| ideas ahead | COMMERZBANK

| annual report 2005 |

COMMERZBANK GROUP

COMMERZBANK

highlights of commerzbank group

	2005	2004
Income statement		
Operating profit (€ m)	1,717	1,011
Operating profit per share (€)	2.84	1.70
Pre-tax profit (€ m)	1,680	796
Consolidated surplus (€ m)	1,165	362
Earnings per share (€)	1.93	0.61
Operating return on equity (%)	16.8	9.9
Cost/income ratio in operating business (%)	67.1	70.9
Return on equity of consolidated surplus (%)	12.4	4.0

	31.12.2005	31.12.2004
Balance sheet		
Balance-sheet total (€ bn)	444.9	424.9
Risk-weighted assets according to BIS (€ bn)	149.7	139.7
Equity (€ bn) as shown in balance sheet	13.7	11.0
Own funds (€ bn) as shown in balance sheet	21.8	19.9
BIS capital ratios		
Core capital ratio, excluding market-risk position (%)	8.3	7.8
Core capital ratio, including market-risk position (%)	8.1	7.5
Own funds ratio (%)	12.5	12.6
Commerzbank share		
Number of shares issued (million units)	656.8	598.6
Share price (€, 1.1.–31.12.) high	27.06	16.49
low	15.17	12.65
Book value per share[1] (€)	21.00	18.45
Market capitalization (€ bn)	17.1	9.1
Customers	8,175,000	7,880,000
Staff		
Germany	25,304	25,417
Abroad	7,752	7,403
Total	33,056	32,820
Short/long-term rating		
Moody's Investors Service, New York	P-1/A2	P-1/A2
Standard & Poor's, New York	A-2/A-	A-2/A-
Fitch Ratings, London	F2/A-[2]	F2/A-

1) excluding cash flow hedges; 2) raised to F1/A in February 2006.

structure of commerzbank group

Board of Managing Directors

Corporate Divisions

Group Management

Staff departments

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

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

Banking departments

Retail Banking and Asset Management:

- Private and Business Customers
- Private Banking
- Credit Operations Private Customers
- Asset Management

Corporate and Investment Banking:

Mittelstand

- Corporate Banking
- Global Credit Operations

International Corporate Banking

- Financial Institutions

Corporates & Markets

Domestic and foreign branch network

Cooperation in bancassurance area

Services

Service departments

- Information Technology
- Organization
- Transaction Banking

Subsidiaries and participations in Germany and abroad

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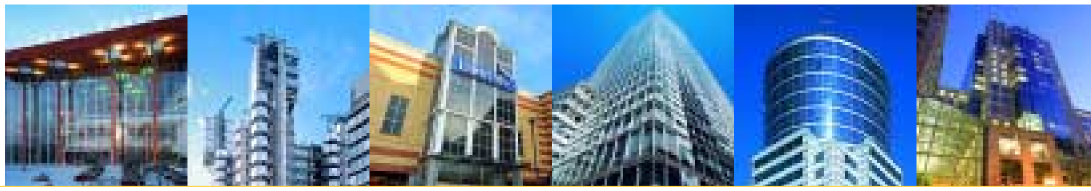
By acquiring Eurohypo, the Commerzbank Group will become German market leader in both commercial real-estate financing and private home loans and, with Hypothekenbank in Essen, in public-sector financing as well. In Luxembourg, we are active as an innovative international financer of the public sector through Erste Europäische Pfandbrief- und Kommunalkreditbank. In the USA, we will be one of the five largest real-estate banks in future.

However, our real-estate expertise is not restricted to the subject of financing. Since 1972, namely, we have professionally managed the open-ended property fund hausInvest, which invests throughout Europe. Two years ago, we introduced a second open-ended fund, hausinvest global. For closed-end funds, we rely upon the long years of experience of CommerzLeasing und ImmobilienGruppe in Düsseldorf.

On six pages spread throughout this annual report, we present attractive buildings illustrating our activities. They have either been financed by our mortgage banks or they are held by our investment funds.

JAPAN CENTER
Frankfurt am Main
hausInvest europa



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Management report


COMMERZBANK ARENA

Klaus-Peter Müller
Chairman of the
Board of Managing Directors

March 2006

Dear shareholders,

With the announced takeover of Eurohypo, we embarked upon a new chapter in the history of our Bank. It became clear to everyone that Commerzbank has returned to a position of strength; it is systematically pursuing its independent course and making an important contribution towards consolidating the German banking system.

Through the Eurohypo transaction, we will become second-largest German credit institution and the leading commercial bank in Germany. A broader customer base, an improved product range and considerable cross-selling potential will provide a sustained boost for our earnings power.

The markets unanimously welcomed and rewarded our decision: in the year up to that point, the Commerzbank share's price performance had been encouraging. Between mid-November, when we informed the public about our plans, and the end of 2005, it continued to rise sharply. And our capital increase immediately after the transaction had been announced did not weigh upon the share price either. In 2005 as a whole, our share price shot up by 72%, easily outperforming the DAX index, which advanced by no less than 27%.

As our shareholder, you benefit twice over – for one thing, from the price increase; for another, from your Bank's substantially higher profitability. The decision in favour of Eurohypo supports our efforts to improve our earnings base and to generate more stable results, regardless of how the market is developing.

In 2004, we took a major step in this direction by restructuring our Investment Banking. We now use our investment-banking expertise primarily in order to develop intelligent products for our clients in Germany and Europe.

Our figures show that we have chosen the right course. 2005 was still a difficult year for banks in Germany, but we emerged from it successful. We managed to exceed our return on equity target of a good 8% after tax. For the first time, this was achieved through much higher revenues rather than simply through our cost management, which continues to function well. We want you, our shareholders, to participate in this good result and at the Annual General Meeting we will propose a dividend per share that is doubled to €0.50.

Important for our success was – and still is – a systematic focus and a clear strategy. We have made Germany, the growth regions of Europe and certain markets in North America and Asia central to our activities. We are concentrating on corporate customers, principally German *Mittelstand* firms and selected multinationals, private and business customers and the public sector. Restructuring and staff reductions were painful, but they were essential for steering a successful course in the future and for holding our own against ever tougher competition.

Another factor also made quite a significant contribution to our success. We know that without risk there can be no banking business. But risk has to be professionally monitored and managed. In this respect, too, we have made good progress in the past few years. We have been able to reduce our provisioning significantly; provision for possible loan losses was cut from €1.3bn in 2002 to a mere €566m last year. We achieved this above all through enhanced rating and control systems, through the targeted reduction of bulk risks and new methods in the early recognition of risk.

We feel committed to our home market, Germany. Here, we employ 77% of our personnel, but in 2004 generated only 66% of our revenues in our home market. By 2005, the figure had already risen to 70%. We want to expand this share further. To do so, we will make use of opportunities for growth in the future as well – on the one hand, organically; on the other, through acquisitions. We intend to continue to play an active role in the consolidation of the German banking market and to strengthen our position in this way. We want to become the most important bank in and for Germany.

Private customers benefit in particular from our expertise as a securities bank, from our extensive range of investment funds thanks to our open architecture approach, from our cooperation with one of the largest European insurance groups, from the efficient handling of loans, the strong market position in mortgage business and our know-how in open-ended property funds.

We offer corporate clients as well an extensive palette of products and services, ranging from traditional credit to innovative financing solutions, assistance in finding business successors or raising equity through leasing plans, to electronic banking and support for export-oriented companies in their foreign business.

Alongside "hard banking business", corporate responsibility is becoming ever more important for us. The topics of sustainability, corporate governance and corporate citizenship all fall under this heading. In December, we published our first sustainability report. It bears the title *idea-ls* and gives a comprehensive account of our activities in these areas. We have great plans and as a first step we have set up a central steering unit for reputation and sustainability management. At the same time, we are currently refining our set of internal rules. One major aspect of this is the introduction of a code of conduct and the closer integration of sustainability criteria into the processes of banking. As a visible sign of our social responsibility, we have endowed the Commerzbank Foundation with a further €10m. Our foundation has a broad base; our *idea-ls* report contains detailed information on the main areas in which it provides support.

To sum up, I would say that we feel well-positioned actively to tackle the challenges of the future. However, we see no reason to rest on our laurels. We will continue to work hard to increase the Bank's profitability and to prove to you that your decision in favour of the Commerzbank share was the right one. For 2006, we have set ourselves the target of an after-tax return on equity of over 10%. In the long run, we are aiming for an after-tax return of 15% and a cost/income ratio of around 60%.

At this point, I want to express our special gratitude to our customers and business associates, whose trust is both an incentive and an obligation for the future.

I cordially invite you to our Annual General Meeting on May 17, 2006 at Jahrhunderthalle Frankfurt and look forward to seeing you there.

Yours

Klaus-Peter Müller

| commerzbank arena |

FOR THE 2006 WORLD CUP, THE FAMOUS FRANKFURT STADIUM HAS BEEN CONVERTED INTO A PURELY SOCCER STADIUM AND IS NOW ABLE TO HOLD ALMOST 50,000 SPECTATORS. SINCE JULY 1, 2005 AND AT LEAST FOR THE NEXT TEN YEARS, IT BEARS THE NAME COMMERZBANK ARENA. BY ACQUIRING THE RIGHTS TO THE NAME OF THIS STADIUM, KNOWN AS "THE WORLD'S LARGEST CONVERTIBLE" ON ACCOUNT OF ITS ROOF CONSTRUCTION, COMMERZBANK HAS FIRMLY COMMITTED ITSELF TO GERMANY AS A BUSINESS LOCATION AND TO FRANKFURT, ITS FINANCIAL CENTRE.

| ideas ahead |

survey of the commerzbank group

World economy maintains strong growth

Despite occasional fears of recession due to the sharp rise in the price of oil, 2005 in retrospect was another very good year for the world economy. Expanding by about 4½%, it grew for the third year in succession more rapidly than the long-term average. Once again, the United States and the countries of South-East Asia proved to be the driving force. Undoubtedly, the positive surprise was Japan, whose economy has apparently overcome its more than ten-year phase of stagnation. In view of the distinct tightening of monetary policy over the past one and a half years, momentum in the USA at least will probably slacken perceptibly this year. All the same, the world economic setting can be expected to remain positive in 2006 as well.

Once again, Western Europe was the major economic area with the lowest growth rates. However, here too, there were increasing signs in the second half of the year that the economy was picking up. The same holds true for Germany, where economic activity continues to be largely dependent on buoyant foreign demand, though. While companies are stepping up their investment activity and are also prepared to borrow again for this purpose, private consumption has failed to recover so far. Consequently, real GDP growth was again unsatisfactory, reaching only 0.9%. As the world economic setting seems likely to stay positive, the economic upturn will probably continue this year, especially since the labour market is showing the first signs of becoming more stable.

In the financial markets, the main feature was the strong upswing in equity markets. Resurgent optimism about the economic outlook and sharp rises in corporate profits caused the German DAX stock index to advance by 27% in the course of the year. On balance, there were no major changes in the bond markets. Despite the tendency for central banks worldwide to steer a less expansionary monetary course, there was again no distinct increase in the yields of long-dated government bonds. In the eurozone, they even declined somewhat once again.

2005 – a good year for the Commerzbank Group

At the Commerzbank Group, we achieved one of our best operating profits to date at €1.72bn. We are posting an after-tax return on equity of 12.4% and a cost/income ratio of 67.1%; we have thus more than achieved our goals for 2005. One of the most important strategic moves last year was undoubtedly the decision to take over Eurohypo AG. In November, we reached agreement with Deutsche Bank and Allianz/Dresdner Bank to acquire their interests in Eurohypo in two steps. We bought 17.1% on December 15, 2005, transferring the entire investment to Commerzbank Inlandsbanken Holding AG. A further 49.1% will follow as of March 31, 2006. The average purchase price was €19.60 per share. This means that in future we will hold more than 98% of the equity of Eurohypo AG and become Germany's second-largest bank.

Consolidated balance-sheet total reaches €445bn

In the course of 2005, the Commerzbank Group's balance-sheet total expanded by 4.7% to €444.9bn. After contracting in previous years, our risk-weighted assets also increased again, by 7.2% to €149.7bn. While our interbank lending remained virtually unchanged at €86.2bn, claims on customers were 2.3% higher at €153.7bn. This rise partly reflects the stronger US dollar, but also the modest recovery of credit demand due to the emergent economic recovery.

Our investments and securities portfolio expanded by 19.5% to €86.2bn, mainly on account of additions to our portfolio of bonds and the acquisition of Eurohypo shares in December. At the same time, we disposed of our investments in MAN, Unibanco, Heidelberger Druck and Banca Intesa in the course of the year.

Change in structure of deposits

While our interbank borrowing grew by 12.5% to €129.9bn, our liabilities to customers declined by 2.1% to €102.8bn. Sight deposits were 12.9% higher, whereas savings and time deposits contracted by 26.4% and 4.8%, respectively. Securitized liabilities rose by 11.1% to €96.9bn, largely due to the activity of Hypothekenbank in Essen and the Parent Bank.

Encouragingly strong rise in revenues

All told, the revenues of the Commerzbank Group rose by 15.9% to €6.4bn. Net interest income increased by 5.3% to €3.2bn, thanks to Eurohypo, Essenhyp and BRE Bank in particular.

We were able to reduce provision for possible loan losses by a third to €566m, the lowest level in six years. This proves that we are on the right course in our risk management. Our portfolio of non-performing loans was €590m lower in a year-end comparison, which meant that we had further reduced the risks. The cover ratio for such loans is a comfortable 120%.

Above all, our net commission income benefited from the encouragingly brisk stock-exchange business, climbing 7.3% to €2.4bn. In addition to commissions from securities transactions and asset management, we also registered a good result for syndicated business. Our trading profit was 31.2% stronger at €707m. Apart from the positive market environment, our new orientation in investment banking with its focus on customer-driven business was a key factor here. The net result on the investments and securities portfolio almost doubled year-on-year to reach €647m. On our equity holdings, we realized proceeds of €431m, mainly through the disposal of interests in Banca Intesa, MAN, Unibanco and Heidelberger Druck. The contribution from securities was €216m.

Structure of provision for possible loan losses

Commerzbank Group, in € m	2005	2004	2003	2002	2001
Germany	629	836	791	956	609
Abroad	–63	0	293	365	318
Total net provisioning	566	836	1,084	1,321	927

Slight increase in operating expenses

Despite our strict cost management, operating expenses – rising by 3.8% to €4.7bn – were up slightly for the first time in four years. Whereas other expenses continued to decline, personnel expenses were higher due to special charges. Among other things, we set aside roughly €50m for a new form of bonus payment; starting this year, we are introducing a profit-participation scheme for employees, the payout being determined by the return on equity which is achieved. A special effect was also registered in depreciation, since we had to make a write-down of €118m on Asian real estate acquired together with the purchase of the British firm Jupiter.

Consolidated surplus more than tripled

The above-mentioned income and expenses taken together gave rise to an operating profit of €1.72bn, which was almost 70% higher than a year earlier. In order to make improvements to credit-processing procedures and at foreign outlets, we booked restructuring expenses of €37m. Subsequently, the pre-tax profit amounted to €1.68bn, compared with €796m a year previously, when we had to shoulder higher restructuring expenses for revamping investment banking and – under the accounting rules valid at that time – for regular amortization of goodwill.

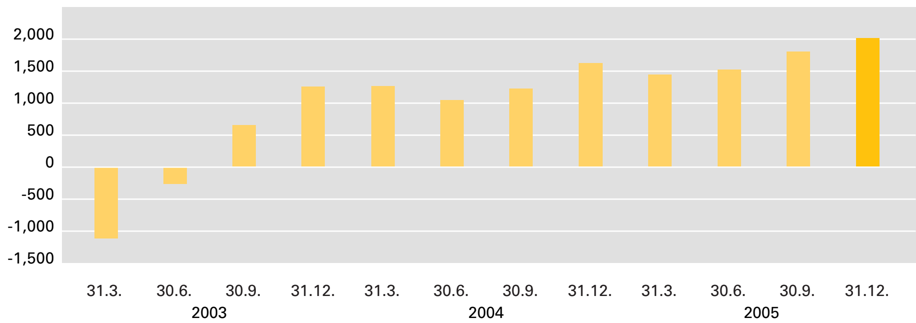
After taxes of €409m and the profits of €106m attributable to minority interests are deducted, a consolidated surplus of €1,165m remains, as against €362m a year earlier. We intend to allocate €837m of this amount to retained earnings. We will propose to the Annual General Meeting that the distributable profit of €328m be used to make a dividend payment which has been doubled to 50 cents per Commerzbank share.

Equity increased before Eurohypo transaction

The Bank's equity rose by 23.8% to €13.7bn in the course of the year. This was mainly due to the November capital increase, effected in connection with the acquisition of Eurohypo. The new shares were allocated to institutional investors at a price of €23.50 per share, providing us with about €1.36bn of new equity. Our subscribed capital rose to €1.7bn and the capital reserve increased by practically 27% to €5.7bn. The issue of shares to our staff generated €9m.

Revaluation reserve continues to rise

in € m



After the allocation from the net profit for the year, our retained earnings stand at €4.2bn. Despite the disposal of equity holdings, the revaluation reserve was 24.7% higher at €2.0bn. As we have raised our interest in comdirect bank to almost 80%, minority interests contracted by 25.4% to €947m.

At year-end, the core capital ratio stood at 8.1%, compared with 7.5% a year previously. Due to the €733m decrease in subordinated funds, our own funds ratio was reduced slightly from 12.6% to 12.5%. Parallel to acquiring the remaining 49.1% of Eurohypo on March 31, 2006, we are issuing hybrid capital for the first time in the history of Commerzbank. This will ensure that our core capital ratio remains within the target range after Eurohypo has been fully consolidated.

Changes in segment reporting

As of January 1, 2005, we adjusted our segment reporting to reflect the new organization of the Commerzbank Group. The new structure is presented in detail on page 128 of this report.

At the same time, we made additional changes in the interest of greater transparency. Parts of the Others and Consolidation segment are now assigned to operational business lines. This applies mainly to the funding costs of the equity investments controlled by the respective segments and to costs not previously allocated. In addition, we no longer show a Group Treasury segment, but instead assign the results of treasury in Germany to the relevant business lines. Last but not least, we no longer measure the equity allocated to the various segments in accordance with the German Banking Act (KWG), but rather in accordance with BIS. In order to guarantee comparability, the year-ago figures have been revised accordingly.

Stable result in Private and Business Customers segment

Last year, we increased revenue in this segment by €21m, thanks primarily to net commission income from brisk securities trading on behalf of our customers. On the other hand, investments in our growth initiatives for private banking, business customers and at comdirect bank led to higher operating expenses. In addition, the lion's share of the newly introduced profit-sharing scheme for staff is borne by this segment. The operating profit of €282m – compared with €323m a year earlier – is in line with our expectations, therefore, and reflects much improved sales performance.

With a virtually unchanged amount of equity tied up, the operating return on equity fell from 17.1% to 14.9%. The cost/income ratio rose marginally from 75.6% to 77.9%.

Assets under management reach €98.3bn

With €4.1bn more assets under management, we raised net commission income by €46m in Asset Management. All told, revenue was €17m stronger. There was a sizeable increase of €74m in operating expenses, mainly due to the revaluation of staff profit-participation models at our UK subsidiary Jupiter, as required by new accounting rules. The operating profit reached €120m, compared with €177m a year previously. However, the pre-tax profit of €120m was somewhat higher than in 2004, when the no longer admissible regular amortization of goodwill had imposed an extra burden, pushing the pre-tax profit down to €118m.

The operating return on equity deteriorated from 31.7% to 22.3% and the cost/income ratio from 68.9% to 79.5%.

Mittelstand segment successful

Both the Parent Bank in Germany and our outlets in Central and Eastern Europe – and primarily BRE Bank – as well as CommerzLeasing und Immobilien were mainly responsible for the positive development of this segment. Revenue for *Mittelstand* overall was €308m higher. Net commission income in particular expanded strongly. Provisioning, which was reduced by a sizeable €161m, also made a major contribution to the improvement in earnings. Operating expenses were virtually unchanged. We achieved an operating profit that was a good three times higher, rising from €131m to €408m. The income statement of this segment includes €22m in restructuring expenses set aside for improving credit-processing procedures, which reduces the pre-tax profit.

Despite the larger average amount of equity tied up, the operating return on equity jumped from 4.9% to 13.5%, and the cost/income ratio improved from 59.3% to 56.2%.

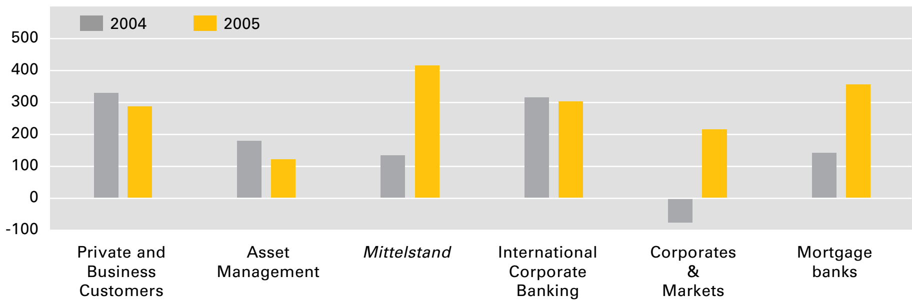
Efficiency-boosting programme for International Corporate Banking

International Corporate Banking benefited above all from the reversal of provisions in 2005; we show a positive balance of €69m under provision for possible loan losses. Net interest income was lower on account of a weaker treasury result, while net commission income was more or less unchanged. With operating expenses slightly higher, we achieved an operating profit of €299m, as against €311m a year earlier. In this segment, we have recognized restructuring expenses of €11m in connection with our project to boost efficiency at outlets in Western Europe.

The operating return on equity receded from 23.3% to 21.5% – with a slightly larger average amount of equity tied up. The cost/income ratio rose from 43.6% to 53.1%.

Operating profit, by segment

in € m



Repositioning of Corporates & Markets paying off

Revenue in this segment increased by €138m, driven by the excellent trading profit and improved net interest income after provisioning. At the same time, we managed to cut our operating expenses considerably, by €149m, by concentrating our business activities. This led to a positive swing in our operating profit, which moved from minus €75m to an encouragingly high €212m. We needed €132m to cover restructuring expenses last year. For 2006, we have earmarked only a small amount of €4m.

With a much reduced average amount of equity tied up, the operating return on equity rose from –3.7% to 11.7%. The cost/income ratio fell from 105.1% to 78.7%.

Mortgage Banks – a solid pillar in our earnings performance

Our mortgage banks produced excellent performance in 2005. Their net interest income more than doubled, not least due to the boom in new business. Overall, revenue increased by €214m, while operating expenses remained at their low year-earlier level. The operating profit reached €350m, compared with €139m in 2004.

With an unchanged average amount of equity tied up, the operating return on equity climbed substantially from 13.9% to 34.8%, while the cost/income ratio dropped further from last year's already excellent level of 19.1% to 11.1%.

Mortgage banks

	2005
Equity tied-up (€ m)	1,007
Operating return on equity	34.8%
Cost/income ratio in operating business	11.1%

Commerzbank Group back on a successful course

The 2005 returns on equity for the Commerzbank Group as a whole show that we have made good progress on the way to achieving sustained earnings performance. By 2010 at the latest, we intend to have an after-tax return on equity of 15%, and the cost/income ratio should settle at around 60%. For 2006, we have set ourselves the target of a return on equity of over 10% and a further decline in our cost/income ratio.

Development in individual quarters

2005 financial year

€ m	Total	4th quarter	3rd quarter	2nd quarter	1st quarter
Net interest income	3,172	833	771	847	721
Provision for possible loan losses	–566	–40	–151	–177	–198
Net interest income after provisioning	2,606	793	620	670	523
Net commission income	2,415	645	599	593	578
Net result on hedge accounting	–22	–	–5	–5	–12
Trading profit	707	217	217	11	262
Net result on investments and securities portfolio	647	190	79	84	294
Other result	26	–9	6	26	3
Operating expenses	4,662	1,370	1,097	1,088	1,107
Operating profit	**1,717**	**466**	**419**	**291**	**541**
Regular amortization of goodwill	–	–	–	–	–
Restructuring expenses	37	37	–	–	–
Pre-tax profit	**1,680**	**429**	**419**	**291**	**541**
Taxes on income	409	84	126	83	116
After-tax profit	**1,271**	**345**	**293**	**208**	**425**
Profit/loss attributable to minority interests	–106	–12	–31	–33	–30
Consolidated surplus	**1,165**	**333**	**262**	**175**	**395**

2004 financial year

€ m	Total	4th quarter	3rd quarter	2nd quarter	1st quarter
Net interest income	3,013	747	719	806	741
Provision for possible loan losses	–836	–185	–199	–214	–238
Net interest income after provisioning	2,177	562	520	592	503
Net commission income	2,250	570	526	557	597
Net result on hedge accounting	6	–1	14	–11	4
Trading profit	539	103	–9	131	314
Net result on investments and securities portfolio	339	82	23	180	54
Other result	193	9	35	82	67
Operating expenses	4,493	1,159	1,086	1,136	1,112
Operating profit	**1,011**	**166**	**23**	**395**	**427**
Regular amortization of goodwill	83	22	20	21	20
Restructuring expenses	132	–	132	–	–
Pre-tax profit	**796**	**144**	**–129**	**374**	**407**
Taxes on income	353	47	71	107	128
After-tax profit	**443**	**97**	**–200**	**267**	**279**
Profit/loss attributable to minority interests	–81	–5	–16	–27	–33
Consolidated surplus	**362**	**92**	**–216**	**240**	**246**

corporate governance at commerzbank

On February 26, 2002, an independent commission set up by the German government published the German Corporate Governance Code for the first time. It describes key statutory provisions for the management and supervision of German listed companies and embodies internationally and nationally recognized standards for good and responsible governance. The Code makes the German system of corporate governance transparent and intelligible. It strengthens the confidence of investors, customers, employees and the general public in the management and supervision of German listed companies.

Responsible corporate governance has always been a high priority at Commerzbank. That is why we – the Supervisory Board and the Board of Managing Directors – expressly support the Code as well as the goals and objectives which it pursues. Even at the time of publication of the German Corporate Governance Code, Commerzbank's articles of association and the rules of procedure for the Board of Managing Directors and Supervisory Board complied with its requirements for the most part. Wherever this was not yet the case, we have adjusted them to the regulations of the German Corporate Governance Code. The relevant changes to the articles of association were resolved by the Annual General Meeting of May 30, 2003. The articles of association and the rules of procedure are available on the internet.

Commerzbank's corporate governance officer is Günter Hugger, head of Legal Services. He is the person to contact for all corporate governance issues and has the function of advising the Board of Managing Directors and the Supervisory Board on the implementation of the German Corporate Governance Code and of reporting on its implementation by the Bank.

Recommendations of the German Corporate Governance Code

The Bank declares every year whether the recommendations of the Commission regarding conduct have been and will be complied with or explains which recommendations have not been and will not be applied. This declaration of compliance by the Board of Managing Directors and the Supervisory Board is published on Commerzbank's internet site. There, the no longer current declarations of compliance, made since 2002, may also be found.

Commerzbank complies with virtually all of the recommendations of the German Corporate Governance Code in its version of June 21, 2005; it deviates from them in only two points:

Pursuant to section 4.2.2, the full Supervisory Board should discuss and regularly review the structure of the system of compensation for the Board of Managing Directors. The Supervisory Board has entrusted matters related to the compensation of the Board of Managing Directors to its Presiding Committee, which independently resolves upon and deals with them. This procedure has proved successful. The Presiding Committee discusses the structure of the system of compensation, regularly reviews it and determines the amount of compensation for members of the Board of Managing Directors. It reports to the full Supervisory Board on its deliberations and decisions.

Pursuant to section 5.3.2 of the Code, the Audit Committee shall deal not only with accounting issues and the audit of the annual financial statements, but also with issues related to the Bank's risk management. Commerzbank has entrusted risk-management issues to the Risk Committee of the Supervisory Board, which for years has dealt with the Bank's credit, market and operational risk, rather than to its Audit Committee. It is ensured that the Audit Committee is extensively informed about risk-management issues by the chairman of the Audit Committee also being a member of the Risk Committee of the Supervisory Board.

Suggestions of the German Corporate Governance Code

Commerzbank also complies with virtually all of the suggestions of the German Corporate Governance Code, deviating from them in only six points:

In derogation of section 2.3.3, the proxy can only be reached up to the day of the Annual General Meeting. However, shareholders present or represented at the Annual General Meeting are able to give their proxy instructions there as well.

In section 2.3.4, it is suggested that the Annual General Meeting be broadcast in its entirety via internet. We broadcast the speeches of the Chairman of the Supervisory Board and the Chairman of the Board of Managing Directors, but not the general debate. For one thing, a complete broadcast seems inappropriate given the length of annual general meetings; for another, the personal rights of the individual speaker have to be considered.

Section 3.6 of the German Corporate Governance Code suggests that separate meetings should be held regularly for the representatives of the shareholders and the employees. We arrange such preparatory meetings only if the need arises.

Section 5.3.2 suggests that the chairman of the Audit Committee should not be a former member of the Board of Managing Directors. We have not adopted this suggestion as the expertise of the person in question takes priority for us.

The suggestion contained in section 5.4.6 that the members of the Supervisory Board should be elected at different dates and for different periods of office is not compatible with the German system of co-determination. Employee representatives, namely, have to be elected together for five years. The suggestion could only be applied, therefore, in the case of shareholder representatives and would consequently lead to unequal treatment.

Last but not least, it is suggested in section 5.4.7 of the Code that the variable compensation of Supervisory Board members should also be related to the long-term performance of an enterprise. At Commerzbank, the variable compensation of Supervisory Board members is related to the dividend payment. We consider this to be a transparent and readily understandable system. What is more, the most recent judgement of the Federal Court of Justice (*Bundesgerichtshof*) makes it doubtful whether long-term compensation structures are permissible.

ComWerte project

Responsible corporate governance also entails the development and observance of internal rules of conduct and principles. A "corporate constitution" is to serve this purpose, which is being prepared since mid-2005. This is an extensive project, bearing the name "ComWerte". It describes the principles upon which the corporate culture is based and Commerzbank's values, and links these up with guidelines and statutory provisions. In this way, a responsible corporate culture is to be clearly and sustainably implemented and responsible conduct on the part of employees encouraged. It will be introduced in the course of the current year.

Board of Managing Directors

The Board of Managing Directors is responsible for the independent management of the Company. In this function, it has to act in the Company's best interests and is committed to achieving a sustained increase in the value of the Company and to respecting the interests of customers and employees. It develops the Company's strategy, coordinates it with the Supervisory Board and ensures its implementation. In addition, it guarantees efficient risk management and risk control. The Board of Managing Directors conducts Commerzbank's business activities in accordance with the law, the articles of association, its rules of procedure and the relevant employment contracts. It cooperates on a basis of trust with Commerzbank's other bodies and with employee representatives.

The composition of the Board of Managing Directors and the responsibilities of its individual members are presented on pages 202-203 of this annual report.

In the 2005 financial year as well, members of the Board of Managing Directors were involved in no conflicts of interest as defined in section 4.3 of the German Corporate Governance Code.

Principles of the compensation system for members of the Board of Managing Directors

The compensation of the members of the Board of Managing Directors is made up of a fixed remuneration and a variable bonus, based on Commerzbank's business success and the attainment of previously defined targets. In addition, there is appropriate remuneration in kind. Emoluments for board functions at subsidiaries are counted against remuneration. On page 176 of this annual report, the compensation of the members of the Board of Managing Directors can be found in individualized form, broken down according to the various components.

Since 2001, the members of the Board of Managing Directors, like other executives and selected staff of the Group, have been able to participate in so-called long-term performance plans (LTPs). These annually offered plans permit a remuneration geared to the performance of the share price or a sectoral index, which in some cases is paid in cash, and are therefore referred to as virtual stock option plans. They entail a payment commitment if the price performance of the Commerzbank share exceeds that of the Dow Jones Euro Stoxx Banks and/or the absolute performance of the Commerzbank share is at least 25%. In order to participate in the LTPs, those eligible have to invest in Commerzbank shares. Members of the Board of Managing Directors may participate with up to 2,500 shares, the spokesman of the Board of Managing Directors with up to 5,000 shares. Below Board level, employees may subscribe to between 100 and 1,200 shares for the plan, depending on the function group of the employee. The exact structure of these LTPs is explained on pages 118 and 119 of this annual report; details of the current value of these options may be found on pages 181 and 182.

Supervisory Board

The Supervisory Board advises and supervises the Board of Managing Directors in its management of the Company. It conducts its business activities in accordance with the legal provisions, the articles of association and its rules of procedure; it cooperates closely and on a basis of trust with the Board of Managing Directors.

The composition of the Supervisory Board and its committees is presented on pages 199 and 200 of this annual report. Information on the work of this body, its structure and its control function is provided by the report of the Supervisory Board on pages 195-198.

Every two years, the Supervisory Board examines the efficiency of its activities by means of a detailed questionnaire. Such an examination took place at the start of 2004. At the start of 2005, an abridged examination was carried out and by the end of last year another detailed survey. It focused once again on the topics:

- Information flow from the Board of Managing Directors to the Supervisory Board
- Meetings (number, topics and main emphases)
- Composition of the Supervisory Board (efficiency, independence)
- Committees (number, distribution of duties)

The results of the efficiency check provide the basis for further improving the work of the Supervisory Board. Evaluation of the findings revealed that supervision continues to be professional at Commerzbank. In principle, the number of meetings per year is considered adequate and the distribution of duties between the Supervisory Board and its committees sensible. In the Supervisory Board's opinion, no further committees are necessary. The wish was frequently expressed that the full Supervisory Board should receive more detailed information on the work of the committees. The composition of the Supervisory Board in terms of competence, experience, specialist knowledge, etc. is basically thought to be appropriate. The question whether the Supervisory Board is sufficiently independent also basically received an affirmative answer. Frequently, the wish was expressed to be informed earlier. However, it was conceded that in many cases statutory provisions (so-called ad hoc publication) prevent this wish from being realized. Generally great interest exists in receiving detailed reports and discussing the Bank's strategic course.

During the Risk Committee's discussion of the acquisition of Eurohypo AG, Mr. Müller-Gebel informed the other members of the committee that he was also a member of the supervisory board of Eurohypo AG and as a precautionary measure he abstained when the resolution was subsequently adopted. Further conflicts of interest as defined in section 5.5 of the German Corporate Governance Code did not occur during the year under review.

Compensation of the Supervisory Board

The members of our Supervisory Board will receive remuneration of €1,394 thousand for the 2005 financial year (previous year: €1,054 thousand), provided that the AGM of Commerzbank Aktiengesellschaft resolves that a dividend of

€0.50 be paid per no par-value share. The remuneration of the members of the Supervisory Board is regulated by Art. 15 of the articles of association and is divided as follows between the individual members:

2005 Supervisory Board members	Basic remuneration[1)] in €1,000	Committee remuneration in €1,000	Total in €1,000
Dr. h.c. Martin Kohlhaussen	108	72	180
Uwe Tschäge	72	18	90
Hans-Hermann Altenschmidt	36	18	54
Dott. Sergio Balbinot	36	18	54
Herbert Bludau-Hoffmann	36	–	36
Astrid Evers	36	–	36
Uwe Foullong	36	–	36
Daniel Hampel	36	–	36
Dr.-Ing. Otto Happel	36	18	54
Dr. jur. Heiner Hasford	36	18	54
Sonja Kasischke	36	–	36
Wolfgang Kirsch	36	18	54
Werner Malkhoff	36	18	54
Klaus Müller-Gebel	36	54	90
Dr. Sabine Reiner	36	–	36
Dr. Erhard Schipporeit	36	–	36
Dr.-Ing. Ekkehard D. Schulz	36	–	36
Prof. Dr. Jürgen F. Strube	36	18	54
Dr. Klaus Sturany	36	–	36
Dr.-Ing. E.h. Heinrich Weiss	36	18	54
Total	**828**	**288**	**1,116**[2)]

1) This basic remuneration consists of a fixed portion (roughly 55.6%) and a variable portion dependent on the dividend payment (roughly 44.4%); 2) in addition to this amount, attendance fees of €277 thousand were paid.

Purchase and disposal of the Company's shares

Pursuant to Art. 15a of the German Securities Trading Act (*Wertpapierhandelsgesetz* – WpHG), transactions by executives of listed companies and their families have to be disclosed and published. Accordingly, purchases and disposals of shares and also of financial instruments related to Commerzbank of €5,000 and upwards must be reported immediately and for the duration of one month. Through the resolution adopted by the Board of Managing Directors on November 16, 2004, the circle of people required to notify and publish such information was enlarged on account of the German legislation to improve investor protection so as to include Regional Board Members and Group Managers who regularly have access to insider information and are authorized to make business decisions. The resolution adopted by the Board of Managing Directors on August 16, 2005, limited this duty to notify to the Board of Managing Directors and Supervisory Board again; in this, the Bank followed the recommendations of BaFin's guide for issuers.

In 2005, Commerzbank published the following transactions on its internet site under the heading "Directors' Dealings":

Date	Name	Function	Purchase/ Disposal	No. of shares	Price per unit in euros
16.02.05	Klaus-Peter Müller	Board of Managing Directors	P	2,047	16.77
				2,953	16.78
16.02.05	Dr. Eric Strutz	Board of Managing Directors	P	2,000	16.79
16.02.05	Martin Blessing	Board of Managing Directors	P	3,000	16.82
16.02.05	Dr. Achim Kassow	Board of Managing Directors	P	2,000	16.84
18.02.05	Dr. Renate Krümmer	Group Manager	P	2,250	16.86
21.02.05	Roman Schmidt	Group Manager	P	3,000	16.95
12.04.05	Sonja Kasischke	Member of Supervisory Board	D	300	17.88
03.05.05	Martin Blessing	Board of Managing Directors	P	3,000	16.34
03.05.05	Dr. Achim Kassow	Board of Managing Directors	P	2,000	16.28
04.05.05	Dr. Sebastian Klein	Group Manager	P	1,200	16.34
09.05.05	Klaus-Peter Müller	Board of Managing Directors	P	5,000	16.41
16.05.05	Frank Annuscheit	CIO	P	745	16.05
18.05.05	Martin Zielke	Group Manager	P	1,155	16.47
19.05.05	Ulrich Leistner	Regional Board Member	P	1,200	16.61
23.05.05	Andreas de Maizière	Board of Managing Directors	P	1,500	16.52
23.05.05	Martin Blessing	Board of Managing Directors	P	7,500	16.41
25.05.05	Nicholas Teller	Board of Managing Directors	P	2,500	16.35
30.05.05	Werner Weimann	Regional Board Member	P	1,000	17.25
30.05.05	Andreas Kleffel	Regional Board Member	P	64	17.68
06.06.05	Peter Bürger	Group Manager	P	660	17.85
07.06.05	Michael Seelhof	Group Manager	P	144	17.60
08.06.05	Michael Seelhof	Group Manager	P	150	17.72
08.06.05	Dr. Peter Hennig	Group Manager	P	455	17.73
22.06.05	Frank Annuscheit	CIO	P	210	18.57
05.08.05	Roman Schmidt	Group Manager	D	3,000	19.71
					19.72
					19.73
09.09.05	Hans-Hermann Altenschmidt	Member of Supervisory Board	D	530	22.50
21.10.05	Daniel Hampel	Member of Supervisory Board	P	250	20.80
17.11.05	Dr. Achim Kassow	Board of Managing Directors	P	2,500	23.66

All told, the Board of Managing Directors and the Supervisory Board owned no more than 1% of the issued shares and option rights of Commerzbank AG on December 31, 2005. Employees hold almost 2% of Commerzbank's capital; this is due above all to the regular share issues to staff over the past 30 years.

Accounting

For accounting purposes, the Commerzbank Group applies the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS); the individual financial statements of Commerzbank AG are prepared according to HGB rules. The consolidated financial statements and the financial statements of the Parent Bank are prepared by the Board of Managing Directors and approved by the Supervisory Board. The audit is performed by the auditors elected by the Annual General Meeting. The annual financial statements also include a detailed risk report, providing information on the Company's responsible handling of the various types of risk. It appears on pages 56-93.

Shareholder relations and communication

Once a year, the Annual General Meeting of shareholders takes place. Above all, it resolves upon the appropriation of the distributable profit, approves the actions of the Board of Managing Directors and the Supervisory Board as well as amendments to the articles of association and, if necessary, authorizes the Board of Managing Directors to undertake capital-raising measures. Each share entitles the holder to one vote.

The Bank's shareholders may submit recommendations or other statements by letter or e-mail or may present them in person. The Bank's head-office quality management unit is responsible for dealing with written communication. At the Annual General Meeting, the Board of Managing Directors or the Supervisory Board comment or reply directly. At the same time, shareholders may influence the course of the Annual General Meeting by means of counter-motions or motions to extend the agenda. Shareholders may also apply for an extraordinary General Meeting to be convened.

Commerzbank informs the public – and consequently shareholders as well – four times a year about the Bank's financial position and earnings performance; further corporate news items that are relevant for the share price are published in the form of so-called ad hoc releases. By means of press conferences and analysts' meetings, the Board of Managing Directors reports on the annual financial statements and the quarterly results. For reporting purposes, Commerzbank increasingly uses the possibilities offered by the internet; at www.commerzbank.com, those interested can find a wealth of information on the Commerzbank Group.

We feel committed to communicating in an open and transparent manner with our shareholders and all other stakeholders. We intend to realize this claim in the future as well.

Frankfurt am Main, February 14, 2006

Commerzbank Aktiengesellschaft
The Board of Managing Directors — The Supervisory Board

| lisbon, almada forum |

COVERING AN AREA OF OVER 73,800M^2, PORTUGAL'S THIRD-LARGEST SHOPPING CENTRE WITH ITS 200 OR SO SHOPS OFFERS A DIVERSE RANGE OF SHOPPING AND RECREATION FACILITIES. ITS NUMEROUS ARCHITECTURAL HIGHLIGHTS INCLUDE THE LARGE RECREATION AREA WITH RESTAURANTS IN THE FORM OF AN IMITATION FISHING VILLAGE AND SEVERAL CINEMAS. ITS INNOVATIVE CONCEPTION EARNED IT THE MIPIM AWARD FOR THE BEST SHOPPING CENTRE DEVELOPMENT IN 2003. THE CENTRE IS ONE OF THE ASSETS IN THE PORTFOLIO OF OUR HAUSINVEST EUROPA FUND.

| ideas ahead |

retail banking and asset management

The Retail Banking and Asset Management division consists of the segments Private and Business Customers and Asset Management. Through our nationwide branch network, we offer retail customers a broad range of products. In the meantime, we serve our sophisticated private-banking clients at 37 locations in Germany and at selected outlets abroad. In Asset Management, we have a presence in Germany and in selected international locations.

Private and Business Customers segment

Private and Business Customers

	2005
Equity tied-up (€ m)	1,891
Operating return on equity	14.9%
Cost/income ratio in operating business	77.9%

The Private and Business Customers segment is made up of the Private and Business Customers and Private Banking departments as well as comdirect bank AG. In view of the various special charges which had to be borne, we are very satisfied with the operating profit of €282m. The operating return on equity was 14.9% and the cost/income ratio 77.9%.

Private and Business Customers department

Our activities involving private and business customers have made good progress. The basis for this success was strong sales performance; we had 35% more contacts with customers, using them to conclude 20% more deals than in the previous year. Our success on the distribution front was fuelled by broad product sales and efficiency-raising measures under the *grow to win* programme for excellence and growth.

Leading position in providing securities advice

In order to achieve a better match between Commerzbank's securities expertise and customers' needs, new technical solutions were introduced in 2005 to support advisers and customers in their investment decisions. As a result, we are setting standards in German banking. Central to our project – Wertpapier 100+ – is the idea that an investment strategy for specific customers must duly take into consideration their investment mentality and actively relate their individual financial and asset situation to current capital-market information. Subsequently, constant comparisons have to be made between the two. We achieve this by means of our "Infobroker" securities information system, which is directly linked up with the Bank's customer information system. In addition, every market-induced structural change becomes evident by comparing the customer's custody account with model custody accounts, so that the custody account can be adjusted at short notice at a meeting with the customer.

For a broader range of investment products, Commerzbank has developed its pioneering role in the distribution of third-party funds. This has been confirmed by the German standards control association TÜV Süd, which once again awarded Commerzbank the "tested fund selection" certificate – the only bank to receive such confirmation. At Commerzbank, funds are subjected to a firmly defined, transparent and objective selection process. Only funds with the best results are given a buy recommendation. They can be either in-house funds or third-party products.

The decision to follow the recommendations of the selection process pays off for customers: in 2005, the "best of" recommendations performed far better than comparable funds. On average, they outperformed the index by almost 9%. All told, we managed to expand the volume of securities under custody by as much as €3.5bn to €38bn; revenue was 22% higher.

Market position in home loans expanded further

For the first time in three years, our portfolio of home loans expanded. New business was 48% stronger than in 2004. We achieved this through a combination of our high-quality advice and attractive market conditions. In order to help customers take better advantage of the favourable interest-rate situation, we launched an innovative product – BaufiFlex – which responds flexibly to market conditions. The public's attention was caught by a year-long market offensive, positioning Commerzbank as a leading provider of home loans.

The specialist on the spot derives support for the individual advice he or she provides from a programme developed exclusively for this purpose. It offers solutions extending far beyond a simple financing and is optimally tailored to personal needs. These include various possibilities for obtaining public funds, special redemption rights, and flexible availability of the loan.

The integration of Eurohypo into the Commerzbank Group has considerably strengthened our position in the home loan area.

New business model for bancassurance and provision

Banks are playing an ever more important role as providers of special services in private provision for old age. We have responded to this challenge with an efficient and individual strategy for making such provision.

We have great competence in this field thanks to our cooperation with our insurance partner, the AMB Generali group. With the excellent insurance products of Volksfürsorge and our traditional banking and investment products, the optimal solution can be found for every kind of provision need. In order to handle the growing demand for services related to provision even better, Commerzbank has overhauled its business model for advising customers in the bancassurance and provision areas. Every account manager at every branch is now able to give customers direct and individual advice on this topic. They are supported in their efforts by the new ComVor software, a streamlined product palette and an extensive coaching programme. For complex issues, they can turn to the specialists of our Commerz Partner subsidiary. After the new business model had been introduced, the number of deals concluded tripled.

Strong growth in basic products

Consumer loans benefited in particular from the more intensive sales efforts. Year-on-year, the volume of new business expanded by 22% to €643m. The successful introduction of FlexiCard, a reasonably-priced financial reserve, available at all times, was a major driving force. The number of new accounts was similar to the previous year's; sales of cards rose by 30%.

More consulting for business customers

Professional people, the self-employed and businessmen expect their bank to provide them with convincing solutions for their business and private financial affairs. In response to these needs, Commerzbank has considerably enhanced its model for business customers.

The product range that is entirely geared to the needs of this group is a combination of convincing solutions in business-related financial issues and all-inclusive individual advice for private financial matters. In this way, we managed to gain more than 20,000 new business customers last year. Thanks to the all-inclusive support provided, we also boosted new business in investment loans by a solid 40%.

Currently, Commerzbank is looking after over 440,000 business customers at more than 600 locations in Germany. Customers benefit, therefore, from the expertise and efficiency of a major international bank combined with regional market knowledge and an on-the-spot presence.

SchmidtBank successfully integrated

The technical migration in early March 2005 put the final touches to the successful takeover of SchmidtBank. All the accounts and custody accounts as well as the investment products and loans of former SchmidtBank customers were transferred to Commerzbank's systems – all in all, over eight million data records. Only ten months after the takeover, therefore, Commerzbank had completely integrated the branch business of the long-established regional bank into its own network, thereby notably increasing its market presence in Bavaria, Thuringia and Saxony. We now have 791 outlets throughout Germany. We have attracted altogether just under 350,000 new retail customers with our products and services.

88 branches of the future

We are continuing to strengthen our branch network with the "branch of the future" project. Branches of this type are customer-oriented and focus on consulting and distribution. We achieve this, for one thing, through the standardization, streamlining and centralization of administrative functions; for another, through modern and efficient self-service terminals. Here we also make it possible to effect other cash transactions such as in-payments of banknotes and coins 24 hours a day. We will continue to introduce more automation, in terms of both functionalities and locations.

Up to now, small branches in particular have benefited from the new format. It enables us to have an on-the-spot presence and to respond to the customer's wish for a local source of services and continuity in the advice provided. As there is a growing need for advice and products are becoming ever more complex, our customers' response is positive. In future, we will incorporate elements of the new branch type at medium-sized and large branch offices.

2006: consolidation and growth

In 2006 as well, our efforts will focus on establishing new business models – both for looking after business customers and for private provision. We will continue to invest in preparing our sales network to meet the challenges of the future and will continue to develop and enhance our *grow to win* programme for excellence and growth. Last but not least, by integrating Eurohypo we intend to improve our product range further and strengthen our position with private and business customers.

Private Banking department

In Private Banking, we more than attained the ambitious goals set for last year. Assets under management expanded by 12% in 2005 to over €22bn and consequently well above the market average. As a result, we have further strengthened our position as one of the top three in Germany in looking after private clients.

Just under 600 staff worldwide provide support for roughly 22,000 clients in all wealth-related issues. Our all-inclusive service ranges from individual portfolio management and active securities management via financial investment and real-estate management to the management of foundations, estates and private wealth. With its 37 locations – including those opened in Saarbrücken, Regensburg and Bayreuth in 2005 – Commerzbank offers the greatest density of private-banking outlets in Germany.

Internationally, four centres of competence in Zurich, Geneva, Luxembourg and Singapore complement the services provided for wealthy private clients on the spot in important financial centres and offshore markets. Our clients are also able to benefit directly from the investment opportunities in the international financial markets thanks to Commerzbank's worldwide network.

Innovation leader for investment ideas…

Through the close links with Commerzbank's Asset Management, our private-banking relationship managers can directly tap the expertise of over 100 analysts and capital-market experts. This approach pays off: our portfolio management regularly claimed top positions in the relevant league tables in 2005. Apart from such traditional forms of investment as equities and bonds, investment funds and certificates, a major focus last year was on promoting alternative investments such as hedge funds, guarantee products and asset-backed securities. Here, we are guided by our clients' underlying goals: to preserve value after inflation and tax.

The asset structure of our clients can also be improved by granting credits or by other investment instruments – such as equity participations or real estate. Our main other advisory activities relate to helping clients to organize their estates and to the management of foundations. Thanks to this extensive range of services, we can offer all our clients specially tailored investment solutions.

…and quality leader for advice and support

Apart from the very close contact and the trust that exists between client and relationship manager, it is the holistic view of the client's wealth situation and his individual goals that is decisive. Consequently, the models for providing advice and support need to be ideal fits. Last year, therefore, the

Unternehmerbankiers (entrepreneur's bankers) advisory concept was launched for very wealthy private individuals with an entrepreneurial background. These experts possess extensive experience in national and international corporate and private investment banking. In addition, they are able at any time to draw upon expertise from inside the Group and, if necessary, from outside it as well.

By strategically combining the efficiency and creativity of a major international bank with the exclusive and personal style of a local private bank, Commerzbank Private Banking will substantially expand its market position in the future as well. For this purpose, we plan further locations in Germany and more activities abroad. A second strategic focus in 2006 is on raising the new volume in portfolio management, which is one of the main factors contributing to success in Private Banking.

comdirect bank

In the past financial year, we acquired T-Online International AG's 21.32% interest in comdirect bank AG. Commerzbank now holds 79.9% of the company's share capital. We took this step because we are convinced that direct banking still possesses substantial scope for expansion in Germany.

comdirect bank easily exceeded its targets in the 2005 financial year. Although the comvalue programme for growth entailed additional investments, our subsidiary managed again to improve upon its record result in the previous year. At the AGM on May 4, 2006, its management board and supervisory board will propose an unchanged dividend of €0.24 per share.

The product and market offensive launched in connection with comvalue in 2005 led to strong growth in all three fields of competence: brokerage, banking and financial advisory. At year-end, comdirect bank was looking after over 656,000 customers, almost 6% more than a year earlier. The number of current accounts, where acquisition efforts had been particularly intensive, rose by 75% to 155,958, while the number of securities saving plans virtually doubled. Thanks to inflows of funds and price gains, the total assets under custody increased by 30% to €12.9bn; funds and deposits reached their highest level to date. comdirect private finance, comdirect bank's advisory subsidiary, was looking after altogether 8,240 customers in 13 locations at year-end, thereby clearly exceeding its set target for 2005 of 5,000 new customers.

Stage set for further expansion

With the expansion of banking and financial advisory, and also through the closer meshing of the products offered, comdirect represents the bank format of the future. On this basis, it is seeking above-average growth for those of its revenue components that are largely independent of the stock exchange. The comvalue programme for growth, which is scheduled to run for three years, is being continued according to plan.

In addition to growing organically, comdirect bank made a successful acquisition last year. In October, it reached agreement with American Express Bank to take over a portfolio with roughly 44,000 customers on January 1, 2006, at a price of about €13m. Thanks to this transaction, comdirect bank enters the 2006 financial year with around 700,000 customers.

Asset Management segment

At end-2005, our Asset Management had altogether €98bn of assets under management, for the most part concentrated at our companies in Frankfurt, London and Paris. Within an overall multi-boutique approach, these serve as centres of competence for individual markets. With effect from November 1, 2005, we adapted the organizational structure of Asset Management even more strongly to the strategic challenges of the individual markets: German Asset Management, comprising the COMINVEST group, COMSELECT and private portfolio management; International Asset Management, comprising the major participations Jupiter International and Caisse Centrale de Réescompte, and also Asset Management Real Estate with the Commerz Grundbesitz group.

In Asset Management, we achieved an operating profit of €120m in 2005, compared with €177m a year earlier. The decline is mainly due to the reassessment of staff profit-sharing models at Jupiter; otherwise, earnings performance was stable. The operating return on equity was 22.3% and the cost/income ratio 79.5%.

Asset Management

	2005
Equity tied-up (€ m)	537
Operating return on equity	22.3%
Cost/income ratio in operating business	79.5%

German Asset Management department

The COMINVEST group concentrates on actively managed securities-based funds for private and institutional customers mainly in Germany, and together with the ebase subsidiary, on servicing and managing custody accounts. Through a stronger sales orientation and by adjusting funds' cost structure to the market level, COMINVEST made a notable contribution to the overall result of Asset Management.

Retail customers

After several difficult years, the investment industry in Germany registered marked expansion in 2005. There was strong demand for bond-based funds in particular; total return concepts met with especially great interest on the part of investors looking for security.

An uneven picture emerged for the third-party, direct and Group distribution channels. On account of our systematically pursued open architecture approach, we had to accept notable outflows for our own fund products. Nonetheless, our customers found innovative product conceptions convincing. Apart from tax-optimized retail funds, modern products with dynamic capital protection are increasingly regarded as a core competence of the ADIG brand. Stable performance was registered by the direct and third-party segments.

COMINVEST's marketing activities were concentrated on the ADIG Fondak fund. Against this background, its volume more than doubled from €0.9bn to €1.9bn last year. With performance of 33%, it once again did justice to its reputation for being the best German equity-based fund. Numerous awards provide objective confirmation for the quality of this retail fund.

Institutional clients

In institutional business, we raised the assets under management to €29.5bn in 2005. As in the previous year, shifts occurred between the various classes of mandate. Redistribution was mainly prompted by tighter legal accounting requirements as well as the possibilities opened up by investment legislation.

We were actively involved in this development, responding to the changes in clients' needs by introducing seven institutional classes for retail funds. Whereas there was a slight decline in the volume of assets managed in the 273 special or non-publicly-offered funds and the 21 mandates by free portfolio managers for institutional investors, we were able to expand the assets under management in other forms of investment substantially in some cases.

For 2006, we are again aiming for profitable growth. This is to be realized not only through new business but above all by marketing value-added services requiring intensive advisory and by selectively adding to our product range geared to the needs of institutional investors. In this connection, we are quite consciously using third-party products under a multi-manager approach. Cooperation with SEI is one of several successful examples here.

Professional custody service

European Bank for Fund Services GmbH (ebase) is a securities trading bank, offering a platform for servicing and managing custody accounts. It has successfully positioned itself as one of the market leaders among fund platforms.

In 2005, too, we introduced new products and gained new customers. Their number rose sharply to over 940,000 and that of the custody accounts managed to 1.7m. The assets under control expanded from €7.4bn at end-2004 to €11.5bn at the end of last year.

International Asset Management department

Jupiter International achieves impressive growth

Thanks to rising equity prices and the good performance of its funds, our UK subsidiary, the Jupiter Group, substantially improved its operating result once again. With their stock-picking approach, the experts at Jupiter managed to beat both the benchmark and peer groups. Their fine performance earned Jupiter's portfolio managers eighteen awards. These included such prominent prizes as the Global Group of the Year 2005 award from *Investment Week*, which Jupiter received for the second time in succession.

Above all in retail fund management, Jupiter was able to raise its assets under management to a disproportionately strong extent. The inflows were spread between a large number of funds, including the flagships Jupiter Income Trust, Jupiter Emerging European Opportunities and Jupiter Financial Opportunities funds. At the same time, some products were repositioned and enhanced.

CCR strong in value-oriented equity funds

Our French subsidiary, Caisse Centrale de Réescompte (CCR), also raised its assets under management considerably, by practically a fifth. This encouraging expansion was largely based on CCR's core competence, money-market funds and equity funds managed according to the value approach. For these products, the company boasts outstanding long-term performance and has also won important prizes, such as France's most famous Corbeille Award for the most successful capital investment company in 2005.

Real Estate department

Under the umbrella of Commerz Grundbesitzgesellschaft mbH, the two operational companies Commerz Grundbesitz-Investmentgesellschaft (CGI) and Commerz Grundbesitz-Spezialfondsgesellschaft (CGS) manage Commerzbank's open-ended property funds. CGI concentrates on retail funds and CGS on special funds for institutional investors.

CGI's flagship product is hausInvest europa, launched in 1972. With a market share of 12%, the fund continues to be one of the market leaders among German open-ended property funds. As 80% of its real estate is held abroad, its investors have a below-average exposure to market developments in Germany, compared with the rest of the industry. All the same, the fund experienced sizeable net outflows due to market developments. Liquidity was ensured at all times, though.

CGI was able to acquire further attractive real estate for hausInvest global, which invests worldwide. It is the first German investor to commit itself to Canada and Turkey, two markets of the future. Only two years after sales were launched, hausInvest global has already registered inflows of over €1.3bn, making it one of the most successful new funds in the past few decades. The fund invests entirely outside Germany.

At end-2005, we launched another real-estate special fund, ShoppingCenterD. All told, the company now manages six funds for institutional investors. Currently, the CGS funds portfolio consists of over 50 properties in nine European countries, representing assets worth roughly €1.3bn.

Group companies and equity participations in the Retail Banking and Asset Management division

Private and Business Customers department

comdirect bank AG	Quickborn	79.9%[2]
Commerz Service Gesellschaft für Kundenbetreuung mbH	Quickborn	100.0%
COMMERZ PARTNER Beratungsgesellschaft für Vorsorge- und Finanzprodukte mbH	Frankfurt am Main	50.0%
Commerzbank International S.A.	Luxembourg	100.0%[2]
Commerzbank International Trust (Singapore) Ltd.	Singapore	100.0%[1]
Commerzbank (Switzerland) Ltd	Zurich	100.0%[2]

Asset Management department

Commerz Grundbesitz-gesellschaft mbH	Wiesbaden	100.0%
COMINVEST Asset Management GmbH	Frankfurt am Main	100.0%[2]
European Bank for Fund Services GmbH (ebase)	Haar near Munich	100.0%[2]
Caisse Centrale de Réescompte, S.A.	Paris	99.4%[2]
Capital Investment Trust Corporation	Taipei	24.0%[1]
COMINVEST Asset Management Ltd.	Dublin	100.0%[2]
COMINVEST Asset Management S.A.	Luxembourg	100.0%[2]
Commerz Advisory Management Co. Ltd.	Taipei	100.0%[2]
Commerzbank Asset Management Asia Ltd.	Singapore	100.0%[2]
Commerzbank Europe (Ireland)	Dublin	61.0%[1]
Commerz International Capital Management (Japan) Ltd.	Tokyo	100.0%[2]
Jupiter International Group plc	London	100.0%[2]

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

| lloyd's building |

IN 2005, COMMERZLEASING UND IMMO-BILIENGRUPPE ACQUIRED THE LLOYD'S BUILDING IN LONDON AND WITH ITS CFB-FONDS 154 PLACED ITS FIRST CLOSED-END PROPERTY FUND WITH REAL ESTATE IN THE UK. IT IS LET TO THE INSURER LLOYD'S, WHICH IS ONE OF THE WORLD'S LEADING ADDRESSES IN INSURANCE. THE BUILDING IN THE CITY OF LONDON, WHICH HAS WON SEVERAL AWARDS, WAS DESIGNED BY LORD RICHARD ROGERS AND COMPLETED IN 1986.

| ideas ahead |

corporate and investment banking

In its three segments *Mittelstand*, Corporates & Markets and International Corporate Banking, the Corporate and Investment Banking division looks after our business relations with small, medium-sized and large corporate customers worldwide, also assuming responsibility for our customer-based market activities. In the *Mittelstand* segment, just over 50,000 small to medium-sized enterprises are taken care of at our roughly 150 larger branches as well as around 650 larger corporates at five specialized larger corporates centres. The Corporates & Markets department is subdivided into Markets, Sales, Corporate Finance and Corporate Relationship Management, which maintains intensive contact with our multinational clients. International Corporate Banking is responsible for coordinating the contacts of our outlets abroad with their corporate clients and other financial institutions.

Mittelstand on a successful course

Mittelstand

	2005
Equity tied-up (€ m)	3,028
Operating return on equity	13.5%
Cost/income ratio in operating business	56.2%

Commerzbank is the only major bank in Germany to have an operational segment of its own devoted to small to medium-sized enterprises (SMEs or *Mittelstand*). This is intended to make both clients and the public aware of the outstanding strategic importance for the Bank of the target group of companies with annual turnover of €2.5m and higher. The unit is also designed to document internally and externally our self-set goal of being the best bank for SMEs in qualitative terms. This segment includes not only German corporate business but also the Central and Eastern European region, the activities of our Polish subsidiary BRE Bank, as well as the business operations of our Düsseldorf subsidiary CommerzLeasing und Immobilien.

The *Mittelstand* section enjoyed a very successful first year. All units made solid contributions towards a stronger result, so that the RoE target was easily exceeded. The 13.5% operating return on equity was almost three times its year-earlier level. Key factors here were the marked increase in revenues and the renewed decline in provisioning, due not only to falling insolvency figures but above all to our conservative risk management. The encouraging result shows that, even in the face of tough competition, profitable SME business is possible in Germany.

More consulting – less administration

With our "Move to the top" programme, launched in 2003, we want to concentrate our efforts above all on improving the support we offer SMEs and larger corporates. In particular, optimized procedures are to ensure a high level of reliability in credit processing as well as more time for consulting. Pursuing our goal of "More consulting – less administration", therefore, we have been able to avoid staff reductions and other cost-cutting measures in sales up to now – despite difficult economic conditions – and instead we are "investing" more time in our clients and in further improving the level of staff qualifications.

At the same time, we have systematically adapted our range of products and services to the needs of our *Mittelstand* clients. This includes, for instance, an internet-based rating application, which we will offer to existing and potential customers in the first half of 2006. As a result, we will become one of the first banks to offer an indicative rating of annual financial statements based on the rating scale of the Initiative Finanzstandort Deutschland and our own rating scheme. This makes the subject of rating much more transparent for our customers and gives them greater security in dealing with it.

Nearly 10,000 new *Mittelstand* clients in two years

The overall conditions for *Mittelstand* business remained difficult in 2005. New lending continued to suffer as a result of companies' weak investment activity. As market liquidity remained high, pressure on interest margins persisted. Only in the final quarter were there more signs that investment was gradually picking up and with it credit demand.

Even so, our ongoing initiative to gain new customers is a great success. With practically 5,000 new customers last year, we easily exceeded our overall target of 9,000, set for end-2006. Despite achieving our goal a year earlier than planned, we will not relax our efforts to attract more *Mittelstand* firms to Commerzbank.

Prominent among our successfully launched products geared to *Mittelstand* needs and dimensions are borrower's note loans or *Schuldscheindarlehen*. Whereas the traditional borrower's note loan was restricted to major companies and came in lot sizes of €20m and more, our new portfolio-based and unsecured variant can be used for financings of between €0.5m and €5m. With this instrument, we are seeking to provide existing and new clients alike with direct, attractive access to the capital market.

With our "Mezzanine for the *Mittelstand*" programme, we made €350m of subordinated capital available to roughly 50 firms last year. At the same time, we added the product CB MezzCAP to the range of mezzanine finance. This involves bundling the profit-sharing rights held by a group of corporate clients to form a portfolio, which is then placed in the capital market in securitized form by a special-purpose entity. Demand for CB MezzCAP was also very brisk, showing us that we are on the right course with our equity surrogates; we intend to proceed further in this direction.

Trade finance an anchor product

Traditional heavyweights in our product range are payments and cash-management applications, in which we are one of Europe's leading transaction banks. Drawing upon our international sales network, we provide customers in over 50 countries with an electronic platform. Last year, we developed new internet applications for L/C, collection and guarantee transactions, creating an interface between our clients active in external trade and their contractual partners and banks in the target countries.

As part of our multi-channel strategy, we offer extensive and standardized internet services. With a new internet site, we are now merging the functions of the previously separate portals companydirect and companyworld, both of which are being maintained in their existing scope, while further functions have been added. The portal is available to our clients in nine languages and in fourteen countries. More than 31,000 clients are now registered at www.commerzbank.de/firmenkunden.

The market launch of our corporate credit card was a great success. More than 5,000 individual contracts for the Commerzbank Corporate World Master Card underline the attractiveness of this card.

Hedging interest-rate and currency risk

In line with our strategy of reducing existing large commercial solutions to a size suitable for *Mittelstand* firms, we have lowered the threshold amounts for the major interest-rate and currency hedging instruments considerably. Our clients can now make safe calculations starting from amounts of only €100,000 for interest-rate derivatives and €200,000 for currency derivatives. In this way, we have responded to our customers' desire to hedge smaller risks as well.

New manager-of-managers funds

On the investment side, we have extended our range of manager-of-managers funds. In the form of individual portfolio structuring, our two multi-manager funds permit any combination of equities and bonds, catering to both different risk appetites and different expectations with regard to returns. Here, too, the minimum investment of €100,000 is geared to *Mittelstand* companies.

Public sector ever more important

Municipalities with their variety of functions are rapidly gaining in importance as a customer group. We provide sales support through target-group specialists at head office and experienced communal relationship managers at our main branches. Potential clients are both the public-sector bodies themselves and separate enterprises such as local utilities and waste-disposal units. We also provide support for public-sector clients in connection with public-private projects.

New activities in Central and Eastern Europe

We have stepped up our SME activities in Central and Eastern Europe as well. Since the start of last year, for instance, our Hungarian subsidiary has been creating its own branch network in order to provide targeted support for small and medium-sized firms. The results after a year are really encouraging, raising our hopes for the future. We see this as a pilot project for a systematic expansion of our corporate activities in the region.

We are also made confident by the success of our Polish subsidiary, BRE Bank, through which we serve many German *Mittelstand* firms active in Poland. By disposing of non-core activities, our subsidiary has continued to recast itself successfully as a universal bank with strong retail operations, which is in the black after only five years in the market.

"Best bank" for larger corporates as well

In order to meet the special requirements of larger companies better, we set up larger corporates centres in Hamburg, Düsseldorf, Frankfurt, Stuttgart and Munich in 2004. This concentration of resources guarantees that the relevant customer group receives intensive support from our *Mittelstand* unit. Our declared goal is to be the best bank for larger companies as well.

Institutional clients – such as insurance companies, utilities and foundations – are another interesting group. As a rule, they have a very individual demand profile, frequently determined by regulatory provisions. We try to cover these special demands as well by means of specialized relationship managers.

CommerzLeasing und ImmobilienGruppe outpaces the market

Our leasing and real-estate subsidiary, CommerzLeasing und ImmobilienGruppe, stayed on an expansion course in 2005 as well, achieving a new record of €3.2bn in its new business. While capital spending in the economy as a whole advanced only marginally last year, the leasing market expanded by almost 9%. Growing by practically 15%, the CLI group again easily exceeded the industry average. Most of the business was generated in Germany, not least by the joint leasing initiative with Corporate Banking. In what was a very successful year for this group, its pre-tax profit topped the €60m mark for the first time. The portfolio of contracts expanded to roughly €27bn. All of CLI's business lines contributed to the good overall result:

- In Structured Investments, business activity focused on further developing financing structures for both commercial and public-sector investments. The most prominent transaction was the acquisition from the state of Hesse in November of real estate for about €1bn. It is a good example of the growing significance of public-private partnerships. The CLI group also made other sizeable investments in research premises, new administrative buildings as well as production and logistics facilities for major German and international companies.

- For CFB-Fonds, the launch of One Riverside Drive in Windsor/Canada and Lloyd's Building in London marked its first real-estate funds for projects in Canada and the UK. In shipping, CFB has been pursuing the tonnage tax fund approach for several years. In 2005, three container ships were placed. At the same time, CLI has become the first initiator in Germany to launch four so-called LNG ship-based funds with an overall volume of €800m. Last but not least, in a joint project with Shell Solar in Bavaria, it realized the largest solar power station complex connected to the power grid, representing an aggregate investment of about €40m, in the form of a private placement. All told, funds worth roughly €1.5bn were placed with investors in 2005, tying up equity of €454m. Accordingly, investors' capital held in 156 funds increased to €4.1bn, representing altogether more than 100,000 individual investments. Up to now, 96% of all funds have made the forecast distribution or exceeded it, giving the CLI group a first-rate record.

- New business in Moveable Goods Leasing expanded by 13%, a key factor behind this strong growth being the leasing initiative. For *Mittelstand* firms in particular, leasing is frequently a flexible and attractive alternative to the traditional bank loan. The range of products and services covers all the major areas of capital goods for commercial clients, especially machinery and vehicles as well as IT and intangible economic goods.

The CLI group is confident that it will be able to strengthen its position further as one of the leading and most profitable leasing and fund companies in the German market.

International Corporate Banking even more effective in future

International Corporate Banking

	2005
Equity tied-up (€ m)	1,388
Operating return on equity	21.5%
Cost/income ratio in operating business	53.1%

Complementing our *Mittelstand* activities in Germany, our International Corporate Banking concentrates on the regions Western Europe, North America and Asia, where we offer German SMEs primarily credit, payments and external-trade finance. Local clients, mostly internationally active, are mainly interested in structured special finance as well as complex interest-rate and currency hedging instruments.

In Western Europe, we have been active for decades in the main countries and financial centres and have a broad local and international customer base there. Recently, our branches in Milan and Madrid have made good progress. In order to operate more efficiently in other centres as well, we are currently improving the structures of our operations and distribution. The locations Amsterdam – which in February 2006 was transformed from a subsidiary into a branch –, Brussels and Paris in particular have already launched measures to cut costs in non-distribution areas. This will also mean that credit processing and other back-office functions in the Benelux countries will be concentrated more strongly on Luxembourg in future.

Excellent performance in North American business

Our four North American operational units in New York, Atlanta, Chicago and Los Angeles continue to give us great pleasure. Their results were more than half as high again as in 2004, which was in itself a good year, thanks to both active credit management and continuing tight control over costs. We believe that further potential synergies can be tapped by combining the activities of our – now considerably slimmed down – investment-banking subsidiary Commerzbank Capital Markets Corporation with those of the New York branch.

In view of the strong momentum of expansion, we also see good opportunities in Asia. We realized substantial growth in trade finance and structured financings. We are satisfied, therefore, with the results achieved by our operational units in Tokyo, Singapore, Shanghai and Hong Kong. Nevertheless, we are currently investigating various scenarios there as well so that we can offer our clients even better service and further improve the profitability of these units.

Financial Institutions department: our gateway to the world

Within the International Corporate Banking segment, Financial Institutions is responsible for all client relationships with German and foreign banks as well as central banks and governments. In another very successful year, we managed to raise the good year-earlier result by a quarter. The pre-tax return on equity was an excellent 105%.

This performance rested on a global approach to providing services, with central relationship management and a worldwide distribution network of 28 representative offices and delegated personnel, complementing our operational outlets abroad. For 2006, new representative offices are planned in Vietnam and Africa.

Professional service in global trade finance

Our position as a leading foreign-trade bank is primarily based on a closely-knit network of relationships with over 6,000 banks throughout the world. For our customers involved in external trade or companies investing in foreign markets, these local connections form a bridge to their foreign partners. Our range of products primarily includes

- high-quality advice on delivery transactions and investment plans,
- cover for claims under letters of credit or guarantees,
- foreign guarantees, reflecting local regulations,
- hedging for exotic currencies as well, and also
- external trade financing, from forfaiting to structured products.

We easily maintained our large market share of 16% in handling the financial side of German exports and imports. In particular, we are well positioned in emerging markets, which are important for many of our customers.

For our active role in Eastern European markets, we were again awarded first prize in the Trade Facilitation Programme of the European Bank for Reconstruction and Development (EBRD). We also won a commendation for being responsible from 1999 to 2005 for the largest number of transactions involving beneficiaries in Africa under the TFP programme. In order to extend the Trade Facilitation Programme to new target markets, we also took part in the respective programmes of the Asian Development Bank and the International Finance Corporation in 2005.

A leader in precious metals...

Commerzbank is also one of the leading banks worldwide in precious metals. Our activities cover both dealing in gold, silver, platinum and palladium and the refining of these precious metals. Through the close meshing with our world distribution network, we intend to tap new sources of revenue in emerging markets in particular. We offer our clients the entire range of products for physical and non-physical precious metals alike. This includes individual investment solutions for precious metals, but also borrowing and the hedging of complex risk structures.

...and as a European transaction bank

In 2005, we strengthened our position as a leading European transaction bank and as an institution offering a broad spectrum of payments services in euros and other currencies. Commerzbank is well-prepared to meet the challenges of the ever more rapidly changing market. We have made intensive preparations for the emerging single European payment area so that we will be in a position to offer competitive services in the future as well.

Priority for compliance

Given the global character of Financial Institutions' duties, it bears special responsibility for aspects relevant to compliance. In order to identify and prevent money laundering and the financing of terrorism, for example, a money laundering prevention office has been set up that is linked up with the Bank's distribution units. Drawing upon our knowledge of the cultural, economic and legal conditions, we practise not only an extended customer due diligence but also a special assessment and identification of the risks.

Growing importance of ProCredit banks

The ProCredit banks in Serbia-Montenegro, Kosovo, Bosnia-Hercegovina, Albania, Bulgaria, Romania and Georgia form a special focal point in the promotion of small and medium-sized businesses in South-Eastern Europe. Commerzbank is involved in these ProCredit banks as part of a unique public-private partnership including international development banks and ProCredit Holding. Above all in Serbia and Bulgaria, ProCredit banks have become important financial institutions.

Corporates & Markets: repositioning bears fruit

Corporates & Markets

	2005
Equity tied-up (€ m)	1,818
Operating return on equity	11.7%
Cost/income ratio in operating business	78.7%

Last year, Corporates & Markets initially underwent extensive strategic repositioning. After incurring a loss in the third quarter of 2004, unprofitable businesses were cast off and the Bank announced plans to cut roughly 900 front- and back-office jobs. Since then, much has changed. The process of merging our multinational corporate activities with the London branch and investment banking under a new roof is largely completed and the unit is now producing good and steady earnings performance.

The strong year-on-year swing of €287m in the operating profit confirms that we took the right decision. This really encouraging result was achieved despite a 30% smaller workforce, risk reduced by half and 10% less capital tied up, showing that our clear concentration on customer service and on our core markets in Germany and throughout the rest of Europe is bearing fruit. We are confident that we can make further progress pursuing this approach and achieve even better results – without returning to the higher volatility of previous years.

Markets: strong demand for innovative products

All four sections of this business line were successful in 2005. This was especially true of equity derivatives. Enhanced by the Bank's proficient distribution channels, innovative products were repeatedly brought to market, making us one of the top issuers of equity derivatives products in Europe.

Our high levels of client service and our strong product range also led to brisk trading in interest-rate products. Thanks to the successful integration of corporate-banking activities and investment banking, we were above all able to boost sales of hedging products to *Mittelstand* companies.

For credit, 2005 was a mixed year, but despite this difficult environment we revamped this section and the first signs of recovery have emerged. Increasingly, we will now focus on the active management of parts of our loan book and on making better use of the Bank's emerging markets' expertise.

The overhaul of our investment-banking activities had an especially strong impact on our foreign-exchange operations, which we have concentrated on Frankfurt again, enabling us not only to cut costs considerably, but also to offer enhanced service quality for our clients. The new organization introduced in options business will help maintain this positive trend.

Alternative Investments proved to be a solid platform over the year. Corporates & Markets also benefited from a round of cost-cutting in Securities Finance. The good performance in this area was due primarily to repo loan trading, bond repos and a number of deals in the structured securitization lending business. In 2006, the Bank plans to develop a stronger institutional franchise.

Higher investment in distribution pays off

The streamlined and clearly focused sales effort as well as further investment in the branch distribution channels paid off last year. Consequently, the distribution of multi-asset products to retail and flow clients registered outstanding performance, and we were voted "Best in Germany" for structured products by *Structured Products Magazine*. According to the magazine, "Commerzbank has lived up to its title as a specialist in exotics by capitalising on the German market's appetite for early redemption notes with the issue of some blockbuster products this year. Its effort to increase market share through the structured fund space – a markedly more challenging product space for German issuers – has helped it stand out from the competition. Commerzbank illustrated how quantity is not a substitute for quality." At the same time, we have cemented our position as one of the leading players in the German market for listed certificates and warrants. In 2005, Commerzbank was the largest German issuer on the European Warrants Exchange (EUWAX).

Distribution of investment-banking products to corporate clients has benefited from Corporates & Markets assuming responsibility for looking after several of the largest corporate groups. By systematically promoting the distribution of commercial and investment-banking products, the segment has established itself as a competent and reliable partner for this group of clients.

Due to our efforts to create the necessary framework for stronger growth, there was less progress in distribution to institutional clients than in other areas. However, Corporates & Markets was able to increase its visibility further in Bank Notes business with institutional clients.

Many transactions in Corporate Finance

Corporate Finance proved to be one of the cornerstones of our investment banking in 2005 as well. Within this group, the Leveraged Finance team stood out once again. With ten mandated lead arranger roles, we secured our top position in the German market for leveraged corporate acquisitions. We also completed a record number of transactions across Europe. Our clients included, for example, KKR, Carlyle, Advent, Permira, Triton, Alpinvest and Nordwind.

In 2005, the market for syndicated loans was dominated by high-volume transactions for multinational corporate borrowers, who took advantage of the low funding costs and high liquidity in the market. Many small and medium-sized companies and institutions from Western and Eastern Europe followed this trend. We arranged and syndicated credit facilities for such companies as Volkswagen, France Télécom and Degussa.

Despite significantly lower issuance of corporate bonds, we were the bookrunner again for a variety of issuers. The familiar names included ThyssenKrupp, Sixt, Rheinmetall, Bertelsmann and DaimlerChrysler. In this area, too, it is our declared strategy to concentrate exclusively on clients' requirements rather than buying into league tables.

We have significantly increased our standing in covered bonds and public-sector bonds. We were a bookrunner for issues for the states of Lower Saxony and North Rhine-Westphalia, as well as for Hypothekenbank in Essen, Eurohypo, Berlin-Hannoversche Hypothekenbank and Württembergische Hypothekenbank.

In line with Commerzbank's commitment to German *Mittelstand* companies, our securitization team joined forces with experts from the *Mittelstand* unit to launch some innovative financing instruments for this target group. One prominent example is our new *Schuldschein* initiative, giving investors an attractive opportunity to become involved in securitized credits for *Mittelstand* firms.

Spurred by the favourable state of the stock market, the number of IPOs has risen sharply in Germany. One of the most successful was Conergy AG, for which we were joint bookrunner. This transaction earned us the *Financial News* European Small/Mid Cap Deal of the Year Award. We were also involved last year in the IPOs of the Polish Grupa Lotos as lead manager for the international offering and as co-lead manager for MTU and also as co-manager for Praktiker.

Among the rights issues for which we served as bookrunner that for Heidelberger Zement attracted much attention. Another important transaction was SAP AG's tender offer for SAP Systems Integration. Corporates & Markets also successfully contributed to several of Commerzbank's own transactions, such as the capital-raising in November to partially finance the acquisition of Eurohypo and the placements of holdings in Banca Intesa, Heidelberger Druckmaschinen and MAN.

Last but not least, the M&A group was involved in altogether eight transactions. We were active as a financial adviser, for example, in Hassia Mineralquellen's acquisition of Brau und Brunnen Mineralquellen.

Corporate Relationship Management making good progress

With the reorganization of investment banking, multinational companies are now looked after by Corporates & Markets. This not only guarantees more intensive relationship management for this sophisticated group of clients, but also gives us great potential for selling complex financing solutions. We also have better opportunities for active cross-selling. We plan further expansion in this area and will make the necessary investment for this.

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

Mittelstand

CommerzLeasing und Immobilien AG	**BRE Bank SA**	**Commerzbank (Eurasija) SAO**	**Commerzbank Zrt.**
Düsseldorf 100.0%[1]	Warsaw 71.5%[2]	Moscow 100.0%	Budapest 100.0%

International Corporate Banking

Commerzbank (South East Asia) Ltd.	**Commerz (East Asia) Ltd.**	**P.T. Bank Finconesia**
Singapore 100.0%	Hong Kong 100.0%	Jakarta 51.0%

Corporates & Markets

CBG Commerz Beteiligungsgesellschaft Holding mbH	**Commerzbank Capital Markets Corporation**
Bad Homburg v.d.H. 100.0%	New York 100.0%

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

| lakeside shopping centre |

THE FLAGSHIP OF LIBERTY INTERNATIONAL PLC. LAKESIDE IS SITUATED IN THURROCK, EAST OF LONDON, AND OFFERS CUSTOMERS A SALES AREA OF 120,000M^2. THIS SHOPPING CENTRE WAS FINANCED BY THE LONDON OUTLET OF EUROHYPO IN TWO TRANCHES. THE FIRST TRANCHE OF 550M POUNDS WAS SECURITIZED, ENABLING THE CUSTOMER TO BENEFIT FROM ATTRACTIVE PRICING IN THE CAPITAL MARKET. THE SECOND TRANCHE OF 100M POUNDS TOOK THE FORM OF A SYNDICATED FINANCING.

| ideas ahead |

staff and welfare report

On an expansion course

By making far-reaching decisions and introducing selective changes we ushered in the transition from the consolidation of costs to the sustained strengthening of the Bank's earnings performance in the 2005 financial year. With the adjustments to our staff numbers completed in 2004, the Group's workforce expanded again slightly in the year under review, from 32,820 to 33,056.

Staff survey – an authentic picture after challenging years

The necessary consolidation of costs presented Commerzbank's staff with great challenges and also imposed personal burdens on them. This phase of the adjustments to personnel and performance was successfully completed in 2004. For us, it was then important to gain an immediate impression of the mood of our employees. In May and June of last year, therefore, a detailed survey of Commerzbank staff was carried out with the support of a prominent market research institution. The objective was to obtain a more differentiated picture of the Bank's strengths and weaknesses and to use this as a basis for introducing concrete measures for change and improvement. The extraordinarily high participation of more than 16,000 employees in the questionnaire – translating into a participation rate of around 72% – shows the great interest of our staff in the fate of "their" Commerzbank.

The findings of the survey reveal both strengths and weaknesses. Generally, the well-functioning cooperation in people's own area of work and the support given by superiors are judged positively. On the other hand, deficits are seen as far as the transparency of the Bank's strategy, market and customer orientation, and also the possibilities for further qualification and development within the Bank are concerned.

Based on the extensive findings of the staff survey, we developed numerous measures and initiatives that are relevant throughout the Bank in three key fields of action – "market and customer orientation", "communication of strategic orientation" and "personnel development and management". To supplement these, local suggestions for improvement were worked out in all branches and departments in the various regions in order to overcome the weak spots which had been identified. Implementation of these measures began in the final quarter of last year and will stretch until well into 2006. In view of the many positive experiences gained through the staff survey, we intend to repeat it in future at regular three-year intervals in order to test the success of the measures in bringing about improvements.

New conception for practical training of younger staff

One central function of personnel management for achieving lasting success in a fiercely competitive situation is to ensure that younger staff systematically and consistently gain qualifications. For this purpose, we have improved our development programmes once again, strengthening the practical element. Our staff will now undergo further training alongside their normal job. In other words,

Data on Commerzbank's personnel*)

	2005	2004	Change in %
Total staff Group[1)]	**33,056**	**32,820**	**0.7**
Permanent staff Group[2)]	**30,177**	**29,887**	**1.0**
Total staff Parent Bank[1)]	**24,649**	**24,860**	**–0.8**
including: based abroad	1,934	2,102	–8.0
including: trainees	1,332	1,282	3.9
Permanent staff Parent Bank	**22,399**	**22,681**	**–1.2**
Length of service	14.4	14.7	
Average age	40.4	40	
Staff turnover ratio Parent Bank in Germany	3.1%	5.3%	
Percentage of sick	3.3%	3.3%	
Percentage of part-time staff	20.8%	20.5%	
Total pensioners and surviving dependents	12,022	11,855	1.4

*) 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.

during their training they will initially perform their existing function. Through a so-called skill-management system, employees' present skills will be compared with the job and skill profiles defined for the position to which they aspire. This leads to an individual qualification and development plan. Subsequently, they proceed through this plan, step by step, parallel to the function they continue to perform. In this way, we will be able to train our personnel far more individually in future and even more in line with actual needs. And Commerzbank can also considerably broaden its range of internal training opportunities for younger staff.

Another sharp rise in the number of trainees

Our stronger commitment to the career development of younger staff can be seen in the Bank's vocational training. While we concluded roughly 400 new training contracts in 2003 and took on 518 new trainees in 2004, we raised the number again in 2005 to almost 600. All told, over 1,300 young people were training for their future careers at Commerzbank AG by the end of the year under review. To an even greater degree, therefore, we are assuming our social responsibility for the younger generation, to which we have been committed for many years now. At the same time, we are establishing a sound stock of qualified young people to secure the Bank's future.

Management a success factor in a customer-based approach

With competition consistently keen in the banking market, products alone do not determine a bank's success with customers, as frequently innovative products are soon copied by others. Rather, a bank's staff are crucial for its success. The central functions of management are to achieve an optimal combination of their

| special awards 2005 |

Top-100 Employers Award 2005
Commerzbank was voted one of Germany's top employers in 2005 by the trendence Institut für Personalmarketing GmbH and *Wirtschaftswoche* magazine.

"Erfolgsfaktor Familie 2005" competition for companies
Together with the "Frauen in der Wirtschaft" forum, Commerzbank won a special prize in the competition for companies initiated by the German government in conjunction with Germany's leading business associations and trade unions to promote a better combination of family and career.

Advertisement of the year – 2004/2005 trainee campaign
Readers of *Unikum Abi*, a magazine with a circulation of over 300,000 and 2.2 million readers, and one of the most important periodicals for young people still at school or finishing school, voted the Commerzbank motif ***| jungs, ich geh zur bank |*** ad of 2004.

skills and a systematic focus on customers' needs. More than ever today, management is a key factor in a company's long-term success. That is why we are continuing to invest intensively in selecting, promoting and developing managerial personnel at Commerzbank. We further refined our long-established management circle approach last year, adapting it more closely to the requirements of the various business lines. Many other companies have taken up this approach in the meantime – confirmation that we are on the right course.

Performance-based remuneration – results count

The management process at Commerzbank is supported by an all-inclusive and flexible remuneration policy. It is intended to increase the efficiency and productivity of our staff, promote entrepreneurial thinking and action, encourage people to assume responsibility and strengthen the loyalty to the Bank of key personnel. In order to attain these goals, we will replace certain components of remuneration which in the past were paid indiscriminately to all staff with result- and performance-based components in future. The overall amount of this profit-sharing plan will reflect the respective business results of the Bank and, depending on how these turn out, may even be larger than the former November special bonus. The overall amount will be distributed to individual employees strictly in line with their performance. We believe that this new system of remuneration will make an important contribution towards strengthening the performance culture at our Bank, thereby providing sustained support for our commercial success.

Diversity – living with variety

Diversity enriches our lives and also day-to-day working alongside others at Commerzbank. For us, this means regarding the different qualities of all our staff as a special asset, appreciating it and using it.

Successful examples of Commerzbank's many diversity measures are:

- Flexible working conditions
- A number of childcare facilities
  In particular, our staff can have their children – up to and including kindergarten age – looked after by qualified personnel at the new crèche, Kids & Co., in Frankfurt am Main, with its highly flexible opening times.
- Mentoring programmes
  Female staff can benefit from the experience of selected managers at other companies, obtaining support for their career development.
- Support for employee networks
  Active support is given to "Courage", the network for women, to the "arco" network for gays and lesbians, and to the "Fokus Väter" network for fathers.

By considering the individual life-styles of our employees and by offering them support, we are able to improve their job satisfaction and motivation perceptibly. For younger people in particular, an attractive employer is always one who treats them in a partner-like way.

Company healthcare management – benefits all round

Nationwide cooperation with the company doctors, industrial psychologists and social workers of our external service provider Deutsche Bahn Gesundheitsservice GmbH forms the core of our healthcare management scheme. The combination of these three different professions ideally complements the range of services provided by our internal personnel work and has frequently proved its worth. As a result, we have been able to raise substantially our value added in human resources management and consequently in economic terms as well.

In the 2005 financial year as well, Commerzbank expanded its company healthcare management. For some time, we have been pursuing, among other things, the declared goal of tackling such problems as victimization, sexual harassment and discrimination professionally and of doing all in our power to ensure that such situations do not arise. In connection with this initiative, we gave intensive coaching to numerous personnel advisers and staff-council members last year. These members of staff are now available to advise potentially affected employees and mediate on their behalf.

In addition, we have launched a pilot project in a large processing centre of the Bank for developing structured management for periods of absence and the reintegration of staff. First, the reasons for abnormally long periods of absence are investigated and measures are devised to reduce them and, if necessary, to reintegrate people. Commerzbank wants to provide even more intensive support to help employees quickly regain their capacity to work. It is planned to use this programme as a standard, extending it later to other organizational units of the Bank.

We thank our staff for their cooperation

Within a short time, Commerzbank has achieved a turnaround in growth and earnings. We can be proud of this and thank all our staff quite emphatically. In a difficult environment, it is they who have made this success possible through their performance and their commitment.

We are also especially grateful to the staff councils, the representatives of the Bank's senior staff, and to the representatives of both the physically disabled and younger staff. Through their constructive and responsible cooperation, they too have contributed to the Bank's success.

Further detailed information on Commerzbank's commitment to the welfare of its employees, complementing this staff and welfare report, can be found in our "Corporate Responsibility Report 2005".

| kölnturm |

THIS TOWER WAS DESIGNED BY JEAN NOUVEL AND KOHL. SINCE 2001, THE 165M-HIGH KÖLNTURM HAS BEEN A DISTINCTIVE FEATURE OF THE MEDIA PARK AND COLOGNE'S CITYSCAPE. THE UNIQUE OFFICE BUILDING WITH ITS 43 STOREYS AND A GROSS USABLE SURFACE AREA OF 33,000M^2 IS ONE OF THE CITY'S PRIME ADDRESSES. IT OFFERS MODERN, WELL-EQUIPPED OFFICES WITH INDIVIDUAL LAYOUTS AS WELL AS EXTENSIVE MEETING AND CONFERENCE INSTALLATIONS.

ITS OWNER IS A COMPANY HELD BY HYPOTHEKENBANK IN ESSEN.

| ideas ahead |

our share, strategy and outlook

Data and facts on the Commerzbank share

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

Outstanding performance of the Commerzbank share

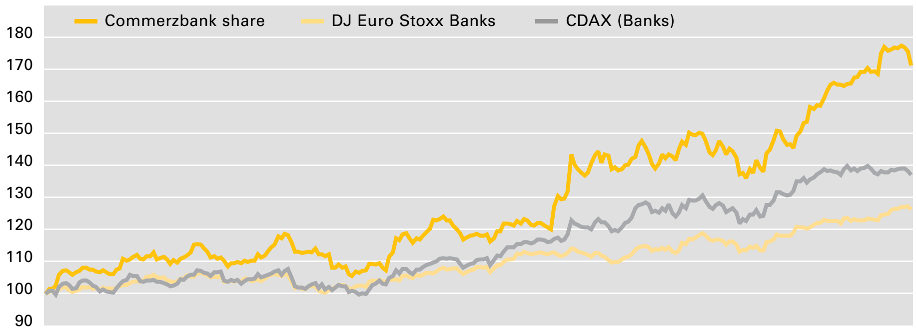
Despite rising interest rates, high oil prices and persistently weak economic activity, the DAX registered a plus of 27.1% in 2005. Soaring by 71.6%, the Commerzbank share was the second-strongest stock in Germany's leading index. Its performance also far exceeded that achieved by its national and international competitors.

In the course of the year, the share price steadily climbed within a range of €15.17 to €27.06, finishing the year at €26.02 – a level last seen in summer 2001. Trading volume expanded with the increase in the share price. On average, 4.3m Commerzbank shares changed hands daily, a rise of more than 20% on the previous year.

Within a year, Commerzbank's market value practically doubled. With a market capitalization of €17.1bn at end-2005 (previous year: €9.1bn), Commerzbank was 12th in the list of DAX companies with a weighting of 2.7%.

Performance of the Commerzbank share 2005

Daily figures, 30.12.2004=100



Communication an important factor behind success

Communication with investors and analysts was given priority in 2005 as well. Apart from the regular conferences for presenting the quarterly reports, we held 25 roadshows in Germany and abroad and took part in 12 international conferences. We also presented Commerzbank at more than 200 one-on-one meetings. The Board of Managing Directors were involved even more than in the past in our communication with the financial community.

Roughly 40 brokerage houses produced and published regular reports on Commerzbank. Virtually all of them gave the Commerzbank share either a buy or a hold recommendation – a good indication of the very positive response to the achievements of the Bank and its staff.

In September, we held our fourth Investors' Day. Once again, the members of the Bank's management board explained the strategy of the business lines for which they are responsible, after which they were available for extensive discussions. For the first time, the event was rounded off by two in-depth workshops – an idea that met with a positive reception and will be repeated. In 2006, our Investors' Day will be held on September 21.

Among other things, we provide our private investors with current and extensive information on the Investor Relations pages of our internet site. Using our e-mail services, we are able to pass on important information immediately and simultaneously.

Eurohypo acquisition – a milestone

The successful conclusion to the negotiations with Deutsche Bank and Allianz/Dresdner Bank to acquire the interests they held in Eurohypo marked a milestone in Commerzbank's history. The €4.56bn takeover of Eurohypo was financed among other things by a capital increase. Through an accelerated book-building offering, Commerzbank sold 57.7m of new shares from an authorized capital increase to institutional investors. Within a few hours, the available volume had been more than three times oversubscribed. The price of the new shares was above the previous day's closing price. The overwhelming demand confirmed the view of analysts, investors and rating agencies that the acquisition of Eurohypo is an important step for Commerzbank.

At present, 13 teams are working to complete the acquisition of Eurohypo and successfully integrate it into the Commerzbank Group. The integration process is running according to plan. Further details will be released together with the first-quarter results of 2006.

The integration will definitely create added value for our shareholders. Despite the restructuring expenses, we expect a stronger net profit and a higher return on equity even as from 2006. Our shareholders should benefit from this positive development in the form of correspondingly higher dividends.

Operational units achieve their goals

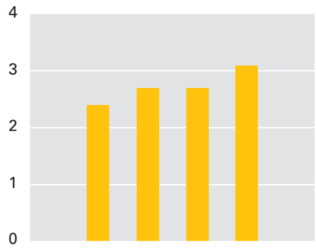
A glance at the performance of the individual segments reveals that all units achieved or exceeded their set goals. *Mittelstand*, Corporates & Markets and the Mortgage Banks segment were especially encouraging.

Private and Business Customers segment

In 2006 as well, we will invest in expansion in the Private and Business Customers segment. Concrete investments are planned in our online banking and in branch business. In Private Banking, we are opening new offices in order to increase our presence nationwide. We also intend to build upon our successful position in foreign markets – in Switzerland, for example. As investment in

Turnover in Commerzbank shares 2005

in € bn, quarterly figures



Daily turnover

in million units

High	31.45
Low	0.91
Average	4.26

Stock-exchange listings of the Commerzbank share

Germany	
• Berlin-Bremen	• Hanover
• Düsseldorf	• Munich
• Frankfurt	• Stuttgart
• Hamburg	• Xetra
Europe	**North America**
• London	• Sponsored ADR (CRZBY)
• Switzerland	CUSIP: 202597308

expansion will be higher once again, we currently expect a stable operating profit from Private and Business Customers in 2006. In retail business, we will continue to pay close attention to provisioning. Given the continuing strains on the labour market, we have to reckon on a slight increase.

Asset Management segment

Our individual Asset Management units registered good performance, living up to our expectations in 2005. In the final quarter in particular, there was an increase in revenue. Investment in 2006 will focus on selective marketing measures for our core products, the development of new products and further expansion of the distribution of third-party products. We expect a higher operating profit in 2006. As the problems of several competitors have led to sizeable outflows of funds since last December, we are closely watching how open-ended property funds develop. However, we are confident that, thanks to our professional management and also to the new guidelines, the situation in the industry will definitely return to normal again.

***Mittelstand* segment**

In this segment, we will strengthen our position as the leading German bank in 2006, continuing our successful strategy of offering *Mittelstand* clients innovative products and larger corporates value-added services. As things stand today, we will be able to reduce our provisioning in Germany further. In Central and Eastern Europe – a region which belongs to the *Mittelstand* segment – we will continue to examine opportunities to expand through acquisitions. In these locations, we also intend to streamline procedures and back-office functions. Our successful subsidiary BRE Bank achieved its earnings turnaround in 2005, strengthening its position in both retail and corporate business. For 2006, our Polish subsidiary is aiming for a pre-tax return on equity of over 18% and one of no less than 20% in 2007. In view of the positive development, we expect this segment to produce an operating return on equity of over 15% in 2006, which we want to raise to 17% by 2007.

International Corporate Banking segment

Here we concentrate on Western Europe, North America and Asia. The restructuring, already introduced in 2005, will be continued in the current year. We have begun to centralize our foreign units and to concentrate back-office activities. The good result in 2005 was mainly due to the reversal of loan-loss provisions. As a repeat of this seems unlikely at the present time, we assume a lower return on equity for 2006.

Corporates & Markets segment

In this area, the clear concentration on customer-based trading and on our core regions, combined with cost-cutting, has been highly successful. In future, we will focus on boosting sales of structured products and taking over more mandates as lead managers for European corporate bonds. Successful cooperation with Commerzbank's corporate clients will be further enhanced. Benefiting from the systematic reduction of the equity tied up in this segment, the operating return on equity is intended to reach 15% in the current year and even 20% in 2007.

Mortgage Banks segment
2005 was a really successful year for our mortgage banks. The positive performance of Eurohypo and Hypothekenbank in Essen led to an operating profit of €350m (previous year: €139m).

Strategic orientation and outlook

- Commerzbank will strengthen and build upon its position as Germany's leading commercial bank.
- We will continue to play an active part in the ongoing consolidation of the German banking market.
- In the future as well, we will concentrate on our core competencies and ensure dynamic earnings performance in our *Mittelstand*, Corporates & Markets and Mortgage Banks segments.
- Given favourable overall conditions, we will dispose of further non-strategic investments.
- Our target in 2006 is an after-tax return on equity of more than 10%. Taking the economic situation and the development of the capital markets into consideration, we continue to aim for an after-tax return on equity of 15% in the long term.

Commerzbank more than achieved its goals in 2005. And the acquisition of Eurohypo will considerably extend our scope for action and our Bank's strategic perspectives. We will continue to pursue a course of stability and focused growth in the future as well in order to become Germany's leading major bank for retail and corporate customers.

Commerzbank's 2006 financial calendar

May 4, 2006	Interim report as of March 31, 2006
May 17, 2006	AGM, Jahrhunderthalle Frankfurt
August 9, 2006	Interim report as of June 30, 2006
September 21, 2006	Commerzbank Investors' Day
Early November 2006	Interim report as of September 30, 2006
February 2007	Annual results press conference 2007

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

| vienna, galaxy 21 |

GALAXY 21 IS THE ONLY AVAILABLE LARGE

OFFICE BUILDING IN CENTRAL VIENNA.

AFTER EXTENSIVE RECONSTRUCTION

AND ADDITIONS, THE MODERN BUILDING

WITH ITS EFFECTIVE AREA OF ROUGHLY

17,800M^2 IS ONE OF THE ARCHITECTURAL

HIGHLIGHTS OF THE AUSTRIAN CAPITAL.

AMONG THE OFFICE TOWER'S

CONTENTED TENANTS ARE SEVERAL

FEDERAL AGENCIES AND SAMSUNG.

THE BUILDING IS ONE OF THE ASSETS

OF OUR HAUSINVEST EUROPA FUND.

| ideas ahead |

risk report

Contents

Main highlights in 2005

- For the third year in a row, the Bank was able to lower its **loan-loss provisions** by much more than €200m to €566m; accordingly, the net provisioning ratio was reduced to 0.34% of total lending (previous year: 0.52%).

- **Economic capital** (ECap) was reduced as planned during the year by removing bulk risks in lending (ECap lowered from €5.5bn to €4.7bn) and through the sale of non-strategic equity holdings (ECap lowered from €1.7bn to €1.2bn).

- The Group-wide introduction of the **Commerzbank Master Scale** at the start of the year as well as new **incisive rating and scoring procedures** – combined with improved risk-adjusted pricing – led to better risk selection and, in future, to the need for less economic capital.

- The results produced by statistical methods of estimating the security furnished and recovery rates, implemented in connection with the Basel II project, were integrated into **the credit risk model**, as part of **current efforts to enhance it**.

- The main goals set for the Basel II project in 2005 were achieved according to plan and the **application for certification of the IRB Advanced Approach was submitted to BaFin by July 2005**.

- The methods required by the supervisory authorities for identifying, measuring, monitoring and steering **operational risk** are either already in use throughout the Group or at the pilot stage. It is planned to submit an application for approval of the Advanced Measurement Approach for operational risk in accordance with Basel II in the second quarter of 2006.

- The implementation of the Minimum requirements for the risk management of credit institutions **(MaRisk)**, which is supposed to take place by January 1, 2007, is proceeding according to plan at the Bank. Many of the requirements have already been implemented and we assume that the points still to be covered will be dealt with on time.

- In 2005, the Bundesbank conducted an **examination of trading activities pursuant to Art. 44, (1), KWG** (German Banking Act) on the instructions of BaFin. As a result, BaFin confirmed that, in the areas examined, our Bank is complying with MaH and that its internal control system is appropriate in terms of the scope, complexity and risk character of the trading activities it conducts.

- The German banks' auditing association conducted an **examination** of Commerzbank's **system of deposit protection** in 2005. The examination confirmed that, in the areas examined, Commerzbank pursues a cautious credit policy and evaluates security properly.

I. Risk-based overall Bank management

1) Risk-policy principles

The Commerzbank Group's value-based overall Bank management involves taking on identified risks and managing them professionally. Risk-management activities focus on making efficient use of equity from the risk and return standpoints:

- The Bank's Board of Managing Directors defines risk-policy guidelines as part of the annually reviewed **overall risk strategy**, which it has established. Previously consisting of various sub-strategies, this overall strategy will be examined in future for its compatibility with the Group's business strategy in accordance with the new MaRisk.
- The Board of Managing Directors and the Supervisory Board are informed promptly in the form of comprehensive, objective reports of the Bank's risk situation.
- At Board level, the **Chief Risk Officer** (CRO) is responsible for controlling all of the quantifiable risks (especially credit, market, liquidity and operational risk) of the Commerzbank Group and also for working out and implementing its overall risk strategy.
- As part of his **responsibility at Group level for the operative credit function**, the CRO assumes the management function for all credit risks.
- All quantifiable risks are monitored under the **economic capital approach** according to Group-wide standards and geared to the Commerzbank Group's risk-taking capability. This makes possible an efficient use of capital.
- The CEO bears responsibility for risks related to the Bank's business strategy and **reputational risks**.
- The CFO assumes responsibility for **compliance risk** (investor protection, insider guidelines, money laundering, etc.).
- The risk-policy guidelines and structures are presented in a **Risk Manual**, available to all staff via intranet. It is the basis for processing and communicating all the major types of risk in a uniform manner throughout the Group and consequently provides support for the management of identified risks within the Commerzbank Group.
- The **early-warning and monitoring systems for risk** are designed to achieve qualified and prompt identification of all the major risks.
- We make sure that the **risk functions**, whose efficiency we constantly examine using modern steering systems, are **well-equipped with personnel** in qualitative and quantitative terms.
- In view of the contribution made by efficient risk management to corporate success, especially in the case of a financing bank like Commerzbank, we always want to be **state-of-the-art** here.
- Applying appropriate **stress and scenario analyses**, we keep a watchful eye on the downside risk for all the relevant portfolios and, if necessary in terms of risk management, we launch counter-measures in good time.

As a result, the risk-management system makes a major contribution towards optimizing the structure of the Bank's risk and returns, and towards a value-based management of the Bank.

2) Risk categories

Commerzbank defines risk as the danger of possible losses or lost profits which may be caused by internal or external factors. For risk-management purposes, Commerzbank distinguishes between **quantifiable and non-quantifiable types of risk**.

All quantifiable risks are part of Commerzbank's overall risk strategy in accordance with MaRisk requirements and the economic capital approach (the refinancing risk not being included here). The individual risks are:

- **Credit risk:** the risk of losses or lost profits due to defaults (default or deterioration in creditworthiness) of counterparties and also the change in this risk. Apart from this traditional risk, credit risk also covers country risk and issuer risk as well as counterparty risk and settlement risk arising from trading activities.
- **Market risk:** the potential negative change in value of the Bank's positions as a result of changes in market prices (interest rates, spreads, currency and equity prices), their derivatives or parameters which influence prices (volatilities, correlations). In Commerzbank's definition, risks from equity holdings in the banking book and equity event risk (modelling of equity risk extending beyond VaR, such as the insolvency of the issuer) also represent market risks and are monitored like these.
- **Interest-rate risk in the banking book:** the risk of adverse effects of changes in market interest rates on the capital or current income. Different fixed-interest periods for claims and liabilities in balance-sheet transactions and derivatives represent the most important source of such risks.
- **Operational risk:** the risk of losses through inadequate or defective systems and processes, human or technical failures, or external events (such as system breakdowns or fire damage). By analogy with the Basel Committee's definition, operational risk also includes legal risk, i.e. risks stemming from inadequate contractual agreements or changes in the legal framework.
- **Liquidity risk:** the risk of the Bank not being able to meet its current and future payment commitments, or of not being able to do so on time (refinancing risk).
- **Market-liquidity risk:** the risk that inadequate market liquidity will prevent the Bank from selling trading positions at short notice or hedging them to the desired extent.
- **Business risk:** the risk of losses due to negative deviations in revenue (especially commissions) and costs from the budgeted figures. Business risk is influenced both by business strategy and by the Bank's internal planning process, as well as by changed overall conditions such as the market environment, customers' behaviour or technological developments.
- **Overall risk:** the proper recognition and representation of all relevant quantifiable risks in a model (economic capital approach) at the Commerzbank Group level, and the gearing and limiting of the economic capital calculated in this way (= unexpected loss, UL) to the Group's risk-taking capability. The expected loss (EL), similarly calculated within this model, is crucial for managing business (risk-adjusted pricing/determining what business is sought).

The non-quantifiable risks are subjected to qualitative monitoring in connection with pillar II of the Basel Accord and MaRisk. They include:

- **Strategic risk:** the risk of negative results on account of previous or future fundamental business-policy decisions, produced by investment decisions in various business lines/regions (internal/external growth or divestments).
- **Compliance risk:** legal, regulatory sanctions or financial losses due to failure to comply with laws, regulations, guidelines or organizational standards and codes of conduct which have a bearing on Commerzbank business activities and which, for example, relate to the prevention of money laundering, the protection of data and business secrets, investor protection or observing the rules of the German legislation on securities trading.
- **Personnel risk:** based on the consideration of all the major risks that is required by MaRisk, personnel risk will also be integrated in future into Commerzbank's qualitative reporting. MaRisk requires the quantitative and qualitative staffing of a bank to reflect *inter alia* its business activities, strategy and risk situation.
- **Reputational risk:** the risk of losses, falling revenue or a reduction in the Bank's market value on account of business events which erode the confidence in the Bank of the public, rating agencies, investors or business associates. As a rule, reputational risks result from one of the above-mentioned sources and reinforce them.

3) Overall Bank management and economic capital

As part of overall Bank management, risk management and profitability management are consistently combined to yield an integrated value-based steering approach. Commerzbank's overall management has two main objectives:

- to ensure a capital base that is adequate for its risk profile,
- to achieve the most efficient allocation of the scarce resource equity, taking into consideration medium- and long-term strategic goals.

Expected loss (EL)

- Based on the structure of the Bank (aggregate portfolio, systems, staff), the EL represents the expected loss calculated in connection with the economic capital approach which has to be considered as a cost factor in budget planning.
- Its high discrimination in modelling parameters is essential for steering business, as only then is it possible to achieve risk-adjusted pricing and to avoid alpha and beta errors (alpha error: positive lending decision subsequently leading to loan losses; beta error: credit refused to borrowers/business that in retrospect prove to be stable during the requested lifetime of the credit).
- Each set of results for individual portfolios is compared with the actual risk outcome as part of the validation process.

- Unlike loan losses and losses arising from operational risks, changes in market prices and business risks in principle have the same effect in both directions. *Ex ante*, therefore, no expected gain or expected loss can be assumed. The gains or losses produced by uncertain future changes in market prices – such as changes in commission-earning business – are defined as entirely unexpected, therefore.

The following table shows the expected loss for the various types of risk, by division of the Commerzbank Group.

EL	Retail Banking and Asset Management		Corporate and Investment Banking		Mortgage Banks		Others and Consolidation		**Group**	
in € m	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Credit risk	230	234	605	839	65	67	5	7	**906**	**1,147**
Market risk	0	0	0	0	0	0	0	0	**0**	**0**
Operational risk	18	25	28	49	1	1	1	3	**47**	**77**
Business risk	0	0	0	0	0	0	0	0	**0**	**0**
Group	**248**	**259**	**633**	**888**	**66**	**68**	**6**	**10**	**953**	**1,224**

The decline in expected loss – above all in the Corporate and Investment Banking division – can be traced back to improvements to the model in connection with the Basel II project and the resulting probabilities of default, loss-given-default parameters and charges for unutilized credit lines, all of which reflect risk more accurately.

Unexpected loss (UL = economic capital)
The use of economic capital is a measure for the unexpected loss (= volatility of EL), which is consequently not included in the profit/loss calculation in the course of budgetary planning. It can be traced back, for example, to economic ups and downs, problems in given industries and also bulk risks. Commerzbank's integrated risk/return-based management is built around the concept of economic capital, developed over a number of years, which forms the basis for a system of risk-adjusted key parameters. It makes possible the early risk recognition of negative developments in the form of transparent reports and the establishment of a suitable escalation procedure.

- Economic capital represents an internal measure reflecting the Bank's risk appetite.
- It is defined as the amount of capital which should be held available with a given probability in the course of one year to cover unexpected losses arising from risk positions. It represents the aggregate of all quantifiable risks which have to be backed by equity.
- The confidence level of 99.95% which is used as a basis here is derived from the probability of default for Commerzbank's A1 (Moody's) target rating.
- The approach adopted has been validated in national and international benchmark studies and counts as best practice. It is constantly being enhanced.
- In 2006, the risks arising from real-estate business (own investments) will be integrated into monitoring at Group level.

Economic capital reflects the Bank's specific risk profile and consequently includes risk categories which previously had not been considered under regulatory capital. The differences between regulatory and economic measures of capital have been reduced by Basel II, but the currently significant discrepancies will not disappear altogether even with the new Basel capital rules. Among other things, this is due to the diversification effects and bulk risks which Basel II does not take into consideration. In the past financial year, further differentiation was introduced into the measurement of credit risk, which improved the steering of risk concentrations and bulk risks in lending.

Differences between regulatory and economic capital

Basel I	Basel II	Economic capital
Credit risk	Credit risk	Credit risk
8% capital backing for all credits	Via internal rating models + LGD assessment, with counterparty risks, settlement risks, transfer risk taken into account	Integrated portfolio model also measuring concentration risks and/or diversification effects
Market risk	Market risk	Market risk
Internal model for trading book and FX risks of banking book	Internal model maintained for trading book and FX risks of banking book	Internal model for trading book and FX risks of banking book Interest-rate risk in banking book
	Operational risk	Operational risk
	Internal AMA approach model	Internal AMA approach model
		Business risk Equity event risk Market liquidity risk
Not considered:	Not considered:	
Counterparty and concentration risks and/or diversification risks	Credit-concentration and bulk risks and/or diversification risks	
Operational risk	Interest-rate risk in banking book	
Interest-rate risk in banking book	Business risk Equity event risk Market liquidity risk	99.95% confidence level and holding period of 1 year for all risks
Other risks		

Economic capital is now an integral part of overall Bank management; as from 2006, the economic capital approach will also be used in the capital management of the individual business lines. In the relevant calculations, the Bank's business lines and the units of which they are comprised are assigned not only costs and revenues but also economic capital and risk-adjusted performance benchmarks. This makes it possible to compare the respective divisions with regard to their revenue and risk components, to recognize value-destroyers/drivers, and to allocate capital efficiently within the Group on that basis.

As of December 31, 2005, the following values were registered for the economic capital of Commerzbank's various divisions:

UL	Retail Banking and Asset Management		Corporate and Investment Banking		Mortgage Banks		Others and Consolidation		**Group**	
in € m	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Credit risk	1,074	918	3,225	3,913	409	517	26	115	4,734	5,463
Market risk	106	116	314	349	849	468	1,425	1,726	2,694	2,659
Operational risk	303	429	638	698	31	37	24	132	996	1,296
Business risk	141	175	198	224	12	12	131	149	482	560
Group	**1,624**	**1,638**	**4,375**	**5,184**	**1,301**	**1,034**	**1,606**	**2,123**	**8,906**	**9,979**
Group including diversification effects									**6,915**	**7,675**

The decline in the Group's economic capital for **credit risks** mainly stems from Corporate and Investment Banking. Whereas the reduction in the *Mittelstand* segment was primarily achieved through improved portfolio quality (better ratings, higher collateral), the decline at Corporates & Markets is principally attributable to the reduction of bulk risks.

In the past financial year, the Basel parameters (PD and LGD), worked out or validated in the course of the Basel II project, were successfully integrated into the calculation of the internal risk capital for credit risks. We expect the EL and UL arising from credit risk to be further reduced in 2006 as a result.

Thanks to further disposals of non-strategic equity holdings (in particular MAN, Banca Intesa and Heidelberger Druck), there was a marked reduction in the economic capital to cover the **market risk** from equity holdings at Others and Consolidation. By contrast, the economic capital for market risk not related to equity holdings increased during the year, primarily due to the strategic build-up of interest-rate risks in the banking book; it was not reflected, therefore, in a higher regulatory capital requirement (under both Principle I and Basel II, interest-rate risks in the banking book do not need to be backed by equity).

Recognition of diversification effects between event categories in modelling led to a marked reduction in the capital needed to cover **operational risk**. This takes account of the fact that different serious events do not occur simultaneously.

The economic capital for **business risk** was slightly lower than a year earlier.

Risk-taking capability

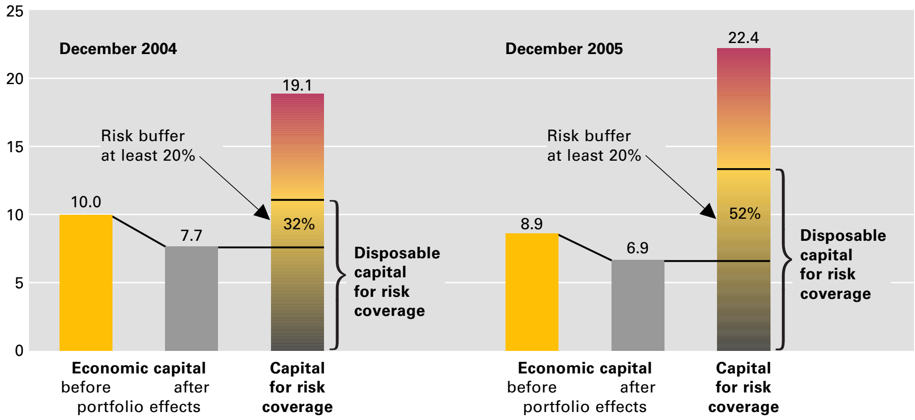
Calculation of the risk-taking capability is the second important pillar of overall Bank management after integrated risk/return-oriented steering based on economic capital.

- Here, the overall risk figure worked out for the Group – measured as economic capital – is set off against the total capital available for covering risk in the form of a "traffic-lights" system.
- The capital components corresponding to the various traffic-light scenarios correspond to the Group's ability to anticipate potential losses in terms of absolute figures and priority.
- The objective of this comparison is to establish whether the Bank is in a position to anticipate potential unexpected losses without serious negative effects on its business activity and to cover them from its own funds.
- For this purpose, a risk buffer of at least 20% was defined between the Group's overall risk – adjusted for portfolio effects – and the disposable parts of the capital available for risk coverage.
- At the individual borrower level, a limit of €20m CVaR has been set for steering bulk risks. If this is exceeded on more than a short-term basis (e.g. in the course of underwriting), the appropriate measures must be taken in order to reduce the risk (e.g. purchase of security via credit derivatives).

Within the Bank's overall risk strategy, the risk buffer requirement has been translated into specific targets for individual portfolios. During the year under review, the capital available for risk coverage was always greater than the 20% risk buffer which has been defined.

Risk-taking capability

December 2004 vs.
December 2005,
in € bn



II. Risk-management/risk-control organization

Responsibility for implementing the risk-policy guidelines laid down by the Board of Managing Directors throughout the Group lies with the Chief Risk Officer (CRO). The CRO regularly reports to the **Risk Committee of the Supervisory Board** and to the Board of Managing Directors on the Group's overall risk situation. In addition to being responsible for Risk Control (ZRC), the CRO is also in charge of the operative credit units throughout the Group; the operative credit function is shared by Global Credit Operations (ZCO), responsible for corporate clients, financial institutions/sovereigns and private clients outside Germany, and Credit Operations Private Customers (ZCP), responsible for private customers in Germany.

From the risk-control perspective, the integration of Eurohypo is already well advanced. Consensus has been reached on the common use of the Master Scale and the rating/scoring systems. The Group-wide application of Commerzbank's internal credit-risk model will be extended as from 2006 to Eurohypo as well; the same holds true for the rules for credit approval powers, the use of the committee approach and the harmonization of credit-risk strategy. Further synergy potential will be tapped through the standardization of technical and organizational areas (such as the already achieved agreement on uniform booking procedures and the creation of a credit factory for private and business customers).

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

- The **Risk Committee**, headed by the CRO, is responsible for issues related to monitoring all the major types of risk, as well as their aggregation as part of the economic-capital approach and the Group's overall risk situation. At fortnightly intervals, the Risk Committee discusses market-risk issues and general risk topics.

- The **Credit Committee** meets every week, chaired by the CRO. It is made up of equal numbers of front-office (Parent Bank's Board and Regional Board Members) and risk-management personnel (CRO and CCO = Chief Credit Officer) and is responsible for all credit risk at the individual and portfolio levels. The committee issues a recommendation on all the lending decisions to be taken by the Board of Managing Directors. Its work is supported by three credit sub-committees for corporates, financial institutions and private customers. With the integration of Eurohypo, it is planned to set up a further sub-committee for commercial real estate. MaRisk requires that the CRO or the risk-management side are not outvoted in lending decisions – the exception being decisions adopted by the Board of Managing Directors. Where there is disagreement, we have a well-functioning escalation process.
- The **Operational Risk Committee** is responsible for all the broader issues relating to operational risk within the Group. It provides support for the Risk Committee in decisions relating to the management and monitoring of operational risk.
- As a sub-committee of the Risk Committee, the **New Product Committee**, which is chaired by the head of ZRC, decides whether to launch activities in new products or new markets in the form of trading or loan products. In accordance with MaRisk, it will also focus on the investment side in future.
- The **Asset & Liability Committee** (ALCO) is headed by the Board member in charge of Treasury. It is responsible for fundamental issues in asset/liability management, the Bank's liquidity, and also its borrowing and equity.

1) Risk control

After the Board of Managing Directors, Risk Control (ZRC), which with its global organization reports directly to the CRO, bears overall responsibility for Group-wide control for all types of quantifiable risk. The core functions of ZRC within the risk-control process include:

- the ongoing identification, recognition, evaluation and monitoring of all quantifiable risks and their proactive control;
- the working-out of internal guidelines to ensure a uniform risk standard throughout the Group;
- the conception and enhancement of models and methods for quantifying risk (e.g. rating methods);
- the implementation of risk-related supervisory requirements within the Commerzbank Group (e.g. Basel II and MaRisk);
- internal and external risk reporting;
- performing an advisory function within the Bank on all risk-relevant issues and with regard to the conception of its risk strategy.

A central role here is played by the Group-wide aggregation of all types of quantifiable risk to form an overall risk position, its integration into a calculation of the Bank's risk-taking capability and also the development of a risk/return-based overall Bank management as part of the economic-capital approach.

2) Risk management: the operative credit function

As required by MaRisk, it has been ensured for all units of the Commerzbank Group that lending decisions are independent of the front office by systematically separating the market side from risk assessment/risk decision-making in every phase of the credit process and up to management board level.

- The operative credit function (back office) for corporate customers, sovereigns, institutions and banks worldwide, as well as for private customers abroad, has been concentrated at Global Credit Operations (ZCO).
- For retail business in Germany, the operative credit function is performed by Credit Operations Private Customers (ZCP).
- ZCO and ZCP monitor risk closely, an activity for which regional credit officers (RCO) are responsible, who report either to the CCO (head of ZCO) or to the head of ZCP.
- ZCO has global credit officers for industries (bulk risks), financial institutions (including non-bank financial institutions) and intensive treatment.
- It is planned to establish a separate global credit office for specialized finance (LBOs, ABS, CDO, special and project financing) in Frankfurt in order to meet the steadily increasing demand for special expertise.
- Special expertise is bundled in centres of competence for renewable energies and global shipping. In 2006, two further centres of competence will be set up for communal financing and the financing of small *Mittelstand* companies (loans of up to €750,000).
- All the subsidiaries are integrated into this credit-line function. The two large units BRE Bank and Hypothekenbank in Essen have their own risk committees, chaired by the operative credit side.
- Specialized intensive treatment know-how exists for handling problem loans, making it possible to deal with them intensively at an early stage. The principal goal is to improve the customer's ability to survive by adopting timely measures and to return the intensive-treatment loans, wherever possible, to better credit ratings.
- All customer mezzanine financing transactions are treated as credits at Commerzbank.

In addition to the functions of the back-office departments (ZCP, ZCO) which relate to individual customers, such as rating, loan approval, documentation and monitoring/early recognition, the targeted and proactive risk management of individual portfolios is becoming ever more important. Achieving a more dynamic portfolio and ensuring a high portfolio quality are increasingly developing into a core function in the forward-oriented steering of asset quality. Transactions to optimize the portfolio are closely coordinated between the front- and back-office teams, using modern trading-based instruments provided by Corporates & Markets (ZCM). For multinationals, hedging instruments are employed to a growing extent in order to obtain the best return on the capital invested.

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

Within the scope of their business activities, the individual divisions and subsidiaries of the Bank bear immediate responsibility for risk and earnings. Unlike the centralized responsibilities of risk control (steering, planning, control), operative risk management is handled – with the exception of credit risk (back-office departments ZCO/ZCP) – by the Bank's respective front-office units.

4) Internal risk reporting

- The Risk Committee of the Supervisory Board, the Board of Managing Directors and the Risk Committee are regularly informed about all of the major risks and the Group's overall risk situation in the form of structured risk reports.
- Reporting on the individual risk categories is complemented by a calculation of the Bank's risk-taking capability, which sets off all the quantifiable risks against the regulatory and economic capital for risk coverage and aggregates them to form an overall risk position.
- Events of major significance for the Bank's risk situation are reported to decision-makers on an *ad hoc* basis.
- The central information and steering instrument at Group level for the Board of Managing Directors and the Risk Committee of the Supervisory Board is the Quarterly Risk Report (QRR) produced by ZRC.
- This also presents the target/performance comparison with the formulated portfolio targets and limits. Countermeasures are adopted at short notice.

5) Compliance and security

For Commerzbank, it is especially important that its employees are people of integrity, who observe the relevant laws precisely because they have to deal every day with highly sensitive customer data and information. The crucial point, therefore, is to prevent conflicts of interest from arising and to make sure that market manipulation and insider trading do not occur. The declared goals of compliance are to protect customers and investors, but also employees and the Bank's reputation.

Supervisory and capital-market regulations as well as the Bank's internal rules are monitored centrally by Compliance and Security (ZCS) with the aid of a highly-developed monitoring system which covers both the Bank's proprietary trading and transactions on the part of employees.

6) Internal auditing

Internal Auditing works on behalf of the Board of Managing Directors, free from directives and external influence, as a unit independent of business processes. In reporting and in evaluating the results of its audits, Internal Auditing also operates free from directives.

The instrument employed by Internal Auditing is risk-oriented audit planning. It assesses the systems for risk management, control and also for general management and monitoring, thus helping to improve them.

In accordance with the Minimum requirements for the risk management of credit institutions (MaRisk), it audits all the sections of the Group. In addition to processes and systems, preventive individual audits are conducted and special audits are performed at less than annual intervals if the need arises.

7) Implementation of supervisory requirements: Basel II and MaRisk

Implementation of the supervisory requirements throughout the Commerzbank Group is coordinated by ZRC project teams, in close cooperation with the banking departments, staff departments and subsidiaries.

- Steering committees monitor the progress of the project.
- Commerzbank was selected by the German financial supervisory authority, BaFin, as a case study for the Basel II home-host monitoring process.

Further key aspects in the implementation of Basel II at Commerzbank last year were:

- the methodological refinement of internal rating methods in credit business;
- the collation of the necessary loss histories;
- the refinement of methods for estimating the main Basel parameters;
- the elaboration of methods for quantifying operational risk.

This fulfilled important requirements for the use of the IRB Advanced Approach and the Advanced Measurement Method (AMA), thereby creating the basis for a sophisticated risk-adjusted capital allocation. The procedure for examining ("certifying") the IRB approaches to credit risk were initiated by the German authorities early in 2005. Further steps to follow in the near future are:

- In close cooperation with the banking supervisory authority, the Bank expects the examination to begin sometime in 2006. Commerzbank submitted its Group application for certification of the IRB Advanced Approach in the third quarter of 2005.
- A similar regulatory certification process for operational risk (Advanced Measurement Approach) is being introduced in Germany at present.

As things stand today, the advanced Basel II approaches can be implemented and certified according to plan within the deadline that has been set – on the current planning of the supervisory authority: January 1, 2008.

Alongside the internal progress made with the project, the question of the ultimate calibration is decisive as regards the comparative advantages of the various approaches. The supervisory authority will make this calibration on the basis of the findings of QIS 5, which are to be presented in 2006. At the moment, the originally promised incentives to be generated by the advanced approaches have not yet emerged. It is also not compatible with a level playing field that the US supervisory authorities have extended the timetable for introducing Basel II. We are concerned that the Bank's large investments over the years in the implementation of the Advanced Approach of Basel II will not lead to a lower regulatory capital requirement. Depending upon the ultimate calibration, therefore, we reserve the right temporarily to select less advanced approaches leading to a better capital allocation as far as our shareholders are concerned.

On December 20, 2005, BaFin published the definitive version of the so-called **Minimum requirements for the risk management of credit institutions (MaRisk)**. The new requirements contained in MaRisk have to be implemented in general by January 1, 2007.

- MaRisk will represent the main qualitative requirements of the second pillar of Basel II and will form the basis for an integrated approach to risk.
- MaRisk formulates requirements for the organization of risk management which replace the minimum standards for credit business (MaK), trading activities (MaH) and internal auditing (MaIR), which have applied up to now.
- They will be complemented by further Basel II elements (e.g. interest-rate risk in the banking book and liquidity risk), for which no overall provisions have existed up to now in Germany. MaRisk, therefore, provides the organizational framework for the Basel II requirements regarding the supervisory process and the internal process for assessing capital adequacy (ICAAP), which has to be formally approved by banks before the Basel framework is introduced.
- MaRisk was already implemented to a large extent within the Commerzbank Group in 2005.

On BaFin's instructions, the Bundesbank examined the trading activities of Commerzbank AG last year in Frankfurt and London pursuant to Art. 44, (1), German Banking Act – KWG. BaFin confirmed that, in the areas examined, Commerzbank is complying with MaH and that its internal system of control is appropriate with regard to the scope, complexity and risk attached to the trading activities conducted.

III. Risk-control/risk-management process

1) Credit risk

Credit-risk strategy

Building upon the overall Bank strategy, the Commerzbank Group's credit-risk strategy establishes the framework for the medium-term management of the loan portfolio, based on an analysis of the business-policy situation and an assessment of the risks and returns related to lending. The credit-risk strategy provides the basis for the planned lending activities. The overriding goals are:

- identifying value drivers and reflecting them in the Bank's business policy, and also reducing value destroyers;
- supporting the goals of overall Bank management: maximizing the return on the equity tied up, taking into account Commerzbank's risk-taking capability, and defining the framework for optimizing the current portfolio;
- and selecting new and follow-up business from a risk/return aspect.

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

A major priority of the credit-risk strategy is the growth of business with *Mittelstand* companies (including major corporates) in Germany as well as in Central and Eastern Europe, and also with private and business customers in Germany. By contrast, the focus in limiting risk continues to fall on bulk risks and equity holdings. Insofar as individual industries and countries are considered critical, the operative management has been performed for years with the aid of the Bank's well-established traffic-lights system.

As part of a comprehensive controlling process, observance of the credit-risk strategy is subjected to constant independent monitoring by Risk Control. In connection with its quarterly risk report (QRR), ZRC decides whether the structure and development of the Group's loan portfolio are compatible with its credit-risk strategy. On this basis, the Board of Managing Directors review significant deviations from the credit-risk strategy and any countermeasures to be adopted as a result. At its meetings, the Risk Committee of the Supervisory Board is regularly informed about the resolutions and assessments of the Board of Managing Directors on the basis of the QRR.

In order to ensure that the risk-strategy rules are implemented and to restrict concentrations of risk, the economic capital that is tied up is used as a measure of, and a risk cap for, sub-portfolios and concentration risks (business lines, sectors, products and regions). The traditional target/performance comparison is complemented by a regular review of the underlying assumptions – such as GNP growth and industry forecasts.

Rating procedures

Rating methods form an integral part of the risk-control/risk-management system and at the same time represent a core competence and competitive factor for our Bank. Apart from their function as a traditional instrument for judging creditworthiness, rating procedures provide the basis for working out margins which reflect risk and thus differentiate between degrees of risk. They are also the basis for calculating economic capital and for portfolio management. The high discriminatory power of our rating procedures leads to improved risk selection and consequently to lower capital requirements. The processing costs in lending business can be reduced significantly through the use of rating procedures in connection with a (partially) automated lending procedure.

The predominant feature of the year under review was the introduction of the Commerzbank Master Scale on a Group-wide basis at the start of the year, the launch of the new and refined rating procedures for corporates and of the rating procedures for the banks, specialized finance and commercial real estate segments. The procedures were also revised for credit-card portfolios and for deciding on alternative payments packages for retail customers; in addition, a rating procedure was developed for the Polish smaller business segment at the Commerzbank subsidiary BRE Bank; it was introduced in January 2006.

Rating and scoring procedures in retail business

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

From January 2006 onwards, behavioural scoring is also being extended to business customers who are not obliged to prepare a balance sheet; it is being fully integrated into rating-based process management.

Rating procedures in corporate business

In the corporate-customer segment, three different models are applied, distinguished by the criteria size of turnover and region of origin of the company. The structural procedure for arriving at a rating is identical in each case: six sub-analyses are processed in a fixed order, yielding a probability of default for the corporate customer (so-called PD rating). The back-office unit is responsible for establishing the definitive PD rating.

Rating for specialized finance

Commerzbank subsumes cash-flow-based financings – such as LBO financing, project finance, structured trade finance – under the heading specialized finance (SF). For this segment, a simulation-based rating procedure was employed in 2005. With the aid of the new SF procedure, the expected loss of a transaction is worked out directly. For this purpose, the risk parameters probability of default, loss given default and the expected exposure at default are calculated for tranches representing the same level of risk and for each year of the respective tranche's lifetime. The SF rating procedure is expert-based and effectively examines the debt-servicing and restructuring capability of a transaction, using scenario analyses.

Rating procedures for banks

Commerzbank's procedure for rating banks is based on a mathematical-statistical model with expert-based extensions. Overall, the bank rating procedure breaks down into five different regionally-specific models. Alongside the developed-markets model, four different models exist for banks in emerging markets (Asia, Middle East and Africa, South America, Eastern Europe). Under this procedure, six sub-analyses have to be processed in a fixed order, yielding a probability of default for the bank in question.

Commitment rating and Master Scale

Apart from the PD rating, Commerzbank establishes for all rating-relevant segments a commitment rating, which takes into account such transaction-specific features as collateral, credit types, the lifetimes of loans and other qualitative criteria. In order to calculate the rating for a commitment, the expected loss (EL) is worked out as a percentage of the exposure at default (EAD). This presents the ratio of the expected loss to the overall exposure of a customer, taking into account all the credit lines. Like the PD rating, the rating for the commitment is geared to the Master Scale recently introduced throughout the Bank. This makes the PD and the commitment rating directly compatible.

All credit commitments are assigned by the Bank to one of three areas in accordance with their commitment rating. The so-called white area comprises the unremarkable credits (R 1.0-3.2) and the so-called monitoring risks (R 3.4-4.4). The grey area covers all substandard risks (R 4.6-5.8), while in the black area all the problem loans are bundled (R 6.1-6.5). With the exception of small commitments, those in the grey and black areas are not only analysed and decided by the back-office unit but are also managed directly by risk managers from this department.

From a minimum credit level upwards, every Commerzbank business and corporate customer has the right to be informed by his relationship manager in a personal interview about his probability of default. Written statements and more detailed analyses (Rating Coach, for instance) are made available at an appropriate fee.

Commerzbank Master Scale and PD/EL values

Commerzbank AG rating	PD and EL mid-point as percentage	PD and EL range as percentage	S&P	S&P	IFD scale*	
1.0	0	0				Investment grade
1.2	0.01	0 - 0.02	AAA	AAA		
1.4	0.02	0.02 - 0.03	AA+			
1.6	0.04	0.03 - 0.05	AA, AA-	AA	I	
1.8	0.07	0.05 - 0.08	A+, A,	A		
2.0	0.11	0.08 - 0.13	A-			
2.2	0.17	0.13 - 0.21	BBB+			
2.4	0.26	0.21 - 0.31	BBB	BBB		
2.6	0.39	0.31 - 0.47			II	
2.8	0.57	0.47 - 0.68	BBB-			
3.0	0.81	0.68 - 0.96	BB+			Non-investment grade
3.2	1.14	0.96 - 1.34	BB	BB	III	
3.4	1.56	1.34 - 1.81				
3.6	2.10	1.81 - 2.40	BB-		IV	
3.8	2.74	2.40 - 3.10	B+			
4.0	3.50	3.10 - 3.90				
4.2	4.35	3.90 - 4.86				
4.4	5.42	4.86 - 6.04	B	B	V	
4.6	6.74	6.04 - 7.52				
4.8	8.39	7.52 - 9.35	B-			
5.0	10.43	9.35 - 11.64				
5.2	12.98	11.64 - 14.48	CCC+			
5.4	16.15	14.48 - 18.01		CCC	VI	
5.6	20.09	18.01 - 22.41	CCC to CC-			
5.8	25.00	22.41 - 30.00				
6.1	100	Imminent insolvency	C, D-I, D-II			Default
6.2	100	Restructuring				
6.3	100	Restructuring with recapitalization/partial waiving of claims				
6.4	100	Cancellation without insolvency				
6.5	100	Insolvency				

* IFD = *Initiative Finanzstandort Deutschland*; Source: Commerzbank

Assessing creditworthiness in international business: country rating
The assessment of country risk draws upon an internal rating model reflecting a country's economic performance and political stability. The country rating evaluates the ability and readiness of a country to pay in foreign currency. The rating figures serve to assess the transfer risk (risk of the state restricting cross-border payment flows), the sovereign risk (creditworthiness of the state as a borrower) and the systemic risk.

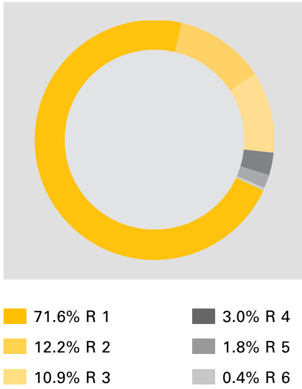
Credit-approval powers
The basis for managing credit risk throughout the Commerzbank Group is a structure of rating-related credit approval powers, which now also extends to all subsidiaries, i.e. including Hypothekenbank in Essen, Erste Europäische Pfandbrief- und Kommunalkreditbank (EEPK) and BRE Bank.

In both corporate and retail business, credit-approval powers are based on the principle of committee decision-making. On all committees, the front office and the back office are equally represented, with the operative credit side also taking the chair; it cannot be outvoted on risk-related issues. The central body in such matters is the Credit Committee, which is chaired by the CRO. Drawing upon predefined entry levels, this committee is responsible for all the Commerzbank Group's major and large lending decisions (based on Group-wide limits for borrowers) or for passing the matter on for the Board of Managing Directors to decide. Smaller commitments may be approved by two loan officers; in the so-called "non-relevant" area pursuant to MaRisk, we make use of the possibility to delegate credit-approval powers to a single officer.

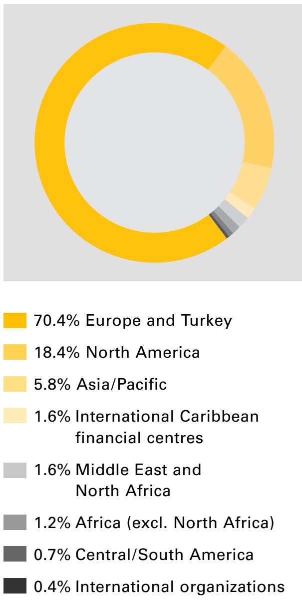
Credit decisions for individual borrowers or groups of borrowers are made on the basis of either the aggregated exposure that has been applied for, pursuant to Art. 19, (2), German Banking Act – KWG (borrower unit), or a larger economically defined risk entity. In 2006, a project for improving the efficiency of corporate loan processing and decisions (end-to-end credit, "etec") will be implemented. In addition, loan-approval powers will be revised in view of the dimensions involved in integrating Eurohypo; this will mean that far fewer individual credit applications will have to be decided by the Board of Managing Directors and the Risk Committee of the Supervisory Board. In future, both bodies will concentrate more strongly on portfolio-based applications, stress analyses and also on resolving any countermeasures that may become necessary.

We see even more efficient credit processing as a way of increasing value in order to provide our customers with credit at favourable prices – particularly since risk-adjusted pricing will lead to greater risk-oriented differences in terms and conditions. Wherever possible, we are going over to bundling standardized credit procedures and moving them to the front-office side. The remaining operational risks can be well monitored via key performance indicators at such credit-processing units. By contrast, for complex and individual credit decisions, a major component of the individual default risk is to be found in the loan documentation – liability and duty to supply information, security arrangements, covenants, etc. – together with the establishment and monitoring of the disbursement and repayment conditions as well as the possible courses of action in the event of default. For this reason, we set great store by the credits of all units of the Commerzbank Group being processed by back-office personnel.

Country risk, by rating group as of 31.12.2005



Regions of foreign exposure as of 31.12.2005



Modelling and quantifying credit risk

All credit risks are aggregated at the portfolio level with the aid of the internal credit-risk model. By providing key figures, this model is one of the bases for risk monitoring, portfolio management and credit-risk strategy. Within the context of an overall Bank management geared to the use of economic capital, it also makes a major contribution towards steering business.

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

The expected loss (EL) is the product of the expected exposure at default (EAD), the probability of default (PD) and the percentage loss given default (LGD):

EL = PD x EaD x LGD

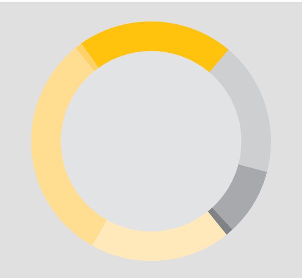
The expected loss plays a central role both in risk-based pricing and – especially with regard to Basel II – as a benchmark for forming provisions.

Credit value-at-risk (Credit VaR) serves as the measure for unexpected loss; for a given confidence level, it represents an estimate of the maximum amount by which losses could exceed the expected loss. For the Group portfolio, the Credit VaR is calculated using a time frame of one year and a confidence level of 99.95%; at the same time, it represents the credit-risk portion of the Bank's economic capital.

The portfolio and diversification effects occurring at Group level are redistributed in the credit-risk model down to the individual client level in risk-adjusted form. In this way, the relative share of individual units in the overall credit risk can be determined at various aggregation levels.

Unexpected loss for Group's segments

in per cent



- 21% Private and Business Customers
- 1% Asset Management
- 31% *Mittelstand*
- 19% International Corporate Banking
- 18% Corporates & Markets
- 9% Mortgage Banks
- 1% Others and Consolidation

In the traditional *Mittelstand* segment (Corporate Banking), where the Bank's main credit risks arise, and in the Retail Banking segment, the ratio of unexpected to expected loss is roughly 9:2. In the Corporates & Markets section, however, where the structure of customers' creditworthiness is generally good and bulk risks with their own specific volatility represent the main loss potential, the ratio is roughly 8:1 – in other words, the risk is significantly determined by the unexpected loss.

A variety of risk factors and parameters are included in the credit-risk model. In addition to estimates of the exposure to be expected in the case of default and the conservative recognition of collateral, guarantees and netting agreements, these also take into account such statistical quantities as default rates, recovery rates und sectoral correlations. As part of the ongoing modification of the model, the input parameters for calculating risk were altered in 2005. In particular, further results produced by the statistical methods for estimating collateral and recovery factors were integrated into the model.

The credit-risk model plays a key role both in portfolio and business-line analysis and also for risk/return-based overall Bank management. In connection with the value-based steering of corporate business, standard risk costs and the economic capital costs are used in working out an economic contribution margin. Through risk-adjusted pricing, the Bank is increasingly creating steering impulses on the loan origination side by making the risk/return ratio central to lending in the acquisition of new and follow-up business as well. In this way, it is ensured that the portfolio targets defined by the Bank as part of its credit-risk strategy are considered even when the loan is being made available.

Monitoring of credit portfolio

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

Concentrations of risk in clusters, countries, target groups and products are restricted by means of a traffic-lights system.

New business (origination) is steered by means of selective instructions with regard to lending, which in themselves lay the basis for ZCP and ZCO to practice active portfolio management. One key feature in this respect is the creation of more dynamic parts of portfolios through recourse to credit derivatives, securitization and asset trading. Apart from secondary-market transactions involving written-down claims (single names), a portfolio of called-in non-performing loans (NPLs) was disposed of in the year under review.

The steering impulses for bulk risks and also for products and target groups take the features specific to a segment into consideration. As a central element of risk management, the **monitoring of bulk risks** is based on the economic capital approach. In order to reflect the risk structure characteristic of the Bank's commitments, the main factors in working out economic capital are volume, maturity and an analysis of creditworthiness, which takes into account among other things sectoral and country-specific factors. The appetite for each current bulk risk is indicated by means of a traffic-light colour.

Bulk risks are defined as borrower units accounting for at least €5m of economic capital; a graduated process is used to monitor them. Borrower units accounting for more than €20m of economic capital are not wanted in a long-term perspective and are systematically reduced, also with recourse to modern capital-market instruments such as CDS. For problem commitments (6.1-6.5 rating), all credits over €50m count as bulk risks.

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

Country-risk monitoring entails all the decisions, measures and processes which – drawing upon the information provided by risk quantification – are intended to influence portfolio structure in order to attain management goals.

Under the traffic-lights system, groups of countries with a certain rating and minimum exposure are covered. For risk optimization purposes, the Bank has extended its controlling for a number of countries to so-called total exposure. This takes account not only of the net country exposure but also of the claims in a non-risk country on the foreign outlets and subsidiaries of a parent company based in a risk country. Monthly country-risk reporting ensures that in the case of unexpected portfolio developments countermeasures can be taken promptly.

Country-risk reports appear at periodic intervals, describing the development of individual country exposures and the breakdown by rating category and region. In this way, the Bank achieves both risk-based control and geographical diversification in its exposure abroad. In 2006, the credit-risk model will be adopted for country monitoring, as it is in the monitoring of individual bulk risks.

Like country-risk monitoring, **sectoral monitoring** also operates with a system of limits and traffic lights. The colours for the various sectors are worked out using both internal and external key sector data taking into account the historical performance of the sector in question, the quality of the current loan portfolio and a sector overview.

Monitoring credit risk for trading activities

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

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

Development of risk and risk provisioning

Good performance in 2005 was mainly attributable to large-scale reversals of provisions for bulk risks in particular both in Germany and elsewhere. At the same time, provisioning in German corporate business, where the focus is on *Mittelstand* firms, has eased considerably. In addition, a notable part of overall provision for possible loan losses in 2005 related to a final clean-up of the commercial real-estate portfolio and here, with a view to legislative changes, to the fund-financing area which is bundled at CORECD. Net provisioning in retail business stayed at a high level as the market environment remained difficult.

Integration of Eurohypo into the Commerzbank Group will cause a substantial increase in total lending; in the German market, we will become easily the largest financing bank as a result. We will make sure that our conservative measurement principles are universally applied to the greatly expanded portfolio as well and expect this to lead to a moderate rise in our provisioning in 2006 compared with last year's consolidated figures. This statement is subject to some reservations, as we have not yet completed our credit check of Eurohypo's portfolio.

We see considerable potential negative factors on the retail side as the environment remains difficult (rising consumer insolvency figures, persistently high unemployment). Against this background, we expect no scope in 2006 for reducing provisioning in this segment; on the contrary, we believe it may tend to increase.

Reflecting a change in the credit culture, the main focus of the Commerzbank Group is not on minimizing provisioning. On the contrary, pursuing an opportunity-oriented approach, we want to assume selective risks provided that the returns are adequate. For small and medium-sized enterprises, for instance, we intend to gradually increase our risk appetite over the next few years, accepting higher provisioning in this sub-segment provided that this makes economic sense. The same holds true for consumer and credit-card business. Changes in the absolute level of the provisioning ratio cannot, therefore, be used as a basis for judging the success and quality of risk management. This is only possible if changes in net interest income from lending are also taken into consideration. International comparison reveals that apparently those banks are very successful which are able to increase their risk appetite in the sub-investment-grade area thanks to efficient steering systems and systematically implemented risk-adjusted pricing.

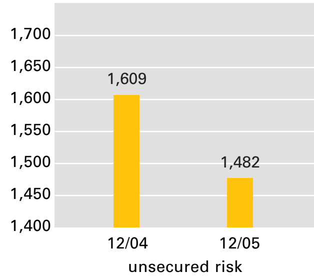
All identifiable credit risks are taken account of by forming the appropriate provisions. Doubtful credit exposures are kept in a special IT system, making it possible to process individual transactions effectively and to monitor risks. Under the Commerzbank Master Scale, problem loans in corporate business are assigned to five different default classes, differentiated by the reason for default. This ensures that the specific risk situation of individual cases is optimally recognized, which in turn finds expression in the amount of provisioning needed. In addition, an assessment of the individual borrower's future ability to pay will be used in calculating the amount of provisioning that is required.

In corporate business in particular, considerable excess cover exists for non-performing loans in the form of the provisions formed and the collateral furnished. However, this excess cover is not a "luxury" but rather it is necessary, depending on the volume of performing problem loans (so-called reporting accounts), to cover the existing acute risks.

The 20 largest problem loans consist of €438m of performing and €789m of non-performing assets. All told, provision of €798m has been formed for the 20 largest problem loans.

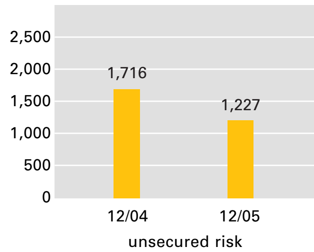
The 20 largest sub-standard loans (4.6-5.8 ratings)

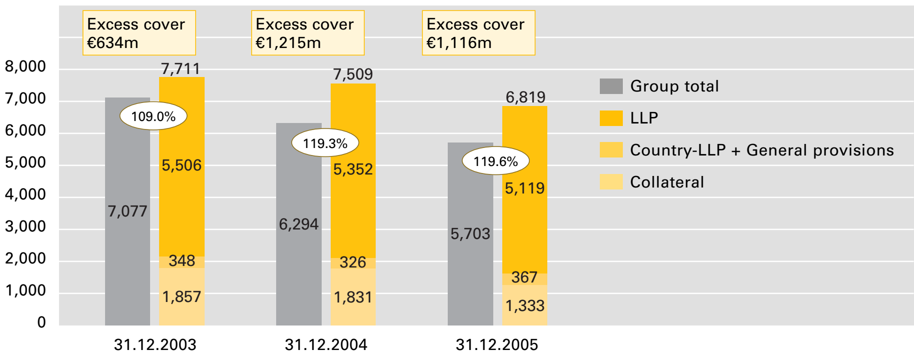
in € m



The 20 largest problem loans (6.1-6.5 ratings)

in € m





High coverage ratio for non-performing loans

in € m

For latent risks in the white and grey areas, general provisions are formed, representing coverage for the acute credit risks that exist there but which have not yet become transparent. Portfolio-based parameters (loss identification period, "LIP factor") are used to represent the time-lag here.

For concrete creditworthiness risks – 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 ("loss-free valuation"); here we base our calculations on an updated conservative valuation of the furnished collateral. The amount of provisioning required for problem loans is gauged by the unsecured part of the exposure. In international credit business, the economic and political situation of the country is also reflected in the overall assessment of a borrower.

With the EU's approval of the amended IAS 39 early in 2005, binding IFRS rules now apply for risk provisioning. Building upon these rules, the Bank adopted measures last year to harmonize IFRS risk provisioning on the basis of the new Basel II parameters.

Net provisioning in 2005 was €566m and thus €270m lower than the previous year's figure of €836m and also €194m below the budgeted amount of €760m. The Group's net provisioning ratio was reduced year-on-year by 18 basis points to 0.34%, marking a return to the positive level of 2000.

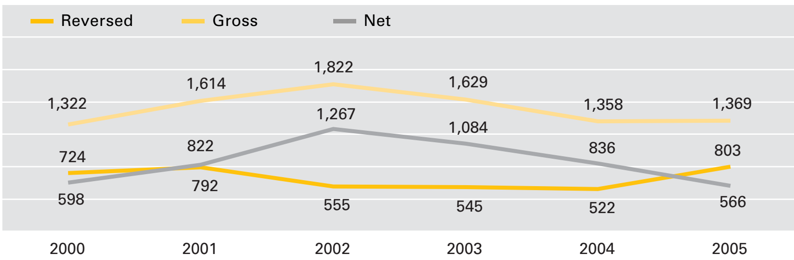
The steady decline in the provisioning trend over several years is attributable, for one thing, to such external factors as bulk and country risks and, for another, to better risk management throughout the Group given improvements to the system in connection with Basel II, the creation and implementation of the credit-risk strategy, more early recognition and the inclusion of the Bank's subsidiaries.

The adequacy of the Bank's risk provisioning is regularly monitored at the portfolio level. The expected need for provisions throughout the entire financial year is worked out each spring and autumn on the basis of careful bottom-up estimates. The early recognition of risk is complemented by two top-down estimates, whereby a gradual improvement in the early recognition of all portfolio risks has been achieved over the past few years. We expect that the switch to the Basel II/IFRS system will tend to produce greater volatility in risk provisioning for both the interim and the year-end figures. Thanks to the so-called unwinding effect, some of the reversals pursuant to IFRS will be recognized in interest income, making year-on-year comparison more difficult.

Risk monitoring is complemented by the careful monitoring of the largest sub-standard and problem loans in terms of the overall volume of risk, the development of ratings and other relevant risk parameters. This creates a great sensitivity towards risk in all portfolios and at all levels of decision-making. Usually, claims are removed from the books and residual amounts are written off or reversed only after the conclusion of insolvency proceedings, after they have been disposed of, or after an accord has been reached with the borrower, or debts are waived at the expense of existing provisions. Experience has shown that, as a result, the level of problem loans – which includes non-performing loans and endangered performing loans – is higher than at institutions which follow a policy of making early write-downs due to their accounting rules.

Our experience indicates that, seen overall, a work-out policy of great staying power leads to more favourable provisioning charges. For this reason, we do not see the virtual doubling of the Commerzbank Group's portfolio of non-performing loans through the integration of Eurohypo as a threat, but rather as an opportunity. As the German real-estate scene improves in the course of the next few years, we expect to be able to register additional recoveries here.

Gross ratio (bp)	74	90	106	99	85	84



Net ratio (bp)	33	46	74	66	52	34

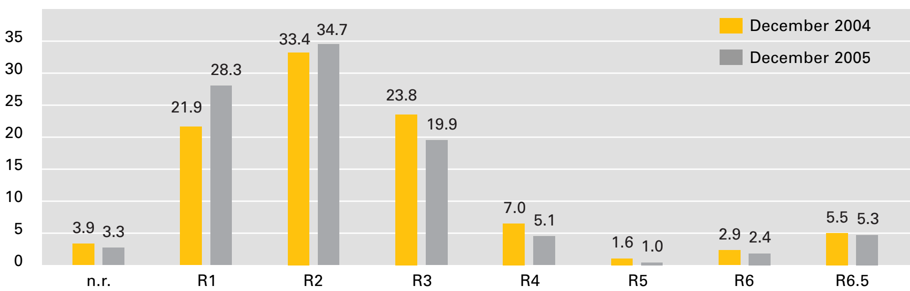
Risk provisioning of Commerzbank Group

in € m

Credit portfolio analysis

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

At the start of 2005, several new rating methods for corporate business were introduced together with the Commerzbank Master Scale, which have led to a distinct improvement in discriminatory power. Gradually, this is affecting the rating structures in both commercial and investment banking. Selective measures in risk management as well as healthier economic conditions are producing a further improvement in rating structure.

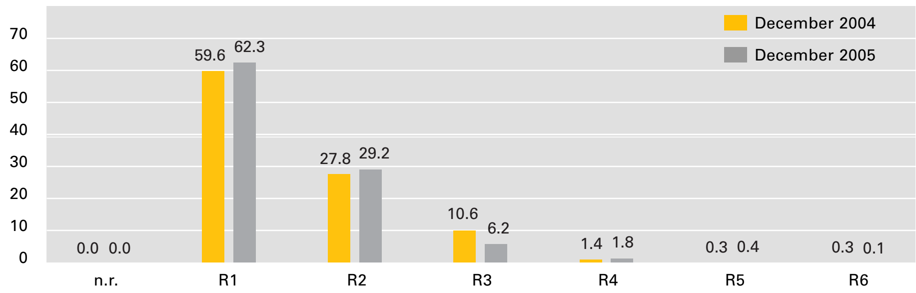


Utilization of credit, by rating structure in Commercial Banking (excl. BRE Bank and Essen Hyp) as of 31.12.2005

in per cent

Counterparty risk, by rating structure in Investment Banking as of 31.12.2005

in per cent



The rating structure in Investment Banking with a large proportion in rating groups 1 and 2 reflects the focus on counterparty risks of investment-grade quality.

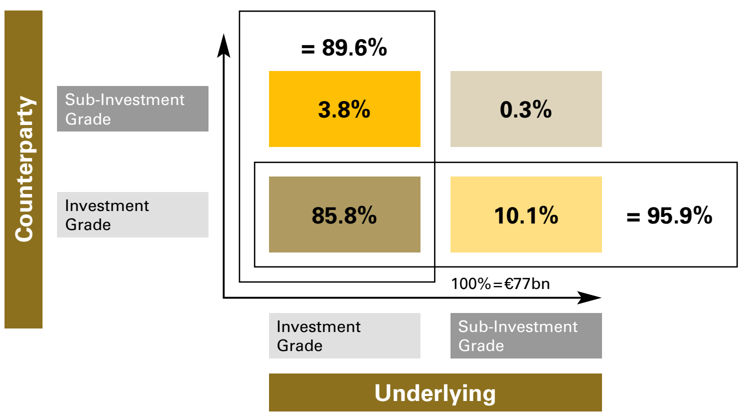
Use of credit derivatives

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

The following diagram shows the structure of credit derivatives in the trading book. Credit hedges are mainly (95.9%) bought from investment-grade counterparties. Similarly, the reference assets are primarily to be found in the investment-grade bracket (89.6%). Commerzbank has concluded only 0.3% of the protection it has bought to cover sub-investment-grade issuers in the sub-investment-grade area. The development of counterparty risk and long/short positions is steered by means of the system of limits and the established credit limits. Open long positions may be taken up in the trading book within the approved issuer limits.

With hedge funds, we assume counterparty risk virtually only on a secured basis (collateral agreements) and ensure that our confirmations are themselves promptly confirmed.

Protection bought for the trading book as of 31.12.2005



Securitization transactions

Commerzbank arranges and places ABS/MBS transactions for clients in Germany and other European countries. Issuing activity was concentrated on true-sale securitizations last year. The underlying securities are primarily commercial mortgages, corporate loans and trade bills. Borrower's note loans and mezzanine portfolios are actively sold in Germany to *Mittelstand* clients with the aim of placing them in the capital market.

In order to achieve broader diversification of its portfolio and to tap extra earnings potential, Commerzbank is active to a reasonable extent as an investor – as defined by the new Basel Capital Accord (Basel II) – in tranches of other securitization transactions. The Bank also uses securitizations as an originator in accordance with the Basel II definition for freeing up regulatory capital and for selectively selling and covering credit risk. The following table presents an overview of Commerzbank's securitized assets (nominal volume as of December 31, 2005):

	Nominal amount in € m
Collateralized loan obligations (CLO)*	1,470
Residential mortgage-backed securities (RMBS)	5,582
Total	**7,052**

* As CLO represent revolving pools, the overall securitized volume in 2005 was €10,789m.

In order to promote the true-sale market in Germany and to improve the overall framework for these transactions, Commerzbank has joined the True Sale Initiative (TSI), cooperating with Kreditanstalt für Wiederaufbau and other banks.

2) Market risk

Organization and strategy

- The active management of market risk is entrusted to the various business lines, which within the scope of set limits and trading competencies expose themselves to market risk for the purpose of generating revenue.
- The central management of risk is performed by specialized market-risk control units within ZRC that are independent of trading activities.
- The Risk Committee deals exclusively with topics relating to market risk on a monthly basis. Detailed reports are presented at these meetings on the development of risk in the trading and banking books, complemented by scenario analyses of specific movements in interest-rate, equity, currency and credit markets.
- Market risk is managed by means of a sophisticated system of limits, combined with reliable and optimized methods for measuring and monitoring risk. The methodological competence for the Group as a whole, including the provision of the required market data and reporting, lies with ZRC.
- ZRC in consultation with the various business lines and the Board of Managing Directors establishes the limits in a top-down and bottom-up planning process, taking into account the Bank's risk-taking capability.

- Commerzbank uses economic capital and business expectations in establishing its market-risk limits, creating a risk/return-based steering of market risk. The extent to which the limits are used, together with the relevant P&L figures, is reported daily to the Board of Managing Directors and the various heads of business lines.
- In consultation with the Parent Bank, the subsidiaries have as a rule established a similar form of risk control. In such cases, market risk is monitored on a local basis. The relevant data are made available daily to ZRC, which calculates and monitors the Group risk.
- We ensure high liquidity for our market-risk positions and subject portfolios comprising less liquid products to particularly close observation.

Methodology
The calculation of market risk is based on the value-at-risk method. In line with the supervisory requirements, the monitoring of market risk by ZRC covers the following categories:

- The general market risk: calculated by means of historical simulation.
- The specific market risk: worked out using the variance-covariance method.
- The interest-rate risk: calculated as part of the market-risk model on the basis of sensitivities related to certain maturities and extensive stress tests.
- The market liquidity risk: for quantifying market liquidity risk closing-out strategies for specific portfolios are defined.

At the Parent Bank and its foreign branches, Commerzbank uses an internal model in order to calculate the capital requirements for the general and specific market risk. In addition, Commerzbank's internal model has already been approved for its CISAL subsidiary. It is planned to submit applications for other subsidiaries.

Through the employment of backtesting methods, the internal model's reliability is regularly checked. Apart from meeting supervisory requirements, the aim is to assess and steadily improve forecasting quality. The total number of significant deviations provides the basis for the evaluation of the internal risk model by the supervisory authorities.

Stress test and scenario analysis
While the value-at-risk approach provides a forecast for possible losses under "normal" market conditions, it cannot predict contingent losses under extreme conditions. For this reason, the VaR approach is complemented by the calculation of stress tests in order to take account of possible extreme market movements. Stress tests are intended to simulate the impact of crises, extreme market conditions and major changes in correlations and volatilities.

- As part of daily reporting, stress tests are applied in a system of "overnight" stress limits, which are adapted to accommodate the risk factors of individual portfolios in each business line.
- Stress tests performed across portfolios simulate the impact of historical and conceivable future crisis scenarios on the Group as a whole.

- The impact of an interest-rate shock on the economic value of the Group's banking books are simulated every quarter. The maximum decline due to a parallel shift of 200 basis points in the interest-rate curve was €522m at year-end. This translates into a decline in equity of 4.1%, which is well below the limit of 20% defined by Basel II for so-called outlier banks.
- The overall picture is rounded off by monthly scenario analyses for each investment category (e.g. hypothetical interest-rate, equity, foreign-exchange and credit-spread scenarios).

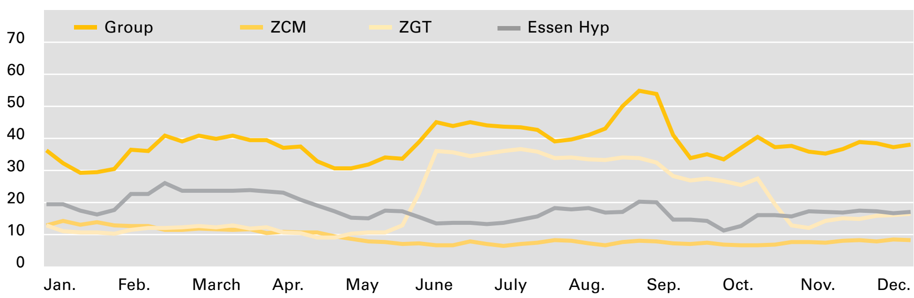
Development in 2005 financial year

For Commerzbank, 2005 was another year in which market risk was systematically reduced even further in various sections of the Group. In Investment Banking, this was achieved through the continuing concentration on customer-related business and the accordingly narrower scope for proprietary trading. Further reductions were realized by systematically paring down the Bank's portfolio of equity holdings.

At the same time, risk control itself had to adjust considerably to the market environment and to changes in customers' preferences. In response to greater demand for hedge funds and banking products related to hedge funds, for instance, and to Commerzbank's increasing activities in this area, the relevant approval powers were introduced and suitable internal guidelines were implemented.

The Bank's own investments in this area are systematically counted against the available market-risk limits and in future they will also be subject to special volume limits for hedge-fund investments, hedge-fund-specific stress tests, diversification criteria for target investments and a strict due diligence for hedge-fund partners.

	Equity holdings		Corporates & Markets (ZCM)		Group Treasury (ZGT)		Essen Hyp		Group (excl. equity holdings)	
in € m	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Maximum	84.6	140.6	15.4	26.6	37.6	27.4	26.1	27.6	56.1	55.8
Median	60.4	82.5	8.2	18.7	15.1	12.4	17.1	21.2	37.9	39.1
Minimum	50.8	74.5	6.2	11.3	8.5	8.9	10.9	9.1	27.0	21.3
Year-end figure	59.3	82.9	8.6	12.4	15.9	13.3	17.3	14.1	39.1	25.2



Value-at-risk in the course of 2005

Weekly averages, in € m
1-day holding period,
97.5% confidence level

In refining its methods of calculating risk, the Bank devoted special attention to the market liquidity of its trading positions in the past financial year. Over and above the supervisory requirements, it introduced a market-liquidity VaR on the basis of hedging strategies for market risk which are used for specific portfolios.

3) Liquidity risk

Organization and strategy

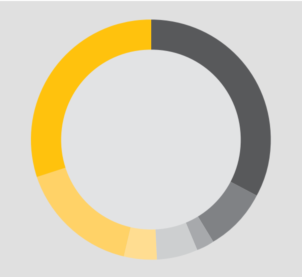
At Commerzbank, liquidity risk is used as a synonym for the cash liquidity risk and describes the risk of possible payment gaps in terms of the Bank's solvency. Ensuring that Commerzbank is solvent at all times, including in crisis situations, is the duty of the staff department Group Treasury (ZGT). Measurement and monitoring at Group level, however, are performed by the staff department Accounting and Taxes (ZBS) and ZRC.

In accordance with the current supervisory requirements (Principle II), an institution's liquidity is deemed to be guaranteed if the weighted liquid assets available to it within 30 days cover the weighted payment obligations callable during this period. This figure is calculated and reported by ZBS. All the same, in practice, a liquidity risk also exists over an institution's full maturity spectrum and for its off-balance-sheet items. For this reason, and to meet elementary requirements of Basel II, Commerzbank has introduced supplementary liquidity ratios.

Since the year under review, liquidity risk is additionally controlled by means of a differentiated system of limits on the basis of the computed available net liquidity. The use made of such limits is worked out both for a base scenario reflecting current market conditions and for stress scenarios influenced by either market or behavioural factors; it is monitored at the relevant steering and limit levels. The current use of limits is calculated weekly and made available for further processing on special pages of Commerzbank's intranet. All limit overruns are reported to ZGT and the Risk Committee.

Percentage distribution of market risk as of 31.12.2005

1-day holding period;
97.5% confidence level



30.1% ZGT
16.3% ZCM
4.5% ZAM
32.7% Essen Hyp
8.5% New York Corp. Bank IB
2.4% EEPK
5.5% Other

Liquidity ratios

The available net liquidity (ANL) approach is used for controlling purposes. Crucial to applying the ANL approach is the calculation of so-called legal and economic cash flows, both for balance-sheet and off-balance-sheet items. Legal cash flows cover the flows of payments expected under contractual agreements, whereas economic cash flows also include the effects of customers' behaviour. For possible liquidity gaps in the future, offset assets are worked out (balance sheet liquidity), which are the result of borrowing against liquid assets and/or disposing of such assets.

All three ratios are worked out both under current market conditions and under various stress scenarios influenced by either market or behavioural factors. Limits are established for both the base case and the stress case. The Bank also aims to ensure that the Commerzbank Group always has a supply of liquidity in times of greater stress, while preserving the flexibility of the individual market units.

Liquidity management

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

In 2005 (2004), the liquidity coefficient in accordance with Principle II was between 1.10 (1.13) and 1.20 (1.19); it was thus at all times well above the value of 1.0 required by the supervisory authorities. At end-2005, the Bank – as in the previous year – had a liquidity reserve of €21bn.

4) Equity holding risk

Equity holding risk is controlled by ZRC, whereas the management of such risks is handled by two different units of the Bank. Private equity business is managed by ZCM and monitored by the operative credit unit ZCO. Strategy and Controlling (ZKE), performing the independent back-office function, is responsible for all the strategic and other equity holdings.

Before new equity holdings are acquired, the potential risks are analysed by means of due diligence measures, while already existing equity investments are controlled on the basis of regular reports from the enterprises in question. At the same time, the market risk stemming from the Bank's listed equity investments is monitored daily – like the calculation of trading positions – by ZRC and reported, together with the risk from non-listed investments, to the Board of Managing Directors.

5) Operational risk

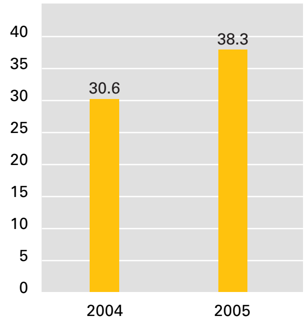
Organization and strategy

Commerzbank's management of operational risk is built upon the recommendations of the Basel II specialist committee OpRisk, which were worked out in the year under review with the Bundesbank and BaFin. Work focused on steadily expanding the operational risk management framework and preparing for supervisory approval of the Advanced Measurement Approach (AMA) pursuant to Basel II. The various organizational units as well as independent Risk Control draw upon the same methods and systems for identifying, evaluating, analysing, reporting and managing operational risk.

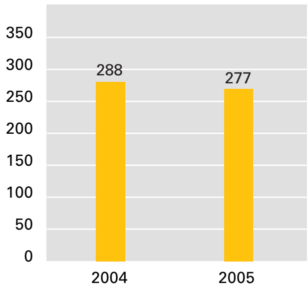
The Operational Risk Committee and the Risk Committee are regularly informed about the risk situation. In addition, the Global OpRisk Forum serves to help Risk Control and the operational risk managers prepare the ground for decisions and discuss ongoing developments, projects and events; it also serves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

Losses resulting from operational risk (no. of events and volume) excl. provisions

in € m



Number of losses



Operational risk methods

On the basis of the requirements which were made more concrete last year, the Bank continued to prepare the ground for working out the capital needed for operational risk under the Basel II Advanced Measurement Approach (AMA). Above all, this makes it necessary to carry out Group-wide cross-process quality self-assessment. With the aid of this method, the quality of work processes, internal controls and the business environment are systematically evaluated locally and analysed centrally on the basis of end-to-end processes. The findings are used to identify potential weak spots and represent a major qualitative component in the AMA model.

The Group-wide collection of loss data exceeding €5,000 – in line with Basel II – continued in the year under review and was extended to include information relevant from the insurance standpoint. In this way, the management of operational risk and insurance have been more strongly integrated, creating the conditions for insurance to be included in the calculation of the Bank's capital. The internal loss data collected since 2002 thus more than meet the Basel II requirement of a minimum collection of three years for the first-time application of the AMA approach for calculating equity as from 2008.

For modelling the fat tail of the loss distribution – i.e. the financial risk of rare major loss events – external loss data from Operational Riskdata eXchange Association, Zurich (ORX) are used in addition to the internal loss data. The data syndicate, which the Bank helped to found, now consists of 22 international banks. These data also enable the Bank to compare its own risk profile with that of other international banks, which provides important impulses for managing operational risk.

In addition to the anonymous external data from ORX, the Bank continued to evaluate public external data last year. These are particularly useful for developing suitable scenario analyses. Scenario analysis has been launched at the Group's main units and provides support for those responsible for assessing their local operational risk.

Last year, the Bank's organizational units began to collect key risk indicators (KRI) permitting statements about potential risks of loss. In addition, Commerzbank continues to participate in an initiative of international banks to establish a uniform system for ordering and collecting these indicators. Our KRIs in the credit derivatives area, for instance, show that the Bank can confirm business in this market segment far more quickly than the benchmark of the International Swaps and Derivatives Association (ISDA).

In the reconciliation area, the Bank has substantially optimized processes and monitors any breaks which occur promptly by means of a revamped management information system (MIS). Here the breaks (EL/UL) are measured, which facilitates the escalation process, making adequate provisioning possible. Compared with the average ISDA data of large international banks, the Commerzbank Group has far fewer breaks and open confirmations relative to its transaction volume, which we see as evidence of our efficient settlement procedures.

The stability, quality and information value of the mathematical-statistical model were improved further in the year under review and its depth was increased. Explicit inclusion of the correlations between the Bank's various business units produces diversification effects which give rise to a figure about €300m lower than the previous year's (in either case, before insurances). Regular benchmarking and exchanges with leading banks ensure that the model can be used for international comparisons.

Parallel to this, the Bank's future capital requirements are still calculated according to the standardized approach of Basel II. The partial use of AMA and the standardized approach is also possible for individual Group units.

Legal risk

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

ZRA also manages the provisions which are formed for the Commerzbank Group's legal proceedings and ensures that they are included in the calculation of operational risk. The major legal proceedings against the Commerzbank Group are reported at regular intervals to the Operational Risk Committee, the Risk Committee, the Board of Managing Directors and the Supervisory Board in the form of individual analyses. Worldwide, a growing readiness can be noted in the financial sector to press customers' claims through legal action. This is also being encouraged by the ever more complex regulation of the financial markets, with the constant additions to banks' catalogue of duties.

Business contingency and continuity planning

In order to ensure that banking activities are maintained and to reduce losses arising from serious interruptions of its operations to a minimum, the Bank has business contingency plans in written form. In a Group-wide central business contingency policy, the responsibilities of the different head-office departments and individual units are described.

By means of regular business contingency self-assessments, the Bank creates for itself a standardized overview of the emergency measures for which the units assume responsibility. These assessments were performed in all the main relevant units last year. In addition, numerous emergency tests are conducted in which the failure of individual locations or systems are simulated.

6) Business risk

In line with their immediate responsibility for risk and earnings, the individual divisions and subsidiaries of the Bank also take charge of the operational management of business risks which occur in their area of activity. As part of overall Bank management, business risk is also included in the calculation of economic capital.

Business risk is worked out using an earnings/cost-volatility model, which calculates historical monthly deviations of actual fee income and general non-period costs from the planned result. As with the procedure applied for other types of risk, the calculation is based on a confidence level of 99.95% and a one-year time frame.

7) Non-quantifiable risks

Pillar II of the new Basel framework and MaRisk call for an integrated approach to risk and consequently require that other non-quantifiable categories of risk be considered, such as reputational risk. As it is not possible to model these risks, they are subject to qualitative controlling.

Strategic risk

Responsibility for the strategic steering of Commerzbank lies with the Board of Managing Directors, with support in the case of strategic issues provided by ZKE. Some business-policy decisions – e.g. the acquisition of equity holdings exceeding 1% of the Bank's equity – also require the approval of the Risk Committee of the Supervisory Board. Constant observation of German and international competitors leads to an analysis of the major changes and developments, with conclusions derived for the Bank's strategic positioning and the appropriate measures introduced for ensuring competitiveness. In accordance with MaRisk, the Bank has to document both a business strategy and an overall risk strategy compatible with it.

Reputational risk

Reputational risk may lead to groups which Commerzbank addresses – above all the public, its employees and rating agencies, investors and business associates – losing confidence in the Bank or to its reputation being impaired. For the most part, reputational risk stems from other types of risk, which it reinforces. Against this background, all business-policy measures and activities are subjected to careful scrutiny. In particular, Commerzbank avoids business-policy measures and transactions which entail extreme tax or legal risks and also environmental risks.

In their business activities, the operational divisions, branches and subsidiaries bear immediate responsibility for reputational risk arising from their particular business activity. In retail business, for example, the focus is on providing risk-sensitive advice appropriate to the customer's investment approach. Competent advice reflecting customers' needs and intensive information ensure that customers suffer no harm, consequently preventing reputational risk. The satisfaction of Commerzbank customers is regularly measured by the relevant market research institutes. The Bank's professional complaints management is an additional instrument through which customers can establish contact.

In corporate business and in export finance, environmental risks are increasingly taken into consideration – wherever necessary, when loan applications are being examined.

In the course of its corporate governance, Commerzbank ensures that it remains within the framework of its articles of association and published business-policy principles. The staff department Compliance and Security (ZCS), which reports directly to the CFO, monitors compliance with all German and foreign regulations and supervisory requirements in connection with securities transactions. The following topics also play an important role in protecting the Bank's reputation: investor protection, reducing the potential for insider trading and the general avoidance of conflicts of interest or – wherever necessary – managing such conflicts with the goal of resolving them.

Contact with the financial community (investors and analysts), the media and the general public is managed by the staff department Corporate Communications (ZKV), which reports directly to the Chairman of the Board of Managing Directors. A communication guideline for the entire Group lays down binding rules in this respect. On the basis of media observation and market research as well as stakeholder surveys and dialogue with various groups, topics relevant for the Bank's reputation are constantly identified, evaluated and actively dealt with, if necessary.

In 2005, a first milestone was reached with the Bank's publication of its corporate responsibility report.

In the course of 2006, a newly installed group will coordinate reputation management throughout the Group.

Compliance risk

Very strict legal provisions apply in the financial sector as regards compliance. Commerzbank has established additional rules which are intended to ensure that the conduct of its employees is always correct even in difficult situations and is in line with current legislation. The Bank's compliance manual should be mentioned here, as well as staff guidelines of the Federal Banking Supervisory Office and the Federal Supervisory Office for Securities Trading (now German Financial Supervisory Authority – BaFin), which have been integrated through employment contracts or internal Bank agreements, and job instructions published on the Bank's intranet, providing staff with concrete guidelines for implementing the respective legislation. At Commerzbank, the staff department Compliance and Security sets up and monitors observance of such rules.

Compliance not only advises and informs the various business lines and the Bank's employees on general issues relevant to compliance, supporting colleagues in critical cases of day-to-day business as well; in conjunction with the respective specialist departments, it also ensures that statutory or supervisory requirements relating to compliance are implemented. In this connection, the German legislation to improve investor protection (AnSVG) should be mentioned, which became effective on October 31, 2004. Further legislative or supervisory measures were enacted by the supervisory authority in order to make AnSVG more concrete.

When these statutory and supervisory requirements were implemented, the areas of the Bank affected as well as the Board of Managing Directors and Supervisory Board were informed, detailed information was published on the intranet and a procedure was implemented by Compliance for reporting suspected offences. Compliance monitors staff who are potentially capable of insider trading in the form of a watch list.

Since the attack on the World Trade Center in New York, the legal and supervisory requirements in connection with money laundering and the financing of terrorism have steadily increased, as has the public's interest in this topic. The third EU money-laundering directive, which is now being incorporated into German law, will lead to further requirements as regards the preventive measures of the financial sector.

In order to counter the specific risk that its business activities will be misused by third parties for the purpose of money-laundering or funding terrorism, the Bank is conducting an analysis of the threat posed by the existing relevant risks. The findings of this analysis will be taken into account as part of the constant adjustment and improvement of the Bank's preventive measures. They will be integrated through the implementation of specific risk-mitigating measures, either when new customers are accepted, or when their transactions are monitored, but also in training staff and making them sensitive to the dangers. All the experience gained through this selective analysis and its continual monitoring will be used in adjusting the system of risk management.

The Bank's employees are obliged to report out-of-the-ordinary transactions raising the suspicion of money laundering or the funding of terrorist activities to Compliance/Financial Investigations, so that the transaction can be subjected to individual scrutiny.

IV. Summary and outlook

Summary

In the 2005 financial year, Commerzbank further extended its risk-control and risk-management system. In many areas, significant progress was achieved, which will make a major contribution in the future as well towards improving overall Bank management.

In this connection, the stronger integration of the internal economic capital approach into more individual and overall Bank management processes represents a considerable contribution towards realizing potential value within the Commerzbank Group.

At all times, it was ensured that the available risk capital was well above the defined capital buffer.

All the parties involved showed great commitment in maintaining the current projects for implementing the new supervisory requirements (Basel II, MaRisk) in 2005. The Bank took a major step forward in this respect, leading not only to optimized capital allocation in accordance with Basel II but also to a distinct improvement in risk-sensitive steering.

Building upon the rules of the amended IAS 39, the Bank adopted measures in 2005 to harmonize its risk provisioning in accordance with IFRS on the basis of the Basel II parameters.

Outlook

The supervisory authority is expected to start examining the Commerzbank Group's application for certification of the Basel II IRB Advanced Approach in 2006. As things stand today, the advanced Basel II approaches can definitely be implemented and tested within the set period – which, according to the supervisory authority's present planning, means by December 31, 2007. Thanks to the continuing progress made in collating, evaluating and modelling operational risk, the stability and information value of Basel II's ambitious AMA approach were further enhanced in the year under review.

Overhaul of credit-risk strategy

The Bank's credit-risk strategy was subjected to its annual review in 2005. Based on the stock-taking conducted jointly by Risk Control and the front- and back-office units, the strategic direction was established for lending and measures were planned for the 2006-2008 period. This year, a comprehensive overall risk strategy for 2007-2009 will be worked out, covering Eurohypo as well.

The forward-looking orientation of the loan portfolio in keeping with the credit-risk strategy is being systematically maintained. Clear incentives are being created here for expanding overall lending to SMEs according to plan, but also for reducing and limiting risk-carrying sub-portfolios. The focus in risk mitigation is on bulk risks.

Intensive treatment and development of provisioning

In the intensive treatment area, the Bank is prepared to act as lead manager; its staff in this segment are developing quite consciously into risk managers, concentrating on preserving the company in question and its jobs and acting, therefore, in their clients' interest.

Through the expansion of portfolio-management activities and the early adoption of risk-mitigating measures, it proved possible to lower provisioning considerably again last year, with the selective reduction of latent bulk risks and problem loans making an important contribution here. For 2006, Commerzbank has set itself the goal of further optimizing its risk/return-based provisioning. For bulk and country risks, the optimum level has been achieved, with no net charges registered in 2005; realistically, though, we must expect setbacks here at some time. In the meantime, we have achieved a positive level on the whole in German *Mittelstand* business, which is why we do not see a further reduction of overall net provision for possible loan losses within the Commerzbank Group as the most realistic case in 2006. Under normal circumstances, we would be able at best to hold the level now achieved; however, we expect additional charges on the retail side. As Eurohypo will no longer have a risk umbrella at its disposal in 2006, and we have to bring its provisioning into line with the strict standards applied throughout the Group, we do not believe at present that the new consolidated figure for the two institutions will be lower than in 2005.

Boosting efficiency in credit processing

Starting in 2006, the results of a worldwide project to further boost productivity in the overall lending process ("etec" – end-to-end credit) will substantially help to raise efficiency, thereby improving our market presence for the targeted *Mittelstand* clients in particular. One major project in 2006 will be to combine loan processing for private and business customers with that of Eurohypo in the form of a loan factory and to reposition the separate back-office function, with recourse to modern decision systems. Over the medium term, we see not only a chance of making credit processing far more efficient, but also an opportunity for much improved risk selection. Since market conditions in the Private and Business Customers segment continue to be difficult, we intend to place special emphasis in future on the risk-based steering of business in selectively expanding our share of the mass retail market. As we can expect our retail portfolio to tie up far less equity with the implementation of Basel II, however, we want to explore all the scope for growth that is reasonable from a risk/return aspect.

The introduction of rating methods with demonstrably great discriminatory power is a major contribution to value creation within the Commerzbank Group. Together with the certification of rating methods, the migration of further methods to a uniform web-based platform and also the support provided for business lines in the form of follow-up releases will represent significant steps in 2006.

Enhancing overall Bank management

In overall Bank management, a review of resource allocation and the steering process will take place at Group level, with the objective of establishing new control variables, including the respective profit targets, based on the economic capital approach.

Subsequently, consistent value-based planning and steering will be implemented at the overall Bank and business-line levels, based on the economic capital approach. Eurohypo will be included here right from the outset.

Another main activity in 2006 will be developing and establishing specific stress scenarios for the use of economic capital for the overall Bank portfolio and for individual portfolios.

Making our employees even more sensitive to risk is a key goal this year. The establishment of a risk culture, which this entails, will be supported by a risk manual, available throughout the Bank, the publication of last year's report on corporate responsibility and a code of conduct.

Integration of Eurohypo

We look upon the integration of Eurohypo into economic capital management, risk control and the risk-based management of credit risk as the special challenge we face in 2006, yet we are confident that we can ensure that all the relevant processes are harmonized in the course of the year. In risk control/risk management, the integration timetable is already well advanced. We consider the great expertise of Eurohypo's back-office team to be very positive, facilitating the integration process in all risk-related issues.

Corrigan Report implemented

Now that BaFin's MaH examination has been successfully completed, Commerzbank will subject the recommendations of the so-called Corrigan Report (Counterparty Risk Management Policy Group II [CRMPG II]) to intensive scrutiny in 2006 and ensure that they are systematically implemented throughout the Group – insofar as they have not already been met. This applies in particular to business involving hedge funds. The report's 47 recommendations for market participants are intended to create a more stable financial market overall through the proactive behaviour of all market participants, especially in risk management. In this way, systemic risk is to be reduced to a minimum and crises of the financial markets as a whole prevented.

To sum up

With the integration of Eurohypo, the Commerzbank Group will become Germany's leading financing bank. Precisely for this reason, we believe that considerable value leverage for further boosting the Group's earnings performance over the next few years lies in the claim to "being the benchmark in risk control and management". The importance of highly-developed risk management was also confirmed in an international benchmarking study last year, where it is seen as the most significant challenge to successful business management for internationally competitive banks. We share this view and are confident that we can achieve further major breakthroughs in risk control and management during this decade. This will prove highly positive for the market positioning of the Commerzbank Group in its target markets and for the selective exploration of the risk/return-based scope for expansion in lending. What is more, the cyclical volatility of business performance in lending can be further reduced as a result.

The aim to be a national and international leader in risk management is not an end in itself for Commerzbank and by no means implies avoiding risk wherever possible. Rather, it stands for creating and developing efficient structures, systems and strategies and implementing them with the aid of skilful front- and back-office staff with the goal of achieving good risk/return results in the target portfolios. We intend to take on risks wherever we are able to steer and monitor them and wherever they pay off for our shareholders.

| 10 st. james arlington |

THIS CLASSIC OFFICE BUILDING IN A CENTRAL LOCATION OF BOSTON WAS CONCEIVED BY THE PROMINENT ARCHITECTS' OFFICE SKIDMORE, OWINGS & MERRILL AND COMPLETED IN 2003 BY MILLENNIUM PARTNERS, A LEADING DEVELOPER OF REAL-ESTATE PROJECTS WORLDWIDE. ONE STRIKING ASPECT IS THE FOUR-STOREY GLASS GALLERY, OFFERING OPPORTUNITIES FOR SHOPPING, EATING AND RELAXING. THE US$245M REQUIRED TO FINANCE THE PROJECT WAS PROVIDED BY THE NEW YORK OUTLET OF EUROHYPO.

| ideas ahead |

financial statements in accordance with international accounting standards (ias) / international financial reporting standards (ifrs) for the commerzbank group as of december 31, 2005

Notes

income statement

	Notes	1.1.–31.12.2005 € m	1.1.–31.12.2004[1] € m	Change in %
Interest received		12,527	11,374	10.1
Interest paid		9,355	8,361	11.9
Net interest income	(29)	3,172	3,013	5.3
Provision for possible loan losses	(11, 30, 47)	–566	–836	–32.3
Net interest income after provisioning		2,606	2,177	19.7
Commissions received		2,817	2,587	8.9
Commissions paid		402	337	19.3
Net commission income	(31)	2,415	2,250	7.3
Net result on hedge accounting	(32)	–22	6	·
Trading profit	(33)	707	539	31.2
Net result on investments and securities portfolio (available for sale)	(34)	647	339	90.9
Other result	(35)	26	193	–86.5
Operating expenses	(36)	4,662	4,493	3.8
Operating profit		**1,717**	**1,011**	**69.8**
Regular amortization of goodwill		–	83	·
Restructuring expenses	(37)	37	132	–72.0
Profit from ordinary activities/ Pre-tax profit		**1,680**	**796**	·
Taxes on income	(38)	409	353	15.9
After-tax profit		**1,271**	**443**	·
Profit/loss attributable to minority interests		–106	–81	30.9
Consolidated surplus	(39)	**1,165**	**362**	·

1) The year-ago figures have been adjusted to the changed rules (see Note 2)

Appropriation of profit	Notes	2005 € m	2004[1)] € m	Change in %
Consolidated surplus	(39)	1,165	362	·
Allocation to retained earnings		–837	–212	·
Consolidated profit		**328**	**150**	·

The consolidated profit represents the distributable profit of Commerzbank Aktiengesellschaft. The proposal will be made to the AGM that a dividend of €0.50 per share be paid from the net profit of Commerzbank Aktiengesellschaft. With 656,812,557 shares issued, this translates into an overall payout of €328m. Last year, a dividend payment of €0.25 per share was made.

Basic earnings per share	Notes	2005 €	2004[1)] €	Change in %
Earnings per share	(39)	1.93	0.61	·

The calculation of the earnings per share according to IAS/IFRS is based on the consolidated surplus, with minority interests not taken into consideration. There were no diluted earnings per share, since – as in the previous year – no conversion or option rights were outstanding.

1) The year-ago figures have been adjusted to the changed rules (see Note 2)

balance sheet

Assets	Notes	31.12.2005 € m	31.12.2004[1)] € m	Change in %
Cash reserve	(9, 42)	8,628	4,888	76.5
Claims on banks	(10, 43, 45, 46)	86,203	86,719	–0.6
Claims on customers	(10, 43, 44, 46)	153,674	150,277	2.3
Provision for possible loan losses	(11, 47)	–5,181	–5,305	–2.3
Positive fair values from derivative hedging instruments	(13, 48)	4,734	3,920	20.8
Assets held for dealing purposes	(14, 49)	100,321	102,081	–1.7
Investments and securities portfolio	(15, 50, 53)	86,241	72,193	19.5
Intangible assets	(16, 51, 53)	973	801	21.5
Fixed assets	(17, 18, 52, 53)	1,525	1,766	–13.6
Tax assets	(24, 54)	5,538	5,811	–4.7
Other assets	(55)	2,205	1,726	27.8
Total		**444,861**	**424,877**	**4.7**

Liabilities and equity	Notes	31.12.2005 € m	31.12.2004[1)] € m	Change in %
Liabilities to banks	(19, 45, 56)	129,900	115,430	12.5
Liabilities to customers	(19, 45, 57)	102,846	105,064	–2.1
Securitized liabilities	(19, 58)	96,920	87,250	11.1
Negative fair values from derivative hedging instruments	(20, 59)	9,839	8,653	13.7
Liabilities from dealing activities	(21, 60)	74,999	80,006	–6.3
Provisions	(22, 23, 61)	3,521	3,402	3.5
Tax liabilities	(24, 62)	3,706	3,893	–4.8
Other liabilities	(63)	1,337	1,280	4.5
Subordinated capital	(25, 64)	8,143	8,876	–8.3
Equity	(27, 66, 67, 68)	13,650	11,023	23.8
Subscribed capital	(66)	1,705	1,546	10.3
Capital reserve	(66)	5,686	4,481	26.9
Retained earnings	(66)	4,165	3,383	23.1
Revaluation reserve	(15, 66)	1,995	1,600	24.7
Measurement of cash flow hedges	(6, 66)	–1,069	–1,214	–11.9
Reserve from currency translation	(7, 66)	–107	–192	–44.3
Consolidated profit		328	150	·
Total before minority interests		12,703	9,754	30.2
Minority interests		947	1,269	–25.4
Total		**444,861**	**424,877**	**4.7**

1) The year-ago figures have been adjusted to the changed rules (see Note 2)

statement of changes in equity

€ m	Subscribed capital	Capital reserve	Retained earnings	Revaluation reserve	Measurement of cash flow hedges	Reserve from currency translation	Consolidated profit	Total before minority interests	Minority interests	Equity
Equity as of 31.12.2003	**1,545**	**4,475**	**3,286**	**1,240**	**–1,236**	**–219**	**–**	**9,091**	**1,213**	**10,304**
Changes due to new accounting rules		1	–19	–4				–22	–1	–23
Equity as of 1.1.2004	**1,545**	**4,476**	**3,267**	**1,236**	**–1,236**	**–219**	**–**	**9,069**	**1,212**	**10,281**
Consolidated profit							150	150		150
Allocation to retained earnings			212					212		212
Profits/losses								–	81	81
Changes in revaluation reserve				364				364	53	417
Changes arising from cash flow hedges					22			22	–74	–52
Changes in currency reserve						27		27		27
Comprehensive income 2004			**212**	**364**	**22**	**27**	**150**	**775**	**60**	**835**
Capital increases								–	72	72
Issue of shares to employees	2	8						10		10
Profits/losses in previous year								–	–85	–85
Changes in companies included in consolidation and Other changes*)	–1	–3	–96					–100	10	–90
Equity as of 31.12.2004	**1,546**	**4,481**	**3,383**	**1,600**	**–1,214**	**–192**	**150**	**9,754**	**1,269**	**11,023**
Consolidated profit							328	328		328
Allocation to retained earnings			837					837		837
Profits/losses								–	106	106
Changes in revaluation reserve				395				395	–73	322
Changes arising from cash flow hedges					145			145	–64	81
Changes in currency reserve						85		85		85
Comprehensive income 2005			**837**	**395**	**145**	**85**	**328**	**1,790**	**–31**	**1,759**
Capital increases	150	1,177						1,327	23	1,350
Issue of shares to employees	1	8						9		9
Profits/losses in previous year								–	–81	–81
Dividend							–150	–150		–150
Changes in companies included in consolidation and Other changes*)	8	20	–55					–27	–233	–260
Equity as of 31.12.2005	**1,705**	**5,686**	**4,165**	**1,995**	**–1,069**	**–107**	**328**	**12,703**	**947**	**13,650**

*) including changes in treasury shares

As of December 31, 2005, the subscribed capital of Commerzbank Aktiengesellschaft pursuant to the Bank's articles of association stood at €1,708m; it was divided into 656,812,557 no-par-value shares (accounting par value per share: €2.60). After the 1,113,296 treasury shares held by the Bank on December 31, 2005, are deducted, its subscribed capital amounts to €1,705m.

The Bank made use of the authorization resolved by the Annual General Meeting of May 20, 2005 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 have no effect on the net profit.

No use was made in the 2005 financial year of the resolution of the Annual General Meeting of May 20, 2005, 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, the revaluation reserve and the measurement of cash flow hedges 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.

cash flow statement

	2005 € m	2004[1)] € m
Consolidated surplus	**1,165**	**362**
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	1,288	1,551
Change in other non-cash positions	–2,280	2,997
Profit from the sale of assets	–647	–339
Profit from the sale of fixed assets	7	–15
Other adjustments (net interest income)	–3,172	–3,330
Sub-total	**–3,639**	**1,226**
Change in assets and liabilities from operating activities after correction for non-cash components:		
Claims on banks	516	–27,702
Claims on customers	–3,397	2,813
Securities held for dealing purposes	–370	–2,931
Other assets from operating activities	–1,082	208
Liabilities to banks	14,470	20,181
Liabilities to customers	–2,218	5,064
Securitized liabilities	9,670	3,258
Other liabilities from operating activities	–114	–338
Interest and dividends received (see Note 29)	12,527	11,374
Interest paid	–9,355	–8,361
Income tax paid	–241	–483
Net cash provided by operating activities	**16,767**	**4,309**
Proceeds from the sale of:		
Investments and securities portfolio	44,045	39,720
Fixed assets	66	285
Payments for the acquisition of:		
Investments and securities portfolio	–57,560	–45,806
Fixed assets	–429	–505
Effects of changes in the group of companies included in the consolidation		
Payments from the acquisition of subsidiaries	333	–3
Net cash used by investing activities	**–13,545**	**–6,309**
Proceeds from capital increases	1,364	1
Dividends paid	–150	–
Other financing activities (subordinated capital)	–733	–529
Net cash provided by financing activities	**481**	**–528**
Cash and cash equivalents at end of previous period	**4,888**	**7,429**
Net cash provided by operating activities	16,767	4,309
Net cash used by investing activities	–13,545	–6,309
Net cash provided by financing activities	481	–528
Effects of exchange-rate changes on cash and cash equivalents	37	–13
Cash and cash equivalents at end of period	**8,628**	**4,888**

Cash and cash equivalents includes changes in the group of companies included in the consolidation in an amount of €333m.

1) The year-ago figures have been adjusted to the changed rules (see Note 2)

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 to 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 under this item.

The net cash provided by financing activities covers the proceeds from capital increases as well as payments received and made with regard to subordinated capital. Distributed dividends are also shown here.

We consider cash and cash equivalents to be the Cash reserve (see Note 42), consisting of 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 far as banks are concerned, the cash flow statement can be considered not very informative. For us, the cash flow statement replaces neither liquidity planning nor financial planning, nor do we look upon it as a steering instrument.

notes

Consolidated accounting principles

Our consolidated financial statements as of December 31, 2005 were prepared in accordance with Regulation (EC) No. 1606/2002 (IAS Regulation) of the European Parliament and of the Council of 19 July, 2002, together with other regulations for adopting certain international accounting standards on the basis of the International Accounting Standards (IAS) – and the International Financial Reporting Standards (IFRS) – approved and published by the International Accounting Standards Board (IASB) and with their interpretation by the Standing Interpretations Committee (SIC) and International Financial Reporting Interpretation Committee (IFRIC). These financial statements are based on the IAS/IFRS rules, as they are to be applied in the EU. With the exception of IAS 39, all the standards have been recognized. Certain hedge accounting rules of IAS 39 have been ignored. A summary of the regulations that have been applied can be found on pages 108-109.

In addition to the consolidated balance sheet and the consolidated income statement, the consolidated financial statements also include a statement of changes in equity, a cash flow statement and the notes. Segment reporting appears in the notes on pages 128-136.

The consolidated management report, including a separate report on the opportunities and risks related to future developments (Risk report) pursuant to Art. 315, German Commercial Code – HGB, appears on pages 56-93 of our annual report.

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

Accounting policies

(1) Basic principles

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

We have applied IAS 39, together with the different classification and measurement principles prescribed by this standard, in our accounting. Hedge accounting rules are applied in the case of derivative hedging instruments (further details may be found in note 6).

Throughout the Commerzbank Group, uniform accounting policies are used in preparing the financial statements. All fully consolidated companies prepared their financial statements as of December 31, 2005.

If estimates or assessments are necessary for accounting and measuring under IAS/IFRS rules, we have made these in accordance with the respective standards. They are based on past experience and other factors, such as planning and – from the present standpoint – likely expectations or forecasts of future events.

(2) Adjustment of the accounting policies (IAS Improvement Project)

Basically, we have employed the same accounting policies as for the consolidated financial statements as of December 31, 2004. Due to the reformulation or amendment of individual IAS/IFRSs, however, both retrospective and prospective adjustments were necessary, which are outlined below.

1. Claims on banks and customers

Up to now, we have distinguished in our accounting between claims originated by the Bank and those acquired in the secondary market:

- Claims originated by the Bank appeared as Claims on banks or Claims on customers at amortized cost. Disposal gains or losses were recognized under Net interest income.
- Claims acquired in the secondary market (above all promissory notes) were shown at their fair value in the Investments and securities portfolio. Disposal gains or losses were recognized under Net result on investments and securities portfolio (available for sale).

Under the new rules of IAS 39, the accounting of claims from now on will reflect whether they are listed in an active market or not. Accordingly,

- claims not quoted in an active market will appear at amortized cost as Claims on banks or Claims on customers, with disposal gains or losses recognized under Net interest income;
- claims quoted in an active market will appear at their fair value, with disposal gains or losses recognized under Net result on investments and securities portfolio (available for sale).

In order to make comparisons easier, we have adjusted the year-ago levels and the figures in the income statement. This has had no effect on the consolidated surplus.

2. Amortization of goodwill

Up to now, goodwill has been amortized over 15 years, using the straight-line method. In accordance with the reformulated rule of IFRS 3, no regular amortization of goodwill will be made after January 1, 2005. However, as previously, goodwill will be subjected to an impairment test at least once a year. As this change has to be applied prospectively, we have not adjusted the year-ago figures.

3. Minority interests

Minority interests in the Bank's equity were previously shown separately from equity under Minority interests. In accordance with the reformulated IAS 1, minority interests have appeared within equity since January 1, 2005.

4. Staff remuneration plans

Up to now, provisions have been formed and charged to operating expenses for staff remuneration plans which seem likely to be used. IFRS 2, which has had to be applied since January 1, 2005, also provides for the fair value of staff remuneration plans to be recognized under expenses – spread across the lifetime of the plans. Recognition of the plans in the balance sheet distinguishes between payments to the employee settled in cash and those settled in the form of equities:

- Cash-settled plans appear in the balance sheet as a provision.
- Equity-settled plans appear in the balance sheet under equity.
- Plans offering a choice of payment option have to be split between provisions and equity according to the likelihood of the option being chosen.

This amendment has had to be applied retrospectively. As a result, we have adjusted the year-ago figures for personnel expenses, provisions and equity. The consolidated surplus shown in the previous year was reduced by €31m.

5. Fair value option

In the version of IAS 39 valid as from January 1, 2005, the fair value option was introduced as an additional measurement option. It enables companies preparing their accounts to apply the fair value principle voluntarily on initial recognition when measuring financial instruments which do not have to be measured according to this principle. Changes on remeasurement are recognized in the income statement under Trading profit and are explained individually in Note 33. In June 2005, the IASB presented a revised version of the fair value option, which was recognized by the EU in November 2005. The changes primarily related to the conditions under which the fair value option may be applied.

This regulation also had to be applied retrospectively. As a result, the year-ago figure for the consolidated surplus rose by €0.4m.

(3) IAS/IFRS, SIC and GASB rules applied

As a matter of principle, we apply all the valid standards in our accounting and measurement. For this reason, we have not taken into consideration standards and interpretations to be applied only as from January 1, 2006, or later (IFRS 6 and 7, IFRIC 4, 5, 6 and 7). We do not expect the IAS/IFRS rules to be applied for the first time in 2006 to have any material consequences.

The 2005 consolidated financial statements are based on the IASB framework and the following relevant IAS/IFRSs:

IAS 1	Presentation of financial statements
IAS 7	Cash flow statements
IAS 8	Accounting policies, changes in accounting estimates and errors
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 23	Borrowing costs
IAS 24	Related party disclosures
IAS 27	Consolidated and separate financial statements
IAS 28	Investments in associates
IAS 30	Disclosures in the financial statements of banks and similar financial institutions
IAS 31	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
IFRS 2	Share-based payment
IFRS 3	Business combinations
IFRS 5	Non-current assets held for sale and discontinued operations

*) In the version taken over by the EU Commission

We have not taken IFRSs 1, 4 and IASs 2, 11, 20, 26, 29, 34 and 41 into consideration, as we did not have to apply them.

In addition to the standards mentioned, we have also taken into consideration in our consolidated financial statements the following interpretations of SIC or IFRIC that are relevant for us:

No.	Title	relates to
SIC-7	Introduction of the euro	IAS 10, 21
SIC-12	Consolidation – special-purpose entities	IFRS 2, IAS 8, 19, 27, 32
SIC-15	Operating leases – incentives	IAS 17
SIC-21	Income taxes – recovery of revalued non-depreciable assets	IAS 12, 16
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-32	Intangible assets – web site costs	IAS 38

IFRICs 1, 2 and SIC-10, 13, 29 and 31 did not have to be taken into consideration.

With the approval of GAAS 1 by the German Accounting Standards Board (GASB) and its publication in the Federal Gazette (*Bundesanzeiger*) on August 31, 2005, the German Accounting Standards (GAS) were altered such that they basically no longer have to be applied if the consolidated financial statements are prepared according to international accounting standards as defined in Art. 315a, HGB. Exempted from this regulation are GAS 15 Management Reporting and the supplementary GAS 5 and 5-10 Risk Reporting, which we have taken into consideration in our consolidated financial statements.

(4) Consolidated companies

Besides the Parent Bank, the consolidated financial statements include 115 subsidiaries (2004: 98) in which Commerzbank Aktiengesellschaft holds more than 50% of the capital directly or indirectly or exerts control over them. Of these, 53 have their legal seat in Germany (2004: 46) and 62 (2004: 52) elsewhere.

154 subsidiaries and associated companies (2004: 162) 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. These companies account for less than 0.2% (2004: 0.3%) of the Group's overall balance-sheet total.

In the year under review, 18 subsidiaries were included in the consolidation for the first time.

In addition to the 115 (2004: 98) subsidiaries, we included in the 2005 financial year 28 (2004: four) special-purpose entities and 21 (2004: 14) non-publicly-offered funds in our consolidated financial statements in accordance with IAS 27 and SIC-12. 35 special-purpose entities and non-publicly-offered funds have been included in the consolidation for the first time.

No longer included in the list of consolidated companies are:

- von der Heydt-Kersten & Söhne, Wuppertal

Non-publicly-offered funds/special-purpose entities

- ABN AMRO-Credit Spread-Fonds, Frankfurt am Main
- Comas Strategy Fund I Limited, Grand Cayman
- HIE-COFONDS III, Frankfurt am Main
- HIE-COFONDS IV, Frankfurt am Main

Ten major associated companies (2004: nine) – six of them based in Germany (2004: five) – are measured using the equity method. As a major associated company, Eurohypo Aktiengesellschaft, Eschborn, is included in the consolidated financial statements reflecting the interest we hold in it, as it was in previous years. Two associated companies have been included for the first time.

The following company has been removed from the list of associated companies:

- KEB Commerz Investment Trust Management Company Ltd., Seoul

A complete list of the subsidiaries, associated companies and special-purpose entities and non-publicly-offered funds included in our consolidated financial statements can be found on pages 188-193.

(5) Principles of consolidation

For the consolidation of the capital accounts, we measure the assets and liabilities of subsidiaries completely afresh, regardless of the percentage share of the equity which we held at the time of acquisition. With deferred taxes taken into consideration, the remeasured assets and liabilities are included in the consolidated balance sheet; the realized hidden reserves and built-in losses which have been identified are treated in accordance with the standards which have to be applied in subsequent reporting periods. If a positive difference remains after remeasurement, this is shown as goodwill.

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 deducted, 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 purchase cost of these investments and the goodwill are determined at the time of their first inclusion in the consolidated financial statements, applying the same rules as for subsidiaries. For major associated companies, the equity book value which is carried and appears either in profit or loss or in the revaluation reserve is based on the auxiliary calculations of the associated companies, prepared and audited in accordance with our instructions, with IAS/IFRS rules applied.

Holdings in subsidiaries not consolidated because of their minor significance and investments are shown at their fair value, or if this cannot be reliably established, at cost under Investments and securities portfolio.

(6) Financial instruments: recognition and measurement (IAS 39)

In accordance with IAS 39, all financial assets and liabilities – which also include derivative financial instruments – have to be recognized in the balance sheet and measured in accordance with their assigned category. A financial instrument is a contract which automatically produces a financial asset for the one company and a financial liability or equity instrument for the other.

The following remarks present an overview of how the rules of IAS 39, in the version to be employed as from 2005, have been applied within our Group:

a) Categorization of financial assets and liabilities and their measurement

- Loans and claims:
  Non-derivative financial instruments with fixed or determinable payment claims for which no active market exists are assigned to this category. This holds true regardless of whether they were originated by the Bank or acquired in the secondary market. An active market exists if quoted prices are regularly made available, for example, by a stock exchange or broker, and these prices are representative for current transactions between remote third parties. Measurement is made 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 fixed or determinable payments and also a fixed maturity may be included in this category if an active market exists for them and both the intent and the ability exist to hold them to final maturity. They are measured at amortized cost, with premiums and discounts being recognized under Net interest income over the entire lifetime to maturity. The Commerzbank Group has not used the Held-to-maturity financial assets category with respect to the 2005 financial year either.

- Assets held for dealing purposes and Liabilities from dealing activities:
  All financial assets which are held for dealing purposes are assigned to this class. These include original financial instruments (especially interest-bearing securities, equities and promissory notes), precious metals and also derivative financial instruments with a positive fair value. Accordingly, all financial liabilities from dealing activities are assigned to this class. These include above all derivative financial instruments with a negative fair value as well as delivery obligations arising from short sales of securities.

  Derivative financial instruments used as hedging instruments are only recognized as assets held for dealing purposes or liabilities from dealing activities insofar as they do not meet the conditions for the application of hedge accounting rules (see below in this note). Otherwise, they are shown as Fair values attributable to hedging instruments.

  Assets held for dealing purposes and liabilities from dealing activities are measured at their fair value on each balance-sheet date. The results of such measurement appear under Trading profit in the income statement.

  Spot transactions are recognized immediately upon conclusion of the transaction; we make a balance-sheet entry when the contract is performed.

- Available-for-sale financial assets:
  All non-derivative financial assets not assignable to one of the above categories have to be counted as available-for-sale financial assets. 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, measured gains and losses are recognized with no effect on the income statement 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 appears in the income statement. Should the asset's value be permanently impaired, the revaluation reserve has to be adjusted for the impairment, and the amount has to be 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.

- Other financial liabilities:
  This category includes 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.

- Fair value option:
  The fair value option, introduced in IAS 39, makes it possible voluntarily to measure each financial instrument at fair value and to reflect the net result of such measurement in the income statement. The decision whether to use the fair value option or not has to be made at the inception of the financial instrument.

  The fair value option may be applied for a financial instrument provided that

  – an accounting mismatch is avoided or substantially reduced, or
  – a portfolio of financial instruments is managed, and its performance is measured on a fair value basis, or
  – the financial instrument has one or several embedded derivatives.

  Financial instruments for which a fair value option is employed are shown at their fair value in the appropriate balance-sheet item for their respective category. The results of measurement appear under Trading profit. Further details on how and to what extent the fair value option is used can be found in Note 78.

b) Embedded derivatives

IAS 39 also regulates the treatment of derivatives embedded in original financial instruments (embedded derivatives). Such financial instruments are also referred to as hybrid financial instruments. These include, for example, reverse convertible bonds (bonds with a right to repayment in the form of equities) or bonds with indexed interest payments. In accordance with IAS 39, under certain conditions the embedded derivative should be shown separately from the original host contract 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 those of the original host contract. In this case, the embedded derivative has to be regarded as part of the trading portfolio and recognized at its fair value. Changes on remeasurement have to be shown in profit and loss. The host contract is accounted for and measured applying the rules of the category to which the financial instrument is assigned.

However, if the characteristics and risks of the embedded derivative are closely linked to those of the original host contract, the embedded derivative is not shown separately and the hybrid financial instrument is measured as a whole in accordance with the general provisions of the category to which the financial instrument is assigned.

c) Hedge accounting

IAS 39 contains extensive hedge accounting regulations, i.e. accounting for hedging instruments – especially derivatives – and the underlying hedged 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 under Trading profit. If it can be demonstrated that derivatives are used to hedge risks from non-trading transactions, IAS 39 permits, under certain conditions, the application of hedge accounting rules. For the most part, two forms of hedge accounting are distinguished:

- Fair value hedge accounting:
  IAS 39 prescribes the use of hedge accounting for derivatives which serve to hedge the fair value of recognized assets or liabilities. Above all, the Group’s issuing and lending business and the securities portfolio of liquidity management, insofar as these are fixed-income securities, are subject to such a fair value risk. Primarily, interest-rate and interest-rate/currency swaps are used to hedge these risks.

In line with the regulations for fair value hedge accounting, the derivative financial instruments used for hedging purposes are shown at fair value as Fair values attributable to derivative hedging instruments. Changes upon remeasurement appear as profit or loss in the income statement under Net result on hedge accounting. Any changes in the fair value of the hedged asset or hedged liability resulting from the hedged risk have to be recognized and similarly shown in the income statement under Net result on hedge accounting. Given a perfect hedge, the changes upon remeasurement recognized in the income statement for the hedge and the hedged transaction will balance one another.

- Cash flow hedge accounting:
  IAS 39 prescribes the use of cash flow hedge accounting for derivatives which serve to hedge the risk of a change in future cash flows. A cash-flow risk exists in particular for floating-rate loans, securities and liabilities as well as forecast transactions (for example, forecast fund-raising or financial investments). Within the Commerzbank Group, the interest-rate risks in asset/liability management are largely covered by means of cash flow hedges. Primarily, interest-rate and interest-rate/currency swaps are used for hedging purposes.

  Derivative financial instruments used in cash flow hedge accounting are carried at fair value as Fair values attributable to derivative hedging instruments. Reporting of the gain or loss has to be divided into an effective and an ineffective part. The effective result measured is that part of the hedging derivative's change in fair value which represents an effective hedge of the cash flow risk arising from the underlying hedged transaction and is recognized, after deferred taxes have been taken into consideration, in a separate item under equity (Measurement of cash flow hedges). By contrast, the ineffective portion is shown in the income statement. There is no change in the general accounting rules described above for the transactions underlying cash flow hedges.

The application of hedge accounting rules is tied to a number of conditions. These relate above all to the documentation of the hedge and also to its effectiveness.

The hedge has to be documented at the time of its conclusion. Documentation extends above all to an identification of the hedging instrument and the underlying hedged transaction and also details of the hedged risk and the method employed to determine the effectiveness of the hedge. Documentation for an underlying transaction hedged with a derivative may relate either to an individual asset, liability, pending business or forecast transaction or to a portfolio of such items (microhedge) which are given similar accounting treatment. It is not sufficient, however, to document a net risk position to be hedged.

In addition to documentation, IAS 39 calls for evidence of an effective hedge in order for hedge accounting rules to be applied. Effectiveness in this connection means the relationship between the change in fair value or the cash flow resulting from the hedged underlying transaction and the change in fair value or the cash flow resulting from the hedge. 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 hedge in the future (prospective effectiveness). On the other hand, when a hedge 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 lies between 0.8 and 1.25. Here, the methods used for determining effectiveness have to be disclosed.

(7) Currency translation

Assets and liabilities 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 on the balance-sheet date. Expenses and income are translated at market rates. 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 prepared 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 apply for the currencies that are most important to the Commerzbank Group (amount per €1 in the respective currency):

	2005	2004
USD	1.1797	1.3621
GBP	0.6853	0.70505
CHF	1.5551	1.5429
PLN	3.8600	4.0845

(8) Offsetting

We set liabilities off against claims if these relate to the same counterparty, are due at call, and agreement has been reached with the contractual partner that interest and commissions be calculated as if only a single account existed.

(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

The Commerzbank Group's claims on banks and customers which are not held for trading and are not quoted on an active market are 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 recognized under the fair value option appear at their fair value.

(11) Provision for possible loan losses

We fully provide for the special risks associated with banking business by forming specific valuation allowances and portfolio valuation allowances.

In order to cover the lending risks represented by claims on customers and banks, we have formed specific valuation allowances according to uniform Group standards. Valuation allowances have to be formed for a loan if it is probable that not all the interest payments and repayments of principal can be made according to the agreement. The size of the valuation allowance corresponds to the difference between the book value of the loan after valuable security has been taken into consideration and the cash value of the expected future cash flow, discounted by the original effective interest rate.

In addition, we cover credit risk by means of portfolio valuation allowances. Actual loan losses serve as a yardstick for the scale on which portfolio valuation allowances have to be formed, differentiated according to sub-portfolios as shown in the balance sheet.

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, provision for risks in off-balance-sheet business – guarantees, endorsement liabilities, lending commitments – is shown as a provision for lending risks.

Unrecoverable accounts for which no specific valuation allowance has been formed are written down immediately. Amounts received on written-down claims appear in the income statement.

(12) Genuine repurchase agreements and securities-lending transactions

Repo transactions 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) still appear, and are 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. The agreed interest payments are booked as interest paid, reflecting the respective maturities.

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

We show securities-lending transactions in a similar manner to securities in genuine repurchase agreements. Lent securities remain in our securities portfolio and are measured according to the rules of IAS 39. Borrowed securities do not appear in our balance sheet, nor are they measured. We show cash security which we have furnished for securities-lending transactions as a claim and received security as a liability.

(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.

Listed instruments are measured at market prices; for non-listed products, internal price models (net present-value or option-price models) are used. The hedge accounting results for fair value hedges appear in the income statement under Net result on hedge accounting. By contrast, effective portions of the gains and losses on cash flow hedges are recognized under Measurement of cash flow hedges 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 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 (for instance, option-price models). All the realized gains and losses and also the net changes which are not realized 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.

(15) Investments and securities portfolio (available for sale)

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, we include here claims quoted in an active market and recognize any disposal proceeds under Net result on investments and securities portfolio (available for sale).

These portfolios are recognized 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 amortized 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. Premiums and discounts are recognized in Net interest income over the lifetime of the investment or security. If, however, an effective hedge with a derivative financial instrument exists for investments or securities, 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 required write-down is charged to the income statement.

The objective indicators for determining impaired value were extended in the 2005 financial year, above all for equity instruments of the available-for-sale portfolio. Value is impaired, for instance, if the fair value falls either significantly or for a longer period below acquisition cost. No write-ups may be made affecting profit or loss for available-for-sale equity instruments. Changes in the fair value of listed equity instruments during subsequent reporting periods are shown in the revaluation reserve. This means that the net profit and loss is affected only in the case of impaired value and disposals. Write-ups of non-listed equity instruments whose value cannot be regularly determined may be recognized neither in the income statement nor in the revaluation reserve. If the reasons for a value impairment of debt instruments cease to exist, a write-up has to be made, equal at most to the amortized cost, and reflected in profit or loss. The amount in excess of the amortized cost has to be reflected in the revaluation reserve.

(16) Intangible assets

Under Intangible assets, we mainly recognize software and acquired goodwill. Measurement is made at amortized cost. On each balance-sheet date, all goodwill is examined with a view to its future economic utility on the basis of cash-generating units. If it appears that the expected utility will not materialize, an extraordinary depreciation is made. We depreciate software over a period of two to five years.

(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 in the case of permanently impaired value.

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 in the past financial year are recognized immediately as operating expenses. Profits realized on the disposal of fixed assets appear under Other income, with losses being shown under Other 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. By contrast, finance leases are considered to be those agreements which substantially transfer all the risks and rewards to the lessee.

– The Group as lessor –

Insofar as the leasing companies within the Commerzbank Group are involved in operating lease business, economic ownership of the object of the agreement remains with the Group company. Leased objects appear in the consolidated balance sheet under Fixed assets, shown at cost or production cost, less regular depreciation over their useful economic lives or less extraordinary depreciation which is required if their value is permanently impaired. 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.

If 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. Leasing payments received are divided into an interest portion, which appears as interest income, and a repayment portion. 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 object. No contractual obligations existed in the 2005 financial year which have to be classified as finance leases.

(19) Liabilities to banks and customers and also Securitized liabilities

Financial liabilities are recognized at amortized cost. The derivatives embedded in liabilities (embedded derivatives) 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. In hedge accounting, hedged liabilities were adjusted for the fair value 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 trading purposes. The financial instruments are measured at fair value, with market prices used as a basis for measuring listed instruments; internal price models (net present-value or option-price models) are applied in the case of non-listed products. 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 under Measurement of cash flow hedges in Equity.

(21) Liabilities from dealing activities

Derivative financial instruments 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

Virtually all employees of Commerzbank Aktiengesellschaft as well as staff at some subsidiaries in Germany acquire rights to a company pension under various systems of company provision for old age.

Some employees are given an indirect – contribution-based – commitment (defined-contribution plan), for which the Group, with employees also making contributions, pays a fixed amount for old-age provision to external providers, including Versicherungsverein des Bankgewerbes a.G. (BVV), Berlin, and Versorgungskasse des Bankgewerbes e.V., Berlin.

The size of future pension benefits is determined here by the amounts paid in and – for the non-guaranteed portion of the benefits – by the accrued income on the assets. The classification of this provision as an indirect commitment means that the contributions to BVV and Versorgungskasse are recognized as current expenses, eliminating the need to form provisions.

Other employees are given a direct commitment, under which the size of the benefit is established, being determined by such factors as age, salary and length of service (defined-benefit plan).

In order to cover the promised pension benefits, we accumulate the assets required to meet the pension obligation for the most part internally and show the corresponding provision under Liabilities. A small part of these assets is invested in a trust to provide additional protection against insolvency. The trustee of these assets held in trust is Commerzbank Pension-Trust e.V.

The pension expenses for direct commitments, which have to appear in the income statement, consist of several components. First and foremost, the service cost has to be considered. In addition, there is the interest cost on the cash value of the obligation, as the time at which it must be met has moved one period closer. The net income forecast for the separate plan assets (assets held in trust) is deducted from expenses. If the 10% "corridor" or fluctuation-band rule gives rise to amortization amounts for actuarial gains and losses, the expenses for the period rise or fall accordingly.

The size of the provisions formed is initially determined by the cash value of the obligation to be met. The portion which is covered by the separate assets held in trust has to be set off against the obligation. The "corridor" rule determines the amount of provision to be formed each year as follows:

Cash value of obligation for direct commitments
less separate pension assets
less/plus not recognized actuarial losses or gains
= size of provision for pensions

The pension obligation is calculated annually by an independent actuary, using the projected-unit-credit method. This calculation is based not only on biometric assumptions but above all on a current market interest rate for prime-quality long-dated bonds as well as the rates of increase for salaries and pensions to be expected in the future. We only recognize higher or lower obligations as a result of actuarial calculations if they lie outside a 10% "corridor" of the actuarial value of the obligation. In the past financial year, adjustment to a lower calculatory interest rate led to the 10% corridor being exceeded. Our internal accounting methods indicate that – as permitted by the rules – we will recognize the excess in our income statement more quickly than IAS 19 prescribes. Pursuant to IAS 19, the amount that falls outside the corridor has to be charged as an expense over the average expected remaining working lives of the employees. The assumptions used in actuarial calculations are:

	31.12.2005	31.12.2004
Calculatory interest rate	4.25%	5.00%
Change in salaries	2.50%	2.50%
Adjustment to pensions	1.40%	1.40%

The former internal agreements on the granting of direct pension benefits were replaced with effect from January 1, 2005, by the Commerzbank modular plan for company pension benefits (CBA). Staff entitled to benefits will receive benefits under CBA, which will be made up of an initial module for the period up to December 31, 2004, and benefit modules – possibly augmented by a dynamic module – for each contributory year from 2005 onwards. Staff joining the Bank after January 1, 2005, will be given a commitment under the Commerzbank capital plan for company retirement pensions (CKA).

The obligations similar to those for pensions include obligations under early-retirement schemes and under part-time work schemes for older staff, which have been 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 are not permitted by IAS/IFRS rules to form provisions for expenses not related to an external commitment.

(24) Taxes on income

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

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 were 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 at the same unit. No discounting of tax assets and liabilities is practised. 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 under the respective equity item with no effect on profit or loss.

Income-tax expenses or income are shown under Taxes on income in the consolidated income statement and divided in the notes into current and deferred tax claims and liabilities in the financial year. Other taxes which are not dependent on earnings appear under Other result. Current and deferred tax assets and tax liabilities appear as separate asset or liability items in the balance sheet.

(25) Subordinated capital

Under Subordinated capital, we carry 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. Commissions received from such business are included under Net commission income in the income statement.

(27) Treasury shares

Treasury shares held by Commerzbank Aktiengesellschaft in its portfolio on the balance-sheet date are deducted directly from Equity. Gains and losses resulting from the Bank's own shares are set off against one another, with no effect on profit or loss.

(28) Staff remuneration plans

For its executives and selected other members of staff, the Group has approved five "long-term performance plans" (LTP). These plans (LTP 2001-2005) permit a remuneration geared to the performance of the share price or a stock index; in view of their conditions, they may be considered as "virtual" stock option plans. The programmes entail a payment commitment if the Commerzbank share outperforms the Dow Jones Euro Stoxx® Banks index and/or the absolute performance of the Commerzbank share is at least 25%. People at Commerzbank Aktiengesellschaft, various subsidiaries in Germany and at selected operational units outside Germany are entitled to participate.

In order to participate in the LTPs, those eligible have to invest in Commerzbank shares. The scale of such an investment for staff who are not members of the Board of Managing Directors depends on their function group (possible investment: 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® Banks 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 in the price of the Commerzbank share (payment guaranteed by a rise of at least 25% to a maximum of 52%).

Provided that the two criteria are achieved, eligible participants will receive a maximum of €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 shares are dependent upon Commerzbank Aktiengesellschaft paying a dividend for the financial year.

The first comparison of the base prices of the first quarter of 2001 (LTP 2001), the first quarter of 2002 (LTP 2002), the first quarter of 2003 (LTP 2003), the first quarter of 2004 (LTP 2004), and the first quarter of 2005 (LTP 2005) with the data for the comparable period will be made after three years in each case, or as soon as a first hurdle to exercising is reached or exceeded. 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 plans will be terminated. The first and second comparisons for LTP 2001 with the prices for the first quarter of 2004 and 2005, respectively, and the first comparison for LTP 2002 with the prices for the first quarter of 2005 revealed that none of the exercise criteria had been fulfilled.

Within the Jupiter International Group plc (JIG), three staff remuneration/stock-option plans existed as of December 31, 2005.

The so-called C shares or Growth Shares Plan gives those eligible – a group of senior staff – the right to subscribe to shares of Commerz Asset Management (UK) plc, which are also subject to an obligation to purchase on the part of Commerzbank Aktiengesellschaft. The value of these shares is oriented to the typified change in value of the JIG Group. Those eligible do not receive a guaranteed payment, as the reference figure may change. Limits have been established for the payment of minimum amounts (corresponding to the costs to employees when awards are granted; i.e. personal income tax and social security charges) and maximum amounts. Employees have the right to tender delivery of shares annually, within certain limits, but they also have the possibility of disposing of their entire portfolio after four years. In addition, certain rights also exist in connection with a change-of-control clause. The reference base for this plan was altered in 2003, with the adjusted profit for 2000 being replaced by that for 2002. No more new awards have been granted under this plan since 2003. In the 2005 financial year, Commerzbank Aktiengesellschaft purchased shares under this plan to an overall value of £15.1m.

At the same time, an ongoing “options programme” was launched in 2003 in favour of the employees of JIG, which entails cash compensation based on the performance of JIG and can be considered to be a virtual stock option plan. Internally, this plan is known as the “D options plan” and entitles all those to participate who had joined Jupiter by December 31, 2003, most of whom were already entitled under the C Shares Plan. Under this plan, a payment falls due if the adjusted profit in the year prior to the exercising of the option is higher than the level of the base year. By way of exception, the 2003 adjusted profit was established as the reference figure for the options granted in 2003. A third of the options may be exercised three years after they are granted and a further third after four years, while all options must be exercised five years after they are granted, otherwise they expire. In addition, certain rights also exist in connection with a change-of-control clause. In 2005, further adjusted option rights were assigned to these in the described manner, as were rights under the parallel E Options Plan, which differs only in terms of the rights conferred by the change-of-control clause and extends entitlement to staff who joined after December 31, 2003. No rights were exercised under these two plans during the 2005 financial year.

In addition, it is possible at other 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/or 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.

Staff remuneration plans are treated according to the rules of IFRS 2 “Share-based payment”. IFRS 2 distinguishes between plans which count as share-based transactions settled in the form of equity instruments and those which count as share-based transactions settled in cash. For both forms, however, the granting of share-based payments has to be recognized at fair value in the annual financial statements. The awards granted under the above-described LTPs are recognized in accordance with IFRS 2 as 50% share-based payments settled in the form of equity instruments and 50% share-based payments settled in cash. The other staff remuneration plans that are described are classified and recognized as cash-settled payment transactions

Share-based payments settled in the form of equity instruments

The fair value of share-based payments settled in the form of equity instruments has to be recognized as personnel expenses and reflected accordingly in Equity. The fair value at the time the awards are granted – with the exception of the effect of non-market-based exercising conditions – has to be determined and recognized on a straight-line basis in the form of costs over the time during which the employee acquires irrevocable claims to the awards. The amount recognized as expenses is adjusted only to the extent that the estimates made by accounting staff regarding the number of equity instruments which are finally exercised are taken into consideration.

No expenses are recognized for those rights which are not finally exercised due to the absence of a non-market-based condition. One exception exists for those rights which can be exercised only given a certain market condition. These will be considered to have been exercised regardless of whether the market condition has been fulfilled, provided that the other conditions have been fulfilled (services, non-market-based conditions for performance).

Share-based cash-settled payments

The portion of the fair value of share-based payments settled in cash that relates to services performed up to the date of measurement is recognized as personnel expenses, accompanied by its recognition as a provision. The fair value is calculated afresh for every reporting date up to and including the date of settlement. Every change in the fair value of the provision has to be reflected in profit or loss. On the date of settlement, therefore, the accumulated value of the fair value of the provision has to correspond to the amount paid to the relevant employee.

Measurement models

In order to calculate the fair values of the staff remuneration plans that exist within the Commerzbank Group, we have engaged external actuaries. Either a Monte Carlo model or a binominal model is used for measurement purposes.

A Monte Carlo model simulating changes which boost future share prices is applied to measure the awards granted under LTPs. The model is based on the assumption that stock yields are normally distributed in statistical terms around a mean corresponding to a risk-free investment in an interest-bearing security.

An actuarial binominal model is used for determining the fair value of the options that exist as a result of staff remuneration plans at JIG, Caisse Centrale de Réescompte (CCR) and their subsidiaries. It takes into account the terms and conditions for granting such awards. The share price on each reporting date and the exercise price are calculated on the basis of the specific conditions and formulae contained in the plans which are linked to the after-tax profit of the company in question.

Acquisition of the majority interest in Eurohypo Aktiengesellschaft

Under an agreement on November 16, 2005, Commerzbank Inlandsbanken Holding AG, a subsidiary of our Group, concluded purchase agreements to acquire 66.2% of the shares of Eurohypo at a price of €4.56bn. The purchase will take place in two stages: 17.1% was taken over on December 15, 2005, while the remaining 49.1% will probably be acquired at end-March 2006, once various conditions (in particular antitrust approval) have been met.

With the Group's previous interest of 31.8% in Eurohypo included, we held 48.9% of its equity per December 31, 2005. On the balance-sheet date, therefore, the company still had to be included as an associated company in the list of consolidated companies, applying the equity method. For the newly acquired interest of 17.1%, a difference in amount of €77m exists between the purchase cost and the share of equity we hold; as far as possible, we have spread this amount over the assets shown in the balance sheet and other individually identifiable assets (customer base, brand name), thereby revaluing them, and treated the remaining amount as goodwill. In accordance with IAS 28, the overall amount has to be assigned to the book value of the investment and shown in the balance sheet under Investments and securities portfolio (available-for-sale).

Changes in the investment's book value (including goodwill, pro-rata revaluation reserve and cash-flow hedge reserve) in the 2005 financial year were as follows:

	€ m
As of 1.1.2005	**2,109**
Profit contribution of Eurohypo in 2005 plus changes in the revaluation reserve and the measurement of cash flow hedges, less dividend	67
Share of equity acquired on 15.12.2005, including incidental expenses	1,185
As of 31.12.2005	**3,361**

When the purchase agreement has been finally implemented, Eurohypo Aktiengesellschaft will be fully included in the list of consolidated companies, taking into account the provisions of IFRS 3.

Notes to the income statement

(29) Net interest income

	2005	2004[1]	Change
	€ m	€ m	in %
Interest income from lending and money-market transactions and also from available-for-sale securities portfolio	11,924	10,926	9.1
Dividends from securities	109	89	22.5
Current result on investments and subsidiaries	95	130	–26.9
Current result on investments in associated companies	182	93	95.7
Current income from leasing	217	136	59.6
Interest income	*12,527*	*11,374*	*10.1*
Interest paid on subordinated capital	481	505	–4.8
Interest paid on securitized liabilities	3,206	3,159	1.5
Interest paid on other liabilities	5,494	4,595	19.6
Current expenses from leasing	174	102	70.6
Interest expenses	*9,355*	*8,361*	*11.9*
Total	**3,172**	**3,013**	**5.3**

Interest margin:
The average interest margin, based on the average risk-weighted assets in balance-sheet business according to BIS, was 2.86% (previous year: 2.76%).

(30) Provision for possible loan losses

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

	2005	2004	Change
	€ m	€ m	in %
Allocation to provisions	–1,346	–1,282	5.0
Reversals of provisions	829	550	50.7
Direct write-downs	–95	–124	–23.4
Income received on written-down claims	46	20	·
Total	**–566**	**–836**	**–32.3**

1) The year-ago figures have been adjusted to the changed rules (see Note 2)

(31) Net commission income

	2005 € m	2004 € m	Change in %
Securities transactions	901	839	7.4
Asset management	620	576	7.6
Payment transactions and foreign commercial business	422	426	–0.9
Guarantees	153	142	7.7
Income from syndicated business	110	99	11.1
Other net commission income	209	168	24.4
Total	**2,415**	**2,250**	**7.3**

(32) Net result on hedge accounting

	2005 € m	2004 € m	Change in %
Net result on derivatives used as hedging instruments	–1,330	–1,554	–14.4
Net result on hedged items	1,308	1,560	–16.2
Total	**–22**	**6**	**·**

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 measurement effects arising from fair value hedges.

(33) Trading profit

Trading profit has been split into three components:

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

All financial instruments held for dealing purposes are measured at their fair value. We use market prices to measure listed products, while internal price models (above all, net present-value and option-price models) are used in determining the current value of non-listed trading transactions. 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.

	2005 € m	2004 € m	Change in %
Net result on trading	834	632	32.0
Net result on the measurement of derivative financial instruments	–148	–93	59.1
Net result from applying the fair value option	21	0	·
Total	**707**	**539**	**31.2**

(34) Net result on investments and securities portfolio (available for sale)

Under the Net result on investments and securities portfolio, we show the disposal proceeds and the gains and losses on available-for-sale securities, investments, investments in associated companies and holdings in subsidiaries which have not been consolidated.

	2005 € m	2004[1)] € m	Change in %
Net result on available-for-sale securities	216	193	11.9
Net result on disposals and measurement of investments, investments in associated companies and holdings in subsidiaries	431	146	·
Total	**647**	**339**	**90.9**

(35) Other result

The Other 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. Other taxes are also included in this item.

	2005 € m	2004 € m	Change in %
Major other expenses	**146**	**170**	**–14.1**
Expenses arising from building and architects' services	42	51	–17.6
Allocations to provisions	69	49	40.8
Hire-purchase expenses and interim costs	35	70	–50.0
Major other income	**198**	**284**	**–30.3**
Reversals of provisions	108	127	–15.0
Hire-purchase proceeds and interim income	35	72	–51.4
Income from building and architects' services	47	57	–17.5
Income from disposal of fixed assets	8	28	–71.4
Balance of sundry other expenses/income	**–26**	**79**	**·**
Other result	**26**	**193**	**–86.5**

1) The year-ago figures have been adjusted to the changed rules (see Note 2)

(36) Operating expenses

The Group's Operating expenses consist of personnel and other expenses, and depreciation on office furniture and equipment, real property, and on other intangible assets. The expenses break down as follows:

Personnel expenses:

	2005 € m	2004[1)] € m	Change in %
Wages and salaries	2,108	1,954	7.9
Compulsory social-security contributions	305	293	4.1
Expenses for pensions and other employee benefits	254	205	23.9
of which:			
contributions to BVV and Versorgungskasse des Bankgewerbes	48	48	0.0
company pension scheme	206	157	31.2
Total	**2,667**	**2,452**	**8.8**

Other expenses:

	2005 € m	2004 € m	Change in %
Expenses for office space	480	503	–4.6
IT costs	394	455	–13.4
Compulsory contributions, other operating and company-law expenses	248	244	1.6
Advertising, PR and promotional costs, consulting	130	110	18.2
Workplace costs	171	181	–5.5
Sundry expenses	137	146	–6.2
Total	**1,560**	**1,639**	**–4.8**

The auditors' fee (excluding turnover tax) of €7.6m, recognized as expenses in Germany in the financial year, breaks down as follows:

€1,000	2005
Audit of financial statements	4,978
Provision of other certificates or assessments	1,338
Tax consulting services	507
Other services	762
Total	**7,585**

1) The year-ago figures have been adjusted to the changed rules (see Note 2)

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

	2005 € m	2004 € m	Change in %
Office furniture and equipment	219	315	–30.5
Real property	148	52	·
Other intangible assets	68	35	94.3
Total	**435**	**402**	**8.2**

The depreciation on real property includes an unplanned decrease in value of €118m on land and buildings in Asia.

(37) Restructuring expenses

	2005 € m	2004 € m	Change in %
Expenses for restructuring measures introduced	37	132	–72.0
Total	**37**	**132**	**–72.0**

In the 2004 financial year, expenses related to the restructuring of our Corporates & Markets department. One of the various concrete individual measures was to reduce the non-customer-based business lines – proprietary trading, brokerage and research – in particular.

In the 2005 financial year, we launched two projects intended to improve the efficiency of our back-office procedures in our corporate business and elsewhere. Restructuring expenses of €37m were incurred in connection with staff reductions and the closing-down of outlets.

(38) Taxes on income

Income-tax expenses break down as follows:

	2005 € m	2004 € m	Change in %
Current taxes on income	264	423	–37.6
Deferred taxes	145	–70	·
Total	**409**	**353**	**15.9**

Deferred taxes on the assets side include tax expenses of €50m (previous year: €73m) 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:

	2005 € m	2004 € m
Net pre-tax profit according to IAS/IFRS	**1,680**	**796**
Group's income-tax rate (%)	39.9	39.9
Calculated income-tax payments in financial year	**670**	**318**
Effects due to differing tax rates affecting income during periods in question	–27	–41
Effects of taxes from previous years recognized in past financial year	8	104
Effects of non-deductible operating expenses and tax-exempt income	–498	–347
Regular amortization of goodwill	–	34
Deferred tax assets not recognized	210	68
Other effects	46	217
Taxes on income	**409**	**353**

The Group income-tax rate selected as a basis for the transitional presentation is made up of the corporate income-tax rate of 25% applied in Germany, plus the solidarity surcharge of 5.5%, and an average rate of 18.4% for trade earnings tax. With the deductibility of trade earnings tax taken into consideration, the German income-tax rate is roughly 39.9%.

Income effects result from discrepancies between the tax rates valid for foreign units. Tax rates outside Germany ranged between 0% and 46%.

(39) Basic earnings per share

	2005	2004 [1)]	Change in %
Operating profit (€ m)	1,717	1,011	69.8
Consolidated surplus (€ m)	1,165	362	·
Average number of ordinary shares issued (units)	603,956,296	593,373,110	1.8
Operating profit per share (€)	2.84	1.70	67.1
Earnings per share (€)	1.93	0.61	·

The earnings per share, calculated in accordance with IAS 33, is based on consolidated surplus without the profit/loss for the year attributable to minority interests.

In the past financial year and on December 31, 2005, no conversion or option rights were outstanding. The diluted earnings per share, therefore, correspond to the earnings per share.

(40) Cost/income ratio

	2005	2004 [1)]	Change in %
Cost/income ratio before regular amortization of goodwill and restructuring expenses	67.1	70.9	–5.4

1) The year-ago figures have been adjusted to the changed rules (see Note 2)

(41) Segment reporting

Segment reporting reflects the results of the operational business lines included in the Commerzbank Group. Our internal management information memoranda, which are prepared monthly in line with IAS rules, serve as a basis.

The organizational structure of the Commerzbank Group was altered in autumn 2004. Since January 1, 2005, we have adapted our segment reporting – and also the year-ago figures – to the new structure.

Survey of the structure of the operating divisions valid in the past financial year:

Retail Banking and Asset Management		Corporate and Investment Banking			Group Investments and Others	
Private and Business Customers	Asset Management	*Mittelstand*	International Corporate Banking	Corporates & Markets	Mortgage Banks	Others and Consolidation

We report on seven segments:

- Private and Business Customers includes branch business with private individuals, professional people and business people, private banking, and the activities of comdirect bank.
- Asset Management comprises above all COMINVEST Asset Management, Jupiter International Group, Caisse Centrale de Réescompte, Commerzbank Europe (Ireland) and Commerz Grundbesitzgesellschaft.
- *Mittelstand* presents the results of corporate banking in Germany, the Central and Eastern European region as well as CommerzLeasing und Immobilien.
- International Corporate Banking covers Western Europe, America, Asia, Africa and the Financial Institutions department.
- Corporates & Markets comprises equity and bond-trading activities, trading in derivative instruments, interest-rate and currency management, as well as mergers and acquisitions and the London Branch. In addition, this segment is responsible for business involving multinational companies and major corporates requiring capital-market products.
- Mortgage Banks consists of Eurohypo Aktiengesellschaft, which we include at equity, Hypothekenbank in Essen and Erste Europäische Pfandbrief- und Kommunalkreditbank in Luxemburg.
- In the "Others and Consolidation" segment, the expenses and income appear for which the operational banking departments are not responsible. These also include those expenses and income items that are necessary in order to reconcile the control variables of internal accounting, shown in the segment reporting of the operational departments, with the corresponding external accounting data. This segment also covers equity holdings which are not assigned to other segments.

While foreign treasury activities have been assigned to the respective locations outside Germany, the revenue from German treasury activities (domestic liquidity management and equity structure management) is divided between the relevant segments.

The result generated by each segment is measured in terms of the operating profit and the pre-tax profit, as well as the figures for the return on equity and the cost/income ratio. Through the presentation of pre-tax profits, minority interests are included in both the result and the average equity tied up. All the revenue for which a segment is responsible is thus reflected in the pre-tax profit.

The return on equity is calculated from the ratio between the operating profit (operating or pre-tax) and the average amount of equity that is tied up. It shows the return on the equity that is invested in a given business line. The cost/income ratio in operating business reflects the cost efficiency of the various segments. It represents the quotient formed by operating expenses and income before provisioning.

Income and expenses are shown such that they reflect the originating unit and appear at market prices, with the market interest rate applied in the case of interest-rate instruments. Net interest income reflects the actual funding costs of the equity holdings which, since 2005, have been assigned to the respective segments according to their specific business orientation. The investment yield achieved by the Group on its equity is assigned to the net interest income of the various units such that it reflects the average amount of equity that is tied up. The interest rate corresponds to that of a risk-free investment in the long-term capital market. The average amount of equity tied up is worked out using the BIS system, based on the established average amount of risk-weighted assets and the capital charges for market risk positions (risk-weighted asset equivalents). The capital backing for risk-weighted assets which we assume for segment reporting purposes is 7%.

Direct and indirect expenditure represent the operating expenses which are shown in the operating profit. They consist of personnel costs, other expenses and depreciation of fixed assets and other intangible assets, excluding goodwill. The amortization of goodwill, expenses arising from special factors and restructuring expenses appear below the operating profit in the pre-tax profit. Operating expenses are assigned to the individual segments on the basis of the causation principle. The indirect expenses arising in connection with internal services are charged to the beneficiary or credited to the segment performing the service.

Breakdown, by segment

2005 financial year	Retail Banking and Asset Management		Corporate and Investment Banking			Group Investments and Others		Total
€ m	Private and Business Customers	Asset Management	*Mittelstand*	International Corporate Banking	Corporates & Markets	Mortgage Banks	Others and Consolidation	
Net interest income	1,124	–10	1,193	294	187	528	–144	3,172
Provision for possible loan losses	–205	–	–394	69	–3	–33	–	–566
Net interest income after provisioning	919	–10	799	363	184	495	–144	2,606
Net commission income	1,065	575	568	153	69	–12	–3	2,415
Net result on hedge accounting	–	–	–	5	–1	–24	–2	–22
Trading profit	3	9	75	15	758	–130	–23	707
Net result on investments and securities portfolio	–	16	–4	21	–12	73	553	647
Other result	14	–4	–1	2	7	–4	12	26
Revenue	*2,001*	*586*	*1,437*	*559*	*1,005*	*398*	*393*	*6,379*
Operating expenses	1,719	466	1,029	260	793	48	347	4,662
Operating profit	**282**	**120**	**408**	**299**	**212**	**350**	**46**	**1,717**
Regular amortization of goodwill	–	–	–	–	–	–	–	–
Restructuring expenses	–	–	22	11	4	–	–	37
Pre-tax profit	**282**	**120**	**386**	**288**	**208**	**350**	**46**	**1,680**
Average equity tied up	**1,891**	**537**	**3,028**	**1,388**	**1,818**	**1,007**	**566**	**10,235**
Operating return on equity (%)	**14.9**	**22.3**	**13.5**	**21.5**	**11.7**	**34.8**	**·**	**16.8**
Cost/income ratio in operating business (%)	**77.9**	**79.5**	**56.2**	**53.1**	**78.7**	**11.1**	**·**	**67.1**
Return on equity of pre-tax profit (%)	**14.9**	**22.3**	**12.7**	**20.7**	**11.4**	**34.8**	**·**	**16.4**
Staff (average no.)	10,461	1,705	8,680	1,313	912	206	8,265	31,542

Breakdown, by segment

2004 financial year	**Retail Banking and Asset Management**		**Corporate and Investment Banking**			**Group Investments and Others**		**Total**
€ m	Private and Business Customers	Asset Management	*Mittelstand*	International Corporate Banking	Corporates & Markets	Mortgage Banks	Others and Consolidation	
Net interest income	1,137	–7	1,152	301	190	233	7	3,013
Provision for possible loan losses	–213	–	–555	12	–29	–51	–	–836
Net interest income after provisioning	924	–7	597	313	161	182	7	2,177
Net commission income	1,010	529	403	155	152	–12	13	2,250
Net result on hedge accounting	–	1	–	–	–	4	1	6
Trading profit	3	8	43	32	567	–110	–4	539
Net result on investments and securities portfolio	3	13	1	28	–2	126	170	339
Other result	40	25	85	14	–11	–6	46	193
Revenue	*1,980*	*569*	*1,129*	*542*	*867*	*184*	*233*	*5,504*
Operating expenses	1,657	392	998	231	942	45	228	4,493
Operating profit	**323**	**177**	**131**	**311**	**–75**	**139**	**5**	**1,011**
Regular amortization of goodwill	–	59	10	–	–	8	6	83
Restructuring expenses	–	–	–	–	132	–	–	132
Pre-tax profit	**323**	**118**	**121**	**311**	**–207**	**131**	**–1**	**796**
Average equity tied up	**1,894**	**558**	**2,663**	**1,337**	**2,022**	**1,003**	**781**	**10,258**
Operating return on equity (%)	**17.1**	**31.7**	**4.9**	**23.3**	**–3.7**	**13.9**	**·**	**9.9**
Cost/income ratio in operating business (%)	**75.6**	**68.9**	**59.3**	**43.6**	**105.1**	**19.1**	**·**	**70.9**
Return on equity of pre-tax profit (%)	**17.1**	**21.1**	**4.5**	**23.3**	**–10.2**	**13.1**	**·**	**7.8**
Staff (average no.)	10,207	1,671	8,095	1,328	1,294	192	8,613	31,400

Quarterly results, by segment

1st quarter 2005 € m	**Retail Banking and Asset Management**		**Corporate and Investment Banking**			**Group Investments and Others**		**Total**
	Private and Business Customers	Asset Management	*Mittelstand*	International Corporate Banking	Corporates & Markets	Mortgage Banks	Others and Consolidation	
Net interest income	274	4	280	64	49	96	–46	721
Provision for possible loan losses	–46	–	–118	–19	–7	–8	–	–198
Net interest income after provisioning	228	4	162	45	42	88	–46	523
Net commission income	264	127	124	38	27	–2	–	578
Net result on hedge accounting	–	–	–	–2	–	–8	–2	–12
Trading profit	1	2	15	6	258	–35	15	262
Net result on investments and securities portfolio	–	1	1	6	–1	36	251	294
Other result	–3	–2	4	–	–2	–	6	3
Revenue	*490*	*132*	*306*	*93*	*324*	*79*	*224*	*1,648*
Operating expenses	421	95	238	62	225	10	56	1,107
Operating profit	**69**	**37**	**68**	**31**	**99**	**69**	**168**	**541**
Regular amortization of goodwill	–	–	–	–	–	–	–	–
Restructuring expenses	–	–	–	–	–	–	–	–
Pre-tax profit	**69**	**37**	**68**	**31**	**99**	**69**	**168**	**541**

Quarterly results, by segment

2nd quarter 2005 € m	Retail Banking and Asset Management		Corporate and Investment Banking			Group Investments and Others		Total
	Private and Business Customers	Asset Management	*Mittelstand*	International Corporate Banking	Corporates & Markets	Mortgage Banks	Others and Consolidation	
Net interest income	269	–1	307	67	52	138	15	847
Provision for possible loan losses	–46	–	–115	–8	–1	–7	–	–177
Net interest income after provisioning	223	–1	192	59	51	131	15	670
Net commission income	272	133	134	40	15	–2	1	593
Net result on hedge accounting	–	–	–	2	–	–6	–1	–5
Trading profit	–	3	17	–2	77	–36	–48	11
Net result on investments and securities portfolio	–	3	2	6	–4	13	64	84
Other result	4	–4	2	2	4	–	18	26
Revenue	*499*	*134*	*347*	*107*	*143*	*100*	*49*	*1,379*
Operating expenses	415	117	244	62	198	10	42	1,088
Operating profit	**84**	**17**	**103**	**45**	**–55**	**90**	**7**	**291**
Regular amortization of goodwill	–	–	–	–	–	–	–	–
Restructuring expenses	–	–	–	–	–	–	–	–
Pre-tax profit	**84**	**17**	**103**	**45**	**–55**	**90**	**7**	**291**

Quarterly results, by segment

3rd quarter 2005	Retail Banking and Asset Management		Corporate and Investment Banking			Group Investments and Others		Total
€ m	Private and Business Customers	Asset Management	*Mittelstand*	International Corporate Banking	Corporates & Markets	Mortgage Banks	Others and Consolidation	
Net interest income	287	–7	300	75	43	139	–66	771
Provision for possible loan losses	–46	–	–104	9	2	–12	–	–151
Net interest income after provisioning	241	–7	196	84	45	127	–66	620
Net commission income	267	145	143	35	11	–3	1	599
Net result on hedge accounting	–	1	–	–	–	–6	–	–5
Trading profit	1	1	20	6	206	–21	4	217
Net result on investments and securities portfolio	1	4	1	18	–2	12	45	79
Other result	3	5	4	–	5	–1	–10	6
Revenue	*513*	*149*	*364*	*143*	*265*	*108*	*–26*	*1,516*
Operating expenses	433	103	261	63	183	10	44	1,097
Operating profit	**80**	**46**	**103**	**80**	**82**	**98**	**–70**	**419**
Regular amortization of goodwill	–	–	–	–	–	–	–	–
Restructuring expenses	–	–	–	–	–	–	–	–
Pre-tax profit	**80**	**46**	**103**	**80**	**82**	**98**	**–70**	**419**

Quarterly results, by segment

4th quarter 2005 € m	Retail Banking and Asset Management		Corporate and Investment Banking			Group Investments and Others		Total
	Private and Business Customers	Asset Management	*Mittelstand*	International Corporate Banking	Corporates & Markets	Mortgage Banks	Others and Consolidation	
Net interest income	294	–6	306	88	43	155	–47	833
Provision for possible loan losses	–67	–	–57	87	3	–6	–	–40
Net interest income after provisioning	227	–6	249	175	46	149	–47	793
Net commission income	262	170	167	40	16	–5	–5	645
Net result on hedge accounting	–	–1	–	5	–1	–4	1	–
Trading profit	1	3	23	5	217	–38	6	217
Net result on investments and securities portfolio	–1	8	–8	–9	–5	12	193	190
Other result	10	–3	–11	–	–	–3	–2	–9
Revenue	*499*	*171*	*420*	*216*	*273*	*111*	*146*	*1,836*
Operating expenses	450	151	286	73	187	18	205	1,370
Operating profit	**49**	**20**	**134**	**143**	**86**	**93**	**–59**	**466**
Regular amortization of goodwill	–	–	–	–	–	–	–	–
Restructuring expenses	–	–	22	11	4	–	–	37
Pre-tax profit	**49**	**20**	**112**	**132**	**82**	**93**	**–59**	**429**

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:

2005 financial year € m	Europe including Germany	America	Asia	Other countries	**Total**
Net interest income	2,942	175	46	9	3,172
Provision for possible loan losses	–646	46	36	–2	–566
Net interest income after provisioning	2,296	221	82	7	2,606
Net commission income	2,339	52	21	3	2,415
Hedging result	–27	5	–	–	–22
Trading profit	697	4	3	3	707
Net result on investments and securities portfolio (available for sale)	651	–4	–	–	647
Other result	15	8	3	–	26
Revenue	*5,971*	*286*	*109*	*13*	*6,379*
Operating expenses	4,360	122	55	125	4,662
Operating profit	**1,611**	**164**	**54**	**–112**	**1,717**
Risk-weighted assets according to BIS*⁾	**129,828**	**12,016**	**3,523**	**711**	**146,078**

*) excluding market risk

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

2004 financial year[1] € m	Europe including Germany	America	Asia	Other countries	**Total**
Net interest income	2,770	199	35	9	3,013
Provision for possible loan losses	–843	–11	18	–	–836
Net interest income after provisioning	1,927	188	53	9	2,177
Net commission income	2,093	108	46	3	2,250
Hedging result	6	–	–	–	6
Trading profit	498	23	11	7	539
Net result on investments and securities portfolio (available for sale)	331	4	4	–	339
Other result	177	1	15	–	193
Revenue	*5,032*	*324*	*129*	*19*	*5,504*
Operating expenses	4,248	167	72	6	4,493
Operating profit	**784**	**157**	**57**	**13**	**1,011**
Risk-weighted assets according to BIS*⁾	**122,161**	**9,640**	**2,387**	**719**	**134,907**

*) excluding market risk

1) The year-ago figures have been adjusted to the changed rules (see Note 2)

Notes to the balance sheet

(42) Cash reserve

We include the following items in the cash reserve:

	31.12.2005	31.12.2004	Change
	€ m	€ m	in %
Cash on hand	597	597	0.0
Balances with central banks	4,868	3,037	60.3
Debt issued by public-sector borrowers, and bills of exchange rediscountable at central banks	3,163	1,254	.
Treasury bills and discountable treasury notes, as well as similar debt issues by public-sector borrowers	2,761	945	.
Bills of exchange	402	309	30.1
Total	**8,628**	**4,888**	**76.5**

The balances with central banks include claims on the Bundesbank totalling €4,120m (previous year: €2,145m). The minimum reserve requirement to be met at end-December 2005 amounted to €1,899m (previous year: €1,646m).

(43) Claims on banks

	total			due on demand		other claims	
	31.12.2005	31.12.2004[1]	Change	31.12.2005	31.12.2004[1]	31.12.2005	31.12.2004[1]
	€ m	€ m	in %	€ m	€ m	€ m	€ m
German banks	39,123	40,976	–4.5	5,211	4,289	33,912	36,687
Foreign banks	47,080	45,743	2.9	11,602	16,588	35,478	29,155
Total	**86,203**	**86,719**	**–0.6**	**16,813**	**20,877**	**69,390**	**65,842**

The claims on banks include €11,432m of public-sector loans (previous year: €11,548m) extended by the mortgage banks.

(44) Claims on customers

The claims on customers break down as follows:

	31.12.2005	31.12.2004[1]	Change
	€ m	€ m	in %
Claims on domestic customers	112,607	109,613	2.7
Claims on foreign customers	41,067	40,664	1.0
Total	**153,674**	**150,277**	**2.3**

The claims on customers include €26,985m (previous year: €27,283m) of loans secured by mortgages or other security interests in real property (loans of up to 60% of the collateral value) as well as €33,479m (previous year: €31,388m) of communal loans.

1) The year-ago figures have been adjusted to the changed rules (see Note 2)

(45) 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:

	31.12.2005 € m	31.12.2004 € m	Change in %
Claims on banks	**8,848**	**4,916**	**80.0**
Subsidiaries	–	–	·
Associated companies and companies in which an equity investment exists	8,848	4,916	80.0
Claims on customers	**154**	**253**	**–39.1**
Subsidiaries	97	218	–55.5
Associated companies and companies in which an equity investment exists	57	35	62.9
Bonds, notes and other fixed-income securities	**1,500**	**1,687**	**–11.1**
Subsidiaries	–	–	·
Associated companies and companies in which an equity investment exists	1,500	1,687	–11.1
Shares and other variable-yield securities	**222**	**318**	**–30.2**
Associated companies and companies in which an equity investment exists	222	318	–30.2
Total	**10,724**	**7,174**	**49.5**
Liabilities to banks	**1,042**	**321**	·
Subsidiaries	–	–	·
Associated companies and companies in which an equity investment exists	1,042	321	·
Liabilities to customers	**66**	**731**	**–91.0**
Subsidiaries	39	727	–94.6
Associated companies and companies in which an equity investment exists	27	4	·
Total	**1,108**	**1,052**	**5.3**

(46) Total lending

	31.12.2005 € m	31.12.2004[1)] € m	Change in %
Loans to banks	18,940	20,704	–8.5
Claims on customers	145,297	139,533	4.1
Bills discounted	403	311	29.6
Total	**164,640**	**160,548**	**2.5**

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

1) The year-ago figures have been adjusted to the changed rules (see Note 2)

(47) Provision for possible loan losses

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

	Specific valuation allowances*)		Portfolio valuation allowances		Total		
	2005 € m	2004 € m	2005 € m	2004 € m	2005 € m	2004 € m	Change in %
As of 1.1.	**5,352**	**5,506**	**326**	**348**	**5,678**	**5,854**	**–3.0**
Allocations	1,263	1,265	83	17	1,346	1,282	5.0
Deductions	1,529	1,405	45	46	1,574	1,451	8.5
of which: utilized	745	900	–	1	745	901	–17.3
of which: reversals	784	505	45	45	829	550	50.7
Changes in consolidated companies	3	–	1	–	4	–	.
Exchange-rate changes/ transfers	30	–14	2	7	32	–7	.
Provision for possible loan losses as of 31.12.	**5,119**	**5,352**	**367**	**326**	**5,486**	**5,678**	**–3.4**

*) including provisions

With direct write-downs and income received on written-down claims taken into account, the allocations and reversals reflected in the income statement gave rise to provision of €566m (previous year: €836m) for lending risks.

Provision for possible risks was formed for:

	31.12.2005 € m	31.12.2004 € m	Change in %
Claims on banks	20	13	53.8
Claims on customers	5,161	5,292	–2.5
Provision to cover balance-sheet items	**5,181**	**5,305**	**–2.3**
Guarantees, endorsement liabilities, credit commitments	305	373	–18.2
Total	**5,486**	**5,678**	**–3.4**

The provision for credit risk by customer group breaks down as follows:

€ m	Specific valuation allowances and provisions for lending business	Loan losses[1] in 2005	Net allocation[2] to valuation allowances and provisions in lending business
German customers	**4,646**	**754**	**506**
Companies and self-employed	3,823	675	406
Manufacturing	723	114	59
Construction	247	55	–41
Distributive trades	392	86	26
Services, incl. professions, and others	2,461	420	362
Other retail customers	823	79	100
Foreign customers	**473**	**86**	**–27**
Banks	16	2	–
Corporate and retail customers	457	84	–27
Total	**5,119**	**840**	**479**

1) Direct write-downs, utilized specific valuation allowances and provisions in lending business
2) Allocation less reversals

Data on provision for credit risk:

in %	2005	2004
Allocation ratio[1]	0.34	0.52
Write-off ratio[2]	0.48	0.63
Cover ratio[3]	3.33	3.54

1) Net provisioning (new provisions less reversals of valuation allowances and provision for commercial loans, 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 provision for commercial 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 credit risk in commercial lending) as a percentage of total lending

Total lending = Total lending in commercial business (Note 46)

(48) Positive fair values attributable to derivative hedging instruments

Derivative instruments used for hedging purposes and for hedge accounting and also showing a positive fair value appear under this item in the balance sheet.

These instruments are measured at their fair value. For the most part, interest-rate and interest-rate/currency swaps are used.

	31.12.2005	31.12.2004	Change
	€ m	€ m	in %
Positive fair values from related effective fair value hedges	3,011	2,111	42.6
Positive fair values from related effective cash flow hedges	1,723	1,809	–4.8
Total	**4,734**	**3,920**	**20.8**

(49) Assets held for dealing purposes

The Group's trading activities include trading 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 cannot be used as hedging instruments in hedge accounting.

	31.12.2005	31.12.2004	Change
	€ m	€ m	in %
Bonds, notes and other fixed-income securities	22,080	20,137	9.6
Money-market instruments	1,332	903	47.5
issued by public-sector borrowers	341	504	–32.3
issued by other borrowers	991	399	·
Bonds and notes	20,748	19,234	7.9
issued by public-sector borrowers	6,498	6,338	2.5
issued by other borrowers	14,250	12,896	10.5
Shares and other variable-yield securities	8,417	10,338	–18.6
Promissory notes held in the trading portfolio	1,287	798	61.3
Positive fair values attributable to derivative financial instruments	68,537	70,808	–3.2
Currency-based transactions	4,136	8,824	–53.1
Interest-based transactions	58,370	58,307	0.1
Other transactions	6,031	3,677	64.0
Total	**100,321**	**102,081**	**–1.7**

€26,685m (previous year: €26,314m) of the bonds, notes and other fixed-income securities and also shares and other variable-yield securities were listed securities.

(50) Investments and securities portfolio (available for sale)

The Investments and securities portfolio represents financial instruments not assigned to any other category. It includes all bonds, notes and other fixed-income securities, shares and other variable-yield securities not held for trading purposes, investments, holdings in associated companies measured at equity and holdings in subsidiaries not included in the consolidation.

	31.12.2005 € m	31.12.2004[1)] € m	Change in %
Bonds, notes and other fixed-income securities	77,539	64,320	20.6
Money-market instruments	1,926	821	·
issued by public-sector borrowers	13	54	–75.9
issued by other borrowers	1,913	767	·
Bonds and notes	75,613	63,499	19.1
issued by public-sector borrowers	36,302	30,075	20.7
issued by other borrowers	39,311	33,424	17.6
Shares and other variable-yield securities	2,402	2,138	12.3
Investments	2,537	3,217	–21.1
of which: in banks	1,181	1,667	–29.2
Investments in associated companies	3,643	2,379	53.1
of which: in banks	3,580	2,322	54.2
Holdings in subsidiaries	120	139	–13.7
of which: in banks	–	–	·
Total	**86,241**	**72,193**	**19.5**
of which: measured at amortized cost	709	594	19.4

Fair values of listed financial investments:

€ m	31.12.2005 Fair value	31.12.2004 Fair value
Bonds, notes and other fixed-income securities	68,544	56,484
Shares and other variable-yield securities	1,057	830
Investments	1,946	2,751
Total	**71,547**	**60,065**

1) The year-ago figures have been adjusted to the changed rules (see Note 2)

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 31.12.2005
Carmeile AG	Wülfrath	10.0*)
ConCardis GmbH	Frankfurt am Main	6.0
EURO Kartensysteme GmbH	Frankfurt am Main	6.0
Ferrari S.p.A.	Maranello, Modena	8.5
GZS Gesellschaft für Zahlungssysteme mbH	Frankfurt am Main	6.1
Korea Exchange Bank	Seoul	14.6
Linde Aktiengesellschaft	Wiesbaden	10.0*)

*) indirectly held

(51) Intangible assets

	31.12.2005 € m	31.12.2004 € m	Change in %
Goodwill	758	697	8.8
Other intangible assets	215	104	·
Total	**973**	**801**	**21.5**

We amortized goodwill on a regular basis for the last time as of December 31, 2004. Since January 1, 2005, we only make a write-down when the result of the annual impairment test is lower than the book value.

Further goodwill arising from companies shown at equity is contained in investments in associated companies (€114m).

Of the other intangible assets, capitalized software accounted for €208m (previous year: €82m).

(52) Fixed assets

	31.12.2005 € m	31.12.2004 € m	Change in %
Land and buildings	663	762	–13.0
Office furniture and equipment	628	859	–26.9
Leased equipment	234	145	61.4
Total	**1,525**	**1,766**	**–13.6**

(53) 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:

	Intangible assets		Fixed assets	
€ m	Goodwill	Other intangible assets	Land and buildings	Office furniture and equipment
Book value as of 1.1.2005	**697**	**104**	**762**	**859**
Cost of acquisition/production as of 1.1.2005	1,618	239	990	3,535
Additions in 2005	63	68	69	131
Disposals in 2005	–	9	94	346
Transfers/changes in consolidated companies	8	370	29	–376
Cost of acquisition/production as of 31.12.2005	1,689	668	994	2,944
Write-ups in 2005	–	–	–	–
Cumulative write-downs as of 31.12.2004	921	135	228	2,676
Changes in exchange rates	2	1	3	8
Additions in 2005	–	68	148	219
Disposals in 2005	–	4	49	333
Transfers/changes in consolidated companies	8	253	1	–254
Cumulative write-downs as of 31.12.2005	931	453	331	2,316
Book value as of 31.12.2005	**758**	**215**	**663**	**628**

	Fixed assets	Investments	Investments in associated companies	Holdings in subsidiaries
€ m	Leased equipment			
Book value as of 1.1.2005	**145**	**3,217**	**2,379**	**139**
Cost of acquisition/production as of 1.1.2005	200	4,122	2,995	190
Additions in 2005	61	142	1,191	23
Disposals in 2005	20	1,446	11	36
Transfers/changes in consolidated companies	90	198	–	22
Cumulative changes arising from measurement at fair value or at equity	–	220	80	–
Cost of acquisition/production/fair value as of 31.12.2005	331	3,236	4,255	199
Write-ups in 2005	–	–	–	–
Cumulative write-downs as of 31.12.2004	55	905	616	51
Additions in 2005	44	59	–	28
Disposals in 2005	8	307	4	–
Transfers/changes in consolidated companies	6	42	–	–
Cumulative write-downs as of 31.12.2005	97	699	612	79
Book value as of 31.12.2005	**234**	**2,537**	**3,643**	**120**

(54) Tax assets

	31.12.2005 € m	31.12.2004 € m	Change in %
Current tax assets	**400**	**606**	**–34.0**
Germany	350	544	–35.7
Abroad	50	62	–19.4
Deferred tax claims	**5,138**	**5,205**	**–1.3**
Deferred taxes carried as assets	5,138	5,205	–1.3
Total	**5,538**	**5,811**	**–4.7**

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

Altogether, the deferred tax claims and liabilities directly set off against equity as of December 31, 2005, amounted to €457m.

No deferred taxes have been recognized for loss carry-forwards of €3,797m (previous year: €3,428m), as it is uncertain at present whether they will be realized.

For the most part, there are no time limits on the use of the existing tax loss carry-forwards.

Deferred taxes carried as assets were formed in connection with the following balance-sheet items:

	31.12.2005 € m	31.12.2004 € m	Change in %
Fair values of derivative hedging instruments	2,325	2,092	11.1
Assets held for dealing purposes and liabilities from dealing activities	1,654	2,189	–24.4
Claims on banks and customers	221	306	–27.8
Provisions	197	101	95.0
Securitized liabilities	1	31	–96.8
Liabilities to banks and customers	133	16	·
Sundry balance-sheet items	269	196	37.2
Tax loss carry-forwards	338	274	23.4
Total	**5,138**	**5,205**	**–1.3**

(55) Other assets

Other assets mainly comprise the following items:

	31.12.2005 € m	31.12.2004 € m	Change in %
Collection items	182	211	–13.7
Precious metals	982	350	·
Non-current assets held for sale in accordance with IFRS 5	228	–	·
Sundry assets, including deferred items	813	1,165	–30.2
Total	**2,205**	**1,726**	**27.8**

(56) Liabilities to banks

	total		
	31.12.2005	31.12.2004	Change
	€ m	€ m	in %
German banks	58,517	57,987	0.9
Foreign banks	71,383	57,443	24.3
Total	**129,900**	**115,430**	**12.5**

of which:	due on demand		other liabilities	
	31.12.2005	31.12.2004	31.12.2005	31.12.2004
	€ m	€ m	€ m	€ m
German banks	5,358	7,449	53,159	50,538
Foreign banks	9,833	10,359	61,550	47,084
Total	**15,191**	**17,808**	**114,709**	**97,622**

(57) Liabilities to customers

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

	total		
	31.12.2005	31.12.2004	Change
	€ m	€ m	in %
German customers	**73,258**	**72,514**	**1.0**
Corporate customers	42,735	39,656	7.8
Retail customers and others	27,834	31,071	–10.4
Public sector	2,689	1,787	50.5
Foreign customers	**29,588**	**32,550**	**–9.1**
Corporate and retail customers	28,057	31,894	–12.0
Public sector	1,531	656	·
Total	**102,846**	**105,064**	**–2.1**

	Savings deposits		Other liabilities			
			due on demand		with agreed lifetime or period of notice	
€ m	31.12.2005	31.12.2004	31.12.2005	31.12.2004	31.12.2005	31.12.2004
German customers	**11,238**	**15,604**	**30,217**	**26,495**	**31,803**	**30,415**
Corporate customers	62	71	19,145	16,338	23,528	23,247
Retail customers and others	11,141	15,498	10,620	9,759	6,073	5,814
Public sector	35	35	452	398	2,202	1,354
Foreign customers	**1,194**	**1,288**	**10,972**	**9,987**	**17,422**	**21,275**
Corporate and retail customers	1,193	1,287	10,585	9,854	16,279	20,753
Public sector	1	1	387	133	1,143	522
Total	**12,432**	**16,892**	**41,189**	**36,482**	**49,225**	**51,690**

Savings deposits break down as follows:

	31.12.2005 € m	31.12.2004 € m	Change in %
Savings deposits with agreed period of notice of three months	11,549	15,797	–26.9
Savings deposits with agreed period of notice of more than three months	883	1,095	–19.4
Total	**12,432**	**16,892**	**–26.4**

(58) Securitized liabilities

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

	total		of which: issued by mortgage banks	
	31.12.2005 € m	31.12.2004 € m	31.12.2005 € m	31.12.2004 € m
Bonds and notes issued	85,235	76,478	65,162	55,650
Money-market instruments issued	11,608	10,677	3,685	3,046
Own acceptances and promissory notes outstanding	77	95	–	–
Total	**96,920**	**87,250**	**68,847**	**58,696**

The nominal interest paid on money-market paper ranges from 2.00% to 26.07% (previous year: 1.167% to 25.0%); for bonds and notes, from 0.0619% to 17.00% (previous year: 0.049% to 17.67%). The original maturity periods for money-market paper are up to one year. €55bn (previous year: €52bn) 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 2005:

Equivalent in € m	Currency	Issuer	Interest rate %	Maturity date
2,000	EUR	Hypothekenbank in Essen AG	2.750	2009
2,000	EUR	Hypothekenbank in Essen AG	2.000	2006
1,500	EUR	Hypothekenbank in Essen AG	2.750	2008
1,500	EUR	Hypothekenbank in Essen AG	3.000	2010
1,466	EUR	Kaiserplatz Funding Limited	2.500	2006
1,250	EUR	Hypothekenbank in Essen AG	2.500	2010
1,000	EUR	Hypothekenbank in Essen AG	2.450	2008
1,000	EUR	Hypothekenbank in Essen AG	1.850	2009
1,000	EUR	Hypothekenbank in Essen AG	2.750	2011
1,000	EUR	Hypothekenbank in Essen AG	2.362	2007
1,000	EUR	Hypothekenbank in Essen AG	2.589	2007
1,000	EUR	Hypothekenbank in Essen AG	2.875	2010
848	USD	Hypothekenbank in Essen AG	4.250	2008
848	USD	Hypothekenbank in Essen AG	4.750	2010
600	EUR	Hypothekenbank in Essen AG	2.129	2006
500	EUR	Hypothekenbank in Essen AG	2.220	2006
500	EUR	Hypothekenbank in Essen AG	2.219	2007
461	EUR	Commerzbank AG (reverse convertible bonds)	12.000	2006
461	EUR	Commerzbank AG (reverse convertible bonds)	12.000	2006
458	EUR	Hypothekenbank in Essen AG	2.505	2006
424	USD	Erste Europäische Pfandbrief- und Kommunalkreditbank AG	4.000	2009

(59) Negative fair values attributable to derivative hedging instruments

Derivative instruments not serving trading purposes but used for effective hedging and showing a negative fair value appear under this item in the balance sheet.

These financial instruments are measured at their fair value.

For the most part, interest-rate and interest-rate/currency swaps are used as hedging instruments.

	31.12.2005 € m	31.12.2004 € m	Change in %
Negative fair values from related effective fair value hedges	5,447	4,049	34.5
Negative fair values from related effective cash flow hedges	4,392	4,604	–4.6
Total	**9,839**	**8,653**	**13.7**

(60) Liabilities from dealing activities

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

	31.12.2005 € m	31.12.2004 € m	Change in %
Currency-based transactions	4,070	9,204	–55.8
Interest-based transactions	60,767	60,886	–0.2
Delivery commitments arising from short sales of securities	3,299	5,600	–41.1
Sundry transactions	6,863	4,316	59.0
Total	**74,999**	**80,006**	**–6.3**

(61) Provisions

Provisions break down as follows:

	31.12.2005 € m	31.12.2004[1)] € m	Change in %
Provisions for pensions and similar commitments	1,587	1,495	6.2
Other provisions	1,934	1,907	1.4
Total	**3,521**	**3,402**	**3.5**

The changes in provisions for pensions were as follows:

€ m	as of 1.1.2005	Pension payments	Additions	Change in plan assets	Transfers/ changes in consolidated companies	as of 31.12.2005
Pension expectancies of active and former employees and also pensioners	1,472	83	172	7	5	1,559
Early retirement	19	10	5	–	1	15
Part-time scheme for older staff	4	22	10	–14	7	13
Total	**1,495**	**115**	**187**	**–7**	**13**	**1,587**

For the most part, provisions for pensions and similar commitments represent provisions for obligations 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 (including 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 (see also Note 22).

1) The year-ago figures have been adjusted to the changed rules (see Note 2)

The changes in the assets held in trust at Commerzbank Pension Trust e.V., which count as plan assets pursuant to IAS 19, were as follows:

	2005	2004
	€ m	€ m
Fair value as of January 1	147	139
Allocation/withdrawal	–9	3
Income from plan assets	2	5
Benefits paid	–	–
Fair value as of December 31	**140**	**147**

The pension obligations 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, 2005, was €2,078m (previous year: €1,797m). The difference between this figure and the pension provisions is the result of changes in the actuarial parameters and the bases of calculation amounting to €351m (previous year: €155m) and of changes in the fair value of the plan assets of €140m (previous year: €147m).

Changes in pension obligations:

	2005	2004
	€ m	€ m
Provisions for pensions, including plan assets, as of January 1	1,642	1,571
Service cost	32	29
Interest cost	81	71
Cost of early retirement and part-time scheme for older staff	29	16
Amortization of actuarial assets	45	33
Pension benefits	–115	–110
Other changes	13	32
Actuarial loss	351	155
Pension obligations as of December 31	**2,078**	**1,797**

We have recognized pension costs of altogether €206m (previous year: €157m) in the income statement, €187m of which relates to the allocation to provisions for pensions (previous year: €149m).

Changes in Other provisions:

€ m	As of 1.1.2005[1]	Utilized	Reversals	Allocation/changes in consolidated companies	as of 31.12.2005
Personnel area	578	399	32	645	792
Restructuring measures	169	106	1	37	99
Lending risks	373	16	200	148	305
Bonuses for special savings schemes	95	39	–	24	80
Legal proceedings and recourse claims	114	11	36	58	125
Sundry items	578	161	32	148	533
Total	**1,907**	**732**	**301**	**1,060**	**1,934**

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 2006. In principle, all the other provisions fall due on a short-term basis.

(62) Tax liabilities

	31.12.2005 € m	31.12.2004 € m	Change in %
Current income-tax liabilities	**229**	**432**	**–47.0**
Income-tax liabilities to tax authorities	4	7	–42.9
Provisions for income taxes	225	425	–47.1
Deferred income-tax liabilities	**3,477**	**3,461**	**0.5**
Deferred taxes carried as liabilities	3,477	3,461	0.5
Total	**3,706**	**3,893**	**–4.8**

Provisions for taxes on income are possible 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/IFRS and their values for tax-accounting purposes in accordance with the local tax regulations for consolidated companies.

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

	31.12.2005 € m	31.12.2004 € m	Change in %
Assets held for dealing purposes and liabilities from dealing activities	1,043	703	48.4
Fair values of derivative hedging instruments	1,018	1,290	–21.1
Investments and securities portfolio	490	852	–42.5
Claims on banks and customers	340	67	·
Liabilities to banks and customers	44	196	–77.6
Sundry balance-sheet items	542	353	53.5
Total	**3,477**	**3,461**	**0.5**

1) The year-ago figures have been adjusted to the changed rules (see Note 2)

(63) Other liabilities

Other liabilities of €1,337m (previous year: €1,280m) include obligations arising from still outstanding invoices, deductions from salaries to be passed on and deferred liabilities.

(64) Subordinated capital

Subordinated capital breaks down as follows:

	31.12.2005 € m	31.12.2004 € m	Change in %
Subordinated liabilities	**5,410**	**5,673**	**–4.6**
of which: Tier-III capital as defined in Art. 10, (7), KWG	–	–	.
of which: maturing within two years	829	835	–0.7
Profit-sharing certificates outstanding	**1,895**	**2,111**	**–10.2**
of which: maturing within two years	673	630	6.8
Deferred interest, incl. discounts	159	273	–41.8
Measurement effects (IAS 39)	679	819	–17.1
Total	**8,143**	**8,876**	**–8.3**

Subordinated liabilities are own 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 issuer cannot be obliged to make premature repayment. In the event of insolvency or winding-up, subordinated liabilities may only be repaid after the claims of all senior creditors have been met.

At end-2005, 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	6.500	2010
1999	550	550 EUR	Commerzbank AG	4.750	2009
2001	490	490 EUR	Commerzbank AG	6.125	2011
1999	300	300 EUR	Commerzbank AG	6.250	2009
1997	292	200 GBP	Commerzbank AG	7.875	2007
2002	275	275 EUR	Commerzbank AG	5.500	2008
2001	250	250 EUR	Commerzbank AG	5.400	2011
1999	219	150 GBP	Commerzbank AG	6.625	2019

In the year under review, the interest paid by the Group for subordinated liabilities totalled €347m (previous year: €349m). Deferred interest expenses for interest due but not yet paid are shown at €128m (previous year: €131m).

Profit-sharing certificates outstanding form part of the Bank's liable equity capital in accordance with the provisions of the German Banking Act (Art. 10, (5), KWG). They are directly affected by current losses. Interest payments are made solely if the issuing institution achieves a distributable profit. The claims of holders of profit-sharing certificates to a repayment of principal are subordinate to those of other creditors.

At end-2005, the following major profit-sharing certificates were outstanding:

Start of maturity	€ m	Issuer	Interest rate	Maturity date
1993	392	Commerzbank AG	7.250	2005
2000	320	Commerzbank AG	6.375	2010
1994	256	Commerzbank AG	2.775	2006
1996	256	Commerzbank AG	7.900	2008

Interest to be paid for the 2005 financial year on the profit-sharing certificates outstanding amounts to €134m (previous year: €156m). Deferred interest expenses for interest due but not yet paid are shown at €122m (previous year: €142m).

(65) Hybrid capital

As in previous years, the Commerzbank Group raised no hybrid capital in the 2005 financial year.

(66) Equity structure

	31.12.2005	31.12.2004[1]
	€ m	€ m
a) Subscribed capital	1,705	1,546
b) Capital reserve	5,686	4,481
c) Retained earnings	4,165	3,383
d) Revaluation reserve	1,995	1,600
e) Measurement of cash flow hedges	–1,069	–1,214
f) Reserve from currency translation	–107	–192
g) Consolidated profit	328	150
Total before minority interests	**12,703**	**9,754**
Minority interests	947	1,269
Equity	**13,650**	**11,023**

a) Subscribed capital

The subscribed capital (share capital) of Commerzbank Aktiengesellschaft consists of no-par-value shares, each with an accounting par value of €2.60. The shares are issued in the form of bearer shares.

	1,000 units
Number of shares outstanding on 1.1.2005	**594,484**
plus: treasury shares on 31.12. of the previous year	4,103
Issue of new shares (including shares issued to employees)	58,226
Number of shares issued on 31.12.2005	**656,813**
less: treasury shares on balance-sheet date	1,113
Number of shares outstanding on 31.12.2005	**655,700**

Before treasury shares are deducted, the subscribed capital stands at €1,708m.

No preferential rights exist or restrictions on the payment of dividends at Commerzbank Aktiengesellschaft. All the issued shares have been fully paid in.

1) The year-ago figures have been adjusted to the changed rules (see Note 2)

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

		31.12.2005		31.12.2004	
		€ m	1,000 units	€ m	1,000 units
	Shares issued	1,708	656,813	1,556	598,587
–	Treasury shares	3	1,113	10	4,103
=	Shares outstanding (subscribed capital)	1,705	655,700	1,546	594,484
+	Shares not yet issued from authorized capital	471	181,036	622	239,262
Total		**2,176**	**836,736**	**2,168**	**833,746**

The number of authorized shares is 837,849 thousand units (previous year: 837,849 thousand units). The accounting par value of the authorized shares is €2,179m (previous year: €2,179m).

As of December 31, 2005, 3,627 thousand shares (previous year: 5,324 thousand shares) had been pledged with the Group as security. This represents 0.6% (previous year: 0.9%) of the shares outstanding on the balance-sheet date.

Securities transactions in treasury shares pursuant to Art. 71, (1), no. 1 and no. 7, AktG

	Number of shares in units	Accounting*) par value in €1,000	Percentage of share capital
Portfolio on 31.12.2005	1,113,296	2,895	0.17
Largest total acquired during the financial year	17,619,857	45,812	2.69
Total shares pledged by customers as collateral on 31.12.2005	3,627,292	9,431	0.55
Shares acquired during the financial year	210,745,115	547,937	–
Shares disposed of during the financial year	213,735,108	555,711	–

*) Accounting par value per share €2.60

b) Capital reserve

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

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 (previous year: €3m) and €4,162m (previous year: €3,380m[1)]) of other revenue reserves.

d) Revaluation reserve

The results of measuring the investments and securities portfolio – consisting of interest-bearing and dividend-based instruments – at fair value, with deferred taxes taken into consideration, are assigned to the revaluation reserve. 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 result of measuring effective hedges used in cash flow hedges appears, 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.

1) The year-ago figures have been adjusted to the changed rules (see Note 2)

(67) Conditional capital

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

Changes in the Bank's conditional capital:

€ m	Conditional capital 1.1.2005	Additions	Expiring/ Used	Conditional capital 31.12.2005	of which: used conditional capital	of which: available lines
Convertible bonds/bonds with warrants/ profit-sharing rights	403	–	–	403	–	403
Total	**403**	**–**	**–**	**403**	**–**	**403**

As resolved by the AGM of May 30, 2003, the Bank's share capital has been conditionally increased by up to €403,000,000. Such conditional capital increase will only be effected to the extent that the holders or creditors of the convertible bonds, bonds with warrants or profit-sharing rights – carrying conversion or option rights – to be issued by May 30, 2008, by either Commerzbank Aktiengesellschaft or companies in which Commerzbank Aktiengesellschaft directly or indirectly holds a majority interest (group companies as defined in Art. 18, (1), AktG) exercise their conversion or option rights, or the holders or creditors of the convertible bonds or convertible profit-sharing rights to be issued by May 30, 2008 by either Commerzbank Aktiengesellschaft or companies in which Commerzbank Aktiengesellschaft directly or indirectly holds a majority interest (group companies as defined in Art. 18, (1), AktG) meet their obligation to exercise their conversion rights.

(68) Authorized capital

Date of AGM resolution	Original amount € m	Used in previous years for capital increases € m	Used in 2005 for capital increases € m	Authorization expired € m	Remaining amount € m	Date of expiry
31.05.2002	30	8	1	–	21	30.04.2007
12.05.2004	225	–	–	–	225	30.04.2009
12.05.2004	225	–	–	–	225	30.04.2009
12.05.2004	150	–	150	–	0	30.04.2009
Total	**630**	**8**	**151**	**–**	**471**	

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, 2007, through the issue of new no-par-value shares against cash, in either one or several tranches, by a maximum amount of altogether €20,694,262, thereby excluding the subscription rights of shareholders for the purpose of issuing these shares to the Bank's staff.

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

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

Furthermore, the Board of Managing Directors may, with the approval of the Supervisory Board, exclude shareholders' subscription rights insofar as the capital increase is made against contributions in kind for the purpose of acquiring companies or interests in companies.

The Board of Managing Directors is authorized, with the approval of the Supervisory Board, to increase the Company's share capital by April 30, 2009, through the issue of new no-par-value shares against cash, in either one or several tranches, but by a maximum amount of €1.80 (authorized capital 2004/III). 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.

(69) The Bank's foreign-currency position

On December 31, 2005, the Commerzbank Group had the following foreign-currency assets and liabilities (excluding fair values of derivatives):

	31.12.2005					31.12.2004[1]	Change
	€ m					€ m	in %
	USD	PLN	GBP	Others	Total	Total	
Cash reserve	33	540	10	1,167	1,750	693	·
Claims on banks	10,589	694	1,840	2,992	16,115	21,095	–23.6
Claims on customers	20,791	2,471	2,434	7,151	32,847	31,074	5.7
Assets held for dealing purposes	3,681	1,641	1,241	1,220	7,783	8,597	–9.5
Investments and securities portfolio	9,132	178	857	2,413	12,580	8,430	49.2
Other balance-sheet items	2,662	169	771	1,817	5,419	5,353	1.2
Foreign-currency assets	**46,888**	**5,693**	**7,153**	**16,760**	**76,494**	**75,242**	**1.7**
Liabilities to banks	18,848	520	5,618	7,908	32,894	28,648	14.8
Liabilities to customers	9,616	4,314	2,120	4,092	20,142	24,988	–19.4
Securitized liabilities	9,879	346	1,201	3,080	14,506	10,828	34.0
Liabilities from dealing activities	3	298	–	89	390	1,253	–68.9
Other balance-sheet items	3,504	151	1,440	775	5,870	5,954	–1.4
Foreign-currency liabilities	**41,850**	**5,629**	**10,379**	**15,944**	**73,802**	**71,671**	**3.0**

Due to exchange-rate movements in the 2005 financial year, the consolidated balance-sheet total expanded by roughly €7bn (previous year: –€4bn). Total lending rose by €7bn (previous year: –€3bn).

1) The year-ago figures have been adjusted to the changed rules (see Note 2)

Notes to financial instruments

(70) Derivative transactions

A derivative is a financial instrument whose value is determined by a so-called underlying asset. The latter may be, for example, an interest rate, a commodity price, a share price, a currency rate or a bond price.

Most derivatives transactions involve OTC derivatives, whose nominal amount, maturity and price are agreed individually between the Bank and its counterparties. However, the Bank also concludes derivatives contracts on regulated stock exchanges. These are standardized contracts with standardized nominal amounts and settlement dates.

The nominal amount specifies the business volume traded by the Bank. On the other hand, the positive or negative fair values appearing in the tables are the costs which would be incurred by the Bank or the counterparty in order to replace the transactions.

In order to minimize (reduce) both the economic and the regulatory credit risk arising from these instruments, our Legal Services department concludes master agreements (bilateral netting agreements) with our business associates (such as 1992 ISDA Master Agreement Multicurrency Cross-Border; German Master Agreement for Financial Futures). By means of such bilateral netting agreements, the positive and negative fair values of the derivatives contracts included under a master agreement can be offset against one another and the future regulatory risk add-ons for these products can be reduced. Through this netting process, the credit risk is limited to a single net claim on the party to the contract (close-out netting).

For both regulatory reports and the internal measurement and monitoring of our credit commitments, we use such risk-reducing techniques only if we consider them enforceable under the respective legal system, should the business associate become insolvent. In order to check enforceability, we avail ourselves of legal opinions from various international law firms.

Similar to the master agreements are the collateral agreements (e.g. collateralization annex for financial futures contracts, Credit Support Annex), which we conclude with our business associates to secure the net claim or liability remaining after netting (receiving or furnishing of security). As a rule, this collateral management reduces credit risk by means of prompt – mostly daily or weekly – measurement and adjustment of the customer commitment.

On average, we achieve a credit-risk mitigation of 74.51% of the exposure for the derivatives contracts and collateral covered by the process of risk-reducing techniques.

In the credit derivatives area, we registered 15.64% higher volume than in the previous year. We employ these products which serve to transfer credit risk in both trading for arbitrage purposes and in the investment area for diversifying our loan portfolios. The following table illustrates our risk structure in terms of the various risk assets that have been hedged.

Breakdown, by reference assets

	31.12.2005 Nominal amounts		31.12.2004 Nominal amounts	
€m	Protection bought	Protection sold	Protection bought	Protection sold
OECD central governments	2,511	2,674	2,663	2,705
OECD banks	5,922	6,111	4,570	5,217
OECD financial institutions	9,881	10,005	8,153	8,483
Other companies, private individuals	56,525	54,803	47,774	48,902
Non-OECD banks	95	37	9	–
Total	**74,934**	**73,630**	**63,169**	**65,307**

31.12.2005	Nominal amount				Fair value	
	Remaining lifetimes					
€ m	under 1 year	1-5 years	more than 5 years	total	positive	negative
Foreign-currency-based forward transactions						
OTC products	244,699	127,298	65,671	437,668	4,385	4,494
Foreign-exchange spot and forward contracts	146,531	9,970	160	156,661	1,674	1,692
Interest-rate and currency swaps	56,683	101,236	62,055	219,974	2,101	2,200
Currency call options	20,874	8,353	1,725	30,952	610	–
Currency put options	20,611	7,739	1,731	30,081	–	602
Other foreign-exchange contracts	–	–	–	–	–	–
Products traded on a stock exchange	489	19	–	508	–	–
Currency futures	489	19	–	508	–	–
Currency options	–	–	–	–	–	–
Total	**245,188**	**127,317**	**65,671**	**438,176**	**4,385**	**4,494**
Interest-based forward transactions						
OTC products	1,540,940	1,442,884	1,264,422	4,248,246	62,837	70,152
Forward-rate agreements	149,781	4,547	6	154,334	57	67
Interest-rate swaps	1,351,071	1,329,439	1,178,897	3,859,407	59,281	65,955
Call options on interest-rate futures	17,121	47,732	32,825	97,678	2,849	–
Put options on interest-rate futures	18,779	51,625	40,091	110,495	–	3,235
Other interest-rate contracts	4,188	9,541	12,603	26,332	650	895
Products traded on a stock exchange	59,170	21,211	–	80,381	–	–
Interest-rate futures	49,760	21,211	–	70,971	–	–
Interest-rate options	9,410	–	–	9,410	–	–
Total	**1,600,110**	**1,464,095**	**1,264,422**	**4,328,627**	**62,837**	**70,152**
Other forward transactions						
OTC products	47,183	162,409	14,407	223,999	6,049	6,893
Structured equity/index products	6,070	13,606	4,775	24,451	1,072	1,726
Equity call options	7,785	13,689	804	22,278	3,434	–
Equity put options	8,216	14,298	532	23,046	–	3,602
Credit derivatives	20,290	119,978	8,296	148,564	1,263	1,360
Precious metal contracts	4,822	838	–	5,660	280	205
Other transactions	–	–	–	–	–	–
Products traded on a stock exchange	50,458	44,186	3,139	97,783	–	–
Equity futures	5,077	–	–	5,077	–	–
Equity options	45,381	44,186	3,139	92,706	–	–
Other futures	–	–	–	–	–	–
Other options	–	–	–	–	–	–
Total	**97,641**	**206,595**	**17,546**	**321,782**	**6,049**	**6,893**
Total immatured forward transactions						
OTC products	1,832,822	1,732,591	1,344,500	4,909,913	73,271	81,539
Products traded on a stock exchange	110,117	65,416	3,139	178,672	–	–
Total	**1,942,939**	**1,798,007**	**1,347,639**	**5,088,585**	**73,271**	**81,539**

As of December 31, 2004, the figures were as follows:

31.12.2004	Nominal amount				Fair value	
	Remaining lifetimes					
€ m	under 1 year	1-5 years	more than 5 years	total	positive	negative
Foreign-currency-based forward transactions						
OTC products	268,282	119,157	61,901	449,340	9,578	9,878
Foreign-exchange spot and forward contracts	145,469	9,710	109	155,288	4,133	4,756
Interest-rate and currency swaps	70,117	96,329	58,577	225,023	4,644	4,294
Currency call options	26,605	7,386	1,612	35,603	801	–
Currency put options	26,091	5,732	1,603	33,426	–	828
Other foreign-exchange contracts	–	–	–	–	–	–
Products traded on a stock exchange	670	107	–	777	–	–
Currency futures	670	107	–	777	–	–
Currency options	–	–	–	–	–	–
Total	**268,952**	**119,264**	**61,901**	**450,117**	**9,578**	**9,878**
Interest-based forward transactions						
OTC products	1,273,623	1,236,339	1,014,175	3,524,137	61,408	68,737
Forward-rate agreements	135,079	2,673	–	137,752	87	77
Interest-rate swaps	1,094,167	1,116,192	927,596	3,137,955	58,120	64,985
Call options on interest-rate futures	17,549	43,085	32,095	92,729	2,558	–
Put options on interest-rate futures	22,275	49,001	38,165	109,441	–	2,786
Other interest-rate contracts	4,553	25,388	16,319	46,260	643	889
Products traded on a stock exchange	125,257	7,685	8,277	141,219	–	–
Interest-rate futures	52,889	3,864	2,495	59,248	–	–
Interest-rate options	72,368	3,821	5,782	81,971	–	–
Total	**1,398,880**	**1,244,024**	**1,022,452**	**3,665,356**	**61,408**	**68,737**
Other forward transactions						
OTC products	37,556	145,482	10,837	193,875	3,742	4,444
Structured equity/index products	4,238	11,988	1,086	17,312	758	1,162
Equity call options	9,202	9,567	508	19,277	1,238	–
Equity put options	11,157	10,800	774	22,731	–	1,534
Credit derivatives	8,553	111,713	8,210	128,476	1,451	1,501
Precious metal contracts	4,406	1,414	259	6,079	295	247
Other transactions	–	–	–	–	–	–
Products traded on a stock exchange	33,813	8,887	155	42,855	–	–
Equity futures	4,734	–	–	4,734	–	–
Equity options	29,079	8,887	155	38,121	–	–
Other futures	–	–	–	–	–	–
Other options	–	–	–	–	–	–
Total	**71,369**	**154,369**	**10,992**	**236,730**	**3,742**	**4,444**
Total immatured forward transactions						
OTC products	1,579,461	1,500,978	1,086,913	4,167,352	74,728	83,059
Products traded on a stock exchange	159,740	16,679	8,432	184,851	–	–
Total	**1,739,201**	**1,517,657**	**1,095,345**	**4,352,203**	**74,728**	**83,059**

Breakdown of derivatives business, by borrower group:

	31.12.2005 Fair value		31.12.2004 Fair value	
€ m	positive	negative	positive	negative
OECD central governments	695	414	1,137	380
OECD banks	46,474	54,672	50,259	57,708
OECD financial institutions	23,815	24,635	20,360	21,352
Other companies, private individuals	1,946	1,547	2,488	3,233
Non-OECD banks	341	271	484	386
Total	**73,271**	**81,539**	**74,728**	**83,059**

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.

(71) Use made of derivative financial instruments

	31.12.2005 Fair value		31.12.2004 Fair value	
€ m	positive	negative	positive	negative
Derivative financial instruments used for trading purposes	66,630	69,369	67,982	71,195
Hedging derivatives which cannot be employed in hedge accounting	1,907	2,331	2,826	3,211
Derivatives used as hedging instruments	4,734	9,839	3,920	8,653
for fair value hedge accounting	3,011	5,447	2,111	4,049
for cash flow hedge accounting	1,723	4,392	1,809	4,604
Total	**73,271**	**81,539**	**74,728**	**83,059**

In the above table, we show the use made of our derivative financial instruments. We use derivatives for both trading and hedging purposes. In Notes 6, 13, 14, 20 and 21, we have described the above-mentioned criteria.

(72) Market risk arising from trading activities

For the daily quantification and monitoring of market risk, especially that arising in proprietary trading, mathematical-statistical methods are used to calculate the value-at-risk. The underlying statistical parameters are based on an observation period of the past 255 trading days, a 10-day holding period and a confidence level of 99%. The value-at-risk models are constantly being adapted to the changing environment.

On the basis of the risk data, the Group manages the market risk for all operational units by a system of risk limits, primarily by means of limits for the potential risk (value-at-risk) and stress scenarios, as well as loss-review triggers.

The risk position of the Group's trading portfolio at year-end shows the value-at-risk, broken down by the various business lines engaged in proprietary trading. The value-at-risk shows the potential losses which will not be exceeded with a 99% degree of probability.

Risk position of the trading portfolio (Principle I risks):

Portfolio	Holding period Confidence level 99%	**31.12.2005** € m	**31.12.2004** € m
Group	10 days	39.2 *)	54.7 *)
Corporates & Markets (Securities)	10 days	26.1	50.7
Treasury department	10 days	22.1	12.4

*) The relatively low value-at-risk at Group level is the result of strong portfolio effects between the Corporates & Markets and Treasury departments.

(73) Interest-rate risk

The interest-rate risk of the Commerzbank Group results from items in both the trading book and the banking book. In the latter, interest-rate risk mainly arises through maturity mismatches between the Bank's interest-bearing assets and liabilities – for instance, through the short-term funding of long-dated loans. The interest-rate items shown in the balance sheet as well as the derivatives employed to steer them are included in the measurement of interest-rate risk.

The interest-rate risk of the banking book is measured on the basis of a net present value approach, applying the historical simulation method:

31.12.2005 **Portfolio**	Holding period	Banking book € m	Trading book Confidence level: 99% € m	Overall interest-rate risk € m
Group	10 days	103.78	30.15	101.19

31.12.2004 **Portfolio**	Holding period	Banking book € m	Trading book Confidence level: 99% € m	Overall interest-rate risk € m
Group	10 days	118.04	19.55	106.62

(74) Concentration of credit risk

Concentrations of credit risk 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 is influenced to the same extent by changes in certain overall economic conditions. These risks are managed by the Global Credit Operations department. Credit risk throughout the Group is monitored by the use of limits for each individual borrower and borrower unit, through the furnishing 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 ensuring the right to set off the claims on and liabilities to a client in the case of default by the latter or insolvency. 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 financial instruments in the balance sheet were as follows on December 31, 2005:

	Claims	
€ m	31.12.2005	31.12.2004[1]
Customers in Germany	**112,607**	**109,613**
Companies and self-employed	43,906	45,253
Manufacturing	9,593	10,633
Construction	785	809
Distributive trades	4,849	5,140
Services, incl. professions and others	28,679	28,671
Public sector	29,744	26,980
Other retail customers	38,957	37,380
Customers abroad	**41,067**	**40,664**
Corporate and retail customers	37,332	36,211
Public sector	3,735	4,453
Sub-total	**153,674**	**150,277**
less valuation allowances	–5,161	–5,292
Total	**148,513**	**144,985**

1) The year-ago figures have been adjusted to the changed rules (see Note 2)

(75) Assets pledged as security

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

	31.12.2005 € m	31.12.2004 € m	Change in %
Liabilities to banks	76,850	60,973	26.0
Liabilities to customers	12,996	7,267	78.8
Liabilities from dealing activities	3,292	2,802	17.5
Total	**93,138**	**71,042**	**31.1**

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

	31.12.2005 € m	31.12.2004 € m	Change in %
Claims on banks and customers	15,871	12,994	22.1
Assets held for dealing purposes and investments and securities portfolio	77,498	58,460	32.6
Total	**93,369**	**71,454**	**30.7**

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 specific purposes and securities-lending transactions.

(76) Maturities, by remaining lifetime

	Remaining lifetimes as of 31.12.2005				
€ m	due on demand and unlimited lifetime	up to 3 months	3 months to 1 year	1 year to 5 years	more than 5 years
Claims on banks	16,813	35,004	19,529	7,129	7,728
Claims on customers	14,646	28,858	14,052	40,286	55,832
Bonds and notes from the assets held for dealing purposes	–	1,995	1,641	9,453	8,991
Bonds, notes and other fixed-income securities held in investments and securities portfolio	14	3,809	5,327	24,823	43,566
Total	**31,473**	**69,666**	**40,549**	**81,691**	**116,117**
Liabilities to banks	15,191	84,680	13,318	4,747	11,964
Liabilities to customers	41,189	48,019	3,609	3,187	6,842
Securitized liabilities	4	18,877	17,295	49,638	11,106
Subordinated capital*)	–	548	637	4,146	1,974
Total	**56,384**	**152,124**	**34,859**	**61,718**	**31,886**

*) excl. deferred interest and discounts (€159m) and IAS measurement effects (€679m)

	Remaining lifetimes as of 31.12.2004[1)]				
€ m	due on demand and unlimited lifetime	up to 3 months	3 months to 1 year	1 year to 5 years	more than 5 years
Claims on banks	20,877	38,316	13,356	6,661	7,509
Claims on customers	15,424	27,046	15,398	36,865	55,544
Bonds and notes from the assets held for dealing purposes	86	1,897	2,396	9,054	6,704
Bonds, notes and other fixed-income securities held in investments and securities portfolio	33	2,891	4,379	17,694	39,323
Total	**36,420**	**70,150**	**35,529**	**70,274**	**109,080**
Liabilities to banks	17,808	65,821	14,271	5,311	12,219
Liabilities to customers	36,482	55,645	3,094	3,308	6,535
Securitized liabilities	48	16,733	15,643	42,279	12,547
Subordinated capital*)	–	239	736	3,515	3,294
Total	**54,338**	**138,438**	**33,744**	**54,413**	**34,595**

*) excl. deferred interest (€273m) and IAS measurement effects (€819m)

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.

1) The year-ago figures have been adjusted to the changed rules (see Note 2)

(77) 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 a large number of financial instruments, internal measurement 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 for simplicity's sake to be that shown in the balance sheet.

	Fair value		Book value		Difference	
€ bn	31.12.2005	31.12.2004[1]	31.12.2005	31.12.2004[1]	31.12.2005	31.12.2004[1]
Assets						
Cash reserve	8.6	4.9	8.6	4.9	–	–
Claims on banks	86.2	86.7	86.2	86.7	0	0
Claims on customers	155.8	152.7	153.7	150.3	2.1	2.4
Hedging instruments	4.7	3.9	4.7	3.9	–	–
Assets held for dealing purposes	100.3	102.1	100.3	102.1	–	–
Investments and securities portfolio	86.2	72.2	86.2	72.2	–	–
Liabilities						
Liabilities to banks	129.9	115.4	129.9	115.4	0	0
Liabilities to customers	102.9	105.2	102.8	105.1	0.1	0.1
Securitized liabilities	97.5	87.8	96.9	87.3	0.6	0.5
Hedging instruments	9.8	8.7	9.8	8.7	–	–
Liabilities from dealing activities	75.0	80.0	75.0	80.0	–	–
Subordinated capital	8.1	8.9	8.1	8.9	–	–

In net terms, the difference between the book value and fair value, which can be seen as unrealized appreciation, amounted for all items to €1.4bn (previous year: €1.8bn) as of December 31, 2005. For covering these items, cash flow hedges are used for the most part. As of December 31, 2005, the measurement of cash flow hedges yielded a figure of –€1.1bn (previous year: –€1.2bn). As of both December 31, 2005 and December 31, 2004, the unrealized appreciation in interest-bearing assets and liabilities exceeded the negative measurement of cash flow hedges.

1) The year-ago figures have been adjusted to the changed rules (see Note 2)

(78) Information on financial assets and financial liabilities in fair value option category

The fair value option was used:

- to avoid or reduce accounting mismatches arising from securities and credits which were hedged with interest-rate or credit derivatives;
- for financial instruments (funds, securities and securitized liabilities, together with their related hedging instruments), whose management and performance is measured on a fair value basis in accordance with a documented risk-management or investment strategy.

As of December 31, 2005, the fair value of the financial assets assigned to the fair value option category was €1,258m (previous year: €417m) and that of the financial liabilities €294m (with a repayment amount of €289m). All told, the result of measurement was €21m (previous year: €0m).

The aggregate volume of claims assigned to the fair value option was €155m on December 31, 2005, €95m of which was hedged by derivatives. As of December 31, 2004, no claims were assigned to the fair value option.

For liabilities assigned to the fair value option, the change in fair value for credit-risk reasons was –€8m. As of December 31, 2004, no liabilities were assigned to the fair value option.

Other notes

(79) Subordinated assets

The following subordinated assets are included in the assets shown in the balance sheet:

	31.12.2005 € m	31.12.2004 € m	Change in %
Claims on banks	8	–	·
Claims on customers	127	127	0.0
Bonds and notes	230	205	12.2
Other variable-yield securities	245	344	–28.8
Total	**610**	**676**	**–9.8**
including: banks in which an equity investment exists	222	318	–30.2

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 insolvency of the issuer.

(80) Off-balance-sheet commitments

	31.12.2005 € m	31.12.2004 € m	Change in %
Contingent liabilities	**27,521**	**24,541**	**12.1**
from rediscounted bills of exchange credited to borrowers	1	2	–50.0
from guarantees and indemnity agreements	27,520	24,539	12.1
Credit guarantees	3,490	3,869	–9.8
Other guarantees	15,110	12,653	19.4
Letters of credit	7,164	6,256	14.5
Other warranties	1,756	1,761	–0.3
Irrevocable lending commitments	**36,695**	**36,977**	**–0.8**
Book credits to banks	2,079	3,844	–45.9
Book credits to customers	33,383	29,813	12.0
Credits by way of guarantee	569	1,195	–52.4
Letters of credit	664	2,125	–68.8
Other commitments	**52**	**11**	·

In this table, provision for risks arising from off-balance-sheet commitments has been deducted from the respective items.

(81) Volume of managed funds

By type of managed fund, the assets which we manage break down as follows:

	31.12.2005		31.12.2004	
	Number of funds	Fund assets € bn	Number of funds	Fund assets € bn
Retail investment funds	438	53.7	479	48.1
Equity-based and mixed funds	240	28.5	313	26.0
Bond-based funds	109	9.9	123	10.3
Money-market funds	21	11.0	22	10.8
Other*)	68	4.3	21	1.0
Non-publicly-offered funds	1,480	28.5	1,377	25.8
Property-based funds	4	9.9	3	11.8
Total	**1,922**	**92.1**	**1,859**	**85.7**

*) includes fund-of-funds and retirement funds

The regional breakdown of the funds launched is shown in the following chart:

	31.12.2005		31.12.2004	
	Number of funds	Fund assets € bn	Number of funds	Fund assets € bn
Germany	371	43.7	397	43.7
United Kingdom	1,116	18.3	1,084	14.1
Other European countries	300	26.6	244	22.0
America	10	0.7	11	1.1
Other countries	125	2.8	123	4.8
Total	**1,922**	**92.1**	**1,859**	**85.7**

(82) Genuine repurchase agreements (repo and reverse repo transactions)

Under its genuine repurchase agreements, the Commerzbank Group sells or purchases securities with the obligation to repurchase or return them. The money equivalent deriving from repurchase agreements in which the Commerzbank Group is a borrower (obligation to take the securities back) is shown in the balance sheet as a liability to banks or customers.

The genuine repurchase agreements concluded up to the balance-sheet date break down as follows:

	31.12.2005 € m	31.12.2004 € m	Change in %
Genuine repurchase agreements as a borrower (repo agreements)			
Liabilities to banks	41,820	36,695	14.0
Liabilities to customers	12,674	15,764	–19.6
Total	**54,494**	**52,459**	**3.9**
Genuine repurchase agreements as a lender (reverse repo agreements)			
Claims on banks	42,329	35,436	19.5
Claims on customers	8,377	10,744	–22.0
Total	**50,706**	**46,180**	**9.8**

(83) Securities-lending transactions

Securities-lending transactions are conducted with other banks and customers in order to cover our need to meet delivery commitments or to enable us to effect securities repurchase agreements in the money market. We show lent securities in our balance sheet under our Trading portfolio or under Investments and securities portfolio, whereas borrowed securities do not appear in the balance sheet. The expenses and income from securities-lending transactions, insofar as they relate to the past financial year, were recognized under interest paid or received in the income statement and reflect the respective maturities.

	31.12.2005 € m	31.12.2004 € m	Change in %
Lent securities	7,173	10,618	–32.4
Borrowed securities	7,789	7,638	2.0

(84) 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:

	31.12.2005 € m	31.12.2004 € m	Change in %
Claims on banks	8	4	·
Claims on customers	330	393	–16.0
Other assets	608	602	1.0
Assets on a trust basis at third-party risk	**946**	**999**	**–5.3**
Liabilities to banks	319	382	–16.5
Liabilities to customers	627	617	1.6
Liabilities on a trust basis at third-party risk	**946**	**999**	**–5.3**

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

Like other internationally active banks, the Commerzbank Group has committed itself to meeting the capital adequacy requirements contained in the currently valid version of 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 certificates and subordinated long-term liabilities. Tier III capital consists of short-term subordinated liabilities.

The structure of the Commerzbank Group's capital in accordance with the Basel capital accord yields the following picture:

	31.12.2005 € m	31.12.2004 € m	Change in %
Core capital (Tier I)			
Subscribed capital	1,705	1,546	10.3
Reserves, minority interests, treasury shares	10,456	8,938	17.0
Hybrid capital	–	–	·
Other	–	–	·
Total	**12,161**	**10,484**	**16.0**
Supplementary capital (Tier II)			
Profit-sharing rights	1,870	2,073	–9.8
Reserves in securities (amount reported: 45%)	1,003	623	61.0
Subordinated liabilities	3,574	4,214	–15.2
Other	109	229	–52.4
Total	**6,556**	**7,139**	**–8.2**
Tier III capital	**–**	**–**	**·**
Eligible own funds according to BIS	**18,717**	**17,623**	**6.2**

as of 31.12.2005			Capital charges in %				Total
€ m	100	50	25	20	10	4	
Balance-sheet business	96,894	7,001	–	12,246	–	–	116,141
Traditional off-balance-sheet business	4,224	17,844	189	623	349	74	23,303
Derivatives business in investment portfolio	–	2,141	–	4,493	–	–	6,634
Risk-weighted assets, total	**101,118**	**26,986**	**189**	**17,362**	**349**	**74**	**146,078**
Risk-weighted market-risk position multiplied by 12.5							3,638
Total items to be risk-weighted							149,716
Eligible own funds							18,717
Core capital ratio (excluding market-risk position)							8.3
Core capital ratio (including market-risk position)							8.1
Own funds ratio (including market-risk position)							12.5

as of 31.12.2004			Capital charges in %				Total
€ m	100	50	25	20	10	4	
Balance-sheet business	89,855	6,787	–	11,253	–	–	107,895
Traditional off-balance-sheet business	3,776	15,474	84	755	286	55	20,430
Derivatives business in investment portfolio	–	2,467	–	4,115	–	–	6,582
Risk-weighted assets, total	**93,631**	**24,728**	**84**	**16,123**	**286**	**55**	**134,907**
Risk-weighted market-risk position multiplied by 12.5							4,838
Total items to be risk-weighted							139,745
Eligible own funds							17,623
Core capital ratio (excluding market-risk position)							7.8
Core capital ratio (including market-risk position)							7.5
Own funds ratio (including market-risk position)							12.6

Reconciliation of reported capital with eligible equity in accordance with BIS

31.12.2005 € m	Core capital/ Equity	Supplementary/ subordinated capital (excl. IAS effects and deferred interest)	Tier III capital	Total
Reported in balance sheet	13,650	7,305		20,955
Revaluation reserve	–1,995			–1,995
Measurement of cash flow hedges	1,069			1,069
Consolidated profit	–328			–328
Minority interests not to be shown in core capital (incl. revaluation reserve, measurement of cash flow hedges) and changes in consolidated companies and goodwill	–226			–226
Parts of subordinated capital not eligible due to limited remaining lifetime		–1,819		–1,819
Latent revaluation reserves for securities		1,003		1,003
General provisions/reserves for defaults		339		339
Other differences	–9	–272		–281
Eligible equity	**12,161**	**6,556**	**–**	**18,717**

(86) Liquidity ratio of Commerzbank Aktiengesellschaft (Principle II)

Pursuant to Art. 11, KWG, banks are obliged to invest their funds such that adequate liquidity for payment purposes is guaranteed at all times. They have to demonstrate that they have adequate liquidity in the form of a liquidity analysis (Principle II). Liquidity-weighted assets (claims, securities, etc.), structured to reflect their respective maturity brackets, are set off against certain liquidity-weighted balance-sheet and off-balance-sheet liabilities (liabilities, lending commitments), broken down by remaining lifetime. Every day, the ratio between the funds in the first maturity bracket (remaining life of up to one month) and the payment obligations which may fall due during this period has to reach a value of one. If the ratio registers this value, liquidity is considered to be adequate. As of December 31, 2005, the liquidity ratio worked out by Commerzbank Aktiengesellschaft was 1.13 (previous year: 1.14). Excess liquidity reached €17.2bn (previous year: €18.5bn).

Liquidity ratios of Commerzbank Aktiengesellschaft in 2005:

	Month-end level		Month-end level
January	1.16	July	1.17
February	1.17	August	1.17
March	1.10	September	1.17
April	1.12	October	1.15
May	1.16	November	1.16
June	1.20	December	1.13

(87) Securitization of credits

The use of credit derivatives (such as credit default swaps, total return swaps, and credit-linked notes) can reduce the risk weighting of a loan portfolio, whereby the hedging effect of a credit derivative may relate both to individual credits or securities and to entire portfolios of loans or securities. As a rule, security is furnished by means of a synthetic securitization (credit default swap) and/or by credit-linked notes. The hedging programmes launched by the Commerzbank Group are intended to ease the strain on regulatory capital.

By the end of the 2005 financial year, Commerzbank Aktiengesellschaft had launched six securitization programmes as the buyer of protection. The PanEuropean CLO securitization transaction was cancelled by Commerzbank Aktiengesellschaft per August 20, 2005, and Kaiserplatz K263 expired in the course of 2005 according to plan.

The time band (legal maturity date) stretches from eight to 33 years. All told, credits to customers of €7.1bn had been covered by end-December 2005. This eased the burden on the Bank's risk-weighted assets by €4.5bn.

Name of transaction	Year of conclusion	Duration of transaction in years (legal maturity date)	Type of claim	Size of credit € m	Reduction of risk-weighted assets € m	Buyer of protection
Residence 2000-1	2000	32	Private home loans	575	344	Commerzbank AG (CLN)
Residence 2000-1	2000	32	Private home loans	750	305	Commerzbank AG (CDS)
Residence 2001-1	2001	30	Private home loans	1,023	392	Commerzbank AG
Residence 2002-1	2002	33	Private home loans	1,058	1,027	Commerzbank AG
Residence 2002-2	2002	33	Private home loans	1,051	629	Commerzbank AG
Residence 2003-1	2003	33	Private home loans	1,125	682	Commerzbank AG
Promise C 2002-1	2002	8	Corporate loans	1,470	1,170	Commerzbank AG
				7,052	**4,549**	

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

	2005			2004		
	Total	male	female	total	male	female
Group	31,542	16,979	14,563	31,400	16,946	14,454
in Germany	24,014	11,935	12,079	24,055	11,965	12,090
abroad	7,528	5,044	2,484	7,345	4,981	2,364

The above figures include both full-time and part-time personnel. Not included in the figures is the average number of employees undergoing training within the Group. The average time worked by part-time staff is 60% (previous year: 55%) of the standard working time.

	Total		male		female	
	2005	2004	2005	2004	2005	2004
Trainees	1,173	1,292	467	502	706	790

(89) Remuneration and loans to board members

Apart from the fixed salary, the remuneration of the members of the Board of Managing Directors also comprises variable, performance-related components and those with a long-term incentive effect. All the remuneration components are determined by the Presiding Committee of the Supervisory Board. With effect from July 1, 2004, the Presiding Committee altered the remuneration structure of the members of the Board of Managing Directors.

With German commercial law and accounting provisions taken into consideration, €15,851 thousand has to be shown as overall remuneration for the members of the Board of Managing Directors in the 2005 financial year. This includes €651 thousand of remuneration in kind, which in tax terms has to be treated as benefits in money's worth. In the appropriate cases, the stated overall remuneration of the individual members of the Board of Managing Directors includes the fees paid with respect to the financial year for serving on the boards of consolidated subsidiaries (€483 thousand).

The following table presents the remuneration (fixed salary and variable remuneration) of the individual members of the Board of Managing Directors, subject to the annual financial statements of Commerzbank Aktiengesellschaft for the 2005 financial year being established in their present form and the Presiding Committee adopting the relevant resolution on variable remuneration for 2005.

2005 Name	Fixed salary in €1,000	Variable remuneration[2)] in €1,000	Overall amount for 2005 in €1,000
Klaus-Peter Müller	760	2,280	3,040
Martin Blessing	480	1,500	1,980
Wolfgang Hartmann	480	1,500	1,980
Dr. Achim Kassow	480	1,500	1,980
Andreas de Maizière[1)]	280	–	280
Klaus M. Patig	480	1,500	1,980
Dr. Eric Strutz	480	1,500	1,980
Nicholas Teller	480	1,500	1,980
Total	**3,920**	**11,280**	**15,200**

1) p.r.t. for the time up to resignation; 2) payable in 2006; less the already received fees paid for serving on the boards of subsidiaries (€483m).

The active members of the Board of Managing Directors have participated in the 2001-2005 long-term performance plans (LTPs) which are described in detail in Note 28 and represent a share-based form of compensation. In order to take part in the various plans, the members of the Board of Managing Directors have invested on the basis of individual decisions in up to 2,500 Commerzbank Aktiengesellschaft shares, the chairman in up to 5,000 Commerzbank Aktiengesellschaft shares per plan at current market prices.

The following table shows the number of shares (corresponding per share to a "virtual" option) per individual active member of the Board and per respective LTP as well as the fair values at the time the share-based payment was granted. The information relates to the participation of members of the Board of Managing Directors in their function as officers of the Bank. No payments under these plans were made in the 2005 financial year.

Long-term performance plans

	2001		2002		2003	
Name	Number of shares purchased	Fair value €	Number of shares purchased	Fair value €	Number of shares purchased	Fair value €
Klaus-Peter Müller	2,500	96,350	5,000	175,150	5,000	142,700
Martin Blessing	–		2,500	87,575	2,500	71,350
Wolfgang Hartmann	2,500	96,350	2,500	87,575	2,500	71,350
Dr. Achim Kassow	–		–		–	
Klaus M. Patig	1,000	38,540	–		–	
Dr. Eric Strutz	–		–		–	
Nicholas Teller	–		–		2,500	71,350

	2004		2005	
Name	Number of shares purchased	Fair value €	Number of shares purchased	Fair value €
Klaus-Peter Müller	5,000	120,900	5,000	137,300
Martin Blessing	2,500	60,450	2,500	68,650
Wolfgang Hartmann	2,500	60,450	2,500	68,650
Dr. Achim Kassow	–		2,500	68,650
Klaus M. Patig	–		–	
Dr. Eric Strutz	2,500	60,450	2,500	68,650
Nicholas Teller	2,500	60,450	2,500	68,650

Payments to former members of the Board of Managing Directors and their surviving dependents amounted to €7,756 thousand in the 2005 financial year. In the previous year, they had totalled €6,479 thousand. The figure for 2005 includes severance payments of €2,140 thousand in connection with a resignation from the Board of Managing Directors.

For present and former members of the Board of Managing Directors or their surviving dependents, the Bank has established a provision for old age, which was partially invested with Commerzbank Pension Trust e.V. in the 2005 financial year. The subsequently remaining provisions for pension commitments as of December 31, 2005, amounted to €4.2m for active members and €11.1m for former members of the Board of Managing Directors or their surviving dependents.

The pension obligations (defined-benefit obligations) for active and former members of the Board of Managing Directors or their surviving dependents amounted to €90.2m on December 31, 2005.

The transparency provisions of the German Corporate Governance Code (in the version of June 2, 2005) and the legal provisions of Art. 15a, of the German Securities Trading Act – WpHG require that transactions by the members of the Board of Managing Directors in Commerzbank shares and options be disclosed. Pursuant to both sets of regulations, purchases and disposals by members of the Board of Managing Directors have to be reported if they exceed €5,000 with a calendar year. The Bank publishes such information on its internet site. In the following table, the transactions subject to such disclosure requirements are presented in tabular form; see also the presentation in the Corporate Governance report.

Name	Day of trade 2005	Description of securities	Type of transaction	Number of units	Price €
Klaus-Peter Müller	16.2.	Commerzbank AG shares	Buy	2,047	16.77
	16.2.	Commerzbank AG shares	Buy	2,953	16.78
	9.5.	Commerzbank AG shares	Buy	5,000	16.41
Martin Blessing	16.2.	Commerzbank AG shares	Buy	3,000	16.82
	3.5.	Commerzbank AG shares	Buy	3,000	16.34
	23.5.	Commerzbank AG shares	Buy	7,500	16.41
Dr. Achim Kassow	16.2.	Commerzbank AG shares	Buy	2,000	16.84
	3.5.	Commerzbank AG shares	Buy	2,000	16.28
	17.11.	Commerzbank AG shares	Buy	2,500	23.66
Dr. Eric Strutz	16.2.	Commerzbank AG shares	Buy	2,000	16.79
Nicholas Teller	25.5.	Commerzbank AG shares	Buy	2,500	16.35

The members of our Supervisory Board will receive remuneration of €1,394 thousand for the 2005 financial year (previous year: €1,054 thousand), provided that the AGM of Commerzbank Aktiengesellschaft resolves that a dividend of €0.50 be paid per no par-value share.

The remuneration of the members of the Supervisory Board is regulated by Art. 15 of the articles of association of Commerzbank Aktiengesellschaft and, in addition to attendance fees, is divided as follows between the individual members:

2005 Supervisory Board members	Basic remuneration[1)] in €1,000	Committee remuneration in €1,000	Total in €1,000
Dr. h.c. Martin Kohlhaussen	108	72	180
Uwe Tschäge	72	18	90
Hans-Hermann Altenschmidt	36	18	54
Dott. Sergio Balbinot	36	18	54
Herbert Bludau-Hoffmann	36	–	36
Astrid Evers	36	–	36
Uwe Foullong	36	–	36
Daniel Hampel	36	–	36
Dr.-Ing. Otto Happel	36	18	54
Dr. jur. Heiner Hasford	36	18	54
Sonja Kasischke	36	–	36
Wolfgang Kirsch	36	18	54
Werner Malkhoff	36	18	54
Klaus Müller-Gebel	36	54	90
Dr. Sabine Reiner	36	–	36
Dr. Erhard Schipporeit	36	–	36
Dr.-Ing. Ekkehard D. Schulz	36	–	36
Prof. Dr. Jürgen F. Strube	36	18	54
Dr. Klaus Sturany	36	–	36
Dr.-Ing. E.h. Heinrich Weiss	36	18	54
Total	**828**	**288**	**1,116**

1) This basic remuneration consists of a fixed portion (roughly 55.6%) and a variable portion dependent on the dividend payment (roughly 44.4%)

Altogether €277 thousand was paid in attendance fees for participation in the meetings of the Supervisory Board and its four committees (Presiding, Audit, Risk and Social Welfare Committees) which met in the year under review; this represents €1,500 per meeting attended. The turnover tax of €223 thousand to be paid on the overall remuneration of the members of the Supervisory Board is refunded by Commerzbank Aktiengesellschaft.

Purchases and disposals of Commerzbank shares and options by members of the Supervisory Board in excess of €5,000 overall during a calendar year have to be disclosed pursuant to Art. 15a, German Securities Trading Act – WpHG and the German Corporate Governance Code. In the 2005 financial year, this applied to the following transactions:

Name	Day of trade 2005	Description of securities	Type of transaction	Number of units	Price €
Sonja Kasischke	12.4.	Commerzbank AG shares	Sell	300	17.88
Hans-Hermann Altenschmidt	9.9.	Commerzbank AG shares	Sell	530	22.50
Daniel Hampel	21.10.	Commerzbank AG shares	Buy	250	20.80

All told, the Board of Managing Directors and Supervisory Board held no more than 1% of the issued shares and option rights of Commerzbank Aktiengesellschaft on December 31, 2005.

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

	31.12.2005	31.12.2004
	€1,000	€1,000
Board of Managing Directors	3,591	4,141
Supervisory Board	1,601	1,703

Members of the Board of Managing Directors have been granted cash advances and loans with lifetimes ranging between until further notice and a due date of 2030 and at interest rates ranging between 2.89% and 11.00%. Collateral security is provided on a normal market scale, wherever necessary through land charges and pledging of security holdings. The overall figure (€3,591 thousand) includes rental guarantees of €23 thousand, provided without a commission fee being charged; this is in line with the Bank's general terms and conditions for members of staff.

The loans and advances to members of the Supervisory Board – including those to employee representatives on this body – were granted with lifetimes ranging between until further notice and a due date of 2031 and at interest rates ranging between 3.04% and 6.57%. In line with market conditions, some loans were granted without collateral security, against land charges or against the assignment of credit balances and life insurances.

(90) Share-based payments plans

In accordance with the transitional provisions of IFRS 2, we have applied the Standard retrospectively to all equity-settled plans after November 7, 2002, that were unvested as of January 1, 2005, and to all cash-settled plans existing on January 1, 2005.

For 2004, the change in accounting policy resulted in a net decrease in the net profit for the year of €31m. The balance sheet as of December 31, 2004, has been restated to reflect recognition of a provision of €45m for cash-settled plans and a share-based payments reserve (appearing under Equity) of €6m for equity-settled plans.

For 2005, total expenses of €77m were recognized for employee services received during the year. The portion of these expenses arising from equity-settled plans is €4m, while for cash-settled plans it is €73m. As of December 31, 2005, the share-based payments reserve in Equity amounted to €7m and the provision that was formed €109m.

In the following, more information is provided on the long-term performance plans (LTPs) and the staff remuneration plans/stock option programmes within the Jupiter International Group plc (JIG). In addition to the LTPs and the plans at JIG, further subsidiaries of the Commerzbank Group offer their staff share-based remuneration plans. The overall expenditure for these plans was €6m in 2005. As of December 31, 2005, provisions of €8m and a reserve of €2m were recognized in Equity.

Long-term performance plans

As of January 1, 2005, there were five plans outstanding. The terms and conditions of the LTPs are described in Note 28 of this annual report. Three of these LTP awards were made prior to November 7, 2002, and in accordance with the transitional provisions in IFRS 2, the accounting principles have not been applied to the portions of the plans 50% of which are equity-settled. A further grant on similar terms was made to the eligible employee groups on April 1, 2005.

For the equity-settled portion of the LTPs (50%), the estimated fair values (per option right) at the respective grant dates are as follows:

Type	Date of grant	Fair value per award at grant date in euros
LTP2003	April 1, 2003	28.54
LTP2004	April 1, 2004	24.18
LTP2005	April 1, 2005	27.46

For the cash-settled portion of the LTPs (50%), the estimated fair values as of December 31, 2005, are as follows:

Type	Date of grant	Fair value per option right on 31.12.2005 in euros	Fair value per option right on 31.12.2004 in euros
LTP2001	April 1, 2001	0.01	0.07
LTP2002	April 1, 2002	44.54	10.22
LTP2003	April 1, 2003	99.35	93.11
LTP2004	April 1, 2004	76.10	25.67
LTP2005	April 1, 2005	62.36	–

Further details on the long-term performance plans – both the equity-settled and the cash-settled plans – outstanding during the year:

	2005	2004
	Number of awards	Number of awards
Outstanding at beginning of year	**771,600**	**631,000**
Granted during the year	222,350	198,550
Forfeited during the year	38,250	57,950
Vested during the year	–	–
Expired during the year	62,050	–
Outstanding at year-end	**893,650**	**771,600**

No awards expired during the year. The remaining expected lives of the awards outstanding at year-end vary from 0.3 years to 2.3 years.

The fair values of the LTP awards are calculated using the Monte Carlo model. The inputs into the model were as follows:

	Equity-settled portion Parameters at grant date			Cash-settled portion Parameters at balance-sheet date	
	1.4.2005	**1.4.2004**	**1.4.2003**	**31.12.2005**	**31.12.2004**
Volatility of the Commerzbank share price	43%	49%	47%	23%-29%	14%-43%
Volatility of the Euro Stoxx Banks Index	22%	28%	28%	10%-12%	6%-21%
Correlation of Commerzbank share price to Index	81%	83%	80%	57%-68%	40%-80%
Commerzbank dividend yield	3.7%	2.6%	2.0%	1.9%-2.4%	1.6%-3.3%
Dividend yield of DJ Euro Stoxx Banks Index	2.2%	2.2%	3.3%	2.3%	2.3%
Risk-free interest rate	2.7%	2.7%	2.8%	2.7%-2.8%	2.0%-2.6%

The volatility and the correlation were determined by calculating the historical volatility of Commerzbank's share price and the Dow Jones Stoxx Banks Index and their correlation over the period up to the date of measurement, taking into account the remaining expected life of the awards. A rate of 5% p.a. was assumed for staff turnover.

For 2005, the expenses recognized for the services performed by staff amounted to €15m. The portion of the expenses related to equity-settled plans is €3m and that related to cash-settled plans €12m. As of December 31, 2005, the reserve (in Equity) for equity-based plans was €5m and the provision which had been formed €20m.

Staff remuneration/share option plans of Jupiter International Group

As of January 1, 2005, there were four plans outstanding. The terms and conditions of these are described in Note 28 of this annual report. Two further plans on similar terms were offered to the eligible employee groups on May 6, 2005. In accordance with IFRS 2, all the plans are recognized as cash-settled.

Details of the plans outstanding during the year:

	2005		2004	
	Number of awards	Weighted average exercise price in euros	Number of awards	Weighted average exercise price in euros
Outstanding at beginning of year	**21,057,999**	**3.57**	**16,011,019**	**3.13**
Granted during the year	5,679,235	7.66	5,046,980	5.00
Forfeited during the year	940,264	5.14	–	–
Exercised during the year	4,574,384	2.02	–	–
Expired during the year	–	–	–	–
Outstanding at year-end	**21,222,586**	**4.93**	**21,057,999**	**3.58**
Exercisable at year-end	4,503,147	2.02	4,616,416	2.02

The weighted average fair value of D and E options/awards granted during the year was €4.95 (2004: €3.73). The share value on the exercise date for the C shares exercised in 2005 was €7.12.

The following table provides details on the awards outstanding at year-end, dependent upon the respective exercise prices for the awards/options:

Exercise price in euros	2.02	4.99	7.66
Number of outstanding awards	5,370,969	10,342,382	5,509,235
Weighted average fair value in euros	7.83	6.45	4.95
Weighted average remaining contractual life	1 year	2.1 years	3.7 years

The fair values of the plans are calculated at each balance-sheet date, using an actuarial binominal model. The inputs into the model were as follows:

	2005	2004
C share value (in euros)	10.30	7.12
D and E share value (in euros)	11.10	7.68
Expected volatility (in %)	33.0	44.0
Risk-free interest rate (in %)	4.2	4.3-4.5

As Jupiter is not a listed company, no historical volatility is available. Volatility has been assumed, therefore, on the basis of an average historical volatility of comparable listed shares and for the expected remaining life of the options.

In 2005, the expenses recognized for the services performed by staff amounted to €56m. As of December 31, 2005, the provision which had been formed was €81m.

(91) Other commitments

Commitments towards companies both outside the Group and not included in the consolidation for uncalled payments on shares in private limited-liability companies issued but not fully paid amount to €2m (previous year: €4m).

The Bank is responsible for the payment of assessments of up to €173m to Liquiditäts-Konsortialbank (Liko) GmbH, Frankfurt am Main, the "lifeboat" institution of the German banking industry. The individual banking associations have also declared themselves 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 €802m (previous year: €1,235m).

Our subsidiaries Caisse Centrale de Réescompte S.A., Paris, and COMINVEST Asset Management 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 €261m in 2006, €187m per year in 2007-2009, and €179m as from 2010.

(92) Letter of comfort

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

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

*) renamed Commerzbank Zrt. as from January 2, 2006

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

(93) Corporate Governance Code

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

Boards of Commerzbank Aktiengesellschaft

Supervisory Board

Dr. Walter Seipp
Honorary Chairman

Dr. h.c. Martin Kohlhaussen
Chairman

Uwe Tschäge*)
Deputy Chairman

Hans-Hermann Altenschmidt*)

Dott. Sergio Balbinot

Herbert Bludau-Hoffmann*)

Astrid Evers*)

Uwe Foullong*)

Daniel Hampel*)

Dr.-Ing. Otto Happel

Dr. jur. Heiner Hasford

Sonja Kasischke*)

Wolfgang Kirsch*)

Werner Malkhoff*)

Klaus Müller-Gebel

Dr. Sabine Reiner*)

Dr. Erhard Schipporeit

Dr.-Ing. Ekkehard D. Schulz

Prof. Dr. Jürgen F. Strube

Dr. Klaus Sturany

Dr.-Ing. E.h. Heinrich Weiss

Board of Managing Directors

Klaus-Peter Müller
Chairman

Martin Blessing

Wolfgang Hartmann

Dr. Achim Kassow

Andreas de Maizière
(until July 15, 2005)

Klaus M. Patig

Dr. Eric Strutz

Nicholas Teller

*) elected by the Bank's employees

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
Atlas-Vermögensverwaltungs-Gesellschaft mbH	Bad Homburg v.d.H.	100.0		€	1,006,924
ATBRECOM Limited	London	100.0	100.0	€	758
BRE Bank Hipoteczny SA	Warsaw	100.0	100.0	Zl	165,395
TOMO Vermögensverwaltungs-gesellschaft mbH	Frankfurt am Main	100.0	100.0	€	22,778
Zweite Umbra Vermögensverwaltungs-gesellschaft mbH	Frankfurt am Main	100.0	100.0	€	51
CB Building Kirchberg GmbH*)	Düsseldorf	100.0	6.0	€	–647
Commerz (East Asia) Ltd.	Hong Kong	100.0		€	45,245
Commerz Asset Management (UK) plc	London	100.0		£	180,495
Jupiter International Group plc (sub-group)	London	100.0	100.0	£	190,613
Jupiter Asset Management Limited	London	100.0	100.0		
Jupiter Unit Trust Managers Limited	London	100.0	100.0		
Tyndall Holdings Limited	London	100.0	100.0		
Jupiter Administration Services Limited	London	100.0	100.0		
Tyndall Investments Limited	London	100.0	100.0		
Tyndall International Holdings Limited	Bermuda	100.0	100.0		
Jupiter Asset Management (Asia) Limited	Hong Kong	100.0	100.0		
Jupiter Asset Management (Bermuda) Limited	Bermuda	100.0	100.0		
Jupiter Asset Managers (Jersey) Limited	Jersey	100.0	100.0		
Tyndall Trust International I.O.M. Limited	Isle of Man	100.0	100.0		
Real Estate Holdings Limited**)	Bermuda	100.0	100.0		
Lanesborough Limited	Bermuda	55.7	55.7		
NALF Holdings Limited	Bermuda	100.0	100.0		
The New Asian Property Fund Limited	Bermuda	99.4	99.4		
Commerz Asset Management Holding GmbH	Frankfurt am Main	100.0		€	415,000
COMINVEST Asset Management GmbH	Frankfurt am Main	100.0	100.0	€	47,001
COMINVEST Asset Management Ltd.	Dublin	100.0	100.0	€	3,827
COMINVEST Asset Management S.A.	Luxembourg	100.0	100.0	€	73,205
Commerz Asset Management Asia Pacific Pte Ltd.	Singapore	100.0	100.0	S$	22,733
Commerz Advisory Management Co. Ltd.	British Virgin Islands	100.0	100.0	TWD	615,730
Commerzbank Asset Management Asia Ltd.	Singapore	100.0	100.0	S$	43,658
Commerz International Capital Management (Japan) Ltd.	Tokyo	100.0	100.0	¥	567,434
European Bank for Fund Services GmbH (ebase)	Haar near Munich	100.0	100.0	€	22,231
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	€	13,318
CBG Commerz Beteiligungskapital GmbH*)	Frankfurt am Main	100.0	100.0	€	1,138
Commerz Business Consulting AG	Frankfurt am Main	100.0		€	2,375
Commerz Equity Investments Ltd.	London	100.0		£	1,120

Affiliated companies included in the consolidation

Name	Seat	Share of capital held in %	of which: indirectly in %		Equity in 1,000
Commerz Grundbesitzgesellschaft mbH	Wiesbaden	100.0		€	138,344
Commerz Grundbesitz-Investmentgesellschaft mbH	Wiesbaden	75.0	75.0	€	34,705
Commerz Grundbesitz-Spezialfondsgesellschaft mbH	Wiesbaden	100.0	100.0	€	7,486
Commerz Securities (Japan) Company Ltd. i.L.	Hong Kong/Tokyo	100.0		¥	5,281,265
Commerz Service Gesellschaft für Kundenbetreuung mbH	Quickborn	100.0		€	26
Commerzbank (Eurasija) SAO	Moscow	100.0		Rbl	4,385,634
Commerzbank (Nederland) N.V.	Amsterdam	100.0		€	180,153
Commerzbank (South East Asia) Ltd.	Singapore	100.0		€	56,372
Commerzbank Auslandsbanken Holding AG	Frankfurt am Main	100.0		€	2,505,125
BRE Bank SA (sub-group)	Warsaw	71.5	71.5	Zl	2,108,470
BRE Finance France SA*)	Levallois Perret	100.0	100.0		
BRE Leasing Sp. z o.o.	Warsaw	100.0	100.0		
Dom Inwestycyjny BRE Banku SA*)	Warsaw	100.0	100.0		
Intermarket Bank AG	Vienna	56.2	56.2		
Magyar Factor Rt.*)	Budapest	100.0	100.0		
Polfactor SA*)	Warsaw	100.0	100.0		
PTE Skarbiec – Emerytura SA	Warsaw	100.0	100.0		
Skarbiec Asset Management Holding SA (sub-group)	Warsaw	100.0	100.0		
BRE Agent Transferowy Sp. z o.o.*)	Warsaw	100.0	100.0		
SKARBIEC Towarzystwo Funduszy Inwestycyjnych S.A.*)	Warsaw	100.0	100.0		
SKARBIEC Investment Management SA*)	Warsaw	100.0	100.0		
SKARBIEC Serwis Finansowy Sp. z o.o.*)	Warsaw	100.0	100.0		
Transfinance a.s.	Prague	100.0	100.0		
Caisse Centrale de Réescompte, S.A.	Paris	99.4	99.4	€	172,879
CCR Actions	Paris	92.6	92.6	€	6,342
CCR Chevrillon-Philippe	Paris	87.0	87.0	€	4,141
CCR Gestion	Paris	100.0	100.0	€	7,898
Commerzbank (Switzerland) Ltd	Zurich	100.0	100.0	Sfr.	203,441
Commerzbank International S.A.	Luxembourg	100.0	100.0	€	754,739
Max Lease S.a.r.l. & Cie. Secs*)	Luxembourg	100.0	100.0	€	154
Commerzbank Belgium S.A./N.V.	Brussels	100.0		€	8,238
Commerzbank Capital Markets Corporation	New York	100.0		US$	181,129
Commerzbank Europe (Ireland)	Dublin	61.0	41.0	€	532,325
Commerzbank Europe Finance (Ireland) plc	Dublin	100.0	100.0	€	49
Commerzbank Immobilien- und Vermögens-verwaltungsgesellschaft mbH	Frankfurt am Main	100.0		€	10,030
Commerzbank Inlandsbanken Holding AG	Frankfurt am Main	100.0		€	3,843,258
comdirect bank Aktiengesellschaft	Quickborn	79.9	79.9	€	578,145
comdirect private finance AG	Quickborn	100.0	100.0		
Commerzbank Overseas Finance N.V.	Curaçao	100.0		€	1,050
Commerzbank Rt.***)	Budapest	100.0		Ft.	17,846,930
Commerzbank U.S. Finance, Inc.*)	Wilmington/Delaware	100.0		US$	783

Affiliated companies included in the consolidation

Name	Seat	Share of capital held in %	of which: indirectly in %		Equity in 1,000
CommerzLeasing und Immobilien AG	Düsseldorf	100.0	94.5	€	86,823
ALMURUS Grundstücks-Vermietungsgesellschaft mbH*)	Düsseldorf	100.0	100.0	€	9,004
ASTRIFA Mobilien-Vermietungsgesellschaft mbH	Düsseldorf	100.0	100.0	€	25
CFB Commerz Fonds Beteiligungsgesellschaft mbH	Düsseldorf	100.0	100.0	€	26
CFB Verwaltung und Treuhand GmbH	Düsseldorf	100.0	100.0	€	26
COBA Vermögensverwaltungsgesellschaft mbH	Düsseldorf	100.0	100.0	€	26
CommerzImmobilien GmbH	Düsseldorf	100.0	100.0	€	12,936
CommerzBaucontract GmbH	Düsseldorf	100.0	100.0	€	52
CommerzBaumanagement GmbH	Düsseldorf	100.0	100.0	€	52
CommerzBaumanagement GmbH und CommerzImmobilienGmbH GbR – Neubau Molegra	Düsseldorf	100.0	100.0	€	414
CommerzLeasing Mobilien GmbH	Düsseldorf	100.0	100.0	€	8,349
CommerzLeasing Auto GmbH	Düsseldorf	100.0	100.0	€	281
CommerzLeasing Mietkauf GmbH	Düsseldorf	100.0	100.0	€	26
Hansa Automobil Leasing GmbH	Hamburg	100.0	100.0	€	7,488
ComSystems GmbH	Düsseldorf	98.0	98.0	€	–2,317
FABA Vermietungsgesellschaft mbH	Düsseldorf	95.0	95.0	€	–567
NESTOR GVG mbH & Co. Objekt ITTAE Frankfurt KG	Düsseldorf	100.0	95.0	€	–2,933
NORA GVG mbH & Co. Objekt Lampertheim KG*)	Düsseldorf	95.0	95.0	€	–765
NORA GVG mbH & Co. Objekte Plön und Preetz KG*)	Düsseldorf	90.0	90.0	€	–850
NOVELLA GVG mbH	Düsseldorf	100.0	100.0	€	8,960
SECUNDO GVG mbH	Düsseldorf	100.0	100.0	€	3,144
CORECD Commerz Real Estate Consulting and Development GmbH	Berlin	100.0		€	1,000
Erste Europäische Pfandbrief- und Kommunalkreditbank Aktiengesellschaft in Luxemburg	Luxembourg	75.0		€	69,962
Gracechurch TL Ltd.	London	100.0		€	772
Hibernia Eta Beteiligungsgesellschaft mbH*)	Frankfurt am Main	85.0		€	51,172
Hibernia Gamma Beteiligungsgesellschaft mbH*)	Frankfurt am Main	100.0		€	169,030
Hypothekenbank in Essen AG	Essen	51.0		€	801,651
TIGNATO Beteiligungsgesellschaft mbH & Co. KölnTurm MediaPark KG*)	Düsseldorf	100.0	100.0	€	1,617
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH&Co., Objekt Jupiter KG	Düsseldorf	100.0		€	17,400
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH&Co., Objekt Luna KG	Düsseldorf	100.0		€	2,582
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH&Co., Objekt Neptun KG	Düsseldorf	100.0		€	9,319
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH&Co., Objekt Pluto KG	Düsseldorf	100.0		€	16,551
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH&Co., Objekt Uranus KG	Düsseldorf	100.0		€	26,578
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH&Co., Objekt Venus KG	Düsseldorf	100.0		€	13,675
P.T. Bank Finconesia	Jakarta	51.0		Rp.	212,649,238
Service-Center Inkasso GmbH Düsseldorf	Düsseldorf	100.0		€	128
Stampen S.A.	Brussels	99.4		€	11,248

*) first consolidated in 2005; **) renamed: "Tyndall International Group Limited" has been transformed into "Real Estate Holdings Limited"; ***) renamed Commerzbank Zrt. as from January 2, 2006

Associated companies included in the consolidation at equity

Name	Seat	Share of capital held in &	of which: indirectly in %		Equity in 1,000
Alon Technology Ventures Limited	British Virgin Islands	40.1	40.1	€	9,857
Capital Investment Trust Corporation	Taipei/Taiwan	24.0	4.8	TWD	1,520,838
Commerz Unternehmensbeteiligungs-Aktiengesellschaft	Frankfurt am Main	40.0		€	116,761
COMUNITHY Immobilien AG	Düsseldorf	49.9	49.9	€	–8,780
Deutsche Schiffsbank Aktiengesellschaft	Bremen/Hamburg	40.0	40.0	€	413,905
Eurohypo Aktiengesellschaft	Eschborn	48.9	48.9	€	5,592,292
ILV Immobilien-Leasing Verwaltungs-gesellschaft Düsseldorf mbH	Düsseldorf	50.0	47.0	€	29,983
Prospect Poland UK, L.P.	St. Helier/Jersey	39.5	1.6	US$	1,423
Reederei MS „E.R. INDIA" Beteiligungsgesellschaft mbH & Co.KG*)	Hamburg	26.1	26.1	€	15,557
Tele-Tech Investment Sp. z o.o.*)	Warsaw	24.0	24.0	Zl	994

*) first included in 2005

Special-purpose entities and non-publicly-offered funds included in the consolidation pursuant to IAS 27 and SIC-12

Name	Seat/ seat of management company	Share of capital held or share of investor in fund in %		Equity or fund's assets in 1,000
Special-purpose entities				
Al Shorouq 1 Limited*)	St. Helier/Jersey	0.0	£	1
CB MezzCAP Limited Partnership*)	St. Helier/Jersey	0.0	€	0
Comas Strategy Fund Limited*)	Grand Cayman	0.0	US$	0
Four Winds Funding Corporation	Wilmington/Delaware	0.0	US$	326
Hanging Gardens 1 Limited	Grand Cayman	0.0	€	7
Kaiserplatz Gesellschaften		0.0	€	4,054
Kaiserplatz Holdings Incorporated*)	Wilmington/Delaware			
Kaiserplatz Funding (Delaware) LLC*)	Wilmington/Delaware			
Kaiserplatz Holdings Limited*)	St. Helier/Jersey			
Kaiserplatz Funding Limited*)	St. Helier/Jersey			
Kaiserplatz Sub-Holdings Limited*)	St. Helier/Jersey			
Kaiserplatz Purchaser No. 2 Limited*)	St. Helier/Jersey			
Kaiserplatz Purchaser No. 3 Limited*)	St. Helier/Jersey			
Kaiserplatz Purchaser No. 4 Limited*)	St. Helier/Jersey			
Kaiserplatz Purchaser No. 5 Limited*)	St. Helier/Jersey			
Kaiserplatz Purchaser No. 6 Limited*)	St. Helier/Jersey			
Kaiserplatz Purchaser No. 9 Limited*)	St. Helier/Jersey			
Kaiserplatz Purchaser No. 10 Limited*)	St. Helier/Jersey			
Kaiserplatz Purchaser No. 11 Limited*)	St. Helier/Jersey			
Kaiserplatz Purchaser No. 13 Limited*)	St. Helier/Jersey			

*) first consolidated in 2005

Special-purpose entities and non-publicly-offered funds included in the consolidation pursuant to IAS 27 and SIC-12

Name	Seat/ seat of management company	Share of capital held or share of investor in fund in %		Equity or fund's assets in 1,000
MidCABS Limited*)	St. Helier/Jersey			
Premium Receivables Intermediate Securisation Entity Funding Limited*)	London			
Mainz Holdings Limited*)	St. Helier/Jersey			
Sword Funding No. 1 Limited*)	St. Helier/Jersey			
KREATIV 1 Limited*)	St. Helier/Jersey	0.0	€	0
Plymouth Capital Limited	St. Helier/Jersey	0.0	€	45
Portland Capital Limited*)	St. Helier/Jersey	0.0	£	10
Ryder Square Limited*)	St. Helier/Jersey	0.0	£	1
Shannon Capital plc*)	Dublin	0.0	€	0
Non-publicly-offered funds				
Activest Grugafonds	Munich	100.0	€	106,463
CDBS-Cofonds	Frankfurt am Main	100.0	€	106,703
CDBS-Cofonds II	Frankfurt am Main	100.0	€	99,988
CDBS-Cofonds III*)	Frankfurt am Main	100.0	€	102,038
CDBS-Cofonds IV*)	Frankfurt am Main	100.0	€	89,905
OP-Fonds CDBS V*)	Frankfurt am Main	100.0	€	90,363
CICO-Fonds I	Frankfurt am Main	100.0	€	186,880
CICO-Fonds II	Frankfurt am Main	100.0	€	250,521
Commerzbank Alternative Strategies-Global Hedge	Luxembourg	100.0	€	59,278
DBI-Fonds HIE 1	Frankfurt am Main	100.0	€	116,588
DBI-Fonds HIE 2*)	Frankfurt am Main	100.0	€	109,915
DBI-Fonds HIE 3*)	Frankfurt am Main	100.0	€	109,851
DEGEF-Fonds HIE 1	Frankfurt am Main	100.0	€	116,407
DEGEF-Fonds HIE 2*)	Frankfurt am Main	100.0	€	100,000
DEVIF-Fonds Nr. 533	Frankfurt am Main	100.0	€	110,267
DEVIF-Fonds Nr. 606*)	Frankfurt am Main	100.0	€	109,000
HIE-Cofonds I	Frankfurt am Main	100.0	€	115,993
HIE-Cofonds II	Frankfurt am Main	100.0	€	118,482
HIE-Cofonds III-N*)	Frankfurt am Main	100.0	€	111,376
HIE-Cofonds IV-N*)	Frankfurt am Main	100.0	€	111,380
HIE-Cofonds V-N*)	Frankfurt am Main	100.0	€	111,396

*) first consolidated in 2005

Other major companies not included in the consolidation

Name	Seat	Share of capital held in %	of which: indirectly in %		Equity in 1,000
ALNO Aktiengesellschaft	Pfullendorf	20.6		€	31,068

Currency translation rates
(in units for €1)

Ft.	252.87000	Sfr.	1.55510
¥	138.90000	S$	1.96280
£	0.68530	TWD	38.86000
Rbl	33.92000	US$	1.17970
Rp.	11,596.45000	Zl	3.86000

Frankfurt am Main, March 7, 2006
The Board of Managing Directors

group auditors' report

We have audited the consolidated financial statements prepared by Commerzbank Aktiengesellschaft, Frankfurt am Main, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2005. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) are the responsibility of the Parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

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

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, March 8, 2006

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

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

Martin Kohlhaussen

report of the supervisory board

Dear shareholders,

During the past business year, we regularly advised the Board of Managing Directors in its conduct of the Bank's affairs and supervised the way in which Commerzbank was managed. The Board of Managing Directors reported to us regularly, promptly and extensively, in both written and verbal form, on all the main developments at the Bank. We received regular information on the company's business position and the economic situation of its individual business lines, on its corporate planning and on the strategic orientation of the Bank, and we advised the Board of Managing Directors on these topics. Between meetings, I was constantly informed by the Chairman of the Board of Managing Directors about current business progress and major business events within both the Bank and the Group. We were involved in decisions of major importance for the Bank, giving our approval wherever required after extensive consultation and examination of the matter.

Meetings of the Supervisory Board

All told, five ordinary and two extraordinary meetings of the Supervisory Board took place in the past financial year. No member attended fewer than half of the meetings.

In the past business year, the main topic of discussion was the further improvement of the Commerzbank Group's earnings performance. We received regular, comprehensive reports on the Bank's current business situation and discussed these in detail with the Board of Managing Directors. Another focus of our activity was the discussion of the strategic options available to the Bank, in particular the acquisition of Eurohypo AG and other possible acquisitions. In addition, the Board of Managing Directors informed us regularly about the reduction of the Bank's non-strategic equity holdings. We subjected each report of the Board of Managing Directors to critical analysis, in some cases requesting supplementary information, which was always provided immediately and to our satisfaction.

At the meeting on February 15, 2005, our discussion centred on the Bank's new credit-risk strategy, but above all on the presentation of the Corporates & Markets department, newly created in 2004. Drawing upon detailed documents, the Board of Managing Directors described the progress made with restructuring investment banking and the Bank's current positioning in this area. In intensive talks with the Board of Managing Directors, we examined the sustainability of the earnings turnaround at Corporates & Markets and discussed measures to raise profitability further.

At the meeting on March 18, 2005, we examined the annual financial statements and the consolidated financial statements for 2004; we reported on this in detail in the last annual report. The meeting on May 20, 2005, was devoted exclusively to preparing for the following Annual General Meeting of shareholders.

At the meeting on July 6, 2005, the Board of Managing Directors presented current developments in the Private and Business Customers area, outlining the planned measures for further improving results in this area. The Board of Managing Directors also reported to us at this meeting on the current situation in the Bank's mortgage-bank business. In the ensuing discussion, we satisfied ourselves that the expectations and targets that had been presented were plausible and reviewed various options open to the Bank in these segments.

The Supervisory Board was intensively involved in the negotiations to acquire Eurohypo AG and in the related capital increase. During the negotiations, it received detailed reports via conference call on the planned transaction and gave its approval for the acquisition of Eurohypo AG and the capital increase through the relevant committees. After the transaction had been concluded, the Board of Managing Directors reported once again at an extraordinary meeting on November 29, 2005, on details of the acquisition of Eurohypo AG and also the related capital-raising measures. We congratulated the Board of Managing Directors on this move, welcoming the fact that Commerzbank has taken an active role in banking consolidation in Germany.

At an extraordinary meeting of the Supervisory Board on July 15, 2005, we received a report on the special examination by the German Financial Supervisory Authority (BaFin) into the Bank's measures to prevent money laundering. We satisfied ourselves that the Board of Managing Directors are seriously tackling the deficiencies established in the report and at a further meeting received a report supported by detailed documentation on the measures introduced. In addition, we received several reports in written and verbal form on the investigations by the public prosecutor's office into suspected money laundering.

At the meeting on November 3, 2005, discussion mainly focused on budgetary planning for 2006. Here we had the targets for the Bank and the Group presented to us and discussed them with the Board of Managing Directors. Another topic at this meeting was the Bank's corporate governance, especially the evaluation of the Supervisory Board's examination of its efficiency, adjustments due to amendments to the German Corporate Governance Code in June 2005 and the approval of the annual declaration of compliance. Further details on corporate governance at Commerzbank and on the Supervisory Board's examination of its efficiency can be found in this annual report on pages 13 to 19.

At several meetings, we dealt with routine extensions to the contracts of members of Board of Managing Directors and with other matters relating to the Board.

Committees

The Supervisory Board continues to have five committees. Their composition appears on page 200 of this annual report.

The Presiding Committee met five times during the year under review. In addition, after the committee had been informed by telephone and had discussed the issues involved, it adopted three resolutions outside meetings. Its discussions were devoted to preparing the plenary meetings and to studying the topics in greater depth, especially with regard to the business situation, the Bank's strategic orientation, the acquisition of Eurohypo AG, capital-raising measures and matters relating to the Board of Managing Directors. The report on the Bank's internal auditing was also discussed. Other topics were loans to Bank staff and members of its boards, as well as strategic financial equity holdings.

The Audit Committee met altogether five times in 2005. With the auditors attending, it discussed Commerzbank's financial statements and consolidated financial statements, and also the auditors' reports. The Audit Committee requested the statement of independence by the auditors pursuant to section 7.2.1 of the German Corporate Governance Code and commissioned the auditors to conduct the audit. It arranged the main points of the audit with the auditors, also reaching agreement with them on their fee. The Audit Committee also dealt with commissions for the auditors to perform non-audit services and regularly received reports on the current state and individual findings of the audit of the annual financial statements. The auditors were represented at the various meetings and reported on their auditing activities.

In the past business year, the Risk Committee also met five times. In addition, five resolutions were adopted by circulating the documents, each related to the acquisition or disposal of equity holdings. Two of the resolutions adopted by circulating the documents came about after more intensive discussion at an extraordinary meeting, otherwise on the basis of extensive documents. At four ordinary meetings, the Risk Committee studied the Bank's risk situation and risk management intensively, especially market, credit and operational risk. Significant individual commitments for the Bank were discussed in detail with the Board of Managing Directors. Another regular topic was a review of the Bank's policy with regard to equity holdings.

The Social Welfare Committee held one meeting in the year under review, in which it dealt with the Bank's personnel work, company healthcare management, especially health-promoting measures taken by the Bank, the staff survey carried out by Commerzbank in June 2005, and also the "ComWerte" project, which is intended to develop and implement a code of conduct as the basis for fair interpersonal behaviour within the Bank.

The Conciliation Committee, formed pursuant to Art. 27, (3), German Codetermination Act (*Mitbestimmungsgesetz*) did not have to meet in 2005 either.

The committees regularly reported on their work at plenary sessions.

During the Risk Committee's discussion of the acquisition of Eurohypo AG, Mr. Müller-Gebel informed the other members of the committee that he was also a member of the supervisory board of Eurohypo AG and, as a precautionary measure, abstained from voting when the subsequent resolution was adopted. No other conflicts of interest arose during the year under review.

Financial statements and consolidated financial statements

The auditors and Group auditors appointed by the Annual General Meeting, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (formerly: PwC Deutsche Revision Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft), Frankfurt am Main, audited the annual financial statements and the consolidated financial statements of Commerzbank AG and also the management reports of the Parent Bank and the Group, giving them their unqualified certification. The financial statements were prepared according to the rules of the German Commercial Code (HGB) and the consolidated financial statements according to the International Accounting Rules (IAS) and the International Financing Reporting Standards (IFRS). The documents of the financial statements and the auditors' reports, together with the management's proposal for the appropriation of profit, were sent to all members of the Supervisory Board in good time. In addition, the members of the Audit Committee received the complete annexes and notes relating to the auditors' reports; all members of the Supervisory Board had the opportunity to inspect these documents. At today's meeting, the Audit Committee dealt at length with the financial statements. At our plenary meeting today for this purpose, we also examined the documents. The auditors attended both meetings, explaining the main findings of their audit and answering questions. At both meetings, the financial statements were discussed at length with the Board of Managing Directors and the representatives of the auditors.

In view of the final outcome of the examination by the Audit Committee and of our own examination, we raised no objections to the financial and consolidated financial statements and concur with the findings of the auditors. The Supervisory Board has approved the financial statements of the Parent Bank and the Group presented by the Board of Managing Directors, and the financial statements of the Parent Bank may accordingly be regarded as adopted. We concur with the proposal of the Board of Managing Directors regarding the appropriation of profit.

We thank the Board of Managing Directors and also all employees for their great personal commitment and efforts, which made Commerzbank's good result possible in 2005.

For the Supervisory Board

Martin Kohlhaussen

Martin Kohlhaussen
Chairman
Frankfurt am Main, March 28, 2006

supervisory board

Dr. Walter Seipp
Honorary Chairman
Frankfurt am Main

Dr. h.c. Martin Kohlhaussen
Chairman
Frankfurt am Main

Uwe Tschäge*)
Deputy Chairman
Commerzbank AG
Düsseldorf

Hans-Hermann Altenschmidt*)
Commerzbank AG
Essen

Dott. Sergio Balbinot
Managing Director
Assicurazioni Generali S.p.A.
Trieste

Herbert Bludau-Hoffmann*)
Dipl.-Volkswirt
ver.di Financial Services
Essen

Astrid Evers*)
Commerzbank AG
Hamburg

Uwe Foullong*)
Member of the
ver.di National Executive
Committee
Berlin

Daniel Hampel*)
Commerzbank AG
Berlin

Dr.-Ing. Otto Happel
Manager
Luserve AG
Lucerne

Dr. jur. Heiner Hasford
Member of the Board of
Managing Directors
Münchener Rückversicherungs-
Gesellschaft AG
Munich

Sonja Kasischke*)
Commerzbank AG
Brunswick

Wolfgang Kirsch*)
Commerzbank AG
Frankfurt am Main

Werner Malkhoff*)
Commerzbank AG
Frankfurt am Main

Klaus Müller-Gebel
Lawyer
Frankfurt am Main

Dr. Sabine Reiner*)
Trade Union Specialist
Economic Policy
ver.di National Administration
Berlin

Dr. Erhard Schipporeit
Member of the Board of
Managing Directors
E.ON Aktiengesellschaft
Düsseldorf

Dr.-Ing. Ekkehard D. Schulz
Chairman
ThyssenKrupp AG
Düsseldorf

Prof. Dr. Jürgen F. Strube
Chairman
Supervisory Board
BASF Aktiengesellschaft
Ludwigshafen

Dr. Klaus Sturany
Member of the Board of
Managing Directors
RWE Aktiengesellschaft
Dortmund

Dr.-Ing. E.h. Heinrich Weiss
Chairman
SMS GmbH
Düsseldorf

*) elected by the Bank's employees

committees of the supervisory board

Presiding Committee	Dr. h.c. Martin Kohlhaussen, Chairman Werner Malkhoff Prof. Dr. Jürgen F. Strube Uwe Tschäge
Audit Committee	Klaus Müller-Gebel, Chairman Hans-Hermann Altenschmidt Dott. Sergio Balbinot Dr.-Ing. Otto Happel Wolfgang Kirsch
Risk Committee	Dr. h.c. Martin Kohlhaussen, Chairman Dr. jur. Heiner Hasford Klaus Müller-Gebel Dr.-Ing. E.h. Heinrich Weiss
Social Welfare Committee	Dr. h.c. Martin Kohlhaussen, Chairman Astrid Evers Daniel Hampel Klaus Müller-Gebel Uwe Tschäge Dr.-Ing. E.h. Heinrich Weiss
Conciliation Committee (Art. 27, (3), German Co-determination Act)	Dr. h.c. Martin Kohlhaussen, Chairman Werner Malkhoff Prof. Dr. Jürgen F. Strube Uwe Tschäge

central advisory board

Dr.-Ing. Burckhard Bergmann
Chairman of the Board of
Managing Directors
E.ON Ruhrgas AG
Essen
Member of the Board of
Managing Directors
E.ON AG
Düsseldorf

Dominic Brenninkmeyer
Chairman
C&A Deutschland
Düsseldorf

Dr. Hubertus Erlen
Chairman of the Board of
Managing Directors
Schering AG
Berlin

Dietrich-Kurt Frowein
Frankfurt am Main

Gabriele Galateri di Genola
Chairman
Mediobanca
Banca di Credito
Finanziario S.p.A.
Milan

Prof. Dr.-Ing. E.h. Hans-Olaf Henkel
Honorary Professor of
University of Mannheim
Berlin

Prof. Dr. Johanna Hey
Chair of
Corporate Tax Law
Heinrich-Heine-
Universität Düsseldorf
Düsseldorf

**Dr.-Ing. Dr.-Ing. E.h.
Hans-Peter Keitel**
Chairman of the Board of
Managing Directors
HOCHTIEF AG
Essen

Uwe Lüders
Chairman of the Board of
Managing Directors
L. Possehl & Co. mbH
Lübeck

Friedrich Lürssen
Chief Executive
Fr. Lürssen Werft GmbH & Co. KG
Bremen

Wolfgang Mayrhuber
Chairman of the Board of
Managing Directors
Deutsche Lufthansa
Aktiengesellschaft
Cologne/Frankfurt am Main

Friedrich Merz, MdB
Lawyer
Mayer, Brown, Rowe & Maw LLP
Berlin/Frankfurt am Main

Dr. Jörg Mittelsten Scheid
General Partner
Vorwerk & Co. KG
Wuppertal

Dr. Christoph M. Müller
Lawyer
Member of the
Shareholders' Committee
and the Supervisory Board
Vaillant GmbH
Remscheid

Dr. Jürgen Radomski
Member of the Board of
Managing Directors
Siemens AG
Munich

Hans Reischl
Cologne

Dr. Axel Frhr. v. Ruedorffer
Bad Homburg

Dr. Ernst F. Schröder
General Partner
Dr. August Oetker KG
Bielefeld

Jürgen Schulte-Laggenbeck
Member of the Board of
Managing Directors
OTTO (GmbH + Co KG)
Hamburg

Dr.-Ing. Ulrich Schumacher
General Partner
Francisco Partners
Munich

Dr. Walter Thiessen
Chairman of the Board of
Managing Directors
AMB Generali Holding AG
Aachen

Dr. Klaus Trützschler
Member of the Board of
Managing Directors
Franz Haniel & Cie. GmbH
Duisburg

Wilhelm Werhahn
General Partner
Wilh. Werhahn KG
Neuss

Dr. Wendelin Wiedeking
Chairman of the Board of
Managing Directors
President and
Chief Executive Officer
Dr. Ing. h.c. F. Porsche AG
Stuttgart

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
Corporate Banking

Service departments
Information Technology
Transaction Banking

Wolfgang Hartmann

Staff department
Risk Control

Banking departments
Credit Operations Private Customers
Global Credit Operations

Dr. Achim Kassow

Banking departments
Asset Management
Private Banking
Private and Business Customers

Klaus M. Patig

Staff departments
Group Treasury
Human Resources
Legal Services

Banking department
Financial Institutions

International Corporate Banking

Dr. Eric Strutz

Staff departments
Accounting and Taxes
Compliance and Security
Financial Controlling
Internal Auditing

Service department
Organization

Nicholas Teller

Banking department
Corporates & Markets

regional board members

Corporate customers

Mittelstand

Martin Fischedick
Main branches
Bielefeld, Bremen, Cologne, Dortmund, Düsseldorf, Essen, Hamburg, Hanover

Klaus Kubbetat
Main branches
Berlin, Central Germany, Frankfurt, Mainz, Mannheim, Munich, Nuremberg, Stuttgart

Larger corporates

Andreas Kleffel
Larger corporates centres Western Germany

Andreas Schmidt
Larger corporates centres Central, Southern, South-Western Germany

Werner Weimann
Larger corporates centres Northern Germany
Center of Competence
– Renewable Energies
– Global Shipping

Abroad

Peter Bürger
Asia, Oceania

Ulrich Leistner
Western Europe (excl. London Branch), Johannesburg Branch

Wilhelm Nüse
Central and Eastern Europe, CIS

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

chief information officer

Frank Annuscheit
Information Technology
Transaction Banking

group managers

Frank Annuscheit
Transaction Banking

Dr. Thorsten Broecker
Financial Controlling

Peter Bürger
Risk Control

Dr. Detlev Dietz
Asset Management
Chief Operating Officer

Dr. Rudolf Duttweiler
Group Treasury

Dr. Mihael Foit
IT Production

Dr. Peter Hennig
Financial Institutions

Günter Hugger
Legal Services
Chief Legal Adviser

René Kaselitz
Private Banking

Wolfgang Kirsch
Organization

Dr. Sebastian Klein
Asset Management
Germany

Hartwig Kock
Internal Auditing

Dr. Renate Krümmer
Strategy and Controlling

Burkhard Leffers
Corporates & Markets
Corporate Relationship
Management

Corinna Barbara Linner
Accounting and Taxes

Richard Lips
Corporate Communications

Torsten Lüttich
Credit Operations
Private Customers

Michael Mandel
Private and Business Customers

Hugues de la Marnierre
Corporates & Markets
Sales

Thomas Müssener
IT Applications

Dr. Frank Pörschke
Asset Management
Real Estate

Michael Schmid
Global Credit Operations

Roman Schmidt
Corporates & Markets
Corporate Finance

Dr. Friedrich Schmitz
Asset Management
International

Ulrich Sieber
Human Resources

Thomas Steidle
Compliance and Security

Willi Ufer
Corporates & Markets
Markets

Roland Wolf
IT Support

Martin Zielke
Corporate Banking

managers of domestic main branches

Corporate Banking

Berlin
Jörg Schauerhammer

Bielefeld
Thomas Elshorst

Bremen
Carl Kau

Central Germany
Kai Uwe Schmidt

Cologne
Michael Hoffmann

Dortmund
Karl-Friedrich Schwagmeyer

Düsseldorf
Manfred Breuer

Essen
Hans Engelmann

Frankfurt am Main
Markus Beumer

Hamburg
Jürgen Werthschulte

Hanover
Frank Schulz

Mainz
Peter Radermacher

Mannheim
Ilse Maria Arnst

Munich
Michael Bücker
Franz Jung (until July 31, 2006)

Nuremberg
Bernd Grossmann

Stuttgart
Dr. Gert Wünsche

Larger corporates centres Corporate Banking

Düsseldorf
Peter Ahls

Frankfurt am Main
Andreas Schmidt

Hamburg
Werner Weimann

Munich
Sven Gohlke

Stuttgart
Dr. Bernd Laber

Private and Business Customers

Berlin
Klaus Heyer

Bielefeld
Edwin Kieltyka

Bremen
Wolfgang Schönecker

Cologne
Michael Sonnenschein

Dortmund
Dieter Mahlmann

Dresden
Dr. Mathias Ullrich

Düsseldorf
Andreas Vogt

Erfurt
Andreas Fabich

Essen
Manfred Schlaak

Frankfurt am Main
René Kaselitz

Hamburg
Erhard Mohnen

Hanover
Michael Koch

Kiel
Michael Goertz

Leipzig
Roland Löffler

Mainz
Alberto Kunze

Mannheim
Jochen Haaf

Munich
Hans-Peter Rien

Nuremberg
Frank Haberzettel

Stuttgart
Thomas Vetter

Wuppertal
Irmgard Röhm

managers of foreign branches

Amsterdam
Dirk Dreiskämper
Eugène v. d. Berg

Atlanta
Edward Forsberg

Barcelona
Alois Brüggemann

Bratislava
Martin Horváth

Brno
Bronislav Hybl

Brussels
Erik Puttemans

Chicago
John Marlatt

Hong Kong
Harald W. A. Vogt

Johannesburg
Clive Kellow

Labuan
Ong Kim Guan

London
Günter Jerger
Harry Yergey

Los Angeles
Christian Jagenberg

Madrid
Mariano Riestra

Milan
Cristina Sironi-Sommer

New York
Werner Bönsch
Joachim Döpp

Paris
Felix Rüther

Prague
Günter Steiner
Dr. Jutta Walter

Shanghai
Michael Reichel

Singapore
Dr. Thomas Roznovsky

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
Bad Soden

Michael Hocks
Frankfurt am Main

Executive Board
Dagmar Ruhl
Dr. Werner Verbockett

managers of domestic group companies

CBG Commerz Beteiligungsgesellschaft Holding mbH
Dr. Armin Schuler

comdirect bank AG
Dr. Andre Carls
Karin Katerbau

COMINVEST Asset Management GmbH
Dr. Wolfram Gerdes
Dr. Sebastian Klein
Volker Kurr
Hans-Jürgen Löckener
Wolfgang Plum
Dr. Friedrich Schmitz
Claus Weltermann

Commerz Business Consulting AG
Dr. Ralf Klinge

Commerz Grundbesitzgesellschaft mbH
Dr. Detlev Dietz
Leo Lousberg
Dr. Frank Pörschke

CommerzLeasing und Immobilien AG
Eberhard Graf
Roland Potthast
Günter Ress
Hubert Spechtenhauser

Commerz Service Gesellschaft für Kundenbetreuung mbH
Jens Müller
Irmgard Röhm
Winfried Schülken
(until March 31, 2006)

European Bank for Fund Services GmbH
Rudolf Geyer
Gerhard Köberlein
Franz Günzl

Hypothekenbank in Essen AG
Michael Fröhner
Hubert Schulte-Kemper
Burkhard Dallosch

managers of foreign group companies

BRE Bank SA
Warsaw
Slawomir Lachowski
Jerzy Jóźkowiak
Bernd Loewen
Rainer Peter Ottenstein
Wieslaw Thor
Janusz Wojtas

Caisse Centrale de Réescompte, S.A.
Paris
Hervé de Boysson
Daniel Terminet
Pierre Vincent

COMINVEST Asset Management Ltd.
Dublin
Peter Leisentritt

COMINVEST Asset Management S.A.
Luxembourg
Heinrich Echter
Dr. Thomas Görgen

Commerzbank Asset Management Asia Pacific Ltd.
Singapore
Pascal Crépin

Commerzbank Capital Markets Corporation
New York
Matthew P. Kennedy

Commerzbank (Eurasija) SAO
Moscow
Andreas D. Schwung

Commerzbank Europe (Ireland)
Dublin
John Bowden
Andreas Krebs

Commerzbank International S.A.
Luxembourg
Bernd Holzenthal
Cornelius Obert

Commerzbank (South East Asia) Ltd.
Singapore
Dr. Thomas Roznovsky

Commerzbank (Switzerland) Ltd
Zurich
Dr. Bernhard Heye
Rolf Müller
Geneva
Jean-Pierre de Glutz

Commerzbank Zrt.
Budapest
Támas Hák-Kovács
Oliver Sipeer

Commerz (East Asia) Ltd.
Hong Kong
Harald W. A. Vogt

Jupiter International Group plc
London
Jonathan Carey
Edward Bonham Carter

regional advisory committees

Baden-Württemberg

Dr. Ulrich Brocker
General Manager
SÜDWESTMETALL
Verband der Metall- und
Elektroindustrie
Baden-Württemberg e. V.
Stuttgart

Manfred Häner
Member of the
Group Executive Board
Micronas Semiconductor
Holding AG
Zurich/Switzerland

Prof. Dr. Dr. Ulrich Hemel
Chairman
2D-Holding GmbH
(Süddekor/Dakor Group)
Laichingen

Manfred Höhn
Chairman
Julius Glatz GmbH
Neidenfels

Dr. Stefan von Holtzbrinck
Chairman
Georg von Holtzbrinck GmbH
Publishing Group
Stuttgart

Dr. Björn Jansen
General Manager
Mannheimer Morgen/
Dr. Haas GmbH
Mannheim

Dr. Hermann Jung
Member of the Board of
Managing Directors
Voith AG
Heidenheim

Dipl.-Kaufmann Sigmund Kiener
Proprietor
S.K. Management- und
Beteiligungs GmbH
Baden-Baden

Detlef Konter
Head of Finance and Accounting
Robert Bosch GmbH
Stuttgart

Dr. Thomas Lindner
Chairman and General Partner
GROZ-BECKERT KG
Albstadt (Ebingen)

Hon. Senator
Dr. h.c. Adolf Merckle
Lawyer
Proprietor Merckle/ratiopharm
Group
Blaubeuren

Dipl.-Volkswirt Jörg-Viggo Müller
Member of the Board of
Managing Directors
Hugo Boss AG
Metzingen

Reinhard Nowak
President/CEO
Glatt Group
Glatt GmbH
Binzen

Franz-Josef Pützer
Chairman
Aluminium-Werke
Wutöschingen AG & Co. KG
Wutöschingen

Dr. Hermann Roemer
Member of the Board of
Managing Directors
debitel AG
(until February 28, 2006)
Stuttgart

Bernhard Schreier
Chairman
Heidelberger
Druckmaschinen AG
Heidelberg

Harald Seidelmann
Member of the Executive Board
badenova AG & Co. KG
Freiburg

Peter Smits
Chairman
ABB AG
Mannheim

Bavaria

Dr. Wilfried Backes
Member of the Board of
Managing Directors
EPCOS AG
Munich

Dr. Ferdinand Graf von Ballestrem
Member of the Board of
Managing Directors
MAN Aktiengesellschaft
(until December 31, 2005)
Chairman of the Advisory Board
MAN Finance International GmbH
(since January 1, 2006)
Munich

Dipl.-Betriebswirt Dieter Bellé
Member of the Board of
Managing Directors
LEONI AG
Nuremberg

Frank A. Bergner
Managing Partner
Richard Bergner Holding
GmbH & Co. KG
Schwabach

Dr. sc. pol. Wolfgang Colberg
General Manager
BSH Bosch und Siemens
Hausgeräte GmbH
Munich

Sten Daugaard
Chief Financial Officer
SGL Carbon AG
Wiesbaden

Peter J. Fischl
Member of the Board of
Managing Directors
Infineon Technologies AG
Munich

Dipl.-Wirtsch.-Ing.
Dirk Heidenreich
Chief Executive Officer
Semikron International GmbH
Nuremberg

Rainer Hilpert
Member of the Board of
Managing Directors
GEMA Gesellschaft für
musikalische Aufführungs-
und mechanische
Vervielfältigungsrechte
Munich

Dipl.-Wirtsch.-Ing. Thomas Kaeser
General Manager
KAESER KOMPRESSOREN GmbH
Coburg

Prof. Dr. Anton Kathrein
Managing General Partner
KATHREIN-Werke KG
Rosenheim

Dr. Karl-Hermann Lowe
Member of the Board of
Managing Directors
Allianz Deutschland AG
Munich

Dipl.-Ing. Thomas Netzsch
Managing Partner
Erich Netzsch GmbH & Co.
Holding KG
Selb

Prof. Susanne Porsche
Producer
sanset Film & Fernseh-
produktionen GmbH
Munich

Dr. Lorenz M. Raith
Herzogenaurach

Dipl.-Ing. Helmuth Schaak
Chairman
Supervisory Board
Leistritz AG
Nuremberg

Dr. Hans Seidl
Chairman
Supervisory Board
Vinnolit Kunststoff
GmbH & Co. KG
Ismaning

Klaus Steger
Member of the Board of
Managing Directors
ERWO Holding AG
Nuremberg

Dr. Peter Zattler
Member of the Executive Board
and CFO
Giesecke & Devrient GmbH
Munich

Berlin

Jan Eder
General Manager
Berlin Chamber of Industry
and Commerce
Berlin

Friedrich Floto
Treasurer
Novelis AG
Zurich/Switzerland

Dipl.-Ing. Hermann Hauertmann
Managing Partner
Schwartauer Werke GmbH & Co.
Kakao Verarbeitung Berlin
Berlin

Joachim Hunold
Managing Partner
Air Berlin GmbH & Co.
Luftverkehrs KG
Berlin

Dipl.-Kaufmann Joachim Klein
Managing Partner
Umlauf & Klein Group
GmbH & Co.
Berlin

Dr. Hartmann Kleiner
Lawyer
General Manager
VME Verband der Metall- und
Elektro-Industrie in Berlin und
Brandenburg e.V.
Berlin

Hans-Ulrich Klose
Member of
Deutscher Bundestag
Deputy Chairman of
Foreign Affairs Committee
Deutscher Bundestag
Berlin

Dr. Joachim Lemppenau
Chairman
Volksfürsorge Gruppe
Hamburg

Dr.-Ing. E.h. Hartmut Mehdorn
Chairman
Deutsche Bahn AG
Berlin

Dr. Hans-Jürgen Meyer
Member of the Board of
Managing Directors
Vattenfall Europe AG
Berlin

Manfred Neubert
Chief Executive Officer
Willy Vogel AG
Berlin

Manfred Freiherr von Richthofen
President
Deutscher Sportbund
Berlin

Dr. Attilio Sebastio
Member of the Board of
Managing Directors
Berlin-Chemie AG
Berlin

Ulrich Seelemann
President of the Consistory
Protestant Church
Berlin-Brandenburg –
Silesian Upper Lusatia
Berlin

Dr. Jörg Helmut Spiekerkötter
Member of the Board of
Managing Directors and CFO
Schering AG
Berlin

Dipl.-oec. Felix Strehober
Head of Finance and Controlling
ZGG GmbH
Berlin

Volker Ullrich
Partner
Zuckerhandelsunion GmbH
Berlin

Brandenburg

Dr. Andreas Hungeling
General Manager
PCK Raffinerie GmbH
Schwedt

Dipl.-Kaufmann Hubert Marbach
Neisse-Malxetal

Wolfgang Niebuhr
Chief Executive
AOK Brandenburg –
Die Gesundheitskasse
Teltow

Dr. Rainer Peters
Chief Executive Officer
E.ON edis Aktiengesellschaft
Fürstenwalde/Spree

Jörg Schönbohm
Minister of the Interior
Deputy Minister-President
State of Brandenburg
Potsdam

Bremen

Hans-Christoph Enge
Partner
Lampe & Schwartze KG
Bremen
British Honorary Consul

Edgar Grönda
General Manager/Lawyer
Schultze & Braun
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tegut… Gutberlet Stiftung & Co.
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GmbH
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Central Services
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GmbH & Co. KG
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Lower Saxony

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Salzgitter

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Group Vice President and
Regional President Europe
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Gemeinsame Versorgungskasse
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Hauptverband der gewerblichen
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Technologies SA
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Horsens/Denmark

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Mühlhausen

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Hörselberg

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MITEC Automotive AG
Eisenach

Andreas Trautvetter
Minister for
Building and Transport
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, no. 10, HGB
As of December 31, 2005

a) Seats on mandatory supervisory boards

b) Seats on similar bodies

Klaus-Peter Müller

a) Linde AG*)

Steigenberger Hotels AG

b) Assicurazioni Generali S.p.A.*)

KfW Kreditanstalt für Wiederaufbau

Liquiditäts-Konsortialbank GmbH

Parker Hannifin Corporation*)

within Commerzbank Group:

Commerzbank International S.A.
Chairman

Commerzbank (Switzerland) Ltd
Chairman

Martin Blessing

a) AMB Generali Holding AG*)

Heidelberger Druckmaschinen AG*)

ThyssenKrupp Services AG

within Commerzbank Group:

Commerzbank Inlandsbanken Holding AG

CommerzLeasing und Immobilien AG
Chairman

b) **within Commerzbank Group:**

BRE Bank SA
Deputy chairman

Wolfgang Hartmann

a) Vaillant GmbH

within Commerzbank Group:

Commerz Grundbesitz-Investmentgesellschaft mbH
1st Deputy chairman

Hypothekenbank in Essen AG

b) **within Commerzbank Group:**

Commerz Grundbesitz-gesellschaft mbH
Deputy chairman

CORECD Commerz Real Estate Consulting and Development GmbH
Chairman

Dr. Achim Kassow

a) Volksfürsorge Deutsche Sachversicherung AG

ThyssenKrupp Steel AG

within Commerzbank Group:

comdirect bank AG
Chairman

COMINVEST Asset Management GmbH
Chairman

Commerz Grundbesitz-Investmentgesellschaft mbH
Chairman

CommerzLeasing und Immobilien AG
Deputy chairman

b) **within Commerzbank Group:**

Commerz Grundbesitz-gesellschaft mbH
Chairman

COMMERZ PARTNER Beratungs-gesellschaft für Vorsorge- und Finanzprodukte mbH
Chairman

Klaus M. Patig

a) MAN Ferrostaal AG

G. Kromschröder AG*)
Deputy chairman

b) Korea Exchange Bank
Non-standing director

within Commerzbank Group:

Commerzbank Capital Markets Corporation

Commerz Securities (Japan) Company Ltd.
Chairman

Dr. Eric Strutz

a) ABB AG

within Commerzbank Group:

comdirect bank AG

COMINVEST Asset Management GmbH

Commerzbank Auslandsbanken Holding AG
Chairman

Commerzbank Inlandsbanken Holding AG
Chairman

Hypothekenbank in Essen AG
Chairman

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

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

within Commerzbank Group:

Commerzbank International S.A.

Erste Europäische Pfandbrief- und Kommunalkreditbank AG

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

Nicholas Teller

a) Deutsche Schiffsbank AG
Chairman

within Commerzbank Group:

Commerzbank Auslandsbanken Holding AG

Commerz Unternehmensbeteiligungs-AG

b) **within Commerzbank Group:**

BRE Bank SA

Commerzbank Capital Markets Corporation
Chairman

Former members of the Board of Managing Directors

Andreas de Maizière

a) Borgers AG

Rheinische Bodenverwaltung AG
Chairman

RWE Power AG

STEAG AG

b) Arenberg-Schleiden GmbH
Chairman

BVV Versicherungsverein des Bankgewerbes a.G.

Members of the Supervisory Board of Commerzbank AG

a) Seats on other mandatory supervisory boards

b) Seats on similar bodies

Dr. h.c. Martin Kohlhaussen

a) Bayer AG

Heraeus Holding GmbH

HOCHTIEF AG
Chairman

Infineon Technologies AG
Deputy chairman
(until January 25, 2005)

Schering AG

ThyssenKrupp AG

b) Verlagsgruppe Georg von Holtzbrinck GmbH

Intermediate Capital Group plc
(until July 31, 2005)

Uwe Tschäge

–

Hans-Hermann Altenschmidt

b) BVV Versorgungskasse

BVV Unterstützungskasse

Dott. Sergio Balbinot

a) **within group:**

Aachener und Münchener Lebensversicherung AG

Aachener und Münchener Versicherung AG

AMB Generali Holding AG

b) **within group:**

Banco Vitalicio de España, C.A. de Seguros y Réaseguros

Europ Assistance Holding

Generali Asia N.V.

Generali China Life Insurance Co. Ltd.
Deputy chairman

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

Generali Finance B.V.

Generali France S.A.
Deputy chairman

Generali Holding Vienna AG
Deputy chairman

Generali (Schweiz) Holding

La Estrella S.A.

Migdal Insurance Co. Ltd.

Migdal Insurance Holdings Ltd.

Participatie Maatschappij Graafschap Holland N.V.

Transocean Holding Corporation

Herbert Bludau-Hoffmann

–

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

Astrid Evers

–

Uwe Foullong

a) DBV-Winterthur Holding AG

DBV-Winterthur Lebensversicherung AG

Daniel Hampel

–

Dr.-Ing. Otto Happel

a) GEA Group AG*)
(formerly: mg technologies AG)

Dr. jur. Heiner Hasford

a) Europäische Reiseversicherung AG
Chairman

MAN AG*)
(*until June 3, 2005)*

Nürnberger Beteiligungs-AG*)

WMF Württembergische Metallwarenfabrik AG*)

within group:

D.A.S. Deutscher Automobil Schutz – Allgemeine Rechtsschutz-Versicherungs-AG

ERGO Versicherungsgruppe AG

VICTORIA Lebensversicherung AG

VICTORIA Versicherung AG

b) **within group:**

American Re Corporation

Sonja Kasischke

–

Wolfgang Kirsch

a) Commerz Business Consulting AG
Chairman

b) COLLEGIUM GLASHÜTTEN Zentrum für Kommunikation GmbH

Werner Malkhoff

–

Klaus Müller-Gebel

a) comdirect bank AG
Deputy chairman

Deutsche Schiffsbank AG

Eurohypo AG

Dr. Sabine Reiner

–

Dr. Erhard Schipporeit

a) Deutsche Börse AG*)
(since October 7, 2005)

SAP AG*)
(since May 12, 2005)

Talanx AG

within group:

Degussa AG

E.ON Ruhrgas AG

E.ON IS GmbH
(since January 11, 2005)

b) HDI V.a.G.

within group:

E.ON Audit Services GmbH
Chairman

E.ON Risk Consulting GmbH
Chairman

E.ON UK plc

E.ON US Investments Corp.

Dr.-Ing. Ekkehard D. Schulz

a) AXA Konzern AG*)

Bayer AG*)
(since April 29, 2005)

Deutsche Bahn AG

MAN AG*)
Chairman (since June 3, 2005)

RAG AG
Deputy chairman

TUI AG*)

within group:

ThyssenKrupp Automotive AG
Chairman

ThyssenKrupp Elevator AG
(since October 1, 2005)
Chairman
(since October 26, 2005)

ThyssenKrupp Services AG
Chairman

ThyssenKrupp Steel Beteiligungen AG
(formerly: ThyssenKrupp Steel AG)
Chairman
(until December 9, 2005)

b) **within group:**

ThyssenKrupp Budd Company

Prof. Dr. Jürgen F. Strube

a) Allianz Lebensversicherungs AG

BASF AG
Chairman

Bayerische Motorenwerke AG

Bertelsmann AG
Deputy chairman

Fuchs Petrolub AG
Chairman

Hapag-Lloyd AG

Linde AG

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

Dr. Klaus Sturany

a) Hannover Rückversicherungs AG*⁾

Heidelberger Druckmaschinen AG*⁾

RAG AG

within group:

RWE Power AG

RWE Energy AG

RWE Systems AG
(since July 7, 2005)
Chairman
(since September 8, 2005)

RWE Umwelt AG
(until February 24, 2005)

b) Österreichische Industrieholding AG

within group:

RWE Npower Holdings Plc

RWE Thames Water plc

RWE Trading GmbH
(until April 30, 2005)

Dr.-Ing. E.h. Heinrich Weiss

a) Deutsche Bahn AG

HOCHTIEF AG*⁾

Voith AG

within group:

SMS Demag AG
Chairman

b) Thyssen-Bornemisza Group

Bombardier Inc.*⁾
(since January 25, 2005)

within group:

Concast AG
Vice-President

Employees of Commerzbank AG

Information pursuant to Art. 340a, (4), no. 1, HGB
As of December 31, 2005

Manfred Breuer

Schumag AG

Bernd Förster

SE Spezial Electronic AG

Bernd Grossmann

Textilgruppe Hof AG

Herbert Huber

Saarländische Investitionskreditbank AG

René Kaselitz

CommerzLeasing und Immobilien AG

Andreas Kleffel

Adolf Ahlers AG

Dr. Renate Krümmer

Hypothekenbank in Essen AG

Klaus Kubbetat

Pensor AG

Burkhard Leffers

CommerzLeasing und Immobilien AG

Goodyear Dunlop Tires Germany GmbH

Kolbenschmidt Pierburg AG

Michael Mandel

COMINVEST Asset Management GmbH

Commerz Grundbesitz-Investmentgesellschaft mbH

COMMERZ PARTNER Beratungsgesellschaft für Vorsorge- und Finanzprodukte mbH

Dr. Dirk Mattes

COMMERZ PARTNER Beratungsgesellschaft für Vorsorge- und Finanzprodukte mbH

MEWA Textil-Service AG & Co. Management OHG

Wilhelm Nüse

Rasmussen GmbH

Michael Schmid

CommerzLeasing und Immobilien AG

Dr. Friedrich Schmitz

COMINVEST Asset Management GmbH

Frank Schulz

Woba Dresden GmbH

Arno Walter

ConCardis GmbH

Martin Zielke

COMINVEST Asset Management GmbH

CommerzLeasing und Immobilien AG

Commerz Grundbesitz-Investmentgesellschaft mbH

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

glossary

Ad hoc disclosure
A key objective of ad hoc disclosure is to prevent insider trading. Art. 15 of the German Securities Trading Act (*Wertpapierhandelsgesetz* – WpHG) requires issuers whose securities are admitted to official trading or to the Regulated Market to make disclosures on an ad hoc basis. A new fact has to be disclosed if it has occurred within the company's area of activity and is not familiar to the public. In addition, the new fact must affect the issuer's net assets or financial position or its general business progress and must exert a considerable influence on the market price of the listed securities or, in the case of listed bonds, must impair the issuer's ability to meet its obligations.

ADR (American Depositary Receipts)
In order to make trading easier in non-US equities, US banks issue depositary receipts for equities, whose originals are kept as a rule in their country of origin. These may be traded like equities on American stock exchanges, but can be issued in various forms. An ADR may, for instance, securitize merely part of a share, thereby creating an apparently cheaper price for it.

Asset-backed securities (ABS)
Securities whose interest payment and repayment of principal are covered, or backed, by the underlying pool of claims. As a rule they are issued by a special-purpose entity in securitized form.

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 providing the portfolio manager with orientation as regards the composition of portfolios. For another, they serve as a measure of investment performance.

Business continuity planning
A company's emergency planning, covering all of its units.

Cash flow hedge
This entails covering the risk related to future interest payments from a floating-interest balance-sheet transaction by means of a swap. It is measured at fair value.

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
The probability with which a potential loss will not exceed the loss ceiling defined by the value-at-risk.

Corporate governance
Corporate governance establishes guidelines for transparent corporate management and supervision. The recommendations of the German Corporate Governance Code create transparency and strengthen confidence in responsible management; in particular, they serve shareholder protection.

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 default swap (CDS)
A financial instrument for taking over the credit risk from a reference asset (e.g. a security or credit). For this purpose, the buyer of protection pays the seller of protection a premium and receives a compensation payment if a previously specified credit event occurs.

Credit derivative
A financial instrument whose value depends on an underlying claim, e.g. a loan or security. As a rule, these contracts are concluded on an OTC basis. They are used in both proprietary trading and in managing risk. The most frequently used credit derivative product is the credit default swap.

Credit-linked note (CLN)
A security whose performance is tied to a credit event. CLNs are frequently part of a securitization transaction or serve to restructure credit risk in order to satisfy specific customer wishes.

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 loss within a single year; for this reason: also unexpected loss. This approach is based on the idea that the expected loss merely represents the long-term median value for loan losses, which may differ (positively or negatively) from the actual loan losses 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 determined by the price of an underlying object (security, interest rate, currency, credit). These instruments offer greater possibilities for managing and steering 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 is sufficient to cover unexpected losses from risk-bearing items with a high degree of certainty (at Commerzbank currently 99.95%). It is not identical to either equity as shown in the balance sheet or regulatory capital.

Embedded derivatives
Embedded derivatives are components of an underlying 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.

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.

Expected loss
Measure of the potential loss of a loan portfolio which can be expected within a single year on the basis of historical loss data.

Fair value
The price 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.

Financial instruments
Above all, credits or claims, interest-bearing securities, shares, equity investments, liabilities and derivatives are subsumed here.

Futures
The futures contract is a binding agreement committing both parties to deliver or take delivery of a certain number or amount of an underlying security or asset at a fixed price on an agreed date. Unlike options, futures contracts are very strongly standardized.

Goodwill
The difference between the purchase price and the value of the net assets thereby acquired, which remains after the hidden reserves have been realized 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 measuring and recognizing changes in the fair value of derivative transactions.

Hedging
A strategy under which transactions are effected with the aim of providing cover against the risk of unfavourable price movements (interest rates, prices, commodities).

Hybrid financial instruments
These are financing instruments which can be flexibly adjusted to a company's needs. In terms of character, they rank somewhere between borrowed funds and equity, making it always possible to find an optimal balance between the wish to take on risks and the restriction of entrepreneurial management. Typical examples of hybrid financial instruments are subordinated loans, dormant equity holdings and profit-sharing certificates.

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.

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 an appropriate valuation of the company by the capital market.

Letter of comfort
Usually, the commitment of a parent company towards third parties (e.g. banks) to ensure orderly business conduct on the part of its subsidiary and the latter's ability to its meet liabilities.

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 maximum loss. If this trigger is reached, appropriate measures are taken to prevent further losses.

Mark-to-market
Measurement of items 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.

Mezzanine
An Italian word meaning the intermediate storey of a building. A flexible financing instrument between equity and borrowed funds in balance-sheet terms. It is especially suitable for smaller businesses seeking to strengthen their capital base but not wishing to alter their ownership structure.

Netting
The setting-off of items (amounts or risks) which appear on different sides of a balance.

Online banking
A whole series of banking services handled with IT support and offered to customers electronically (by telephone line).

Options
Options are agreements giving one party the unilateral right to buy or sell a previously determined amount of goods or securities at a price established in advance within a defined period of time.

OTC
Abbreviation for "over the counter", which is used to refer to the off-the-floor trading of financial instruments.

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.

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
Standardized assessment of the creditworthiness of companies, countries or of debt instruments issued by them, on the basis of standardized qualitative and quantitative criteria. The rating process forms the basis for determining the probability of default, which in turn is used in calculating the capital needed to back the credit risk. Ratings may be worked out by the Bank itself (internal ratings) or by specialized rating agencies such as Standard&Poor's, Fitch and Moody's (external ratings).

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 pre- and after-tax profit and the average amount of equity as shown in the balance sheet; it indicates the return achieved by the company 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.

Securitization
In a securitization, claims (e.g. loans, trade bills or leasing claims) are pooled and transferred to a special-purpose entity or vehicle (SPV). The SPV raises funds by issuing securities (e.g. ABS or CLNs), placed with potential investors. Repayment and the interest payments on the securities are directly linked to the performance of the underlying claims rather than to that of the issuer.

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 difference between prices or interest rates, e.g. the differential between the buying and the selling price of securities, or the premium paid on a market interest rate in the case of weaker creditworthiness.

Standard risk costs
These represent the average expected calculatory risk costs in a given year (expected loss) or the 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 events, as these cannot as a rule be adequately presented by VaR models. Generally, VaR risk ratios are based on a "normal" market environment, 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.

Sustainability
Sustainability describes business management on a long-term basis which is compatible with acceptable living conditions now and in the future. Its guiding objectives are responsibility for the environment and balanced social relations.

Swaps
Financial instruments in which the swapping of payment flows (interest and/or currency amounts) is agreed over a fixed period. Through interest-rate swaps, interest-payment flows are exchanged (e.g. fixed for floating rate). Currency swaps offer the additional opportunity to eliminate the exchange-rate risk by swapping amounts of capital.

Value-at-risk model (VaR)
VaR refers to a method of quantifying 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

commerzbank group business progress 1968–2005[1)]

	Business volume	Total lending	Customers' deposits	Taxes paid	Allocation to reserves	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
2002	422.1	171.5	95.7	–103.0	–352.0	8,808	54.2	36,566	904
2003	381.6	164.7	100.0	249.0	–2 320.0	9,091	–	32,377	884
2004	424.9	160.5	105.1	352.8	212.3	11,023[2)]	149.6	32,820	965
2005	**444.9**	**164.6**	**102.8**	**408.9**	**836.5**	**13,650**[2)]	**328.4**	**33,056**	**1,039**

1) as from 1997, according to IAS; 2) including minority interests.

commerzbank worldwide

- Foreign branches
- Representative offices
- Group companies and major foreign holdings

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