof of effectiveness requires, on the one hand, that a high degree of effectiveness can be expected from a hedging relationship in the future (prospective effectiveness). On the other hand, when a hedging relationship exists, it must be regularly demonstrated that this was highly effective during the period under review (retrospective effectiveness). A high degree of retrospective effectiveness exists if the ratio of changes in the fair value or the cash flow is between 0.8 and 1.25. Here the methods used for determining effectiveness have to be disclosed.

By means of a fair value hedge, the Bank hedges the fair value of a financial instrument against the risks resulting from the change in the reference interest rate, share price and/or the exchange rate. In order to hedge these risks, above all interest-rate and interest/currency swaps are employed. This primarily relates to the Group's new issues business and the securities portfolio used for liquidity management, insofar as these are interest-bearing securities. Equities from these portfolios are hedged by derivatives with warrant character. The same holds true for the other price risks of structured issues. Interest-rate risks resulting from open interest-rate positions in asset/liability management are hedged by means of cash flow hedges using swaps.

### (5) IAS, SIC and GASB rules applied

There is regularly a time gap between the approval of an IAS or an interpretation by the SIC and its effective date. As a rule, however, the IASB recommends the early application of not yet effective, but already approved, standards and interpretations.

Within the Commerzbank Group, we have based our accounting and measurement on all the IASs approved and published by December 31, 2001.

Our consolidated financial statements for 2001 are based, therefore, on the following International Accounting Standards (IASs) which are relevant for the Commerzbank Group:

| | |
|---|---|
| IAS 1 | Presentation of financial statements |
| IAS 7 | Cash flow statements |
| IAS 8 | Net profit or loss for the period, fundamental errors and changes in accounting policies |
| IAS 10 | Events after the balance-sheet date |
| IAS 12 | Income taxes |
| IAS 14 | Segment reporting |
| IAS 16 | Property, plant and equipment |
| IAS 17 | Leases |
| IAS 18 | Revenue |
| IAS 19 | Employee benefits |
| IAS 21 | The effects of changes in foreign-exchange rates |
| IAS 22 | Business combinations |
| IAS 23 | Borrowing costs |
| IAS 24 | Related party disclosures |
| IAS 27 | Consolidated financial statements and accounting for investments in subsidiaries |
| IAS 28 | Accounting for investments in associates |
| IAS 30 | Disclosures in the financial statements of banks and similar financial institutions |
| IAS 31 | Financial reporting of interests in joint ventures |
| IAS 32 | Financial instruments: disclosure and presentation |
| IAS 33 | Earnings per share |
| IAS 36 | Impairment of assets |
| IAS 37 | Provisions, contingent liabilities and contingent assets |
| IAS 38 | Intangible assets |
| IAS 39 | Financial instruments: recognition and measurement |
| IAS 40 | Investment property |

In addition to the standards listed above, we have also taken into consideration the following SIC interpretations that are relevant for us:

| | | relates to |
|---|---|---|
| SIC-2 | Consistency – capitalization of borrowing costs | IAS 23 |
| SIC-3 | Elimination of unrealized profits and losses on transactions with associates | IAS 28 |
| SIC-5 | Classification of financial instruments – contingent settlement provisions | IAS 32 |
| SIC-6 | Costs of modifying existing software | IAS framework |
| SIC-7 | Introduction of the euro | IAS 21 |
| SIC-9 | Business combinations – classification either as acquisitions or unitings of interests | IAS 22 |
| SIC-12 | Consolidation – special-purpose entities | IAS 27 |
| SIC-15 | Operating leases – incentives | IAS 17 |
| SIC-16 | Share capital – reacquired own equity instruments (treasury shares) | IAS 32 |
| SIC-17 | Equity – costs of an equity transaction | IAS 32 |
| SIC-18 | Consistency – alternative methods | IAS 1 |
| SIC-20 | Equity accounting method – recognition of losses | IAS 28 |
| SIC-21 | Income taxes – recovery of revalued non-depreciable assets | IAS 12 |
| SIC-24 | Earnings per share – financial instruments and other contracts that may be settled in shares | IAS 33 |
| SIC-25 | Income taxes – changes in the tax status of an enterprise or its shareholders | IAS 12 |
| SIC-27 | Evaluating the substance of transactions in the legal form of a lease | IAS 1, 17, 18 |
| SIC-28 | Business combinations – "date of exchange" and fair value of equity instruments | IAS 22 |
| SIC-30 | Reporting currency – translation from measurement currency to presentation currency | IAS 21, 29 |
| SIC-33 | Consolidation and equity method – potential voting rights and allocation of ownership interests | IAS 27, 28, 39 |

Furthermore, in the present consolidated financial statements the following German Accounting Standards (GAS) have been applied, which are relevant for us and which have been approved by German Accounting Standards Board and were announced by the German Federal Ministry of Justice up to December 31, 2001, in accordance with Art. 342, (2), HGB:

| | |
|---|---|
| GAS 1 | Exempting consolidated financial statements in accordance with §292a, HGB |
| GAS 2 | Cash flow statements |
| GAS 2-10 | Cash flow statements of financial institutions |
| GAS 3 | Segment reporting |
| GAS 3-10 | Segment reporting of banks |
| GAS 4 | Purchase accounting in consolidated financial statements |
| GAS 5 | Risk reporting |
| GAS 5-10 | Risk reporting by financial enterprises |
| GAS 7 | Presenting equity in consolidated financial statements |
| GAS 8 | Accounting for investments in associates |
| GAS 9 | Financial reporting of interests in joint ventures |

**(6) Consolidated companies**

The consolidated financial statements as of 31.12.2001, include in addition to the Parent Bank – Commerzbank AG – 101 subsidiaries (108 in 2000), in which Commerzbank AG holds more than 50% of the capital directly or indirectly, or exerts control over them. Of these, 44 have their legal seat in Germany (44 in 2000) and 57 (64 in 2000) elsewhere.

Twelve major associated companies (five in 2000) – three of them based in Germany – are measured using the equity method. Deutsche Schiffsbank AG (Bremen/Hamburg), which was consolidated on a pro-rata basis in the previous year, was included at equity in the consolidation as of 1.1.2001. This caused the consolidated balance sheet to contract by 0.6%.

173 subsidiaries and associated companies (173 in 2000) of minor significance for the Group's asset and financial position and earnings performance have not been included; instead, they have been shown under Investments and securities portfolio as holdings in subsidiaries or investments. In terms of the Group's overall balance-sheet total, a difference of less than 0.2% arises as a result (0.1% in 2000).

The Commerzbank Group has three sub-groups:

- CommerzLeasing und Immobilien AG, Düsseldorf
- Jupiter International Group plc, London
- comdirect bank AG, Quickborn,

which have presented sub-group financial statements.

The following ten subsidiaries – seven of them based in Germany – were included in the consolidation for the first time in the year 2001:

- ASTRIFA Mobilien-Vermietungsgesellschaft mbH, Düsseldorf
- Commerz Asset Management Asia-Pacific Pte Ltd., Singapore
- Commerz Asset Management Holding GmbH, Frankfurt am Main
- Commerz Asset Managers GmbH, Frankfurt am Main
- Commerz Grundbesitzgesellschaft mbH, Wiesbaden
- Erste Europäische Pfandbrief- und Kommunalkreditbank Aktiengesellschaft in Luxemburg S.A., Luxembourg
- NIV Vermögensverwaltungsgesellschaft mbH, Frankfurt am Main
- P.T. Bank Finconesia, Jakarta
- Siebte Commercium Vermögensverwaltungsgesellschaft mbH, Frankfurt am Main
- Zweite Umbra Vermögensverwaltungsgesellschaft mbH, Frankfurt am Main

The following eight companies were shown for the first time at equity in the past financial year:

- Capital Investment Trust Corporation, Taipei/Taiwan
- Clearing Bank Hannover Aktiengesellschaft, Hanover
- Deutsche Schiffsbank Aktiengesellschaft, Bremen/Hamburg
- Hispano Commerzbank (Gibraltar) Ltd., Gibraltar
- IMMOPOL GmbH & Co. KG, Munich
- Second Interoceanic GmbH, Hamburg
- The New Asian Land Fund Limited, Bermuda
- The New Asian Property Fund Limited, Bermuda

The following companies have been removed from the list of consolidated companies:

- Bankhaus Bauer Aktiengesellschaft, Stuttgart
- CCR Chevrillon Philippe, Paris
- CICM (Ireland) Ltd., Dublin
- C. Portmann, Frankfurt am Main
- comdirect nominee ltd., London
- Commerzbank Capital Markets (Eastern Europe) N.V., Amsterdam
- Commerz Immobilien Vermietungsgesellschaft mbH, Düsseldorf
- Commerz International Capital Management GmbH, Frankfurt am Main[1)]
- EMD Ltd. i.L., Bermuda
- Haus am Kai 2 O.O.O., Moscow
- Immobiliengesellschaft Ost Hägle spol s.r.o., Prague
- Jupiter Tyndall Pension Trust Ltd., London
- KF Ltd. i.L., Bermuda
- NESTOR GVG mbH &Co Objekt Villingen-Schwenningen KG, Düsseldorf
- NEUTRALIS GVG mbH, Düsseldorf
- Paresco Patrimoine S.A.R.L., Paris
- WESTBODEN-Bau- und Verwaltungsgesellschaft mbH, Frankfurt am Main

1) merged with Commerzbank Investment Management GmbH

A comprehensive list of the subsidiaries and associated companies included in our consolidated financial statements can be found on pages 145-148.

## (7) Principles of consolidation

The consolidation of the capital accounts is based on the book-value method, whereby the historical cost of the holding in the subsidiary is set off against the share of the equity that was acquired at that time. As far as possible, any residual differences in amount are assigned to the subsidiary's assets and liabilities, reflecting the percentage share of equity held. If any positive differences remain after such assignment, these are shown as goodwill under Intangible assets in the balance sheet and are depreciated to reflect their probable useful economic lives over a period of 15 years, using the straight-line method; this is charged against the Other operating result.

Claims and liabilities deriving from business relations between Group companies, as well as expenses and income, are eliminated as part of the consolidation of earnings; intra-Group book gains or losses registered during the financial year are eliminated unless they are of minor importance.

Associated companies are measured according to the equity method and are shown as investments in associated companies under Investments and securities portfolio. The assigned value of these investments and the differences in amount (goodwill) are worked out at the time of their first inclusion in the consolidated financial statements, applying the same rules as for subsidiaries. Measurement at equity is based on the financial statements of associated companies that are prepared in accordance with local accounting rules.

Holdings in subsidiaries not consolidated because of their marginal significance and investments are shown either at cost or at their fair value under Investments and securities portfolio.

## (8) Currency translation

Assets and liabilities and also items from the income statement denominated in foreign currencies, as well as immatured spot foreign-exchange transactions, are translated at the spot rates, and foreign-exchange forward contracts at the forward rate of the balance-sheet date. Currency translation for investments and holdings in subsidiaries that are denominated in foreign currencies is effected at historical cost. Translation gains and losses from the consolidation of the capital accounts appear in the balance sheet under equity.

As a result of their economically independent business activity, the financial statements of our units abroad that are drawn up in foreign currencies are translated at the spot rates of the balance-sheet date.

The expenses and income generated by the translation of balance-sheet items are recognized in the income statement. Hedged expenses and income are translated at the hedging rate.

The following translation rates (amount per €1 in the respective currency) apply for the non-eurozone currencies that are most important to the Commerzbank Group:

| | 31.12.2001 | 31.12.2000 |
|---|---|---|
| USD | 0.8813 | 0.9373 |
| JPY | 115.33 | 107.23 |
| GBP | 0.6085 | 0.62655 |
| CHF | 1.4829 | 1.5215 |

## (9) Cash reserve

With the exception of debt issued by public-sector borrowers, which is shown at its fair value, all the items appear at their nominal value.

## (10) Claims

Claims on banks and customers originated by Commerzbank, which are not held for trading, have been shown at either their nominal value or at amortized cost. Premiums and discounts appear under Net interest income over the entire lifetime. The book values of claims which qualify for hedge accounting are adjusted for the gain or loss attributable to the hedged risk.

Claims not originated by Commerzbank – mainly promissory notes – which do not form part of the trading portfolio are included in the Investments and securities portfolio. Promissory notes in the Bank's trading portfolio are not shown under Claims, but rather as Assets held for dealing purposes.

## (11) Provision for possible loan losses

We fully provide for the particular risks associated with banking business by forming individual valuation allowances, country valuation allowances and global valuation allowances.

In order to cover the lending risks represented by claims on customers and banks, we have formed individual valuation allowances according to uniform Group standards, reflecting the scale of the potential loan loss.

In the case of loans to borrowers involving an enhanced transfer risk (country risk), the economic situation is assessed on the basis of appropriate economic data. The findings are weighted by the respective internal country rating. Wherever necessary, country valuation allowances are formed.

We cover latent credit risks by means of global valuation allowances. Past loan losses serve as a yardstick for the scale on which global valuation allowances have to be formed.

Insofar as it relates to claims in the balance sheet, the aggregate amount of provision for possible loan losses is shown separately from Claims on banks and Claims on customers. However, the provision for risks in off-balance-sheet business – guarantees, endorsement liabilities, lending commitments – is shown as a provision for lending risks.

Unrecoverable accounts are written down immediately. Amounts received on written-down claims appear in the income statement.

### (12) Genuine repurchase agreements (repo deals) and securities-lending business

Repo deals combine the spot purchase or sale of securities with their forward sale or repurchase, the counterparty being identical in either case. The securities sold under repurchase agreements (spot sale) are still accounted for and measured in the consolidated balance sheet as part of the securities portfolio. According to counterparty, the inflow of liquidity from the repo transaction is shown in the balance sheet as a liability to either banks or customers. Interest payments are booked as interest paid, reflecting the various maturities.

The outflows of liquidity caused by reverse repos appear as claims on banks or customers and are measured accordingly. The securities sold under repurchase agreements and on which the financial transaction is based (spot purchase) are not shown in the balance sheet, nor are they measured. Interest from reverse repos is counted as interest income. Claims arising from reverse repos are not netted against liabilities from repos involving the same counterparty.

According to counterparty (borrower), we treat lent securities as claims on banks or claims on customers. In measuring claims to the re-transfer of securities which we lend, we apply the same methods as for assets held for dealing purposes – in the case of the trading portfolio – or the same as for available-for-sale securities – in the case of securities which appear under Investments and securities portfolio. Securities borrowed by the Group from third parties, insofar as they are still held in the portfolio, are included either in Assets held for dealing purposes or the Investments and securities portfolio. We show commitments to return securities under Liabilities to banks or customers.

### (13) Positive fair values from derivative hedging instruments

Derivative financial instruments used for hedging which qualify for hedge accounting and have a positive value appear under this item. The instruments are measured at fair value. Internal price models (net present-value or option-price models) are used for measuring products which are not listed; however, listed instruments are measured at market prices. The results deriving from hedge accounting for fair value hedges appear in the income statement under Net result on hedge accounting. By contrast, effective portions of the gains or losses on cash flow hedges are recognized in equity.

### (14) Assets held for dealing purposes

Securities held for dealing purposes, promissory notes and precious metals appear in the balance sheet at their fair value on the balance-sheet date. Also shown at their fair value are all derivative financial instruments which are not used as hedging instruments in hedge accounting and have a positive fair value. For listed products, market prices are used; non-listed products are measured on the basis of the net present-value method or other suitable measurement models. All the realized gains and losses and also the non-realized changes appear as part of the Trading profit in the income statement. Under this item, interest and dividend income from trading portfolios are also shown, less the expenses required to finance them. Spot transactions are recognized immediately they are concluded; they appear in the balance sheet at the time of performance.

**(15) Investments and securities portfolio (financial assets available for disposal)**

Our investments and securities portfolio comprises all the bonds, notes and other fixed-income securities, shares and other variable-yield securities and all the investments and investments in associated companies, as well as holdings in non-consolidated subsidiaries which are not held for dealing purposes. In addition, in accordance with IAS 39, we include here all the claims on banks and customers not originated by the Bank, in particular promissory notes.

These holdings are accounted for and measured at fair value, or according to the equity method in the case of investments in associated companies. If the fair value cannot be reliably calculated, the item is shown at cost; this primarily holds true for non-listed assets.

Net changes are shown – after deferred taxes have been taken into consideration – under the Revaluation reserve in equity. Realized gains and losses only affect the income statement when the holdings are sold and written off. Premiums and discounts are recognized in Net interest income over the lifetime of the investment or security.

If, however, an effective hedging relationship exists with a derivative financial instrument for investments, securities or claims not originated by the Bank, that part of the change in fair value attributable to the hedged risk is shown under the Net result on hedge accounting in the income statement. In the case of permanent impairment, the lower value (recoverable amount) is shown; the write-down is charged to the income statement.

Insofar as the reasons which led to a write-down no longer apply, a write-up is made affecting net profit or loss, which does not exceed the amount originally written down.

**(16) Intangible assets**

Apart from software produced in-house and stock-exchange seats acquired by the Bank, we include above all acquired goodwill under intangible assets. Goodwill is examined with a view to its future economic utility on each balance-sheet date. If it appears that the expected utility will not materialize, extraordinary depreciation is made. Goodwill is amortized over a probable useful life of 15 years. We depreciate software over a period of two to five years.

In the financial year, no extraordinary depreciation had to be made on intangible assets.

| | probable useful life in years |
|---|---|
| Goodwill | 15 |
| Software | 2 – 5 |
| Other | 2 – 10 |

**(17) Fixed assets**

The land and buildings, and also office furniture and equipment, shown under this item are capitalized at cost, less regular depreciation. Extraordinary depreciation and write-offs are made if the value is permanently impaired.

In determining the useful life, the likely physical wear and tear, technical obsolescence and also legal and contractual restrictions are taken into consideration. All fixed assets are depreciated or written off over the following periods, using the straight-line method:

| | probable useful life in years |
|---|---|
| Buildings | 30 – 50 |
| Office furniture and equipment | 2 – 10 |
| Purchased IT equipment | 2 – 8 |

In line with the materiality principle, purchases of low-value fixed assets are immediately recognized as operating expenses. Profits realized on the disposal of fixed assets appear under Other operating income, losses are shown under Other operating expenses.

**(18) 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 that are incident to ownership. Finance leases are agreements which substantially transfer these.

**– The Group as lessor –**

Almost exclusively, the business of the leasing companies within the Commerzbank Group involves operating leases, in which the lessor retains economic ownership of the object of the agreement. Leased property appears in the consolidated balance sheet under Fixed assets. Leased objects are shown at cost or production cost, less regular depreciation over their probable useful economic lives or extraordinary depreciation necessary on account of permanent impairment of value. Unless a different distribution suggests itself in individual cases, the proceeds from leasing transactions are recognized on a straight-line basis over the lifetime of the agreement and are shown under Net interest income.

Insofar as virtually all the risks and rewards relating to the leased property are transferred to the lessee (finance leases), the Commerzbank Group recognizes a claim on the lessee. The claim is shown at its net investment value at the inception of the agreement. The income is recognized as interest income for the respective period.

**– The Group as lessee –**

The payments made under operating lease agreements are included under Operating expenses. The costs are computed like a rental payment on a regular basis corresponding to the useful life of the leased property.

No contractual obligations existed in the 2001 financial year which require classification as finance leases.

### (19) Liabilities to banks and customers and also securitized liabilities

Financial liabilities are accounted for at amortized cost. The derivatives embedded in liabilities have been separated from their host debt instrument, measured at fair value and shown under either Assets held for dealing purposes or Liabilities from dealing activities. As part of hedge accounting, hedged liabilities were adjusted for the gain or loss attributable to the hedged risk.

### (20) Negative fair values from derivative hedging instruments

Under this item, we show derivative hedging instruments with a negative fair value which do not serve dealing purposes. The financial instruments are measured at fair value, with internal price models (net present-value or option-price models) applied in the case of non-listed products; by contrast, market prices are used as a basis for listed instruments. The net results from hedge accounting for instruments classified as fair value hedges appear in the income statement. We show the effective portions of the gains or losses on cash flow hedges in equity.

### (21) Liabilities from dealing activities

Derivative financial instruments used in proprietary trading which have a negative fair value, and delivery obligations from short sales of securities, are shown as Liabilities from dealing activities. Such liabilities are measured at their fair value.

### (22) Provisions for pensions and similar commitments

For employees at the Parent Bank and at some subsidiaries in Germany, provision for old age is made both directly – financed by means of provisions – and through contributions to Versicherungsverein des Bankgewerbes a.G. (BVV), Berlin, and to Versorgungskasse des Bankgewerbes e.V., Berlin. The old-age benefit system is based on payments from the Parent Bank and from several of its subsidiaries and on contributions paid into the BVV or the Versorgungskasse. At various units abroad, contributions are paid into banking-industry pension schemes. In the case of contribution-based schemes, payments to the pension institutions are recognized as expenses for the current period.

The scale of the provisions for the payment-based system of old-age provision depends on the length of service, the pensionable salary and the currently valid scales for employer subsidies.

All provisions for pensions are calculated by means of the projected-unit-credit method in accordance with IAS 19. Future commitments are worked out on the basis of actuarial surveys. This calculation takes into account not only the existing pensions and pension expectancies on the balance-sheet date, but also the rates of increase for salaries and pensions that can be expected in the future. In order to determine the cash value of the pension commitments, a current market interest rate is used. We only recognize higher or lower commitments as a result of actuarial calculations if they lie outside a 10% fluctuation band of the actuarially estimated value.

The assumptions on which the actuarial calculations have been based are:

| | 31.12.2001 | 31.12.2000 |
|---|---|---|
| Calculatory interest rate | 5.75% | 6.50% |
| Change in salaries | 3.00% | 3.50% |
| Adjustment to pensions | 1.50% | 2.00% |

The commitments similar to those for pensions include commitments under early-retirement schemes and under part-time work schemes for older staff, which are computed with the aid of actuarial rules.

### (23) Other provisions

We form Other provisions on the scale deemed necessary for liabilities of uncertain amount towards third parties and for anticipated losses related to immatured contracts. We do not form provisions for future expenses not related to an external commitment. In the 2001 financial year, we formed a provision for restructuring measures: The basis for the formation of this provision was a detailed overall plan, coordinated with the boards of the companies affected, providing information on concrete individual measures – above all, branch closures and staff reductions.

### (24) Taxes on income

Taxes on income are calculated and shown in accordance with IAS 12, taking account of SIC-21 and SIC-25.

Current tax assets and liabilities are calculated by applying the valid tax rates at which a refund from or a payment to the relevant fiscal authorities is expected.

Deferred tax assets and liabilities derive from differences between the value of an asset or liability as shown in the balance sheet and its assigned value in tax terms. In the future, these will probably either increase or reduce taxes on income (temporary differences). They are measured at the specific income-tax rates which apply in the country where the company in question has its seat and which can be expected to apply for the period in which they are realized. Deferred taxes on as yet unused losses carried forward are shown in the balance sheet if taxable profits are likely to occur within the same unit. Tax assets and liabilities are not netted against one another; they do not appear in discounted form. Deferred tax assets and liabilities are formed and carried such that – depending on the treatment of the underlying item – they are recognized either under Taxes on income in the income statement or they are set off against the relevant equity items with no effect on the income statement.

Income-tax expenses or income which are attributable to the profit from ordinary activities after restructuring expenses are shown under Taxes on income in the consolidated income statement and divided in the notes into current and deferred taxes in the financial year. Other taxes which are independent of income are subsumed under Other operating result. Current and deferred tax assets and tax liabilities appear as separate asset or liability items in the balance sheet. No taxes on income arose in the past financial year in connection with extraordinary activities.

### (25) Subordinated capital

Under Subordinated capital, we account for issues of profit-sharing certificates as well as securitized and non-securitized subordinated liabilities. After their initial recognition at cost, they are shown at amortized cost. Premiums and discounts are recognized under Net interest income over the entire lifetime.

### (26) Trust business

Trust business involving the management or placing of assets for the account of others is not shown in the balance sheet in accordance with IAS 30. Commissions received from such business are included under Net commission income in the income statement.

### (27) Treasury shares

Treasury shares held by the Parent Bank in its portfolio on the balance-sheet date are deducted directly from equity, pursuant to SIC-16. Gains and losses resulting from the Bank's own shares are set off against retained earnings, with no effect on net profit.

### (28) Staff remuneration plans

For its executives and selected other members of staff, the Group has approved three "long-term performance plans" (LTP). These plans permit a remuneration in cash geared to the performance of the share price or the stock index; in line with the currently valid classification, they are considered to be "virtual" stock option plans. The programmes entail a payment commitment if the Commerzbank share outperforms the Dow Jones Euro Stoxx® Bank index (LTP 1999, 2000 and 2001) and/or the absolute performance of the Commerzbank share is at least 25% (LTP 2000 and 2001).

LTP 1999 will run for three years, which, depending on the target being attained (outperformance), may be extended to a maximum of five years. Payment will be linked to a rise in the performance of the Commerzbank share against the Dow Jones Euro Stoxx® Bank index within a range of 1 to 10 percentage points. Depending on the employee's function group and assessed performance at the time when the plan was introduced and also on the percentage of outperformance, the employee can receive between €10,000 and €150,000. Should the target not be attained after three years, a fresh evaluation will be made after four years and, for a final time, after five years. If no minimal level of outperformance has been attained by that time, the claim to payment under LTP 1999 will expire.

LTP 2000 and 2001 require those entitled to participate in the plan to purchase Commerzbank shares. The scale of such participation depends on the function group of the person covered by the plan (possible participation: between 100 and 1,200 shares). Payments under these plans will be determined by two criteria:

For 50% of the shares,

- the Commerzbank share outperforms the Dow Jones Euro Stoxx® Bank index (payment guaranteed by outperformance of at least 1 percentage point to a maximum of 10 percentage points).

For 50% of the shares,

- an absolute rise of the Commerzbank share (payment guaranteed by a rise of at least 25 percentage points to a maximum of 52 percentage points).

If a maximal achievement of the two criteria is registered, those entitled to participate will receive €100 per share of their own participation, whereby Commerzbank shares will be delivered to the participant's custody account for 50% of this gross amount.

Payment and the delivery of the shares is dependent upon Commerzbank AG making a dividend distribution for the financial year.

The first comparison of the base prices of the first quarter of 2000 (LTP 2000) or the first quarter of 2001 (LTP 2001) with the data for the comparable period will be made after three years in either case.

Should none of the exercising criteria have been met after this time has elapsed, comparison will be made with the base data at annual intervals. If none of the performance targets have been achieved after five years, the plan will be terminated.

For the commitments arising from the LTPs described, we calculate annually, in accordance with the relevant GASB position paper, the pro-rata overall value of the LTP; wherever necessary, we form a provision and charge it to Operating expenses. Given the unsatisfactory performance of the Commerzbank share price, there was no need to form a provision for the 2001 financial year.

In addition, it is possible at subsidiaries, including in asset management, for selected employees to participate through private equity models in the performance of the respective company. Payment in such cases depends on the extent to which fixed performance targets are attained.

These models include direct investment in shares of the respective company. Frequently, these are offered at reduced prices and in combination with call or put options. In addition, warrants and share subscription rights are issued. Premiums are also granted which may similarly be used to subscribe to shares. The observance of blocking periods and agreements for later repurchase determine whether additional income is received.

For such models, we calculate the need for provisions annually, using suitable methods, and show this, if necessary, under Operating expenses.

## Major differences in accounting, measurement and consolidation methods: IAS compared with HGB

The objective of financial statements based on IAS is to help investors make decisions by providing them with information on the Group's asset and financial position and its earnings performance and also changes in these over time. By contrast, financial statements based on HGB are primarily geared to investor protection and are also influenced by tax-law provisions due to their authoritative character for the balance sheet prepared for tax purposes. Given these different objectives, the following major differences in accounting and measurement methods arise between German HGB and IAS:

### Provision for possible loan losses

In line with international practice, provision for possible loan losses is shown as a charge on the assets side. Taxed hidden reserves may not be formed in IAS financial statements as is possible pursuant to Art. 340f, HGB.

### Trading portfolios

In accordance with IAS 39, financial assets held for dealing purposes (Assets held for dealing purposes) and certain financial liabilities (Liabilities from dealing activities) have to be measured at fair value. All gains and losses must be shown in the income statement, regardless of whether they are realized or not. It is not possible, therefore, to form reserves. Under HGB rules, however, no unrealized gains may be shown.

### Derivative financial instruments not held for trading purposes

This group of financial instruments is measured in accordance with IAS 39 at fair value. The net changes in hedging instruments used in fair value hedges appear in the income statement, while those from hedging derivatives for cash flow hedges are shown in equity. In financial statements prepared in accordance with HGB, these products are recognized as immatured transactions. Insofar as they are options, these financial instruments appear at cost, less necessary write-downs. Wherever necessary, provisions for contingent losses are formed for negative changes in derivative financial instruments.

### Investments and securities portfolio

Investments and securities as well as available-for-sale claims not originated by the Bank are measured at fair value in accordance with IAS 39 or, insofar as this cannot be reliably ascertained, they are shown at amortized cost. The result of measurement is shown with a neutral effect on income in the Revaluation reserve. Under German accounting principles, investments are part of fixed assets and have to be shown at cost. If their value is likely to be permanently impaired, they have to be written down at their lower value. In terms of their character, securities included under this item are securities held as part of the liquidity reserve according to HGB and should thus be classified as current assets. Under HGB rules, the strict lower-of-cost-or-market principle applies in the measurement of such securities portfolios. In accordance with German accounting rules, claims not originated by the Bank have to be recognized at amortized cost, less write-downs.

### Hedge accounting

Pursuant to IAS 39, hedging relationships may be established between a hedged item and a derivative financial instrument for hedge accounting purposes. Hedged items may be financial assets (e.g. claims or securities) and commitments (e.g. liabilities or bonds issued). Both for fair value hedges and for cash flow hedges, detailed rules exist, which call for the fair value of a derivative hedging instrument to be shown in gross form, however. Under German accounting principles, hedging transactions are taken account of applying a netted lower-of-cost-or-market principle in measuring the hedged items.

### Intangible assets developed in-house and goodwill

Whereas intangible assets developed in-house may not be recognized under HGB rules, IAS requires this, if certain conditions are fulfilled. Goodwill, resulting from the full consolidation of subsidiaries, which in accordance with HGB provisions may be set off directly against retained earnings in the consolidated financial statements, has to be recognized and amortized under IAS rules.

### Pension commitments

In accordance with IAS, pension commitments are calculated using the projected-unit-credit method. The calculation takes account of future commitments, reflecting future increases in pay and pensions and also inflation. The discount factor under IAS rules is geared to the long-term interest rate. By contrast, HGB accounting is regularly geared to the valid income-tax regulations, in particular the normal entry-age method.

### Other provisions

In accordance with IAS, provisions may only be formed if they relate to an external commitment. Provisions for expenses, permissible under HGB, which serve to recognize future outlays as expenses in the past financial year are not permitted. IAS rules require more concrete details than HGB for the formation of provisions for restructuring, as regards the development, adoption and announcement of a correspondingly detailed plan.

### Deferred tax assets and liabilities

Under IAS rules, deferred tax assets and liabilities are calculated with reference to the balance sheet. Advantages deriving from tax loss carry-forwards have to be capitalized – contrary to HGB rules – if it can be assumed that they will be used at a later date. The income-tax rates employed to measure the differences between the values assigned in the balance sheet and for tax purposes are future-oriented. Unlike under HGB regulations, no netting occurs. By contrast, the HGB approach is geared to the income statement in recognizing deferred tax assets and liabilities, and currently valid income-tax rates are applied. The different approaches to defining periods tend to lead to higher deferred taxes under IAS rules.

### Equity

In IAS financial statements, minority interests are shown as a separate balance-sheet item. In accordance with Art. 307, HGB, interests held by other shareholders have to be shown separately within equity. With the rules of IAS 39 applied, changes in measurement attributable to the investments and securities portfolio and also effective portions of the gains and losses on cash flow hedges have to be shown in equity with no effect on net income. This type of income-neutral accounting is not found in German accounting rules. Treasury shares held on the balance-sheet date are deducted from equity, pursuant to SIC-16; the gains and losses attributable to treasury shares are set off against reserves with no effect on income. Pursuant to HGB rules, a reserve for treasury shares has to be formed equivalent in amount to the treasury shares shown on the assets side of the balance sheet, while the measurement and trading results are reflected in the income statement.

### Trust business

Trust business, which appears in the balance sheet in HGB accounting, does not appear there under IAS rules.

## Notes to the income statement

### (29) Net interest income

| | 2001<br>€ m | 2000<br>€ m | Change<br>in % |
|---|---|---|---|
| Interest income from lending and money-market transactions and also from available-for-sale securities portfolio | 21,849 | 18,169 | 20.3 |
| Dividends from securities | 156 | 115 | 35.7 |
| Current result from investments | 246 | 215 | 14.4 |
| Current result from investments in associated companies | 3 | –57 | • |
| Current result from holdings in subsidiaries | 3 | 49 | • |
| Current income from leasing | 314 | 320 | –1.9 |
| Interest paid on subordinated capital | 667 | 626 | 6.5 |
| Interest paid on securitized liabilities | 7,092 | 6,701 | 5.8 |
| Interest paid on other liabilities | 10,949 | 7,691 | 42.4 |
| Current expenses from leasing | 282 | 277 | 1.8 |
| **Total** | **3,581** | **3,516** | **1.8** |

### (30) Provision for possible loan losses

Provision for possible loan losses appears as follows in the consolidated income statement:

| | 2001<br>€ m | 2000<br>€ m | Change<br>in % |
|---|---|---|---|
| Allocation to provisions | –1,520 | –1,369 | 11.0 |
| Reversal of provisions | 651 | 712 | –8.6 |
| Direct write-downs | –96 | –40 | • |
| Income received on written-down claims | 38 | 12 | • |
| **Total** | **–927** | **–685** | **35.3** |

### (31) Net commission income

| | 2001<br>€ m | 2000<br>€ m | Change<br>in % |
|---|---|---|---|
| Securities transactions | 913 | 1,329 | –31.3 |
| Asset management | 526 | 585 | –10.1 |
| Payment transactions | 182 | 164 | 11.0 |
| Guarantees | 127 | 122 | 4.1 |
| Income from syndicated business | 122 | 134 | –9.0 |
| Other | 397 | 390 | 1.8 |
| **Total** | **2,267** | **2,724** | **–16.8** |

### (32) Net result on hedge accounting

| | 2001 € m | 2000 € m | Change in % |
|---|---|---|---|
| Net result on derivatives used as hedging instruments | 28 | – | • |
| Net result on hedged items | 35 | – | • |
| **Total** | **63** | **–** | **•** |

This item reflects the gains and losses attributable to effective hedges in connection with hedge accounting. The result deriving from hedging instruments and the related hedged items represents only the change in measurement for fair value hedges. The comparable figures for the previous year did not require adjustment.

### (33) Trading profit

Due to the first-time application of IAS 39, we have split Trading profit into two components:

- Net result on proprietary trading in securities, promissory notes, precious metals and derivative instruments
- Net result on the measurement at fair value of derivative financial instruments which do not form part of the trading book and do not qualify for hedge accounting.

All the financial instruments held for trading purposes are measured at their fair value. The measurement of listed products is always based on market prices, while internal price models (net present-value and option-price models) are used in determining the current value. Apart from the realized and unrealized gains and losses attributable to trading activities, the Trading profit also includes the interest and dividend income related to such transactions and also their funding costs.

| | 2001 € m | 2000 € m | Change in % |
|---|---|---|---|
| Securities department | 701 | 809 | –13.3 |
| Treasury and Financial Products department | 261 | 122 | • |
| Others | 202 | 18 | • |
| **Net result on proprietary trading** | **1,164** | **949** | **22.7** |
| Net result on the measurement of derivative financial instruments | 33 | – | • |
| **Total** | **1,197** | **949** | **26.1** |

Breakdown of the net result on proprietary trading into proceeds from disposals, result of remeasurement and interest income:

| | Bonds and interest-rate derivatives | | Equities and other price risks | | Foreign exchange, notes and coin, and precious metals | | Total | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2001 € m | 2000 € m | 2001 € m | 2000 € m | 2001 € m | 2000 € m | 2001 € m | 2000 € m | Change in % |
| Proceeds from disposals | 297 | 139 | 1,399 | 511 | 211 | 156 | 1,907 | 806 | • |
| Result of remeasurement | 94 | –36 | –879 | 316 | 62 | 5 | –723 | 285 | • |
| **Total** | **391** | **103** | **520** | **827** | **273** | **161** | **1,184** | **1,091** | **8.5** |
| Interest and dividend income | 1,248 | 1,312 | 1,047 | 1,250 | – | – | 2,295 | 2,562 | –10.4 |
| Interest paid to finance securities | 1,148 | 1,205 | 1,167 | 1,499 | – | – | 2,315 | 2,704 | –14.4 |
| **Interest income** | **100** | **107** | **–120** | **–249** | **–** | **–** | **–20** | **–142** | **–85.9** |
| **Proceeds from disposals/ result of remeasurement and interest income** | **491** | **210** | **400** | **578** | **273** | **161** | **1,164** | **949** | **22.7** |

### (34) Net result on investments and securities portfolio

Under the Net result on investments and securities portfolio, we show the disposal proceeds and result of measuring the available-for-sale securities, claims not originated by the Bank, investments, investments in associated companies and holdings in subsidiaries which have not been consolidated.

| | 2001 € m | 2000 € m | Change in % |
|---|---|---|---|
| Result on available-for-sale securities and claims not originated by the Bank | 171 | 92 | 85.9 |
| Result on disposals of investments, investments in associated companies and holdings in subsidiaries | 138 | 72 | 91.7 |
| Result of measuring write-downs on investments and holdings in subsidiaries | –90 | –84 | –7.1 |
| **Total** | **219** | **80** | • |

In the previous year, we showed this item as Result on financial investments. Due to the change in accounting rules produced by IAS 39, the item has been renamed Net result on investments and securities portfolio. IAS 39 did not require that the change in measuring and accounting for these portfolios be applied retro-actively to the 2000 financial year.

## (35) Operating expenses

The Group's Operating expenses consist of personnel and other expenses, and depreciation on office furniture and equipment, real property, and also on other intangible assets. They were 6.9% higher than a year earlier at €5,855m and break down as follows:

### Personnel expenses:

| | 2001<br>€ m | 2000<br>€ m | Change<br>in % |
|---|---|---|---|
| Wages and salaries | 2,500 | 2,428 | 3.0 |
| Compulsory social-security contributions | 330 | 322 | 2.5 |
| Expenses for pensions and other employee benefits | 236 | 257 | –8.2 |
| **Total** | **3,066** | **3,007** | **2.0** |

### Other expenses:

| | 2001<br>€ m | 2000<br>€ m | Change<br>in % |
|---|---|---|---|
| Expenses for office space | 566 | 529 | 7.0 |
| IT costs | 646 | 491 | 31.6 |
| Compulsory contributions, other administrative and company-law expenses | 340 | 350 | –2.9 |
| Advertising, PR and promotional costs, consulting | 195 | 197 | –1.0 |
| Workplace costs | 268 | 240 | 11.7 |
| Sundry expenses | 201 | 163 | 23.3 |
| **Total** | **2,216** | **1,970** | **12.5** |

Expenses of €327m arising from leasing contracts are included in Other expenses (previous year: €296m).

### Depreciation of office furniture and equipment, real property and other intangible assets:

| | 2001<br>€ m | 2000<br>€ m | Change<br>in % |
|---|---|---|---|
| Office furniture and equipment | 518 | 460 [1)] | 12.6 |
| Real property | 37 | 23 [1)] | 60.9 |
| Other intangible assets | 18 | 17 | 5.9 |
| **Total** | **573** | **500** | **14.6** |

1) The year-ago figures take into account a transfer of leased objects.

## (36) Other operating result

The Other operating result primarily comprises allocations to and reversals of provisions, as well as interim expenses and income attributable to hire-purchase agreements. Expenses and income arising from building and architects' fees occur in connection with the construction management of our sub-group CommerzLeasing und Immobilien AG. Goodwill amortization is also shown here. Other taxes and payments to the German Business Foundation Initiative are also included in the Other operating result.

| | 2001<br>€ m | 2000<br>€ m | Change<br>in % |
|---|---|---|---|
| **Other operating expenses** | **623** | **524** | **18.9** |
| Expenses arising from building and architects' services | 16 | 41 | –61.0 |
| Allocations to provisions | 83 | 74 | 12.2 |
| Amortization of goodwill | 116 | 88 | 31.8 |
| Hire-purchase expenses and interim rental costs | 119 | 119 | – |
| German Business Foundation Initiative | 52 | – | • |
| Sundry expense items | 237 | 202 | 17.3 |
| **Other operating income** | **403** | **1,651** | **–75.6** |
| Income from the IPO of comdirect bank AG | – | 1,216 | – |
| Income from building and architects' services | 21 | 45 | –53.3 |
| Income from disposal of fixed assets | 22 | 51 | –56.9 |
| Reversals of provisions | 44 | 21 | • |
| Hire-purchase proceeds and interim rental income | 122 | 120 | 1.7 |
| Sundry income items | 194 | 198 | –2.0 |
| **Other operating result** | **–220** | **1,127** | **•** |

## (37) Restructuring expenses

| | 2001<br>€ m | 2000<br>€ m | Change<br>in % |
|---|---|---|---|
| Expenses for restructuring measures | 236 | – | • |
| Domestic branch project | 46 | – | • |
| **Total** | **282** | **–** | **•** |

For the measures envisaged in connection with the announced cost-cutting offensive, which *inter alia* will lead to the closure and merger of branches and also include a reduction of staff at head office as well, expenses for restructuring measures have been recognized. The domestic branch project comprises the restructuring of the branch network.

## (38) Taxes on income

The income-tax expenses break down as follows:

| | 2001<br>€ m | 2000<br>€ m | Change<br>in % |
|---|---|---|---|
| Current taxes on income | 385 | 603 | –36.2 |
| Deferred taxes | –499 | 220 | • |
| **Total** | **–114** | **823** | • |

Deferred taxes on the assets side of the balance sheet include deferred tax expenses of €131m from the writing-back of capitalized advantages deriving from loss carry-forwards, which were used in the past financial year.

The following transitional presentation shows the connection between the profit from ordinary activities and taxes on income in the past financial year:

| | 2001 | 2000 |
|---|---|---|
| **Profit from ordinary activities after restructuring expenses (€ m)** | **43** | **2,234** |
| multiplied by the relevant income-tax rate of 39% (previous year: 52%) | | |
| Calculated income tax (€ m) | 17 | 1,162 |
| plus/minus tax effects attributable to | | |
| tax-free income and non-deductible expenses | –129 | –413 |
| differences in tax rates due to discrepancies between effective tax rates in Germany and elsewhere and changes in financial year | 60 | 28 |
| amortization of goodwill | 46 | 46 |
| tax effects in previous years | –108 | 0 |
| **Taxes on income** | **–114** | **823** |

The income-tax rate selected as a basis for the transitional presentation is made up of the corporate income-tax rate of 25% introduced in Germany as from January 1, 2001, through the tax-cutting legislation, plus the solidarity surcharge of 5.5%, and an average rate of 18% for trade earnings tax. With the deductibility of trade earnings tax taken into consideration, the German income-tax rate is roughly 39%.

The income-tax effects reflect discrepancies between effective tax rates caused by differences between the German income-tax rate and those of the various countries where members of the Group are based, which range between 10% and 48% (10% and 48%, respectively, in the previous year) and also due to the differing factors for multiplying municipal trade tax in Germany.

### (39) Basic earnings per share

| Basic earnings per share | 31.12.2001 | 31.12.2000 | Change in % |
|---|---|---|---|
| Net profit (€ m) | 102 | 1,342 | –92.4 |
| Average number of ordinary shares outstanding (units) | 536,253,922 | 517,688,784 | 3.6 |
| Basic earnings per share (€) | 0.19 | 2.59 | –92.7 |
| Basic earnings per share before restructuring expenses (€) | 0.51 | 2.59 | –80.3 |
| Basic earnings per share before restructuring expenses and amortization of goodwill (€) | 0.74 | 2.76 | –73.2 |

Basic earnings per share, calculated in accordance with IAS 33, are based on net profit without the profit attributable to minority interests. The net profit is divided by the average number of ordinary shares outstanding.

At end-2001, no conversion or option rights were outstanding. The diluted earnings per share, therefore, correspond to basic earnings per share.

## (40) Segment reporting

The results of the operative business lines covered by the Commerzbank Group are reflected in segment reporting. Segmentation into business lines is based on the Group's internal organization structure, which since January 1, 2001, has consisted of two divisions: Retail Banking and Asset Management, on the one hand, and Corporate and Investment Banking, on the other.

The Retail Banking and Asset Management division covers business with retail and individual customers as well as asset-management activities. The Corporate and Investment Banking division comprises our corporate-customer activities and business involving institutions, as well as the trading sections of investment banking.

We show the mortgage banks as a separate area. The existing structure of the Group Management and Services divisions was left unchanged.

### Survey of the divisional structure valid for the past financial year

| Division | Department |
|---|---|
| **Retail Banking and Asset Management division** | Retail Banking department |
| | Asset Management department |
| **Corporate and Investment Banking division** | Corporate Banking department [1] |
| | Relationship Management department [1] |
| | International Bank Relations department [1] |
| | Corporate Finance department [1] |
| | Real Estate department [1] |
| | Securities department |
| | Treasury and Financial Products department |
| **Mortgage banks** | |

[1] Grouped together in segment reporting under Corporate customers and institutions

Our segment reporting breaks down into the following seven segments, which have reporting obligations:

- Retail banking, which also includes direct banking through our subsidiary comdirect bank Aktiengesellschaft.
- Asset management, above all with the subsidiaries ADIG Allgemeine Deutsche Investment-Gesellschaft mbH and ADIG-Investment Luxemburg S.A., the Jupiter International Group plc and Montgomery Asset Management, LLC.
- Corporate customers and institutions, with the departments Corporate Banking, Relationship Management, International Bank Relations, and Corporate Finance, as well as real-estate business and the commercial corporate-client activities of our domestic and foreign units.
- Securities segment with all the equity and bond-trading activities, trading in derivative instruments and also M&A business.
- Treasury and foreign exchange, which is responsible for liquidity management and interest-rate and currency management, and also for managing the Bank's capital structure.
- Mortgage banks, consisting of Rheinische Hypothekenbank Aktiengesellschaft and Hypothekenbank in Essen AG and also Erste Europäische Pfandbrief- und Kommunalkreditbank in Luxemburg S.A.
- The "others and consolidation" segment includes the profit contributions for which the individual banking departments are not responsible, as well as those expenses and income items that are necessary in order to bring the control variables of internal accounting, shown in the segment reporting of the operative departments, into line with the corresponding external accounting data.

The result generated by the segments is measured in terms of the net profit and the figures for the return on equity and the cost/income ratio.

The return on equity, as one of the Commerzbank Group's two control variables, is calculated from the ratio between the result based on internal accounting and the average amount of equity that is tied up; it shows the return on the equity invested in a given business line. The Commerzbank Group's long-term target is a sustainable after-tax return on equity of 15%, whereby, as part of the Bank's value-oriented steering, various returns on equity are targeted for the individual business lines in view of their different risks. Complementing net profit, the result based on internal accounting shows the profit contributions from business passed on by those units which were involved in achieving the income. In the net profit for the year, these amounts always appear under the segment in which they were booked.

The cost/income ratio is the second central control variable. It represents the quotient formed by operating expenses and income, excluding provision for possible loan losses, and reflects the cost efficiency of the various business lines. Here the target is a ratio of 60%.

Income and expenses appear for the separate units, such that they reflect the originating unit and are shown at market prices, with the market interest rate applied in the case of interest-rate instruments. The net interest income of the respective unit also includes the imputed variables return on equity and investment yield. Units with equity or which have been endowed with capital are charged interest on their capital in order to ensure comparability with units which do not have equity. The investment yield achieved by the Group on its equity is assigned to various units such that it reflects the average amount of equity that is tied up. The interest rate that is applied corresponds to that of a risk-free investment in the long-term capital market. Equity is calculated in accordance with Principle I of German banking supervision on the basis of the average amount of risk-weighted assets which has been established and the relevant amounts for market risks (risk-weighted asset equivalents).

Operating expenses represent direct and indirect expenditure. They consist of personnel costs, other expenses and depreciation of fixed assets and other intangible assets, excluding goodwill, Operating expenses are assigned to the individual business lines on the basis of the accountability principle. The indirect expenses arising in connection with internal services are recognized in accordance with the causation principle and are charged to the beneficiary or credited to the unit performing the service. Whereas in the previous year 8.9% of operating expenses was not allocated to business lines, the proportion was reduced to 6.1% in the past financial year.

The Other operating result includes, *inter alia*, the amortization of goodwill.

Taxes on income are assigned to units in line with the tax ratio calculated for the Group.

## Breakdown, by business line

| € m | Retail banking | Asset management | Corporate customers and institutions | Securities | Treasury and foreign exchange | Mortgage banking | Others/ consolidation | Total |
|---|---|---|---|---|---|---|---|---|
| | **2001 financial year** | | | | | | | |
| Net interest income | 1,135 | 35 | 2,164 | 38 | 417 | 591 | –799 | 3,581 |
| Provision for possible loan losses | –145 | – | –622 | – | – | –158 | –2 | –927 |
| Net interest income after provisioning | 990 | 35 | 1,542 | 38 | 417 | 433 | –801 | 2,654 |
| Net commission income | 913 | 492 | 746 | 199 | –46 | –40 | 3 | 2,267 |
| Net result on hedge accounting | 1 | – | –26 | – | 24 | 64 | – | 63 |
| Trading profit | 1 | 13 | 135 | 701 | 261 | 16 | 70 | 1,197 |
| Net result on investments and securities portfolio | –10 | –37 | 55 | – | 39 | 94 | 78 | 219 |
| Other operating result | –16 | –90 | –46 | –2 | –1 | 22 | –87 | –220 |
| *Income* | *1,879* | *413* | *2,406* | *936* | *694* | *589* | *–737* | *6,180* |
| Operating expenses | 2,064 | 587 | 1,496 | 970 | 230 | 154 | 354 | 5,855 |
| **Profit from ordinary activities before restructuring expenses** | **–185** | **–174** | **910** | **–34** | **464** | **435** | **–1,091** | **325** |
| Restructuring expenses | – | – | – | – | – | – | 282 | 282 |
| **Profit from ordinary activities after restructuring expenses** | **–185** | **–174** | **910** | **–34** | **464** | **435** | **–1,373** | **43** |
| Taxes on income | –73 | –31 | 306 | –47 | 158 | 155 | –582 | –114 |
| **After-tax profit** | **–112** | **–143** | **604** | **13** | **306** | **280** | **–791** | **157** |
| Profit/loss attributable to minority interests | 34 | –22 | –51 | – | – | –50 | 34 | –55 |
| **Net profit** | **–78** | **–165** | **553** | **13** | **306** | **230** | **–757** | **102** |
| Profit contribution from business passed on | 6 | 144 | 69 | 53 | 57 | – | –329 | – |
| **Results based on internal accounting** | **–72** | **–21** | **622** | **66** | **363** | **230** | **–1,086** | **102** |
| **Average equity tied up** | **1,380** | **474** | **5,755** | **1,256** | **624** | **1,252** | **1,045** | **11,786** |
| **Return on equity (%)** | **–5.2** | **–4.4** | **10.8** | **5.3** | **58.2** | **18.4** | | **0.9** |
| **Cost/income ratio (%)** | **102.0** | **142.1** | **49.4** | **103.6** | **33.1** | **20.6** | | **82.4** |
| Staff (average no.) | 14,121 | 2,351 | 10,111 | 1,296 | 247 | 1,011 | 9,218 | 38,355 |

## Breakdown, by business line

| € m | Retail banking | Asset management | Corporate customers and institutions | Securities | Treasury and foreign exchange | Mortgage banking | Others/consolidation | Total |
|---|---|---|---|---|---|---|---|---|
| | 2000 financial year | | | | | | | |
| Net interest income | 1,120 | 5 | 1,698 | 42 | 149 | 522 | –20 | 3,516 |
| Provision for possible loan losses | –116 | – | –453 | – | – | –100 | –16 | –685 |
| Net interest income after provisioning | 1,004 | 5 | 1,245 | 42 | 149 | 422 | –36 | 2,831 |
| Net commission income | 1,232 | 621 | 691 | 233 | 10 | –22 | –41 | 2,724 |
| Net result on hedge accounting | – | – | – | – | – | – | – | – |
| Trading profit | – | 17 | 75 | 809 | 122 | – | –74 | 949 |
| Net result on investments and securities portfolio | – | –2 | –39 | – | –9 | –6 | 136 | 80 |
| Other operating result | 849 | –45 | 132 | 8 | –1 | 7 | 177 | 1,127 |
| *Income* | *3,085* | *596* | *2,104* | *1,092* | *271* | *401* | *162* | *7,711* |
| Operating expenses | 1,717 | 627 | 1,263 | 986 | 253 | 146 | 485 | 5,477 |
| **Profit from ordinary activities before restructuring expenses** | **1,368** | **–31** | **841** | **106** | **18** | **255** | **–323** | **2,234** |
| Restructuring expenses | – | – | – | – | – | – | – | – |
| **Profit from ordinary activities after restructuring expenses** | **1,368** | **–31** | **841** | **106** | **18** | **255** | **–323** | **2,234** |
| Taxes on income | 616 | –11 | 353 | 43 | 7 | 115 | –300 | 823 |
| **After-tax profit** | **752** | **–20** | **488** | **63** | **11** | **140** | **–23** | **1,411** |
| Profit/loss attributable to minority interests | –1 | –19 | –10 | – | – | –39 | – | –69 |
| **Net profit** | **751** | **–39** | **478** | **63** | **11** | **101** | **–23** | **1,342** |
| Profit contribution from business passed on | 8 | 187 | 41 | 33 | 46 | – | –315 | – |
| **Results based on internal accounting** | **759** | **148** | **519** | **96** | **57** | **101** | **–338** | **1,342** |
| **Average equity tied up** | **1,576** | **424** | **6,018** | **1,348** | **604** | **1,074** | **–183** | **10,861** |
| **Return on equity (%)** | **48.2** | **34.9** | **8.6** | **7.1** | **9.4** | **9.4** | | **12.4** |
| **Cost/income ratio (%)** | **53.6** | **105.2** | **49.4** | **90.3** | **93.4** | **29.1** | | **65.2** |
| Staff (average no.) | 14,322 | 2,033 | 9,986 | 1,068 | 272 | 986 | 9,654 | 38,321 |

In accordance with IAS 39, the comparable figures for the previous year did not require adjustment.

## Quarterly results, by business line

Due to the application of IAS 39 as of December 13, 2001, and the reporting during the year in which the new accounting rules were not applied, we have adjusted the quarterly results for the effects of the remeasurement and revaluation of financial assets and liabilities.

| | 1st quarter 2001 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| € m | Retail banking | Asset management | Corporate customers and institutions | Securities | Treasury and foreign exchange | Mortgage banking | Others/ consolidation | Total |
| Net interest income | 286 | 3 | 460 | 17 | 124 | 146 | –131 | 905 |
| Provision for possible loan losses | –31 | – | –89 | – | – | –18 | –14 | –152 |
| Net interest income after provisioning | 255 | 3 | 371 | 17 | 124 | 128 | –145 | 753 |
| Net commission income | 245 | 136 | 174 | 75 | –12 | –5 | – | 613 |
| Net result on hedge accounting | –2 | – | –3 | – | –4 | 11 | – | 2 |
| Trading profit | – | 3 | 42 | 211 | 75 | 2 | –21 | 312 |
| Net result on investments and securities portfolio | – | –15 | 36 | – | –4 | 2 | 110 | 129 |
| Other operating result | –2 | –23 | –2 | 2 | –1 | – | –30 | –56 |
| *Income* | *496* | *104* | *618* | *305* | *178* | *138* | *–86* | *1,753* |
| Operating expenses | 507 | 136 | 348 | 239 | 54 | 37 | 109 | 1,430 |
| **Profit from ordinary activities before restructuring expenses** | **–11** | **–32** | **270** | **66** | **124** | **101** | **–195** | **323** |
| Restructuring expenses | – | – | – | – | – | – | – | – |
| **Profit from ordinary activities after restructuring expenses** | **–11** | **–32** | **270** | **66** | **124** | **101** | **–195** | **323** |
| Taxes on income | –4 | –3 | 98 | 27 | 46 | 35 | –79 | 120 |
| **After-tax profit** | **–7** | **–29** | **172** | **39** | **78** | **66** | **–116** | **203** |
| Profit/loss attributable to minority interests | 8 | –5 | –12 | – | – | –18 | – | –27 |
| **Net profit** | **1** | **–34** | **160** | **39** | **78** | **48** | **–116** | **176** |

| € m | Retail banking | Asset manage-ment | Corporate customers and insti-tutions | Securities | Treasury and foreign exchange | Mortgage banking | Others/ consoli-dation | Total |
|---|---|---|---|---|---|---|---|---|
| | **2nd quarter 2001** | | | | | | | |
| Net interest income | 279 | 5 | 529 | 6 | 100 | 130 | –120 | 929 |
| Provision for possible loan losses | –31 | – | –145 | – | – | –12 | 11 | –177 |
| Net interest income after provisioning | 248 | 5 | 384 | 6 | 100 | 118 | –109 | 752 |
| Net commission income | 238 | 145 | 193 | 47 | –14 | –11 | 5 | 603 |
| Net result on hedge accounting | 1 | – | 1 | – | 2 | 7 | – | 11 |
| Trading profit | – | 5 | 38 | 178 | 82 | 2 | –15 | 290 |
| Net result on investments and securities portfolio | – | 1 | 17 | – | –4 | 3 | 33 | 50 |
| Other operating result | –2 | –19 | 27 | –2 | 2 | 4 | 9 | 19 |
| *Income* | *485* | *137* | *660* | *229* | *168* | *123* | *–77* | *1,725* |
| Operating expenses | 524 | 160 | 387 | 224 | 60 | 37 | 87 | 1,479 |
| **Profit from ordinary activities before restructuring expenses** | **–39** | **–23** | **273** | **5** | **108** | **86** | **–164** | **246** |
| Restructuring expenses | – | – | – | – | – | – | – | – |
| **Profit from ordinary activities after restructuring expenses** | **–39** | **–23** | **273** | **5** | **108** | **86** | **–164** | **246** |
| Taxes on income | –17 | –4 | 85 | 1 | 39 | 31 | –43 | 92 |
| **After-tax profit** | **–22** | **–19** | **188** | **4** | **69** | **55** | **–121** | **154** |
| Profit/loss attributable to minority interests | 8 | –5 | –16 | – | – | –15 | – | –28 |
| **Net profit** | **–14** | **–24** | **172** | **4** | **69** | **40** | **–121** | **126** |

| € m | Retail banking | Asset management | Corporate customers and institutions | Securities | Treasury and foreign exchange | Mortgage banking | Others/ consolidation | Total |
|---|---|---|---|---|---|---|---|---|
| | 3rd quarter 2001 | | | | | | | |
| Net interest income | 278 | 32 | 573 | 8 | 97 | 149 | –278 | 859 |
| Provision for possible loan losses | –11 | – | –182 | – | – | –52 | 3 | –242 |
| Net interest income after provisioning | 267 | 32 | 391 | 8 | 97 | 97 | –275 | 617 |
| Net commission income | 233 | 114 | 189 | 49 | –14 | –10 | 8 | 569 |
| Net result on hedge accounting | 1 | – | –4 | – | 13 | 5 | – | 15 |
| Trading profit | 1 | 3 | –35 | 67 | 30 | 4 | –12 | 58 |
| Net result on investments and securities portfolio | –10 | –31 | 3 | – | –4 | –4 | –28 | –74 |
| Other operating result | 10 | –21 | 23 | – | –1 | 1 | –17 | –5 |
| *Income* | *502* | *97* | *567* | *124* | *121* | *93* | *–324* | *1,180* |
| Operating expenses | 514 | 136 | 365 | 305 | 67 | 40 | 32 | 1,459 |
| **Profit from ordinary activities before restructuring expenses** | **–12** | **–39** | **202** | **–181** | **54** | **53** | **–356** | **–279** |
| Restructuring expenses | – | – | – | – | – | – | – | – |
| **Profit from ordinary activities after restructuring expenses** | **–12** | **–39** | **202** | **–181** | **54** | **53** | **–356** | **–279** |
| Taxes on income | –5 | –7 | 70 | –68 | 18 | 20 | –132 | –104 |
| **After-tax profit** | **–7** | **–32** | **132** | **–113** | **36** | **33** | **–224** | **–175** |
| Profit/loss attributable to minority interests | 4 | –5 | –5 | – | – | –10 | – | –16 |
| **Net profit** | **–3** | **–37** | **127** | **–113** | **36** | **23** | **–224** | **–191** |

| € m | Retail banking | Asset manage-ment | Corporate customers and insti-tutions | Securities | Treasury and foreign exchange | Mortgage banking | Others/ consoli-dation | Total |
|---|---|---|---|---|---|---|---|---|
| | **4th quarter 2001** | | | | | | | |
| Net interest income | 292 | –5 | 602 | 7 | 96 | 166 | –270 | 888 |
| Provision for possible loan losses | –72 | – | –206 | – | – | –76 | –2 | –356 |
| Net interest income after provisioning | 220 | –5 | 396 | 7 | 96 | 90 | –272 | 532 |
| Net commission income | 197 | 97 | 190 | 28 | –6 | –14 | –10 | 482 |
| Net result on hedge accounting | 1 | – | –20 | – | 13 | 41 | – | 35 |
| Trading profit | – | 2 | 90 | 245 | 74 | 8 | 118 | 537 |
| Net result on investments and securities portfolio | – | 8 | –1 | – | 51 | 93 | –37 | 114 |
| Other operating result | –22 | –27 | –94 | –2 | –1 | 17 | –49 | –178 |
| *Income* | *396* | *75* | *561* | *278* | *227* | *235* | *–250* | *1,522* |
| Operating expenses | 519 | 155 | 396 | 202 | 49 | 40 | 126 | 1,487 |
| **Profit from ordinary activities before restructuring expenses** | **–123** | **–80** | **165** | **76** | **178** | **195** | **–376** | **35** |
| Restructuring expenses | – | – | – | – | – | – | 282 | 282 |
| **Profit from ordinary activities after restructuring expenses** | **–123** | **–80** | **165** | **76** | **178** | **195** | **–658** | **–247** |
| Taxes on income | –47 | –17 | 53 | –7 | 55 | 69 | –328 | –222 |
| **After-tax profit** | **–76** | **–63** | **112** | **83** | **123** | **126** | **–330** | **–25** |
| Profit/loss attributable to minority interests | 14 | –7 | –18 | – | – | –7 | 34 | 16 |
| **Net profit** | **–62** | **–70** | **94** | **83** | **123** | **119** | **–296** | **–9** |

### Results, by geographical market

Assignment to the respective segments on the basis of the seat of the branch or consolidated company produces the following breakdown:

| € m | Germany | Europe (excluding Germany) | America | Asia | Africa | Consoli-dation | Total |
|---|---|---|---|---|---|---|---|
| | | | **2001 financial year** | | | | |
| Net interest income | 2,734 | 583 | 329 | 117 | 9 | –191 | 3,581 |
| Provision for possible loan losses | –609 | –71 | –155 | –92 | – | – | –927 |
| Net interest income after provisioning | 2,125 | 512 | 174 | 25 | 9 | –191 | 2,654 |
| Net commission income | 1,391 | 538 | 238 | 100 | 4 | –4 | 2,267 |
| Net result on hedge accounting | 67 | –9 | 4 | 1 | – | – | 63 |
| Trading profit | 816 | 284 | 81 | 12 | 4 | – | 1,197 |
| Net result on investments and securities portfolio | 132 | 94 | 7 | –14 | – | – | 219 |
| Other operating result | –52 | –103 | –15 | –3 | – | –47 | –220 |
| *Income* | *4,479* | *1,316* | *489* | *121* | *17* | *–242* | *6,180* |
| Operating expenses | 4,475 | 1,042 | 380 | 196 | 4 | –242 | 5,855 |
| **Profit from ordinary activities before restructuring expenses** | **4** | **274** | **109** | **–75** | **13** | **–** | **325** |
| **Risk-weighted assets according to BIS[1]** | **133,048** | **39,959** | **16,560** | **5,197** | **679** | **–** | **195,443** |

In the previous year, we achieved the following results in the geographical segments:

| € m | Germany | Europe (excluding Germany) | America | Asia | Africa | Consoli-dation | Total |
|---|---|---|---|---|---|---|---|
| | | | **2000 financial year** | | | | |
| Net interest income | 2,842 | 460 | 239 | 123 | 7 | –155 | 3,516 |
| Provision for possible loan losses | –550 | –48 | –24 | –58 | –5 | – | –685 |
| Net interest income after provisioning | 2,292 | 412 | 215 | 65 | 2 | –155 | 2,831 |
| Net commission income | 1,855 | 560 | 207 | 100 | 4 | –2 | 2,724 |
| Net result on hedge accounting | – | – | – | – | – | – | – |
| Trading profit | 751 | 119 | 47 | 30 | 2 | – | 949 |
| Net result on investments and securities portfolio | 97 | –29 | 12 | – | – | – | 80 |
| Other operating result | 1,138 | 74 | –5 | – | – | –80 | 1,127 |
| *Income* | *6,133* | *1,136* | *476* | *195* | *8* | *–237* | *7,711* |
| Operating expenses | 4,294 | 921 | 301 | 193 | 5 | –237 | 5,477 |
| **Profit from ordinary activities before restructuring expenses** | **1,839** | **215** | **175** | **2** | **3** | **–** | **2,234** |
| **Risk-weighted assets according to BIS[1]** | **131,147** | **38,597** | **16,207** | **6,512** | **697** | **–** | **193,160** |

[1] excluding market risks

## Notes to the balance sheet

### (41) Cash reserve

We include the following items in the cash reserve:

| | 31.12.2001 € m | 31.12.2000 € m | Change in % |
|---|---|---|---|
| Cash on hand | 788 | 707 | 11.5 |
| Balances with central banks | 5,160 | 4,375 | 17.9 |
| Debt issued by public-sector borrowers, and bills of exchange rediscountable at central banks | 1,684 | 2,813 | –40.1 |
| Treasury bills and discountable treasury notes, as well as similar debt issues by public-sector borrowers | 1,277 | 2,068 | –38.2 |
| Bills of exchange | 407 | 745 | –45.4 |
| **Total** | **7,632** | **7,895** | **–3.3** |

The balances with central banks include claims on the Bundesbank totalling €4,474m (previous year: €3,984m). The minimum reserve requirement to be met at end-December 2001 amounted to €2,479m (previous year: €2,184m).

### (42) Claims on banks

| | total | | | due on demand | | other claims | |
|---|---|---|---|---|---|---|---|
| | 31.12.2001 € m | 31.12.2000 € m | Change in % | 31.12.2001 € m | 31.12.2000 € m | 31.12.2001 € m | 31.12.2000 € m |
| German banks | 29,577 | 39,013 | –24.2 | 6,605 | 5,782 | 22,972 | 33,231 |
| Foreign banks | 33,697 | 35,641 | –5.5 | 7,220 | 11,192 | 26,477 | 24,449 |
| Effects of measuring hedged items | 118 | – | • | – | – | 118 | – |
| **Total** | **63,392** | **74,654** | **–15.1** | **13,825** | **16,974** | **49,567** | **57,680** |

The claims on banks include €8,796m of public-sector loans (previous year: €14,977m) extended by the mortgage banks. Due to the first-time application of IAS 39, which made it possible to transfer claims not originated by the Bank to the investments and securities portfolio, the figures cannot be compared.

### (43) Claims on customers

The claims on customers break down as follows:

| | 31.12.2001 € m | 31.12.2000 € m | Change in % |
|---|---|---|---|
| **Claims on domestic customers** | **147,009** | **158,196** | **–7.1** |
| Corporate customers | 62,347 | 58,713 | 6.2 |
| Public sector | 35,027 | 49,291 | –28.9 |
| Retail customers and others | 49,635 | 50,192 | –1.1 |
| **Claims on foreign customers** | **72,275** | **66,641** | **8.5** |
| Corporate and retail customers | 64,135 | 59,156 | 8.4 |
| Public sector | 8,140 | 7,485 | 8.8 |
| **Effects of measuring hedged items (hedge accounting)** | **1,031** | **–** | **•** |
| **Total** | **220,315** | **224,837** | **–2.0** |

The claims on customers include €58,963m (previous year: €53,512m) of loans secured by mortgages or other security interests in real property. Due to the first-time application of IAS 39, which made it possible to transfer claims not originated by the Bank to the investments and securities portfolio, the figures cannot be compared.

### (44) Claims on and liabilities to subsidiaries and equity investments

The claims on and liabilities to unconsolidated subsidiaries, associated companies and companies in which an equity investment exists are as follows:

| | 31.12.2001 € m | 31.12.2000 € m | Change in % |
|---|---|---|---|
| **Claims on banks** | **102** | **40** | **•** |
| Subsidiaries | 44 | – | • |
| Associated companies and companies in which an equity investment exists | 58 | 40 | 45.0 |
| **Claims on customers** | **582** | **366** | **59.0** |
| Subsidiaries | 237 | 71 | • |
| Associated companies and companies in which an equity investment exists | 345 | 295 | 16.9 |
| **Total** | **684** | **406** | **68.5** |
| **Liabilities to banks** | **128** | **7** | **•** |
| Subsidiaries | 21 | – | • |
| Associated companies and companies in which an equity investment exists | 107 | 7 | • |
| **Liabilities to customers** | **59** | **200** | **–70.5** |
| Subsidiaries | 41 | 162 | –74.7 |
| Associated companies and companies in which an equity investment exists | 18 | 38 | –52.6 |
| **Total** | **187** | **207** | **–9.7** |

## (45) Total lending

| | 31.12.2001 € m | 31.12.2000 € m | Change in % |
|---|---|---|---|
| Loans to banks[1] | 15,725 | 27,572 | –43.0 |
| Claims on customers | 220,315 | 224,837 | –2.0 |
| Bills discounted | 428 | 809 | –47.1 |
| Claims not originated by the Bank[2] | 18,852 | – | • |
| less: reverse repos and securities-lending transactions with customers | 15,578 | 13,487 | 15.5 |
| **Total** | **239,742** | **239,731** | • |

[1] excluding reverse repos and securities lending; [2] included in investments and securities portfolio

We distinguish loans to banks from claims on banks such that only those claims are shown as loans to banks for which special loan agreements have been concluded with the borrowers. Therefore, interbank money-market transactions, for example, do not count as loans to banks.

## (46) Provision for possible loan losses

Provision for possible loan losses is made in accordance with rules that apply Group-wide and covers all discernible lending and country risks. On the basis of past experience, we have formed global valuation allowances for latent credit risks.

| | Individual valuation allowances[1] | | Country valuation allowances | | Global valuation allowances | | Total | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2001 € m | 2000 € m | 2001 € m | 2000 € m | 2001 € m | 2000 € m | 2001 € m | 2000 € m | Change in % |
| **As of January 1[2]** | **5,133** | **5,072** | **146** | **224** | **379** | **382** | **5,658** | **5,678** | **–0.4** |
| Allocations | 1,422 | 1,240 | 41 | 64 | 57 | 65 | 1,520 | 1,369 | 11.0 |
| Deductions | 1,198 | 1,319 | 64 | 149 | 10 | 57 | 1,272 | 1,525 | –16.6 |
| utilized | 605 | 674 | 16 | 139 | – | 0 | 621 | 813 | –23.6 |
| reversals | 593 | 645 | 48 | 10 | 10 | 57 | 651 | 712 | –8.6 |
| Exchange-rate changes/transfers | 45 | 153 | 11 | 7 | –16 | –20 | 40 | 140 | –71.4 |
| **Provision for possible loan losses as of December 31** | **5,402** | **5,146** | **134** | **146** | **410** | **370** | **5,946** | **5,662** | **5.0** |

[1] including provisions; [2] carry-forward to 2001, including companies consolidated for the first time but excluding those removed from the list of consolidated companies

With direct write-downs and income received on written-down claims taken into account, the allocations and reversals reflected in the income statement led to risk provisioning of €927m (previous year: €685m).

Provision for possible risks was formed for:

| | 31.12.2001 € m | 31.12.2000 € m | Change in % |
|---|---|---|---|
| Claims on banks | 110 | 214 | –48.6 |
| Claims on customers | 5,538 | 5,184 | 6.8 |
| **Provision to cover balance-sheet items** | **5,648** | **5,398** | **4.6** |
| Guarantees, endorsement liabilities, credit commitments | 298 | 264 | 12.9 |
| **Total** | **5,946** | **5,662** | **5.0** |

Before they were reduced by individual valuation allowances and collateral, the value-adjusted claims producing neither interest nor income amounted to €6,905m (previous year: €6,292m).

The provision for credit risks breaks down as follows:

| € m | Individual valuation allowances and provisions for lending business | Loan losses[1] in 2001 | Net allocation[2] to valuation allowances and provisions in lending business |
|---|---|---|---|
| **German customers** | **4,309** | **400** | **526** |
| Companies and self-employed | 3,508 | 366 | 427 |
| Manufacturing | 511 | 141 | 64 |
| Construction | 247 | 9 | 11 |
| Distributive trades | 379 | 28 | 64 |
| Services, incl. professions, and others | 2,371 | 188 | 288 |
| Other retail customers | 801 | 34 | 99 |
| **Foreign customers** | **1,093** | **301** | **303** |
| Banks | 24 | 15 | –13 |
| Corporate and retail customers | 1,069 | 286 | 316 |
| **Total** | **5,402** | **701** | **829** |

[1] Direct write-downs, utilized individual valuation allowances and provisions in lending business

[2] Allocation less reversal

Data on provision for credit risks:

| in % | 2001 | 2000 |
|---|---|---|
| Allocation ratio[1)] | 0.39 | 0.29 |
| Write-off ratio[2)] | 0.28 | 0.35 |
| Cover ratio[3)] | 2.48 | 2.36 |

1) Net provisioning (new provisions less re-transfers of valuation allowances and provisions for both commercial and country loans and also general provision, plus the balance of direct write-downs and income received on previously written-down claims) as a percentage of total lending

2) Defaults (utilized valuation allowances and provisions for both commercial and country loans, plus the balance of direct write-downs and income received on previously written-down claims) as a percentage of total lending

3) Existing provisions (level of valuation allowances and provisions for counterparty risks in commercial lending, country risks and in general provision) as a percentage of total lending.

Total lending = average volume of commercial loans and country loans

### (47) Positive fair values from derivative hedging instruments

Derivative financial instruments employed as hedges, which can be used for hedge accounting purposes and also have a positive fair value, are shown under this item. These instruments are measured at their fair value.

| | 31.12.2001<br>€ m | 31.12.2000<br>€ m |
|---|---|---|
| Positive fair values from effective fair value hedges | 2,931 | – |
| Positive fair values from effective cash flow hedges | 937 | – |
| **Total** | **3,868** | – |

In accordance with IAS 39, positive fair values from derivative hedging instruments are shown in the balance sheet for the first time in the 2001 financial year. The year-ago figures did not have to be adjusted.

## (48) Assets held for dealing purposes

The Group's dealing activities include dealing in bonds, notes and other fixed-income securities, shares and other variable-yield securities, promissory notes, foreign exchange and precious metals as well as derivative financial instruments. All the items in the trading portfolio are shown at their fair value.

The positive fair values also include financial instruments which could not be used as hedging instruments in hedge accounting.

| | 31.12.2001 € m | 31.12.2000 € m | Change in % |
|---|---|---|---|
| Bonds, notes and other fixed-income securities | 40,419 | 19,858 | • |
| Money-market instruments | 3,396 | 994 | • |
| issued by public-sector borrowers | 354 | – | • |
| issued by other borrowers | 3,042 | 994 | • |
| Bonds and notes | 37,023 | 18,864 | 96.3 |
| issued by public-sector borrowers | 15,463 | 7,041 | • |
| issued by other borrowers | 21,560 | 11,823 | 82.4 |
| Shares and other variable-yield securities | 12,617 | 19,421 | –35.0 |
| Promissory notes held in the trading portfolio | 669 | 761 | –12.1 |
| Positive fair values attributable to derivative financial instruments | 42,121 | 29,880 | 41.0 |
| Interest-based transactions | 27,808 | 16,618 | 67.3 |
| Currency-based transactions | 7,622 | 9,047 | –15.8 |
| Other transactions | 6,691 | 4,215 | 58.7 |
| **Total** | **95,826** | **69,920** | **37.1** |

€49,542m (previous year: €29,198m) of the bonds, notes and other fixed-income securities and also shares and other variable-yield securities were listed on a stock exchange.

### (49) Investments and securities portfolio (financial assets available for disposal)

The Investments and securities portfolio consists of claims not originated by the Bank, all bonds, notes and other fixed-income securities shares and other variable-yield securities not held for trading purposes, investments, holdings in associated companies valued at equity and holdings in subsidiaries not included in the consolidation.

| | 31.12.2001<br>€ m | 31.12.2000<br>€ m | Change<br>in % |
|---|---|---|---|
| Claims on banks and customers not originated by the Bank | 18,852 | – | • |
| Bonds, notes and other fixed-income securities | 74,767 | 65,851 | 13.5 |
| Money-market instruments | 2,478 | 4,219 | –41.3 |
| issued by public-sector borrowers | 3 | 417 | –99.3 |
| issued by other borrowers | 2,475 | 3,802 | –34.9 |
| Bonds and notes | 72,289 | 61,632 | 17.3 |
| issued by public-sector borrowers | 36,912 | 33,059 | 11.7 |
| issued by other borrowers | 35,377 | 28,573 | 23.8 |
| Shares and other variable-yield securities | 4,351 | 3,990 | 9.0 |
| Investments | 5,225 | 5,531 | –5.5 |
| of which: in banks | 2,780 | 2,700 | 3.0 |
| Investments in associated companies | 852 | 443 | 92.3 |
| of which: in banks | 439 | 387 | 13.4 |
| Holdings in subsidiaries | 408 | 260 | 56.9 |
| of which: in banks | 67 | – | • |
| **Total** | **104,455** | **76,075** | **37.3** |

The year-earlier figures are based on amortized cost or the at-equity approach. Of the assets shown under this item, €1,318m appear at amortized cost. No permanent impairment which had to be reflected in profit or loss was registered by the impairment test to be applied to securities.

Fair values of listed financial investments:

| € m | 31.12.2001<br>Fair value | 31.12.2000<br>Fair value |
|---|---|---|
| Bonds, notes and other fixed-income securities | 66,452 | 60,659 |
| Shares and other variable-yield securities | 1,273 | 1,548 |
| Investments and investments in associated companies | 4,456 | 5,620 |
| **Total** | **72,181** | **67,827** |

Investments in large incorporated companies held by the Commerzbank Group, pursuant to Art. 313, (2), no. 4, HGB:

| Name | Seat | Percentage share of capital held | |
|---|---|---|---|
| | | 31.12.2001 | 31.12.2000 |
| Al Wataniya | Casablanca | 9.5 | 10.0 |
| Banque Marocaine du Commerce Extérieur, S.A. | Casablanca | 10.0 | 10.0 |
| Buderus Aktiengesellschaft | Wetzlar | 10.5 | 10.5 |
| Compagnie Monégasque de Banque S.A.M. | Monaco | 10.4 | 11.5 |
| Heidelberger Druckmaschinen Aktiengesellschaft | Heidelberg | 9.9 | 9.9 |
| Holsten-Brauerei Aktiengesellschaft | Hamburg | 7.2 | 7.8 |
| Linde Aktiengesellschaft | Wiesbaden | 10.4 | 10.0 |
| MAN Aktiengesellschaft | Munich | 6.5 | 6.5 |
| PopNet Internet Aktiengesellschaft | Hamburg | – | 13.9 |
| Sachsenring Automobiltechnik Aktiengesellschaft | Zwickau | 10.0 | 10.0 |
| Security Capital Group Inc. | Santa Fé | 5.1 | 5.2 |
| Unibanco Holdings S.A. | São Paulo | 11.5 | 11.5 |
| Willy Vogel Beteiligungsgesellschaft mbH | Berlin | 19.0 | 19.0 |

## (50) Intangible assets

| | 31.12.2001 € m | 31.12.2000 € m | Change in % |
|---|---|---|---|
| Goodwill | 1,380 | 1,417 | –2.6 |
| Other intangible assets | 104 | 100 | 4.0 |
| **Total** | **1,484** | **1,517** | **–2.2** |

Of the other intangible assets, capitalized software produced in-house accounted for €100m (previous year: €67m).

## (51) Fixed assets

| | 31.12.2001 € m | 31.12.2000 € m | Change in % |
|---|---|---|---|
| Land and buildings | 739 | 784 [1)] | –5.7 |
| Office furniture and equipment | 1,846 | 1,837 [1)] | 0.5 |
| Leased equipment | 789 | 916 | –13.9 |
| **Total** | **3,374** | **3,537** | **–4.6** |

[1)] The year-earlier figures take the transfer of leased equipment into account.

### (52) Changes in book value of fixed assets and investments

The following changes were registered for intangible and fixed assets, and also for investments, investments in associated companies and subsidiaries in the past financial year:

| € m | Intangible assets | | Fixed assets | |
|---|---|---|---|---|
| | Goodwill | Other intangible assets | Land and buildings | Office furniture and equipment |
| **Book value as of 1.1.2001** | **1,417** | **100** | **784** | **1,837** |
| Cost of acquisition/manufacture as of 1.1.2001 | 1,611 | 123 | 905 | 3,523 |
| Additions in 2001 | 119 | 26 | 170 | 531 |
| Disposals in 2001 | 30 | 5 | 191 | 100 |
| Transfers | – | – | – | – |
| Cost of acquisition/manufacture as of 31.12.2001 | 1,700 | 144 | 884 | 3,954 |
| Write-ups in 2001 | – | – | – | – |
| Cumulative write-downs as of 31.12.2000 | 194 | 23 | 121 | 1,686 |
| Currency differences | 11 | 0 | 0 | 0 |
| Additions in 2001 | 116 | 18 | 37 | 518 |
| Disposals in 2001 | 1 | 1 | 13 | 96 |
| Transfers | – | – | – | – |
| Cumulative write-downs as of 31.12.2001 | 320 | 40 | 145 | 2,108 |
| **Book value as of 31.12.2001** | **1,380** | **104** | **739** | **1,846** |

| € m | Fixed assets | | | |
|---|---|---|---|---|
| | Leased equipment | Investments | Investments in associated companies | Holdings in subsidiaries |
| **Book value as of 1.1.2001** | **916** | **6,870** [1] | **443** | **260** |
| Cost of acquisition/manufacture as of 1.1.2000 | 1,371 | 7,017 | 443 | 260 |
| Additions in 2001 | 467 | 240 | 328 | 148 |
| Disposals in 2001 | 126 | 530 | 5 | – |
| Transfers | –377 | – | 151 | – |
| Cumulative changes arising from measurement at fair value/at equity | – | –1,299 | –31 | – |
| Cost of acquisition/manufacture/ fair value as of 31.12.2001 | 1,335 | 5,428 | 886 | 408 |
| Write-ups in 2001 | – | – | – | – |
| Cumulative write-downs as of 31.12.2000 | 455 | 147 | – | – |
| Additions in 2001 | 233 | 56 | 34 | – |
| Disposals in 2001 | 25 | – | – | – |
| Transfers | –117 | – | – | – |
| Cumulative write-downs as of 31.12.2001 | 546 | 203 | 34 | – |
| **Book value as of 31.12.2001** | **789** | **5,225** | **852** | **408** |

[1] Carry-forward including revaluation reserves.

## (53) Tax assets

| | 31.12.2001 € m | 31.12.2000 € m | Change in % |
|---|---|---|---|
| **Current tax assets** | **881** | **994** | **–11.4** |
| Germany | 773 | 931 | –17.0 |
| Abroad | 108 | 63 | 71.4 |
| **Deferred tax assets** | **2,737** | **1,138** | **·** |
| Deferred tax assets | 2,668 | 938 | · |
| Capitalized advantages from unused loss carry-forwards | 69 | 200 | –65.5 |
| **Total** | **3,618** | **2,132** | **69.7** |

Deferred taxes represent the potential income-tax relief from temporary differences between the values assigned to assets and debts in the consolidated balance sheet in accordance with IAS and their values for tax-accounting purposes in accordance with the local tax regulations of consolidated companies.

€3m of deferred tax assets and liabilities was directly set off against equity.

No deferred taxes were recognized for loss carry-forwards of €632m, as it is uncertain at present whether they will be realized.

Deferred tax assets were formed in connection with the following balance-sheet items:

| | 31.12.2001 € m | 31.12.2000 € m | Change in % |
|---|---|---|---|
| Derivative hedging instruments | 545 | – | · |
| Trading portfolios | 1,058 | 532 | 98.9 |
| Securitized liabilities | 366 | – | · |
| Provisions | 129 | 126 | 2.4 |
| Sundry balance-sheet items | 570 | 280 | · |
| **Total** | **2,668** | **938** | **·** |

## (54) Other assets

Other assets mainly comprise the following items:

| | 31.12.2001 € m | 31.12.2000 € m | Change in % |
|---|---|---|---|
| Collection items | 379 | 180 | · |
| Advance payments | 722 | 389 | 85.6 |
| Sundry items, including deferred items | 1,895 | 3,924 | –51.7 |
| **Total** | **2,996** | **4,493** | **–33.3** |

Of the previous year's deferred items on the assets side contained in Sundry items, premiums on claims amounted to €434m and discounts on liabilities €817m. With the application of IAS 39, these were shown under the relevant item for the 2001 financial year.

### (55) Liabilities to banks

| | total | | |
|---|---|---|---|
| | 31.12.2001 | 31.12.2000 | Change |
| | € m | € m | in % |
| German banks | 26,714 | 42,571 | –37.2 |
| Foreign banks | 82,267 | 60,965 | 34.9 |
| Effects of measuring hedged items (hedge accounting) | 105 | – | • |
| **Total** | **109,086** | **103,536** | **5.4** |

| of which: | due on demand | | other liabilities | |
|---|---|---|---|---|
| | 31.12.2001 | 31.12.2000 | 31.12.2001 | 31.12.2000 |
| | € m | € m | € m | € m |
| German banks | 1,841 | 6,071 | 24,873 | 36,500 |
| Foreign banks | 12,150 | 8,113 | 70,117 | 52,852 |
| Effects of measuring hedged items (hedge accounting) | – | – | 105 | – |
| **Total** | **13,991** | **14,184** | **95,095** | **89,352** |

### (56) Liabilities to customers

Liabilities to customers consist of savings deposits, demand deposits and time deposits, including savings certificates.

| | Savings deposits | | Other liabilities | | | |
|---|---|---|---|---|---|---|
| | | | due on demand | | with agreed lifetime or period of notice | |
| € m | 31.12.2001 | 31.12.2000 | 31.12.2001 | 31.12.2000 | 31.12.2001 | 31.12.2000 |
| **Domestic customers** | **9,838** | **9,125** | **27,799** | **24,859** | **43,413** | **43,291** |
| Corporate customers | 38 | 37 | 16,286 | 14,396 | 30,565 | 27,554 |
| Retail customers and others | 9,795 | 9,073 | 10,928 | 9,910 | 8,259 | 7,385 |
| Public sector | 5 | 15 | 585 | 553 | 4,589 | 8,352 |
| **Foreign customers** | **866** | **554** | **8,790** | **11,772** | **25,482** | **18,053** |
| Corporate and retail customers | 865 | 550 | 8,450 | 11,459 | 23,918 | 17,700 |
| Public sector | 1 | 4 | 340 | 313 | 1,564 | 353 |
| **Effects of measuring hedged items** | **–** | **–** | **–** | **–** | **210** | **–** |
| **Total** | **10,704** | **9,679** | **36,589** | **36,631** | **69,105** | **61,344** |

Savings deposits break down as follows:

| | 31.12.2001<br>€ m | 31.12.2000<br>€ m | Change<br>in % |
|---|---|---|---|
| Savings deposits with agreed period of notice of three months | 9,773 | 8,742 | 11.8 |
| Savings deposits with agreed period of notice of more than three months | 931 | 937 | –0.6 |
| **Total** | **10,704** | **9,679** | **10.6** |

## (57) Securitized liabilities

Securitized liabilities comprise bonds and notes, including mortgage and public-sector *Pfandbriefe*, money-market instruments (e.g. certificates of deposit, Euro-notes, commercial paper), own acceptances and promissory notes outstanding.

| | total | | of which: issued by mortgage banks | |
|---|---|---|---|---|
| | 31.12.2001<br>€ m | 31.12.2000<br>€ m | 31.12.2001<br>€ m | 31.12.2000<br>€ m |
| Bonds and notes issued | 143,627 | 136,091 | 106,962 | 94,379 |
| Money-market instruments issued | 46,258 | 43,407 | 5,751 | 5,149 |
| Own acceptances and promissory notes outstanding | 331 | 453 | – | – |
| Effects of measuring hedged items (hedge accounting) | 454 | – | 313 | – |
| **Total** | **190,670** | **179,951** | **113,026** | **99,528** |

The interest rate paid on money-market paper ranges between 0.50% and 23.75%; for bonds and notes, it ranges between 0.05% and 25.20%. The original maturity periods for money-market paper may be up to one year. €101bn of the bonds and notes have an original lifetime of more than four years.

The following table presents the most important bonds and notes issued in 2001:

| Amount (€ m equivalent) | Currency | Issuer | Interest rate | Maturity date |
|---|---|---|---|---|
| 5,000 | EUR | Hypothekenbank in Essen AG | 5.250% | 2011 |
| 2,500 | EUR | Hypothekenbank in Essen AG | 3.672% | 2003 |
| 2,000 | EUR | RHEINHYP Rheinische Hypothekenbank AG | 3.542% | 2008 |
| 2,000 | EUR | Hypothekenbank in Essen AG | 3.450% | 2002 |
| 1,500 | EUR | Hypothekenbank in Essen AG | 4.500% | 2003 |
| 1,058 | EUR | RHEINHYP Rheinische Hypothekenbank AG | 3.352% | 2027 |
| 1,000 | EUR | RHEINHYP Rheinische Hypothekenbank AG | 3.376% | 2003 |
| 1,000 | EUR | Hypothekenbank in Essen AG | 3.250% | 2005 |
| 940 | EUR | Commerzbank AG | 5.500% | 2011 |
| 750 | EUR | Hypothekenbank in Essen AG | 3.342% | 2003 |
| 600 | EUR | RHEINHYP Rheinische Hypothekenbank AG | 3.492% | 2006 |
| 567 | USD | Commerzbank AG | 2.136% | 2006 |
| 500 | EUR | RHEINHYP Rheinische Hypothekenbank AG | 3.607% | 2003 |
| 500 | EUR | Hypothekenbank in Essen AG | 4.399% | 2003 |
| 500 | EUR | Hypothekenbank in Essen AG | 3.342% | 2003 |

### (58) Negative fair values from derivative hedging instruments

Derivative instruments which are not held for trading purposes, but are used as effective hedges and have a negative fair value, appear under this balance-sheet item. The financial instruments have been measured at their fair value.

| | 31.12.2001 € m | 31.12.2000 € m |
|---|---|---|
| Negative fair values from effective fair value hedges | 3,760 | – |
| Negative fair values from effective cash flow hedges | 1,621 | – |
| **Total** | **5,381** | – |

In accordance with IAS 39, negative fair values from derivative hedging instruments which qualify for hedge accounting appear in the balance sheet for the first time in the 2001 financial year. The comparable figures for the previous year did not have to be adjusted.

## (59) Liabilities from dealing activities

In Liabilities from dealing activities, the negative fair values of financial derivative instruments not employed as hedging instruments in connection with hedge accounting are shown. Delivery commitments arising from short sales of securities are also included under Liabilities from dealing activities.

| | 31.12.2001<br>€ m | 31.12.2000<br>€ m | Change<br>in % |
|---|---|---|---|
| Interest-based transactions | 28,264 | 16,203 | 74.4 |
| Currency-based transactions | 8,357 | 9,933 | –15.9 |
| Delivery commitments arising from short sales of securities | 4,954 | 6,119 | –19.0 |
| Other transactions | 6,261 | 3,471 | 80.4 |
| **Total** | **47,836** | **35,726** | **33.9** |

## (60) Provisions

Provisions break down as follows:

| | 31.12.2001<br>€ m | 31.12.2000<br>€ m | Change<br>in % |
|---|---|---|---|
| Provisions for pensions and similar commitments | 1,499 | 1,432 | 4.7 |
| Other provisions | 1,857 | 1,432 | 29.7 |
| **Total** | **3,356** | **2,864** | **17.2** |

The changes in provisions for pensions were as follows:

| € m | as of 1.1.2001 | Pension payments | Allocation | Transfers/ changes in consolidated companies | as of 31.12.2001 |
|---|---|---|---|---|---|
| Pension expectancies of active and former employees | 796 | – | 97 | –72 | 821 |
| Pensioners | 573 | 62 | 37 | 64 | 612 |
| Staff on early retirement schemes | 38 | 17 | 12 | – | 33 |
| Part-time scheme for older staff | 25 | 11 | 19 | – | 33 |
| **Total** | **1,432** | **90** | **165** | **–8** | **1,499** |

For the most part, provisions for pensions and similar commitments represent provisions for commitments to pay company retirement pensions on the basis of direct pledges of benefits. The type and scale of the retirement pensions for employees entitled to benefits are determined by the terms of the pension arrangement that finds application (pension guidelines, pension scheme, contribution-based pension plan, individual pension commitments), which mainly depends upon when the employee joined the Bank. On this basis, pensions are paid to employees reaching retirement age or earlier in the case of invalidity or death.

The pension commitments are worked out annually by an independent actuary, applying the projected unit credit method.

The projected unit credit for pension commitments as of December 31, 2001, was €1,615m (previous year: €1,532m). The difference of €116m (previous year: €100m) between this figure and the pension provisions is the result of changes in the actuarial parameters and the bases of calculation in recent years.

Allocations to provisions for payment-based pension schemes in 2001 break down as follows:

| | 2001<br>€ m | 2000<br>€ m |
|---|---|---|
| Service cost | 46 | 42 |
| Interest cost | 88 | 83 |
| Non-recurring cost of early retirement and part-time scheme for older staff | 31 | 29 |
| Amortization of actuarial differences | – | 4 |
| **Allocations to provisions for schemes to which the Bank contributes** | **165** | **158** |

Changes in other provisions:

| € m | as of 1.1.2001 | Utilized | Reversal | Allocation/ changes in consolidated companies | as of 31.12.2001 |
|---|---|---|---|---|---|
| Personnel area | 755 | 572 | 41 | 534 | 676 |
| Restructuring measures | – | – | – | 203 | 203 |
| Risks in lending | 264 | 15 | 65 | 114 | 298 |
| Bonuses for special savings schemes | 160 | 54 | – | 9 | 115 |
| Legal proceedings and recourse claims | 105 | 12 | 33 | 48 | 108 |
| Sundry items | 148 | 106 | 11 | 426 | 457 |
| **Total** | **1,432** | **759** | **150** | **1,334** | **1,857** |

The provisions in the personnel area basically relate to provisions for various types of bonuses, to be paid to employees of the Group in the first half of 2002.

A provision of €203m was formed for the restructuring measures introduced and announced in the 2001 financial year.

## (61) Tax liabilities

| | 31.12.2001<br>€ m | 31.12.2000<br>€ m | Change<br>in % |
|---|---|---|---|
| **Current income-tax liabilities** | **398** | **412** | **–3.4** |
| Income-tax liabilities to tax authorities | 33 | 63 | –47.6 |
| Provisions for income taxes | 365 | 349 | 4.6 |
| **Deferred income-tax liabilities** | **1,700** | **603** | **·** |
| Deferred taxes carried as liabilities | 1,700 | 603 | · |
| **Total** | **2,098** | **1,015** | **·** |

Provisions for taxes on income are tax liabilities for which no final formal assessment note has been received. The liabilities to tax authorities represent payment obligations from current taxes towards German and foreign tax authorities. Deferred taxes on the liabilities side represent the potential income-tax burden from temporary differences between the values assigned to assets and liabilities in the consolidated balance sheet in accordance with IAS and their values for tax-accounting purposes in accordance with the local tax regulations of consolidated companies.

Deferred income-tax liabilities were formed in connection with the following items:

| | 31.12.2001<br>€ m | 31.12.2000<br>€ m | Change<br>in % |
|---|---|---|---|
| Trading portfolios | 338 | 179 | 88.8 |
| Investments and securities portfolio | 834 | 165 | · |
| Imputed credit of foreign losses | 71 | 177 | –59.9 |
| Claims on customers | 349 | 6 | · |
| Sundry balance-sheet items | 108 | 76 | 42.1 |
| **Total** | **1,700** | **603** | **·** |

### (62) Other liabilities

Other liabilities break down as follows:

| | 31.12.2001<br>€ m | 31.12.2000<br>€ m | Change<br>in % |
|---|---|---|---|
| Deferred interest expenses for subordinated capital | 381 | 364 | 4.7 |
| Effects of measuring hedged subordinated capital items | 230 | – | • |
| Sundry items, including deferred items | 2,248 | 4,899 | –54.1 |
| **Total** | **2,859** | **5,263** | **–45.7** |

The previous year's deferred items on the liabilities side – shown in Sundry items – included premiums from liabilities of €25m and discounts for claims of €517m. With the application of IAS 39, the corresponding amounts appear for the 2001 financial year as part of the amortized cost of the relevant balance-sheet items.

### (63) Subordinated capital

Subordinated capital breaks down as follows:

| | 31.12.2001<br>€ m | 31.12.2000<br>€ m | Change<br>in % |
|---|---|---|---|
| **Subordinated liabilities** | **8,011** | **7,350** | **9.0** |
| of which: tier-III capital as defined in Art. 10, (7), KWG | 1,175 | 1,058 | 11.1 |
| of which: maturing within two years | 1,985 | 1,843 | 7.7 |
| **Profit-sharing certificates outstanding** | **2,513** | **2,547** | **–1.3** |
| of which: maturing within two years | 15 | 19 | –21.1 |
| **Total** | **10,524** | **9,897** | **6.3** |

In order to underscore the regulatory claim to such subordinated liabilities, we have shown the effects of measuring hedged items in accordance with IAS 39, and also the deferred interest payments for such transactions, under Other liabilities.

Subordinated liabilities are liable funds as defined in Art. 10, (5a), KWG. The claims of creditors to repayment of these liabilities are subordinate to those of other creditors. The issuers cannot be obliged to make premature repayment. In the event of bankruptcy or winding-up, subordinated liabilities may only be repaid after the claims of all senior creditors have been met.

At end-2001, the following major subordinated liabilities were outstanding:

| Start of maturity | € m | Currency in m | Issuer | Interest rate | Maturity date |
|---|---|---|---|---|---|
| 2000 | 590 | 590 EUR | Commerzbank AG | 6.50 | 2010 |
| 1999 | 550 | 550 EUR | Commerzbank AG | 4.75 | 2009 |
| 2001 | 490 | 490 EUR | Commerzbank AG | 6.13 | 2011 |
| 1997 | 329 | 200 GBP | Commerzbank AG | 7.88 | 2007 |
| 1999 | 300 | 300 EUR | Commerzbank AG | 6.25 | 2009 |
| 1992 | 284 | 250 USD | Commerzbank AG | 5.00 | 2002 |
| 2001 | 250 | 250 EUR | Commerzbank AG | 5.00 | 2011 |
| 1999 | 250 | 250 EUR | Commerzbank AG | 4.10 | 2002 |

In the year under review, the interest paid by the Group for subordinated liabilities totalled €475m (previous year: €435m). This includes €189m (previous year: €173m) of deferred interest expenses for interest due but not yet paid. These are shown as Other liabilities.

Profit-sharing certificates outstanding serve to strengthen the Bank's liable equity capital in accordance with the provisions of the German Banking Act. They are directly affected by current losses. Interest payments are made solely if a distributable profit exists. The claims of holders of profit-sharing certificates to a repayment of principal are subordinate to those of other creditors.

The following main issues of profit-sharing certificates are outstanding:

| Start of maturity | € m | Issuer | Interest rate | Maturity date |
|---|---|---|---|---|
| 1993 | 409 | Commerzbank AG | 7.250 | 2005 |
| 2000 | 320 | Commerzbank AG | 6.375 | 2010 |
| 1991 | 256 | Commerzbank AG | 9.500 | 2003 |
| 1992 | 256 | Commerzbank AG | 9.150 | 2004 |
| 1994 | 256 | Commerzbank AG | 5.035 | 2006 |
| 1996 | 256 | Commerzbank AG | 7.900 | 2008 |

Interest to be paid on the profit-sharing certificates outstanding for the 2001 financial year amounts to €192m (previous year: €191m). It is shown under Other liabilities.

## (64) Equity structure

Due to the first-time application of IAS 39, there has been a change in the Bank's equity structure compared with the previous year. New equity components have been included in the form of the Revaluation reserve and the Measurement of cash flow hedges. The reserve from currency translation, which has also been freshly included, previously formed part of retained earnings and is now shown as an item all by itself.

Accordingly, the Bank's equity and shares outstanding broke down as follows:

| | 31.12.2001<br>€ m | 31.12.2000<br>€ m |
|---|---|---|
| a) Subscribed capital | 1,394 | 1,386 |
| b) Capital reserve | 6,197 | 6,052 |
| c) Retained earnings | 4,046 | 4,517 |
| d) Revaluation reserve | 189 | – |
| e) Measurement of cash flow hedges | –397 | – |
| f) Reserve from currency translation | 114 | 26 |
| g) Consolidated profit/loss | 217 | 542 |
| **Equity** | **11,760** | **12,523** |

### a) Subscribed capital

The subscribed capital (share capital) of Commerzbank AG is divided into no-par-value shares, each with a notional value of €2.60. The shares are issued in the form of bearer shares.

| | 1,000 units |
|---|---|
| **Number of shares outstanding on 1.1.2001** | **533,233** |
| Cash capital increase | – |
| Capital increase against contribution in kind | – |
| Issue of shares to employees | – |
| Plus: treasury shares on 31.12. of the previous year | 8,594 |
| **Number of shares issued on 31.12.2001** | **541,827** |
| Less: treasury shares | 5,776 |
| **Number of shares outstanding on 31.12.2001** | **536,051** |

Before treasury shares are subtracted in accordance with Art. 71, (1), no. 7, AktG, the subscribed capital stands at €1,408,751,234.80.

No preferential rights exist at Commerzbank AG or restrictions on the payment of dividends.

The value of issued, outstanding and authorized shares is as follows:

| | 31.12.2001 | | 31.12.2000 | |
|---|---|---|---|---|
| | € m | 1,000 units | € m | 1,000 units |
| Shares issued | 1,409 | 541,827 | 1,409 | 541,827 |
| – Treasury shares | –15 | –5,776 | –23 | –8,594 |
| = Shares outstanding (subscribed capital) | 1,394 | 536,051 | 1,386 | 533,233 |
| + Shares not yet issued from authorized capital | 414 | 159,183 | 414 | 159,183 |
| **Total** | **1,808** | **695,234** | **1,800** | **692,416** |

The number of authorized shares totals 701,010 thousand units (previous year: 701,010 thousand units). The amount represented by authorized shares is €1,823m (previous year: €1,823m).

As of December 31, 2001, 12,105,889 shares had been pledged with the Group as security. Given a notional value of €2.60 per share, therefore, this represented 2.23% of the subscribed capital.

### b) Capital reserve

In the capital reserve, premiums from the issue of shares are shown. In addition, the capital reserve contains amounts which were realized for conversion and option rights, entitling holders to purchase shares, when bonds and notes were issued.

The Group's capital reserve is the amount shown for Commerzbank AG less the treasury shares held. The values represented by subsidiaries in the capital reserve are eliminated as part of the consolidation of capital accounts or appear as minority interests.

### c) Retained earnings

Retained earnings consist of the legal reserve and other reserves. The legal reserve contains those reserves which have to be formed in accordance with national law; in the individual financial statements, the amounts assigned to this reserve may not be distributed. The overall amount of retained earnings shown in the balance sheet consists of €3m of legal reserves and €4,043m of other revenue reserves.

### d) Revaluation reserve

The revaluation reserve contains the results of measuring or remeasuring the investments and securities portfolio. Gains or losses appear in the income statement only when the asset has been disposed of or written off.

### e) Measurement of cash flow hedges

The gains or losses on effective hedges used in cash flow hedges appear – after deferred taxes have been taken into consideration – under this equity item.

### f) Reserve from currency translation

The reserve from currency translation relates to translation gains and losses arising through the consolidation of capital accounts. Here exchange-rate differences are included that arise through the consolidation of subsidiaries and associated companies.

## (65) Conditional capital

Conditional capital is intended to be used for the issue of convertible bonds or bonds with warrants attached and also of profit-sharing certificates with conversion or option rights.

Changes in the Bank's conditional capital:

| € m | Conditional capital 1.1.2001 | Additions | Expiring | Used | Conditional capital 31.12.2001 | of which: used conditional capital | available lines |
|---|---|---|---|---|---|---|---|
| Convertible bonds/bonds with warrants | 78 | – | – | – | 78 | – | 78 |
| Convertible bonds/bonds with warrants/profit-sharing rights | 200 | – | – | – | 200 | – | 200 |
| **Total** | **278** | **–** | **–** | **–** | **278** | **–** | **278** |

As resolved by the Annual General Meeting of May 30, 1997, the Bank's share capital has been conditionally increased by up to €78,000,000. Such conditional capital increase will only be effected to the extent that the holders of convertible bonds or bonds with warrants attached to be issued by April 30, 2002 by Commerzbank Aktiengesellschaft or a directly or indirectly held wholly-owned foreign affiliate exercise their conversion or option rights.

As resolved by the AGM of May 21, 1999, the share capital has been conditionally increased by up to €200,070,000. Such conditional capital increase will only be effected to the extent that the holders of the convertible bonds, bonds with warrants or profit-sharing certificates carrying conversion or option rights to be issued by April 30, 2004, by either Commerzbank Aktiengesellschaft or companies in which the Bank directly or indirectly holds a majority interest exercise their conversion or option rights or the holders of the convertible bonds or profit-sharing certificates carrying conversion rights to be issued by April 30, 2004, by either Commerzbank Aktiengesellschaft or companies in which the Bank directly or indirectly holds a majority interest meet the obligation to exercise their conversion rights.

## (66) Authorized capital

| Date of AGM resolution | Original amount € m | Used in previous years for capital increases € m | Used in 2001 for capital increases € m | Remaining amount € m | Authorization expires: |
|---|---|---|---|---|---|
| 30.05.1997 | 26 | 10 | – | 16 | 30.04.2002 |
| 21.05.1999 | 175 | – | – | 175 | 30.04.2004 |
| 21.05.1999 | 175 | 25 | – | 150 | 30.04.2004 |
| 21.05.1999 | 86 | 13 | – | 73 | 30.04.2004 |
| **Total** | **462** | **48** | **–** | **414** | |

The Board of Managing Directors is authorized to increase, with the approval of the Supervisory Board, the share capital of the Bank by April 30, 2002 through the issue of new shares against cash, in either one or several tranches, by a maximum nominal amount of €15,642,762.29, thereby excluding the subscription rights of other shareholders for the purpose of issuing these shares to the Bank's staff.

The Board of Managing Directors is authorized to increase, with the approval of the Supervisory Board, the share capital of the Company by April 30, 2004 through the issue of no-par-value shares against cash contributions, in either one or several tranches, by a maximum amount of €175,000,000. The Board of Managing Directors may, with the approval of the Supervisory Board, exclude shareholders' subscription rights to the extent necessary to offer to the holders of conversion or option rights, either already issued or still to be issued by Commerzbank Aktiengesellschaft or its subsidiaries, subscription rights to the extent to which they would be entitled as shareholders after they have exercised their conversion or option rights. In addition, any fractional amounts of shares may be excluded from shareholders' subscription rights.

The Board of Managing Directors is authorized to increase, with the approval of the Supervisory Board, the share capital of the Company by April 30, 2004 through the issue of no-par-value shares against cash or contributions in kind, in either one or several tranches, by a maximum amount of €149,563,570.80. On principle, shareholders are to be offered subscription rights; however, the Board of Managing Directors may, with the approval of the Supervisory Board, exclude shareholders' subscription rights to the extent necessary to offer to the holders of conversion or option rights, either already issued or still to be issued by Commerzbank Aktiengesellschaft or its subsidiaries, subscription rights to the extent to which they would be entitled as shareholders after they have exercised their conversion or option rights. In addition, any fractional amounts of shares may be excluded from shareholders' subscription rights. Furthermore, the Board of Managing Directors may, with the approval of the Supervisory Board, exclude shareholders' subscription rights insofar as the capital increase is made against contributions in kind for the purpose of acquiring companies or holdings in companies.

The Board of Managing Directors is authorized to increase, with the approval of the Supervisory Board, the Company's share capital by April 30, 2004 through the issue of no-par-value shares against cash, in either one or several tranches, by a maximum amount of €73,669,684.60. The Board of Managing Directors may, with the approval of the Supervisory Board, exclude shareholders' subscription rights if the issue price of the new shares is not substantially lower than that of already listed shares offering the same conditions.

### (67) The Bank's foreign-currency position

On December 31, 2001, the Commerzbank Group had the following foreign-currency assets and liabilities (excluding fair values of derivatives):

| | 31.12.2001 €m | | | | | 31.12.2000 €m | Change in % |
|---|---|---|---|---|---|---|---|
| | USD | JPY | GBP | Others | Total | Total | |
| Cash reserve | 91 | 3 | 14 | 178 | 286 | 60 | . |
| Claims on banks | 11,587 | 2,668 | 3,786 | 5,282 | 23,323 | 23,936 | –2.6 |
| Claims on customers | 31,973 | 4,751 | 8,715 | 11,868 | 57,307 | 43,736 | 31.0 |
| Assets held for dealing purposes | 10,202 | 1,234 | 2,107 | 1,097 | 14,640 | 7,459 | 96.3 |
| Investments and securities portfolio | 11,486 | 2,745 | 1,502 | 3,933 | 19,666 | 10,713 | 83.6 |
| Other balance-sheet assets | 696 | 252 | 1,202 | 3,211 | 5,361 | 7,724 | –30.6 |
| **Foreign-currency assets** | **66,035** | **11,653** | **17,326** | **25,569** | **120,583** | **93,628** | **28.8** |
| Liabilities to banks | 31,347 | 6,383 | 8,262 | 15,823 | 61,815 | 49,689 | 24.4 |
| Liabilities to customers | 15,444 | 488 | 6,245 | 5,783 | 27,960 | 14,142 | 97.7 |
| Securitized liabilities | 36,777 | 1,134 | 10,555 | 5,250 | 53,716 | 55,963 | –4.0 |
| Other balance-sheet liabilities | 2,352 | 362 | 1,053 | 1,577 | 5,344 | 18,405 | –71.0 |
| **Foreign-currency liabilities** | **85,920** | **8,367** | **26,115** | **28,433** | **148,835** | **138,199** | **7.7** |

Due to exchange-rate movements in the 2001 financial year, the consolidated balance-sheet total expanded by roughly €4bn.

## Notes to financial instruments

### (68) Derivative transactions

| 31.12.2001 | Nominal amount | | | | Fair value | |
|---|---|---|---|---|---|---|
| | Remaining lifetimes | | | | | |
| € m | under 1 year | 1 to 5 years | more than 5 years | total | positive | negative |
| **Foreign-currency-based forward transactions** | | | | | | |
| OTC products | 535,441 | 105,837 | 31,858 | 673,136 | 9,150 | 8,999 |
| Spot and forward currency transactions | 420,586 | 30,230 | 1,293 | 452,109 | 5,205 | 4,943 |
| Interest-rate and currency swaps | 34,526 | 68,348 | 30,565 | 133,439 | 3,336 | 3,385 |
| Currency call options | 39,347 | 4,091 | – | 43,438 | 609 | – |
| Currency put options | 40,982 | 3,168 | – | 44,150 | – | 671 |
| Other foreign-exchange contracts | – | – | – | – | – | – |
| Products traded on a stock exchange | 162 | – | – | 162 | – | – |
| Currency futures | 116 | – | – | 116 | – | – |
| Currency options | 46 | – | – | 46 | – | – |
| **Total** | **535,603** | **105,837** | **31,858** | **673,298** | **9,150** | **8,999** |
| **Interest-based futures transactions** | | | | | | |
| OTC products | 1,323,525 | 816,188 | 629,648 | 2,769,361 | 30,148 | 33,003 |
| Forward-rate agreements | 277,087 | 1,975 | – | 279,062 | 270 | 248 |
| Interest-rate swaps | 988,528 | 664,863 | 508,414 | 2,161,805 | 27,188 | 30,139 |
| Call options on interest-rate futures | 22,914 | 52,240 | 47,146 | 122,300 | 2,185 | – |
| Put options on interest-rate futures | 28,685 | 63,931 | 56,513 | 149,129 | – | 2,412 |
| Other interest-rate contracts | 6,311 | 33,179 | 17,575 | 57,065 | 505 | 204 |
| Products traded on a stock exchange | 158,472 | 4,720 | 3,158 | 166,350 | – | – |
| Interest-rate futures | 59,319 | 2,211 | 1,060 | 62,590 | – | – |
| Interest-rate options | 99,153 | 2,509 | 2,098 | 103,760 | – | – |
| **Total** | **1,481,997** | **820,908** | **632,806** | **2,935,711** | **30,148** | **33,003** |
| **Other forward transactions** | | | | | | |
| OTC products | 33,640 | 76,928 | 4,000 | 114,568 | 6,691 | 6,261 |
| Structured equity/index products | 606 | 2,412 | 749 | 3,767 | 629 | 406 |
| Equity call options | 11,350 | 22,287 | 238 | 33,875 | 5,798 | – |
| Equity put options | 11,513 | 20,399 | 562 | 32,474 | – | 5,632 |
| Credit derivatives | 3,210 | 31,666 | 2,451 | 37,327 | 262 | 223 |
| Precious metal contracts | 6,961 | 164 | – | 7,125 | 2 | – |
| Other transactions | – | – | – | – | – | – |
| Products traded on a stock exchange | 47,752 | 5,882 | – | 53,634 | – | – |
| Equity futures | 8,310 | 146 | – | 8,456 | – | – |
| Equity options | 39,442 | 5,736 | – | 45,178 | – | – |
| Other futures | – | – | – | – | – | – |
| Other options | – | – | – | – | – | – |
| **Total** | **81,392** | **82,810** | **4,000** | **168,202** | **6,691** | **6,261** |
| **Total immatured forward transactions** | | | | | | |
| OTC products | 1,892,606 | 998,953 | 665,506 | 3,557,065 | 45,989 | 48,263 |
| Products traded on a stock exchange | 206,386 | 10,602 | 3,158 | 220,146 | – | – |
| **Total** | **2,098,992** | **1,009,555** | **668,664** | **3,777,211** | **45,989** | **48,263** |

As of December 13, 2000, the figures were as follows:

| 31.12.2000 | Nominal amount | | | | Fair value | |
|---|---|---|---|---|---|---|
| | Remaining lifetimes | | | | | |
| € m | under 1 year | 1 to 5 years | more than 5 years | total | positive | negative |
| **Foreign-currency-based forward transactions** | | | | | | |
| OTC products | 448,047 | 92,267 | 26,178 | 566,492 | 10,621 | 11,573 |
| Spot and forward currency transactions | 363,166 | 37,212 | 1,594 | 401,972 | 6,900 | 7,348 |
| Interest-rate and currency swaps | 31,739 | 50,652 | 24,584 | 106,975 | 3,055 | 3,679 |
| Currency call options | 26,249 | 2,613 | – | 28,862 | 666 | – |
| Currency put options | 26,893 | 1,790 | – | 28,683 | – | 546 |
| Other foreign-exchange contracts | – | – | – | – | – | – |
| Products traded on a stock exchange | 89 | – | – | 89 | – | – |
| Currency futures | 89 | – | – | 89 | – | – |
| Currency options | – | – | – | – | – | – |
| **Total** | **448,136** | **92,267** | **26,178** | **566,581** | **10,621** | **11,573** |
| **Interest-based futures transactions** | | | | | | |
| OTC products | 1,039,710 | 574,717 | 470,978 | 2,085,405 | 21,455 | 21,340 |
| Forward-rate agreements | 220,979 | 1,905 | – | 222,884 | 253 | 212 |
| Interest-rate swaps | 804,675 | 504,117 | 380,262 | 1,689,054 | 19,621 | 19,216 |
| Call options on interest-rate futures | 6,486 | 29,044 | 38,560 | 74,090 | 1,570 | – |
| Put options on interest-rate futures | 7,545 | 38,849 | 49,151 | 95,545 | – | 1,812 |
| Other interest-rate contracts | 25 | 802 | 3,005 | 3,832 | 11 | 100 |
| Products traded on a stock exchange | 75,946 | 3,876 | 2,171 | 81,993 | – | – |
| Interest-rate futures | 20,259 | 1,402 | 641 | 22,302 | – | – |
| Interest-rate options | 55,687 | 2,474 | 1,530 | 59,691 | – | – |
| **Total** | **1,115,656** | **578,593** | **473,149** | **2,167,398** | **21,455** | **21,340** |
| **Other forward transactions** | | | | | | |
| OTC products | 22,682 | 69,115 | 13,042 | 104,839 | 4,215 | 3,469 |
| Structured equity/index products | 1,825 | 2,840 | 698 | 5,363 | 1,727 | 818 |
| Equity call options | 5,796 | 29,200 | 547 | 35,543 | 2,448 | – |
| Equity put options | 7,795 | 33,100 | 10,887 | 51,782 | – | 2,622 |
| Credit derivatives | 924 | 3,161 | 605 | 4,690 | 38 | 27 |
| Precious metal contracts | 6,342 | 814 | 305 | 7,461 | 2 | 2 |
| Other transactions | – | – | – | – | – | – |
| Products traded on a stock exchange | 47,959 | 2,854 | – | 50,813 | – | – |
| Equity futures | 12,298 | – | – | 12,298 | – | – |
| Equity options | 35,661 | 2,854 | – | 38,515 | – | – |
| Other futures | – | – | – | – | – | – |
| Other options | – | – | – | – | – | – |
| **Total** | **70,641** | **71,969** | **13,042** | **155,652** | **4,215** | **3,469** |
| **Total immatured forward transactions** | | | | | | |
| OTC products | 1,510,439 | 736,099 | 510,198 | 2,756,736 | 36,291 | 36,382 |
| Products traded on a stock exchange | 123,994 | 6,730 | 2,171 | 132,895 | – | – |
| **Total** | **1,634,433** | **742,829** | **512,369** | **2,889,631** | **36,291** | **36,382** |

On the balance-sheet date, immatured foreign-currency, interest-based and other forward transactions were outstanding as shown in the above tables. These transactions entail merely a settlement risk as well as currency, interest and/or other market risks.

Breakdown of derivatives business, by borrower group:

| | Fair value 31.12.2001 | | Fair value 31.12.2000 | |
|---|---|---|---|---|
| € m | positive | negative | positive | negative |
| OECD central governments | 134 | 76 | 23 | 34 |
| OECD banks | 40,029 | 42,764 | 30,560 | 30,127 |
| OECD financial institutions | 2,588 | 2,884 | 2,222 | 2,376 |
| Other companies, private individuals | 2,614 | 1,860 | 2,952 | 3,326 |
| Non-OECD banks | 624 | 679 | 534 | 519 |
| **Total** | **45,989** | **48,263** | **36,291** | **36,382** |

Fair values appear as the sum totals of the positive and negative amounts per contract, from which no pledged security has been deducted and no possible netting agreements have been taken into consideration. By definition, no positive fair values exist for put options. Most of these transactions relate to trading activities.

## (69) Market risk arising from trading activities

Not only are value-at-risk figures computed with the aid of mathematical and statistical models used in quantifying market risk, but also simulations of extreme developments in the capital markets.

For the daily measurement of market risk, especially in proprietary trading, we apply value-at-risk models. The underlying statistical parameters are based on an observation period of the past 250 trading days, a one-day exposure and a confidence level of 97.5%. The value-at-risk models are constantly being modified.

On the basis of the risk ratios, the Group manages the market risk for all operative units by a system of risk limits, primarily limits for value-at-risk and stress-test scenarios, as well as loss-review triggers.

The risk position of the Group's trading portfolio at year-end shows the value-at-risk and stress-test figures, broken down by business lines engaged in proprietary trading. The value-at-risk shows the losses which, with their respective degrees of probability (95%, 97.5%, 99%) are not exceeded. The stress-scenario figures indicate the possible overnight loss on the basis of scenario analyses which differentiate between individual portfolios.

Risk position of the trading portfolio:

| **Portfolio** 31.12.2001 € m | Holding period for VaR calculation | VaR at confidence level of 95% | 97.5% | 99% | Overnight stress scenario |
|---|---|---|---|---|---|
| Corporate and Investment Banking division | 1 day | 7.3 | 9.3 | 14.8 | 139.9 |
| Securities | 1 day | 6.6 | 8.3 | 10.7 | 129.1 |
| Treasury and Financial Products | 1 day | 1.5 | 2.4 | 3.6 | 10.8 |

Risk position of the trading portfolio:

| **Portfolio**<br>**31.12.2000**<br>€ m | Holding period<br>for VaR<br>calculation | VaR at<br>confidence level of<br>95% | <br><br>97.5% | <br><br>99% | Overnight<br>stress scenario |
|---|---|---|---|---|---|
| Investment Banking division | 1 day | 30.3 | 37.1 | 47.5 | 284.8 |
| Global Bonds | 1 day | 6.8 | 7.9 | 8.4 | 51.3 |
| Global Equities | 1 day | 7.4 | 8.4 | 10.2 | 41.8 |
| Treasury and Financial Products | 1 day | 28.4 | 34.4 | 43.6 | 191.7 |

A more detailed account of the management of market risk can be found in our risk report on pages 52-56.

## (70) Interest-rate risk

The interest-rate risk of the Commerzbank Group results from the items in both the trading books and the banking book. In the latter, interest-rate risks mainly arise through maturity mismatches between the Bank's assets and liabilities, e.g. through the short-term funding of long-dated loans. The measurement of interest-rate risk includes the interest-rate items shown in the balance sheet and also their related derivatives.

As in the case of the trading book, the interest-rate risks of the banking book are measured applying the historical simulation method (value-at-risk). This makes comparison possible between the interest-rate risks of the trading and the banking book, and also permits an aggregated overall presentation of the results at Group level, with portfolio effects included. The overall presentation appears for the first time in this form as of December 31, 2001. Interest-rate risk is measured daily. The risk control unit monitors observance of the related limits throughout the Group.

Interest-rate risk shown separately for trading book and banking book and aggregated for the Group:

| **Portfolio**<br>**31.12.2001**<br>€ m | Holding period<br>for VaR<br>calculation | VaR at<br>confidence level of<br>95% | <br><br>97.5% | <br><br>99% |
|---|---|---|---|---|
| Trading book | 1 day | 3.4 | 4.0 | 6.3 |
| Banking book | 1 day | 34.0 | 41.3 | 58.3 |
| Group | 1 day | 33.8 | 44.2 | 62.4 |

The value-at-risk figures show the potential losses in € m, which will not be exceeded with the respective degree of probability (95%, 97.5% and 99%).

## (71) Concentration of credit risk

Concentrations of credit risks may arise through business relations with individual borrowers or groups of borrowers who share a number of features and whose individual ability to service debt depends to the same extent on changes in certain overall economic conditions. These risks are managed by the Credit Risk Management department. Credit risk throughout the Group is monitored by the use of limits for each individual borrower and borrower unit, through the provision of the appropriate security and through the application of a uniform lending policy. In order to minimize credit risk, the Bank has entered into a number of master netting agreements, which ensure the right to set off the claims on and liabilities to a client in the case of default by the latter or bankruptcy. In addition, the management regularly monitors individual portfolios. The Group's lending does not reveal any special dependence on individual sectors.

In terms of book values, the credit risks relating to balance-sheet financial instruments were as follows on December 31, 2001:

| | Claims | |
|---|---|---|
| € m | 31.12.2001[1)] | 31.12.2000 |
| **Customers in Germany** | **147,009** | **158,196** |
| Companies and self-employed | 72,347 | 72,725 |
| Manufacturing | 17,177 | 14,021 |
| Construction | 1,583 | 1,275 |
| Distributive trades | 9,410 | 9,796 |
| Services, incl. professions | 35,920 | 35,120 |
| Others | 8,257 | 12,513 |
| Public sector | 35,027 | 49,291 |
| Other retail customers | 39,635 | 36,180 |
| **Customers abroad** | **72,275** | **66,641** |
| Corporate and retail customers | 64,135 | 59,156 |
| Public sector | 8,140 | 7,485 |
| **Sub-total** | **219,284** | **224,837** |
| Effects of measuring hedged items (hedge accounting) | 1,031 | – |
| less valuation allowances | –5,538 | –5,184 |
| **Total** | **214,777** | **219,653** |

1) Comparability has been impaired by first-time application of IAS 39.

### (72) Assets pledged as security

Assets in the amounts shown below were pledged as security for the following liabilities:

| | 31.12.2001<br>€ m | 31.12.2000<br>€ m | Change<br>in % |
|---|---|---|---|
| Liabilities to banks | 25,407 | 17,925 | 41.7 |
| Liabilities to customers | 13,252 | 2,720 | • |
| **Total** [1] | **38,659** | **20,645** | **87.3** |

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

| | 31.12.2001<br>€ m | 31.12.2000<br>€ m | Change<br>in % |
|---|---|---|---|
| Claims on banks | 7,421 | 15,854 | –53.2 |
| Claims on customers | 4,892 | 6,387 | –23.4 |
| Assets held for dealing purposes and Investments and securities portfolio | 30,610 | 6,948 | • |
| **Total** [1] | **42,923** | **29,189** | **47.1** |

[1] The figures for the past financial year were calculated taking account of IAS 39; the previous year's figures did not have to be adjusted.

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

## (73) Maturities, by remaining lifetime

| € m | due on demand and unlimited in time | up to 3 months | 3 months to 1 year | 1 year to 5 years | more than 5 years |
|---|---|---|---|---|---|
| | Remaining lifetimes as of 31.12.2001 | | | | |
| Claims on banks | 13,825 | 28,836 | 10,458 | 3,996 | 6,277 |
| Claims on customers | 17,096 | 48,356 | 19,880 | 47,960 | 87,023 |
| Bonds and notes from the assets held for dealing purposes | 9 | 3,444 | 7,207 | 20,223 | 9,536 |
| Bonds and notes held in investments and securities portfolio and claims not originated by the Bank | 21 | 7,000 | 11,510 | 33,327 | 41,761 |
| **Total** | **30,951** | **87,636** | **49,055** | **105,506** | **144,597** |
| Liabilities to banks | 13,991 | 59,233 | 18,603 | 6,255 | 11,004 |
| Liabilities to customers | 36,589 | 57,211 | 4,192 | 6,610 | 11,796 |
| Securitized liabilities | 24 | 35,554 | 42,955 | 72,099 | 40,038 |
| Subordinated capital | 15 | 213 | 978 | 3,599 | 5,719 |
| **Total** | **50,619** | **152,211** | **66,728** | **88,563** | **68,557** |

| € m | due on demand and unlimited in time | up to 3 months | 3 months to 1 year | 1 year to 5 years | more than 5 years |
|---|---|---|---|---|---|
| | Remaining lifetimes as of 31.12.2000 | | | | |
| Claims on banks | 16,974 | 33,555 | 5,591 | 9,092 | 9,442 |
| Claims on customers | 19,385 | 47,398 | 17,785 | 50,714 | 89,555 |
| Bonds and notes held for trading purposes | 42 | 1,341 | 1,837 | 11,503 | 5,135 |
| Bonds and notes held as financial investments | 290 | 6,437 | 9,009 | 27,492 | 22,623 |
| **Total** | **36,691** | **88,731** | **34,222** | **98,801** | **126,755** |
| Liabilities to banks | 14,184 | 64,980 | 10,630 | 5,000 | 8,742 |
| Liabilities to customers | 36,631 | 49,250 | 4,040 | 6,623 | 11,110 |
| Securitized liabilities | 252 | 40,630 | 38,961 | 65,095 | 35,013 |
| Subordinated capital | 3 | 1 | 679 | 3,475 | 5,739 |
| **Total** | **51,070** | **154,861** | **54,310** | **80,193** | **60,604** |

The remaining lifetime is defined as the period between the balance-sheet date and the contractual maturity of the claim or liability. In the case of claims or liabilities which are paid in partial amounts, the remaining lifetime has been recognized for each partial amount.

### (74) Fair value of financial instruments

The table below compares the fair values of the balance-sheet items with their book values. Fair value is the amount at which financial instruments may be sold or purchased at fair terms on the balance-sheet date. Insofar as market prices (e.g. for securities) were available, we have used these for measurement purposes. For the majority of financial instruments, internal measuring models involving current market parameters were used in the absence of market prices. In particular, the net present-value method and option-price models were applied. Wherever claims on and liabilities to banks and customers had a remaining lifetime of less than a year, the fair value was considered to be that shown in the balance sheet.

| | Fair value | | Book value | | Difference | |
|---|---|---|---|---|---|---|
| € bn | 31.12.2001 | 31.12.2000 | 31.12.2001 | 31.12.2000 | 31.12.2001 | 31.12.2000 |
| **Assets** | | | | | | |
| Cash reserve | 7.6 | 7.9 | 7.6 | 7.9 | – | – |
| Claims on banks | 63.6 | 74.9 | 63.4 | 74.7 | 0.2 | 0.2 |
| Claims on customers | 220.2 | 225.8 | 220.3 | 224.8 | –0.1 | 1.0 |
| Hedging instruments | 3.9 | – | 3.9 | – | – | – |
| Assets held for dealing purposes | 95.8 | 69.9 | 95.8 | 69.9 | – | – |
| Investments and securities portfolio | 104.5 | 77.6 | 104.5 | 76.0 | – | 1.6 |
| **Liabilities** | | | | | | |
| Liabilities to banks | 109.0 | 103.6 | 109.1 | 103.5 | –0.1 | 0.1 |
| Liabilities to customers | 116.8 | 108.5 | 116.4 | 107.7 | 0.4 | 0.8 |
| Securitized liabilities | 189.5 | 178.8 | 190.7 | 180.0 | –1.2 | –1.2 |
| Hedging instruments | 5.4 | – | 5.4 | – | – | – |
| Liabilities from dealing activities | 47.8 | 35.7 | 47.8 | 35.7 | – | – |
| Subordinated capital | 10.8 | 10.1 | 10.5 | 9.9 | 0.3 | 0.2 |

Comparison with the previous year has been impaired by the first-time application of IAS 39. Whereas in the 2000 financial year the investments and securities portfolio was measured at cost, large sections of this portfolio are now measured at their fair value through the application of IAS 39.

## Other notes

### (75) Subordinated assets

The assets shown in the balance sheet include the following subordinated assets:

| | 31.12.2001<br>€ m | 31.12.2000<br>€ m | Change<br>in % |
|---|---|---|---|
| Claims on banks | 17 | 27 | –37.0 |
| Claims on customers | 63 | 60 | 5.0 |
| Bonds and notes | 188 | 174 | 8.0 |
| Shares and other variable-yield securities | 53 | 54 | –1.9 |
| **Total** | **321** | **315** | **1.9** |

Assets are considered to be subordinated if the claims they represent may not be met before those of other creditors in the case of the liquidation or bankruptcy of the issuer.

### (76) Off-balance-sheet commitments

| | 31.12.2001<br>€ m | 31.12.2000<br>€ m | Change<br>in % |
|---|---|---|---|
| **Contingent liabilities** | **31,016** | **28,974** | **7.0** |
| from rediscounted bills of exchange credited to borrowers | 21 | 64 | –67.2 |
| from guarantees and indemnity agreements | 30,995 | 28,910 | 7.2 |
| Credit guarantees | 3,291 | 2,952 | 11.5 |
| Other guarantees | 15,769 | 14,293 | 10.3 |
| Letters of credit | 8,661 | 7,992 | 8.4 |
| Other items | 3,274 | 3,673 | –10.9 |
| **Irrevocable lending commitments** | **71,511** | **72,662** | **–1.6** |
| Book credits to banks | 2,624 | 2,917 | –10.0 |
| Book credits to customers | 66,861 | 67,551 | –1.0 |
| Credits by way of guarantee | 330 | 492 | –32.9 |
| Letters of credit | 1,696 | 1,702 | –0.4 |
| **Other commitments** | **130** | **85** | **52.9** |

Provision for risks arising from off-balance-sheet commitments has been deducted from the respective items.

## (77) Volume of managed funds

Type of managed fund:

| | 31.12.2001 | | 31.12.2000 | |
|---|---|---|---|---|
| | No. of funds | Fund assets € bn | No. of funds | Fund assets € bn |
| Retail investment funds | 457 | 58.6 | 358 | 57.9 |
| Equity-based and mixed funds | 315 | 31.3 | 211 | 32.4 |
| Bond-based funds | 117 | 14.1 | 121 | 12.8 |
| Money-market funds | 25 | 13.2 | 26 | 12.7 |
| Non-publicly-offered funds | 1,441 | 41.8 | 1,418 | 50.6 |
| Property-based funds | 3 | 8.1 | 3 | 6.1 |
| **Total** | **1,901** | **108.5** | **1,779** | **114.6** |

Region in which fund was launched:

| | 31.12.2001 | | 31.12.2000 | |
|---|---|---|---|---|
| | No. of funds | Fund assets € bn | No. of funds | Fund assets € bn |
| Germany | 537 | 54.2 | 501 | 54.7 |
| United Kingdom | 1,005 | 17.3 | 892 | 19.6 |
| Other European countries | 240 | 25.1 | 249 | 29.0 |
| America | 102 | 11.0 | 131 | 11.0 |
| Asia, Africa, Australia | 17 | 0.9 | 6 | 0.3 |
| **Total** | **1,901** | **108.5** | **1,779** | **114.6** |

## (78) Genuine repurchase agreements

Under its genuine repurchase agreements, the Commerzbank Group sells and purchases securities with the obligation to repurchase or return them. The proceeds deriving from repurchase agreements in which the Commerzbank Group is a borrower (commitment to take the securities back) are shown in the balance sheet as a liability to banks or customers. If Group companies or the Parent Bank are lenders (commitment to return the securities), the countervalues paid are shown in the balance sheet as claims on banks or customers.

The genuine repurchase agreements concluded up to end-December break down as follows:

| | 31.12.2001<br>€ m | 31.12.2000<br>€ m | Change<br>in % |
|---|---|---|---|
| Genuine repurchase agreements as a borrower (repurchase agreements) | | | |
| Liabilities to banks | 16,884 | 5,124 | • |
| Liabilities to customers | 10,597 | 7,076 | 49.8 |
| **Total** | **27,481** | **12,200** | **125.3** |
| Genuine repurchase agreements as a lender (reverse repurchase agreements) | | | |
| Claims on banks | 19,196 | 10,191 | 88.4 |
| Claims on customers | 13,944 | 7,314 | 90.6 |
| **Total** | **33,140** | **17,505** | **89.3** |

## (79) Securities-lending transactions

Securities-lending transactions are conducted with other banks and customers in order to cover the need to meet delivery commitments and to be able to effect securities repurchase agreements in the money market. The re-transfer claims on banks and customers with respect to securities which have been lent to them appear as claims on banks and customers. We show securities borrowed from third parties (insofar as we still hold them) under Assets held for trading purposes or under Investments and securities portfolio, while a commitment to return the securities appears on the liabilities side. Insofar as the lending fees arising from securities-lending transactions relate to the previous financial year, they are reflected in the income statement.

| | 31.12.2001<br>€ m | 31.12.2000<br>€ m | Change<br>in % |
|---|---|---|---|
| Lent securities | 7,954 | 11,615 | –31.5 |
| Borrowed securities | 13,695 | 11,002 | 24.5 |

## (80) Trust transactions at third-party risk

Trust transactions which do not have to be shown in the balance sheet amounted to the following on the balance-sheet date:

| | 31.12.2001<br>€ m | 31.12.2000<br>€ m | Change<br>in % |
|---|---|---|---|
| Claims on banks | 203 | 275 | –26.2 |
| Claims on customers | 156 | 178 | –12.4 |
| Equity investments | – | 1 | • |
| **Assets on a trust basis at third-party risk** | **359** | **454** | **–20.9** |
| Liabilities to banks | 183 | 282 | –35.1 |
| Liabilities to customers | 176 | 172 | 2.3 |
| **Liabilities on a trust basis at third-party risk** | **359** | **454** | **–20.9** |

## (81) Risk-weighted assets and capital ratios as defined by the Basel capital accord (BIS)

Like many other internationally active banks, the Commerzbank Group has committed itself to meeting the demands on capital adequacy contained in the Basel accord. This imposes on banks a minimum requirement of 8% of own funds to risk-weighted assets (own funds ratio). A minimum requirement of 4% applies universally for the ratio between core capital and risk-weighted assets (core capital ratio).

Own funds are defined as liable capital that is made up of core and supplementary capital, plus Tier III capital. Core capital mainly consists of subscribed capital plus reserves and minority interests, less goodwill. Supplementary capital comprises outstanding profit-sharing rights and subordinated long-term liabilities. Tier III capital represents short-term subordinated liabilities.

Structure of the Commerzbank Group's capital in accordance with the Basel capital accord:

| | 31.12.2001<br>€ m | 31.12.2000<br>€ m | Change<br>in % |
|---|---|---|---|
| Core capital | 12,187 | 12,570 | –3.0 |
| Supplementary capital | 8,245 | 8,208 | 0.5 |
| **Total liable capital** [1] | **20,432** | **20,778** | **–1.7** |
| Tier III capital | 466 | 1,058 | –56.0 |
| **Eligible own funds** | **20,898** | **21,836** | **–4.3** |

[1] After the financial statements have been established

| as of 31.12.2001 | Capital charges in % | | | | | | Total |
|---|---|---|---|---|---|---|---|
| € m | 100 | 50 | 25 | 20 | 10 | 4 | |
| Balance-sheet business | 129,229 | 13,973 | – | 14,078 | – | – | 157,280 |
| Traditional off-balance-sheet business | 4,060 | 21,189 | 199 | 881 | 679 | 60 | 27,068 |
| Derivatives business in investment portfolio | – | 5,900 | – | 5,195 | – | – | 11,095 |
| **Risk-weighted assets, total** | **133,289** | **41,062** | **199** | **20,154** | **679** | **60** | **195,443** |
| | | | | | | | |
| Risk-weighted market risk multiplied by 12.5 | | | | | | | 8,163 |
| Total items to be risk-weighted | | | | | | | 203,606 |
| Total liable capital[1] | | | | | | | 20,432 |
| Eligible own funds | | | | | | | 20,898 |
| Core capital ratio (excluding market-risk position) | | | | | | | 6.2 |
| Core capital ratio (including market-risk position) | | | | | | | 6.0 |
| Own funds ratio (including market-risk position) | | | | | | | 10.3 |

[1] After the financial statements have been established

As of December 31, 2001, the equity capital ratio in accordance with Principle I, KWG, stood at 10.0%, and the overall capital ratio at 9.6%.

| as of 31.12.2000 | Capital charges in % | | | | | | Total |
|---|---|---|---|---|---|---|---|
| € m | 100 | 50 | 25 | 20 | 10 | 4 | |
| Balance-sheet business | 132,129 | 15,090 | – | 13,320 | – | – | 160,539 |
| Traditional off-balance-sheet business | 3,112 | 19,349 | – | 833 | 573 | 42 | 23,909 |
| Derivatives business in investment portfolio | – | 3,916 | – | 4,796 | – | – | 8,712 |
| **Risk-weighted assets, total** | **135,241** | **38,355** | **–** | **18,949** | **573** | **42** | **193,160** |
| | | | | | | | |
| Risk-weighted market risk multiplied by 12.5 | | | | | | | 27,000 |
| Total items to be risk-weighted | | | | | | | 220,160 |
| Total liable capital[1] | | | | | | | 20,778 |
| Eligible own funds | | | | | | | 21,836 |
| Core capital ratio (excluding market-risk position) | | | | | | | 6.5 |
| Core capital ratio (including market-risk position) | | | | | | | 5.7 |
| Own funds ratio (including market-risk position) | | | | | | | 9.9 |

[1] After the financial statements have been established

The equity capital ratio in accordance with Principle I, KWG, stood at 10.7%, and the overall capital ratio at 9.6%.

Reconciliation of reported capital with eligible equity in accordance with the Basel capital accord (BIS)

| **31.12.2001**<br>€ m | Core capital/<br>Equity | Minority<br>interests | Supplementary/<br>subordinated capital | Tier III<br>capital | Total |
|---|---|---|---|---|---|
| Reported in balance sheet | 11,760 | 1,344 | 10,524 | – | 23,628 |
| Reclassifications | | | | | |
| Minority interests | 1,289 | –1,344 | – | – | –55 |
| Tier III capital | – | – | –1,175 | 1,175 | – |
| Net profit | –217 | – | – | – | –217 |
| Deduction of goodwill | –458 | – | – | – | –458 |
| Changes in consolidated companies | –9 | – | – | – | –9 |
| Parts of subordinated capital not eligible due to limited remaining lifetime | – | – | –1,489 | – | –1,489 |
| Revaluation reserve | –189 | – | – | – | –189 |
| Unused but eligible class 3 equity | – | – | – | –709 | –709 |
| Deferred revaluation reserves for securities | – | – | 55 | – | 55 |
| General provisions/ reserves for defaults | – | – | 410 | – | 410 |
| Other differences | 11 | – | –80 | – | –69 |
| **Eligible equity** | **12,187** | **–** | **8,245** | **466** | **20,898** |

### (82) Average number of staff employed by the Bank during the year

| | 2001 | | | 2000 | | |
|---|---|---|---|---|---|---|
| | total | male | female | total | male | female |
| Group | 38,355 | 18,813 | 19,542 | 38,321 | 19,099 | 19,222 |
| in Germany | 30,673 | 15,080 | 15,593 | 30,212 | 15,537 | 14,675 |
| abroad | 7,682 | 3,733 | 3,949 | 8,109 | 3,562 | 4,547 |
| at companies included in the consolidation in proportion to the share of capital held | – | – | – | 89 | 45 | 44 |

The above figures include both full-time and part-time personnel. Not included in the figures are the average number of employees undergoing training within the Group. The average time worked by part-time staff is 57% of the standard working time.

| | total | | male | | female | |
|---|---|---|---|---|---|---|
| | 2001 | 2000 | 2001 | 2000 | 2001 | 2000 |
| Trainees | 1,626 | 1,455 | 617 | 563 | 1,009 | 892 |

### (83) Remuneration and loans to board members

The following remuneration was paid to members of the Board of Managing Directors and the Supervisory Board:

| | 31.12.2001 | 31.12.2000 |
|---|---|---|
| | €'000 | €'000 |
| Board of Managing Directors | 13,513 | 10,638 |
| Supervisory Boards | 465 | 1,708 |
| Retired managing directors and their dependants | 5,655 | 5,160 |

In the past financial year, the remuneration of the Board of Managing Directors comprised basic compensation, profit and performance-related compensation, and remuneration in kind. In 2001, the basic remuneration for a full board member was roughly €358,000; the chairman received an additional premium. The variable compensation paid in 2001 in respect of the 2000 financial year was based, for one thing, on the achievement of the Group's business successes and, for another, on individual performance. In addition, remuneration in kind was granted on the usual scale. Finally, members of the Board of Managing Directors participate in the long-term performance plans described in note 28. No payments which have to be reported were made under these plans in the 2001 financial year.

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

| | 31.12.2001 | 31.12.2000 |
|---|---|---|
| | €'000 | €'000 |
| Board of Managing Directors | 7,834 | 8,389 |
| Supervisory Boards | 1,217 | 1,266 |

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

### (84) Other commitments

Commitments towards companies either outside the Group or not included in the consolidation for uncalled payments on shares in private limited-liability companies issued but not fully paid amount to €21m.

The Bank is responsible for the payment of assessments of up to €36m to Liquiditäts-Konsortialbank (Liko) GmbH, Frankfurt am Main, the "lifeboat" institution of the German banking industry. The individual banking associations are also responsible for the payment of assessments to Liko. To cover such assessments, Group companies have pledged to Liko that they will meet any payment in favour of their respective associations.

Under 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 through support provided for banks in which Commerzbank holds a majority interest.

Obligations towards futures and options exchanges and also towards clearing centres, for which securities have been deposited as collateral, amount to €1,950m (previous year: €303m).

Our subsidiaries Caisse Centrale de Réescompte S.A., Paris, and ADIG-Investment Luxemburg S.A., Luxembourg, have provided performance guarantees for selected funds.

The Group's existing obligations arising from rental and leasing agreements – buildings, office furniture and equipment – will lead to expenses of €318m in the year 2002, €344m per year in the years 2003-2005, and €355m as from the year 2006. Leasing and rental expenses within the Group are not taken into account here.

## (85) Letter of comfort

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

| Name | Seat |
|---|---|
| ADIG Allgemeine Deutsche Investment-Gesellschaft mbH | Munich/Frankfurt am Main |
| ADIG-Investment Luxemburg S.A. | Luxembourg |
| Atlas – Vermögensverwaltungs-Gesellschaft mbH | Bad Homburg v.d.H. |
| Berliner Commerz Grundstücks- und Verwaltungsgesellschaft mbH | Berlin |
| BRE Bank SA | Warsaw |
| BRE Leasing Sp. z.o.o. | Warsaw |
| Caisse Centrale de Réescompte, S.A. | Paris |
| Capital Development Limited | Isle of Man |
| CCR-Gestion | Paris |
| CBG Commerz Beteiligungsgesellschaft Holding mbH | Bad Homburg v.d.H. |
| CBG Commerz Beteiligungsgesellschaft mbH | Frankfurt am Main |
| CFM Commerz Finanz Management GmbH | Frankfurt am Main |
| CICM Fund Management Limited | Dublin |
| comdirect bank Aktiengesellschaft (sub-group) | Quickborn |
| Commerz (East Asia) Ltd. | Hong Kong |
| Commerz Asset Management Asia-Pacific Pte Ltd. | Singapore |
| Commerz Asset Management (UK) plc | London |
| Commerz Asset Management Holding GmbH | Frankfurt am Main |
| Commerz Asset Managers GmbH | Frankfurt am Main |
| Commerz Equity Investments Ltd. | London |
| Commerz Europe (Ireland), Inc. | Wilmington/Delaware |
| Commerz Futures, LLC. | Wilmington/Delaware |
| Commerz Grundbesitzgesellschaft mbH | Wiesbaden |
| Commerz Grundbesitz-Investmentgesellschaft mbH | Wiesbaden |
| Commerz International Capital Management (Japan) Ltd. | Tokyo |
| Commerz NetBusiness AG | Frankfurt am Main |
| Commerz Securities (Japan) Company Ltd. | Hong Kong/Tokyo |
| Commerz Service Gesellschaft für Kundenbetreuung mbH | Essen |
| Commerzbank (Budapest) Rt. | Budapest |
| Commerzbank (Eurasija) SAO | Moscow |
| Commerzbank (Nederland) N.V. | Amsterdam |
| Commerzbank (South East Asia) Ltd. | Singapore |
| Commerzbank (Switzerland) Ltd | Zurich |
| Commerzbank Asset Management Asia Ltd. | Singapore |
| Commerzbank Asset Management Italia S.p.A. | Rome |
| Commerzbank Belgium S.A. N.V. | Brussels |
| Commerzbank Capital Markets (Eastern Europe) a.s. | Prague |
| Commerzbank Capital Markets Corporation | New York |
| Commerzbank Europe (Ireland) Unlimited | Dublin |
| Commerzbank Europe Finance (Ireland) plc | Dublin |
| Commerzbank International (Ireland) | Dublin |
| Commerzbank International S.A. | Luxembourg |

| Name | Seat |
| --- | --- |
| Commerzbank Investment Management GmbH | Frankfurt am Main |
| Commerzbank Overseas Finance N.V. | Dublin |
| Commerzbank Società di Gestione del Risparmio S.p.A. | Rome |
| Commerzbank U.S. Finance, Inc. | Wilmington/Delaware |
| CommerzLeasing und Immobilien AG (sub-group) | Düsseldorf |
| Erste Europäische Pfandbrief- und Kommunalkreditbank Aktiengesellschaft in Luxemburg S.A. | Luxembourg |
| Gracechurch TL Ltd. | London |
| Hypothekenbank in Essen AG | Essen |
| IF Limited | Bermuda |
| Jupiter Administration Services Limited | London |
| Jupiter Asset Management (Asia) Limited | Hong Kong |
| Jupiter Asset Management (Bermuda) Limited | Bermuda |
| Jupiter Asset Management (Jersey) Limited | Jersey |
| Jupiter Asset Management Limited | London |
| Jupiter International Group plc | London |
| Jupiter Unit Trust Managers Limited | London |
| KL Limited i.L. | Bermuda |
| Montgomery Asset Management, LLC | San Francisco/Wilmington |
| NIV Vermögensverwaltungsgesellschaft mbH | Frankfurt am Main |
| OLEANDRA Grundstücks-Vermietungsgesellschaft mbH&Co., Objekt Jupiter KG | Düsseldorf |
| OLEANDRA Grundstücks-Vermietungsgesellschaft mbH&Co., Objekt Luna KG | Düsseldorf |
| OLEANDRA Grundstücks-Vermietungsgesellschaft mbH&Co., Objekt Neptun KG | Düsseldorf |
| OLEANDRA Grundstücks-Vermietungsgesellschaft mbH&Co., Objekt Pluto KG | Düsseldorf |
| OLEANDRA Grundstücks-Vermietungsgesellschaft mbH&Co., Objekt Uranus KG | Düsseldorf |
| OLEANDRA Grundstücks-Vermietungsgesellschaft mbH&Co., Objekt Venus KG | Düsseldorf |
| RHEINHYP BANK Europe plc | Dublin |
| RHEINHYP Finance, N. V. | Amsterdam |
| RHEINHYP Rheinische Hypothekenbank Aktiengesellschaft | Frankfurt am Main |
| Rheinhyp-BRE Bank Hipoteczny S.A. | Warsaw |
| Siebte Commercium Vermögensverwaltungsgesellschaft mbH | Frankfurt am Main |
| TI Limited i.L. | Bermuda |
| TOMO Vermögensverwaltungsgesellschaft mbH | Frankfurt am Main |
| Tyndall Holdings Limited | London |
| Tyndall International Group Limited | Bermuda |
| Tyndall International Holdings Limited | Bermuda |
| Tyndall Investments Limited | London |
| Tyndall Trust International I.O.M. Limited | Isle of Man |
| von der Heydt-Kersten & Söhne | Wuppertal-Elberfeld |
| Zweite Umbra Vermögensverwaltungsgesellschaft mbH | Frankfurt am Main |

# Boards of Commerzbank Aktiengesellschaft

## Supervisory Board

Dr. h.c. Martin Kohlhaussen
*Chairman since May 25, 2001*

Dietrich-Kurt Frowein
*Chairman until May 25, 2001*

Hans-Georg Jurkat
*Deputy chairman*

Heinz-Werner Busch

Uwe Foullong

Dott. Gianfranco Gutty

Dr.-Ing. Otto Happel

Gerald Herrmann
*until May 25, 2001*

Detlef Kayser

Dieter Klinger

Dr. Torsten Locher

Mark Roach
*since May 25, 2001*

Horst Sauer

Dr. Erhard Schipporeit

Werner Schönfeld

Prof. Dr.-Ing. Ekkehard Schulz

Alfred Seum

Hermann Josef Strenger

Prof. Dr. Jürgen F. Strube

Dr. Klaus Sturany

Heinrich Weiss

Wilhelm Werhahn
*until May 25, 2001*

## Board of Managing Directors

Dr. h.c. Martin Kohlhaussen
*Chairman until May 25, 2001*

Klaus-Peter Müller
*Chairman since May 25, 2001*

Martin Blessing
*since November 1, 2001*

Mehmet Dalman
*since November 1, 2001*

Wolfgang Hartmann

Dr. Heinz J. Hockmann
*until October 31, 2001*

Dr. Norbert Käsbeck
*until October 31, 2001*

Jürgen Lemmer

Andreas de Maizière

Klaus Müller-Gebel

Michael Paravicini

Klaus M. Patig

Dr. Axel Frhr. v. Ruedorffer

## Holdings in affiliated and other companies

### Affiliated companies included in the consolidation

| Name | Seat | Share of capital held in % | of which: indirectly in % | | Equity in 1,000 |
|---|---|---|---|---|---|
| ADIG-Investment Luxemburg S.A. | Luxembourg | 99.0 | 24.0 | € | 85,577 |
| Atlas-Vermögensverwaltungs-Gesellschaft mbH | Bad Homburg v.d.H. | 100.0 | | € | 197,047 |
| TOMO Vermögensverwaltungs-gesellschaft mbH | Frankfurt am Main | 100.0 | 100.0 | € | –153 |
| Zweite Umbra Vermögensverwaltungs-gesellschaft mbH | Frankfurt am Main | 100.0 | 100.0 | € | 46 |
| Berliner Commerz Grundstücks- und Verwaltungsgesellschaft mbH | Berlin | 100.0 | | € | 1,736 |
| BRE Bank SA | Warsaw | 50.0 | | Zl | 2,501,255 |
| BRE Leasing Sp. z.o.o. | Warsaw | 74.4 | 74.4 | Zl | 26,165 |
| Caisse Centrale de Réescompte, S.A. | Paris | 92.1 | | € | 172,335 |
| CCR-Gestion | Paris | 96.0 | 96.0 | € | 13,357 |
| comdirect bank AG (sub-group) | Quickborn | 58.7 | | € | 571,247 |
| comdirect ltd. | London | 100.0 | 100.0 | | |
| comdirect S.A. | Paris | 99.3 | 99.3 | | |
| comdirect bank S.p.A. | Milan | 100.0 | 100.0 | | |
| Commerz (East Asia) Ltd. | Hong Kong | 100.0 | | € | 70,532 |
| Commerz Asset Management (UK) plc | London | 100.0 | | £ | 181,466 |
| Jupiter International Group plc (sub-group) | London | 100.0 | 100.0 | £ | 232,830 |
| Jupiter Asset Management Limited | London | 100.0 | 100.0 | | |
| Jupiter Unit Trust Managers Limited | London | 100.0 | 100.0 | | |
| Capital Development Limited | Isle of Man | 51.0 | 51.0 | | |
| Tyndall Holdings Limited | London | 100.0 | 100.0 | | |
| Jupiter Administration Services Limited | London | 100.0 | 100.0 | | |
| Tyndall International Group Limited | Bermuda | 100.0 | 100.0 | | |
| Jupiter Asset Management (Asia) Limited | Hong Kong | 100.0 | 100.0 | | |
| Jupiter Asset Management (Bermuda) Limited | Bermuda | 100.0 | 100.0 | | |
| Jupiter Asset Management (Jersey) Limited | Jersey | 100.0 | 100.0 | | |
| IF Limited | Bermuda | 75.0 | 75.0 | | |
| KL Limited i.L. | Bermuda | 66.0 | 66.0 | | |
| TI Limited i.L. | Bermuda | 100.0 | 100.0 | | |
| Tyndall Investments Limited | London | 100.0 | 100.0 | | |
| Tyndall International Holdings Limited | Bermuda | 100.0 | 100.0 | | |
| Tyndall Trust International I.O.M. Limited | Isle of Man | 100.0 | 100.0 | | |
| Commerz Asset Management Holding GmbH | Frankfurt am Main | 100.0 | | € | 339,025 |
| ADIG Allgemeine Deutsche Investment-Gesellschaft mbH | Munich/ Frankfurt am Main | 95.8 | 1.0 | € | 181,994 |
| Commerzbank Asset Management Asia-Pacific Pte Ltd. | Singapore | 100.0 | 100.0 | S$ | 27,076 |
| Commerzbank Asset Management Asia Ltd. | Singapore | 100.0 | 100.0 | S$ | 4,706 |
| Commerz International Capital Management (Japan) Ltd. | Tokyo | 100.0 | 100.0 | ¥ | 1,353,351 |
| CICM Fund Management Limited | Dublin | 100.0 | 100.0 | € | 7,187 |

## Affiliated companies included in the consolidation

| Name | Seat | Share of capital held in % | of which: indirectly in % | | Equity in 1,000 |
|---|---|---|---|---|---|
| Commerz Asset Managers GmbH | Frankfurt am Main | 100.0 | 100.0 | € | 10,000 |
| Commerzbank Investment Management GmbH | Frankfurt am Main | 100.0 | 100.0 | € | 35,950 |
| CBG Commerz Beteiligungsgesellschaft Holding mbH | Bad Homburg v.d.H. | 100.0 | | € | 6,137 |
| CBG Commerz Beteiligungsgesellschaft mbH | Frankfurt am Main | 100.0 | 100.0 | € | 4,746 |
| Commerz Equity Investments Ltd. | London | 100.0 | | £ | 50,014 |
| CFM Commerz Finanz Management GmbH | Frankfurt am Main | 100.0 | | € | 310 |
| Commerz Futures, LLC. | Wilmington/Delaware | 100.0 | 1.0 | US$ | 15,383 |
| Commerz Grundbesitzgesellschaft mbH | Wiesbaden | 100.0 | | € | 6,102 |
| Commerz Grundbesitz-Investmentgesellschaft mbH | Wiesbaden | 75.0 | | € | 27,508 |
| Commerz NetBusiness AG | Frankfurt am Main | 100.0 | | € | 40,162 |
| Commerz Securities (Japan) Company Ltd. | Hong Kong/Tokyo | 100.0 | | ¥ | 11,301,817 |
| Commerz Service Gesellschaft für Kundenbetreuung mbH | Essen | 100.0 | | € | 26 |
| Commerzbank (Budapest) Rt. | Budapest | 100.0 | | Ft | 12,137,987 |
| Commerzbank (Eurasija) SAO | Moscow | 100.0 | | Rbl | 235,438 |
| Commerzbank (South East Asia) Ltd. | Singapore | 100.0 | | S$ | 141,605 |
| Commerzbank Asset Management Italia S.p.A. | Rome | 100.0 | | € | 31,855 |
| Commerzbank Società di Gestione del Risparmio S.p.A. | Rome | 100.0 | 100.0 | € | 2,757 |
| Commerzbank Belgium S.A. N.V. | Brussels | 100.0 | | € | 111,927 |
| Commerzbank Capital Markets (Eastern Europe) a.s. | Prague | 100.0 | | Kč | 404,553 |
| Commerzbank Capital Markets Corporation | New York | 100.0 | | US$ | 173,863 |
| Commerzbank Europe (Ireland) Unlimited | Dublin | 40.0 | | € | 529,032 |
| Commerz Europe (Ireland), Inc. | Wilmington/Delaware | 100.0 | 100.0 | US$ | 19 |
| Commerzbank Europe Finance (Ireland) plc | Dublin | 100.0 | 100.0 | € | 44 |
| Commerzbank Overseas Finance N.V. | Dublin | 100.0 | | € | 3,485 |
| Commerzbank U.S. Finance, Inc. | Wilmington/Delaware | 100.0 | | US$ | 10 |
| CommerzLeasing und Immobilien AG (sub-group) | Düsseldorf | 100.0 | | € | 74,441 |
| ALTINUM Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Sonninhof KG | Düsseldorf | 100.0 | 100.0 | | |
| ASTRIFA Mobilien-Vermietungsgesellschaft mbH | Düsseldorf | 100.0 | 100.0 | | |
| CFB Commerz Fonds Beteiligungsgesellschaft mbH | Düsseldorf | 100.0 | 100.0 | | |
| CFB Verwaltung und Treuhand GmbH | Düsseldorf | 100.0 | 100.0 | | |
| COBA Vermögensverwaltungsgesellschaft mbH | Düsseldorf | 100.0 | 100.0 | | |
| COBRA Projekt- und Objektmanagement GmbH | Frankfurt am Main | 100.0 | 100.0 | | |
| Commerz Immobilien GmbH | Düsseldorf | 100.0 | 100.0 | | |
| CommerzBaucontract GmbH | Düsseldorf | 100.0 | 100.0 | | |
| CommerzBaumanagement GmbH | Düsseldorf | 100.0 | 100.0 | | |
| CommerzLeasing Mobilien GmbH | Düsseldorf | 100.0 | 100.0 | | |
| CommerzLeasing Auto GmbH | Düsseldorf | 100.0 | 100.0 | | |
| CommerzLeasing Mietkauf GmbH | Düsseldorf | 100.0 | 100.0 | | |
| FABA Vermietungsgesellschaft mbH | Düsseldorf | 95.0 | 95.0 | | |

## Affiliated companies included in the consolidation

| Name | Seat | Share of capital held in % | of which: indirectly in % | Equity in 1,000 | |
|---|---|---|---|---|---|
| NESTOR GVG mbH & Co. Objekt ITTAE Frankfurt KG | Düsseldorf | 100.0 | 95.0 | | |
| NOVELLA GVG mbH | Düsseldorf | 100.0 | 100.0 | | |
| SECUNDO GVG mbH | Düsseldorf | 100.0 | 100.0 | | |
| Erste Europäische Pfandbrief- und Kommunalkreditbank Aktiengesellschaft in Luxemburg S.A. | Luxembourg | 75.0 | | € | 48,764 |
| Gracechurch TL Ltd. | London | 100.0 | | £ | 19,786 |
| Hypothekenbank in Essen AG | Essen | 51.0 | | € | 626,141 |
| Montgomery Asset Management, LLC | San Francisco/ Wilmington | 98.7 | | US$ | 118,124 |
| NIV Vermögensverwaltungsgesellschaft mbH | Frankfurt am Main | 100.0 | | € | 30 |
| OLEANDRA Grundstücks-Vermietungsgesellschaft mbH & Co., Objekt Jupiter KG | Düsseldorf | 100.0 | | € | 9,893 |
| OLEANDRA Grundstücks-Vermietungsgesellschaft mbH & Co., Objekt Luna KG | Düsseldorf | 100.0 | | € | 2,020 |
| OLEANDRA Grundstücks-Vermietungsgesellschaft mbH & Co., Objekt Neptun KG | Düsseldorf | 100.0 | | € | 4,350 |
| OLEANDRA Grundstücks-Vermietungsgesellschaft mbH & Co., Objekt Pluto KG | Düsseldorf | 100.0 | | € | 16,020 |
| OLEANDRA Grundstücks-Vermietungsgesellschaft mbH & Co., Objekt Uranus KG | Düsseldorf | 100.0 | | € | 17,483 |
| OLEANDRA Grundstücks-Vermietungsgesellschaft mbH & Co., Objekt Venus KG | Düsseldorf | 100.0 | | € | 7,351 |
| P.T. Bank Finconesia | Jakarta | 51.0 | | Rp. | 83,679 |
| RHEINHYP Rheinische Hypothekenbank Aktiengesellschaft | Frankfurt am Main | 98.6 | | € | 1,319,778 |
| RHEINHYP BANK Europe plc | Dublin | 100.0 | 100.0 | € | 107,846 |
| RHEINHYP Finance, N.V. | Amsterdam | 100.0 | 100.0 | € | 659 |
| Rheinhyp-BRE Bank Hipoteczny S.A. | Warsaw | 74.3 | 74.3 | € | 38,091 |
| Siebte Commercium Vermögensverwaltungsgesellschaft mbH | Frankfurt am Main | 100.0 | | € | 2,770,025 |
| Commerzbank (Nederland) N.V. | Amsterdam | 100.0 | 100.0 | € | 237,589 |
| Commerzbank (Switzerland) Ltd | Zurich | 100.0 | 100.0 | sfr | 202,959 |
| Commerzbank International S.A. | Luxembourg | 100.0 | 100.0 | € | 966,856 |
| Commerzbank International (Ireland) | Dublin | 100.0 | 100.0 | € | 158,832 |
| von der Heydt-Kersten & Söhne | Wuppertal-Elberfeld | 100.0 | | € | 5,113 |

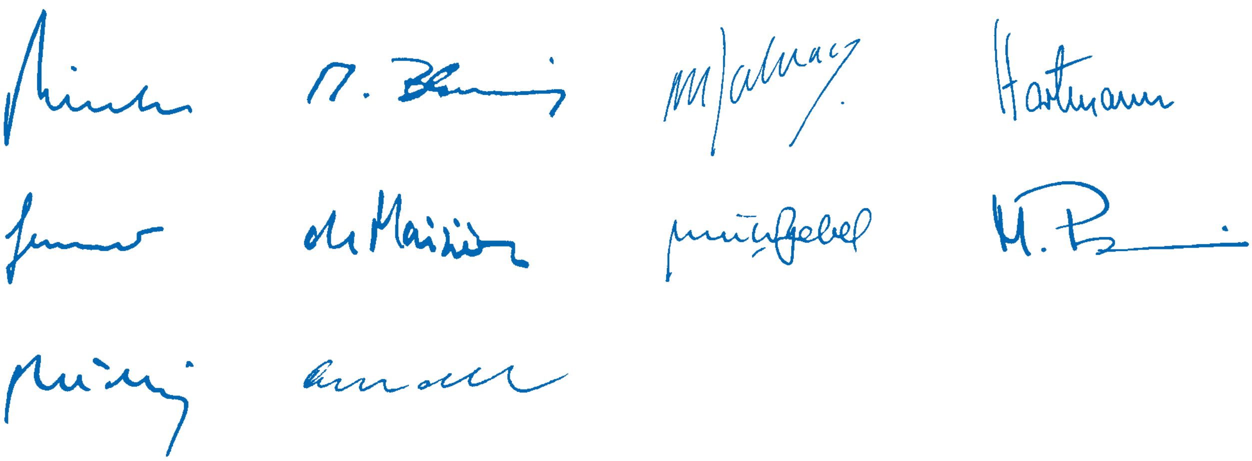
### Associated companies included in the consolidation at equity

| Name | Seat | Share of capital held in % | of which: indirectly in % | | Equity in 1,000 |
|---|---|---|---|---|---|
| Capital Investment Trust Corporation | Taipei/Taiwan | 24.0 | 4.8 | TWD | 1,281,747 |
| Clearing Bank Hannover Aktiengesellschaft | Hanover | 20.0 | | € | 5,118 |
| Commerz Unternehmensbeteiligungs-Aktiengesellschaft | Frankfurt am Main | 40.0 | | € | 122,738 |
| COMUNITHY Immobilien AG | Düsseldorf | 49.9 | 49.9 | € | 43,921 |
| Deutsche Schiffsbank Aktiengesellschaft | Bremen/Hamburg | 40.0 | | € | 330,479 |
| Hispano Commerzbank (Gibraltar) Ltd. | Gibraltar | 50.0 | | £ | 8,768 |
| IMMOPOL GmbH & Co. KG | Munich | 40.0 | 40.0 | € | 0 |
| Korea Exchange Bank | Seoul | 32.6 | | ₩ | 1,337,021,000 |
| Pioneer Poland U.K.L.P. | Jersey | 38.7 | 0.8 | US$ | 14,963 |
| Second Interoceanic GmbH | Hamburg | 24.8 | 24.8 | € | 101,987 |
| The New Asian Land Fund Limited | Bermuda | 46.8 | 46.8 | £ | 480,593 |
| The New Asian Property Fund Limited | Bermuda | 35.9 | 35.9 | £ | 88,578 |

### Other major companies not included in the consolidation

| Name | Seat | Share of capital held in % | of which: indirectly in % | | Equity in 1,000 |
|---|---|---|---|---|---|
| Almüco Vermögensverwaltungs-gesellschaft mbH | Munich | 25.0 | | € | 74,920 |
| ALNO Aktiengesellschaft | Pfullendorf | 29.4 | | € | 39,736 |
| PAN-Vermögensverwaltungs-gesellschaft mbH | Munich | 25.0 | | € | 83,886 |
| PIVO Beteiligungsgesellschaft mbH | Hamburg | 52.0 | 52.0 | € | 17,942 |
| Regina Verwaltungsgesellschaft | Munich | 25.0 | | € | 451,595 |

Frankfurt am Main, March 12, 2002
The Board of Managing Directors



# auditors' certificate

We have audited the consolidated financial statements as prepared by Commerzbank Aktiengesellschaft, Frankfurt am Main, consisting of the balance sheet, the income statement and the statement of changes in equity and cash flows as well as the notes to the financial statements for the business year from January 1 to December 31, 2001. The preparation and the content of the consolidated financial statements are the responsibility of the Company's Board of Managing Directors. Our responsibility is to express an opinion, based on our audit, whether the consolidated financial statements are in accordance with the International Accounting Standards (IAS).

We conducted our audit of the consolidated financial statements in accordance with German auditing regulations and generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW), as well as in additional consideration of the International Standards on Auditing (ISA). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatements. Knowledge of the business activities and the economic and legal environment of the Company and evaluations of possible misstatements are taken into account in the determination of audit procedures. The evidence supporting the amounts and disclosures in the consolidated financial statements are examined on a test basis within the framework of the audit. The audit includes the assessment of the financial statements of the companies included in the consolidated financial statements, the scope of the consolidation, the accounting and consolidation principles used and significant estimates made by the Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the net assets, financial position, results of operations and cash flows for the business year in accordance with IAS.

Our audit, which also extends to the Group management report prepared for the Board of Managing Directors for the business year from January 1 to December 31, 2001, has not led to any reservations. In our opinion, on the whole the Group management report provides a suitable understanding of the Group's position and suitably presents the risks of future development. In addition, we confirm that the consolidated financial statements and the Group management report for the business year from January 1 to December 31, 2001 satisfy the conditions required for the Company's exemption from its duty to prepare consolidated financial statements and the Group management report in accordance with German accounting law. We conducted our audit of the consistency of the Group accounting with the 7th EU Directive required for the exemption from the duty for consolidated accounting pursuant to German commercial law on the basis of the interpretation of the Directive by the German Accounting Standards Committee (DRS 1).

Frankfurt am Main, March 13, 2002

PwC Deutsche Revision
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Wagener
Wirtschaftsprüfer
(German public accountant)

Friedhofen
Wirtschaftsprüfer
(German public accountant)

# report of the supervisory board

In the 2001 financial year, the Supervisory Board carried out its duties under the law and the Bank's statutes, supervising the conduct of the Bank's affairs.

The Board of Managing Directors provided the Supervisory Board with regular reports on the situation and development of both the Parent Bank and the Group, as also on business policy, corporate planning, including financial, investment and personnel planning, as well as on business developments.

The Supervisory Board fulfilled its duties in plenary sessions and through its committees (Presiding Committee, Loans Committee, Social Welfare Committee and Conciliation Committee, pursuant to Art. 27, (3), German Co-determination Act). Two regular plenary sessions were held in either half of 2001. In addition, the Supervisory Board was convened twice on the day of the Annual General Meeting. Before the AGM, it received a report on current developments; after the AGM, it elected a new Chairman and also new members to the committees. The Presiding Committee met five times during the 2001 financial year, one of these in order to examine the financial statements. The Loans Committee held four meetings. Insofar as it was necessary, the Loans Committee and the Presiding Committee adopted resolutions by circulating the relevant documents instead of convening a meeting. The Social Welfare Committee met once, and the Conciliation Committee did not have to be convened at all in the past financial year.

**Martin Kohlhaussen**

The plenary sessions were devoted above all to the Bank's business-policy orientation, corporate planning, and also the development of the balance sheet, earnings performance – including comparison with competitors – and the Bank's equity base. The most prominent topics were the CB 21 project to boost profitability through stronger earnings and cost-savings as well as the cost-cutting offensive. At its plenary sessions, the Supervisory Board also dealt with the development of the individual corporate divisions and banking departments. The strategy of the Bank was the subject of intensive deliberation at both plenary sessions and in the Presiding Committee last year. Once again, the Supervisory Board dealt with the Rebon/CoBRa group of investors and also with their call for an extraordinary AGM, which after its rejection by the Board of Managing Directors led to an extension of the agenda of the AGM on May 25, 2001. The court proceedings pending against the capital increases of September/October 2000 as well as the related court decisions, all of which confirmed the Bank's view, were also discussed at plenary sessions.

The Presiding Committee was kept regularly informed about the business progress of the Parent Bank, its various divisions and the Group. With the Board of Managing Directors, it discussed personnel matters relating to the latter and dealt with strategic goals, business performance and planning, as well as individual items of significance. Wherever necessary, it indicated its approval. The Board of Managing Directors reported in detail on the performance of the various areas of business activity and on the findings of the Bank's internal auditing. Insofar as business-policy topics such as the CB 21 project, structural plans and the cost-cutting offensive were also dealt with in plenary sessions, the Presiding Committee treated them in more detail.

The Loans Committee dealt with all those lending commitments which it is required to review by law and by the Bank's statutes. It discussed with the Board of Managing Directors credits involving an enhanced degree of risk, other problem loans, and special developments in lending business. The Loans Committee studied not only the development of risk in general, in individual sectors and in the case of individual commitments but also market risks arising from other transactions and the development of the Bank's overall risk situation. Insofar as is required by law and by the Bank's statutes, the Loans Committee also approved the transactions submitted to it.

The Social Welfare Committee discussed personnel and social welfare issues that are of major significance for employees.

The committees regularly reported on their activities at plenary sessions.

The Chairman of the Supervisory Board was given regular and detailed information on all the important events at the Parent Bank and within the Group. He received the minutes of meetings of the Board of Managing Directors along with the proposed resolutions, and he arranged for important matters to be dealt with by the committees of the Supervisory Board. In the interest of a steady flow of information and an exchange of opinion between the Supervisory Board and the Board of Managing Directors, he held regular discussions with the Chairman of the latter.

The shareholder representative Wilhelm Werhahn resigned from the Supervisory Board at the close of the AGM on May 25, 2001. Martin Kohlhaussen, who left the Board of Managing Directors at the same time, was elected to the Supervisory Board to serve his remaining term of office. For the employee representative Gerald Herrmann, who also resigned from the Supervisory Board at the close of the AGM on May 25, 2001, the registration court of Frankfurt am Main appointed Mark Roach as a member of the Supervisory Board. Dietrich-Kurt Frowein resigned as Chairman of the Supervisory Board at the meeting after the AGM. The Supervisory Board elected Martin Kohlhaussen as its new chairman.

In the year under review, the following changes occurred in the Board of Managing Directors. Klaus-Peter Müller succeeded Martin Kohlhaussen as Chairman of the Board of Managing Directors. Dr. Heinz J. Hockmann resigned from the Board by mutual agreement as of October 31, 2001. Dr. Norbert Käsbeck left the Bank on the same date for health reasons. As from November 1, 2001, the Supervisory Board appointed Martin Blessing and Mehmet Dalman as full members of the Board of Managing Directors.

After going through the main points of emphasis with the Presiding Committee, the Supervisory Board commissioned the auditors elected by the AGM, PwC Deutsche Revision Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, to conduct the audit.

The financial statements and management reports of the Parent Bank (according to HGB rules) and the Group (according to IAS rules) for the period from January 1 to December 31, 2001, together with the books of account, have been examined by the auditors and carry their unqualified legally prescribed certification. Well in advance of the relevant meeting, all members of the Supervisory Board received details of the financial statements, the annual reports and the auditors' reports. As laid down in the rules of procedure of the Supervisory Board, the members of the Presiding Committee also received all the documents and notes relating to the auditors' reports. At a special session, the Presiding Committee, as the committee examining the financial statements, had the auditors report in more detail, discussing both the main points and result of the audit with them. The auditors were also present at the subsequent Supervisory Board meeting which dealt with the annual accounts, reporting on the main findings of their audit and answering questions. The Supervisory Board has signified its agreement with the results of the audit. Within the scope of the legal provisions, it has examined the financial statements and management reports of both the Parent Bank and the Group, and also the proposal of the Board of Managing Directors as to the appropriation of the distributable profit. It has found no cause for objection. At today's meeting, the Supervisory Board approved the financial statements presented by the Board of Managing Directors, which accordingly may be regarded as adopted. It concurs with the latter's proposal as to the profit appropriation.

Frankfurt am Main, April 8, 2002
The Supervisory Board

Martin Kohlhaussen
Chairman

# supervisory board

**Dr. Walter Seipp**
*Honorary Chairman*
Frankfurt am Main

**Dr. h.c. Martin Kohlhaussen**
*Chairman*
Frankfurt am Main

**Hans-Georg Jurkat**
*Deputy Chairman*
Commerzbank AG
Cologne

**Heinz-Werner Busch**
Commerzbank AG
Duisburg
National Executive Committee –
Association Council
Deutscher Bankangestellten-
Verband

**Uwe Foullong**
Head of Coordination
Financial Services
ver.di National Administration
Berlin

**Dietrich-Kurt Frowein**
Frankfurt am Main

**Dott. Gianfranco Gutty**
Presidente e Amministratore
Delegato
Assicurazioni Generali S.p.A.
Trieste

**Dr.-Ing. Otto Happel**
Lucerne

**Detlef Kayser**
Commerzbank AG
Berlin

**Dieter Klinger**
Commerzbank AG
Hamburg

**Dr. Torsten Locher**
Commerzbank AG
Hamburg

**Mark Roach**
ver.di National Administration
Berlin

**Horst Sauer**
Commerzbank AG
Frankfurt am Main

**Dr. Erhard Schipporeit**
Member of the Board of
Managing Directors
E.ON Aktiengesellschaft
Düsseldorf

**Werner Schönfeld**
Commerzbank AG
Essen

**Prof. Dr.-Ing. Ekkehard Schulz**
Chairman of the Board of
Managing Directors
ThyssenKrupp AG
Düsseldorf

**Alfred Seum**
Commerzbank AG
Frankfurt am Main

**Hermann Josef Strenger**
Chairman of the
Supervisory Board
Bayer AG
Leverkusen

**Prof. Dr. Jürgen F. Strube**
Chairman of the Board of
Managing Directors
BASF Aktiengesellschaft
Ludwigshafen

**Dr. Klaus Sturany**
Member of the Board of
Managing Directors
RWE Aktiengesellschaft
Essen

**Dr.-Ing. E.h. Heinrich Weiss**
Chairman of the Board of
Managing Directors
SMS Aktiengesellschaft
Hilchenbach and Düsseldorf

As of March 2002

# committees of the supervisory board

| | |
|---|---|
| **Presiding Committee** | Dr. h.c. Martin Kohlhaussen<br>*Chairman*<br>Hans-Georg Jurkat<br>Dieter Klinger<br>Hermann Josef Strenger |
| **Audit Committee** | Dr. h.c. Martin Kohlhaussen<br>*Chairman*<br>Hans-Georg Jurkat<br>Dieter Klinger<br>Hermann Josef Strenger |
| **Loans Committee** | Dr. h.c. Martin Kohlhaussen<br>*Chairman*<br>Dietrich-Kurt Frowein<br>Hermann Josef Strenger<br>Heinrich Weiss |
| **Social Welfare Committee** | Dr. h.c. Martin Kohlhaussen<br>*Chairman*<br>Dietrich-Kurt Frowein<br>Detlef Kayser<br>Werner Schönfeld<br>Alfred Seum<br>Hermann Josef Strenger |
| **Conciliation Committee**<br>(Art. 27, (3), German Co-determination Act) | Dr. h.c. Martin Kohlhaussen<br>*Chairman*<br>Hans-Georg Jurkat<br>Dr. Torsten Locher<br>Hermann Josef Strenger |

# central advisory board

**Lino Benassi**
Amministratore Delegato
IntesaBCI S.p.A.
Milan

**Dr.-Ing. Burckhard Bergmann**
Chairman of the Board of
Managing Directors
Ruhrgas AG
Essen

**Pieter Berkhout**
Chairman of the Executive Board
Deutsche Shell GmbH
Hamburg

**Hans-Dieter Cleven**
Deputy Chairman of the
Executive Board
Metro Holding AG
Baar/Zug

**Dr. Michael E. Crüsemann**
Member of the Board of
Managing Directors
Otto Versand
Hamburg

**Christian R. Eisenbeiss**
Chairman of the
Supervisory Board
Holsten-Brauerei AG
Hamburg

**Dr. Hubertus Erlen**
Chairman of the Board of
Managing Directors
Schering AG
Berlin

**Dr. Manfred Gentz**
Member of the Board of
Managing Directors
DaimlerChrysler AG
Stuttgart

**Prof. Dr.-Ing. E.h. Hans-Olaf Henkel**
Wissenschaftsgemeinschaft
Gottfried Wilhelm Leibnitz e.V.
Berlin

**Dr. Hans Jäger**
Aachen

**Dr.-Ing. Dr.-Ing. E.h.**
**Hans-Peter Keitel**
Chairman of the Board of
Managing Directors
HOCHTIEF AG
Essen

**Friedrich Lürssen**
Chief Executive
Fr. Lürssen Werft (GmbH & Co.)
Bremen

**Dr. Siegfried Luther**
Member of the Board of
Managing Directors
Bertelsmann AG
Gütersloh

**Dr. Jörg Mittelsten Scheid**
General Partner
Vorwerk & Co. KG
Wuppertal

**Dr. Hans-Ulrich Plaul**
Wetzlar

**Jürgen Radomski**
Member of the Board of
Managing Directors
Siemens AG
Erlangen

**Jürgen Reimnitz**
Frankfurt am Main

**Hans Reischl**
Chairman of the Board of
Managing Directors
REWE-Zentral AG
Cologne

**Dr. Ernst F. Schröder**
General Partner
Dr. August Oetker KG
Bielefeld

**Dr. Klaus Trützschler**
Member of the Board of
Managing Directors
Franz Haniel & Cie. GmbH
Duisburg

**Wilhelm Werhahn**
Member of the Board of
Managing Directors
Wilh. Werhahn
Neuss

As of March 2002

# board of managing directors

**Klaus-Peter Müller**

Chairman of the Board of Managing Directors

**Staff departments**

Corporate Communications and Economic Research

Strategy and Controlling

**Martin Blessing**

**Banking department**

Retail Banking

**Mehmet Dalman**

**Banking department**

Securities

**Wolfgang Hartmann**

**Staff departments**

Credit Risk Management

Risk Control

**Banking department**

Real Estate

Global Credit Operations

Credit Operations Domestic Private Customers

As of April 2002

**Andreas de Maizière**
**Banking departments**
Corporate Banking
Financial Institutions
Multinational Corporates

**Jürgen Lemmer**
**Banking department**
Treasury and Financial Products

**Klaus Müller-Gebel**
**Staff department**
Human Resources
CB 21/Cost-cutting offensive projects

**Michael Paravicini**
**Service departments**
Information Technology:
IT Development
IT Investment Banking
IT Production
IT Support
Global Operations Investment Banking
Transaction Banking

**Klaus M. Patig**
**Staff departments**
Compliance and Security
Legal Services
**Banking department**
Asset Management
**Service department**
Organization

**Dr. Axel Frhr. v. Ruedorffer**
**Staff departments**
Accounting and Taxes
Internal Auditing

# regional board members

## Corporate customers

**Hermann Bürger**
**Regions abroad**
USA, Canada,
Latin America

**Andreas Kleffel**
**Main branches**
Bielefeld, Cologne,
Dortmund, Düsseldorf,
Essen, Wuppertal

**Wojciech Kostrzewa**
**Regions abroad**
Central and Eastern Europe,
CIS

**Klaus Kubbetat**
**Main branches**
Berlin, Dresden,
Erfurt, Leipzig

**Burkhard Leffers**
**Main branches**
Mainz, Mannheim,
Munich, Nuremberg,
Stuttgart

**Michael J. Oliver**
**Regions abroad**
Asia, Oceania

**Mariano Riestra**
**Regions abroad**
Western Europe, Cyprus,
Israel, Africa

**Nicholas R. Teller**
**Main branches**
Bremen, Frankfurt,
Hamburg, Hanover, Kiel
**Region abroad**
Scandinavia

## Private customers

**Joachim Hübner**
**Main branches**
Bielefeld, Bremen,
Cologne, Dortmund,
Düsseldorf, Essen,
Hamburg, Hanover,
Kiel, Wuppertal

**Dr. Dirk Mattes**
**Main branches**
Berlin, Dresden,
Erfurt, Frankfurt,
Leipzig, Mainz,
Mannheim, Munich,
Nuremberg, Stuttgart

# group managers

**Jochen Appell**
Chief Legal Adviser
Legal Services

**Jürgen Berger**
IT Development

**Peter Bürger**
Multinational Corporates

**Peter Bürger**
Risk Control

**Dr. Rudolf Duttweiler**
Treasury and Financial Products

**Klaus-Peter Frohmüller**
Transaction Banking

**Hans-Joachim Hahn**
Real Estate

**Dr. Peter Hennig**
Financial Institutions

**Dr. Bernhard Heye**
Human Resources

**Günter Jerger**
Credit Risk Management

**Lutz Kirchner**
Internal Auditing

**Wolfgang Kirsch**
Organization

**Peter Kraemer**
IT Production

**Peter Kroll**
Corporate Banking

**Torsten Lüttich**
Credit Operations Domestic
Private Customers

**Peter Morris**
Global Operations
Investment Banking

**Dr. Thomas Naumann**
Accounting and Taxes

**Ulrich Ramm**
Corporate Communications and
Economic Research

**Michael Schmid**
Global Credit Operations

**Dr. Friedrich Schmitz**
Asset Management

**Thomas Steidle**
Compliance and Security

**Dr. Eric Strutz**
Strategy and Controlling

**Roland Wolf**
IT Support

**Martin Zielke**
Retail Banking

# managers of domestic main branches

**Berlin**
Horst Helpenstein
Folker Streib

**Bielefeld**
Thomas Elshorst
Uhland Kraft

**Bremen**
Carl Kau
Wolfgang Schönecker
Jürgen Werthschulte

**Cologne**
Dr. Waldemar Abel
Michael Hoffmann

**Dortmund**
Dieter Brill
Dieter Mahlmann
Karl-Friedrich Schwagmeyer

**Dresden**
Wilhelm von Carlowitz
Michael Koch
Frank Schulz

**Düsseldorf**
Wolfram Combecher
Heinz-Martin Humme
Wolf Wirsing

**Erfurt**
Hans Engelmann
Thomas Vetter

**Essen**
Manfred Breuer
Klaus Hollenbach
Manfred Schlaak

**Frankfurt am Main**
Dr. Franz-Georg Brune
Wilhelm Nüse
Andreas Schmidt

**Hamburg**
François de Belsunce
Erhard Mohnen
Werner Weimann

**Hanover**
Dirk Dreiskämper
Volker Schönfeld

**Kiel**
Peter Ahls
Andreas Vogt

**Leipzig**
Wilhelm Plöger
Heinrich Röhrs

**Mainz**
Herbert Enders
Michael Sonnenschein

**Mannheim**
Klaus Altenheimer
Ilse Maria Arnst
Klaus Heyer

**Munich**
Franz Jung
Hans-Peter Rien

**Nuremberg**
Bernd Grossmann
René Kaselitz
Dieter Kielmann

**Stuttgart**
Hans-Jürgen Hirner
Friedrich Röttger
Dr. Gert Wünsche

**Wuppertal**
Paul Krüger
Dr. (USA) Rainer H. Wedel

# managers of foreign branches

**Antwerp**
Philippe van Hyfte

**Atlanta**
Harry Yergey

**Barcelona**
Alois Brüggemann

**Brno**
Anselm Klatt

**Brussels**
Erik Puttemans
Felix Rüther

**Chicago**
J. Timothy Shortly

**Hong Kong**
Harald W. A. Vogt

**Johannesburg**
Götz Hagemann
Cornelius Obert

**Labuan**
Denis Poo

**London**
Udo Braun
Chris Jolly

**Los Angeles**
Christian Jagenberg

**Madrid**
Rainer Ottenstein
Antonio Martínez

**Milan**
Dr. Antonio Marano
Franz Wurzel

**New York**
Hermann Bürger
Werner Bönsch
Joachim Döpp

**Paris**
Lionel Caron
Ulrich Thomas Bartoszek

**Prague**
Burkhard Dallosch
Günter Steiner

**Shanghai**
Joachim G. Fuchs

**Singapore**
Michael J. Oliver
Jörg Schauerhammer
Thomas A. Verlohr

**Tokyo**
Norio Yatomi

# board of trustees of commerzbank foundation

**Dr. h.c. Martin Kohlhaussen**
*Chairman*
Frankfurt am Main

**Prof. Dr. Dr. h.c. mult. Jürgen Mittelstrass**
Constance

**Klaus-Peter Müller**
Frankfurt am Main

**Klaus Müller-Gebel**
Frankfurt am Main/Hamburg

**Hermann Josef Strenger**
Leverkusen

# managers of domestic subsidiaries

**ADIG Allgemeine Deutsche Investment-Gesellschaft mbH**
Jürgen Löckener
Friedrich Pfeffer

**CBG Commerz Beteiligungsgesellschaft Holding mbH**
Dieter Firmenich
Dr. Gert Schorradt
Dr. Armin Schuler

**CFM Commerz Finanz Management GmbH**
Anita Gurrath
Dr. Wolfgang Reittinger

**comdirect bank AG**
Dr. Andre Carls
Christian Jessen
Hans-Joachim Nitschke
Bernt Weber

**Commerz Asset Managers GmbH**
Wolfgang Plum
Alfred Schorno

**Commerzbank Investment Management GmbH**
Claus-Dieter Heidrich
Rainer Moos
Josef Nischler
Elmar Rathmayr
Claus Weltermann

**Commerz Grundbesitzgesellschaft mbH**
Dr. Rolf-D. Chenu
Arnold L. de Haan
Bärbel Schomberg

**CommerzLeasing und Immobilien AG**
Eberhard Graf
Hans-Joachim Hahn
Roland Potthast
Günter Ress

**Commerz NetBusiness AG**
Dr. Ralf Klinge

**Commerz Service Gesellschaft für Kundenbetreuung mbH**
Alberto Kunze
Manfred Stock

**Hypothekenbank in Essen AG**
Michael Fröhner
Harald Pohl
Hubert Schulte-Kemper
Erhard Tiemann

**RHEINHYP Rheinische Hypothekenbank AG**
Dr. Matthias Danne
Dr. Karsten von Köller
Hartmut Wallis

# managers of foreign subsidiaries

**BRE Bank SA**
**Warsaw**
Anton M. Burghardt
Krzysztof Kokot
Wojciech Kostrzewa
Slawomir Lachowski
Henryk Okrzeja
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**Dr. Hans-Ulrich Holst**
Commercial Director
RTL Television GmbH
Cologne

**Dr. jur. Stephan J. Holthoff-Pförtner**
Lawyer and Notary
Partner
Hopf-Unternehmensgruppe
Essen

**Dipl.-Wirtsch.-Ing.**
**Hans-Dieter Honsel**
General Manager
Honsel Geschäftsführungs GmbH
Meschede

**Joachim Hunold**
Managing Partner
Air Berlin GmbH & Co.
Luftverkehrs KG
Berlin

**Wilfried Jacobs**
Chief Executive
AOK Rheinland – Die Gesund-
heitskasse
Düsseldorf

**Dr. Michael Kalka**
Chairman of the Boards of
Managing Directors
Aachener und Münchener
Lebensversicherung AG,
Aachener und Münchener
Versicherung AG
Aachen

**Heiner Kamps**
Chairman of the Board of
Managing Directors
Kamps AG
Düsseldorf

**Dr. Volkmar Kayser**
Cologne

**Dr. Gerhard Kinast**
General Manager
Veba Oil & Gas GmbH
Essen

**Dr. Franz Josef King**
Chairman of the Executive Board
Saint Gobain Glass
Deutschland GmbH
Aachen

**Götz Knappertsbusch**
Düsseldorf

**Dipl.-Ing. Dipl.-Wirtschafts-Ing.**
**Dieter Köster**
Chairman of the Board of
Managing Directors
Köster AG & Co.
Osnabrück

**Dr. Jürgen Kuchenwald**
Chairman of the Board of
Managing Directors
Strabag AG
Cologne

**Gustav-Adolf Kümpers**
Partner
F. A. Kümpers GmbH & Co.,
Kümpers GmbH & Co.
Rheine

**Hans-Joachim Küpper**
Principal Partner and Manager
Küpper Group
Velbert/Heiligenhaus

**Kurt Küppers**
Managing Partner
Hülskens GmbH & Co. KG
Wesel

**Assessor Georg Kunze**
General Manager
Landesverband Rheinland-
Westfalen der gewerblichen
Berufsgenossenschaften
Düsseldorf

**Joachim Kuwert**
Member of the Board of
Managing Directors
Continentale
Krankenversicherung a.G.
Dortmund

**Dipl.-Kaufmann Ulrich Leitermann**
Member of the Boards of
Managing Directors
SIGNAL IDUNA Group
Dortmund/Hamburg

**Jyri Luomakoski**
Executive Vice President
Uponor Oyj
Espoo/Finland

**Klaus J. Maack**
General Manager
ERCO Leuchten GmbH
Lüdenscheid

**Dipl.-Kaufmann Peter Mazzucco**
Member of the Board of
Managing Directors
Edscha AG
Remscheid

**Dipl.-Kaufmann Helmut Meyer**
General Manager
G. Siempelkamp GmbH & Co.
Krefeld

**Dipl.-Ing. Klaus K. Moll**
Chairman of the Board of
Managing Directors
Barmag AG
Remscheid

**Dipl.-oec. Jan Peter Nonnenkamp**
General Manager
Leopold Kostal GmbH & Co. KG
Lüdenscheid

**Ulrich Otto**
president-directeur
Otto Industries Europe B.V.
Maastricht

**Dipl.-oec. Bernd Pederzani**
Managing Partner
EUROPART Holding GmbH
Hagen

**Dipl.-Ing. Volkmar Peters**
Wellkisten- und Papierfabriken
Fritz Peters & Co. KG
Moers

**Dipl.-Kaufmann
Eberhard Pothmann**
Executive Vice President
Vorwerk & Co. KG
Wuppertal

**Dipl.-Kaufmann
Ulrich Reifenhäuser**
Managing Partner
Reifenhäuser GmbH & Co.
Maschinenfabrik
Troisdorf

**Hans Reinert**
Member of the Advisory Board
H. & E. Reinert
Westfälische Privat-Fleischerei
GmbH & Co. KG
Versmold

**Klaus H. Richter**
Chief Executive
Barmer Ersatzkasse
Wuppertal

**Dr. Roland Rick-Lenze**
Arnsberg

**Robert Röseler**
Chairman of the Board of
Managing Directors
ara Shoes AG
Langenfeld

**Peter Rostock**
Managing General Partner
BPW Bergische Achsen KG
Wiehl

**Dipl.-Kaufmann Albert Sahle**
Managing Partner
SAHLE WOHNEN
Greven

**Hans Schafstall**
Managing Partner
Schafstall Holding
GmbH & Co. KG
Mülheim an der Ruhr

**Peter-Nikolaus Schmetz**
Managing Partner
Schmetz Capital
Management GmbH
Aachen

**Heinz G. Schmidt**
Member of the Supervisory Board
Douglas Holding AG
Hagen

**Dr. Peter Schörner**
Member of the Board of Managing Directors
RAG Aktiengesellschaft
Essen

**Michael Schröer**
Chairman of the Supervisory Board
Langbein-Pfanhauser Werke AG
Düsseldorf

**Dipl.-Betriebswirt Horst Schübel**
General Manager
Miele & Cie. GmbH & Co.
Gütersloh

**Reinhold Semer**
Public Accountant and Tax Consultant
Co-partner
Hellweg Group
Die Profi-Baumärkte
Dortmund

**Dipl.-Ing. Walter Siepmann**
Managing Partner
Siepmann-Werke GmbH & Co. KG
Warstein

**Hans-Udo Steffen**
General Manager
Johnson Controls GmbH
Burscheid

**Werner Stickling**
Partner
Nobilia-Werke
J. Stickling GmbH & Co.
Verl

**Karl-Heinz Stiller**
Chairman of the Executive Board
Wincor Nixdorf Holding GmbH
Paderborn

**Dipl.-Kaufmann Walter Stuhlmann**
Chairman of the Executive Board
GKN Automotive International GmbH
Lohmar

**Hans-Albert Sudkamp**
General Manager
Hella KG Hueck & Co.
Lippstadt

**Dipl.-Kaufmann Christian Sutter**
Managing Partner
A. Sutter GmbH
Essen

**Dr. Wolfgang Theis**
Chairman of the Board of Managing Directors
Kiekert AG
Heiligenhaus

**Dipl.-Kaufmann Eugen Timmer**
Member of the Board of Managing Directors
AVA Allgemeine Handelsgesellschaft der Verbraucher AG
Bielefeld

**Dr. Hans-Georg Vater**
Member of the Board of Managing Directors
Hochtief AG
Essen

**Michael Willems**
Member of the Board of Managing Directors
Steag AG
Essen

**Dipl.-Kaufmann Michael Wirtz**
Managing Partner
Grünenthal GmbH,
Partner
Dalli-Werke Mäurer & Wirtz GmbH & Co. KG
Stolberg

**Horst Wortmann**
Managing Partner
Wortmann Schuh Holding KG
Detmold

**Dipl.-Kaufmann Ulrich Ziolkowski**
Member of the Board of Managing Directors
ThyssenKrupp Technologies AG
Essen

## Rhineland-Palatinate

**Dipl.-Kaufmann Manfred Berroth**
Dannstadt

**Benoît Claire**
Chairman of the Board of Managing Directors
Allgemeine Kreditversicherung AG
Mainz

**Dipl.-Ing. Harald Fissler**
General Manager
VESTA GmbH
Idar-Oberstein

**Dr. Heinz Geenen**
Managing Partner
KANN GmbH & Co. KG
Baustoffwerke
Bendorf

**Andreas Land**
Managing Partner
Griesson – de Beukelaer GmbH & Co. KG
Polch

**Dr. Eckhard Müller**
Chief Financial Officer
BASF Aktiengesellschaft
Ludwigshafen

**Prof. Dr. Marbod Muff**
Member of the Management
Finance and Personnel Divisions
Boehringer Ingelheim GmbH
Ingelheim am Rhein

**Matthäus Niewodniczanski**
General Manager
Bitburger Getränke
Verwaltungsgesellschaft mbH
Bitburg

**Karlheinz Röthemeier**
Chairman of the Executive Board
Verlagsgruppe Rhein Main
GmbH & Co. KG
Mainz

**Berta Schuppli**
Partner
Helvetic Grundbesitz-
verwaltung GmbH
Wiesbaden

**Hans Joachim Suchan**
Administrative Director
ZDF
Mainz

**Herbert Verse**
Chairman of the Board of
Managing Directors
Eckes AG
Nieder-Olm

**Dr. Roland W. Voigt**
Member of the Board of
Managing Directors
Schott Glas
Mainz

**Dr. Alois Wittmann**
Member of the Board of
Managing Directors
KSB Aktiengesellschaft
Frankenthal

## Saarland

**Dipl.-Kaufmann Wendelin von Boch-Galhau**
Chairman of the Board of
Managing Directors
Villeroy & Boch AG
Mettlach

**Dipl.-Kaufmann Thomas Bruch**
Managing Partner
Globus Holding GmbH & Co. KG
St. Wendel

**Dr. med. Franz Gadomski**
President
Ärztekammer des Saarlandes
Saarbrücken

**Uwe Jacobsen**
Delegate of the
Supervisory Board
Saarbrücker Zeitung
Verlag und Druckerei GmbH
Saarbrücken

**Dr. rer. oec. Michael Karrenbauer**
Member of the Board of
Managing Directors
RAG Saarberg AG
Saarbrücken

**Michel Maulvault**
Chairman of the Board of
Managing Directors
AG der Dillinger Hüttenwerke
Dillingen (Saar)

**Rainer Schumacher**
Chairman of the Executive Board
DSD Dillinger Stahlbau GmbH
Saarlouis

**Dipl.-Volkswirt Dr. Richard Weber**
Managing Partner
Karlsberg Brauerei KG Weber
Homburg (Saar)

## Saxony

**Geert Asselmann**
Chief Financial Officer
ONTEX NV BELGIUM
Buggenhout/Belgium

**Karl Gerhard Degreif**
Member of the Board of
Managing Directors
Stadtwerke Chemnitz AG
Chemnitz

**Günter Errmann**
General Manager
NARVA Lichtquellen
GmbH & Co. KG
Brand-Erbisdorf

**Dipl.-Kaufmann Klaus Fischer**
Member of the Board of
Managing Directors
envia Energie Sachsen
Brandenburg AG
Chemnitz

**Dr. Wolfgang Gross**
Managing Partner
f i t GmbH
Hirschfelde

**Konsul Dr.-Ing. Klaus-Ewald Holst**
Chairman of the Board of
Managing Directors
VNG-Verbundnetz Gas AG
Leipzig

**Elvira-Maria Horn**
General Manager
Dresden Chamber of
Industry and Commerce
Dresden

**Hans J. Naumann**
Managing Partner
NILES-SIMMONS Industrie-anlagen GmbH
Chemnitz

**Dipl.-Kaufmann Heinz-Jürgen Preiss-Daimler**
Managing Partner
P-D Management Consulting GmbH
Wilsdruff

**Rolf Steinbronn**
Chief Executive
AOK Sachsen
Dresden

**Axel F. Strotbek**
General Manager
Volkswagen Sachsen GmbH
Mosel

**Holger Tanhäuser**
Administrative Director
Mitteldeutscher Rundfunk
Leipzig

**Dr. Wolfgang Vehse**
Undersecretary
Saxon State Ministry of Economics and Labour
Dresden

## Saxony-Anhalt

**Dr.-Ing. Klaus Hieckmann**
Managing Partner
FER Ingenieurgesellschaft für Automatisierung GmbH,
President
Chamber of Industry and Commerce Magdeburg Section
Magdeburg

**Heiner Krieg**
General Manager
MIBRAG mbH
Theissen

## Schleswig-Holstein

**Peter Buschmann**
Chief Executive
AOK Schleswig-Holstein
Kiel

**Carsten Dencker Nielsen**
Consul General
Copenhagen/Denmark

**Prof. Dr. Hans Heinrich Driftmann**
General and Managing Partner
Peter Kölln Kommanditgesellschaft auf Aktien
Elmshorn

**Volker Friedrichsen**
Chairman of the Board of Managing Directors
BGZ Beteiligungsgesellschaft Zukunftsenergien AG
Husum

**Dr. jur. Klaus Murmann**
Chairman
Sauer-Danfoss Inc.
Neumünster
Ames, Iowa/USA

**Dr. Lutz Peters**
Managing Partner
Schwartauer Werke GmbH & Co.
Bad Schwartau

**Hans Wilhelm Schur**
Group Director
Schur International a/s
Horsens/Denmark

**Dipl.-Math. Hans-Artur Wilker**
General Manager
Jos. L. Meyer GmbH
Papenburg

**Dr. Ernst J. Wortberg**
Chairman of the Board of Managing Directors
L. Possehl & Co. mbH
Lübeck

## Thuringia

**Josef Johr**
General Manager
Metall Rohstoffe Thüringen GmbH
Erfurt

**Dr. Hans-Werner Lange**
Chairman of the Board of Managing Directors
TUPAG-Holding AG
Mühlhausen

**Klaus Lantzsch**
Chairman of the Executive Board
Managing Partner
FER Fahrzeugelektrik GmbH
Eisenach

**Eugeen Theunis**
Member of the Board of Managing Directors
Doorwin BV
Eindhoven/Netherlands

**Andreas Trautvetter**
Minister of Finance
Free State of Thuringia
Erfurt

# seats on supervisory boards and similar bodies

## Members of the Board of Managing Directors of Commerzbank AG

Information pursuant to Art. 285, (10), HGB

a) Membership of legally prescribed supervisory boards

b) Membership of similar bodies

### Klaus-Peter Müller

a) ABB AG
Goodyear GmbH
DUNLOP GmbH
Ford Deutschland Holding GmbH
Ford-Werke AG
Steigenberger Hotels AG
ThyssenKrupp Materials AG
**within Commerzbank Group:**
comdirect bank AG
(Chairman)
RHEINHYP
Rheinische Hypothekenbank AG
(Chairman)

b) Agfa-Gevaert N.V.
Assicurazioni Generali S.p.A.
Parker Hannifin Corporation
Commerzbank International S.A.
(Chairman)
Commerzbank (Switzerland) Ltd
(Chairman)

### Martin Blessing

a) AMB Generali Holding AG
**within Commerzbank Group:**
ADIG Allgemeine Deutsche
Investment-Gesellschaft mbH
(Deputy chairman)

### Mehmet Dalman

–

### Wolfgang Hartmann

a) Adolf Ahlers AG
Viterra AG
**within Commerzbank Group:**
Commerz Grundbesitz-
Investmentgesellschaft mbH
(Chairman)
Commerz Grundbesitz-
gesellschaft mbH
(Chairman)
Commerz Grundbesitz
Spezialfondsgesellschaft mbH
(Chairman)
CommerzLeasing und
Immobilien AG
(Chairman)

b) Commerzbank Belgium S.A.
(Chairman)
Commerzbank (Nederland) N.V.
(Chairman)
ILV Immobilien-Leasing
Verwaltungsgesellschaft
Düsseldorf mbH

### Jürgen Lemmer

a) Buderus AG
Clearing Bank Hannover AG
(Chairman)
GKN Automotive International
GmbH
(Chairman)
Kolbenschmidt-Pierburg AG
**within Commerzbank Group:**
Commerz International Capital
Management GmbH

b) ARGOR-HERAEUS S.A.
Banque Marocaine du
Commerce Extérieur, S.A.
Korea Exchange Bank
Majan International Bank SAOC
Verlagsbeteiligungs- und
Verwaltungsgesellschaft mbH
ADIG-Investment
Luxemburg S.A.
Commerz (East Asia) Ltd.
(Chairman)
Commerz Securities (Japan)
Company Ltd.
Commerzbank Europe
(Ireland) Unlimited
(Chairman)
Commerzbank International
(Ireland)
(Chairman)
Commerzbank International S.A.
Commerzbank (South East Asia)
Ltd.
(Chairman)

### Andreas de Maizière

a) Borgers AG
RAG Saarberg AG
RWE Power AG
Thyssen Krupp Stahl AG
VDN Vereinigte Deutsche
Nickel-Werke AG
**within Commerzbank Group:**
BRE Bank SA
(Deputy chairman)
Commerzbank Investment
Management GmbH
Hypothekenbank in Essen AG

b) Commerzbank (Budapest) Rt.
(Chairman)
Commerzbank (Eurasija) SAO
(Chairman)

### Klaus Müller-Gebel

a) Deutsche Schiffsbank AG
(Deputy chairman)

efiport (Educational Financial Portal) AG
(Chairman)

Holsten-Brauerei AG

Kellogg (Deutschland) GmbH

**within Commerzbank Group:**

comdirect bank AG
(Deputy chairman)

Commerzbank Investment Management GmbH

RHEINHYP
Rheinische Hypothekenbank AG
(Deputy chairman)

b) BVV Versicherungsverein des Bankgewerbes a.G.
(Chairman)

BVV Versorgungskasse des Bankgewerbes
(Chairman)

### Michael Paravicini

a) entory AG

ThyssenKrupp Serv AG

**within Commerzbank Group:**

Commerz NetBusiness AG
(Chairman)

### Klaus M. Patig

a) Degussa AG

Deutsche Börse AG

EUREX Clearing AG

EUREX Frankfurt AG

Ferrostaal AG

G. Kromschröder AG
(Deputy chairman)

VINCI Deutschland GmbH

**within Commerzbank Group:**

ADIG Allgemeine Deutsche Investment-Gesellschaft mbH
(Chairman)

Commerzbank Investment Management GmbH
(Chairman)

Pensor Pensionsfonds AG i. Gr.
(Deputy chairman)

RHEINHYP
Rheinische Hypothekenbank AG
(Deputy chairman)

b) EUREX Zürich AG

Fördergesellschaft für Börsen und Finanzmärkte in Mittel- und Osteuropa mbH

Caisse Centrale de Réescompte, S.A.
(Chairman)

Commerz Asset Management (UK) plc
(Chairman)

Commerz Asset Managers GmbH
(Chairman)

Jupiter International Group plc
(Chairman)

Montgomery Asset Management, LLC

### Dr. Axel Frhr. v. Ruedorffer

a) Allgemeine Kreditversicherung AG
(Deputy chairman)

AUDI AG

Commerz Unternehmensbeteiligungs-AG
(Chairman)

**within Commerzbank Group:**

Hypothekenbank in Essen AG
(Chairman)

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

Avis Europe plc

Crédit Lyonnais S.A.

Erste Bank der oesterreichischen Sparkassen AG

HANNOVER Finanz GmbH

IntesaBCI S.p.A.

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

Santander Central Hispano S.A.

Stiebel Eltron-Gruppe
(Chairman)

Viking Schiffsfinanz AG

Viking Ship Finance (Overseas) Ltd.

AFINA Bufete de Socios Financieros S.A.

Caisse Centrale de Réescompte, S.A.
(Deputy chairman)

CommerzLeasing und Immobilien AG

Commerzbank Asset Management Italia S.p.A.

Erste Europäische Pfandbrief- und Kommunalkreditbank AG
(Chairman)

ILV Immobilien-Leasing Verwaltungsgesellschaft Düsseldorf mbH

## Former members of the Board of Managing Directors

### Dr. Heinz J. Hockmann

b) East European Food Fund S.I.C.A.F.

### Dr. Norbert Käsbeck

a) Hugo Boss AG

EURO Kartensysteme EUROCARD und eurocheque GmbH

Friatec AG
(Deputy chairman)

HAWESKO Holding AG

MAN AG

Salamander AG

SÜBA Bau AG

T-Online International AG

### Dr. h.c. Martin Kohlhaussen

see seats under "Members of the Supervisory Board of Commerzbank AG"

## Members of the Supervisory Board of Commerzbank AG

a) Membership of other legally prescribed supervisory boards
b) Membership of similar bodies

### Heinz-Werner Busch

–

### Uwe Foullong

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

### Dietrich-Kurt Frowein

a) Heidelberger Druckmaschinen AG
Schunk GmbH
Software AG (Chairman)

### Dott. Gianfranco Gutty

a) AMB Aachener und Münchener Beteiligungs-AG

b) Alleanza Assicurazioni S.p.A.
Banca Generali S.p.A. (Chairman)
Banco Vitalicio de España, C.A. de Seguros y Réaseguros
BSI – Banca della Svizzera Italiana
Fiat S.p.A.
Genagricola S.p.A.
Generali France Holding S.A.
Holding di Partecipazioni Industriali S.p.A.
IntesaBCI S.p.A. (Vice Chairman)
Mediobanca – Banca di Credito Finanziario S.p.A.
Participatie Maatschappij Graafschap Holland N.V.
Santander Central Hispano S.A.
Transocean Holding Corporation

### Dr.-Ing. Otto Happel

–

### Hans-Georg Jurkat

b) BVV Versicherungsverein des Bankgewerbes a.G.

### Detlef Kayser

b) BVV Versicherungsverein des Bankgewerbes a.G.

### Dieter Klinger

–

### Dr. h.c. Martin Kohlhaussen

a) Bayer AG
Heraeus Holding AG
HOCHTIEF AG
Infineon Technologies AG (Deputy chairman)
KarstadtQuelle AG
Linde AG
Schering AG
ThyssenKrupp AG (since June 21, 2001)
**within Commerzbank Group:**
RHEINHYP Rheinische Hypothekenbank AG (Chairman) (until May 11, 2001)

b) Assicurazioni Generali S.p.A. (until April 28, 2001)
Verlagsgruppe Georg von Holtzbrinck GmbH (since May 15, 2001)
Commerzbank International S.A. (Chairman) (until May 25, 2001)
Commerzbank (Switzerland) Ltd (Chairman) (until March 21, 2001)

### Dr. Torsten Locher

–

### Mark Roach

a) FIDUCIA Informations-zentrale AG

### Horst Sauer

–

### Dr. Erhard Schipporeit

a) AXA Colonia Lebens-versicherung AG
**within group:**
Klöckner & Co. AG (Chairman) (until October 2, 2001)
Schmalbach-Lubeca AG (Chairman)
VAW aluminium AG (Chairman)
Degussa-Hüls AG (until February 9, 2001)
Degussa AG (since February 9, 2001)
E.ON Energie AG
Goldschmidt AG (until June 29, 2001)
SKW Trostberg AG (until February 9, 2001)
VIAG Telecom AG

b) Connect Austria GmbH
**within group:**
E.ON Risk Consulting GmbH (Chairman)

### Werner Schönfeld

–

### Prof. Dr.-Ing. Ekkehard Schulz

a) AXA Konzern AG
Deutsche Bahn AG
MAN AG
Preussag AG
RAG AG (Deputy chairman)
RWE Plus AG
STRABAG AG
**within group:**
ThyssenKrupp Automotive AG (Chairman)
ThyssenKrupp Materials AG (Chairman)
ThyssenKrupp Steel AG (Chairman)

b) Ev. und Johanniter-Klinikum Duisburg/Dinslaken/Oberhausen gem. GmbH
Rheinkalk Verwaltungs GmbH
**within group:**
The Budd Company
Thyssen Inc.

### Alfred Seum

–

### Hermann Josef Strenger

a) Bayer AG (Chairman)
Linde AG (until May 29, 2001)

b) Agfa-Gevaert N.V.

### Prof. Dr. jur. Jürgen F. Strube

a) Allianz Lebensversicherungs-AG
Bayerische Motorenwerke AG (since May 15, 2001)
Bertelsmann AG
Hapag-Lloyd AG
HOCHTIEF AG
Linde AG

### Dr. Klaus Sturany

a) Babcock Borsig AG
Hannover Rückversicherungs-AG
RAG AG
**within group:**
Heidelberger Druckmaschinen AG
HOCHTIEF AG
RWE-DEA AG für Mineraloel und Chemie
RWE Power AG
RWE Solutions AG
Shell & DEA Oil GmbH (formerly DEA Mineraloel AG) (Chairman)

b) **within group:**
RWE Trading GmbH
Thames Water plc.

### Dr.-Ing. E.h. Heinrich Weiss

a) Bertelsmann AG
Deutsche Bahn AG
Ferrostaal AG
HOCHTIEF AG
J. M. Voith AG
**within group:**
SIEMAG Transplan GmbH
SMS Demag AG (Chairman)

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

## Former members of the Supervisory Board

### Gerald Herrmann

a) DBV-Winterthur Versicherung AG
european transaction Bank AG
WinCom-Versicherungs-Holding AG (until 11/01)
Deutsche Bank AG (since 07/01)
Deutsche Bank 24 AG (since 07/01)

### Wilhelm Werhahn

a) Gesellschaft für Buchdruckerei AG (Chairman)
RWE-DEA AG für Mineraloel und Chemie
RWE Power AG
**within group:**
Heinrich Industrie AG (Chairman)
Neusser Zeitungsverlag GmbH (Chairman)
Zwilling J. A. Henckels AG (Chairman)

## Employees of Commerzbank AG

Information pursuant to Art. 340a, (4), no. 1, HGB

**Jochen Appell**
ADIG Allgemeine Deutsche Investment-Gesellschaft mbH

**Dr. Franz-Georg Brune**
ADIG Allgemeine Deutsche Investment-Gesellschaft mbH
comdirect bank AG
Commerz Grundbesitz-Investmentgesellschaft mbH
CommerzLeasing und Immobilien AG

**Martin Eiben**
Syskoplan AG

**Dieter Firmenich**
BinTec Communications AG
Commerz Unternehmens-beteiligungs-AG
Sachsenring Automobiltechnik AG

**Bernd Förster**
SE Spezialelectronic Bauelemente Wuttke GmbH

**Hans-Joachim Hahn**
Commerz Grundbesitz-Investmentgesellschaft mbH

**Klaus Hollenbach**
TNT Express GmbH

**Heinz-Martin Humme**
DS Technologie GmbH

**Günter Jerger**
CommerzLeasing und Immobilien AG

**Franz Jung**
Constantin Film AG

**Peter Kroll**
Commerzbank Investment Management GmbH
Commerz Grundbesitz-Investmentgesellschaft mbH
CommerzLeasing und Immobilien AG
SchmidtBank KGaA

**Thorsten Lahl**
TIAG Tabbert-Industrie AG

**Dr. Dirk Mattes**
MEWA Textil-Service AG

**David R. Savage**
CommerzLeasing und Immobilien AG
Honsel Management GmbH

**Michael Schmid**
CRONBANK AG
MHK Verbundgruppe AG

**Andreas Schmidt**
Rasmussen GmbH

**Dr. Friedrich Schmitz**
ADIG Allgemeine Deutsche Investment-Gesellschaft mbH

**Dr. Gert Schorradt**
Carmeile AG
PopNet Internet AG

**Frank Schulz**
Südost Woba Dresden GmbH

**Gerhard Schulz**
Südwest Finanz Holding AG

**Monika Serreck**
Spielbanken Niedersachsen GmbH

**Dr. Ferdinand Vogel**
CFM Commerz Finanz Management GmbH

**Dr. Rainer Wedel**
JC INSITU Beteiligungsges. mbH

**Günther Wudy**
WV Energie AG

## Former employees of Commerzbank AG

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# glossary

**Asset-backed securities**
Instrument for transforming claims tied up in the balance sheet into negotiable securities.

**Assets held for dealing purposes**
Under this balance-sheet item, securities, promissory notes, foreign exchange and derivative financial instruments which are used for dealing purposes are shown. They appear at their fair value.

**Associated company**
A company included in the consolidated financial statements neither on a fully or partially consolidated basis, but rather according to the equity method; however, a company which is included in the consolidation has a significant influence on its business and financial policies.

**Available for sale**
A term used to refer to financial assets that may be disposed of.

**Back-testing**
A procedure for monitoring the quality of value-at-risk models. For this purpose, the potential losses projected by the VaR approach are examined over a lengthy period to ascertain whether in retrospect they were not exceeded far more frequently than the applied confidence level would have suggested.

**Benchmarks**
Reference figures like indices, which are used, for instance, in portfolio management. For one thing, they can determine the direction of an investment strategy by giving the portfolio manager orientation in assembling portfolios. For another, they serve as a yardstick for investment performance.

**Business continuity planning**
A company's emergency planning, covering all of its units.

**Cash flow hedge**
The covering of the risk attaching to future interest payments from a floating-interest transaction in the balance sheet by means of a swap. It is measured at fair value. Detailed explanation on page 74f.

**Cash flow statement**
This shows the breakdown and changes in a company's cash and cash equivalents during the business year. It is divided up into the items operating, investing and financing activities.

**Collateral agreement**
An agreement covering the security or collateral to be furnished.

**Confidence level**
This indicates the probability with which a potential loss lies within the scope defined by the value-at-risk.

**Cost/income ratio**
This represents the ratio of operating expenses to income before provisioning, indicating the cost-efficiency of the company or of one of its business units.

**Credit VaR**
The concept stems from the application of the value-at-risk concept for market risk to the area of credit-risk measurement. In substantive terms, the credit VaR is an estimate of the amount by which the losses arising from credit risk might potentially exceed the expected standard risk costs within a year, which have been calculated into the margin charged (unexpected loss). This approach is based on the idea that the standard risk costs merely represent the long-term mean value for loan defaults, which may differ (positively or negatively) from the actual loan defaults in the current business year.

**DAX 30**
Deutscher Aktienindex (German stock index), which covers the 30 largest German blue chips with the highest turnover in official trading.

### Deferred taxes
These are taxes on income to be paid or received in the future, resulting from discrepancies in assigned values between the balance sheet for tax purposes and the commercial balance sheet. At the time the accounts are prepared, they represent neither actual claims on nor liabilities to the tax authorities.

### Derivatives
Financial instruments whose value depends on the value of another financial instrument. The price of the derivative is derived from the price of an underlying object (equity, currency, interest rate, precious metal, etc.). These instruments offer greater possibilities for steering and managing risk.

### Due diligence
The term is used to describe the process of intensive examination of the financial and economic situation and planning of a company by external experts (mostly banks, lawyers, auditors). In the run-up to an IPO or a capital increase, due diligence is needed before an offering prospectus can be compiled.

### Economic capital
The amount which would be sufficient to cover the overall risk of a company, i.e. the aggregate of market, credit and operational risk. It is not identical to equity as shown in the balance sheet.

### Embedded derivatives
Embedded derivatives are components of an original financial instrument and inseparably linked to the latter, so-called hybrid financing instruments such as reverse convertible bonds. Legally and economically, they are bound up with one another. Detailed explanation on page 73.

### Equity method
A consolidation method in a group's accounting to cover holdings in associated companies. The company's pro-rata net profit/loss for the year is included in the consolidated income statement as income/loss from equity investments.

### Fair value
The amount at which financial instruments may be sold or purchased on fair conditions. For measurement purposes, either market prices (e.g. stock-exchange prices) or – if these are unavailable – internal measurement models are used.

### Fair value hedge
This is a fixed-interest balance-sheet item (e.g. a claim or a security) which is hedged against market risk by means of a swap. It is measured at fair value. Detailed explanation on page 74.

### Financial instruments
Above all, credits or claims, interest-bearing securities, shares, equity investments, liabilities and derivatives are subsumed here. Detailed explanation on page 75.

### Goodwill
The difference between the purchase price and the value of the net assets thereby acquired which remains after the hidden reserves have been disclosed when an equity investment is acquired or a company is taken over.

### Hedge accounting
The presentation of discrepancies between the change in value of a hedging device (e.g. an interest-rate swap) and the hedged item (e.g. a loan). Hedge accounting is designed to reduce the influence on the income statement of the measurement and recognition of changes in the fair value of derivative transactions. Detailed explanation on page 74.

### 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).

### International Accounting Standards (IAS)
Accounting regulations approved by the International Accounting Standards Committee. The objective of financial statements prepared according to IAS 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, including changes in the course of time. By contrast, financial statements according to HGB (German Commercial Code) are primarily geared to investor protection.

**IPO**
Abbreviation for initial public offering, a company's introduction to the stock exchange.

**Investor relations**
The terms describes the dialogue between a company and its shareholders or creditors. Investor relations targets this special group with the intention of using communicative means to ensure that the capital market gives it an appropriate evaluation.

**Letter of comfort**
Usually, the commitment of a parent company towards third parties (e.g. banks) to ensure the orderly management of its subsidiary and the latter's ability to its meet commitments.

**Liabilities from dealing activities**
Under this balance-sheet item, the derivative instruments of proprietary trading with a negative fair value appear, and also delivery commitments arising from the short-selling of securities. They are measured at fair value.

**Loss review trigger**
A warning signal that a trading unit might exceed its prescribed maximal loss. If this trigger is reached, appropriate measures are taken to prevent further losses.

**Mark-to-market**
Measurement of all proprietary-trading activities of a company at current market prices, including unrealized profits – without purchase costs being taken into consideration.

**Mergers & acquisitions**
In banking, M&A represents the advisory service offered to companies involved in such transactions, especially the purchase and sale of companies or parts of them.

**Nemax 50**
The Nemax 50 covers the 50 largest growth shares of the Neuer Markt. It represents an indicator for the price performance of this market segment for growth stocks. The main criteria for inclusion in the index are market capitalization and turnover.

**Netting**
The setting-off of items (amounts or risks) which appear on different sides of a balance.

**Neuer Markt**
A trading segment of the Frankfurt Stock Exchange developed by Deutsche Börse AG in 1997. The *Neuer Markt* (literally: New Market) is intended to enable smaller to medium-sized innovative growth companies in particular – active in sectors with future potential or in traditional industries with product, process and service innovations and possessing above-average sales and earnings prospects – to gain access to the capital market.

**Online banking**
A variety of banking services handled with IT support and offered to customers electronically (by telephone line).

**Options & futures**
Forward transactions, i.e. agreements representing claims to performance to be met at a fixed date in the future. In the case of an option, the taker has the right to performance, which he need not exercise, however. By contrast, the giver of an option is only obliged to perform if the taker requires this. The situation is different for futures, where both contractual partners are obliged to meet the agreed claim of the counterparty at the fixed point in time.

**OTC**
Abbreviation for "over the counter", which is used to refer to off-the-floor trading.

**Page impressions**
Number of contacts of any set of users with a HTML page during the visit to an internet site.

**Positive/negative fair value**
The positive/negative fair value of a derivative financial instrument is the change in fair value between the conclusion of the transaction and the date of measurement, which has arisen due to favourable or unfavourable overall conditions. Detailed explanation on pages 80 and 82.

**Profit-sharing certificate**
Securitization of profit and loss-sharing rights which are issued by companies of various legal forms and are introduced to official (stock-exchange) trading. Under certain conditions, profit-sharing certificates may be counted as part of banks' liable funds.

### Rating agencies
Initially in the USA, and later in Europe and other regions as well, agencies were established whose service consists of analysing companies' credit standing. Standard & Poor's and Moody's are the two best-known rating agencies, whose ratings are used worldwide. Based on an examination of important business data and other information, the rating agencies form credit-standing ratings, ranging from AAA (best rating) to C (poorest rating). Frequently, they relate specifically to debt instruments (such as bonds) issued by these companies; often, the issuers themselves apply for the rating.

For companies, higher or lower ratings mean higher or lower capital-raising costs or even – in extreme cases – exclusion from the capital market as a source of funds.

### Repo transactions
Abbreviation for repurchase agreements; these are combinations of spot purchases or sales of securities and the simultaneous forward sale or repurchase of these securities in an agreement involving the same counterparty.

### Return on equity
This is calculated by the ratio between the after-tax profit and the average amount of equity as shown in the balance sheet; it indicates the return which the company achieves on the capital which it employs.

### Revaluation reserve
In the revaluation reserve, changes in the fair value of securities and equity investments appear, with no effect on the income statement.

### Shareholder value
Shareholder value gives priority to the interests of proprietors or, in the case of listed companies, shareholders.

Under this approach, the company's management is committed to increasing the value of the company over the long term and thus to lifting its share price. This contrasts with a "stakeholder policy", which aims to achieve a balance between the interests of shareholders and other groups involved, such as customers, employees, providers of outside funds, banks, etc.

One major component of the shareholder value principle is also a shareholder-oriented, transparent information policy, which above all at major listed companies is entrusted to investor relations.

### Spread
The term spread refers to the differential between the buying and the selling price. Latent factors which influence the size of the spread include transaction costs, hedges against price fluctuations and an adverse selection component. The latter factor offers protection for the party setting the price from his potential counterparty, given differing levels of information.

### Standard risk costs
These represent the average expected risk costs in a given year (expected loss) or valuation allowances due to the default of customers or counterparties.

### Stop-loss limit
This type of limit serves to restrict or prevent losses, such that if the fair value falls below a previously determined level, the trading position in question has to be closed or the asset sold.

### Stoxx
The Stoxx "family" of indices is a system of European benchmark, blue chip and sectoral indices. Stoxx Limited itself is a joint venture between Deutsche Börse AG, Dow Jones & Company, SBF-Bourse de France and the Swiss Stock Exchange.

### Stress testing
Stress tests are used in an attempt to model the losses produced by extreme market fluctuations, as these cannot as a rule be adequately presented by VaR models. Generally, VaR risk ratios are based on "normal" market fluctuations, rather than on very rare extreme situations which cannot, as a result, be represented statistically, such as the 1987 stock-market crash or the Asian crisis. Stress tests therefore represent a rational complement to VaR analyses, and also one that is required by regulators.

**Subsidiary**
Company controlled by its parent and fully consolidated. If it is of minor significance, it is not included in the consolidation. In this case, the company appears at amortized cost.

**Swaps**
Swaps are one of the financial innovations; they represent a financing technique in which two parties exchange interest rates or currency positions. Examples here are the swapping of fixed euro interest rates for floating euro interest rates (interest-rate swap) or amounts in US dollars for euro amounts (currency swap). Depending on whether such transactions affect the assets or the liabilities side of the balance sheet, they are called asset or liability swaps.

**Value-at-risk model (VaR)**
VaR refers to a method of quantifying risk. At present, it is primarily used in connection with market risk. VaR is only informative if the holding period (e.g. 1 day) and the confidence level (e.g. 97.5%) are specified. The VaR figure then indicates the loss ceiling which will not be exceeded within the holding period with a probability corresponding to the confidence level.

**Volatility**
The term volatility is used to characterize the price fluctuation of a security or currency. Frequently, this is calculated from the price history or implicitly from a price-fixing formula in the form of the standard deviation. The greater the volatility, the riskier it is to hold the investment.

# index

# business progress 1968–2001*

| | Business volume | Total lending | Customers' deposits | Taxes paid | Allocation to reserves from profit | Equity | Total amount of dividend paid | Staff | Offices |
|---|---|---|---|---|---|---|---|---|---|
| | € bn | € bn | € bn | € m | € m | € m | € m | | |
| 1968 | 8.5 | 5.4 | 6.6 | 33.2 | 16.1 | 346 | 23.9 | 14,689 | 691 |
| 1969 | 9.8 | 6.5 | 7.1 | 41.8 | 16.3 | 439 | 32.0 | 15,630 | 743 |
| 1970 | 12.5 | 8.8 | 8.0 | 26.1 | 5.8 | 463 | 30.4 | 16,952 | 783 |
| 1971 | 15.9 | 11.4 | 9.2 | 39.2 | 13.0 | 541 | 31.5 | 17,533 | 800 |
| 1972 | 18.7 | 12.6 | 10.7 | 45.0 | 14.6 | 599 | 34.8 | 17,707 | 805 |
| 1973 | 20.5 | 13.5 | 11.1 | 39.2 | 9.2 | 656 | 40.7 | 18,187 | 826 |
| 1974 | 23.0 | 15.1 | 11.7 | 54.8 | 26.7 | 735 | 40.7 | 17,950 | 834 |
| 1975 | 29.0 | 18.2 | 14.1 | 97.5 | 42.5 | 844 | 48.8 | 18,749 | 855 |
| 1976 | 32.6 | 21.3 | 15.0 | 87.5 | 57.2 | 993 | 55.9 | 20,275 | 861 |
| 1977 | 38.6 | 24.0 | 17.3 | 128.0 | 52.3 | 1,165 | 55.9 | 20,429 | 870 |
| 1978 | 45.3 | 29.5 | 20.0 | 126.4 | 50.9 | 1,212 | 63.1 | 20,982 | 875 |
| 1979 | 52.2 | 34.8 | 20.4 | 97.0 | 20.5 | 1,403 | 64.6 | 21,656 | 885 |
| 1980 | 52.4 | 37.4 | 20.3 | 53.6 | 16.6 | 1,423 | – | 21,487 | 880 |
| 1981 | 53.2 | 38.6 | 21.0 | 52.4 | 12.9 | 1,414 | – | 21,130 | 878 |
| 1982 | 56.8 | 41.8 | 22.6 | 86.8 | 43.8 | 1,416 | – | 21,393 | 877 |
| 1983 | 59.1 | 43.3 | 23.2 | 121.3 | 62.3 | 1,491 | 51.7 | 22,047 | 884 |
| 1984 | 63.9 | 46.2 | 26.5 | 140.8 | 77.9 | 1,607 | 51.7 | 22,801 | 882 |
| 1985 | 71.4 | 48.3 | 28.0 | 164.4 | 89.5 | 1,756 | 72.6 | 24,154 | 882 |
| 1986 | 77.1 | 52.5 | 30.3 | 169.0 | 80.2 | 2,292 | 95.5 | 25,653 | 881 |
| 1987 | 83.8 | 55.7 | 33.5 | 168.0 | 89.8 | 2,379 | 95.7 | 26,640 | 882 |
| 1988 | 93.3 | 61.7 | 37.8 | 192.4 | 120.2 | 2,670 | 104.0 | 27,320 | 888 |
| 1989 | 99.1 | 64.7 | 43.5 | 252.4 | 143.7 | 3,000 | 115.3 | 27,631 | 897 |
| 1990 | 111.4 | 74.9 | 50.5 | 246.7 | 112.4 | 3,257 | 131.6 | 27,275 | 956 |
| 1991 | 117.1 | 80.7 | 57.2 | 276.6 | 120.1 | 3,420 | 132.0 | 28,226 | 973 |
| 1992 | 120.4 | 85.0 | 61.6 | 283.4 | 209.0 | 3,680 | 134.0 | 28,722 | 998 |
| 1993 | 147.1 | 92.7 | 68.2 | 310.8 | 143.9 | 4,230 | 176.8 | 28,241 | 1,006 |
| 1994 | 176.1 | 112.7 | 68.8 | 334.5 | 306.8 | 5,386 | 231.2 | 28,706 | 1,027 |
| 1995 | 208.1 | 133.1 | 73.2 | 109.4 | 204.5 | 6,297 | 265.8 | 29,615 | 1,060 |
| 1996 | 230.6 | 158.2 | 82.8 | 297.1 | 332.3 | 6,909 | 276.3 | 29,334 | 1,045 |
| 1997 | 276.0 | 185.3 | 93.3 | 489.2 | 295.5 | 8,765 | 344.2 | 30,446 | 1,044 |
| 1998 | 327.4 | 207.6 | 93.6 | 298.1 | 511.3 | 10,060 | 380.5 | 32,593 | 1,052 |
| 1999 | 372.1 | 223.2 | 91.0 | 395.6 | 500.0 | 11,141 | 410.8 | 34,870 | 1,064 |
| 2000 | 459.7 | 239.7 | 107.7 | 822.7 | 800.0 | 12,523 | 541.8 | 39,044 | 1,080 |
| **2001** | **501.3** | **239.7** | **116.4** | **–114.0** | **–115.0** | **11,760** | **216.7** | **39,481** | **981** |

*) as from 1997, according to IAS


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