# COMMERZBANK AKTIENGESELLSCHAFT

**Frankfurt am Main**

# Base Prospectus

as of June 20, 2012

relating to

## Reverse Convertible Notes

COMMERZBANK

# CONTENT

# SUMMARY

This summary provides an overview of what are, in the opinion of the Issuer, the main risks associated with the Issuer and the securities (the "**Securities**" or "**Notes**") issued by the Issuer under this Base Prospectus. This summary is not exhaustive. It should be read as an introduction to this Base Prospectus. Investors should base any decision to invest in the Securities on a review of this Base Prospectus as a whole (including any supplements thereto) as well as the relevant Final Terms and especially the risk factors contained therein.

Commerzbank Aktiengesellschaft (the "**Issuer**", the "**Bank**" or "**Commerzbank**" and, together with its consolidated subsidiaries, "**Commerzbank Group**" or the "**Group**") may have civil liability in respect of this summary; such liability, however, applies only if the summary and the translation (if any) are misleading, inaccurate or inconsistent when read together with the other parts of this Base Prospectus and the relevant Final Terms.

Where a claim relating to information contained in this Base Prospectus and the relevant Final Terms is brought before a court in a member state of the European Economic Area, the plaintiff investor may, under the national legislation of such member state, be required to bear the costs of translating this Base Prospectus (including any supplements thereto) and the relevant Final Terms before the legal proceedings are initiated.

## SUMMARY OF INFORMATION AND SUMMARY OF RISK FACTORS RELATING TO THE SECURITIES

The purchase of Notes issued under this Base Prospectus is associated with certain risks. In respect of Notes that, in view of their specific structure, require a special description of the relevant risk factors, a supplementary description of the special risk factors associated with the relevant Notes in addition to the list set out below will be included in a separate document (the "**Final Terms**") where required. The information set forth hereinafter and in the Final Terms merely describes the major risks that are associated with an investment in the Notes in the Issuer's opinion. In this regard, however, **the Issuer expressly points out that the description of the risks associated with an investment in the Notes does not purport to be exhaustive**.

In addition, the order in which such risks are presented does not indicate the extent of their potential commercial effects in the event that they are realised, or the likelihood of their realisation. The realisation of one or more of said risks may adversely affect the assets, finances and profits of Commerzbank Aktiengesellschaft or the value of the Notes themselves.

Moreover, additional risks that are not known at the date of preparation of this Base Prospectus and the relevant Final Terms or currently believed to be immaterial could likewise have an adverse effect on the value of the Notes.

The occurrence of one or more of the risks disclosed in this Base Prospectus, any supplement and/or the relevant Final Terms or any additional risks may lead to a material and sustained loss and, depending on the structure of the Notes, even result in the partial loss or even the **total loss** of the investor's capital.

**Investors should purchase the Notes only if they are able to bear the risk of losing the capital invested, including any transaction costs incurred.**

Potential investors in the Notes must in each case determine the suitability of the relevant investment in light of their own personal and financial situation. In particular, potential investors should in each case:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and/or the information contained or incorporated by reference in this Base Prospectus or any applicable supplement and all the information contained in the relevant Final Terms;

- have sufficient financial resources and liquidity to bear all of the risks associated with an investment in the Notes;

- understand thoroughly the Terms and Conditions pertaining to the Notes (the "**Terms and Conditions**") and be familiar with the behaviour of any relevant underlying and the financial markets; and

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect the value of their investment and be able to bear the associated risks.

These risk warnings do not substitute advice by the investor's bank or by the investor's legal, business or tax advisers, which should in any event be obtained by the investor in order to be able to assess the consequences of an investment in the Notes. Investment decisions should not be made solely on the basis of the risk warnings set out in this Base Prospectus, any supplement and/or the relevant Final Terms since such information cannot serve as a substitute for individual advice and information which is tailored to the requirements, objectives, experience, knowledge and circumstances of the investor concerned.

## RISK FACTORS RELATING TO THE NOTES

The Notes issued under this Base Prospectus are subject to - potentially major - price fluctuations and may involve the risk of a **complete or partial loss** of the invested capital (including any costs incurred in connection with the purchase of the Notes). Since, in the case of Notes, the Coupon or Redemption Amount or any other amount is linked to an underlying (share, index, metal (i.e. precious or industrial metal), futures contract, bond, currency exchange rate, interest rate or fund (the "**Underlying**"), or to one or more formulae ("**Structured Notes**")), the Notes are investments that might not be suitable for all investors.

The Notes may have complex structures, which the investor might not fully understand. The investor might therefore underestimate the actual risk that is associated with a purchase of the Notes. Therefore, potential investors should study carefully the risks associated with an investment in the Notes (with regard to the Issuer, the type of Notes and/or the Underlying, as applicable), as well as any other information contained in this Base Prospectus, any supplements thereto as well as the relevant Final Terms, and possibly consult their personal (including tax) advisors. Prior to purchasing Notes, potential investors should ensure that they fully understand the mechanics of the relevant Notes and that they are able to assess and bear the risk of a (**total**) loss of their investment. Prospective purchasers of Notes should in each case consider carefully whether the Notes are suitable for them in the light of their individual circumstances and financial position.

It is possible that the performance of the Notes is adversely affected by several risk factors at the same time. The Issuer, however, is unable to make any reliable prediction on such combined effects.

### I. General Risks

- **Deviation of the initial issue price from the market value and impact of incidental costs**

The initial issue price in respect of any Notes is based on internal pricing models of the Issuer and may be higher than their market value. The pricing models of other market participants may deviate from the Issuer's internal pricing models and might produce different results.

The price that might be obtainable in the secondary market for the Notes might be lower than their issue price.

The initial issue price (irrespective of any agio that might be payable) may include commissions and/or other fees relating to the issue and sale of the Notes (including a margin), which are payable to distributors or third parties or may be retained by the Issuer. In addition, the issue price may include costs that are incurred in connection with the hedging of the Issuer's liabilities in relation to the issue of the Notes.

- **Trading in the Notes, reduction in liquidity**

Not every series of Notes that is issued under this Base Prospectus will be included in the unofficial market of, or admitted to trading on, a stock exchange. After the Notes have been included or admitted, their continued permanent inclusion or admission cannot be guaranteed. If such inclusion or admission (provided it took place) cannot be permanently maintained, it is possible that it will will () be significantly more difficult to purchase and sell the relevant Notes. Even if such inclusion or admission takes place, it will not necessarily result in a high turnover in respect of the Notes. .

In addition, there does not exist a market maker for each series of Notes, i.e. someone who undertakes to provide purchasing and selling prices for the Notes pertaining to an issue subject to regular market conditions. Even if there is a market maker, the market maker does not undertake to provide the aforesaid prices under all circumstances. If there is a market maker, it is normally the Issuer that assumes this function.

In particular in the event of extraordinary market conditions or extremely volatile markets, the market maker will normally not provide any purchasing and selling prices. A market maker will provide purchasing and selling prices for the Notes under regular market conditions only. However, even in the event of regular market conditions, the market maker does not assume any legal responsibility towards the holders of the Notes to provide such prices and/or for the fact that such prices provided by the market maker are reasonable. The market maker might undertake towards certain stock exchanges, in accordance with the relevant stock exchange rules, to provide purchasing and selling prices with regard to specific order or securities volumes under regular market conditions. That obligation, however, will be entered into towards the relevant stock exchange. Third parties, including the holders of the Notes, are unable to derive any obligations of the issuer or the market maker in this regard. This means that the holders of the Notes cannot rely on their ability to sell the Notes at a certain time or price. In particular, the market maker is not obliged to buy back the Notes during their term.

Even if market making activities took place at the beginning or during the term of the Notes, this does not mean that there will be market making activities for the full duration of the term of the Notes.

For the aforesaid reasons, it cannot be guaranteed that a secondary market will develop with regard to the respective Notes, which will provide the holders of the Notes with an opportunity to sell on their Notes. The more restricted the secondary market, the more difficult it will be for the holders of the Notes to sell their Notes in the secondary market. This also applies with regard to the Notes' inclusion in an unofficial market of, or admission to trading on, a stock exchange.

- **Determination of the price of the Notes in the secondary market**

If there is a market maker for a series of Notes, such market maker will determine the purchasing and selling prices for such Notes in the secondary market on the stock exchange (if such a secondary market exists) and off the stock exchange on the basis of internal pricing models and a number of other factors. These factors may include the following parameters: actuarial value of the Notes, price of the Underlying, supply and demand with regard to the Notes, costs for risk hedging and risk assumption, margins and commissions.

Some of these factors may not have a consistent effect on the price of the Notes based on the relevant pricing models for the duration of the term, but may be taken into account at the market maker's discretion at an earlier time in a pricing context. This might include a margin included in the issue price, management fees and paid or expected payouts on the Underlying or its components (such as dividends), which - based on the characteristics of the Notes - might be retained by the Issuer. Expected dividends on the underlying or its components may be deducted prior to the "ex dividend" day in relation to the Underlying or its components, based on the expected yields for the entire term or a certain portion thereof. Any dividend estimate used by the market maker in its assessment may change during the term of the Notes or deviate from the dividend generally expected by the market or the actual dividend. This can also affect the pricing process in the secondary market.

Thus, the prices provided by the market maker may deviate from the actuarial value of the Notes and/or the price to be expected from a commercial perspective, which would have formed in a liquid market at the relevant time in which several market makers acting independently of each other provide prices. In addition, the market maker may change the method based on which it determines the prices provided by it at any time, e.g. by changing its pricing models or using other calculation models and/or increasing or reducing the bid/offer spread.

If, during the opening hours of secondary trading in the Notes by the market maker and/or the opening hours of the stock exchanges on which the Notes are admitted or included, the underlying is also traded on its home market, the price of the Notes will be taken into account in the price calculation of the Notes. If, however, the home market of the Underlying is closed while the Notes relating to that Underlying are traded, the price of the Underlying must be estimated. As the Notes issued under this Base Prospectus are also offered at times during which the home markets of the Underlyings are closed, this risk may affect each Notes. In particular, however, this applies to Underlyings that are traded in time zones far away from Central Europe, such as American or Asian shares or share indices from those regions. The same risk occurs where Notes are traded on days during which the home market of the Underlying is closed because of a public holiday. If the price of the Underlying is estimated because its home market is closed, such an estimate may turn out to be accurate, too high or too low within hours in the event that the home market starts trading in the Underlying. Accordingly, the prices provided by the market maker prior to the opening of the relevant home market in respect of the Notes will then turn out to be too high or too low.

- **Restricted secondary trading because of non-availability of electronic trading systems**

The market maker normally provides purchasing and selling prices for on- and off-exchange trading via an electronic trading system. If the availability of the relevant electronic trading system is restricted or even suspended, this will negatively affect the Notes' tradability.

- **No secondary market immediately before final maturity**

The market maker and/or the stock exchange will cease trading in the Notes no later than shortly before their scheduled Maturity Date. However, the price of the Underlying and/or the applicable exchange rate, both of which can be relevant for the determination of the Notes' Redemption Amounts, may still change between the last trading day and the scheduled Maturity Date. This may be to the investor's disadvantage.

In addition, there is a risk that a barrier, which may be stipulated in the Terms and Conditions, is reached, exceeded or breached in another way for the first time prior to final maturity after secondary trading has already ended.

- **Conflicts of interest**

Conflicts of interest can arise in connection with the exercise of rights and/or obligations of the Issuer, the Calculation Agent or any other party (e.g. an index sponsor or external advisor) in accordance with the Terms and Conditions (e.g. in connection with the determination or adaptation of parameters of the terms and conditions), which affect the amounts payable or the assets to be delivered.

The Issuer, the Calculation Agent or another party, as well as any of their affiliates, may enter into transactions in the Notes' Underlyings for their own or their customers' account, which might have a positive or negative effect on the performance of the relevant Underlying and may thus have a negative effect on the value of the Notes.

If the Underlying is a share, there is a possibility that the Issuer, the Calculation Agent or another party, as well as any of their affiliates, may hold shares in the company that issued the Underlying.

The party that performs a specific function in respect of the Notes (e.g. that of calculation agent and/or index sponsor) might have to determine the calculation of the Underlying or calculate its value. This can lead to conflicts of interest if securities issued by that party can be chosen as Underlying.

In addition, the Issuer might issue additional derivative instruments with regard to the Underlying. An introduction of these new competing products can adversely affect the value of the Notes.

In addition, the Issuer and its affiliates might now or in future maintain a business relationship with the issuer of one or more Underlyings (including with regard to the issue of other securities relating to the relevant Underlying or lending, depositary, risk management, advisory and trading activities). Such business activities may be carried out as a service for customers or on an own account basis. The Issuer and/or any of its affiliates will pursue actions and take steps that it or they deem necessary or appropriate to protect its and/or their interests arising there from without regard to any negative consequences this may have for the Notes. Such actions and conflicts may include, without limitation, the exercise of voting rights, the purchase and sale of securities, financial advisory relationships and the exercise of creditor rights. The Issuer and any of its affiliates and their officers and directors may engage in any such activities without regard to the potential adverse effect that such activities may directly or indirectly have on any Notes.

The Issuer and any of its affiliates may, in connection with their other business activities, possess or acquire material (including non-public) information about the Underlying. The Issuer and any of its affiliates have no obligation to disclose such information about the Underlying.

The Issuer may act as market maker for the Notes and, in certain cases, the Underlying. In the context of such market making activities, the Issuer will substantially determine the price of the Notes and possibly that of the Underlying and, thus, the value of the Notes. The prices provided by the Issuer in its capacity as market maker will not always correspond to the prices that would have formed in the absence of such market making and in a liquid market.

- **Hedging risks**

The Issuer and its affiliates may hedge themselves against the financial risks associated with the issue of the Notes by performing hedging activities in relation to the relevant Underlying. Such activities in relation to the Notes may influence the market price of the Underlying to which the Notes relate. This will particularly be the case at the end of the term of the Notes. It cannot be ruled out that the conclusion and release of hedging positions may have a negative influence on the value of the Notes or payments to which the holder of the Notes is entitled.

In addition, investors may not be able to enter into hedging transactions that exclude or limit their risks in connection with the purchase of the Notes. The possibility to enter into such hedging transactions depends on market conditions and the respective Underlying terms and conditions.

- **Interest rate and inflationary risks, currency risks**

The market for the Notes is influenced by the economic and market conditions, interest rates, exchange rates and inflation rates in Europe and other countries and regions. Events in Europe and in other parts of the world can lead to higher market volatility and thus have an adverse effect on the value of the Notes. In addition, the economic situation and the market conditions can have negative consequences for the value of the Notes.

Currency risks for the purchaser arise in particular in those cases where (i) the Underlying is denominated in a different currency than the Notes, (ii) the Notes are denominated in a different currency than the official currency of the purchaser's home country or (iii) the Notes are denominated in a different currency than the currency in which the purchaser receives payments.

Exchange rates are subject to supply and demand factors on the international money markets, which are in turn influenced by macroeconomic factors, speculation and measures implemented by governments and central banks (e.g. foreign exchange controls and restrictions). The value of the Notes or the amount of the potentially due payment might be reduced because of exchange rate fluctuations.

Notes with a so-called "quanto element" (an in-built currency hedge that determines a fixed exchange rate at the time of issue) are not subject to a currency risk in relation to the settlement currency and the currency of the Underlying. During the term of the Notes, the economic value of the quanto hedge may fluctuate depending on various influencing factors.

As payments are made at the fixed exchange rate, the investor will not benefit from a positive development of the exchange rate at the time of maturity in the event of a currency hedge via the quanto element. In addition, when purchasing Notes with a quanto element, investors must assume that the purchase price of the Notes includes costs in respect of the quanto hedge.

- **Offer volume**

The offer volume specified in the relevant Final Terms corresponds to the maximum total amount of Notes offered but is no indication of which volume of Notes will be actually issued. The actual volume depends on the market conditions and may change during the term of the Notes. Therefore, investors should note that the specified offer volume does not allow any conclusions as to the liquidity of the Notes in the secondary market.

- **Use of loans**

If the investor finances the purchase of the Notes through a loan, he – in the event that he loses some or all of the invested capital – has not only to bear the loss incurred but will also have to pay the interest and repay the loan. In that case, the exposure to loss increases considerably. Investors should never assume that they will be able to repay the loan including interest out of the payments on the Notes or – in the case of a sale of the Notes before maturity – out of the proceeds from such sale. The purchaser of Notes rather has to consider in advance on the basis of his financial situation whether he will still be able to pay the interest or repay the loan at short notice if the expected profits turn into losses.

- **Transaction costs**

Transaction costs that are charged by the custodian bank and/or the stock exchange via which an investor places his purchase and/or selling order may reduce any profits and/or increase any losses. In the case of a total loss in respect of a Note, the transaction costs will increase the loss incurred by the relevant investor.

- **Notes are unsecured obligations (Status)**

The obligations under the Notes constitute direct and unconditional obligations of the Issuer that are not subject to a real charge (*nicht dinglich besichert*) and, unless otherwise provided by applicable law, rank at least *pari passu* with all other unsubordinated obligations of the Issuer that are not subject to a real charge. They are neither secured by the Deposit Protection Fund of the Association of German Banks (*Einlagensicherungsfonds des Bundesverbandes deutscher Banken e.V.*) nor by the German Deposit Guarantee and Investor Compensation Act (*Einlagensicherungs- und Anlegerentschädigungsgesetz*).

This means that the investor bears the risk that the Issuer's financial situation may worsen - and that the Issuer may be subjected to a reorganisation proceeding (*Reorganisationverfahren*) or transfer order (*Übertragungsanordnung*) under German bank restructuring law or that insolvency proceedings might be instituted with regard to its assets - and therefore payments due under the Notes can not or only partially be done. **Under these circumstances, a total loss of the investor's capital might be possible.**

The Issuer may enter into hedging transactions in the relevant Underlying, but is under no obligation to do so. If hedging transactions are entered into, they shall exclusively be to the benefit of the Issuer, and the investors shall have no entitlement whatsoever to the Underlying or with respect to the hedging transaction. Hedging transactions entered into by the Issuer shall not give rise to any legal relationship between the investors and the party responsible for the Underlying.

- **Impact of a downgrading of the credit rating**

The value of the Notes is expected to be affected, in part, by investors' general appraisal of the Issuer's creditworthiness. Such perceptions are generally influenced by the ratings given to the Issuer's outstanding securities by rating agencies such as Moody's Investors Services Inc., Fitch Ratings Ltd, a subsidiary of Fimalac, S.A., and Standard & Poor's Ratings Services, a division of The

McGraw Hill Companies, Inc. Any downgrading of the Issuer's rating (if any) by even one of these rating agencies could result in a reduction in the value of the Notes.

- **Reinvestment risk upon Early Redemption**

Following an Early Redemption of the Notes (e.g. in the case of a termination of the Notes by the Issuer), the investor may only be able to reinvest the Redemption Amount on significantly less favourable conditions than before.

- **Applicability of investment restrictions**

Certain investors may be subject to legal investment restrictions.

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities (this particularly applies to Notes). Each potential investor should consult his legal advisers to determine whether and to what extent (a) the purchase of Notes represents a legal investment for him, (b) Notes can be used as collateral for various types of financing and (c) other restrictions apply to his purchase or pledge of any Notes. Investors who are subject to official supervision should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

- **Taxes and other duties**

All taxes or other duties payable at the level of the Issuer or the holders of the Notes on payments made in relation to the Notes are to be borne by the holders of the Notes. The Issuer will not pay any additional amounts to the holders of the Notes on account of any such taxes or duties.

- **Substitution of the Issuer**

If the conditions set out in the Terms and Conditions are met, the Issuer is entitled at any time, without the consent of the holders of the Notes, to appoint another company as the new Issuer with regard to all obligations arising out of or in connection with the Notes in its place. In that case, the holder of the Notes will generally also assume the insolvency risk with regard to the new Issuer.

- **Change of law**

The Terms and Conditions contained in this Base Prospectus are based on relevant laws, judicial decisions and administrative practices in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible amendments of the relevant laws, judicial decisions or change to such laws or administrative practices after the date of this Base Prospectus.

## II. Risks resulting from the structure of the Notes

Certain factors are of great significance with regard to the assessment of the risks associated with an investment in the Notes issued under this Base Prospectus.

- **General**

An investment in the Notes issued under this Base Prospectus entails significant additional risks, which include risks in relation to the Underlying(s) as well as risks solely associated with the Notes themselves.

Such risks include, without limitation:

(a) that the payments to be made under the Terms and Conditions depend on the performance of one or more Underlying(s), so that the Redemption Amount may be lower than the original purchase price of the Note or no payment may take place at all.

A link to the performance of one or more Underlying(s) also has an effect on the value of the Notes. In that context, the value of the Notes will normally fall if the price of the Underlying goes down (without taking into account special characteristics of the Notes and without taking into account currency exchange rate changes in those cases where the Notes are issued in a currency different from the one in which the Underlying is quoted and the Cash Amount is therefore converted).

(b) that, pursuant to the Terms and Conditions of the Notes, payments can occur at times other than those expected by the investor (e.g. in the case of early redemption in the event of an Extraordinary Event as described in the Terms and Conditions);

(c) that the consequences listed in (i) (reduction and/or non-occurrence of repayment) will occur for the particular reason that insolvency proceedings have been instituted with regard to the assets of the issuer of the Underlying or proceedings comparable to insolvency proceedings under German law are instituted or the Issuer ceases its payments or announces that it is unable to pay its debts when due or if similar events occur in relation to the issuer of the Underlying;

(d) that various fees are levied by the Issuer, an affiliate of the Issuer or a third party, which reduce the payments under the Notes. For instance, management fees might be levied with regard to the composition and calculation of an index, basket, fund or other Underlying, or performance or other fees might be incurred in connection with the performance of an Underlying and/or components of such Underlying;

(e) that the performance of an Underlying depends on the expertise of individual persons (in particular if the Underlying is actively managed or the Issuer requires advice regarding the Underlying). If one or more of such persons leave a company that is relevant for the performance of the relevant Underlying or if a contract entered into by one of such persons and the Issuer or the Calculation Agent in relation to the Securities is terminated this may have a material adverse effect on the Securities;

(f) that the risks of investing in the Notes encompass both risks relating to the Underlying and risks that are unique to the Notes as such;

(g) that investors may be unable to hedge their exposure to the various risks relating to the Notes;

(h) that the Underlying to which the Notes relate ceases to exist during the term of the Notes or might be replaced by another Underlying (this not only applies to actively managed Underlyings, but also to Underlyings that are effectively static), and that the investor, depending on the characteristics of the Note and the Underlying, might not always know the future Underlying or its composition when purchasing the Note; and

(i) that the value of Notes on a possible secondary market is subject to greater fluctuations and thus greater risks than the value of other securities as it is dependent on one or several Underlyings. The performance of an Underlying is in turn subject to a series of factors beyond the Issuer's control. Such factors are influenced to a significant degree by the risks on the share, debt and foreign exchange markets, the interest rate development, the volatility of the relevant Underlyings as well as economic, political and regulatory risks, and/or a combination of the aforesaid risks.

The secondary market, if any, for Notes will be affected by a number of additional factors, irrespective of the creditworthiness of the Issuer and the value of the respective Underlying(s). These include, without limitation, the volatility of the relevant Underlying, as well as the remaining term and the outstanding volume of the respective Note.

- **Extraordinary termination, early redemption and adjustment rights**

In accordance with the Terms and Conditions, the Issuer will in some cases be entitled to perform adjustments with regard to the aforesaid Terms and Conditions or to terminate or call for early redemption of the Notes if certain conditions are met. These conditions are described in the relevant Terms and Conditions.

Any adjustment of the Terms and Conditions may have a negative effect on the value of the Notes as well as the Redemption Amount to be claimed by the investor.

If the Notes are terminated, the amount payable to the holders of the Notes in the event of the termination of the Notes may be lower than the amount the holders of the Notes would have received without such termination. The termination amount per Note (the "**Termination Amount**") shall be calculated by the Issuer in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)) by taking into account applicable market conditions and any proceeds realised by the Issuer in connection with transactions concluded by it in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)) for hedging measures in relation to the assumption and fulfilment of its obligations under the Notes (the "**Hedging Transactions**"). Expenses for transactions that were required for winding up the Hedging Transactions will be taken into account as deductible items.

Furthermore, investors bear the risk that they may invest the amounts received upon termination only at a rate of return which is lower than that of the terminated Notes.

- **Early Redemption of the Notes upon Termination by the Issuer ("Issuer Call"), Automatic Early Redemption**

The Terms and Conditions of securities may provide for early redemption rights of the Issuer or automatic early redemption. Any such early redemption provisions may affect the market value of the Notes. Before or during any period during which the Issuer may decide to redeem the Notes, or in which an event triggering automatic early redemption may occur, the market value of the relevant Notes will normally not rise to a level that is significantly above the Redemption Amount. An early redemption of the Notes may result in the expected yield in connection with the investment in the Notes not being reached. In addition, the amount received by the holder of the Notes upon early termination may be lower than the purchase price paid by the holder of the Note or may even be zero, so that some or all of the invested capital may be lost.

In that case as well, the holders of the Notes may be able to invest the amounts received by them in the case of early redemption only in return for a yield that is below the (expected) yield of the Notes that were redeemed early.

- **Maximum Amount**

In the case of Notes where, pursuant to the relevant Terms and Conditions, the payment to be made in connection with the Note is limited to a maximum amount (whether in relation to the Redemption Amount or any other amount), the investor will not participate in any further performance of the Underlying that might be positive for the investor. While, on the one hand, the investor's yield is capped by way of the maximum amount, the investor may, on the other hand, bear the full loss risk in the event of an adverse performance of the Underlying.

- **Market disruption event and postponement of payments**

In the case of Notes, the Issuer may be entitled to determine market disruptions or other events that might result in a postponement of a calculation and/or of any payments and that might affect the value of the Notes.

In addition, in certain cases stipulated in the Terms and Conditions, the Issuer (especially if a market disruption event lasts several days) may estimate certain prices that are relevant with regard to payments or the reaching of barriers (leading to the Notes being worthless). These estimates may deviate from their actual value.

- **Notes that are denominated in foreign currencies and Dual Currency Notes**

If the relevant Note is listed or traded in a currency other than the currency of issue (foreign currency) or if payment is made in a foreign currency, the investor will be exposed to exchange rate risks that may have an adverse effect on the Notes' yield. Exchange rate fluctuations have various causes, such as macroeconomic factors, speculative transactions and interventions by central banks and governments.

A change in the exchange rate of a currency in relation to the EUR, for instance, will result in a corresponding change in the Euro value of Notes that are not denominated in EUR, as well as in a corresponding change in the Euro value of payments that, pursuant to the Terms and Conditions of the relevant Notes, are not made in EUR. The same applies where the Redemption Amount of a Note must be converted into EUR because it is determined on the basis of an Underlying that is not expressed in EUR (e.g. where the Redemption Amount is calculated based on the difference, converted into EUR, between an Underlying expressed in USD and the market price of a share denominated in USD).

If the value of a currency in which the Redemption Amount of a Note is payable or in which the Underlying of a Note is expressed falls in relation to the EUR and the value of the EUR increases accordingly, the Euro value of the relevant Note and/or the value of the payments in connection with the Note converted into EUR will fall.

- **Risks in relation to physical settlement**

The Terms and Conditions may provide that the Notes relating to an Underlying, depending on the performance on the Underlying or based on other conditions, may not have to be redeemed by a cash payment but by delivery of the Underlying (e.g. shares), one of the Underlyings, a component of an Underlying or other securities (the "**Object of Physical Settlement**"). The number of units of the Object of Physical Settlement to be delivered is determined in accordance with the Terms and Conditions of the Notes. Accordingly, in the event that the Notes are redeemed by physical settlement, the investor will not receive a cash payment, but instead units of the Object of Physical Settlement.

The Terms and Conditions may provide that the Issuer is not entitled to a delivery of securities other than those on whose price redemption is based. This means that, although the Underlying is relevant for the redemption type and amount, redemption may take place by delivery of a different security.

This means that investors should obtain information regarding the Objects of Physical Settlement (where applicable) prior to purchasing any Notes and that they should not assume that they will be able to sell the Objects of Physical Settlement for a specific price. The value of an Object of Physical Settlement at the time of its delivery may be significantly lower than at the time of the purchase of the Notes (or than the price paid for the purchase of the Notes) or at the time at which it is decided whether settlement is to take place by physical delivery or cash payment (valuation day). In the event of physical settlement, investors will be exposed to the risks that are associated with the relevant Object of Physical Settlement, such as a loss risk, and may even suffer a total loss.

- **No claim against the issuer of an Underlying**

Notes do not give rise to any payment or other claims towards the issuers of the Underlyings to which those Notes relate. If the payments by the Issuer are less than the purchase price paid by the holder of the Notes, such holder will not have recourse to the issuer of the Underlying.

## III. Risk factors relating to the Underlying

The value of a Note's Underlying depends upon a number of factors that may be interconnected. These may include economic, financial and political events beyond the Issuer's control.

The past performance of an Underlying should not be regarded as an indicator of its future performance during the term of the Notes.

- **Particular risks of Notes with shares as Underlying**

Notes relating to shares are associated with particular risks beyond the Issuer's control, such as the risk that the respective company will be rendered insolvent, the risk that the share price will fluctuate or risks that occur in relation to dividend payments by the company. The performance of the shares depends to a very significant extent on developments on the capital markets, which in turn depend on the general global economic situation and more specific economic and political conditions. Shares in companies with low to medium market capitalisation may be subject to even higher risks (e.g. relating to their volatility or insolvency) than is the case for shares in larger companies. Moreover, shares in companies with low capitalisation may be extremely illiquid as a result of low trading volumes.

Shares in companies which have their statutory seat or significant business operations in countries with limited certainty of law are subject to additional risks such as, for instance, government interventions or nationalisation which may lead to a total or partial loss of the invested capital or of access to the capital invested in that country. This may result in a total or partial loss in relation to the value of the share. The realisation of such risks may also result in a total or partial loss of the invested capital for holders of Notes that are linked to such shares.

Holders of Notes that are linked to shares, unlike investors which directly invest in the shares, do not receive dividends or other distributions payable to the holders of the underlying shares.

If the Underlying consists of registered shares or if the shares contained in an Underlying (e.g. a basket) are registered and the Issuer is obligated under the Terms and Conditions to deliver these registered shares to the investor: the rights arising from the shares (e.g. attendance of the annual shareholder meeting and exercise of the shareholders' voting rights) may generally be exercised only by shareholders whose names are listed in the company's register of members or a similar official list. An obligation of the Issuer to deliver shares is principally limited to the provision of the shares in a form and with characteristics deliverable on the scheduled maturity date in line with relevant stock exchange rules and does not include registration in the register of members. A claim arising from non-performance, particularly for unwinding the transaction or damages, is excluded in such a case.

If the Underlying consists of securities in lieu of shares (e.g. American Depositary Receipts ("**ADRs**") or Global Depositary Receipts ("**GDRs**"), together "**Depositary Receipts**"), additional risks might occur. ADRs are securities issued in the United States of America that take the form of participation certificates in relation to a portfolio of shares held in the home country of the issuer of the underlying shares outside the United States of America. GDRs are also securities that take the form of participation certificates in relation to a portfolio of shares held in the home country of the issuer of the underlying shares. They normally differ from the participation certificates referred to as ADRs in that they are publicly offered and/or issued outside the United States of America. Each Depositary Receipt represents one or more shares or a fraction of a security in a foreign corporation. In the case of both types of Depositary Receipt, the legal owner of the underlying share is the depositary bank, which also acts as the issuing agent of the Depositary Receipts.

Depending on the jurisdiction in which the Depositary Receipts were issued and the laws by which the depositary contract is governed, it cannot be ruled out that the holder of the Depositary Receipts may not be recognised as the actual beneficial owner of the underlying shares in the relevant jurisdiction. Particularly in the case that the depositary bank becomes insolvent and/or debt enforcement proceedings are initiated with regard to it, the relevant underlying shares may be subjected to disposal restrictions and/or utilised commercially in the context of debt enforcement measure undertaken against the depositary bank. In that case, the relevant holder will forfeit the rights in the Underlying shares represented by the relevant Depositary Receipt. This means that the Depositary Receipt as underlying will be rendered worthless, so that the Notes relating to that Depositary Receipt will also be rendered worthless. In such a scenario, the investor faces a risk of total loss subject to a possible unconditional minimum repayment amount or other (partial) capital protection.

It must also be taken into account that the depositary bank may stop offering Depositary Receipts at any time and that, in that case or if the depositary bank becomes insolvent, the issuer of these Notes will, subject to more detailed provisions set out in the Terms and Conditions, be entitled to adjust the Terms and Conditions and/or terminate the Notes.

- **Particular risks of Notes with indices as Underlying**

Notes that are linked to one or several indices involve, in particular, the following risks:

*Dependency on the value of the index components*

The value of an index is calculated on the basis of the value of its components. Changes in the prices of index components, the composition of an index as well as factors that (may) influence the value of the index components also influence the value of the Notes that relate to the relevant index and can thus influence the yield from an investment in the relevant Notes. Fluctuations in the value of one index component may be compensated or aggravated by fluctuations in the value of other index components. The past performance of an index does not represent any guarantee of its future performance. Under certain circumstances, an index used as an Underlying may (i) not be available for the full term of the Notes, (ii) be substituted or (iii) continue to be calculated by the Issuer itself. In these or other cases mentioned in the Terms and Conditions, Notes may also be terminated by the Issuer.

An index may reflect the performance of assets of some countries or some industries only. In that case, investors are exposed to a concentration risk. In the event of an unfavourable economic development in a country or in relation to a particular industry, investors may be adversely affected. If several countries or industries are represented in an index, it is possible that the countries or the industries contained in the relevant index are weighted unevenly. This means that, in the event of an unfavourable development in one country or industry with a high index weighting, the value of the index may be affected disproportionately by this adverse development.

Investors should note that the selection of an index is not based on the expectations or estimates of the Issuer in respect of the future performance of the selected index. Investors should therefore make their own estimates in respect of the future performance of an index on the basis of their own knowledge and sources of information.

*Price index – dividends are not taken into account*

The index referred to in the relevant Terms and Conditions may be a price index. Unlike in the case of performance indices, dividend distributions in relation to the shares contained in price indices will result in a reduction of the index level. This means that investors will not participate in dividends or other distributions in relation to shares contained in price indices.

*No influence of the Issuer*

As a general rule, the Issuer has no influence on the composition and performance of an index underlying a Note or the performance of the relevant index components, unless the Issuer and the index sponsor are identical.

*No liability of the index sponsor*

If the Notes relate to an index that is not calculated by the Issuer, the issue, marketing and distribution of the Notes will normally not be supported by the relevant index sponsor. In that regard, the relevant index is composed and calculated by the respective index sponsor without taking into account the interests of the Issuer or the holders of the Notes. In that case, the index sponsors do not assume any obligation or liability in respect of the issue, sale and/or trading of the Notes.

*No recognised financial indices, no independent third party*

The Notes may relate to one or more indices which are not recognised financial indices but indices that have been specially created for the issuance of the relevant Note. The index sponsors of such indices might not be independent from the Issuer and may thus favour the interests of the Issuer over the interests of the holders of the Notes.

*Currency risks*

The prices of the index components may be expressed in a currency (e.g. USD) that is different from the currency in which the Notes were issued (e.g. EUR). In that case, the Redemption Amount of the Notes and their value during their term may not only depend on the performance of the Underlying, but also on the development of the exchange rates of one or more foreign currencies against the currency of issue.

*Index fees*

Certain fees, costs, commissions or other composition and calculation charges may be deducted when calculating the value of an index. As a result, the performance of the individual index components is not acknowledged in full when calculating the performance of the respective index, but instead the performance is reduced by the amount of such fees, costs, commissions and other charges, which may to some extent erode any positive performance displayed by the individual components. It should also be noted that such costs may well also be incurred if the index returns negative performance, which will reinforce the negative performance even further.

*Index composition publication*

The composition of the indices may have to be published on a website or in other media mentioned in the terms and conditions of the relevant index. The publication of the updated composition of the respective index on the website of the relevant index sponsor might, however, be delayed considerably, sometimes even by several months. In those cases, the published composition may not always correspond to the actual composition of the relevant index.

- **Particular risks in relation to Notes with metals (i.e. precious or industrial metals) as Underlying**

Metals are traded on specialised exchanges or in interbank trading in the form of over-the-counter (OTC) transactions. Holders of Notes linked to the price of metals are exposed to significant price risks as prices of metals are subject to great fluctuations. The prices of metals are influenced by a number of factors, including, inter alia, the following factors:

*Regulatory changes*

The trading in metals is subject to regulations imposed by supervisory authorities or market rules whose application may affect the development of the prices of the relevant metals.

*Direct investment costs*

Direct investments in metals are associated with costs for storage, insurance and taxes. In addition, no interest or dividends are paid on metals. The overall yield of an investment is influenced by these factors.

*Inflation and deflation*

The general development of prices may have a strong effect on the price development of metals.

*Liquidity*

Many markets of metals are not very liquid and may therefore not be able to react rapidly and sufficiently to changes in supply and demand. In case of low liquidity, speculative investments by individual market participants may lead to price distortions.

*Political risks*

Metals are frequently produced in emerging markets and subject to demand from industrialised countries. The political and economic situation of emerging markets, however, is often a lot less stable than that of industrialised countries. Emerging markets are exposed to a greater risk of rapid political changes and adverse economic developments. Political crises can damage investors' confidence, which can in turn influence metals prices. Wars or conflicts may change the supply and demand in relation to certain metals. It is also possible that industrialised countries impose embargoes regarding the export and import of goods and services. This may have a direct or indirect effect on the price of the metals that serve as the Notes' Underlier.

*Supply*

A crisis of supply in the relevant metal may lead to strong and incalculable price fluctuations.

- **Particular risks in relation to Notes with futures contracts as Underlying**

Futures contracts are standardised forward transactions relating to financial instruments such as shares, indices, interest rates or foreign currencies (so-called financial futures) or commodities such as copper and uranium, wheat or sugar (so-called commodities futures).

A futures contract represents the contractual obligation to purchase or sell a certain quantity of the relevant contractual object at a certain date and price. Futures contracts are traded on futures and options exchanges and are standardised for that purpose with regard to size of contract, type and quality of the contractual object and potential delivery places and dates.

As a rule, there is a close correlation between the price performance of an asset that underlies a futures contract and is traded on a spot market and the corresponding futures market. However, futures contracts are generally traded at a premium or discount in relation to the spot price of the underlying asset. This difference between the spot and futures price, which is referred to as "basis" in futures and options exchange jargon, on the one hand results from the inclusion of the costs that are normally incurred in spot transactions (storage, delivery, insurance, etc.) and/or the revenues that are normally associated with spot transactions (interest, dividends, etc.), and on the other hand from the differing valuation of general market factors in the spot and the futures market. In addition, depending on the value, there can be a significant gap in terms of the liquidity in the spot and the corresponding futures market.

As the Notes relate to the futures contracts specified in the Terms and Conditions, investors, in addition to knowing the market for the relevant asset that underlies the relevant futures contract, must have know-how as to the workings and valuation factors of forward/futures transactions in order to be able to correctly assess the risks associated with an investment in those Notes.

As futures contracts expire on a certain date, the Terms and Conditions may provide that the Issuer (particularly in the case of Notes with a longer term), at a time stipulated in the Terms and Conditions, replaces the futures contract provided for as the Underlying in the Terms and Conditions by another futures contract that has a later expiry date than the initial underlying futures contract, but is otherwise subject to the same contractual specifications (so-called "**Roll-over**"). The costs associated with such a Roll-over will be taken into account in accordance with the Terms and Conditions in connection with the adjustment of the Strikes of the Notes in conjunction with the Roll-over and may have a significant effect on the value of the Notes. The Terms and Conditions may provide for additional cases in which the Issuer may replace the initial futures contract and/or change parameters of the Terms and Conditions and/or terminate the Notes.

**[***Futures on Indices*:**][**Index futures contracts

The value of an index is calculated on the basis of the value of its components. Changes in the prices of index components, the composition of an index as well as factors that (may) influence the value of the index components also influence the value of the Notes that relate to futures contracts on the relevant index and can thus influence the yield from an investment in the relevant Notes.**]**

**[***Futures on Commodities*:**][**Commodities futures

Commodities can be divided into several categories, e.g. minerals (e.g. oil, gas or aluminium), agricultural products (e.g. wheat or maize) and metals (e.g. copper, uranium). Most commodities are traded on specialised exchanges or in interbank trading in the form of over-the-counter (OTC) transactions.

Holders of Notes linked to the price of commodities are exposed to significant price risks as prices of commodities are subject to great fluctuations. The prices of commodities are influenced by a number of factors, including, inter alia, the following factors:

*Cartels and regulatory changes*
A number of producers or producing countries of commodities have formed organisations or cartels to regulate supply and therefore influence prices. However, the trading in commodities is also subject to regulations imposed by supervisory authorities or market rules whose application may also affect the development of the prices of the relevant commodities.

*Cyclical supply and demand behaviour*
Agricultural commodities are produced at a particular time of year but are in demand throughout the year. In contrast, energy is produced without interruption; even through it is mainly required during cold or very hot times of the year. This cyclical supply and demand pattern may lead to strong price fluctuations.

*Direct investment costs*
Direct investments in commodities are associated with costs for storage, insurance and taxes. In addition, no interest or dividends are paid on commodities. The overall yield of an investment is influenced by these factors.

*Inflation and deflation*
The general development of prices may have a strong effect on the price development of commodities.

*Liquidity*
Many markets of commodities are not very liquid and may therefore not be able to react rapidly and sufficiently to changes in supply and demand. In case of low liquidity, speculative investments by individual market participants may lead to price distortions.

*Political risks*
Commodities are frequently produced in emerging markets and subject to demand from industrialised countries. The political and economic situation of emerging markets, however, is often a lot less stable than that of industrialised countries. Emerging markets are exposed to a greater risk of rapid political changes and adverse economic developments. Political crises can damage investors' confidence, which can in turn influence commodity prices. Wars or conflicts may change the supply and demand in relation to certain commodities. It is also possible that industrialised countries impose embargoes regarding the export and import of goods and services. This may have a direct or indirect effect on the price of the commodities that serve as the Notes' Underlier.

*Weather and natural disasters*
Unfavourable weather conditions and natural disasters may have a long-term negative effect on the supply of specific commodities for an entire year. A crisis of supply of this sort may lead to strong and incalculable price fluctuations.**]**

**[***Futures on Bonds*:**][**Bond futures

Holders of Notes linked to bond futures contracts are, in addition to the insolvency risk of Commerzbank AG as the Issuer of the Notes, also exposed to the insolvency risk of the issuers of the bond(s) underlying the respective futures contracts. If the issuer of a bond underlying a futures contract does not punctually perform its obligations under the relevant bond or becomes insolvent, this will cause the value of the bond to fall (possibly to zero) and can in turn lead to significant price losses of the respective futures contracts and therefore of the Notes themselves. This may possibly lead to a total loss of the invested capital for the holder of the Notes.**]**

- **Particular risks in relation to Notes with currencies exchange rates as Underlying**

Exchange rates indicate the value ratio of a certain currency against another currency, i.e. the number of units in one currency that may be exchanged for one unit in the other.

Exchange rates are derived from the supply and demand in relation to currencies in the international foreign exchange markets. On the one hand, they are influenced by various economic factors, such as the rate of inflation in the relevant country, interest differences abroad, the assessment of the relevant economic development, the global political situation, the convertibility of one currency into another and the security of a financial investment in the relevant currency. On the other hand, they are influenced by measures undertaken by governments and central banks (e.g. foreign exchange controls and restrictions). In addition to these foreseeable factors, however, other factors might also be relevant that are difficult to estimate, such as factors of a psychological natures (such as crises of confidence in the political leadership of a country or other speculation). In some cases, such psychological factors may have a significant effect on the value of the relevant currency.

- **Particular risks of Notes with bonds as Underlying**

Holders of Notes linked to bonds, in addition to the insolvency risk of Commerzbank AG as the Issuer of the Notes, are also exposed to the insolvency risk of the issuers of such underlying bond(s). If the issuer of a bond underlying a Note does not punctually perform its obligations under the relevant bond or becomes insolvent, this will cause the value of the bond to fall (possibly to zero) and can in turn lead to significant price losses in the secondary market for the Notes and, possibly, a total loss of the invested capital for the holder of the Notes.

- **Particular risks of Notes with interest rates as Underlying**

Interest rates are based on the supply and demand on the international money and capital markets. They are influenced by various economic factors, speculation and measures undertaken by governments and central banks or other political factors. Market interest rates on the money and capital markets are often subject to significant fluctuations, andthe holder of Notes relating to interest rates is exposed to such interest rate fluctuation risks.

- **Particular risks of Notes with funds as Underlying**

Notes that are linked to a fund involve, in particular, the following risks:

*Fees*

The performance of a fund is in part influenced by the fees that are directly or indirectly charged to the fund assets.

The following fees (without limitation) can be regarded as fees directly charged to the fund assets: fund management fees (including fees in respect of administrative tasks), depositary bank fees, standard bank deposit charges, possibly including the standard bank charges for holding foreign securities abroad, printing and distribution costs in relation to the annual and semi annual reports aimed at investors, auditors' fees for auditing the fund, distribution costs, etc. Additional fees and expenses may arise due to the contracting of third parties for services in connection with the management of the fund or the calculation of performance-based portfolio management fees.

In addition to the fees that are directly charged to the fund assets, the fees that are indirectly charged to the fund assets also have a negative effect on the performance of the fund. These indirect fees include (without limitation) management fees that are charged to the fund for investment units held in the fund assets.

*Market* Risk

As price or value reductions in relation to the securities purchased by the fund or other investments are also reflected in the prices of the individual fund units, there is a general risk of falling unit prices. Even if the fund's investments are much diversified, there is a risk that an adverse overall development in certain markets or exchanges can cause unit prices to fall.

*Illiquid Investments*

Funds may invest in assets which are illiquid or subject to a minimum holding period. Therefore, it may be difficult for the fund to sell these assets at all or at a reasonable price when it is required to sell them to generate liquidity. In particular, this can be the case if investors wish to redeem their fund units. The fund may suffer substantial losses if it is forced to sell illiquid assets in order to redeem fund units or if the sale of illiquid assets is only possible at a low price. This may negatively affect the value of the fund and, thus, the value of the Notes.

Investments in illiquid assets may also lead to difficulties in calculating the net asset value of the fund (see below). This, in turn, can result in delays with regard to payments in connection with the Notes.

*Delayed NAV Publication*

Under certain circumstances, the publication of a fund's net asset value may be delayed. This may result in a delayed redemption of the Note and, e.g. in the case of a negative market development, have a negative effect on the value of the Note. In addition, investors bear the risk that, in the case of a delayed redemption of the Notes, their reinvestment of the relevant proceeds may be subject to delays and possibly unfavourable terms.

*Dissolution of a fund*

It cannot be ruled out that a fund may be dissolved during the term of the Notes. In that case, the Issuer or the Calculation Agent will normally be entitled to perform adjustments with regard to the Notes in accordance with the relevant terms and conditions. Such adjustments may, in particular, provide for the substitution of the relevant fund by another fund. In addition, the Note may also be terminated early by the Issuer in that case.

*Postponement or suspension of redemptions*

The fund may redeem no or only a limited quantity of units at the scheduled times that are relevant for the calculation of the Redemption Amount of the Notes. This can result in a delayed redemption of the Notes if such a delay is provided for in the terms and conditions in the event that the termination of the hedge transactions concluded by the Issuer at the time of the issue of the Notes is delayed. In addition, such a scenario may negatively affect the value of the Notes.

*Concentration on certain countries, industries or investment classes*

The fund may concentrate its investments on assets relating to certain countries, industries or asset classes. This may lead to price fluctuations in relation to the fund that are higher and occur within a shorter period of time than would be the case if the risks were more diversified between industries, regions and countries.

*Currency risks*

The Notes may be linked to funds which are denominated in another currency than the currency in which the Notes are denominated or to funds which invest in assets that are denominated in another currency than the Notes. Investors may therefore be subject to a significant currency risk.

*Markets with limited certainty of law*

Funds that invest in markets with limited certainty of law are subject to certain risks such as, for instance, unexpected government interventions, which may lead to a reduced fund value. The realisation of such risks may also result in a total or partial loss of the invested capital for the holder of the Notes that are linked to such a fund.

*Effects of regulatory framework conditions*

Funds might not be subject to any regulation or may invest in investment vehicles which are not subject to any regulation. Conversely, the introduction of regulation of a previously unregulated fund may create significant disadvantages for such funds.

*Dependency on Asset Managers*

The performance of the fund will depend on the performance of the assets selected by the fund's asset manager for the purposes of implementing the relevant investment strategy. In practice, the performance of a fund largely depends on the competence of the managers taking investment decisions. The resignation or substitution of such persons may lead to losses and/or the dissolution of the relevant fund.

The investment strategies, restrictions and objectives of funds can provide an asset manager with significant room for manoeuvre when investing the relevant assets, and there is no guarantee that the asset manager's investment decisions will result in profits or provide efficient protection from market or other risks. There is no guarantee that a fund will succeed in implementing the investment strategy detailed in its sales documentation. This means that, even if the performance of a fund with similar investment strategies is favourable, a fund (and thus the Notes) may undergo a negative performance.

*Particular Risks in relation to Funds of Funds*

If so-called funds of funds, i.e. investment funds that substantially invest in other funds ("**target funds**"), underlie the Notes, the performance of the target funds will have a significant effect on the performance of the Notes.

The risks associated with the target fund units acquired for the fund(s) are closely related to the risks associated with the assets contained in, and/or the investment strategies pursued by, the relevant target funds. However, the aforesaid risks can be mitigated by diversifying the assets within the target funds and by way of a diversification of the fund(s).

As the managers of the individual target fund(s) act independently of one another, however, it is possible that several target funds pursue the same or diametrically opposed investment strategies. This can result in the accumulation of existing risks, and possible opportunities may be cancelled out.

The Issuer will often not be aware of the current composition of the target funds. If their composition does not correspond to the Issuer's assumptions or expectations, this may have a negative effect on the investors in the Notes because the actions of the issuer of the Notes will be delayed.

*Particular Risks in relation to Hedge Fund Units*

If the Notes relate to fund units in a so-called hedge fund, the particular risks set out below may occur, which may have a negative effect on the value of the underlying fund units and, thus, the value of the Notes themselves.

Hedge funds are generally permitted to utilise highly risky investment strategies and techniques as well as highly complex capital investment instruments. The assets managed by hedge funds are often invested in derivative instruments such as options and futures in the international futures markets.

Short sales and the use of additional borrowed funds may also form part of a hedge fund's investment strategy. It is not possible to provide a comprehensive or even exhaustive list of all investment strategies that may be pursued by hedge funds. When choosing individual investments and implementing a hedge fund's strategy, the manager has significant room for manoeuvre since he/she is subject to only a few contractual and statutory restrictions. Therefore, investors in hedge funds are even more dependent on the suitability and skills of the relevant manager.

The use of highly risky and complex investment techniques and strategies by hedge funds may result in high losses. As part of their investment strategy, some hedge funds purchase risky securities, e.g. from companies facing economic difficulty and possibly undergoing complex restructuring processes.

The success of such measures, however, is uncertain, so that these hedge fund investments are associated with significant risks and are exposed to a high loss risk.

If a hedge fund engages in short selling, it sells securities it does not possess at the time of the transaction and has to procure from third parties by way of securities borrowing. As a short seller, the hedge fund expects the price of the security to fall and therefore relies on its ability to purchase the security at a more favourable price at a later date. A profit is to be generated from the difference between the original sales proceeds and the later actual purchase price. If, however, a different price development occurs (i.e. the price of the short-sold security rises), the hedge fund is exposed to a loss risk that is theoretically unlimited because it must purchase the borrowed securities on current standard market terms in order to return them to their lender.

For the purposes of implementing their investment strategies, hedge funds may utilise all types of derivatives which are traded on and off stock exchanges and which come with the specific risks associated with investments in derivative instruments. Especially as a party to an option or forward transaction (e.g. currency forward, futures and swap transactions), the hedge fund is exposed to a high loss risk if the market development anticipated by it or its manager is not realised. In the case of exchange-traded or other derivatives, the hedge fund is also exposed to a counterparty credit risk.

Hedge funds often largely finance their investments by way of borrowing. This can result in a so-called leverage effect because capital in addition to that provided by the investors can be invested. In the event of a negative market development, the hedge fund is exposed to an increased loss risk because interest and principal repayments have to be made in any case with regard to the borrowed funds. If all of the invested capital is lost, the units in a hedge fund are rendered worthless.

*Particular Risks in relation to Funds of Hedge Funds*

Funds of hedge funds invest in various single hedge funds which, in turn, implement a multitude of different and potentially highly risky investment strategies. If the Notes relate to fund units in a fund of hedge funds, the following risks in addition to those mentioned in the above paragraphs entitled Risks in relation to Funds of Funds and Particular Risks in relation to Hedge Fund Units may occur, which may have a negative effect on the value of the units in the fund of hedge funds and, thus, the value of the Notes themselves. Each hedge fund in which a fund of hedge funds invests may charge fees that can in part be well above the market average and may be dependent on or independent of the performance of the hedge fund or its net assets. Thus, the relevant fees may cumulate or double.

*Particular Risks in relation to Exchange Traded Funds*

If the Notes relate to units in an Exchange Traded Fund ("ETF"), the particular risks set out below may occur, which may have a negative effect on the value of the underlying ETF units and, thus, the value of the Notes themselves.

ETFs pursue the objective of tracking, as accurately as possible, the performance of an index, basket or particular individual assets. Thus, the value of an ETF is particularly dependent upon the performance of the individual index or basket components and/or assets. However, it cannot be ruled out that the performance of the ETF does not correspond to that of the index, basked or individual asset (so-called "tracking error").

Unlike other investment funds, there is generally no active management of ETFs by the issuing investment company. This means that decisions regarding the purchase of assets are dictated by the index, basket or individual assets. If the value of the underlying index falls, this may thus result in an unlimited price loss risk in relation to the ETF, which may have a negative effect on the value of the Notes.

*Particular Risks in relation to Property Funds*

If the Notes relate to fund units in a property fund, the particular risks set out below may occur, which may have a negative effect on the value of the underlying fund units and, thus, the value of the Notes themselves.

Property investments are subject to risks that may affect the value of the fund units in the event of changes in the yields, expenses and the fair market value of the relevant properties. The same applies to properties held by property developers. Risks may arise from (without limitation) vacant properties, lost rents, unforeseen maintenance expenses or building cost increases, risks in relation to third-party warranty claims, risks in connection with existing contamination and the defaulting of contracting parties. If a property fund acquires an interest in a property development company, this may give rise to risks in relation to the company's legal form as well as in connection with a possible defaulting of shareholders/partners or changes in the tax and corporate frameworks. In the event of properties abroad, additional risks may arise from, for instance, deviating laws and tax rules. Currency and transfer risks might also apply in this regard.

Unlike with other investment funds, the redemption of the units in a property fund may be suspended by up to two years if the fund's available funds, in the case of a large number of redemption requests, are insufficient as to cover the payment of the redemption price and to safeguard proper management or cannot be provided at short notice. This may result in a delay in the redemption of the Notes. In addition, such a scenario may negatively affect the value of the Notes because the redemption price paid by the property fund, following continued redemption, may be lower than prior to the suspension.

All relevant information regarding a specific issue of Notes, such as their Terms and Conditions, calculations regarding the redemption amount or other amounts, issue price, issue date, underlying(s) (where applicable), market disruptions, settlement disruptions, adjustments, certain risk factors, clearing system, ISIN or other securities IDs, stock exchange listing, certification of the securities (stating the respective clearing system including the pertaining address) and any other information is set out in the respective Final Terms.

**Additional risks (e.g. in relation to the Underlying(s), payment profiles and structures) may be set out in the relevant Final Terms.**

## IV. Special risks relating to the Notes issued under this Base Prospectus

### Reverse Convertible Notes

- ***General***

[cash settlement:]**[**The Notes will be redeemed at the Maturity Date either at par or at a Redemption Amount, which will be calculated according to a formula set out in the Terms and Conditions and which will be depending on the Reference Price of the Underlying of the Notes on the Valuation Date.

The Notes will be redeemed at par, if on the Valuation Date the Reference Price of the Underlying (share, index, metal (i.e. precious or industrial metal), currency exchange rate, futures contract, bond, interest rate or fund) is not below the [Classic:]**[**Strike**]** [Protect:]**[**Barrier**]** set out in the Terms and Conditions. Otherwise the Redemption Amount will be calculated by multiplying the nominal amount of a Note with the performance of the Underlying, whereas the performance will be determined by dividing the Reference Price of the Underlying on the Valuation Date by the Strike.**]**

[delivery:][The Notes will be redeemed at the Maturity Date either at par or by delivery of **[**shares**][**certificates**][***securities***]** as set out in the Terms and Conditions. If the redemption will be made by delivery of **[**shares**][**certificates**][***securities***]** or by payment of the nominal amount, will be determined as to whether the Reference Price of the Underlying on the Valuation Date is below the [Classic:]**[**Strike] [Protect:]**[**Barrier**]**. If the Reference Price is exceeded by the [Classic:]**[**Strike**]** [Protect:]**[**Barrier**]**, the Notes will be redeemed by delivery of **[**shares**][**certificates**][***securities***]**, otherwise the Notes will be redeemed at par.**]**

[interest run of more than 1 year, but 1 coupon payment only:]**[**The coupon payment will be due on the Maturity Date. Any further payment of coupons is not scheduled.**]**

[Floating Rate Notes:]**[**● ***Floating Interest Rate***

The holder of the Notes should note that the interest rate for these Notes is not fixed. The interest rate for each quarterly interest period will refer to the 3 months EURIBOR.][●]

In addition, investors should pay particular attention to the following points:

● ***Loss risks***

[cash settlement:]**[**It should be noted that in the case of a proceeding loss in the price of the Underlying of the Notes the probability increases that the Notes will be redeemed at an amount less than the nominal amount. As a result, the Noteholder could suffer significant losses with respect to the purchase price paid. Due to the limited maturity of the Notes, the Noteholder should not rely on any recovery of the price of the Underlying prior to the Valuation Date.**]** [Strike not equal Barrier]**[**The Noteholder will especially suffer a loss if the Reference Price of the Underlying on the Valuation Date is below the Strike and the interest payment(s) could not compensate the gap between the Redemption Amount and the nominal amount**]**

[delivery:]**[**It should be noted, that in case of a proceeding loss in the price of the Underlying of the Notes, the Notes will be redeemed by delivery of **[**shares**][**certificates**][***securities***]** the value of which will be less than the purchase price paid for the Notes. This means that the Notes will be redeemed at an amount less than the nominal amount. As a result, the Noteholder could suffer significant losses with respect to the purchase price paid. Due to the limited maturity of the Notes, the Noteholder should not rely on any recovery of the price of the Underlying prior to the Valuation Date. **[**Strike not equal Barrier]**[**The Noteholder will especially suffer a loss if the Reference Price of the Underlying on the Valuation Date is below the Strike and the interest payment(s) could not compensate the gap between the value of the shares and the nominal amount.**]**

In case of delivery of shares the relevant shares will be delivered as available and tradable on the Relevant Exchange on the Maturity Date. If the record date for the payment of the dividend for the relevant shares occurs within the period between the Valuation Date and the Maturity Date the Noteholder must take into consideration that the decision whether or not shares will be delivered was taken on the basis of a share price with dividend entitlement (cum dividend entitlement) whereas the shares are delivered with a reduction in dividends (ex dividend entitlement). Consequently, in such a case the Noteholder will not be entitled to receive the nominal amount of the Notes and will in addition obtain shares the price of which already includes the reduction in dividends.**]**

In addition, any economic considerations regarding an investment in the Notes must also take into account the costs associated with their purchase or sale.

● ***Adjustments and Termination by the Issuer***

Subject to particular circumstances as described in greater detail in the Terms and Conditions, the Issuer may be entitled to perform certain adjustments. Such adjustments may have an adverse effect on the value of the Notes.

In addition, the Issuer may be entitled to early terminate the Notes in accordance with the Terms and Conditions. In that case, the Notes will expire prematurely. If the Issuer gives notice of termination regarding the Notes, all outstanding Notes shall be redeemed at the Termination Amount. The Issuer shall determine the Termination Amount for the Notes in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)) by taking into account applicable market conditions, any proceeds realised by the Issuer in connection with transactions concluded by it in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)) for hedging measures in relation to the assumption and fulfilment of obligations under the Notes (the "**Hedging Transactions**"). When determining the Termination Amount, the Issuer may take into account expenses for transactions that were required for winding up the Hedging Transactions as deductible items.

● ***Redemption only upon maturity; sale of the Notes***

It is a feature of the Notes that, except in the case of a Termination of the Notes by the Issuer (§ 6 of the Terms and Conditions), an automatic payment of the Redemption Amount **[**or delivery of **[**shares**][**certificates**][***securities***]]** to the Noteholders is foreseen only on the Maturity Date set out in the Terms and Conditions.

Prior to the Maturity Date, the economic value represented by the Notes may be realised only by way of a sale of the Notes. A sale of the Notes, however, is contingent upon the availability of market participants who are prepared to purchase the Notes at a corresponding price. If no such market participants are available, it may not be possible to realise the value of the Notes. In particular, investors cannot expect that there will be a liquid market for the Notes under all circumstances and therefore, they also cannot expect that the assets invested in the Notes may be realised at any time by way of a sale of the notes. For that reason, investors should be prepared to hold the Notes until the Maturity Date.

**[***Other product-specific risk factors:***]**
**[●]**

**<u>Reverse Convertible Notes Plus</u>**

● ***General***

[cash settlement:]**[**The Notes will be redeemed at the Maturity Date either at par or at a Redemption Amount which will be calculated according to a formula set out in the Terms and Conditions and which will depend on the price of the Underlying during the Montioring Period as well as on the Reference Price of the Underlying of the Notes on the Valuation Date.

The Notes will be redeemed at par, if the price of the Underlying is at no time during a Monitoring Period equal to or below the Barrier set out in the Terms and Conditions <u>or</u> if on the Valuation Date the Reference Price of the Underlying is not below the Strike set out in the Terms and Conditions. Otherwise the Redemption Amount will be calculated by multiplying the nominal amount of a Note with the performance of the Underlying, whereas the performance will be determined by dividing the Reference Price of the Underlying on the Valuation Date by the Strike.**]**

[delivery:]**[**The Notes will be redeemed at the Maturity Date either at par or by delivery of **[**shares**][**certificates**][***securities***]** as set out in the Terms and Conditions. The type of redemption is depending on the price of the Underlying during a fixed Monitoring Period as well as on the Reference Price of the Underlying on the Valuation Date.

The Notes will be redeemed at par, if the price of the Underlying is at no time during a Monitoring Period equal to or below the Barrier set out in the Terms and Conditions <u>or</u> if on the Valuation Date the Reference Price of the Underlying is not below the Strike set out in the Terms and Conditions. Otherwise the Notes will redeemed by delivery of **[**shares**][**certificates**][***securities***]. ]**

[interest run of more than 1 year, but 1 coupon payment only:**][**The coupon payment will be due on the Maturity Date. Any further payment of coupons is not scheduled.**]**

[Floating Rate Notes:]**[**● ***Floating Interest Rate***

The holder of the Notes should note that the interest rate for the Notes is not fixed. The interest rate for each quarterly interest period is related to the 3 months EURIBOR.][●]

In addition, investors should pay particular attention to the following points:

● ***Loss risks***

[cash settlement:]**[**It should be noted that in the case of a proceeding loss in the price of the Underlying of the Notes, the probability increases that the Notes will be redeemed at an amount less than the nominal amount. This is especially the case if the price of the Underlying during the Monitoring Period is at least once equal to or below the Barrier. As a result, the Noteholder could suffer significant losses with respect to the purchase price paid. Due to the limited maturity of the Notes, the Noteholder should not rely on any recovery of the price of the Underlying prior to the Valuation Date.**]**

[delivery:]**[**It should be noted, that in case of a proceeding loss in the price of the Underlying of the Notes, the Notes will be redeemed by delivery of **[**shares**][**certificates**][***securities***]** the value of which will be less than the purchase price paid for the Notes. This means that the Notes will be redeemed at an amount less than the nominal amount. As a result, the Noteholder could suffer significant losses with respect to the purchase price paid. Due to the limited maturity of the Notes, the Noteholder should not rely on any recovery of the price of the Underlying prior to the Valuation Date.**]**

**[**In case of delivery of shares the relevant shares will be delivered as available and tradable on the Relevant Exchange on the Maturity Date. If the record date for the payment of the dividend for the relevant shares occurs within the period between the Valuation Date and the Maturity Date the Noteholder must take into consideration that the decision whether or not shares will be delivered was taken on the basis of a share price with dividend entitlement (cum dividend entitlement) whereas the shares are delivered with a reduction in dividends (ex dividend entitlement). Consequently, in such a case the Noteholder will not be entitled to receive the nominal amount of the Notes and will in addition obtain shares the price of which already includes the reduction in dividends.**]**

In addition, any economic considerations regarding an investment in the Notes must also take into account the costs associated with their purchase or sale.

- ***Adjustments and Termination by the Issuer***

Subject to particular circumstances as described in greater detail in the Terms and Conditions, the Issuer may be entitled to perform certain adjustments. Such adjustments may have an adverse effect on the value of the Notes.

In addition, the Issuer may be entitled to early terminate the Notes in accordance with the Terms and Conditions. In that case, the Notes will expire prematurely. If the Issuer gives notice of termination regarding the Notes, all outstanding Notes shall be redeemed at the Termination Amount. The Issuer shall determine the Termination Amount for the Notes in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)) by taking into account applicable market conditions, any proceeds realised by the Issuer in connection with transactions concluded by it in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)) for hedging measures in relation to the assumption and fulfilment of obligations under the Notes (the "**Hedging Transactions**"). When determining the Termination Amount, the Issuer may take into account expenses for transactions that were required for winding up the Hedging Transactions as deductible items.

- ***Continous observation of the price of the Underlying and observation of the price of the Underlying on the Valuation Date***

In order to determine whether the price of the Underlying during the Monitoring Period is at least once equal to or below the Barrier, all prices of the Underlying are observed while for the determination of the price of the Underlying on the Valuation Date is equal to or below the Strike Price, only the Reference Price is observed.

- ***Redemption only upon maturity; sale of the Notes***

It is a feature of the Notes that, except in the case of a Termination of the Notes by the Issuer (§ 6 of the Terms and Conditions), an automatic payment of the Redemption Amount or delivery of **[**shares**][**certificates**][***securities***]** to the Noteholders is foreseen only on the Maturity Date set out in the Terms and Conditions.

Prior to the Maturity Date, the economic value represented by the Notes may be realised only by way of a sale of the Notes. A sale of the Notes, however, is contingent upon the availability of market participants who are prepared to purchase the Notes at a corresponding price. If no such market participants are available, it may not be possible to realise the value of the Notes. In particular, investors cannot expect that there will be a liquid market for the Notes under all circumstances and therefore, they also cannot expect that the assets invested in the Notes may be realised at any time by way of a sale of the notes. For that reason, investors should be prepared to hold the Notes until the Maturity Date.

**[***Other product-specific risk factors:***]**
**[●]**

**Additional risks (e.g. in relation to the Underlying(s), payment profiles and structures) may be set out in the relevant Final Terms.**

**SUMMARY OF INFORMATION RELATING TO COMMERZBANK AKTIENGESELLSCHAFT AND SUMMARY OF RISK FACTORS RELATING TO COMMERZBANK AKTIENGESELLSCHFT**

***Summary of Information relating to Commerzbank Aktiengesellschaft***

Commerzbank Aktiengesellschaft is a stock corporation under German law. The Bank's registered office is located in Frankfurt am Main and its head office is at Kaiserstrasse 16 (Kaiserplatz), 60311 Frankfurt am Main, Federal Republic of Germany (telephone: +49 (0)69 136-20). The Bank is registered in the commercial register of the lower regional court (*Amtsgericht*) of Frankfurt am Main under the number HRB 32 000. The financial year is the calendar year.

As of March 31, 2012 the Commerzbank Group is, according to its own estimates, the second-largest bank in Germany measured by total assets and with approximately 1,200 branches going forward, has one of the densest branch networks of all private German banks through which customers from every group are served. The focus of its activities is on the provision of a wide range of financial services to private, small and medium-sized corporate as well as institutional customers in Germany, including account administration and payment transactions, lending, savings and investment products, securities services, and capital market and investment banking products and services. Furthermore, through its subsidiaries and associated companies, the Group is also active in specialist sectors, such as ship financing and leasing. As part of its comprehensive financial services strategy, the Group also offers other financial services in association with cooperation partners, particularly building savings loans, asset management and insurance. In addition, the Group is expanding its position as one of the most important German export financiers. Alongside its business in Germany, the Group is also active in Central and Eastern Europe, including through its subsidiaries, branches and investments. Outside Germany, the Commerzbank Group had 25 operational foreign branches, 35 representative offices and eight significant subsidiaries in 52 countries as of March 31, 2012. The focus of its international activities lies in Europe.

The following section describes the individual segments of Commerzbank Group:

- ***Private Customers****.* The Private Customers segment was reorganized in 2011 and now includes the Group divisions Private Customers, Direct Banking and Credit: The traditional branch business is concentrated in the Group division <u>Private Customers</u>, offering standardized banking and financial services aligned with typical customer needs, as well as wealth management, which covers asset management and support to affluent private customers in Germany and abroad. Supplementing this division is Commerz Direktservice GmbH, which provides call center services for Private, Business and Wealth Management Customers. The Group Division <u>Direct Banking</u> covers the activities of comdirect bank Aktiengesellschaft ("**comdirect bank**") and European Bank for Fund Services GmbH ("**ebase**") (together, the "**comdirect group**") – direct banks offering their services primarily through the Internet. The credit processing centers for Commerzbank's Private Customers segment in Germany will be centralized in the Group division <u>Credit</u>.

- ***Mittelstandsbank***. This segment comprises the three Group divisions of Mittelstand Germany, Key Customers & International and Financial Institutions. The Group division <u>Mittelstand Germany</u> bundles the business with SME customers, the public sector and institutional customers in Germany. The Group division <u>Key Customers & International</u> focuses on providing services to corporate customer groups with sales revenues of over EUR 500 million (unless as "multinational corporates" they are assigned to the Corporates & Markets segment). Smaller firms with higher capital market affinities as well as those with material foreign activities are also advised here; additionally the competence center for customers from the "renewable energies" sector is included in this Group division. Commerzbank (Eurasija) SAO in Russia, the Hungarian Commerzbank Zrt. and the Commerzbank branch offices in the Czech Republic and Slovakia were transferred internally from the Central & Eastern Europe segment to the area of competence of the Mittelstandsbank segment as of January 11, 2012. The units in Russia, Hungary, Czech Republic and Slovakia continue to operate as niche suppliers concentrating on corporate customer business with an emphasis on providing services to German companies in these regional markets and in Central Europe, focusing additionally on local medium-sized customers. The Group division Financial Institutions is responsible for relationships with banks and financial institutions in Germany and abroad, as well as with central banks. One focal point is advising and handling customer import and export activities. A comprehensive range of services and products in the areas of payment transactions, financing solutions, interest-rate and currency management, investment advisory services and investment banking will be offered to the customers of the Group division through domestic and foreign branches in Western Europe and Asia.

- ***Central & Eastern Europe***. This segment covers the Group's activities in the universal banking business and direct banking business in Central and Eastern Europe, in particular the Polish BRE Bank as well as the Ukrainian Public Joint Stock Company "Bank Forum" ("**Bank Forum**"). The Central and Eastern Europe segment is intended to push forward the expansion of the universal banking business and direct banking activities in the region. Customers include private customers, local companies in Central and Eastern Europe, as well as companies active in this region.

- ***Corporates & Markets****.* This segment comprises the Group divisions Equity Markets & Commodities (trading and marketing of shares, share derivatives and primary commodities), Fixed Income & Currencies (trading and marketing of interest and foreign currency instruments and their derivatives as well as credit derivatives), Corporate Finance (financing and advisory services for equity and debt capital instruments and advice on mergers and acquisitions) and Client Relationship Management (service for customers with an affinity for capital market products), supported by Research (securities and company analysis). In addition, Credit Portfolio Management (central credit portfolio management of the segment), a new Group division which emerged on April 1, 2012 from a subdivision of Corporate Finance, will be formed as of July 1, 2012.

- ***Asset Based Finance****.* This segment currently breaks down into the Group divisions Commercial Real Estate Germany, Commercial Real Estate International and Public Finance, mainly operated by Commerzbank subsidiary Eurohypo Aktiengesellschaft ("**Eurohypo**"), as well as Eurohypo's retail banking business. The product portfolio ranges from traditional fixed-rate loans through structured financing to capital market products. The segment also includes the Group division Asset Management & Leasing, which primarily represents the activities of the Commerzbank subsidiary Commerz Real AG. The Bank is both an asset manager with an emphasis on real estate as well as a provider of leasing and investment solutions. Finally, the segment includes the Group division Ship Finance, comprising the ship financing businesses of Commerzbank and the former Deutsche Schiffsbank Aktiengesellschaft ("**Deutsche Schiffsbank**"), which was merged into Commerzbank in May 2012. Commerzbank will continue to employ the brand "Deutsche Schiffsbank". As a result of the restriction imposed by the European Commission to liquidate Eurohypo, the Asset Based Finance segment will be divided up as of July 1, 2012: The Group division Public Finance, the Commercial Real Estate portfolios outside the target markets of Germany, the United Kingdom, France and Poland and those with a low coverage ratio or heightened risk within the target markets, as well as the non-core business with private customers will be transferred to the new Group internal reduction unit, Non Core Assets ("**NCA**"). The reduced Commercial Real Estate core portfolio, the Group division Ship Finance and the Group division Asset Management & Leasing will form the new, core bank segment Real Estate & Ship Finance ("**RES**"). The core business of Eurohypo with private customers (private construction financing) will be integrated into the Private Customers segment, and the "Eurohypo" brand is to be discontinued due to the EU conditions.

- ***Portfolio Restructuring Unit****.* The Portfolio Restructuring Unit ("**PRU**") was formed in the third quarter of 2009. This segment consolidates certain assets in order to dispose of them in a capitaloptimizing manner. Until the third quarter of 2011, in disposing of these assets the risks and development of these assets over their entire lifetime were taken into account. Since the fourth quarter of 2011 the capital tied up by these assets has been taken into greater account. The current PRU portfolio includes structured credit assets and non-strategic credit products from the trading desk held in the portfolios of Commerzbank, Dresdner Bank Aktiengesellschaft ("**Dresdner Bank**") and Eurohypo. These include problem assets and positions that since 2009 no longer fit within the Commerzbank business model, such as assets related to discontinued proprietary trading and investment banking activities. As of July 1, 2012 the segment is set to be dissolved and the remaining portfolio will in substantial part be transferred into the Corporates & Markets segment.

- ***Others and Consolidation**.* Revenues and expenses not falling within the areas of responsibility of the operating segments are positioned in the Others and Consolidation division. "Others" comprises holdings not assigned to the operating segments as well as Group Treasury. Furthermore, the costs of the Group Services units are reflected here, which – except for integration and restructuring costs – are charged in full to the segments. "Consolidation" includes expenses and revenues that represent the reconciliation of internal management reporting figures shown in segment reporting with the consolidated financial statements in accordance with IFRS. Furthermore, the costs of the Group management units are reflected here, which – except for integration and restructuring costs – are likewise charged in full to the segments.

In response to the financial market crisis, Sonderfonds zur Finanzmarktstabilisierung ("**SoFFin**") contributed silent participations to Commerzbank in December 2008 and June 2009 in the total amount of initially EUR 16.4 billion, and in May 2009 acquired a stake of 25% plus one share of Commerzbank. In connection with the capital measures conducted by Commerzbank in the first and second quarter of 2011 and in March 2012, the silent participations were largely repaid or converted into shares of Commerzbank. The nominal amount of SoFFin's silent participations has, since then, amounted to approximately EUR 1.71 billion. In addition, SoFFin continues to hold 1,398,527,256 shares corresponding to a stake of 25% plus one share of Commerzbank as of the date of this Base Prospectus.

The Board of Managing Directors currently consists of nine members: Martin Blessing (chairman), Frank Annuscheit, Markus Beumer, Stephan Engels, Jochen Klösges, Michael Reuther, Dr. Stefan Schmittmann, Ulrich Sieber and Martin Zielke.

The Supervisory Board consists of twenty members. The members of the Supervisory Board currently are: Klaus-Peter Müller (chairman), Uwe Tschäge (deputy chairman), Hans-Hermann Altenschmidt, Dr.-Ing. Burckhard Bergmann, Dr. Nikolaus von Bomhard, Karin van Brummelen, Astrid Evers, Uwe Foullong, Daniel Hampel, Dr.-Ing. Otto Happel, Beate Hoffmann, Prof. Dr.-Ing. Dr.-Ing. E.h. Hans-Peter Keitel, Alexandra Krieger, Dr. h.c. Edgar Meister, Prof. h.c. (CHN), Dr. rer. oec. Ulrich Middelmann, Dr. Helmut Perlet, Barbara Barbara Priester, Mark Roach, Dr. Marcus Schenck and Dr. Gertrude Tumpel-Gugerell.

The auditors of Commerzbank Aktiengesellschaft are PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft.

### *Summary of Risk Factors relating to the Commerzbank Group*

The Issuer is exposed to the risk described below. The realization of these risks may have material adverse effects on the net assets, financial position and results of operations of the Group and therefore on the ability of the Issuer to fulfill its obligations from the Securities.

<u>Market and Bank-related risks</u>

- The global financial market crisis and sovereign debt crisis in the eurozone in particular have put a very significant strain on the net assets, financial position and results of operations of the Group in the past, and it can be assumed that further materially adverse effects for the Group can also result in the future, in particular in the event of a renewed escalation of the crisis. A further escalation of the crisis within the European Monetary Union can have material adverse effects with consequences that even pose a threat to the Group's existence.

- The Group holds a large amount of sovereign debt. Impairments and valuations of such sovereign debt at lower fair values have had very material adverse effects on the net assets, financial position and results of operations of the Group in the past and further adverse effects in the future are to be assumed.

- The Credit Default Swaps (CDSs) on sovereign debt acquired by the Group could fail to serve their hedging purpose. Furthermore, the Group issued Credit Default Swaps on sovereign debt, thereby assuming the default risk of the sovereign debt of third parties. The risk from issued CDSs can materialize, even while the acquired CDSs may at the same time fail to serve their hedging purpose.

- The macroeconomic environment prevailing for some time adversely affects the results of operations of the Group and the strong dependence of the Group on the economic environment, particularly in Germany, can lead to further substantial burdens in the event of a renewed economic downturn.

- The Group's results fluctuate strongly and are heavily influenced by volatile individual components and one-time effects, with the consequence that period results can only be drawn upon to a limited extent for the results of future periods.

- The Group is exposed to counterparty default risk (credit risk) – also in respect of large individual commitments, large loans and advances, and commitments – that is concentrated in individual sectors, so-called "cluster" commitments, as well as loans to debtors that may be particularly affected by the sovereign debt crisis.

- Real estate finance and ship finance are exposed to risks associated in particular with the volatility of real estate and ship prices, including counterparty default risk (credit risk) and the risk of substantial changes in the values of private and commercial real estate and ships held as collateral.

- The Group has a substantial number of non-performing loans in its portfolio and these defaults may not be sufficiently covered by collateral in combination with previously conducted write-downs and established provisions.

- The Group continues to hold a substantial portfolio of securities that are characterized by poor liquidity, low, volatile or unavailable market prices and uncertainty regarding their recoverability, and which the Group wishes to reduce. It is possible that in the future the Group may have to carry out further significant impairments of these securities or sustain further significant losses in the reduction of such portfolios.

- The Group is exposed to the risk of changes in the fair value of its financial instruments.

- Changes to the classification of assets, the relevant accounting standards, regulatory environment or classifications by rating agencies may lead to a revaluation of the Group's assets and accordingly could have an adverse affect on the Group's net assets, financial position and results of operations.

- Contracts with bond and credit insurers, particularly monoline insurers, are exposed to a significant risk of default as these insurance companies are threatened by insolvency.

- The Group is exposed to credit risk related to reductions in the value of movable collateral especially in the case of financial instruments.

- In addition to its traditional lending business, the Group is also exposed to credit risk extending beyond the risks in traditional bank lending.

- The Group is exposed to market risk in the valuation of equities and investment fund units.

- The Group is exposed to market risk in the form of interest rate risks.

- The Group is exposed to market risk in the form of credit spread risks.

- The Group is exposed to currency risks.

- The Group is exposed to market risk in the form of volatility and correlation risks.

- The Group is exposed to market risk in the form of commodity price risks.

- The Group's hedging strategies could prove to be ineffective, incur costs and entail risks.

- The Group's income or results from its brokerage business and other commission or fee-based business may decrease further.

- There is a risk that the Group may not be able to implement its strategic plans, or only implement them in part or at higher costs than planned.

- The synergy effects anticipated from Dresdner Bank's integration into the Group may be less than expected or begin to materialize at a later date. In addition, ongoing integration is causing costs and investments that may exceed the planned limits. Customers may not be retained in the long run as a result of the takeover of Dresdner Bank.

- The Group may assess its customer base incorrectly and may therefore base its planning and risk assessments on inaccurate assumptions.

- There is a risk that products developed by the Group cannot be launched on the market or the products it launches do not perform as expected. As a result, prior investments may prove fruitless or lead to liability risks or financing commitments.

- The sales partnership between Allianz and the Group regarding asset management and insurance products may not yield the expected benefits, or may result in financial burdens.

- The markets in which the Group is active – particularly the German market and there, above all, activities in business with private and corporate customers as well as investment banking – are characterized by heavy competition on the basis of prices and conditions, which results in considerable pressure on margins.

- Measures by governments and central banks to combat the financial crisis and the sovereign debt crisis have a significant impact on the competitive environment.

- The Group is dependent on the regular supply of liquidity and a market-wide or company-specific liquidity shortage can have material adverse effects on the Group's net assets, financial position and results of operations. Currently, the liquidity supply of banks and other players in the financial markets is strongly dependent on expansive measures of the central banks.

- The Group's options for securing longer-term refinancing through the Pfandbrief markets, which was done previously through Eurohypo, are impaired as a result of its difficult situation and impending winding-up and can be made even more difficult by an impairment of liquidity of the Pfandbrief markets.

- A downgrade in the rating of Commerzbank, its subsidiaries or the entire Group can make refinancing more difficult and/or more expensive as well as entitle counterparties to terminate derivative transactions or call for additional collateral.

- The Group is exposed to a large number of operational risks including the risk that employees enter into extensive risks for the Group or violate compliance-relevant regulations in connection with the conducting of business activities and thereby cause suddenly occurring damages of a material size.

- The Group is highly dependent on complex IT systems whose functionality may be impaired by internal and external circumstances.

- The Group must make a significant investment in order to ensure a competitive IT landscape in the short and medium-term. It cannot be guaranteed that new IT systems will function properly and that, through the investment, the aspired competitiveness of the IT landscape can also be achieved.

- The growing significance of electronic trading platforms and new technologies may negatively affect the Group's business activities.

- Particularly with respect to the Ukrainian Bank Forum, but also with respect to other holdings in listed and unlisted companies, Commerzbank is exposed to particular risks associated with the soundness and manageability of such holdings.

- It is possible that goodwill reported in the consolidated balance sheet will have to be written down, in full or in part, as a result of impairment tests.

- Commerzbank is subject to risks arising out of the possibility that claims are asserted under letters of comfort issued by it.

- The Group is exposed to risks on account of direct and indirect pension obligations.

- A further increase in the contributions to the German Pensions Protection Fund would put considerable strain on the Group's financial position and results of operations.

- It is not certain whether the Group will continue to succeed in attracting and retaining qualified staff in the future.

- The Group is subject to various reputational risks.

- The Group may be exposed to risks that are either not identified or inadequately appraised by the present risk management.

<u>Risks from bank-specific regulation</u>

- Ever stricter regulatory capital and liquidity standards may bring into question the business model of a number of the Group's operations and negatively affect the Group's competitive position.

- Other regulatory reforms proposed in the wake of the financial crisis, e.g., statutory charges such as the bank levy or a possible financial transaction tax or stricter disclosure and organizational obligations can materially influence the Group's business model and competitive environment.

- The qualification of Commerzbank as a "systemically important" credit institution could affect the Group's business.

- Commerzbank is affected by the outcome of stress tests, the results of which may have negative effects on the Group's refinancing costs when they are published.

- The regulatory capital also includes instruments whose qualification as regulatory capital may change, which means that business operations could be restricted.

- The European Commission's deliberations regarding the EU Framework for Bank Recovery and Resolution may result in regulatory consequences that could restrict the Bank's business operations and lead to higher refinancing costs.

- There can be no guarantee that the Group will be able to fulfill the requirements imposed by the European Commission in respect of the government stabilization assistance received by it on time or to a sufficient degree, or that it will not suffer economic disadvantages in connection with the fulfillment of these requirements.

- The regulatory and banking supervisory frameworks within which the Group operates in the jurisdictions in which it is active outside Germany may change at any time, and non-compliance with local regulatory provisions may result in the imposition of penalties and other disadvantages, including the loss of official licenses.

- There is a risk that the Group will be called upon to indemnify the German Deposit Protection Fund against losses the fund incurs by providing assistance in favor of a Commerzbank subsidiary.

- There is a risk that the Deposit Protection Fund will claim increased contributions from the Group or that the Group will be required, independently of the Deposit Protection Fund, to make contributions to help salvage banks that find themselves in economic difficulties. The planned reform of the EU-wide deposit protection guidelines would result in a financial burden on the Group in the form of the payment of substantial contributions, which probably cannot be passed on to the market.

<u>Legal risks</u>

- Claims for damages on the grounds of faulty investment advice and the lack of transparency of internal commissions have led to substantial charges and may also in the future lead to further substantial charges for the Group.

- Commerzbank and its subsidiaries are subject to claims, including in court proceedings, for payment and restoration of value in connection with profit participation certificates and trust preferred securities it issued. The outcome of such proceedings may have considerable negative effects on the Group, beyond the claims asserted in each case.

- Lawsuits brought against Group companies for non-payment of variable remuneration for the 2008 financial year or for failure to pay less than the allegedly promised amount may have adverse effects on the Group.

- Proceedings brought by regulators, supervisory authorities and prosecutors may have material adverse effects on the Group.

- Divestments may also result in payment obligations and reputational harm.

- The measures that the Group has taken for the purposes of data protection and to ensure data confidentiality could prove to be inadequate and have an adverse effect on the Group and its reputation.

- The legal relationships between the Group and its customers are based on standardized contracts and forms designed for a large number of business transactions; problems in the individual provisions of this documentation or errors in this documentation may therefore affect a large number of customer relationships.

- The outcome of legal disputes to which the Group is not a party can have adverse consequences for the Group, for a number of different reasons, including the contesting of practices and clauses customarily used throughout the entire sector.

- The Group is subject to risks associated with tax audits; changes to tax legislation or jurisprudence may have an adverse effect on its net assets, financial position and results of operations. Changes in the planning of expected future income may lead to substantial fluctuations in deferred tax assets.

- The European Commission has launched an antitrust investigation into 17 companies in the financial sector, including Commerzbank, relating to the market for financial information on CDSs.

# RISK FACTORS

The purchase of Notes issued under this Base Prospectus is associated with certain risks. In respect of Notes that, in view of their specific structure, require a special description of the relevant risk factors, a supplementary description of the special risk factors associated with the relevant Notes in addition to the list set out below will be included in a separate document (the "**Final Terms**") where required. The information set forth hereinafter and in the Final Terms merely describes the major risks that are associated with an investment in the Notes in the Issuer's opinion. In this regard, however, **the Issuer expressly points out that the description of the risks associated with an investment in the Notes does not purport to be exhaustive**.

In addition, the order in which such risks are presented does not indicate the extent of their potential commercial effects in the event that they are realised, or the likelihood of their realisation. The realisation of one or more of said risks may adversely affect the assets, finances and profits of Commerzbank Aktiengesellschaft or the value of the Notes themselves.

Moreover, additional risks that are not known at the date of preparation of this Base Prospectus and the relevant Final Terms or currently believed to be immaterial could likewise have an adverse effect on the value of the Notes.

The occurrence of one or more of the risks disclosed in this Base Prospectus, any supplement and/or the relevant Final Terms or any additional risks may lead to a material and sustained loss and, depending on the structure of the Notes, even result in the partial loss or even the **total loss** of the investor's capital.

**Investors should purchase the Notes only if they are able to bear the risk of losing the capital invested, including any transaction costs incurred.**

Potential investors in the Notes must in each case determine the suitability of the relevant investment in light of their own personal and financial situation. In particular, potential investors should in each case:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and/or the information contained or incorporated by reference in this Base Prospectus or any applicable supplement and all the information contained in the relevant Final Terms;

- have sufficient financial resources and liquidity to bear all of the risks associated with an investment in the Notes;

- understand thoroughly the Terms and Conditions pertaining to the Notes (the "**Terms and Conditions**") and be familiar with the behaviour of any relevant underlying and the financial markets; and

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect the value of their investment and be able to bear the associated risks.

These risk warnings do not substitute advice by the investor's bank or by the investor's legal, business or tax advisers, which should in any event be obtained by the investor in order to be able to assess the consequences of an investment in the Notes. Investment decisions should not be made solely on the basis of the risk warnings set out in this Base Prospectus, any supplement and/or the relevant Final Terms since such information cannot serve as a substitute for individual advice and information which is tailored to the requirements, objectives, experience, knowledge and circumstances of the investor concerned.

## RISK FACTORS RELATING TO THE NOTES

The Notes issued under this Base Prospectus are subject to - potentially major - price fluctuations and may involve the risk of a **complete or partial loss** of the invested capital (including any costs incurred in connection with the purchase of the Notes). Since, in the case of Notes, the Coupon or Redemption Amount or any other amount is linked to an underlying (share, index, metal (i.e. precious or industrial metal), futures contract, bond, currency exchange rate, interest rate or fund (the "**Underlying**"), or to one or more formulae ("**Structured Notes**")), the Notes are investments that might not be suitable for all investors.

The Notes may have complex structures, which the investor might not fully understand. The investor might therefore underestimate the actual risk that is associated with a purchase of the Notes. Therefore, potential investors should study carefully the risks associated with an investment in the Notes (with regard to the Issuer, the type of Notes and/or the Underlying, as applicable), as well as any other information contained in this Base Prospectus, any supplements thereto as well as the relevant Final Terms, and possibly consult their personal (including tax) advisors. Prior to purchasing Notes, potential investors should ensure that they fully understand the mechanics of the relevant Notes and that they are able to assess and bear the risk of a (**total**) loss of their investment. Prospective purchasers of Notes should in each case consider carefully whether the Notes are suitable for them in the light of their individual circumstances and financial position.

It is possible that the performance of the Notes is adversely affected by several risk factors at the same time. The Issuer, however, is unable to make any reliable prediction on such combined effects.

### I. General Risks

- **Deviation of the initial issue price from the market value and impact of incidental costs**

The initial issue price in respect of any Notes is based on internal pricing models of the Issuer and may be higher than their market value. The pricing models of other market participants may deviate from the Issuer's internal pricing models and might produce different results.

The price that might be obtainable in the secondary market for the Notes might be lower than their issue price.

The initial issue price (irrespective of any agio that might be payable) may include commissions and/or other fees relating to the issue and sale of the Notes (including a margin), which are payable to distributors or third parties or may be retained by the Issuer. In addition, the issue price may include costs that are incurred in connection with the hedging of the Issuer's liabilities in relation to the issue of the Notes.

- **Trading in the Notes, reduction in liquidity**

Not every series of Notes that is issued under this Base Prospectus will be included in the unofficial market of, or admitted to trading on, a stock exchange. After the Notes have been included or admitted, their continued permanent inclusion or admission cannot be guaranteed. If such inclusion or admission (provided it took place) cannot be permanently maintained, it is possible that it will will () be significantly more difficult to purchase and sell the relevant Notes. Even if such inclusion or admission takes place, it will not necessarily result in a high turnover in respect of the Notes. .

In addition, there does not exist a market maker for each series of Notes, i.e. someone who undertakes to provide purchasing and selling prices for the Notes pertaining to an issue subject to regular market conditions. Even if there is a market maker, the market maker does not undertake to provide the aforesaid prices under all circumstances. If there is a market maker, it is normally the Issuer that assumes this function.

In particular in the event of extraordinary market conditions or extremely volatile markets, the market maker will normally not provide any purchasing and selling prices. A market maker will provide purchasing and selling prices for the Notes under regular market conditions only. However, even in the event of regular market conditions, the market maker does not assume any legal responsibility towards the holders of the Notes to provide such prices and/or for the fact that such prices provided by the market maker are reasonable.  The market maker might undertake towards certain stock exchanges, in accordance with the relevant stock exchange rules, to provide purchasing and selling prices with regard to specific order or securities volumes under regular market conditions.  That obligation, however, will be entered into towards the relevant stock exchange.  Third parties, including the holders of the Notes, are unable to derive any obligations of the issuer or the market maker in this regard.  This means that the holders of the Notes cannot rely on their ability to sell the Notes at a certain time or price.  In particular, the market maker is not obliged to buy back the Notes during their term.

Even if market making activities took place at the beginning or during the term of the Notes, this does not mean that there will be market making activities for the full duration of the term of the Notes.

For the aforesaid reasons, it cannot be guaranteed that a secondary market will develop with regard to the respective Notes, which will provide the holders of the Notes with an opportunity to sell on their Notes.  The more restricted the secondary market, the more difficult it will be for the holders of the Notes to sell their Notes in the secondary market.  This also applies with regard to the Notes' inclusion in an unofficial market of, or admission to trading on, a stock exchange.

- **Determination of the price of the Notes in the secondary market**

If there is a market maker for a series of Notes, such market maker will determine the purchasing and selling prices for such Notes in the secondary market on the stock exchange (if such a secondary market exists) and off the stock exchange on the basis of internal pricing models and a number of other factors.  These factors may include the following parameters: actuarial value of the Notes, price of the Underlying, supply and demand with regard to the Notes, costs for risk hedging and risk assumption, margins and commissions.

Some of these factors may not have a consistent effect on the price of the Notes based on the relevant pricing models for the duration of the term, but may be taken into account at the market maker's discretion at an earlier time in a pricing context.  This might include a margin included in the issue price, management fees and paid or expected payouts on the Underlying or its components (such as dividends), which - based on the characteristics of the Notes - might be retained by the Issuer.  Expected dividends on the underlying or its components may be deducted prior to the "ex dividend" day in relation to the Underlying or its components, based on the expected yields for the entire term or a certain portion thereof.  Any dividend estimate used by the market maker in its assessment may change during the term of the Notes or deviate from the dividend generally expected by the market or the actual dividend.  This can also affect the pricing process in the secondary market.

Thus, the prices provided by the market maker may deviate from the actuarial value of the Notes and/or the price to be expected from a commercial perspective, which would have formed in a liquid market at the relevant time in which several market makers acting independently of each other provide prices.  In addition, the market maker may change the method based on which it determines the prices provided by it at any time, e.g. by changing its pricing models or using other calculation models and/or increasing or reducing the bid/offer spread.

If, during the opening hours of secondary trading in the Notes by the market maker and/or the opening hours of the stock exchanges on which the Notes are admitted or included, the underlying is also traded on its home market, the price of the Notes will be taken into account in the price calculation of the Notes.  If, however, the home market of the Underlying is closed while the Notes relating to that Underlying are traded, the price of the Underlying must be estimated.  As the Notes issued under this Base Prospectus are also offered at times during which the home markets of the Underlyings are closed, this risk may affect each Notes.  In particular, however, this applies to Underlyings that are traded in time zones far away from Central Europe, such as American or Asian shares or share indices from those regions.  The same risk occurs where Notes are traded on days during which the home market of the Underlying is closed because of a public holiday.  If the price of the Underlying is estimated because its home market is closed, such an estimate may turn out to be accurate, too high or too low within hours in the event that the home market starts trading in the Underlying.  Accordingly, the prices provided by the market maker prior to the opening of the relevant home market in respect of the Notes will then turn out to be too high or too low.

- **Restricted secondary trading because of non-availability of electronic trading systems**

The market maker normally provides purchasing and selling prices for on- and off-exchange trading via an electronic trading system. If the availability of the relevant electronic trading system is restricted or even suspended, this will negatively affect the Notes' tradability.

- **No secondary market immediately before final maturity**

The market maker and/or the stock exchange will cease trading in the Notes no later than shortly before their scheduled Maturity Date. However, the price of the Underlying and/or the applicable exchange rate, both of which can be relevant for the determination of the Notes' Redemption Amounts, may still change between the last trading day and the scheduled Maturity Date. This may be to the investor's disadvantage.

In addition, there is a risk that a barrier, which may be stipulated in the Terms and Conditions, is reached, exceeded or breached in another way for the first time prior to final maturity after secondary trading has already ended.

- **Conflicts of interest**

Conflicts of interest can arise in connection with the exercise of rights and/or obligations of the Issuer, the Calculation Agent or any other party (e.g. an index sponsor or external advisor) in accordance with the Terms and Conditions (e.g. in connection with the determination or adaptation of parameters of the terms and conditions), which affect the amounts payable or the assets to be delivered.

The Issuer, the Calculation Agent or another party, as well as any of their affiliates, may enter into transactions in the Notes' Underlyings for their own or their customers' account, which might have a positive or negative effect on the performance of the relevant Underlying and may thus have a negative effect on the value of the Notes.

If the Underlying is a share, there is a possibility that the Issuer, the Calculation Agent or another party, as well as any of their affiliates, may hold shares in the company that issued the Underlying.

The party that performs a specific function in respect of the Notes (e.g. that of calculation agent and/or index sponsor) might have to determine the calculation of the Underlying or calculate its value. This can lead to conflicts of interest if securities issued by that party can be chosen as Underlying.

In addition, the Issuer might issue additional derivative instruments with regard to the Underlying. An introduction of these new competing products can adversely affect the value of the Notes.

In addition, the Issuer and its affiliates might now or in future maintain a business relationship with the issuer of one or more Underlyings (including with regard to the issue of other securities relating to the relevant Underlying or lending, depositary, risk management, advisory and trading activities). Such business activities may be carried out as a service for customers or on an own account basis. The Issuer and/or any of its affiliates will pursue actions and take steps that it or they deem necessary or appropriate to protect its and/or their interests arising there from without regard to any negative consequences this may have for the Notes. Such actions and conflicts may include, without limitation, the exercise of voting rights, the purchase and sale of securities, financial advisory relationships and the exercise of creditor rights. The Issuer and any of its affiliates and their officers and directors may engage in any such activities without regard to the potential adverse effect that such activities may directly or indirectly have on any Notes.

The Issuer and any of its affiliates may, in connection with their other business activities, possess or acquire material (including non-public) information about the Underlying. The Issuer and any of its affiliates have no obligation to disclose such information about the Underlying.

The Issuer may act as market maker for the Notes and, in certain cases, the Underlying. In the context of such market making activities, the Issuer will substantially determine the price of the Notes and possibly that of the Underlying and, thus, the value of the Notes. The prices provided by the

Issuer in its capacity as market maker will not always correspond to the prices that would have formed in the absence of such market making and in a liquid market.

- **Hedging risks**

The Issuer and its affiliates may hedge themselves against the financial risks associated with the issue of the Notes by performing hedging activities in relation to the relevant Underlying. Such activities in relation to the Notes may influence the market price of the Underlying to which the Notes relate. This will particularly be the case at the end of the term of the Notes. It cannot be ruled out that the conclusion and release of hedging positions may have a negative influence on the value of the Notes or payments to which the holder of the Notes is entitled.

In addition, investors may not be able to enter into hedging transactions that exclude or limit their risks in connection with the purchase of the Notes. The possibility to enter into such hedging transactions depends on market conditions and the respective Underlying terms and conditions.

- **Interest rate and inflationary risks, currency risks**

The market for the Notes is influenced by the economic and market conditions, interest rates, exchange rates and inflation rates in Europe and other countries and regions. Events in Europe and in other parts of the world can lead to higher market volatility and thus have an adverse effect on the value of the Notes. In addition, the economic situation and the market conditions can have negative consequences for the value of the Notes.

Currency risks for the purchaser arise in particular in those cases where (i) the Underlying is denominated in a different currency than the Notes, (ii) the Notes are denominated in a different currency than the official currency of the purchaser's home country or (iii) the Notes are denominated in a different currency than the currency in which the purchaser receives payments.

Exchange rates are subject to supply and demand factors on the international money markets, which are in turn influenced by macroeconomic factors, speculation and measures implemented by governments and central banks (e.g. foreign exchange controls and restrictions). The value of the Notes or the amount of the potentially due payment might be reduced because of exchange rate fluctuations.

Notes with a so-called "quanto element" (an in-built currency hedge that determines a fixed exchange rate at the time of issue) are not subject to a currency risk in relation to the settlement currency and the currency of the Underlying. During the term of the Notes, the economic value of the quanto hedge may fluctuate depending on various influencing factors.

As payments are made at the fixed exchange rate, the investor will not benefit from a positive development of the exchange rate at the time of maturity in the event of a currency hedge via the quanto element. In addition, when purchasing Notes with a quanto element, investors must assume that the purchase price of the Notes includes costs in respect of the quanto hedge.

- **Offer volume**

The offer volume specified in the relevant Final Terms corresponds to the maximum total amount of Notes offered but is no indication of which volume of Notes will be actually issued. The actual volume depends on the market conditions and may change during the term of the Notes. Therefore, investors should note that the specified offer volume does not allow any conclusions as to the liquidity of the Notes in the secondary market.

- **Use of loans**

If the investor finances the purchase of the Notes through a loan, he – in the event that he loses some or all of the invested capital – has not only to bear the loss incurred but will also have to pay the interest and repay the loan. In that case, the exposure to loss increases considerably. Investors should never assume that they will be able to repay the loan including interest out of the payments on the Notes or – in the case of a sale of the Notes before maturity – out of the proceeds from such sale. The purchaser of Notes rather has to consider in advance on the basis of his financial situation whether he will still be able to pay the interest or repay the loan at short notice if the expected profits turn into losses.

- **Transaction costs**

Transaction costs that are charged by the custodian bank and/or the stock exchange via which an investor places his purchase and/or selling order may reduce any profits and/or increase any losses. In the case of a total loss in respect of a Note, the transaction costs will increase the loss incurred by the relevant investor.

- **Notes are unsecured obligations (Status)**

The obligations under the Notes constitute direct and unconditional obligations of the Issuer that are not subject to a real charge (*nicht dinglich besichert*) and, unless otherwise provided by applicable law, rank at least *pari passu* with all other unsubordinated obligations of the Issuer that are not subject to a real charge. They are neither secured by the Deposit Protection Fund of the Association of German Banks (*Einlagensicherungsfonds des Bundesverbandes deutscher Banken e.V.*) nor by the German Deposit Guarantee and Investor Compensation Act (*Einlagensicherungs- und Anlegerentschädigungsgesetz*).

This means that the investor bears the risk that the Issuer's financial situation may worsen - and that the Issuer may be subjected to a reorganisation proceeding (*Reorganisationverfahren*) or transfer order (*Übertragungsanordnung*) under German bank restructuring law or that insolvency proceedings might be instituted with regard to its assets - and therefore payments due under the Notes can not or only partially be done. **Under these circumstances, a total loss of the investor's capital might be possible.**

The Issuer may enter into hedging transactions in the relevant Underlying, but is under no obligation to do so. If hedging transactions are entered into, they shall exclusively be to the benefit of the Issuer, and the investors shall have no entitlement whatsoever to the Underlying or with respect to the hedging transaction. Hedging transactions entered into by the Issuer shall not give rise to any legal relationship between the investors and the party responsible for the Underlying.

- **Impact of a downgrading of the credit rating**

The value of the Notes is expected to be affected, in part, by investors' general appraisal of the Issuer's creditworthiness. Such perceptions are generally influenced by the ratings given to the Issuer's outstanding securities by rating agencies such as Moody's Investors Services Inc., Fitch Ratings Ltd, a subsidiary of Fimalac, S.A., and Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc. Any downgrading of the Issuer's rating (if any) by even one of these rating agencies could result in a reduction in the value of the Notes.

- **Reinvestment risk upon Early Redemption**

Following an Early Redemption of the Notes (e.g. in the case of a termination of the Notes by the Issuer), the investor may only be able to reinvest the Redemption Amount on significantly less favourable conditions than before.

- **Applicability of investment restrictions**

Certain investors may be subject to legal investment restrictions.

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities (this particularly applies to Notes). Each potential investor should consult his legal advisers to determine whether and to what extent (a) the purchase of Notes represents a legal investment for him, (b) Notes can be used as collateral for various types of financing and (c) other restrictions apply to his purchase or pledge of any Notes. Investors who are subject to official supervision should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

- **Taxes and other duties**

All taxes or other duties payable at the level of the Issuer or the holders of the Notes on payments made in relation to the Notes are to be borne by the holders of the Notes. The Issuer will not pay any additional amounts to the holders of the Notes on account of any such taxes or duties.

- **Substitution of the Issuer**

If the conditions set out in the Terms and Conditions are met, the Issuer is entitled at any time, without the consent of the holders of the Notes, to appoint another company as the new Issuer with regard to all obligations arising out of or in connection with the Notes in its place. In that case, the holder of the Notes will generally also assume the insolvency risk with regard to the new Issuer.

- **Change of law**

The Terms and Conditions contained in this Base Prospectus are based on relevant laws, judicial decisions and administrative practices in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible amendments of the relevant laws, judicial decisions or change to such laws or administrative practices after the date of this Base Prospectus.

## II. Risks resulting from the structure of the Notes

Certain factors are of great significance with regard to the assessment of the risks associated with an investment in the Notes issued under this Base Prospectus.

- **General**

An investment in the Notes issued under this Base Prospectus entails significant additional risks, which include risks in relation to the Underlying(s) as well as risks solely associated with the Notes themselves.

Such risks include, without limitation:

(a) that the payments to be made under the Terms and Conditions depend on the performance of one or more Underlying(s), so that the Redemption Amount may be lower than the original purchase price of the Note or no payment may take place at all.

A link to the performance of one or more Underlying(s) also has an effect on the value of the Notes. In that context, the value of the Notes will normally fall if the price of the Underlying goes down (without taking into account special characteristics of the Notes and without taking into account currency exchange rate changes in those cases where the Notes are issued in a currency different from the one in which the Underlying is quoted and the Cash Amount is therefore converted).

(b) that, pursuant to the Terms and Conditions of the Notes, payments can occur at times other than those expected by the investor (e.g. in the case of early redemption in the event of an Extraordinary Event as described in the Terms and Conditions);

(c) that the consequences listed in (i) (reduction and/or non-occurrence of repayment) will occur for the particular reason that insolvency proceedings have been instituted with regard to the assets of the issuer of the Underlying or proceedings comparable to insolvency proceedings under German law are instituted or the Issuer ceases its payments or announces that it is unable to pay its debts when due or if similar events occur in relation to the issuer of the Underlying;

(d) that various fees are levied by the Issuer, an affiliate of the Issuer or a third party, which reduce the payments under the Notes. For instance, management fees might be levied with regard to the composition and calculation of an index, basket, fund or other Underlying, or performance or other fees might be incurred in connection with the performance of an Underlying and/or components of such Underlying;

(e) that the performance of an Underlying depends on the expertise of individual persons (in particular if the Underlying is actively managed or the Issuer requires advice regarding the Underlying). If one or more of such persons leave a company that is relevant for the performance of the relevant Underlying or if a contract entered into by one of such persons and the Issuer or the Calculation Agent in relation to the Securities is terminated this may have a material adverse effect on the Securities;

(f) that the risks of investing in the Notes encompass both risks relating to the Underlying and risks that are unique to the Notes as such;

(g) that investors may be unable to hedge their exposure to the various risks relating to the Notes;

(h) that the Underlying to which the Notes relate ceases to exist during the term of the Notes or might be replaced by another Underlying (this not only applies to actively managed Underlyings, but also to Underlyings that are effectively static), and that the investor, depending on the characteristics of the Note and the Underlying, might not always know the future Underlying or its composition when purchasing the Note; and

(i) that the value of Notes on a possible secondary market is subject to greater fluctuations and thus greater risks than the value of other securities as it is dependent on one or several Underlyings. The performance of an Underlying is in turn subject to a series of factors beyond the Issuer's control. Such factors are influenced to a significant degree by the risks on the share, debt and foreign exchange markets, the interest rate development, the volatility of the relevant Underlyings as well as economic, political and regulatory risks, and/or a combination of the aforesaid risks.

The secondary market, if any, for Notes will be affected by a number of additional factors, irrespective of the creditworthiness of the Issuer and the value of the respective Underlying(s). These include, without limitation, the volatility of the relevant Underlying, as well as the remaining term and the outstanding volume of the respective Note.

- **Extraordinary termination, early redemption and adjustment rights**

In accordance with the Terms and Conditions, the Issuer will in some cases be entitled to perform adjustments with regard to the aforesaid Terms and Conditions or to terminate or call for early redemption of the Notes if certain conditions are met. These conditions are described in the relevant Terms and Conditions.

Any adjustment of the Terms and Conditions may have a negative effect on the value of the Notes as well as the Redemption Amount to be claimed by the investor.

If the Notes are terminated, the amount payable to the holders of the Notes in the event of the termination of the Notes may be lower than the amount the holders of the Notes would have received without such termination. The termination amount per Note (the "**Termination Amount**") shall be calculated by the Issuer in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)) by taking into account applicable market conditions and any proceeds realised by the Issuer in connection with transactions concluded by it in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)) for hedging measures in relation to the assumption and fulfilment of its obligations under the Notes (the "**Hedging Transactions**"). Expenses for transactions that were required for winding up the Hedging Transactions will be taken into account as deductible items.

Furthermore, investors bear the risk that they may invest the amounts received upon termination only at a rate of return which is lower than that of the terminated Notes.

- **Early Redemption of the Notes upon Termination by the Issuer ("Issuer Call"), Automatic Early Redemption**

The Terms and Conditions of securities may provide for early redemption rights of the Issuer or automatic early redemption. Any such early redemption provisions may affect the market value of the

Notes. Before or during any period during which the Issuer may decide to redeem the Notes, or in which an event triggering automatic early redemption may occur, the market value of the relevant Notes will normally not rise to a level that is significantly above the Redemption Amount. An early redemption of the Notes may result in the expected yield in connection with the investment in the Notes not being reached. In addition, the amount received by the holder of the Notes upon early termination may be lower than the purchase price paid by the holder of the Note or may even be zero, so that some or all of the invested capital may be lost.

In that case as well, the holders of the Notes may be able to invest the amounts received by them in the case of early redemption only in return for a yield that is below the (expected) yield of the Notes that were redeemed early.

- **Maximum Amount**

In the case of Notes where, pursuant to the relevant Terms and Conditions, the payment to be made in connection with the Note is limited to a maximum amount (whether in relation to the Redemption Amount or any other amount), the investor will not participate in any further performance of the Underlying that might be positive for the investor. While, on the one hand, the investor's yield is capped by way of the maximum amount, the investor may, on the other hand, bear the full loss risk in the event of an adverse performance of the Underlying.

- **Market disruption event and postponement of payments**

In the case of Notes, the Issuer may be entitled to determine market disruptions or other events that might result in a postponement of a calculation and/or of any payments and that might affect the value of the Notes.

In addition, in certain cases stipulated in the Terms and Conditions, the Issuer (especially if a market disruption event lasts several days) may estimate certain prices that are relevant with regard to payments or the reaching of barriers (leading to the Notes being worthless). These estimates may deviate from their actual value.

- **Notes that are denominated in foreign currencies and Dual Currency Notes**

If the relevant Note is listed or traded in a currency other than the currency of issue (foreign currency) or if payment is made in a foreign currency, the investor will be exposed to exchange rate risks that may have an adverse effect on the Notes' yield. Exchange rate fluctuations have various causes, such as macroeconomic factors, speculative transactions and interventions by central banks and governments.

A change in the exchange rate of a currency in relation to the EUR, for instance, will result in a corresponding change in the Euro value of Notes that are not denominated in EUR, as well as in a corresponding change in the Euro value of payments that, pursuant to the Terms and Conditions of the relevant Notes, are not made in EUR. The same applies where the Redemption Amount of a Note must be converted into EUR because it is determined on the basis of an Underlying that is not expressed in EUR (e.g. where the Redemption Amount is calculated based on the difference, converted into EUR, between an Underlying expressed in USD and the market price of a share denominated in USD).

If the value of a currency in which the Redemption Amount of a Note is payable or in which the Underlying of a Note is expressed falls in relation to the EUR and the value of the EUR increases accordingly, the Euro value of the relevant Note and/or the value of the payments in connection with the Note converted into EUR will fall.

- **Risks in relation to physical settlement**

The Terms and Conditions may provide that the Notes relating to an Underlying, depending on the performance on the Underlying or based on other conditions, may not have to be redeemed by a cash payment but by delivery of the Underlying (e.g. shares), one of the Underlyings, a component of an Underlying or other securities (the "**Object of Physical Settlement**"). The number of units of the

Object of Physical Settlement to be delivered is determined in accordance with the Terms and Conditions of the Notes. Accordingly, in the event that the Notes are redeemed by physical settlement, the investor will not receive a cash payment, but instead units of the Object of Physical Settlement.

The Terms and Conditions may provide that the Issuer is not entitled to a delivery of securities other than those on whose price redemption is based. This means that, although the Underlying is relevant for the redemption type and amount, redemption may take place by delivery of a different security.

This means that investors should obtain information regarding the Objects of Physical Settlement (where applicable) prior to purchasing any Notes and that they should not assume that they will be able to sell the Objects of Physical Settlement for a specific price. The value of an Object of Physical Settlement at the time of its delivery may be significantly lower than at the time of the purchase of the Notes (or than the price paid for the purchase of the Notes) or at the time at which it is decided whether settlement is to take place by physical delivery or cash payment (valuation day). In the event of physical settlement, investors will be exposed to the risks that are associated with the relevant Object of Physical Settlement, such as a loss risk, and may even suffer a total loss.

- **No claim against the issuer of an Underlying**

Notes do not give rise to any payment or other claims towards the issuers of the Underlyings to which those Notes relate. If the payments by the Issuer are less than the purchase price paid by the holder of the Notes, such holder will not have recourse to the issuer of the Underlying.

## III. Risk factors relating to the Underlying

The value of a Note's Underlying depends upon a number of factors that may be interconnected. These may include economic, financial and political events beyond the Issuer's control.

The past performance of an Underlying should not be regarded as an indicator of its future performance during the term of the Notes.

- **Particular risks of Notes with shares as Underlying**

Notes relating to shares are associated with particular risks beyond the Issuer's control, such as the risk that the respective company will be rendered insolvent, the risk that the share price will fluctuate or risks that occur in relation to dividend payments by the company. The performance of the shares depends to a very significant extent on developments on the capital markets, which in turn depend on the general global economic situation and more specific economic and political conditions. Shares in companies with low to medium market capitalisation may be subject to even higher risks (e.g. relating to their volatility or insolvency) than is the case for shares in larger companies. Moreover, shares in companies with low capitalisation may be extremely illiquid as a result of low trading volumes.

Shares in companies which have their statutory seat or significant business operations in countries with limited certainty of law are subject to additional risks such as, for instance, government interventions or nationalisation which may lead to a total or partial loss of the invested capital or of access to the capital invested in that country. This may result in a total or partial loss in relation to the value of the share. The realisation of such risks may also result in a total or partial loss of the invested capital for holders of Notes that are linked to such shares.

Holders of Notes that are linked to shares, unlike investors which directly invest in the shares, do not receive dividends or other distributions payable to the holders of the underlying shares.

If the Underlying consists of registered shares or if the shares contained in an Underlying (e.g. a basket) are registered and the Issuer is obligated under the Terms and Conditions to deliver these registered shares to the investor: the rights arising from the shares (e.g. attendance of the annual shareholder meeting and exercise of the shareholders' voting rights) may generally be exercised only by shareholders whose names are listed in the company's register of members or a similar official list. An obligation of the Issuer to deliver shares is principally limited to the provision of the shares in a form and with characteristics deliverable on the scheduled maturity date in line with relevant stock exchange rules and does not include registration in the register of members. A claim arising from non-performance, particularly for unwinding the transaction or damages, is excluded in such a case.

If the Underlying consists of securities in lieu of shares (e.g. American Depositary Receipts ("**ADRs**") or Global Depositary Receipts ("**GDRs**"), together "**Depositary Receipts**"), additional risks might occur. ADRs are securities issued in the United States of America that take the form of participation certificates in relation to a portfolio of shares held in the home country of the issuer of the underlying shares outside the United States of America. GDRs are also securities that take the form of participation certificates in relation to a portfolio of shares held in the home country of the issuer of the underlying shares. They normally differ from the participation certificates referred to as ADRs in that they are publicly offered and/or issued outside the United States of America. Each Depositary Receipt represents one or more shares or a fraction of a security in a foreign corporation. In the case of both types of Depositary Receipt, the legal owner of the underlying share is the depositary bank, which also acts as the issuing agent of the Depositary Receipts.

Depending on the jurisdiction in which the Depositary Receipts were issued and the laws by which the depositary contract is governed, it cannot be ruled out that the holder of the Depositary Receipts may not be recognised as the actual beneficial owner of the underlying shares in the relevant jurisdiction. Particularly in the case that the depositary bank becomes insolvent and/or debt enforcement proceedings are initiated with regard to it, the relevant underlying shares may be subjected to disposal restrictions and/or utilised commercially in the context of debt enforcement measure undertaken against the depositary bank. In that case, the relevant holder will forfeit the rights in the Underlying shares represented by the relevant Depositary Receipt. This means that the Depositary Receipt as underlying will be rendered worthless, so that the Notes relating to that Depositary Receipt will also be rendered worthless. In such a scenario, the investor faces a risk of total loss subject to a possible unconditional minimum repayment amount or other (partial) capital protection.

It must also be taken into account that the depositary bank may stop offering Depositary Receipts at any time and that, in that case or if the depositary bank becomes insolvent, the issuer of these Notes will, subject to more detailed provisions set out in the Terms and Conditions, be entitled to adjust the Terms and Conditions and/or terminate the Notes.

- **Particular risks of Notes with indices as Underlying**

Notes that are linked to one or several indices involve, in particular, the following risks:

*Dependency on the value of the index components*

The value of an index is calculated on the basis of the value of its components. Changes in the prices of index components, the composition of an index as well as factors that (may) influence the value of the index components also influence the value of the Notes that relate to the relevant index and can thus influence the yield from an investment in the relevant Notes. Fluctuations in the value of one index component may be compensated or aggravated by fluctuations in the value of other index components. The past performance of an index does not represent any guarantee of its future performance. Under certain circumstances, an index used as an Underlying may (i) not be available for the full term of the Notes, (ii) be substituted or (iii) continue to be calculated by the Issuer itself. In these or other cases mentioned in the Terms and Conditions, Notes may also be terminated by the Issuer.

An index may reflect the performance of assets of some countries or some industries only. In that case, investors are exposed to a concentration risk. In the event of an unfavourable economic development in a country or in relation to a particular industry, investors may be adversely affected. If several countries or industries are represented in an index, it is possible that the countries or the industries contained in the relevant index are weighted unevenly. This means that, in the event of an unfavourable development in one country or industry with a high index weighting, the value of the index may be affected disproportionately by this adverse development.

Investors should note that the selection of an index is not based on the expectations or estimates of the Issuer in respect of the future performance of the selected index. Investors should therefore make their own estimates in respect of the future performance of an index on the basis of their own knowledge and sources of information.

*Price index – dividends are not taken into account*

The index referred to in the relevant Terms and Conditions may be a price index. Unlike in the case of performance indices, dividend distributions in relation to the shares contained in price indices will result in a reduction of the index level. This means that investors will not participate in dividends or other distributions in relation to shares contained in price indices.

*No influence of the Issuer*

As a general rule, the Issuer has no influence on the composition and performance of an index underlying a Note or the performance of the relevant index components, unless the Issuer and the index sponsor are identical.

*No liability of the index sponsor*

If the Notes relate to an index that is not calculated by the Issuer, the issue, marketing and distribution of the Notes will normally not be supported by the relevant index sponsor. In that regard, the relevant index is composed and calculated by the respective index sponsor without taking into account the interests of the Issuer or the holders of the Notes. In that case, the index sponsors do not assume any obligation or liability in respect of the issue, sale and/or trading of the Notes.

*No recognised financial indices, no independent third party*

The Notes may relate to one or more indices which are not recognised financial indices but indices that have been specially created for the issuance of the relevant Note. The index sponsors of such indices might not be independent from the Issuer and may thus favour the interests of the Issuer over the interests of the holders of the Notes.

*Currency risks*

The prices of the index components may be expressed in a currency (e.g. USD) that is different from the currency in which the Notes were issued (e.g. EUR). In that case, the Redemption Amount of the Notes and their value during their term may not only depend on the performance of the Underlying, but also on the development of the exchange rates of one or more foreign currencies against the currency of issue.

*Index fees*

Certain fees, costs, commissions or other composition and calculation charges may be deducted when calculating the value of an index. As a result, the performance of the individual index components is not acknowledged in full when calculating the performance of the respective index, but instead the performance is reduced by the amount of such fees, costs, commissions and other charges, which may to some extent erode any positive performance displayed by the individual components. It should also be noted that such costs may well also be incurred if the index returns negative performance, which will reinforce the negative performance even further.

*Index composition publication*

The composition of the indices may have to be published on a website or in other media mentioned in the terms and conditions of the relevant index. The publication of the updated composition of the respective index on the website of the relevant index sponsor might, however, be delayed considerably, sometimes even by several months. In those cases, the published composition may not always correspond to the actual composition of the relevant index.

- **Particular risks in relation to Notes with metals (i.e. precious or industrial metals) as Underlying**

Metals are traded on specialised exchanges or in interbank trading in the form of over-the-counter (OTC) transactions. Holders of Notes linked to the price of metals are exposed to significant price risks as prices of metals are subject to great fluctuations. The prices of metals are influenced by a number of factors, including, inter alia, the following factors:

*Regulatory changes*

The trading in metals is subject to regulations imposed by supervisory authorities or market rules whose application may affect the development of the prices of the relevant metals.

*Direct investment costs*

Direct investments in metals are associated with costs for storage, insurance and taxes. In addition, no interest or dividends are paid on metals. The overall yield of an investment is influenced by these factors.

*Inflation and deflation*

The general development of prices may have a strong effect on the price development of metals.

*Liquidity*

Many markets of metals are not very liquid and may therefore not be able to react rapidly and sufficiently to changes in supply and demand. In case of low liquidity, speculative investments by individual market participants may lead to price distortions.

*Political risks*

Metals are frequently produced in emerging markets and subject to demand from industrialised countries. The political and economic situation of emerging markets, however, is often a lot less stable than that of industrialised countries. Emerging markets are exposed to a greater risk of rapid political changes and adverse economic developments. Political crises can damage investors' confidence, which can in turn influence metals prices. Wars or conflicts may change the supply and demand in relation to certain metals. It is also possible that industrialised countries impose embargoes regarding the export and import of goods and services. This may have a direct or indirect effect on the price of the metals that serve as the Notes' Underlier.

*Supply*

A crisis of supply in the relevant metal may lead to strong and incalculable price fluctuations.

- **Particular risks in relation to Notes with futures contracts as Underlying**

Futures contracts are standardised forward transactions relating to financial instruments such as shares, indices, interest rates or foreign currencies (so-called financial futures) or commodities such as copper and uranium, wheat or sugar (so-called commodities futures).

A futures contract represents the contractual obligation to purchase or sell a certain quantity of the relevant contractual object at a certain date and price. Futures contracts are traded on futures and options exchanges and are standardised for that purpose with regard to size of contract, type and quality of the contractual object and potential delivery places and dates.

As a rule, there is a close correlation between the price performance of an asset that underlies a futures contract and is traded on a spot market and the corresponding futures market. However, futures contracts are generally traded at a premium or discount in relation to the spot price of the underlying asset. This difference between the spot and futures price, which is referred to as "basis" in futures and options exchange jargon, on the one hand results from the inclusion of the costs that are normally incurred in spot transactions (storage, delivery, insurance, etc.) and/or the revenues that are normally associated with spot transactions (interest, dividends, etc.), and on the other hand from the differing valuation of general market factors in the spot and the futures market. In addition, depending on the value, there can be a significant gap in terms of the liquidity in the spot and the corresponding futures market.

As the Notes relate to the futures contracts specified in the Terms and Conditions, investors, in addition to knowing the market for the relevant asset that underlies the relevant futures contract, must have know-how as to the workings and valuation factors of forward/futures transactions in order to be able to correctly assess the risks associated with an investment in those Notes.

As futures contracts expire on a certain date, the Terms and Conditions may provide that the Issuer (particularly in the case of Notes with a longer term), at a time stipulated in the Terms and Conditions, replaces the futures contract provided for as the Underlying in the Terms and Conditions by another futures contract that has a later expiry date than the initial underlying futures contract, but is otherwise subject to the same contractual specifications (so-called "**Roll-over**"). The costs associated with such a Roll-over will be taken into account in accordance with the Terms and Conditions in connection with the adjustment of the Strikes of the Notes in conjunction with the Roll-over and may have a significant effect on the value of the Notes. The Terms and Conditions may provide for additional cases in which the Issuer may replace the initial futures contract and/or change parameters of the Terms and Conditions and/or terminate the Notes.

**[***Futures on Indices*:**][**Index futures contracts

The value of an index is calculated on the basis of the value of its components. Changes in the prices of index components, the composition of an index as well as factors that (may) influence the value of the index components also influence the value of the Notes that relate to futures contracts on the relevant index and can thus influence the yield from an investment in the relevant Notes.**]**

**[***Futures on Commodities*:**][**Commodities futures

Commodities can be divided into several categories, e.g. minerals (e.g. oil, gas or aluminium), agricultural products (e.g. wheat or maize) and metals (e.g. copper, uranium). Most commodities are traded on specialised exchanges or in interbank trading in the form of over-the-counter (OTC) transactions.

Holders of Notes linked to the price of commodities are exposed to significant price risks as prices of commodities are subject to great fluctuations. The prices of commodities are influenced by a number of factors, including, inter alia, the following factors:

*Cartels and regulatory changes*
A number of producers or producing countries of commodities have formed organisations or cartels to regulate supply and therefore influence prices. However, the trading in commodities is also subject to regulations imposed by supervisory authorities or market rules whose application may also affect the development of the prices of the relevant commodities.

*Cyclical supply and demand behaviour*
Agricultural commodities are produced at a particular time of year but are in demand throughout the year. In contrast, energy is produced without interruption; even through it is mainly required during cold or very hot times of the year. This cyclical supply and demand pattern may lead to strong price fluctuations.

*Direct investment costs*
Direct investments in commodities are associated with costs for storage, insurance and taxes. In addition, no interest or dividends are paid on commodities. The overall yield of an investment is influenced by these factors.

*Inflation and deflation*

The general development of prices may have a strong effect on the price development of commodities.

*Liquidity*
Many markets of commodities are not very liquid and may therefore not be able to react rapidly and sufficiently to changes in supply and demand. In case of low liquidity, speculative investments by individual market participants may lead to price distortions.

*Political risks*
Commodities are frequently produced in emerging markets and subject to demand from industrialised countries. The political and economic situation of emerging markets, however, is often a lot less stable than that of industrialised countries. Emerging markets are exposed to a greater risk of rapid political changes and adverse economic developments. Political crises can damage investors' confidence, which can in turn influence commodity prices. Wars or conflicts may change the supply and demand in relation to certain commodities. It is also possible that industrialised countries impose embargoes regarding the export and import of goods and services. This may have a direct or indirect effect on the price of the commodities that serve as the Notes' Underlier.

*Weather and natural disasters*
Unfavourable weather conditions and natural disasters may have a long-term negative effect on the supply of specific commodities for an entire year. A crisis of supply of this sort may lead to strong and incalculable price fluctuations.**]**

**[***Futures on Bonds*:**][**Bond futures

Holders of Notes linked to bond futures contracts are, in addition to the insolvency risk of Commerzbank AG as the Issuer of the Notes, also exposed to the insolvency risk of the issuers of the bond(s) underlying the respective futures contracts. If the issuer of a bond underlying a futures contract does not punctually perform its obligations under the relevant bond or becomes insolvent, this will cause the value of the bond to fall (possibly to zero) and can in turn lead to significant price losses of the respective futures contracts and therefore of the Notes themselves. This may possibly lead to a total loss of the invested capital for the holder of the Notes.**]**

- **Particular risks in relation to Notes with currencies exchange rates as Underlying**

Exchange rates indicate the value ratio of a certain currency against another currency, i.e. the number of units in one currency that may be exchanged for one unit in the other.

Exchange rates are derived from the supply and demand in relation to currencies in the international foreign exchange markets. On the one hand, they are influenced by various economic factors, such as the rate of inflation in the relevant country, interest differences abroad, the assessment of the relevant economic development, the global political situation, the convertibility of one currency into another and the security of a financial investment in the relevant currency. On the other hand, they are influenced by measures undertaken by governments and central banks (e.g. foreign exchange controls and restrictions). In addition to these foreseeable factors, however, other factors might also be relevant that are difficult to estimate, such as factors of a psychological natures (such as crises of confidence in the political leadership of a country or other speculation). In some cases, such psychological factors may have a significant effect on the value of the relevant currency.

- **Particular risks of Notes with bonds as Underlying**

Holders of Notes linked to bonds, in addition to the insolvency risk of Commerzbank AG as the Issuer of the Notes, are also exposed to the insolvency risk of the issuers of such underlying bond(s). If the issuer of a bond underlying a Note does not punctually perform its obligations under the relevant bond or becomes insolvent, this will cause the value of the bond to fall (possibly to zero) and can in turn lead to significant price losses in the secondary market for the Notes and, possibly, a total loss of the invested capital for the holder of the Notes.

- **Particular risks of Notes with interest rates as Underlying**

Interest rates are based on the supply and demand on the international money and capital markets. They are influenced by various economic factors, speculation and measures undertaken by governments and central banks or other political factors. Market interest rates on the money and capital markets are often subject to significant fluctuations, andthe holder of Notes relating to interest rates is exposed to such interest rate fluctuation risks.

- **Particular risks of Notes with funds as Underlying**

Notes that are linked to a fund involve, in particular, the following risks:

*Fees*

The performance of a fund is in part influenced by the fees that are directly or indirectly charged to the fund assets.

The following fees (without limitation) can be regarded as fees directly charged to the fund assets: fund management fees (including fees in respect of administrative tasks), depositary bank fees, standard bank deposit charges, possibly including the standard bank charges for holding foreign securities abroad, printing and distribution costs in relation to the annual and semi annual reports aimed at investors, auditors' fees for auditing the fund, distribution costs, etc. Additional fees and expenses may arise due to the contracting of third parties for services in connection with the management of the fund or the calculation of performance-based portfolio management fees.

In addition to the fees that are directly charged to the fund assets, the fees that are indirectly charged to the fund assets also have a negative effect on the performance of the fund. These indirect fees include (without limitation) management fees that are charged to the fund for investment units held in the fund assets.

*Market* Risk

As price or value reductions in relation to the securities purchased by the fund or other investments are also reflected in the prices of the individual fund units, there is a general risk of falling unit prices. Even if the fund's investments are much diversified, there is a risk that an adverse overall development in certain markets or exchanges can cause unit prices to fall.

*Illiquid Investments*

Funds may invest in assets which are illiquid or subject to a minimum holding period. Therefore, it may be difficult for the fund to sell these assets at all or at a reasonable price when it is required to sell them to generate liquidity. In particular, this can be the case if investors wish to redeem their fund units. The fund may suffer substantial losses if it is forced to sell illiquid assets in order to redeem fund units or if the sale of illiquid assets is only possible at a low price. This may negatively affect the value of the fund and, thus, the value of the Notes.

Investments in illiquid assets may also lead to difficulties in calculating the net asset value of the fund (see below). This, in turn, can result in delays with regard to payments in connection with the Notes.

*Delayed NAV Publication*

Under certain circumstances, the publication of a fund's net asset value may be delayed. This may result in a delayed redemption of the Note and, e.g. in the case of a negative market development, have a negative effect on the value of the Note. In addition, investors bear the risk that, in the case of a delayed redemption of the Notes, their reinvestment of the relevant proceeds may be subject to delays and possibly unfavourable terms.

*Dissolution of a fund*

It cannot be ruled out that a fund may be dissolved during the term of the Notes. In that case, the Issuer or the Calculation Agent will normally be entitled to perform adjustments with regard to the Notes in accordance with the relevant terms and conditions. Such adjustments may, in particular, provide for the substitution of the relevant fund by another fund. In addition, the Note may also be terminated early by the Issuer in that case.

*Postponement or suspension of redemptions*

The fund may redeem no or only a limited quantity of units at the scheduled times that are relevant for the calculation of the Redemption Amount of the Notes. This can result in a delayed redemption of the Notes if such a delay is provided for in the terms and conditions in the event that the termination of the hedge transactions concluded by the Issuer at the time of the issue of the Notes is delayed. In addition, such a scenario may negatively affect the value of the Notes.

*Concentration on certain countries, industries or investment classes*

The fund may concentrate its investments on assets relating to certain countries, industries or asset classes. This may lead to price fluctuations in relation to the fund that are higher and occur within a shorter period of time than would be the case if the risks were more diversified between industries, regions and countries.

*Currency risks*

The Notes may be linked to funds which are denominated in another currency than the currency in which the Notes are denominated or to funds which invest in assets that are denominated in another currency than the Notes. Investors may therefore be subject to a significant currency risk.

*Markets with limited certainty of law*

Funds that invest in markets with limited certainty of law are subject to certain risks such as, for instance, unexpected government interventions, which may lead to a reduced fund value. The realisation of such risks may also result in a total or partial loss of the invested capital for the holder of the Notes that are linked to such a fund.

*Effects of regulatory framework conditions*

Funds might not be subject to any regulation or may invest in investment vehicles which are not subject to any regulation. Conversely, the introduction of regulation of a previously unregulated fund may create significant disadvantages for such funds.

*Dependency on Asset Managers*

The performance of the fund will depend on the performance of the assets selected by the fund's asset manager for the purposes of implementing the relevant investment strategy. In practice, the performance of a fund largely depends on the competence of the managers taking investment decisions. The resignation or substitution of such persons may lead to losses and/or the dissolution of the relevant fund.

The investment strategies, restrictions and objectives of funds can provide an asset manager with significant room for manoeuvre when investing the relevant assets, and there is no guarantee that the asset manager's investment decisions will result in profits or provide efficient protection from market or other risks. There is no guarantee that a fund will succeed in implementing the investment strategy detailed in its sales documentation. This means that, even if the performance of a fund with similar investment strategies is favourable, a fund (and thus the Notes) may undergo a negative performance.

*Particular Risks in relation to Funds of Funds*

If so-called funds of funds, i.e. investment funds that substantially invest in other funds ("**target funds**"), underlie the Notes, the performance of the target funds will have a significant effect on the performance of the Notes.

The risks associated with the target fund units acquired for the fund(s) are closely related to the risks associated with the assets contained in, and/or the investment strategies pursued by, the relevant target funds. However, the aforesaid risks can be mitigated by diversifying the assets within the target funds and by way of a diversification of the fund(s).

As the managers of the individual target fund(s) act independently of one another, however, it is possible that several target funds pursue the same or diametrically opposed investment strategies. This can result in the accumulation of existing risks, and possible opportunities may be cancelled out.

The Issuer will often not be aware of the current composition of the target funds. If their composition does not correspond to the Issuer's assumptions or expectations, this may have a negative effect on the investors in the Notes because the actions of the issuer of the Notes will be delayed.

*Particular Risks in relation to Hedge Fund Units*

If the Notes relate to fund units in a so-called hedge fund, the particular risks set out below may occur, which may have a negative effect on the value of the underlying fund units and, thus, the value of the Notes themselves.

Hedge funds are generally permitted to utilise highly risky investment strategies and techniques as well as highly complex capital investment instruments. The assets managed by hedge funds are often invested in derivative instruments such as options and futures in the international futures markets.

Short sales and the use of additional borrowed funds may also form part of a hedge fund's investment strategy. It is not possible to provide a comprehensive or even exhaustive list of all investment strategies that may be pursued by hedge funds. When choosing individual investments and implementing a hedge fund's strategy, the manager has significant room for manoeuvre since he/she is subject to only a few contractual and statutory restrictions. Therefore, investors in hedge funds are even more dependent on the suitability and skills of the relevant manager.

The use of highly risky and complex investment techniques and strategies by hedge funds may result in high losses. As part of their investment strategy, some hedge funds purchase risky securities, e.g. from companies facing economic difficulty and possibly undergoing complex restructuring processes. The success of such measures, however, is uncertain, so that these hedge fund investments are associated with significant risks and are exposed to a high loss risk.

If a hedge fund engages in short selling, it sells securities it does not possess at the time of the transaction and has to procure from third parties by way of securities borrowing. As a short seller, the hedge fund expects the price of the security to fall and therefore relies on its ability to purchase the security at a more favourable price at a later date. A profit is to be generated from the difference between the original sales proceeds and the later actual purchase price. If, however, a different price development occurs (i.e. the price of the short-sold security rises), the hedge fund is exposed to a loss risk that is theoretically unlimited because it must purchase the borrowed securities on current standard market terms in order to return them to their lender.

For the purposes of implementing their investment strategies, hedge funds may utilise all types of derivatives which are traded on and off stock exchanges and which come with the specific risks associated with investments in derivative instruments. Especially as a party to an option or forward transaction (e.g. currency forward, futures and swap transactions), the hedge fund is exposed to a high loss risk if the market development anticipated by it or its manager is not realised. In the case of exchange-traded or other derivatives, the hedge fund is also exposed to a counterparty credit risk.

Hedge funds often largely finance their investments by way of borrowing. This can result in a so-called leverage effect because capital in addition to that provided by the investors can be invested. In the event of a negative market development, the hedge fund is exposed to an increased loss risk because interest and principal repayments have to be made in any case with regard to the borrowed funds. If all of the invested capital is lost, the units in a hedge fund are rendered worthless.

*Particular Risks in relation to Funds of Hedge Funds*

Funds of hedge funds invest in various single hedge funds which, in turn, implement a multitude of different and potentially highly risky investment strategies. If the Notes relate to fund units in a fund of hedge funds, the following risks in addition to those mentioned in the above paragraphs entitled Risks in relation to Funds of Funds and Particular Risks in relation to Hedge Fund Units may occur, which may have a negative effect on the value of the units in the fund of hedge funds and, thus, the value of the Notes themselves. Each hedge fund in which a fund of hedge funds invests may charge fees that can in part be well above the market average and may be dependent on or independent of the performance of the hedge fund or its net assets. Thus, the relevant fees may cumulate or double.

*Particular Risks in relation to Exchange Traded Funds*

If the Notes relate to units in an Exchange Traded Fund ("ETF"), the particular risks set out below may occur, which may have a negative effect on the value of the underlying ETF units and, thus, the value of the Notes themselves.

ETFs pursue the objective of tracking, as accurately as possible, the performance of an index, basket or particular individual assets. Thus, the value of an ETF is particularly dependent upon the performance of the individual index or basket components and/or assets. However, it cannot be ruled out that the performance of the ETF does not correspond to that of the index, basked or individual asset (so-called "tracking error").

Unlike other investment funds, there is generally no active management of ETFs by the issuing investment company. This means that decisions regarding the purchase of assets are dictated by the index, basket or individual assets. If the value of the underlying index falls, this may thus result in an unlimited price loss risk in relation to the ETF, which may have a negative effect on the value of the Notes.

*Particular Risks in relation to Property Funds*

If the Notes relate to fund units in a property fund, the particular risks set out below may occur, which may have a negative effect on the value of the underlying fund units and, thus, the value of the Notes themselves.

Property investments are subject to risks that may affect the value of the fund units in the event of changes in the yields, expenses and the fair market value of the relevant properties. The same applies to properties held by property developers. Risks may arise from (without limitation) vacant properties, lost rents, unforeseen maintenance expenses or building cost increases, risks in relation to third-party warranty claims, risks in connection with existing contamination and the defaulting of contracting parties. If a property fund acquires an interest in a property development company, this may give rise to risks in relation to the company's legal form as well as in connection with a possible defaulting of shareholders/partners or changes in the tax and corporate frameworks. In the event of properties abroad, additional risks may arise from, for instance, deviating laws and tax rules. Currency and transfer risks might also apply in this regard.

Unlike with other investment funds, the redemption of the units in a property fund may be suspended by up to two years if the fund's available funds, in the case of a large number of redemption requests, are insufficient as to cover the payment of the redemption price and to safeguard proper management or cannot be provided at short notice. This may result in a delay in the redemption of the Notes. In addition, such a scenario may negatively affect the value of the Notes because the redemption price paid by the property fund, following continued redemption, may be lower than prior to the suspension.

All relevant information regarding a specific issue of Notes, such as their Terms and Conditions, calculations regarding the redemption amount or other amounts, issue price, issue date, underlying(s) (where applicable), market disruptions, settlement disruptions, adjustments, certain risk factors, clearing system, ISIN or other securities IDs, stock exchange listing, certification of the securities (stating the respective clearing system including the pertaining address) and any other information is set out in the respective Final Terms.

**Additional risks (e.g. in relation to the Underlying(s), payment profiles and structures) may be set out in the relevant Final Terms.**

## IV. Special risks relating to the Notes issued under this Base Prospectus

### Reverse Convertible Notes

- ***General***

[cash settlement:]**[**The Notes will be redeemed at the Maturity Date either at par or at a Redemption Amount, which will be calculated according to a formula set out in the Terms and Conditions and which will be depending on the Reference Price of the Underlying of the Notes on the Valuation Date.

The Notes will be redeemed at par, if on the Valuation Date the Reference Price of the Underlying (share, index, metal (i.e. precious or industrial metal), currency exchange rate, futures contract, bond, interest rate or fund) is not below the [Classic:]**[**Strike**]** [Protect:]**[**Barrier**]** set out in the Terms and Conditions. Otherwise the Redemption Amount will be calculated by multiplying the nominal amount of a Note with the performance of the Underlying, whereas the performance will be determined by dividing the Reference Price of the Underlying on the Valuation Date by the Strike.**]**

[delivery:][The Notes will be redeemed at the Maturity Date either at par or by delivery of **[**shares**][**certificates**][***securities***]** as set out in the Terms and Conditions. If the redemption will be made by delivery of **[**shares**][**certificates**][***securities***]** or by payment of the nominal amount, will be determined as to whether the Reference Price of the Underlying on the Valuation Date is below the [Classic:]**[**Strike] [Protect:]**[**Barrier**]**. If the Reference Price is exceeded by the [Classic:]**[**Strike**]** [Protect:]**[**Barrier**]**, the Notes will be redeemed by delivery of **[**shares**][**certificates**][***securities***]**, otherwise the Notes will be redeemed at par.**]**

[interest run of more than 1 year, but 1 coupon payment only:]**[**The coupon payment will be due on the Maturity Date. Any further payment of coupons is not scheduled.**]**

[Floating Rate Notes:]**[**● ***Floating Interest Rate***

The holder of the Notes should note that the interest rate for these Notes is not fixed. The interest rate for each quarterly interest period will refer to the 3 months EURIBOR.][●]

In addition, investors should pay particular attention to the following points:

- ***Loss risks***

[cash settlement:]**[**It should be noted that in the case of a proceeding loss in the price of the Underlying of the Notes the probability increases that the Notes will be redeemed at an amount less than the nominal amount. As a result, the Noteholder could suffer significant losses with respect to the purchase price paid. Due to the limited maturity of the Notes, the Noteholder should not rely on any recovery of the price of the Underlying prior to the Valuation Date.**]** [Strike not equal Barrier]**[**The Noteholder will especially suffer a loss if the Reference Price of the Underlying on the Valuation Date is below the Strike and the interest payment(s) could not compensate the gap between the Redemption Amount and the nominal amount**]**

[delivery:]**[**It should be noted, that in case of a proceeding loss in the price of the Underlying of the Notes, the Notes will be redeemed by delivery of **[**shares**][**certificates**][***securities***]** the value of which will be less than the purchase price paid for the Notes. This means that the Notes will be redeemed at an amount less than the nominal amount. As a result, the Noteholder could suffer significant losses with respect to the purchase price paid. Due to the limited maturity of the Notes, the Noteholder should not rely on any recovery of the price of the Underlying prior to the Valuation Date. **[**Strike not equal Barrier]**[**The Noteholder will especially suffer a loss if the Reference Price of the Underlying on the Valuation Date is below the Strike and the interest payment(s) could not compensate the gap between the value of the shares and the nominal amount.**]**

In case of delivery of shares the relevant shares will be delivered as available and tradable on the Relevant Exchange on the Maturity Date. If the record date for the payment of the dividend for the relevant shares occurs within the period between the Valuation Date and the Maturity Date the Noteholder must take into consideration that the decision whether or not shares will be delivered was taken on the basis of a share price with dividend entitlement (cum dividend entitlement) whereas the shares are delivered with a reduction in dividends (ex dividend entitlement). Consequently, in such a case the Noteholder will not be entitled to receive the nominal amount of the Notes and will in addition obtain shares the price of which already includes the reduction in dividends.**]**

In addition, any economic considerations regarding an investment in the Notes must also take into account the costs associated with their purchase or sale.

- ***Adjustments and Termination by the Issuer***

Subject to particular circumstances as described in greater detail in the Terms and Conditions, the Issuer may be entitled to perform certain adjustments. Such adjustments may have an adverse effect on the value of the Notes.

In addition, the Issuer may be entitled to early terminate the Notes in accordance with the Terms and Conditions. In that case, the Notes will expire prematurely. If the Issuer gives notice of termination regarding the Notes, all outstanding Notes shall be redeemed at the Termination Amount. The Issuer shall determine the Termination Amount for the Notes in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)) by taking into account applicable market conditions, any proceeds realised by the Issuer in connection with transactions concluded by it in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)) for hedging measures in relation to the assumption and fulfilment of obligations under the Notes (the "**Hedging Transactions**"). When determining the Termination Amount, the Issuer may take into account expenses for transactions that were required for winding up the Hedging Transactions as deductible items.

- ***Redemption only upon maturity; sale of the Notes***

It is a feature of the Notes that, except in the case of a Termination of the Notes by the Issuer (§ 6 of the Terms and Conditions), an automatic payment of the Redemption Amount **[**or delivery of **[**shares**][**certificates**][***securities***]]** to the Noteholders is foreseen only on the Maturity Date set out in the Terms and Conditions.

Prior to the Maturity Date, the economic value represented by the Notes may be realised only by way of a sale of the Notes. A sale of the Notes, however, is contingent upon the availability of market participants who are prepared to purchase the Notes at a corresponding price. If no such market participants are available, it may not be possible to realise the value of the Notes. In particular, investors cannot expect that there will be a liquid market for the Notes under all circumstances and therefore, they also cannot expect that the assets invested in the Notes may be realised at any time by way of a sale of the notes. For that reason, investors should be prepared to hold the Notes until the Maturity Date.

**[***Other product-specific risk factors:***]**
**[●]**

**<u>Reverse Convertible Notes Plus</u>**

- ***General***

[cash settlement:]**[**The Notes will be redeemed at the Maturity Date either at par or at a Redemption Amount which will be calculated according to a formula set out in the Terms and Conditions and which will depend on the price of the Underlying during the Montioring Period as well as on the Reference Price of the Underlying of the Notes on the Valuation Date.

The Notes will be redeemed at par, if the price of the Underlying is at no time during a Monitoring Period equal to or below the Barrier set out in the Terms and Conditions or if on the Valuation Date the Reference Price of the Underlying is not below the Strike set out in the Terms and Conditions. Otherwise the Redemption Amount will be calculated by multiplying the nominal amount of a Note with the performance of the Underlying, whereas the performance will be determined by dividing the Reference Price of the Underlying on the Valuation Date by the Strike.**]**

[delivery:]**[**The Notes will be redeemed at the Maturity Date either at par or by delivery of **[**shares**][**certificates**][***securities***]** as set out in the Terms and Conditions. The type of redemption is depending on the price of the Underlying during a fixed Monitoring Period as well as on the Reference Price of the Underlying on the Valuation Date.

The Notes will be redeemed at par, if the price of the Underlying is at no time during a Monitoring Period equal to or below the Barrier set out in the Terms and Conditions or if on the Valuation Date the Reference Price of the Underlying is not below the Strike set out in the Terms and Conditions. Otherwise the Notes will redeemed by delivery of **[**shares**][**certificates**][***securities***]. ]**

[interest run of more than 1 year, but 1 coupon payment only:**][**The coupon payment will be due on the Maturity Date. Any further payment of coupons is not scheduled.**]**

[Floating Rate Notes:]**[**● ***Floating Interest Rate***

The holder of the Notes should note that the interest rate for the Notes is not fixed. The interest rate for each quarterly interest period is related to the 3 months EURIBOR.][●]

In addition, investors should pay particular attention to the following points:

● ***Loss risks***

[cash settlement:]**[**It should be noted that in the case of a proceeding loss in the price of the Underlying of the Notes, the probability increases that the Notes will be redeemed at an amount less than the nominal amount. This is especially the case if the price of the Underlying during the Monitoring Period is at least once equal to or below the Barrier. As a result, the Noteholder could suffer significant losses with respect to the purchase price paid. Due to the limited maturity of the Notes, the Noteholder should not rely on any recovery of the price of the Underlying prior to the Valuation Date.**]**

[delivery:]**[**It should be noted, that in case of a proceeding loss in the price of the Underlying of the Notes, the Notes will be redeemed by delivery of **[**shares**][**certificates**][***securities***]** the value of which will be less than the purchase price paid for the Notes. This means that the Notes will be redeemed at an amount less than the nominal amount. As a result, the Noteholder could suffer significant losses with respect to the purchase price paid. Due to the limited maturity of the Notes, the Noteholder should not rely on any recovery of the price of the Underlying prior to the Valuation Date.**]**

**[**In case of delivery of shares the relevant shares will be delivered as available and tradable on the Relevant Exchange on the Maturity Date. If the record date for the payment of the dividend for the relevant shares occurs within the period between the Valuation Date and the Maturity Date the Noteholder must take into consideration that the decision whether or not shares will be delivered was taken on the basis of a share price with dividend entitlement (cum dividend entitlement) whereas the shares are delivered with a reduction in dividends (ex dividend entitlement). Consequently, in such a case the Noteholder will not be entitled to receive the nominal amount of the Notes and will in addition obtain shares the price of which already includes the reduction in dividends.**]**

In addition, any economic considerations regarding an investment in the Notes must also take into account the costs associated with their purchase or sale.

- ***Adjustments and Termination by the Issuer***

Subject to particular circumstances as described in greater detail in the Terms and Conditions, the Issuer may be entitled to perform certain adjustments. Such adjustments may have an adverse effect on the value of the Notes.

In addition, the Issuer may be entitled to early terminate the Notes in accordance with the Terms and Conditions. In that case, the Notes will expire prematurely. If the Issuer gives notice of termination regarding the Notes, all outstanding Notes shall be redeemed at the Termination Amount. The Issuer shall determine the Termination Amount for the Notes in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)) by taking into account applicable market conditions, any proceeds realised by the Issuer in connection with transactions concluded by it in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)) for hedging measures in relation to the assumption and fulfilment of obligations under the Notes (the "**Hedging Transactions**"). When determining the Termination Amount, the Issuer may take into account expenses for transactions that were required for winding up the Hedging Transactions as deductible items.

- ***Continous observation of the price of the Underlying and observation of the price of the Underlying on the Valuation Date***

In order to determine whether the price of the Underlying during the Monitoring Period is at least once equal to or below the Barrier, all prices of the Underlying are observed while for the determination of the price of the Underlying on the Valuation Date is equal to or below the Strike Price, only the Reference Price is observed.

- ***Redemption only upon maturity; sale of the Notes***

It is a feature of the Notes that, except in the case of a Termination of the Notes by the Issuer (§ 6 of the Terms and Conditions), an automatic payment of the Redemption Amount or delivery of **[**shares**][**certificates**][***securities***]** to the Noteholders is foreseen only on the Maturity Date set out in the Terms and Conditions.

Prior to the Maturity Date, the economic value represented by the Notes may be realised only by way of a sale of the Notes. A sale of the Notes, however, is contingent upon the availability of market participants who are prepared to purchase the Notes at a corresponding price. If no such market participants are available, it may not be possible to realise the value of the Notes. In particular, investors cannot expect that there will be a liquid market for the Notes under all circumstances and therefore, they also cannot expect that the assets invested in the Notes may be realised at any time by way of a sale of the notes. For that reason, investors should be prepared to hold the Notes until the Maturity Date.

**[***Other product-specific risk factors:***]**
**[•]**

**Additional risks (e.g. in relation to the Underlying(s), payment profiles and structures) may be set out in the relevant Final Terms.**

## RISK FACTORS RELATING TO THE COMMERBANK GROUP

*Potential investors should read carefully and take into consideration the risk factors described below and other information contained in this base prospectus ("**Base Prospectus**") before making a decision on the acquisition of securities from Commerzbank Aktiengesellschaft ("**Commerzbank Aktiengesellschaft**", "**Commerzbank**", the "**Bank**" or the "**Issuer**" and together with its consolidated subsidiaries and affiliated companies "**Commerzbank Group**" or "**Group**"). The onset of one or several of these risks, in isolation or in combination with other factors, can seriously affect the business operations of the Group and have material adverse effects on the net assets, financial standing and profitability of the Group or on the price of securities of Commerzbank. The risks described below are possibly not the only risks to which the Group is exposed. Other risks, which are currently not known to the Bank or are considered unimportant at present, may also affect the business operations of the Group and have serious adverse effects on the business activity and the net assets, financial standing and profitability of the Group. The selected order is neither a statement of the probability of realization nor the extent of the economic effects or the significance of the risk factors mentioned below.*

***Market and Bank-related risks***

***The global financial market crisis and sovereign debt crisis in the eurozone in particular have put a very significant strain on the net assets, financial position and results of operations of the Group in the past, and it can be assumed that further materially adverse effects for the Group can also result in the future, in particular in the event of a renewed escalation of the crisis. A further escalation of the crisis within the European Monetary Union can have material adverse effects with consequences that even pose a threat to the Group's existence***.

Since mid-2007 international financial markets and financial institutions have been suffering from the severe effects of the global financial crisis. Following the distinct stabilization of the condition of the financial markets in 2010 and the beginning of 2011, the markets have been under severe strain from the consequences of the high levels of public debt, mainly of the European countries.

The crisis began in 2007 as the so-called "subprime crisis" and originated in the collapse of the U.S. market for subprime mortgage loans, i.e. for generally variable interest rate mortgage loans to borrowers with poor credit scores. In 2007 and 2008, a number of banks specializing in U.S. subprime credit products, investment banks and hedge funds, in addition to bond and credit insurers, thus found themselves in financial difficulty or even declared bankruptcy in some instances. The crisis took a distinct turn for the worse with the insolvency of Lehman Brothers in September 2008 and escalated into a global financial market and economic crisis. This resulted in a substantial upheaval of the interbank lending market, such that the availability of liquidity to banks was no longer guaranteed. Central banks and governments stepped in with support measures for the financial system and even went so far as to nationalize some banks.

The events in the second half of 2008 triggered a considerable decline in the value of almost all types of financial assets. Financial markets also experienced extreme volatility levels, while previously reliable correlations between various asset classes ceased to apply (i.e., the degree of interconnectedness between their prices). Added to this was an extremely low level of liquidity and – partly as a result of this – a considerable widening in spreads (i.e., the difference in yield compared to instruments regarded as risk-free) on financial assets. The availability and value of instruments used to hedge positions and control risk declined significantly as a result. The developments described above had a material adverse effect on the net assets, financial position and results of operations of the Group, requiring Commerzbank to draw on government support again at the end of 2008.

Furthermore, the financial crisis led to a widespread loss of trust both in the financial markets and in the real economy. After the collapse of Lehman Brothers, at the latest, the interbank lending markets came to an almost complete standstill. This loss of confidence abruptly triggered a renewed acceleration of the existing decline of the real economy, and output in many countries collapsed in 2009 to an extent not seen since World War II.

The measures taken by governments and central banks in many countries to support the financial system and the real economy led to sharply increasing budget deficits and levels of public debt, which in many cases were previously already considerable. At the same time, the economies of several heavily indebted states in Europe have been characterized by insufficient productivity, a lack of competitiveness, high unemployment, high real estate vacancy rates, low growth and unfavorable growth prospects.

These developments gave rise to doubts about the ability of the economies of some countries (in particular in the eurozone) to cover the debts from their public budgets ("**sovereign debt crisis**"). The perception of the creditworthiness of these countries on the markets worsened as a result, in some cases very considerably, and this has accordingly led to an increase in spreads and partly to a substantial decline in the valuations of bonds issued by the public sector entities ("**sovereign debt**") of these countries. Financing the sovereign debt of these countries became considerably more expensive as a result.

The deteriorating perception of creditworthiness was accompanied by a series of ratings downgrading, in part substantial, of the countries concerned. Thus for example, by April 2012 the ratings for Italian and Spanish long-term debt were downgraded by Standard & Poor's Financial Services LLC ("**Standard & Poor's**"), Moody's Investors Service, Inc. ("**Moody's**") and Fitch Ratings, Inc. ("**Fitch**") by three to four notches in the case of Italy and four to six notches in the case of Spain, compared with the very good ratings persisting since the beginning of 2010. Sovereign debt, whose valuation by the market had not been affected previously or been reduced only to a small extent, was also affected by rating downgrades. For example, Standard & Poor's has downgraded the ratings of the USA and France by one notch. Downgradings, in addition to other factors, can bring about a further widening of spreads or a reduction in the market price of outstanding sovereign debt, as the case may be, and consequently an increase in the cost of financing for certain states, because certain investors must sell financial instruments (in part because of existing laws or internal regulations) when a rating falls below a certain level.

For Greece, Portugal and Ireland in 2010 it was already in part no longer possible to refinance maturing public-sector debt and ongoing financing needs on the capital markets, requiring the European Union, other countries in the eurozone and the International Monetary Fund to support them. The countries of the European Union, partly together with the International Monetary Fund, set up so-called rescue packages for this purpose, i.e., mechanisms enabling the countries concerned to be supported through the granting of loans. However, the rescue packages have been unable to relieve the doubts regarding the stability of the affected countries on a permanent basis. Despite successively increasing in amount, there are still reservations that their volume will not be sufficient if the crisis spreads to other large European states (in particular Italy and Spain). Because European governments have partly been unable to agree as to the consequences of the sovereign debt crisis for the economic system and the financial policy of Europe and the eurozone, skepticism continues to persist as to whether policy-makers will react decisively enough in the event of a renewed escalation of the crisis.

Existing sovereign debt has recently sustained substantial losses in value due to the sovereign debt crisis. Greek bonds were affected most severely, their market value declining to under 30% of their nominal value during the course of 2011. In March 2012 Greek bonds were exchanged, or were required to be exchanged, as the case may be, by private creditors for new bonds with a substantially reduced nominal value, longer terms and a reduced interest rate. The market values of the bonds of some other states in the eurozone, in particular Italy, Spain, Portugal and Ireland, also declined considerably in 2010 and 2011. Countries outside the eurozone have also been affected, in particular in Eastern Europe (especially Hungary). At the same time there was a reduction, to some extent substantial, in the trading liquidity of all affected sovereign debt. Despite a certain measure of easing after the stabilization of the ratings of Italian and Spanish sovereign debt in the first quarter of 2012 and the restructuring of Greece in March 2012, the substantial risk that the crisis will intensify and spread to other countries continues to exist. This is the case, in particular, because the stabilization of the sovereign debt ratings of several sovereigns in the first quarter of 2012 is largely attributable to the European Central Bank's having made large volumes of liquidity on very favorable terms available to European banks in two 3-year-Longer-Term Refinancing Operations ("**3y-LTRO"**), and because it cannot be assured that this extensive supply of liquidity will continue (see also risk factor "*The Group is dependent on the regular supply of liquidity and a market-wide or company-specific liquidity* *shortage can have material adverse effects on the Group's net assets, financial position and results of operations. Currently, the liquidity supply of banks and other players in the financial markets is strongly dependent on expansive measures of the central banks*").

The impairments on Greek sovereign debt and the exchange caused European banks in particular, including Commerzbank, to sustain considerable losses leading to a weakening of their capital bases (see also risk factor "*The Group holds a large amount of sovereign debt. Impairments and valuations of such sovereign debt at lower fair values have had very material adverse effects on the net assets, financial position and results of operations of the Group in the past and further adverse effects in the future are to be assumed*"). Given the risk of sustaining further losses on the sovereign debt of other countries as well, doubts arose as to the stability of some banks that hold sizeable portfolios of such sovereign debt. Just as in 2008, this resulted in a considerable strain on the interbank lending market and a widespread loss of confidence, making refinancing all the more difficult and expensive for banks.

The consequences of the financial market and sovereign debt crisis have put a considerable strain on the net assets, financial position and results of operations of the Group in the past. The most important adverse effects include the increased need for provisions and impairments to net income from investments, net trading losses and increasingly costly financing in addition to declining earnings. It can be assumed that materially adverse consequences may, in particular in the event of a renewed escalation of the crisis, also result for the Group in the future. At the same time, it is to some extent not possible or only possible with great difficulty for the Group to hedge against risks related to the financial market and sovereign debt crisis (see also risk factor "*The Group's hedging strategies could prove to be ineffective, incur costs and entail risks*").

If further member states of the European Union beyond Greece, Portugal and Ireland experience payment difficulties or even become insolvent, the risks associated with the sovereign debt crisis may materialize to a far greater extent, under circumstances even to an extent which may pose a threat to the existence of the Group. The withdrawal of individual countries from the European Monetary Union, especially the withdrawal of any of the leading economies such as Germany, Italy, Spain or France, or the complete breakup of the European Monetary Union, would have extremely far-reaching consequences for the financial markets and the real economy. Moreover, in this case potential funding restrictions imposed by local central banks could lead to funding shortfalls and additional currency risks could result (see also risk factor "*The Group is exposed to currency risks*"). It can be assumed that such a scenario could have very material adverse effects on the net assets, financial position and results of operations of the Group that can pose a threat to the existence of the Group.

***The Group holds a large amount of sovereign debt. Impairments and valuations of such sovereign debt at lower fair values have had very material adverse effects on the net assets, financial position and results of operations of the Group in the past and further adverse effects in the future are to be assumed***.

The Group holds – largely through its subsidiary Eurohypo Aktiengesellschaft ("**Eurohypo**") – a large amount of sovereign debt, including bonds issued by Italy, Spain and Portugal and, until the first quarter 2012, also by Greece. As a result of negative developments, the Group reduced its portfolio of such sovereign debt during 2010, 2011 and the first quarter of 2012, and thereby also had to tolerate losses. As of March 31, 2012, the Group's EaD[1] vis-à-vis public sector entities amounted to EUR 52 billion. With respect to these countries, Italy accounted for EUR 8.4 billion, Spain for EUR 2.9 billion and Portugal for EUR 0.8 billion, collectively EUR 12.1 billion. These EaD values take into account the hedging of Credit Default Swaps ("**CDSs**")[2] acquired by the Group, i.e. the EaD values are values reduced by the amount which is hedged. Since it is not guaranteed in every case that CDSs effectively hedge against the risks from sovereign debt (see risk factor "*The Credit Default Swaps (CDSs) on sovereign debt acquired by the Group could fail to serve their hedging purpose. Furthermore, the Group issued Credit Default Swaps on sovereign debt, thereby assuming the default risk of the sovereign debt of third parties. The risk from issued CDSs can materialize, even while at the same*

[1] EaD = Exposure at Default/Anticipated outstanding amount taking into account a potential (partial) drawdown on open lines of credit and contingent liabilities that would have an adverse effect on risk-bearing ability on default. For securities in the Public Finance portfolio the nominal value is recorded as the EaD. Not to be confused with default volume (= volume of defaulted loans).
[2] Financial instruments for assuming the credit risk from a reference asset, e.g. a security or loan.

*time the acquired CDSs may fail to serve their hedging purpose*"), the Group's exposure to the risks from sovereign debt can be higher than those indicated by the EaD values.

Sovereign debt is assigned to two separate categories in the Commerzbank Group depending on the liquidity of markets, among other factors. A large portion of sovereign debt (nominally EUR 22 billion as of March 31, 2012) is recognized in the Loans and Receivables ("**LaR**") category. The other portion (nominally EUR 15 billion as of March 31, 2012) is recognized in the Available for Sale ("**AfS**") category. Sovereign debt is generally recognized in the balance sheet in accordance with the IAS 39 categories. The illiquid portion or, as the case may be, the portion that has become illiquid, is assigned to the LaR category and reported at amortized cost; once illiquidity has been established, the previous changes in fair value are frozen, or as the case may be, released through to maturity. Even if the market has in the meantime again become liquid, no adjustment to fair value may take place with bonds in the LaR category; an impairment (through profit or loss) only takes place if certain objective circumstances exist. In the case of securities assigned to the AfS category, the carrying values are adjusted to fair value by recording a reversal (which may be positive if the fair value increases or negative if the fair valued decreases) on the asset side of the balance sheet and reclassifying this amount to the revaluation reserve, thereby accordingly changing the equity capital recognized in the balance sheet; the reclassification of securities assigned to the AfS category has no effect on the net assets. However, the recognition of permanent impairments of sovereign debt assigned either to the LaR or AfS categories does have an effect on net assets if there are certain objective indications of a loss leading to a reduction of the expected payment flows from the sovereign debt. The Group also uses derivative instruments to hedge most of the sovereign debt against interest rate and inflation risks. If the value of the sovereign debt is reduced, this will have a corresponding adverse effect on these hedging instruments, and lead to a further material adverse effect on the results of operations.

In the 2011 financial year the Commerzbank Group recognized impairments on Greek sovereign debt in a total amount of EUR 2.226 million, resulting in a carrying value of the Greek sovereign debt as of December 31, 2011 equal to approximately 26.4% of their nominal value. The valuation effects on instruments used to hedge against interest rate and inflation risks have also had an adverse effect on results in a further amount of EUR 962 million (see also risk factor "*The Group's hedging strategies could prove to be ineffective, incur costs and entail risks*".

In March of 2012 Greek sovereign debt held by private creditors were exchanged into new bonds partly in connection with a voluntary exchange, and partly on the basis of so-called collective action clauses.[3] For old Greek sovereign debt with a nominal value of EUR 1,000, creditors received new bonds with nominal value of EUR 465, specifically of short-term bonds issued by the EFSF (European Financial Stabilization Facility) with a nominal value of EUR 150 and a maturity of one or two years and bearing interest of 0.4% p.a. or, 1% p.a. respectively, and new Greek sovereign debt with a nominal value of EUR 315 with staggered terms maturing between 2023 and 2042 and a staggered interest rate over time between 2% p.a. and 4.3% p.a. (as of 2022). Given the low interest rate for the long maturity and the persistent doubts as to Greece's creditworthiness, the new Greek sovereign debt was also quoted at considerably below 50% of their (lower) nominal value. In the first quarter of 2012, the Group disposed of nearly all its Greek sovereign debt that it had obtained in connection with the exchange in March of 2012 in exchange for the Greek sovereign debt it had held until that date. This resulted in an additional loss in the first quarter of 2012 in the amount of EUR 69 million. As a result of these disposals, the Group held as of March 31, 2012 only a small residual amount of Greek sovereign debt (nominally: EUR 38 million) in the Corporates & Markets segment, which was valued as of March 31, 2012 at a market value of EUR 7 million.

No other impairments of sovereign debt have been made to date, as, in the opinion of Commerzbank, the conditions that called for the impairment of Greek sovereign debt, namely objective indicators of a reduction in the expected payment streams of the sovereign debt, were not as of March 31, 2012 existent in respect of the sovereign debt of other countries. The revaluation reserve for sovereign debt, i.e., the difference in the amount of the AfS sovereign debt and their fair value amounted to EUR 1.6 billion as of March 31, 2012. The difference between the LaR sovereign debt and their fair value – to the extent this was below the respective carrying value – amounted to EUR 3.1 billion as of March 31, 2012 (referred to as unrealized losses).

[3] Arrangements whereby creditors that do not participate voluntarily in the exchange, can be forced to participate, to the extent that the majority of the affected creditors participate voluntarily.

As is apparent from the high negative revaluation reserve and the high unrealized losses with regard to sovereign debt as of March 31, 2012, market participants value sovereign debt issued by various countries – in particular that of Italy, Spain and Portugal, but also of a series of regional public entities in the USA – as no longer fully recoverable, even though this may not be fully reflected in the financial figures of the Commerzbank Group. Should the view of market participants be confirmed, then material impairments on the sovereign debt held by the Commerzbank Group would be required and further negative valuation effects on the interest and inflation hedging instruments would have to be booked to profit or loss. This would have materially adverse effects on the net assets, financial position and results of operations of the Group.

On the one hand, the Group is extremely restricted, or only in a position to take considerable losses in disposing of, or in taking other measures to reduce the risks attached to the sovereign debt it holds. This is due to the fact that in some cases, the market values of its sovereign debt are very substantially below carrying values, and the ability and the willingness of the market to absorb them is limited. On the other hand, many market participants, in particular banks, are also attempting to sell such debt. The resulting downward spiral can lead to further materially adverse effects on the net assets, financial position and results of operations of the Group.

***The Credit Default Swaps (CDSs) on sovereign debt acquired by the Group could fail to serve their hedging purpose. Furthermore, the Group issued Credit Default Swaps on sovereign debt, thereby assuming the default risk of the sovereign debt of third parties. The risk from issued CDSs can materialize, even while the acquired CDSs may at the same time fail to serve their hedging purpose.***

As of March 31, 2012, the Group had acquired Group CDSs for the sovereign debt of Italy, Spain and Portugal in a total volume of EUR 7.4 billion, as well as for sovereign debt of other countries in a total volume of EUR 4.9 billion. Italy accounted for EUR 4.3 billion, Spain for EUR 2.6 billion and Portugal for EUR 0.5 billion. At the same time, the Group issued CDSs for the sovereign debt of Italy, Spain and Portugal in a total volume of EUR 7.0 billion (in addition to CDSs on sovereign debt of other countries in a total volume of EUR 4.5 billion), thereby assuming the credit risk vis-à-vis its contractual partners to this extent for the hedged public-sector bonds. Italy accounted for EUR 4.1 billion, Spain for EUR 2.5 billion and Portugal for EUR 0.4 billion.

The value of the CDSs acquired is, however, contingent on the respective contractual partner's liquidity. This liquidity may, specifically in the case of a sovereign insolvency, be subject to bottlenecks if the contractual partner is also partly exposed to other substantial risks attached to sovereign debt. In addition it may also be the case that the terms of the hedging instruments do not cover the specific trigger to require the counterparty's outstanding payment. Accordingly, the risk that CDSs on Greek sovereign debt would not be an effective hedge arose in the meantime because the claims of private creditors arising from this sovereign debt were only expected to be reduced in the context of a voluntary exchange in March 2012. However, after the voluntary exchange, those creditors who had not participated were forced to exchange on the basis of collective action clauses. The Greek CDSs were triggered as a result, and holders of such CDSs obtained 78.5% of the nominal value, regardless of whether they had participated in the voluntary exchange. The Group both issued and acquired CDSs on Greek sovereign debt in a similar amount, so that the settlement of these CDSs did not have any notable effects on the net assets and results of operations of the Group.

In other cases however, the hedging associated with the CDSs may fail to fulfill its purpose, and consequently the Group is exposed to risks that it had considered to have been hedged. Furthermore, the volumes and features of the agreements pertaining to the CDSs issued by the Group (e.g., with respect to currencies and terms) are not always aligned with the CDSs acquired by the Group relating to some countries. The acquired CDSs will thus fail to fully offset the risk attached to the issued CDSs, even if the counterparty performs its obligations on the CDSs (see also risk factor "*The Group's hedging strategies could prove to be ineffective, incur costs and entail risks").*

The insolvency of just one of the countries, with respect to whose sovereign debt the Group issued CDSs, or for which the Group used CDSs to hedge against risks attached to sovereign debt positions, can have materially adverse effects on the net assets, financial position and results of operations of the Group, in addition to the adverse effects that can arise because the Group holds these countries' sovereign debt.

***The macroeconomic environment prevailing for some time adversely affects the results of operations of the Group and the strong dependence of the Group on the economic environment, particularly in Germany, can lead to further substantial burdens in the event of a renewed economic downturn.***

At present, the results of operations of the Group have been adversely affected by the macroeconomic environment prevailing since the outbreak of the financial crisis, which has been characterized by low interest rates, a high volatility of the capital markets and a great deal of uncertainty both on the capital markets and in the real economy. Following a clear stabilization of the state of the capital markets and an improvement of the real economy in 2010 and at the outset of 2011, some parameters then took a substantial turn for the worse, not least of all due to the escalating sovereign debt crisis in the second half of 2011 and the resulting consequences on the financial markets. Since the second half of 2011, economic growth has slowed in connection with the sovereign debt crisis, in some countries even leading to quarterly periods with negative growth rates. In the first quarter of 2012, while global economic development and in particular the situation on the financial markets has again somewhat improved, the sovereign debt crisis continues to weigh down the economy and the confidence of financial market participants in the eurozone.

At the same time, the historically low interest rate level has led to low margins, particularly in the deposit business of the Group in the Private Customers segment. An increase in the interest rate level is currently not foreseeable. The uncertainties on the financial markets have prompted a hesitance on the part of customers and a resulting decline in earnings in the securities business, which is dependent on sales. Due to, among other things, the negative developments of many national economies and an outlook better described as reserved to negative, the demand for loans in the Mittelstandsbank segment in 2011 remained below expectations. Also in the Private Customers segment, the uncertainties on the financial markets have led to considerable restraint with regard to higher risk or also long-term investments. This has resulted in customers turning to less risky forms of investment, the sales of which generally only generate low commissions. In the Corporates & Markets segment, the widespread uncertainty on the capital markets in the second half of 2011 led to a marked decline in customer activities, which had an adverse effect on the segment’s operating results.

The further development of the macroeconomic environment is encumbered by considerable uncertainty. Comprehensive government stimulus programs like those in 2008 and 2009 are not likely due to the large budget deficits and high levels of public debt. Moreover, the efforts by some countries to consolidate their budgets are leading to negative economic effects as this slows investments and consumption. A renewed recession, in particular in the United States, or a substantial decline in growth in China, combined with a downturn in world trade (including as a result of protectionist tendencies), would have a disproportionately high impact on export-oriented countries such as Germany in particular, which in turn would have materially adverse effects on Commerzbank, especially on its Mittelstand business. At the same time a recession could in turn contribute to an escalation of the financial market and sovereign debt crisis and thereby magnify its impact, as the uncertainty surrounding economic development leads to hesitance among investors and thus to a widening of credit spreads, increasingly difficult refinancing, and to a decline in the values of financial instruments. Since the gross domestic product of the eurozone and that of the EU area both decreased by 0.3% in the fourth quarter of 2011 and, according to preliminary estimates, the gross domestic product of the eurozone and that of the EU area remained in the first quarter of 2012 unchanged at 0.0% in each case (Source: Eurostat, European Economic Indicators), these regions just barely evaded a light recession, pursuant to the commonly-used definition. The development in Germany was more positive than in the eurozone as a whole, with a decrease of 0.2% in the fourth quarter of 2011 as against the third quarter of 2011 (Source: German Federal Statistical Office, GDP Q4 2011, February 24, 2012) and a growth of 5% in the first quarter of 2012 (Source: German Federal Statistical Office, GDP Q1 2012, May 24, 2012); however, for the full year 2012, Germany is also currently expected to post only a modest gross domestic product growth of well under 1% (Source: German Federal Ministry of Economics and Technology, Early-Year Projection 2012).

A rise in inflation may result from the massive liquidity provided to the national economies by the central banks, in particular at the close of 2011 and in the first quarter 2012, to stabilize the financial system in the wake of the sovereign debt crisis (see risk factor “*The global financial market crisis and sovereign debt crisis in the eurozone in particular have put a very significant strain on the net assets,* *financial position and results of operations of the Group in the past, and it can be assumed that further materially adverse effects for the Group can also result in the future, in particular in the event of a renewed escalation of the crisis. A further escalation of the crisis within the European Monetary Union can have material adverse effects with consequences that even pose a threat to the Group's existence*"). This can have materially adverse effects on the economy, not least of all due to central banks limiting liquidity in order to fight inflation and taking measures to increase the interest rate level and thereby slow down the economy.

A negative development of the macroeconomic environment may in particular lead to the necessity to increase risk provisioning and losses from defaults on loans, as company insolvencies and therefore loan defaults are more likely, or payments of interest and principal could remain outstanding in some cases for a longer period. This may have a material adverse effect on the net assets, financial position and results of operations of the Group. Given the development of the economy, the Group assumes that risk provisioning will increase in the 2012 financial year (see also risk factor *"The Group is exposed to counterparty default risk (credit risk) – also in respect of large individual commitments, large loans and advances, and commitments – that is concentrated in individual sectors, so-called "cluster" commitments, as well as loans to debtors that may be particularly affected by the sovereign debt crisis").* Furthermore, apart from the low interest rate level, little or negative growth also has an adverse effect on earnings and the profitability of the Group because demand for the Group's products declines, for example, for loans from the Mittelstandsbank segment or products in the Corporates & Markets segments and for investment products in the Private Customers segment.

On the basis of the large share of the business activities of Commerzbank in the German market, a recession in Germany would have material adverse effects on the net assets, financial position and results of operations of the Group, which in the event of a deep recession lasting several years could even pose a threat to the existence of the Group.

***The Group's results fluctuate strongly and are heavily influenced by volatile individual components and one-time effects, with the consequence that period results can only be drawn upon to a limited extent for the results of future periods.***

The Group's results strongly fluctuate and are subject to one-time effects. The main drivers of results in the recent past were loan loss provisions, net investment income, in particular write-downs on bonds of public entities (see also risk factor "*The Group holds a large amount of sovereign debt. Impairments and valuations of such sovereign debt at lower fair values have had very material adverse effects on the net assets, financial position and results of operations of the Group in the past and further adverse effects in the future are to be assumed*") and net trading income. The results of the Group Treasury division are also subject to strong fluctuations.

The Group result apportionable to the shareholders of Commerzbank was EUR -4,537 million for the 2009 financial year, EUR 1,430 million for the 2010 financial year and EUR 638 million for the 2011 financial year. These results alone illustrate the volatility. In addition, the positive result of the so-called core bank (i.e., the Private Customers, Mittelstandsbank, Central & Eastern Europe, Corporates & Markets operating segments and the Others and Consolidation segment) of EUR 4.55 billion in the 2011 financial year (compared to EUR 1.98 billion in the 2010 financial year) would have been considerably worse without several extraordinary occurrences. Thus, of the operating result of the Corporates & Markets segment of EUR 583 million in the 2011 financial year, EUR 283 million alone was attributable to an extraordinary result from the market valuation (at fair value) of own liabilities. The operating result of the Others and Consolidation segment of EUR 1.58 billion in the 2011 financial year was primarily the result of one-time effects in connection with the two capital measures to optimize the capital structure in the first and fourth quarters of 2011. Because of the impact of these one-time effects, the operating result of the core bank in the 2011 financial year in the amount of EUR 4.55 billion must not be seen as sustainable and only to a limited extent permits conclusions to be drawn regarding the future operating results of the core bank and of the Commerzbank Group. The Group operating result for the first quarter of 2012 in the amount of EUR 584 million is attributable in no small part, as in the last two quarters of the 2011 financial year, to very strong net trading income and net income on hedge accounting in the Others and Consolidation segment amounting to EUR 282 million (compared to EUR 47 million in the first quarter of 2011). The Group result for the first quarter of 2012 included a negative contribution to results from the adjustment to own liabilities valued at fair value in the amount of EUR 158 million, as well as a high positive contribution to results through a revaluation of interest-rate and cross-currency hedging derivatives of Group Treasury, resulting among other things from the refinement of the valuation models for interest rate hedging transactions implemented in the 2011 financial year, which lead to a higher volatility of the valuations models. Furthermore, to a certain extent measurement effects from banking book derivatives were not offset in hedge accounting; this led to a high positive effect from the application of IAS 39.

Given the volatility, the results achieved in individual quarters cannot be extrapolated for the full year. A number of external factors have an impact on the results of the Commerzbank Group, including macroeconomic factors such as the development of the economy, both globally and nationally, and the gross domestic product, the development of key interest rates and the development of the stock markets and other securities markets, i.e., factors that the Group is only capable of influencing to a slight extent if at all. Negative developments of these factors can have materially adverse effects on the net assets, financial position and results of operations of the Group.

***The Group is exposed to counterparty default risk (credit risk) – also in respect of large individual commitments, large loans and advances, and commitments – that is concentrated in individual sectors, so-called "cluster" commitments, as well as loans to debtors that may be particularly affected by the sovereign debt crisis.***

The Group is exposed to counterparty default risk (credit risk) associated with the lending business with customers and credit institutions (essentially comprised of loans to private and corporate customers, real estate financing, as well as loans and advances to banks, insurance companies, financial service providers, states and public corporations). There is also an exposure to credit risk for the Group associated with the credit substitute business (i.e., business with structured credit products), financial instruments in the investment portfolio (for example, bonds from industrial companies, banks, insurance companies and states), other financial instruments and with derivatives. The Group defines credit risk as the risk associated with possible losses in value, which may be caused by changed credit ratings, or the inability of a counterparty to make payments as and when they fall due (due to insolvency, for example). Apart from credit rating risk and default risk, subcategories of credit risk include settlement risk, counterparty risk and country risk. Borrowers in an increasingly poor financial situation, payment defaults and a reduction in the value of collateral mean that loan loss provisions may have to be increased to cover acute and latent default risk, or that the capital adequacy requirement of the Group may increase due to a rise in risk-weighted assets. Although loan loss provisions decreased from EUR 4.21 billion in 2009 to EUR 2.50 billion in 2010, and then to EUR 1.39 billion in 2011, in the event that the overall financial situation or in particular sectors worsens, a further increase in loan loss provisions should be expected. In the second half of 2012 in particular, such an increase is to be expected, above all in those partial portfolios sensitive to fluctuations in the economy. Risk-weighted assets allotted to credit transactions amounted to EUR 246 billion as of December 31, 2009, EUR 232 billion as of December 31, 2010 and EUR 190 billion as of December 31, 2011 and EUR 178 billion as of March 31, 2012.

The loan portfolio of the Group shows a concentration of risks in certain sectors. The Public Finance Group division as of March 31, 2012 still accounted for – even after the considerable write-downs in this portfolio in the total amount of EUR 2.2 billion in 2011 and exchange and disposal losses of EUR 69 million in the first quarter of the 2012 financial year – 17% of the loan portfolio of the Group. Thereof 37% related to financial institutions and 63% to countries. The Public Finance Portfolio was subdivided as of March 31, 2012 as follows (in each case, EaD): Germany EUR 31 billion, the remainder of Western Europe EUR 33 billion (of which Italy, Spain, Portugal and Ireland together EUR 16 billion; no remaining exposure in Greece, with the exception of the residual amount of EUR 38 million nominally in the Corporates & Markets segment), Central and Eastern Europe EUR 3 billion (of which Hungary EUR 0.5 billion), North America EUR 12 billion, Others EUR 3 billion. For the special risks associated with commitments with public corporations see also risk factor "*The Group holds a large amount of sovereign debt. Impairments and valuations of such sovereign debt at lower fair values have had very material adverse effects on the net assets, financial position and results of operations of the Group in the past and further adverse effects in the future are to be assumed*". In addition to the above-mentioned positions in relation to financial institutions in the area of Public Finance, there are additional positions, largely in the Mittelstandsbank and Corporates & Markets segments. As of March 31, 2012, the entire financial institutions portfolio amounted to 15% of the loan portfolio of the Group.

Commercial real estate finance accounted for 11% of the total loan portfolio as of March 31, 2012, with the Commercial Real Estate Portfolio in the United States and Spain contributing a not inconsiderable share, while ship finance accounted for %. For the special risks associated with commitments in real estate finance, see also risk factor *"Real estate finance and ship finance are exposed to risks associated in particular with the volatility of real estate and ship prices, including counterparty default risk (credit risk) and the risk of substantial changes in the values of private and commercial real estate and ships held as collateral*".

The risks described above are further intensified by risks concentrated in individual large borrowers or counterparties. This risk concentration is on the one hand attached to so-called large loans and advances, as determined pursuant to the statutory regulations (Section 13b of the German Banking Act), and on the other hand to the following so-called cluster risks, as determined pursuant to the Group's internal rules:

The Group has to a substantial extent extended large loans and advances as defined under Section 13b of the German Banking Act. According to the German Banking Act, if the total of the loan for a single borrower reaches or exceeds 10% of equity, it is considered a large exposure. The number of large loans and advances as so defined was six as of December 31, 2009, four as of December 31, 2010 and four as of December 31, 2011, and seven as of March 31, 2012. The largest chargeable amount of these loans was EUR 6.02 billion as of December 31, 2009, EUR 5.90 billion as of December 31, 2010, EUR 5.24 billion as of December 31, 2011 and EUR 4.20 billion as of March 31, 2012, which amounts to 20.4% of the core capital as of December 31, 2009, 18.6% of the core capital as of December 31, 2010, 20% of the core capital as of December 31, 2011 and 16.69% of the core capital as of March 31, 2012, respectively. Together, these exposures amounted to EUR 17.15 billion as of December 31, 2009, EUR 5.90 billion as of December 31, 2010, EUR 10.29 billion as of December 31, 2011 and EUR 14.14 billion as of March 31, 2012, which amounts to 58.1% of the core capital as of December 31, 2009, 18.6% of the core capital as of December 31, 2010, 39.29% of the core capital as of December 31, 2011 and 56.19% of the core capital as of March 31, 2012, respectively. If the counterparty default risk (credit risk) materializes for such a large exposure, this would have materially adverse effects on the core capital and equity ratio of the Group, as well as on the net assets, financial position and results of operations of the Group.

Cluster risks have been monitored by a standardized definition based on the "all-in" concept since the beginning of 2011. The "all-in" concept covers all of the credit lines of an individual customer approved by the Group in their full amount – irrespective of the extent to which the credit line has been utilized to date. Furthermore, the definition is not dependent on the use of statistically modeled parameters and thus illustrates better than the previous criteria the maximum potential loss arising out of credit risk in respect of the individual customer in question. However, it must be noted that, analogous to their treatment in EaD, settlement risks are not included, while reverse repos, derivates, etc. are included in the "all-in" concept only once they have been netted.

The "all-in" entry threshold (Group) in respect of cluster risk has been set at EUR 1 billion and applies across all segments, product categories and balance sheet items. On the basis of this definition, EaD in respect of cluster risk amounted to EUR 82 billion, or 17% of total Group EaD, on March 31, 2012. The establishment or, as the case may be, prolongation of a position exceeding the threshold in respect of cluster risk will require the approval of the full Board of Managing Directors. As of March 31, 2012, cluster risks were concentrated in the Financial Institutions (approximately 40% of cluster exposure) and Public Finance (approximately 30% of cluster exposure) divisions. Two very large commitments, or 10% of the cluster exposure, may be attributed to the industrial business area and, in particular, the automotive sector. If default risk materializes for one or several borrowers, issuers or counterparties of large financial instruments, this may have materially adverse effects on the Group.

Furthermore, the Group may be adversely affected by the need to establish further provisions, particularly in relation to financing leveraged buyout transactions ("**LBO**") (company takeovers externally financed by, in part, large loans and only a small amount of equity capital). In the Central & Eastern Europe segment, a greater need for further provisions is imminent for the Group in the coming years than in the 2011 financial year.

Finally, the Group is exposed to credit risks related to financial institutions and companies particularly affected by the financial market and/or sovereign debt crisis, for example because they are located in, or have operations focusing on, countries with high levels of debt such as Greece, Italy, Spain, Portugal or Ireland, have a level of loan commitments to highly indebted countries or have issued a substantial amount of CDSs relating to public-sector bonds of these countries (see risk factor "*The global financial market crisis and sovereign debt crisis in the eurozone in particular have put a very significant strain on the net assets, financial position and results of operations of the Group in the past, and it can be assumed that further materially adverse effects for the Group can also result in the future, in particular in the event of a renewed escalation of the crisis. A further escalation of the crisis within the European Monetary Union can have material adverse effects with consequences that even pose a threat to the Group's existence*").

In particular in the event of a worsening of the economic environment or a worsening of the financial market and sovereign debt crisis, the continued economic viability of some of these counterparties may be jeopardized. Financial institutions in particular can be heavily affected by a possible worsening, because they are affected by higher loan defaults or reductions in the value of securities or because, in the case of a material worsening of the economic environment, substantial write-downs on real estate loan portfolios may occur or a substantial volume of customer deposits may be withdrawn. If because of these factors in particular, the confidence in the creditworthiness of these banks decreases, then the opportunity for these banks to refinance themselves in the market may be impaired and consequently their sufficiency of liquidity may be threatened. In the second half of 2011 reduced confidence already led to a strong decrease in lending among banks in Europe. Consequently, many banks are currently dependent to a large extent on refinancing through central banks (see also risk factor "*The global financial market crisis and sovereign debt crisis in the eurozone in particular have put a very significant strain on the net assets, financial position and results of operations of the Group in the past, and it can be assumed that further materially adverse effects for the Group can also result in the future, in particular in the event of a renewed escalation of the crisis. A further escalation of the crisis within the European Monetary Union can have material adverse effects with consequences that even pose a threat to the Group's existence*" and risk factor "*The Group is dependent on the regular supply of liquidity and a market-wide or company-specific liquidity shortage can have material adverse effects on the Group's net assets, financial position and results of operations. Currently, the liquidity supply of banks and other players in the financial markets is strongly dependent on expansive measures of the central banks*"). However, it cannot be assumed that a continuation of such refinancing opportunities will be assured permanently. In addition, especially for banks in highly-indebted countries, a governmental bail-out on the national level is less likely because of the high degree of national debt and consequently the limited amount of public funds available. The EaD of the Group in respect of financial institutions was EUR 70 billion as of March 31, 2012.

The onset of one or more of the risks described above can have materially adverse effects on the net assets, financial position and results of operations of the Group.

***Real estate finance and ship finance are exposed to risks associated in particular with the volatility of real estate and ship prices, including counterparty default risk (credit risk) and the risk of substantial changes in the values of private and commercial real estate and ships held as collateral.***

The economic success of the commercial real estate finance business operated by the Bank, in particular, largely depends on developments in real estate markets, which have been marked by considerable uncertainty in recent years. In real estate finance, in addition to these risks, credit risk also depends on general economic development, the profitability of real estate and the development of prices in the affected segment of the real estate area. As a result of the financial market crisis and the economic slump, the current market values of real estate have in many cases been subject to considerable fluctuations for quite some time and in some cases have declined significantly, which has had a correspondingly adverse effect on the business of the Group. Real estate prices in key markets, especially the United States and Spain, developed very negatively beginning in 2007 through to 2010. Although during the course of 2011 most real estate markets (except the United States and Spain) had stabilized, a notable recovery of the real estate markets has still failed to set in, however, in particular due to the sovereign debt crisis, corrections to the housing markets, and the consolidation of the banking sector. In the U.S. nonetheless, there are signs in the first quarter of 2012 that the market has bottomed out. In contrast, the recent positive trend noticeable in the German market will, in the opinion of Commerzbank, become weaker however. The downturn in the southern European markets particularly affected by the sovereign debt crisis will, in the opinion of Commerzbank, continue and in the case of Spain in particular, a further decline in valuations of the real estate market is expected. Factors which may have a long-lasting influence on the real estate market include, in particular, the relationship between the supply of commercial real estate and demand, the ability to pay or the availability of tenants, investment behavior of investors, refinancing options and general cyclical fluctuations on the real estate market.

The ships furnished as collateral to the Group in connection with its ship finance activity are subject to comparable structural value fluctuations. The value of ships is essentially related to the degree of capacity utilization and the charter rates achieved. Both, in turn, depend on the development of global trade and freight capacities. In 2009, global trade declined substantially, while freight capacities were at a high and further-increasing level. In 2011, the increase in capacities significantly exceeded the increase in global trade, which slowed markedly in the second half of 2011 and in the first quarter of 2012, particularly due to the weakening economy. This trend is also expected to continue in the next few years. Both led to a considerable decrease in capacity utilization and charter rates, resulting in a price war, and consequently an adverse effect on the value of ships, which in some cases, depending on the shipping segment, fell under the nominal amount of loan provided against it. In the first quarter of 2012 the continuing difficult situation on the shipping markets led to a marked increase in loan loss provisions in the Ship Finance segment to EUR 114 million (after EUR 71 million in the first quarter of 2011). It should be expected that loan loss provisions will remain at a high level if the economic situation does not change. A deterioration in the sovereign debt crisis and/or the financial market crisis, and accordingly an accompanying negative economic trend, would furthermore have a considerable adverse effect on charter rates, capacity utilization and, consequently, on ship values.

The values of the collateral furnished in the loan portfolios of the Commercial Real Estate and Ship Finance units are subject to considerable fluctuations for the economic reasons described above. Devaluations of collateral may on the one hand necessitate an increase in loan loss provisions to cover acute and latent default risk. But the collateral may also be inadequate to cover the outstanding loan in the event of realization. Such a case would call for impairments. All this can have a material adverse effect on the net assets, financial position and results of operations of the Group.

***The Group has a substantial number of non-performing loans in its portfolio and these defaults may not be sufficiently covered by collateral in combination with previously conducted write-downs and established provisions.***

As of March 31, 2012, the Group had EUR 19.5 billion in outstanding loans and advances based on EaD to be assigned to the Default Portfolio. The Asset Based Finance ("**ABF**") segment accounted for EUR 10.3 billion, the Mittelstandsbank segment for EUR 3.3 billion, the Corporates & Markets segment for EUR 2.1 billion, the Central & Eastern Europe segment for EUR 1.9 billion, the Private Customers segment for EUR 1.3 billion and the Portfolio Restructuring Unit ("**PRU**") segment for EUR 0.6 billion. On a Group-wide basis these loans and advances are covered to an average of 45% by collateral valued on the basis of realization criteria, and a further 44% by write-downs conducted as part of the creation of loan loss provisions (including General Loan Loss Provisions). For the loan volume not covered in this regard, predominantly in the Corporates & Markets segment, the Group expects on the basis of statistical evidence to be able to generate further revenue from the items in the default portfolio, for example because successful debt restructuring can still be effected or because some valuable collateral was not eligible according to the principles of Basel II. It is possible that the assumptions made in this regard may in retrospect prove to be inaccurate or no longer congruent with future developments. This could be the case, for example, if macroeconomic developments continue to deteriorate and/or restructurings were to fail. In that event the Group can be faced with further significant losses from the default portfolio, which may have a material adverse effect on its net assets, financial position and results of operations.

***The Group continues to hold a substantial portfolio of securities that are characterized by poor liquidity, low, volatile or unavailable market prices and uncertainty regarding their recoverability, and which the Group wishes to reduce. It is possible that in the future the Group may have to carry out further significant impairments of these securities or sustain further significant losses in the reduction of such portfolios.***

The Group holds portfolios of, in some cases highly complex, structured financial instruments, which declined considerably in value during the financial market crisis of the second half of 2007 (and more severely in 2008) and which, since then, have had trading liquidity only to a limited extent or only in phases. The nominal value of such financial instruments in the PRU segment was EUR 23.5 billion as of December 31, 2011. The balance sheet total of these financial instruments as of December 31, 2011 was EUR 12.4 billion in the PRU segment. As of March 31, 2012, the nominal volume was EUR 16.8 billion and the balance sheet total EUR 9.1 billion (each in the PRU segment). In addition, Commerzbank holds a further small amount of such financial instruments in other segments.

In recent years, the Group has experienced both negative effects on profit (in terms of impairments and/or loan loss provisions as well as losses in net trading income) and additional charges to revaluation reserves in relation to these securities. The majority of these products have been currently booked to the PRU segment, the task of which is the active and transparent controlling and downsizing of such portfolios and positions. For the aforementioned products, there were negative effects on profit of EUR 1.57 billion in the PRU segment in 2009, revaluation reserves amounted to EUR -0.51 billion at the end of 2009; in the 2010 financial year income from sales and reversals of impairments was EUR 0.77 billion for these products in the PRU segment, the negative revaluation reserves fell to EUR -0.12 billion; in the 2011 financial year there were negative effects on profit of EUR 0.13 billion for these products in the PRU segment and the negative revaluation reserves rose to EUR -0.20 billion. In the first quarter of the 2012 financial year, income from sales and reversals of impairments in the PRU segment was EUR 176 million, and the negative revaluation reserves fell to EUR 0.15 billion.

Insofar as structured financial instruments are secured by liens on property, the risk of defaults has increased as real estate prices in some markets have fallen considerably in recent years and it is not yet possible to foresee a lasting improvement to the state of the real estate markets (see risk factor "*Real estate finance and ship finance are exposed to risks associated in particular with the volatility of real estate and ship prices, including counterparty default risk (credit risk) and the risk of substantial changes in the values of private and commercial real estate and ships held as collateral*"). This could result in borrowers being unable to refinance loans secured by property liens when they fall due, in full or perhaps at all. As a result, loans and advances based on structured financial instruments may become non-performing, and this situation is aggravated by the fact that a large number of loans secured by property liens will mature in the next few years.

The Group is exposed to the risk of further reductions in value and losses in relation to the aforementioned financial instruments. This risk persists despite some phases of market recovery. It is possible that these risks may be heightened even further, particularly in the case of a renewed deterioration of the financial and sovereign debt crisis, as well as because in the PRU segment, following the reductions carried out in the past, those financial instruments that primarily remain can only be sold with greater difficulty or by incurring larger losses than the already reduced positions. At the same time, increasing numbers of market participants, in particular other banks, are also attempting to sell such financial instruments. Since the fourth quarter of 2011, the Group has, when reducing positions in the PRU segment, also taken into account, in addition to risks and the performance of the relevant instruments over their full term, the capital commitment they have induced so that losses realized upon disposition can also be tolerated when, nevertheless, capital is released. In the fourth quarter of 2011, the PRU segment restructured and sold securities with, as of September 30, 2011, a nominal value of EUR 1.25 billion, balance sheet value of EUR 0.43 billion and risk exposure of EUR 0.43 billion. The loss incurred upon sale amounted to EUR 14.3 million. In the first quarter of 2012 the PRU segment restructured and sold securities with, as of December 31, 2011, a nominal value of EUR 5.5 billion, a balance sheet total of EUR 2.5 billion and a risk exposure of EUR 2.5 billion. The revenues accrued upon sale amounted to EUR 116 million.

Further losses in value in any of the structured financial instruments held by the Group may have material adverse effects on the Group's net assets, financial position and results of operations.

***The Group is exposed to the risk of changes in the fair value of its financial instruments.***

A considerable share of the Group's assets and liabilities consists of financial instruments that must be reported at fair value in the Bank's consolidated accounts. This includes U.S. subprime and other structured financial instruments (see risk factor *"The Group continues to hold a substantial portfolio of securities that are characterized by poor liquidity, low, volatile or unavailable market prices and uncertainty regarding their recoverability, and which the Group wishes to reduce. It is possible that in the future the Group may have to carry out further significant impairments of these securities or sustain further significant losses in the reduction of such portfolios*"). For some of these financial instruments reported at fair value there are no objective market prices. In these cases, fair value is determined using appropriate valuation methods for these instruments.

The balance sheet value of financial instruments held by the Group whose fair value is determined using factors not based on observable market data (Level 3 assets under IFRS 7.27A(c)) was EUR 4.5 billion as of March 31, 2012. The balance sheet value of financial instruments held by the Group whose fair value is determined using factors observable either directly or indirectly (Level 2 assets under IFRS 7.27A(b)) was EUR 196.7 billion as of March 31, 2012.

The use of valuation methods employing non-observable market data for determining fair value requires making assumptions and estimates that depend on the characteristics of the relevant instrument and the complexity and liquidity of the underlying market. Decisions must be made in the selection of the modeling process and the model parameters, for example. If individual assumptions and estimates change as a result of negative market developments or for other reasons, revaluations of the relevant instruments may lead to significant changes in fair value potentially resulting in substantial losses.

This also includes the risk that previously recorded write-downs may not suffice to cover later defaults on capital and interest payments. In the determination of the fair value of the financial instruments concerned based on actual market prices potentially available in the future or indicative values, considerably lower fair values may arise in the future if the market prices fall substantially below the model prices, which may in turn lead to a corresponding loss or a charge to the revaluation reserves. Sales of portfolios of structured products at a very high discount to market values may also result in their being priced at very low levels.

Furthermore, it is important to note that any loss related to adjusting the fair value of an asset or a liability is offset against any profits from related risk-hedging transactions. Such profits are, however, not realized until the fulfillment of the transaction, and it is possible that losses may occur in the future, for example, due to a deterioration in the credit rating of the counterparty, which may offset the reported profits in full or in part. Even if these losses are not necessarily caused by changes to the fair value of the underlying asset, they can nonetheless have materially adverse effects on the Group’s net assets, financial position and results of operations.

The onset of one or more of the risks described above can have materially adverse effects on the net assets, financial position and results of operations of the Group.

***Changes to the classification of assets, the relevant accounting standards, regulatory environment or classifications by rating agencies may lead to a revaluation of the Group’s assets and accordingly could have an adverse affect on the Group’s net assets, financial position and results of operations.***

Assets are valued on the basis of criteria differing according to their classification. For example, financial instruments are reported in the balance sheet either at cost or at fair value, depending on the category to which they are assigned. Changes in the categorization or reclassification of assets may therefore lead to a revaluation and, depending on circumstances, to a valuation allowance, or to a valuation at acquisition cost. A change in the relevant accounting standards may also prompt a reclassification. In this respect regulatory changes can also make a revaluation required, as the requirements of the European Banking Authority (“**EBA**”) regarding the provision of a capital buffer for sovereign debt have made clear, for example. If there are changes to the relevant accounting standards, the regulatory environment or rating agencies’ criteria or their interpretation, the Group may be required to revalue its assets or the calculation model applied. For example, the Group may have to modify its existing models for valuing U.S. subprime products, other structured financial instruments and other financial assets as well as the accounting of financial instruments in inactive markets, and consequently may have to recalculate their fair values as well. Negative changes in the values of the aforementioned assets can decisively affect the profitability of some of the Group’s lines of business and thus have material adverse effects on the Group’s net assets, financial position and results of operations.

***Contracts with bond and credit insurers, particularly monoline insurers, are exposed to a significant risk of default as these insurance companies are threatened by insolvency.***

The Group is exposed to the default risk associated with OTC derivatives (non-standardized derivatives that are not traded on a stock exchange, but 'over the counter') vis-à-vis bond and credit insurers, including monoline insurers and Credit Derivative Product Companies ("**CDPCs**"). Some of these OTC derivatives are CDSs. These are reported in the balance sheet at fair value, with the factors affecting the fair value of CDSs including the expected default risk of the financial instrument forming the basis of the hedge, and that of the party issuing the CDSs (see also risk factor "*The Credit Default Swaps (CDSs) on sovereign debt acquired by the Group could fail to serve their hedging purpose. Furthermore, the Group issued Credit Default Swaps on sovereign debt, thereby assuming the default risk of the sovereign debt of third parties. The risk from issued CDSs can materialize, even while the acquired CDSs may at the same time fail to serve their hedging purpose*").

The risk-bearing capacity of the monoline insurers and the CDPCs, which are also active in this segment, was adversely affected by the financial market crisis. The Group responded by revaluing the CDSs concluded with monoline insurers, the CDPCs and the receivables from similar transactions. The condition of monoline insurers and CDPCs continues to be critical owing to rating downgradings, their need to raise fresh capital in the market, and potential legal and regulatory changes. In the event of a continuing deterioration of the financial positions of bond and credit insurers in general, and of these monoline insurers and CDPCs in particular, the Group may be forced to adjust the values of the CDSs with these companies, and of receivables from similar transactions, which can in turn have materially adverse effects on the Group's net assets, financial position and results of operations.

Moreover, as has occurred in the past in the case of one monoline insurer that was considered to be in a highly critical condition, all hedging transactions may also have to be written off and terminated, resulting in the Group being fully exposed to the risks of the underlying transactions without third-party hedging, in addition to the loss of the write-offs which can have materially adverse effects on the Group's net assets, financial position and results of operations.

***The Group is exposed to credit risk related to reductions in the value of movable collateral especially in the case of financial instruments.***

The Group engages significantly in repo and derivatives business, primarily with financial institutions. The value of the associated collateral may fluctuate unexpectedly, leading to unexpected losses in the event of a simultaneous default by the borrower, particularly if the valuation of the securities were to correlate with the borrower's credit rating. Such a loss can have materially adverse effects on the Group's net assets, financial position and results of operations.

In general, the collateral provided to the Group for hedging against credit risk is exposed to value fluctuations. This applies to movable collateral and in particular to the values of securities, which are subject to heavy fluctuations in volatile markets. Write-downs on collateral provided may necessitate an increase in loan loss provisions to cover acute and latent loan default risks, or a rise in risk-weighted assets may increase the stress on the Group's capital, which can have materially adverse effects on its net assets, financial position and results of operations.

***In addition to its traditional lending business, the Group is also exposed to credit risk extending beyond the risks in traditional bank lending.***

The Group conducts business exposing it to the risk that third parties who owe money, securities or other assets to companies of the Commerzbank Group may not meet their obligations. In addition, the Group is also exposed to credit risk in many business areas outside the traditional banking business activities of deposit-taking and lending.

In particular, many of the areas in which the Group operates in the Corporates & Markets segment involve lending transactions supplementary to other transactions. Credit risk outside the traditional lending business may arise, for example, from holding securities for third parties, or entering into swap agreements or other derivative transactions under which counterparties have payment obligations to the Group. Other examples are futures, currency and commodity transactions that are not settled at the agreed time due to the counterparty's non-performance, or system malfunctions on the part of a clearing agent or stock markets, clearing houses or other financial intermediaries. The granting of loans within the framework of other agreements is a further example.

The parties to these agreements and counterparties in trading transactions may fail to meet their obligations to the Bank as a result of insolvency, political and economic events, liquidity shortages, operational failures or for other reasons. This may have an adverse effect on the Group's net assets, financial position and results of operations.

Credit risk outside the traditional banking business also exists for the Group in the field of derivative transactions. Many of the Group's derivative transactions are non-standardized and negotiated on an individual basis. This may complicate the winding-up, transfer or settlement of the resulting positions. Certain credit derivatives require the Group to deliver the underlying security, loan or other liability to the counterparty in order to receive payment. In some cases, the Group may not hold the underlying asset or be able to procure it. This may result in the Group not receiving the payments owed to it or at least in a delay in settling the transaction, which may in turn have a negative impact on the reputation of the Group and limit its ability to enter into future transactions. As a result, the Group can also incur increased costs, which may also have a material adverse effect on the Group's net assets, financial position and results of operations.

***The Group is exposed to market risk in the valuation of equities and investment fund units.***

In 2007 and 2008 equities and the prices of investment fund units fell as a result of the negative developments of the financial markets, among other things, which led to considerable depreciation and losses on disposals. A significant share of these declines was recovered in 2009 and 2010. This trend reversed to some extent during 2011 due to the high uncertainty of the world-wide financial markets, as a consequence of the sovereign debt crisis among other things, and high volatility was once again to be observed. A continuation of this negative development in the financial markets can result in a devaluation of the equities and investment fund units held in the Group's investments and/or trading portfolio and have a material adverse effect on the Group's net assets, financial position and results of operations.

***The Group is exposed to market risk in the form of interest rate risks.***

The Group is exposed to the risk of a change in interest rates when assets and liabilities in the individual maturity brackets do not match with regard to the amount or type of interest (fixed/variable), thereby creating open interest rate positions (assets and liabilities). In the case of open fixed interest rate liability positions, falling market interest rates lead to a decline in the market values of liabilities and a potential decline in the interest rate spread. In the case of open fixed interest rate asset positions, rising market interest rates may lead to a decline in the market values of assets and a potential decline in the interest spread due to the possible rise in the price of refinancing on the liabilities side. There is no market value risk from interest rate changes for products with variable interest rates, but a change in market interest rates does lead to a change in interest expense or income. Risks can also arise if there are fixed and variable interest rate items in the same maturity brackets, as this may result in open interest rate positions on either the asset or liability side. If the Group is not successful in efficiently controlling its open interest rate position in line with market developments and within prescribed limits, this can have drastic effects on the profitability of the Group, its risk-bearing capacity, its core capital and equity ratios. Alongside its own interest risk, the Group is also exposed to model risks from the internal underlying core deposit base models for deposit taking for interest risk management. These model the extent to which customer deposits are available to the Group over and beyond the contractual term. The model risk is the risk that deposits are withdrawn in greater volumes than expected.

Changes in market interest rates may conceivably lead to a flat or even inverse yield curve. This can generally impair a bank's ability to generate positive net interest income from maturity transformations by refinancing long-term assets using short-term liabilities, which is referred to as a structural contribution. If and to what extent to which this risk materializes depends on the actual maturity-transformation position of the bank in question. A flat or inverse yield curve, particularly over an extended period, can have material adverse effects on the Group's interest margin and profitability. The Group is also exposed to basis risk resulting from differing determinations of points of time or frequencies, as the case may be, in respect of variable interest rates in a currency (tenor basis risk).

The materialization of one or more of the risks described above may have a material adverse effect on the Group's net assets, financial position and results of operations.

***The Group is exposed to market risk in the form of credit spread risks.***

The uncertainty in the financial markets, brought about by the financial market crisis in 2008 and newly aggravated by the worsening of the sovereign debt crisis in the second half of 2011, and the shortage of liquidity have led to a sharp increase in spreads, i.e., the yield gap vis-à-vis investments viewed as risk-free. In particular with the successful implementation of the debt restructuring of Greece and the 3y-LTRO of the European Central Bank ("**ECB**"), the spreads, again initially narrowed in part at the beginning of 2012. However, there still remains the risk of a default on the sovereign debt of other countries, of which Portugal, Spain, Italy and Hungary in particular are currently the focus of the markets (see also in each case the risk factor "*The global financial market crisis and sovereign debt crisis in the eurozone in particular have put a very significant strain on the net assets, financial position and results of operations of the Group in the past, and it can be assumed that further materially adverse effects for the Group can also result in the future, in particular in the event of a renewed escalation of the crisis. A further escalation of the crisis within the European Monetary Union can have material adverse effects with consequences that even pose a threat to the Group's existence*"). Sovereign debt generally cannot be seen as risk free. As of the end of the 2011 financial year, the five-year-CDSs-spreads for the countries seen as especially critical were 1083 bp for Portugal, 383 bp for Spain, 478 bp for Italy, 721 bp for Ireland and 633 bp for Hungary.

If wider spreads for public-sector bonds or other instruments persist or widen even more, this would lead to another decline in market values and thus, in the event of disposal, to a loss in the cash value of outstanding bonds and a corresponding added negative effect on earnings. Furthermore, negative effects may also be reflected in the income statement due to impairments on securities held as Available for Sale (AfS) or Loans and Receivables (LaR) and due to a market valuation of the securities in the trading portfolio. Negative effects may be reflected on the balance sheet due to a market valuation of securities held for sale in the revaluation reserve. Securities held as Loans and Receivables (LaR) may also be affected by depreciation. In respect of the effects on public-sector bonds and other bonds of public corporations that have already occurred in the 2011 financial year, see risk factor "*The Group holds a large amount of sovereign debt. Impairments and valuations of such sovereign debt at lower fair values have had very material adverse effects on the net assets, financial position and results of operations of the Group in the past and further adverse effects in the future are to be assumed*". All of these aspects can lead to material adverse effects on the Group's net assets, financial position and results of operations.

***The Group is exposed to currency risks.***

Group subsidiary companies based outside the eurozone prepare their individual financial statements in foreign currencies. Currency fluctuations between the euro and respective local currencies (in particular the U.S. dollar (USD), Polish zloty (PLN), pound sterling (GBP), Ukrainian hrywnja (UAH) and Russian ruble (RUB)) may mean that the currency exchange rates used to convert non-euro items in the individual financial statements for the purpose of preparing the consolidated financial statements may differ from those used in previous reporting periods. These translation differences may have an adverse effect on the Group's equity through the income statement and the reserve for currency translations. In addition, the Bank and other Group companies located in the eurozone enter into transactions that are not denominated in euro, for example ship financings, which generally are denominated in USD. A relative appreciation or depreciation of the respective foreign currency against the euro may result in correspondingly higher expenses or lower income from the foreign-currency transactions. If this risk is not hedged, this can result in materially adverse effects on the Group's net assets, financial position and results of operations. Moreover, an increase in currencies in which the Group holds risk positions can lead to an increase in risk-weighted assets ("**RWA**") and consequently to a need for Core Tier-1[4] capital.

[4] According to the definition of the Basel Committee for Banking Supervision, Core Tier-1 capital (also called hard core capital or common equity Tier-1 capital) comprises ordinary shares, the premium realized on the issuance of shares, retained earnings, cumulated earnings allocated to total comprehensive income and other published reserves, and is subject to specific regulatory adjustments. Risk-weighted assets (RWA) are calculated by multiplying the Group's assets by factors that depend on the risk classification of these assets.

Consumers in many Central and Eastern European countries have taken out a substantial number of loans in foreign currencies, especially in Swiss francs. The Group has also extended such loans. Due to the relative decline of the currencies of these countries, some of these loans are now nonperforming or are on the verge of becoming so. This situation can become aggravated if these currencies continue to decline.

Such fluctuations in currencies can occur particularly if the sovereign debt crisis worsens (see risk factor "*The global financial market crisis and sovereign debt crisis in the eurozone in particular have put a very significant strain on the net assets, financial position and results of operations of the Group in the past, and it can be assumed that further materially adverse effects for the Group can also result in the future, in particular in the event of a renewed escalation of the crisis. A further escalation of the crisis within the European Monetary Union can have material adverse effects with consequences that even pose a threat to the Group's existence*").

The onset of one or more of the risks described above can have materially adverse effects on the net assets, financial position and results of operations of the Group.

***The Group is exposed to market risk in the form of volatility and correlation risks.***

The Group engages in structuring and trading financial derivatives. Derivatives are subject to price fluctuations caused by volatility changes affecting the prices of the underlying assets (for example, shares, currencies, interest rates and commodities). Insofar as derivatives are based on two underlying assets or a portfolio of underlying assets (for example, two currencies or an equity portfolio), the prices of these derivatives are subject to so-called "correlation fluctuations". Correlation is a statistical measure for the linear interaction of two underlying assets – the higher the correlation coefficient, the more the two assets move in unison. Insofar as derivative items are not or cannot be hedged against volatility changes or correlation fluctuations (as is the case for the PRDC portfolio because of its long term), losses can arise that could have material adverse effects on the net assets, financial position and results of operations of the Group. Such losses have occurred in the past in the PRDC portfolio, and the Group believes they may also occur in the future if the U.S. and Australian dollars do not significantly appreciate against the Japanese yen. In the 2011 financial year the valuation models for interest rate hedging transactions were refined, which leads to a higher volatility in the valuation of interest-rate and cross-currency and similar hedging derivatives. Whereas this led to a positive earnings effect of EUR 235 million in the first quarter of 2012, in the future substantial losses may also result from the higher volatility.

Each of these effects would materially adversely affect the Group's net assets, financial position and results of operations.

***The Group is exposed to market risk in the form of commodity price risks.***

In its operating business, the Group is exposed to market risk in the trading of derivatives, certificates and spot transactions relating to commodities. The underlying commodities are generally precious metals, industrial metals, energy and agricultural commodities. The prices of these financial instruments may rise or fall owing to several factors, for example, the general state of the economy, market trends, exchange-rate trends and changes in legal and political conditions. Insofar as items are not fully hedged against these risks, losses may arise that can have material adverse effects on the Group's net assets, financial position and results of operations.

***The Group's hedging strategies could prove to be ineffective, incur costs and entail risks.***

The Group utilizes a range of instruments and strategies to hedge risks. If these instruments and strategies prove to be partly or entirely ineffective, the Group may sustain losses that were actually intended to have been hedged. In addition, hedging strategies incur costs and may give rise to additional risks.

Unforeseen market developments such as the financial market and sovereign debt crisis, can have a significant impact on the effectiveness of hedging measures adopted by the Group. Profits and losses from ineffective risk-hedging measures can increase the volatility of the income generated by the Group and this can consequently result in material adverse effects on its net assets, financial position and results of operations.

The situation may arise in which the terms and conditions of a hedging instrument do not cover the specific trigger for the occurrence of the risk. There is also the risk that the counterparty to a hedging transaction is insolvent or otherwise unable to make payments that become due. In such cases, the hedges to not fulfill their purpose and the Group is exposed to risks that it assumed had been hedged. The Group incurs such risks particularly with instruments that are meant to hedge risks from public-sector bonds held by the Group (see also risk factor "*The Group holds a large amount of sovereign debt. Impairments and valuations of such sovereign debt at lower fair values have had very material adverse effects on the net assets, financial position and results of operations of the Group in the past and further adverse effects in the future are to be assumed*" as well as risk factor "*The Credit Default Swaps (CDSs) on sovereign debt acquired by the Group could fail to serve their hedging purpose. Furthermore, the Group issued Credit Default Swaps on sovereign debt, thereby assuming the default risk of the sovereign debt of third parties. The risk from issued CDSs can materialize, even while the acquired CDSs may at the same time fail to serve their hedging purpose*").

Instruments used to hedge interest, currency and inflation risks can result in losses if the underlying financial instruments are sold or if impairments must be undertaken because of doubts about the debtor's creditworthiness. Where hedging transactions are linked to financial instruments in a documented hedge relationship (hedge accounting), an impairment must also be implemented in hedge accounting in parallel to the impairments in the underlying transaction.

Impairments on hedge adjustments[5] incurred for transactions to hedge interest risks and offset fluctuations in inflation for the portfolio of public-sector bonds have already led to negative valuation effects through profit and loss of EUR 962 million in the 2011 financial year (see also risk factor "*The Group holds a large amount of sovereign debt. Impairments and valuations of such sovereign debt at lower fair values have had very material adverse effects on the net assets, financial position and results of operations of the Group in the past and further adverse effects in the future are to be assumed*").

Negative effects on profit may also be caused in the case that where there is a positive change in the credit rating of a debtor of financial instruments, the resulting increase in value for these financial instruments is booked only in the revaluation reserves, whereas the corresponding loss in value for interest hedges causes a loss in the income statement.

Finally, in some cases the Group can only hedge against risks related to the financial market and sovereign debt crisis with difficulty or inadequately, since the effects of the crisis on different counterparties and their assessment by the markets also depend upon psychological factors, and they may to some extent vary sharply within a short period of time, causing market values, liquidity of instruments and risks to fluctuate strongly within a short period.

***The Group's income or results from its brokerage business and other commission or fee-based business may decrease further.***

The developments of recent years may lead to a further decrease in the Group's income or results from its brokerage business and other commission and fee-based business. The financial market crisis and the sovereign debt crisis are leading to a decline in the number and volume of transactions executed by the Group for its customers. Income from non-interest-related income has fallen as a result. Fees earned by the Group for managing securities portfolios depend primarily on the value and performance of the holdings being managed. The market position of recent years reduced the value of these securities portfolios, thus leading to a drop in income generated by the securities business in the Private Customers segment. A negative or weak performance by the Group's investment funds may also result in lower income from the securities business.

At the same time, the statutory requirements for investment advisory services increased, mainly in the Private Customers segment. For example, the requirement to complete consultation logs requires additional time and effort, sometimes quite considerable, and also involves increased compliance risks. It may be that over the long term the Group will not succeed in passing on the associated costs or offsetting them in the brokerage area through other additional income. It is also possible that

[5] Hedge adjustment denotes the amount by which the book value of a position must be adjusted to show the value of the hedging transaction as book value.

competition will force the Group to introduce a flat-fee model in the brokerage business in the future without any transaction-based costs, based solely on the amount held in a securities deposit account. Alternatively a fee-paying consultation service could also be introduced. Each of these potential changes can have a lasting adverse effect on the results from this activity which could in turn have materially adverse effects on the Group's net assets, financial position and results of operations.

***There is a risk that the Group may not be able to implement its strategic plans, or only implement them in part or at higher costs than planned.***

The Bank has set itself the objective of sustainably establishing the Group as one of the leading German credit institutions and of maximizing further growth potential with its customer oriented business model, in particular in the core markets of Germany and Poland. The further reduction of administrative expenses should improve the operating result. However, worsening economic conditions in the Group's core markets, i.e., mainly in Germany and Poland, along with deteriorating capital market conditions are specific problems which may frustrate the achievement of this objective and the implementing of this strategic direction. Regulatory requirements, in particular regarding capital requirements, may also impede or frustrate the achieving of strategic goals (see also risk factor *"Ever stricter regulatory capital and liquidity standards may bring into question the business model of a number of the Group's operations and negatively affect the Group's competitive position"*). If the Group does not succeed or only partially succeeds in implementing its strategic plans, or if the costs associated with implementing these plans are higher than expected by the Bank, this can have materially adverse effects on the Group's net assets, financial position and results of operations.

The implementation of strategic plans is also hindered through limitations based on conditions in connection with the stabilization measures granted by Sonderfonds zur Finanzmarktstabilisierung ("**SoFFin**") to the Group. In particular, until December 31, 2012 Commerzbank may not offer better prices for its products and services in market segments in which Commerzbank does not have merely a peripheral market position (i.e., less than 5% market share), in particular in the private and corporate business, than the three competitors offering the most favorable conditions. Commerzbank has undertaken vis-à-vis SoFFin to comply with this limitation. As a result, the Group can only engage to a very limited extent in aggressive competition based on prices and conditions in order to gain new customers and also retain existing customers. If the Group gains fewer new customers or even loses existing customers as a result of these conditions, there may be materially adverse effects on the Group's net assets, financial position and results of operations.

On March 30, 2012, the European Commission changed the condition regarding the sale of Eurohypo by Commerzbank imposed in 2009 into a winding-up condition. According to the revised conditions of the European Commission, the non-core activities of Eurohypo are to be organizationally separated and ultimately be disposed of. Non-core activities include (1) the Public Finance business, (2) the Commercial Real Estate business outside of the markets of Germany, the United Kingdom, France and Poland as well as (3) certain Commercial Real Estate activities in the markets of Germany, the United Kingdom, France and Poland that have a lower coverage ratio or higher risk. In addition, Commerzbank has decided to assign the private customers business of Eurohypo, with the exception of private construction financing, to the non-core activities. Commerzbank plans as of July 1, 2012 to administer these non-core activities, with expected total assets of approximately EUR 129 billion as of that date, in a new Group internal reduction unit (Non Core Assets, "**NCA**"). In addition, the "Eurohypo" brand will be discontinued. The core Commercial Real Estate business in Germany, the United Kingdom, France and Poland that is not transferred to the NCA, with an expected balance sheet total of approximately EUR 25 billion as of July 1, 2012, is to become part of Commerzbank's newly-formed core-bank segment "Real Estate & Ship Finance" (RES) as of July 1, 2012. The necessary strategic realignment of the business area Commercial Real Estate negatively affected the Group's results after taxes in the first quarter of 2012 in the amount of EUR 97 million due to the impairments of accrued deferred taxes and the creation of restructuring reserves. The non-core activities transferred into the new NCA unit are to be reduced cautiously through strict prolongation management. A disposal of assets or portfolios at the acceptance of losses in order to enable a fast reduction is not envisioned. The risk exists, however, that the implementation of the strategic realignment and the cautious and loss-minimizing reduction cannot be achieved or cannot be achieved fully.

The decision by the EU commission imposes as an additional condition that Commerzbank must reduce its total assets (excluding the non-core activities) by the end of 2012 to EUR 600 billion and that this value must not be exceeded until the end of 2014. In addition, the prohibition against acquisitions that has been in place since 2009 will be extended until the end of March 2014. These conditions can impair the strategic plans and goals of the Group, in particular the envisioned medium-term growth in the area of the core bank (see also risk factor "*There can be no guarantee that the Group will be able to fulfill the requirements imposed by the European Commission in respect of the government stabilization assistance received by it on time or to a sufficient degree, or that it will not suffer economic disadvantages in connection with the fulfillment of these requirements*").

The materialization of any of the aforementioned risks can have materially adverse effects on the Group's net assets, financial position and results of operations.

***The synergy effects anticipated from Dresdner Bank's integration into the Group may be less than expected or begin to materialize at a later date. In addition, ongoing integration is causing considerable costs and investments that may exceed the planned limits. Customers may not be retained in the long run as a result of the takeover of Dresdner Bank.***

The Bank anticipates that the advancing integration of the former Dresdner Bank Aktiengesellschaft ("**Dresdner Bank**") into the Group, in particular the consolidation of branches currently in progress, may create considerable additional synergy effects (e.g., rent and personnel costs) above the already achieved synergy effects, and has accounted for these effects in its medium-term planning. These effects may, however, be less significant than expected or start to materialize at a later date or be reduced through higher than planned integration costs, for instance as a consequence of previously unforeseen problems with the building materials of individual branches.

In addition, there is the risk that the integration of the former Dresdner Bank will lead to the Group's losing customers. It is possible that former Dresdner Bank customers transferred to the Commerzbank Group may terminate their customer relationship, e.g., because of a change in advisor or because of the changed distance resulting from branch consolidation. Customers of Commerzbank (old) may, for example, terminate their customer relationship for these reasons also.

Each of these factors can have materially adverse effects on the Group's net assets, financial position and results of operations.

***The Group may assess its customer base incorrectly and may therefore base its planning and risk assessments on inaccurate assumptions.***

The Group does not yet have an information technology ("**IT**")-infrastructure for all Group companies in place enabling it to consolidate customer data throughout the Group and avoid duplicate records. In particular regarding the customer data of comdirect bank Aktiengesellschaft ("**comdirect bank**") no means exist to align its customer data with the customer data of Commerzbank electronically without errors. Therefore, it is possible that the existing estimates of customer figures are incorrect as a result of duplicates. The Group's planning may be based on inaccurate assumptions and the economic objectives may turn out to be unrealistic. In addition, it cannot be ruled out that the Group may fail to identify or may incorrectly assess connections between customers or interdependencies between customers or risk clusters, as the case may be. Both can have materially adverse effects on the Group's net assets, financial position and results of operations.

***There is a risk that products developed by the Group cannot be launched on the market or the products it launches do not perform as expected. As a result, prior investments may prove fruitless or lead to liability risks or financing commitments.***

The Group develops a variety of products such as funds and certificates. Developing these types of products involves costs. Considerable expenses are sometimes incurred in anticipation of the product launch, for example, by purchasing assets that are to be combined in a fund. If the product cannot be launched, for example due to changed market conditions, these expenses may prove fruitless. This can lead to the result that the assets can be disposed of only at a lower price and/or must be written off.

In other cases a product which is developed by the Group or a third party but marketed and launched by the Group may perform differently than expected. If the entire product is not placed in the market, then the Group assumes risks from the remaining components. In regards to the components placed, a negative performance of the product may lead to claims against the Group from investors. It may also lead to the utilization of guarantees issued by the Group for the product, for example, capital or liquidity guarantees.

If any of the aforementioned risks materialize, it can have materially adverse effects on the Group's net assets, financial position and results of operations.

***The sales partnership between Allianz and the Group regarding asset management and insurance products may not yield the expected benefits, or may result in financial burdens.***

As part of the acquisition of Dresdner Bank from Allianz SE, as well as the sale of cominvest Asset Management GmbH, cominvest Asset Management S.A., Münchener Kapitalanlage Aktiengesellschaft and MK LUXINVEST S.A. (referred to collectively as the "**cominvest Group**") to the Allianz Group, a long-term sales partnership was entered into between the Group and Allianz regarding sales of asset management and insurance products. Structural changes in demand from customers along with regulatory and fiscal changes which change the relative attractiveness of investment and retirement products can have a negative impact on the sales of asset management and insurance products, resulting in the actual business development and the targeted commission income falling behind plan. Should certain contractually determined targets not be met, the Bank could additionally be obligated to make compensatory payments to Allianz. The realization of any of these risks can have materially adverse effects on the Group's net assets, financial position and results of operations.

***The markets in which the Group is active – particularly the German market and there, above all, activities in business with private and corporate customers as well as investment banking – are characterized by heavy competition on the basis of prices and conditions, which results in considerable pressure on margins.***

The German banking sector is characterized by intense competition, which is significantly more intense than, for example, in the other member states of the European Union. It is often based on conditions, which then result in margins that are economically unattractive or are incommensurate with the risks.

In business with private customers, the earnings situation in the market is tight. This may also intensify in the future as many competitors are focusing more on retail banking as their core business following the financial market crisis. In addition, the banks want to reduce their dependency on the interbank market by looking more to deposits from private customers for refinancing. This could also further increase the intensity of competition. In particular, new customers are increasingly being acquired from competitors through offering very favorable conditions (in particular high interest on deposit accounts) for limited introductory periods. Competition for existing customers can, however, also be further intensified as a result of habituation effects on customers.

In business with corporate customers and also in the area of investment banking, German banks are competing with a range of foreign financial services providers, some of which have increased their presence on the German market considerably in recent years. There is thus a risk that the intensity of competition will become even more severe. In the Group's opinion, some competitors do not always appropriately factor in the default risk associated with lending (risk-adjusted pricing). As a result of this intense competition, no economically attractive margins can be achieved in individual segments or sub-segments of the market.

If another economic downturn were to occur, the competitive pressure may further increase, for example through increased pressure on pricing and a lower business volume. The financial market crisis and the governmental support measures adopted to deal with it have led to a fundamental consolidation and concentration of financial services providers and, in some cases, to an improvement in the capital base and geographical coverage of the Group's competitors. Therefore, the Group must compete with financial institutions which are sometimes larger and better capitalized than it is and which are better positioned in local markets.

If the Group does not succeed in providing its products and services at competitive conditions and achieving margins which balance out the costs and risks associated with its business activities, this can have materially adverse effects on the Group's net assets, financial position and results of operations.

***Measures by governments and central banks to combat the financial crisis and the sovereign debt crisis have a significant impact on the competitive environment.***

Governments and central banks intervened in the financial world to a considerable extent as a response to the financial market crisis and the sovereign debt crisis. Some of the measures taken were the takeover of direct investments in individual financial institutions, in particular in Germany, the United States, the United Kingdom, the Netherlands, Belgium and Switzerland, the supplying of other forms of equity, also the assumption of guarantees for liabilities or the acquisition of non-performing assets from financial institutions as well as the long-term provision of liquidity under very favorable conditions, in particular in connection with the 3y-LTRO of the European Central Bank in December 2011 and March 2012. In some cases some financial institutions were nationalized. These types of measures influence the competitive environment. Irrespective of the fact that Commerzbank itself also made use of government stabilization measures, government stabilization measures for the Group's competitors may mean that the Group has to compete in various business areas and regions with financial service providers which under certain circumstances, including because they have also benefited from state stabilization measures, are sometimes larger and better capitalized than the Group. If the Group does not succeed in providing products and services in these areas with competitive conditions and achieving profitable margins, there can be materially adverse effects on the Group's net assets, financial position and results of operations.

***The Group is dependent on the regular supply of liquidity and a market-wide or company-specific liquidity shortage can have material adverse effects on the Group's net assets, financial position and results of operations. Currently, the liquidity supply of banks and other players in the financial markets is strongly dependent on expansive measures of the central banks.***

The Group regularly requires liquidity in order to refinance its business activities and is therefore subject to liquidity risk, that is, the risk of being unable to meet its current and future payment commitments, or not being able to do so as and when they fall due, or else of only being able to refinance at unduly high costs.

As a bank located in the eurozone, the Commerzbank obtains medium and long-term refinancing funds principally in the Euro-capital markets. Any required refinancing funds in other currencies are obtained directly through accessing the respective currency markets or indirectly through accessing the Euro-capital markets and subsequently converting by way of suitable currency derivatives (e.g., cross currency swaps). Funds in other currencies are intended to be obtained from foreign central banks only in the case of an emergency (Contingency Funding Plan), but not under normal circumstances. Commerzbank last obtained funds from a foreign central bank in 2009 (Term Auction Facility of the U.S. Federal Reserve).

Liquidity risk can take various forms. For example, the Group may be unable to meet its payment obligations from its own liquid funds on a particular day and may have to obtain liquidity from the market at short notice and on expensive terms, or may even fail to obtain liquidity. There is also the risk that deposits could be withdrawn prematurely or that lending commitments could be unexpectedly taken up. Impairments of this nature may be triggered by circumstances that are not connected with the Group's business and are outside of its control (for example, by negative developments on the financial markets in relation to the Group's competitors). In addition, large losses and changes in ratings which then result in the requirement to furnish further collateral in connection with rating-dependent collateral agreements for derivative transactions can give rise to an elevated demand for liquidity. Further, an increase of the requirements for securitization transactions that can be used as collateral for refinancing with the ECB may make the obtaining of liquidity from the ECB more difficult. In November 2009 the ECB had decided upon a gradual increase of these requirements, however, in December 2011 it relaxed them again. A market-wide or company-specific liquidity shortage can have material adverse effects on the Group's business activities and thus the Group's net assets, financial position and results of operations.

With respect to holdings in companies in other countries that are subject to local banking supervision, in particular the BRE Bank in Poland, national supervisory authorities could restrict the transfer of liquidity from the foreign bank to Commerzbank or to other subsidiaries in order to secure the liquidity of local companies. This could hinder the efficient allocation of liquidity within the Group and lead to a higher demand for liquidity and consequently increased refinancing needs and corresponding costs.

The financial market and sovereign debt crisis has resulted in downside pressure on banks' share prices and creditworthiness, oftentimes irrespective of their financial strength, and has had a similar effect on other capital markets participants, and has impaired their ability to refinance themselves under favorable conditions in the capital markets in the short, medium and long-term. Currently the banks in the eurozone are dependent to a significant extent on the supply of liquidity by the ECB. Accordingly, in connection with the three-year Longer-Term Refinancing Operation (3y-LTRO), a large volume of liquidity was made available to European banks at very favorable conditions (3y-LTRO I on December 22, 2011: a total of EUR 489 billion; 3y-LTRO II on March 1, 2012: a total of EUR 530 billion). Eurohypo participated in the 3y-LTRO I and thereby obtained long-term liquidity in the total amount of EUR 10 billion, which serves the sole purpose of refinancing existing business and which contributed to a material improvement in the funding structure of Eurohypo. The former Deutsche Schiffsbank Aktiengesellschaft ("**Deutsche Schiffsbank**"), which was merged into Commerzbank in May 2012, participated in the 3y-LTRO II with EUR 1.9 billion and the branch of Commerzbank in Madrid with EUR 4.3 billion. The participation through units of the Commerzbank Group served to reduce of Group internal refinancing needs and structurally improve the refinancing situation.

The liquidity made available in connection with the 3y-LTRO must be repaid to the ECB at the end of the three-year time period. It is currently not yet foreseeable whether further Longer-Term Refinancing Operations or other operations with a comparable effect will occur in the future and for how long the stabilization of the markets will continue without further central bank measures. This is particularly the case, because the measures of the ECB are politically controversial. In the absence of subsequent measures, a possible market-wide liquidity shortage resulting from the return of funds can have a material adverse effect on the Group's business activities and thus the Group's net assets, financial position and results of operations.

Furthermore, the balance sheet of the ECB was prolongated significantly through the 3y-LTRO, and the participating banks were, in the context of the operations, able to provide collateral of lower quality than in refinancing operations in the past. Consequently, the risk can arise that the ECB may suffer losses on its 3y-LTRO positions or consider itself forced to conduct further measures to support the banks in order to avoid losses of its own. This in turn can negatively affect the competitive environment (see risk factor "*Measures by governments and central banks to combat the financial crisis and the sovereign debt crisis have a significant impact on the competitive environment*").

In addition, banks and other participants in the financial markets are currently generating a significant volume of liquidity by employing, in the context of the repo business, the same assets from multiple market participants as collateral on multiple levels of subordination (re-hypothecation). Should these collateral chains be broken up, because of a loss of value of these assets resulting in loss of confidence and doubt regarding the creditworthiness of the participants, then liquidity can thereby be lost on multiple levels simultaneously. Since the rehypothecated assets consist in part of sovereign debt, such a development can be advanced by the sovereign debt crisis. Should it not be possible to ensure the supply of liquidity elsewhere, in particular through central banks, the very existence of the participants of these collateral chains could be threatened thereby. The occurrence of this risk can have materially adverse effects on the Group's net assets, financial position and results of operations.

In the event of difficulties in refinancing, the Group could be forced to dispose of assets held by it for less than their book values and to limit its business activities. Measures of this nature can materially impair the Group's net assets, financial position and results of operations.

***The Group's options for securing longer-term refinancing through the Pfandbrief markets, which was done previously through Eurohypo, are impaired as a result of its difficult situation and impending winding-up and can be made even more difficult by an impairment of liquidity of the Pfandbrief markets.***

The issuance of Pfandbriefe is an important element of the Group's medium and long-term refinancing activities. As of March 31, 2012, the total volume of Pfandbriefe issued by the Group stood at EUR 58.5 billion. Of that, Eurohypo accounted for 92.5%. The condition of the European Commission to wind-up Eurohypo, with the exception of a limited volume of core business in the area of Commercial Real Estate, and the material risks to which Eurohypo is subject because of its extensive sovereign debt portfolios among other things (see also risk factor "*The Group holds a large amount of sovereign debt. Impairments and valuations of such sovereign debt at lower fair values have had very material adverse effects on the net assets, financial position and results of operations of the Group in the past and further adverse effects in the future are to be assumed*"), could impair the ability of Eurohypo to issue Pfandbriefe with appropriate terms. Currently, Commerzbank is, on the basis of the cover asset pools acquired from the former Deutsche Schiffsbank in the course of the merger of Deutsche Schiffsbank into Commerzbank, only able to issue ship Pfandbriefe (*Schiffspfandbriefe*) and public-sector Pfandbriefe (*Öffentliche Pfandbriefe*). The possibility of issuing German mortgage Pfandbriefe (*Hypothekenpfandbriefe*) is being sought, though currently expected from the middle to the end of 2013 at the earliest. Consequently, the means of the Group to refinance through the Pfandbrief markets is currently limited.

In addition, a deterioration of liquidity on the Pfandbrief market, for example, any limit to the refinancing volume available or a deterioration in conditions on the Pfandbrief market or stricter cover requirements imposed by rating agencies, can further impair the issuance of Pfandbriefe. Thereby, the business activities of the Group may be limited and consequently, the Group's net assets, financial position and results of operations can be adversely affected.

***A downgrade in the rating of Commerzbank, its subsidiaries or the entire Group can make refinancing more difficult and/or more expensive as well as entitle counterparties to terminate derivative transactions or call for additional collateral.***

The rating agencies Standard & Poor's, Moody's and Fitch perform creditworthiness assessments to determine whether a potential borrower will be in a position in the future to meet its contractually agreed credit obligations. A key element of the rating awarded is the assessment of the borrower's net assets, financial position and results of operations. A downgrade in Commerzbank's rating would have detrimental effects on the Group's costs with regard to procuring equity and debt capital and could result in new liabilities or acceleration of repayment for existing liabilities if such liabilities depend on a certain rating being maintained. Furthermore, Commerzbank's rating is an important comparative element in competition with other banks. In particular, it has a major influence on the ratings of the main subsidiaries of Commerzbank. A downgrade or even the possibility of a downgrade of Commerzbank's rating or that of one of its subsidiaries can have detrimental effects on the bank's relationship with its customers and on sales of products and services by the relevant company.

Rating agencies' assessments depend on a series of factors that are driven in particular by franchise value (revenue potential), capitalization, risk positioning, profitability and the availability of funding or liquidity. Given the German state's existing participation in Commerzbank as well as Commerzbank's systemic relevance, various rating agencies also currently assume, to the benefit of Commerzbank, an elevated willingness of the German government to step in to rescue the Bank in the event of a crisis. If this aspect were excluded from the assessment, Commerzbank's rating would be worse. Irrespective of any future repayment of SoFFin's silent participations or of continuing state participation, it is possible that, in the future, government support will no longer be given such weight in determination of a rating, which in Commerzbank's case would have a negative impact on the rating.

In January 2012 Moody's announced in a world-wide rating action that it would review the rating of Commerzbank and other German banks before the end of June 2012. An orientation for a possible downgrading of up to two levels was given.

Furthermore, it is possible that following a rating downgrade, the Group might be required to furnish additional collateral or would no longer be considered as a counterparty for derivative business in connection with rating-dependent collateral agreements for derivative transactions. Should the rating of Commerzbank or one of its subsidiaries be downgraded to a rating below the four highest rating levels (investment grade), this can significantly impair Commerzbank's operations or those of the subsidiary concerned and therefore have a material adverse effect on funding costs for all Group companies.

Any of the aforementioned risks can have materially adverse effects on the Group's net assets, financial position and results of operations.

***The Group is exposed to a large number of operational risks including the risk that employees enter into extensive risks for the Group or violate compliance-relevant regulations in connection with the conducting of business activities and thereby cause suddenly occurring damages of a material size.***

As part of its normal business activities, the Group conducts a large number of complex transactions in a wide range of jurisdictions and is exposed to a variety of related operational risks. In particular, these risks concern the possibility of inadequate or erroneous internal and external workflows and systems, regulatory problems, violations of compliance-relevant regulations in connection with its business activities, human error and deliberate violations of law, such as fraud. The compliance-relevant regulations include, inter alia, duties relating to conduct, organization and transparency with regard to securities services. Violations of these duties may lead to investigations by the supervisory authorities and corresponding penalties. The compliance-relevant regulations also include provisions for the prevention of money laundering and the financing of terrorism in various countries. Purported violations of such provisions may lead to criminal investigations and to fines. In particular in respect of the Ukrainian Public Joint Stock Company "Bank Forum" ("**Bank Forum**"), there have been repeated violations against compliance-relevant regulations in the past, and control mechanisms have in part proven to be inadequate.

Currently, the New York County Attorney General, the U.S. Department of Justice and other agencies, are investigating whether the Group and other banks might have violated U.S. embargo sanctions (in particular in regards to Iran) and in connection therewith, whether incorrect or incomplete documentation and bookkeeping occurred (see also risk factor "*Proceedings brought by regulators, supervisory authorities and prosecutors may have material adverse effects on the Group*").

As several spectacular cases relating to competitors have illustrated, banks can suffer sudden damages of a material size when employees take on excessive risks with the intent to cause damage or in circumvention of internal rules and controls, and these risks materialize. Such risks and damages may sometimes be recognized only after a delay of several years. It cannot be ruled out that the Group will also be affected by such risks or damages also. Internal regulations as well as control and safety mechanisms for the prevention of such incidents may prove to be insufficient in this respect or may be intentionally circumvented.

It is also conceivable that external events such as natural catastrophes, terrorist attacks, wars, pandemics or other exceptional situations may significantly impair the environment in which the Group is active and thus indirectly affect the Group's internal processes. Such events may result in the Group incurring substantial losses, as well as reputational harm. Furthermore, the Group may be forced to dismiss staff, which could also have a detrimental impact on the Group's business. The Group endeavors to hedge operational risks by implementing appropriate control processes tailored to its business and the market and regulatory environment in which it operates. Nevertheless, it is possible that these measures prove to be ineffective in relation to particular or all operational risks to which the Group is exposed. Even though the Group endeavors to insure itself against the most significant operational risks, it is not possible to obtain insurance coverage on the market for all operational risks at commercially acceptable terms.

In January 2012, the supervisory authorities have begun an examination of Commerzbank's newly-developed, integrated operational risk model. Until certification of this model for regulatory notices and internal reporting, capital requirements will continue to be calculated separately for Commerzbank (old) and the former Dresdner Bank, and reported as the sum thereof. The difference between the two separate models is accounted for through an appropriate additional charge. Possible conditions upon which the certification may be contingent may have adverse effects on Commerzbank's economic and regulatory capital ratios.

Should certain or all of the aforementioned risks be realized, this can have materially adverse effects on the Group's net assets, financial position and results of operations.

***The Group is highly dependent on complex IT-systems whose functionality may be impaired by internal and external circumstances.***

The extensive institutional banking carried out by the Group is highly exposed to dangers and risks such as, e.g., computer viruses, damage, other external threats, operational errors and software or hardware errors. Furthermore, regular add-ons are required for all IT systems to meet the demands imposed by constant changes in business and regulatory requirements. In particular, compliance with Basel II regulations made substantial demands on the functionality of the Group's IT systems and will continue to do so, just as Commerzbank anticipates that Basel III will once again also increase the demands made on IT systems. The occurrence of these risks can have materially adverse effects on the Group's net assets, financial position and results of operations.

***The Group must make a significant investment in order to ensure a competitive IT landscape in the short and medium-term. It cannot be guaranteed that new IT systems will function properly and that, through the investment, the aspired competitiveness of the IT landscape can also be achieved.***

Not least due to the focus of IT capacities on the integration of Dresdner Bank and its IT systems, a not immaterial need to catch up exists in several segments of the Group in order to ensure a competitive IT landscape for the short and medium-term. This applies for example to the Private Customers segment in respect of online banking, to the Mittelstandsbank in the area of transaction banking, and to the Corporates & Markets segment in respect of individual electronic trading platforms. These investment needs alone can have materially adverse effects on the Group's net assets, financial position and results of operations.

Should new or updated IT systems be installed, it cannot be guaranteed in every case that these will function properly. Likewise, it cannot be guaranteed that these new or updated IT systems will meet the specified requirements and that thereby the desired competitiveness of the IT systems can be achieved.

Each of the aforementioned risks can have materially adverse effects on the Group's net assets, financial position and results of operations.

***The growing significance of electronic trading platforms and new technologies may negatively affect the Group's business activities.***

The use of modern technologies is highly significant to the banking sector and the Group's business. Continuous growth in electronic trading and the introduction of related technologies are changing the manner in which banking business is conducted and are giving rise to new challenges. Securities, forward and option transactions are increasingly being processed electronically. Some of the electronic trading platforms through which these transactions are processed compete with the systems currently used by the Group, and it is foreseeable that the expected further penetration of electronic trading platforms will intensify this competition in the future. In addition, the increasing use of low-cost electronic trading platforms which offer direct access to the trading markets by the Group's customers could lead to a reduction in the brokerage commissions and margins generated by the Group, which can have materially adverse effects on the Group's net assets, financial position and results of operations.

***Particularly with respect to the Ukrainian Bank Forum, but also with respect to other holdings in listed and unlisted companies, Commerzbank is exposed to particular risks associated with the soundness and manageability of such holdings.***

The Group holds various equity investments in listed and unlisted companies. The efficient management of a portfolio of listed and unlisted companies entails corresponding funding costs, which may not be (fully) offset by the dividends obtainable from these investments. Insofar as the Group has only minority holdings, the prompt obtaining of information required to counteract possible undesirable developments can be made complicated simply due to these minority positions. Even where the Group holds a majority stake, minority shareholders can, under certain circumstances, block important decisions. It cannot be ruled out that further impairments will need to be charged to the Group's investment portfolio in the future. In addition, Commerzbank continues to aim to sell non-strategic investments. Here too, it cannot be ruled out that the Group may be unsuccessful in disposing of its equity investments via the stock market or in direct transactions at appropriate prices. Losses and risks with regard to equity investments, as well as unfavorable business or market conditions – in particular scarce liquidity – could make it more difficult to dispose of these assets at adequate prices. They may also thwart such a sale altogether.

An investment in another company may also prove unsound, may not generate the anticipated return, or may force certain further investments whose economic success is not foreseeable, or else the participation may substantially bind management capacities. These risks have materialized in the case of the Group's investment in Bank Forum as a result of the economic difficulties in the Ukraine, disputes with other shareholders, required investments in necessary capital measures and provision of guarantees with regard to nonperforming loan commitments, as well as a result of difficulties in the valuation of assets held in these companies, and have already lead to substantial additional expenditure and impairment charges. After the National Bank of Ukraine (NBU) determined a considerable need for recapitalization at the beginning of 2010, the Group has seen itself forced to participate in respective capital increases of Bank Forum and in other measures to strengthen the capital base. The possibility cannot be ruled out that a further capital requirement must be covered in the future. Bank Forum is also subject to liquidity risks and operational risks typical for this particular country, which are more significant than in Western Europe (see also risk factor "*The Group is exposed to a large number of operational risks including the risk that employees enter into extensive risks for the Group or violate compliance-relevant regulations in connection with the conducting of business activities and thereby cause suddenly occurring damages of a material size*").

In addition, in the event of a potential dissolution of Bank Forum or the imposition of compulsory measures, it cannot be ruled out that demands are imposed on Commerzbank by state authorities for additional payments, although, in Commerzbank's view, there would be no legal basis for such demands at present. In each of these instances, Commerzbank's risk of loss could increase substantially.

Any of these risks can have materially adverse effects on the Group's net assets, financial position and results of operations.

***It is possible that goodwill reported in the consolidated balance sheet will have to be written down, in full or in part, as a result of impairment tests.***

As of March 31, 2012, the goodwill reported in the balance sheet amounted to EUR 2.1 billion, of which EUR 1.7 billion related to the goodwill of Dresdner Bank. Consolidated brand name assets in the amount of EUR 9 million were also recognized within the Group. The expected future economic benefit of these assets are tested at the level of the individual underlying cash-generating units at least on each balance sheet date. In this process, the book value of the cash-generating units (including the attributed goodwill) is compared with its recoverable amount. The recoverable amount is the higher of the utilization value on the one hand and the fair value minus disposal costs on the other and is based on the expected cash flows from the unit in accordance with the business plan, discounted using a risk-adjusted interest rate. If there are objective indications that the economic benefits originally identified may no longer be realized, an impairment charge will have to be taken. In 2009, the Group incurred impairments of EUR 768 million on goodwill and brand name assets. The "Dresdner Bank" brand was fully written off on a straight-line basis to the end of the second quarter of 2010. No further impairments were identified in the financial years 2010 and 2011 and in the first quarter of 2012 in respect of goodwill or brand name assets. Given the pro-rata measurement of goodwill, such write-down effects also lead to a small reduction in regulatory capital. If an impairment review on a future balance sheet date results in a significant impairment of the goodwill or trademark rights recognized in the balance sheet, this can have material adverse effects on the Group's net assets, financial position and results of operations.

***Commerzbank is subject to risks arising out of the possibility that claims are asserted under letters of comfort issued by it.***

Commerzbank has issued letters of comfort for a range of subsidiaries. Depending on the specific phrasing of these letters, they would under certain circumstances give rise to claims of creditors of these subsidiaries, directly against Commerzbank as well. Should creditors of subsidiaries assert such claims, this can have materially adverse effects on Commerzbank's net assets, financial position and results of operations.

***The Group is exposed to risks on account of direct and indirect pension obligations.***

Commerzbank and its subsidiaries have various direct and indirect pension obligations towards their current and former staff. These obligations constitute contingent liabilities for accounting purposes, as the precise timing and duration of payment obligation is not fixed. These obligations therefore entail various risks. In issuing a commitment to grant direct pension payments, the Group assumes risks that are similar to those of a life insurance company (for example, fluctuation risks, valuation risks, longevity risks, administrative risks, inflationary risk, etc.). The assets separated to meet subsequent pension payments (so-called plan assets) are subject to the risks typically associated with a capital investment. The volume of existing pension reserves may increase on account of judicial rulings and legislation (for example with reference to factors such as equality of treatment, adjustment, non-forfeitability and the pensionable age). Balance sheet risks may also arise as a result of changes in accounting as well as in the discount interest rates. For instance, the change in accounting regulations under the German Commercial Code ("**HGB**") for pension reserves resulted in a substantial increase in pension obligations to be indicated in financial statements of Commerzbank prepared according to the HGB in the 2010 financial year. In the financial year 2011, the additional impact in the consolidated financial statement from the necessary partial reduction in the actuarial loss consisted of EUR 107 million, and an additional amount, though of a smaller magnitude, is to be expected in 2012 as well. Obligations similar to pensions (such as obligations in respect of early retirement, part-time working for older employees and long-service anniversaries) show corresponding risks. Any of these risks can have materially adverse effects on the Group's net assets, financial position and results of operations.

As of December 31, 2011 pension obligations in the consolidated financial statement of Commerzbank amounted to EUR 6.24 billion and provisions for pensions and similar obligations amounted to EUR 437 million. The pension obligations are backed by plan assets (liquid assets, shares, fixed interest securities, participations in funds and other assets) with a fair value of EUR 5.73 billion as of December 31, 2011.

The amended rules (IAS 19) to be applied as of January 1, 2013, which lead to an abolition of the corridor in the valuation of pension obligations and compel a direct offsetting with the (also regulatory) equity capital, will lead to a reduction, and as a consequence, to a higher volatility, of (also regulatory) equity capital, mainly shaped by the accounting interest rate (*Rechnungszinsatz*) of pension obligations, and to a change in the market value of the plan assets. Had these amended rules already been applied as of January 1, 2011, this would have had a negative effect in the amount of approximately EUR 450 million on equity capital, while as of December 31, 2011 a negative effect on equity capital in the amount of approximately EUR 300 million would still have been required to be recorded. Regarding risks concerning insufficient regulatory equity capital see risk factor "*Ever stricter regulatory capital and liquidity standards may bring into question the business model of a number of the Group's operations and negatively affect the Group's competitive position*".

The change in value of the pension obligations and the plan assets as well as the changed accounting regulations can have materially adverse effects on Commerzbank's net assets, financial position and results of operations.

***A further increase in the contributions to the German Pensions Protection Fund would put considerable strain on the Group's financial position and results of operations.***

The German Pensions Protection Fund assumes obligations under existing occupational pension schemes in case of insolvency subject to certain conditions. It is financed through contributions. An increasing number of corporate insolvencies in Germany has recently resulted in a considerable increase in these contributions. A further increase in the number of corporate insolvencies could lead to further considerable increases in contributions in particular from large companies. Commerzbank and its German subsidiaries would also be adversely affected from such an increase to a very significant extent. The resulting burdens would have materially adverse effects on the Group's net assets, financial position and results of operations.

***It is not certain whether the Group will continue to succeed in attracting and retaining qualified staff in the future.***

Across all its business divisions, the Group needs to attract highly qualified staff and to retain them for the long term. The Group endeavors to counteract the risk of losing expertise as a result of key employees leaving the Group by implementing talent, management and career development measures. In spite of this, the possibility cannot be ruled out that the Group will not succeed in retaining highly qualified employees in the future. A failure of the Group's efforts to retain such staff can have materially adverse effects on the Group's net assets, financial position and results of operations.

***The Group is subject to various reputational risks.***

The financial crisis, the sovereign debt crisis and the currently prevailing political and public sentiment in respect of financial institutions generally and of Commerzbank, the development in the price of Commerzbank shares, the need for refinancing and a possible need for further state support in particular, have resulted in a considerable amount of negative reporting in the media and in negative statements from regulatory authorities and politicians.

The negative reports and other public statements specifically regarding Commerzbank, the development of the price of Commerzbank shares, the need for refinancing, the possible need for further state support measures and possible capital and other measures (including even the partial removal of business areas into a bad bank) may unsettle customers and investors and can affect the morale and motivation of employees of Commerzbank. Each of these effects can have adverse consequences for the Group's net assets, financial position and results of operations.

Negative reporting and other public statements asserting legal violations of any kind often lead to investigations by regulatory authorities or even court proceedings, irrespective of the actual basis of these statements. The defense and reaction to such investigations and proceedings is, irrespective of the outcome of these proceedings, time-consuming and expensive and may distract the attention of the Commerzbank management team away from their actual duties. Negative media reporting, as well as investigatory and court proceedings, may have a negative effect on the reputation of Commerzbank, as well as on the morale and performance of Commerzbank employees, which in turn can have negative effects on the Group's net assets, financial position and results of operations.

Reputational risks are also present in respect of all business transactions that lower public confidence in the Group on the part of customers, business partners, investors or rating agencies. In general, each of the risks described above entails reputational risks. Because of this, as with other non-quantifiable risks, the Group has defined processes and responsibilities which enable reputational risks to be identified at an early stage and to react to them. However, these procedures may prove to be ineffective. Should this lead to the realization of such risks, this can have materially adverse effects on for the Group's net assets, financial position and results of operations.

***The Group may be exposed to risks that are either not identified or inadequately appraised by the present risk management.***

The Group has developed and implemented principles, procedures and ratings methods for the monitoring and identification of risks. Nevertheless, even setting up these monitoring systems cannot completely eradicate the Group's exposure to risks of various kinds which may not be identified or anticipated. Some of the quantitative measurement methods and indicators in risk management are based on experience of historical market development obtained by Commerzbank. This data gained by experience is processed using statistical and other methods in order to quantify the risks to which the Group is exposed. In the volatile market environment of the financial market crisis and the sovereign debt crisis, these measurement methods and indicators could not predict some of the losses sustained. This could also be the case in relation to major future risks. In addition, the quantitative risk management model does not reflect all risks and makes various assumptions in respect of the market environment which are not based on concrete events. As a result, risks have arisen from factors which were not foreseen by the statistical models applied or which were not appropriately rated, and these risks could arise again in the future. This has impaired the ability of Commerzbank to monitor risks and can lead to further impairments. The losses sustained were thus considerably higher and in the future could also be considerably higher than historic data would suggest.

Models are used extensively in Commerzbank risk management not only for the measurement of market price and liquidity risks, but also for the calculation of risk-bearing capacity. These models could prove to be inaccurate in retrospect and they could significantly overestimate or underestimate risks. This is for example true for liquidity risk. Model assumptions with respect to interest-rate sensitivity of bank depositors or with respect to general savings behavior could prove unfounded.

Further, Commerzbank's predominantly qualitative approach to the management of such risks which are not captured by quantitative methods could prove inadequate. This could result in considerable unforeseen losses. Should current or future customers or business partners consider Commerzbank's risk management inadequate, there is a risk that business will be lost to other banks or that transactions will be reduced. This can impair both the reputation of Commerzbank, as well as its income and profits.

Commerzbank is also exposed to a so-called 'tail risk' in relation to the management of credit risks, market risks and operational risks. Tail risk is for example the form of market risk that arises if the possibility that a portfolio of assets will move more than three standard deviations from the mean is greater than what is shown by a normal distribution. Should Commerzbank underestimate the tail risk in its portfolios, it would be exposed to higher losses than forecast by its portfolio models.

Any of these risks can have materially adverse effects on the Group's net assets, financial position and results of operations.

**Risks from bank-specific regulation**

***Ever stricter regulatory capital and liquidity standards may bring into question the business model of a number of the Group's operations and negatively affect the Group's competitive position.***

National and international regulations of various legislators, supervisory authorities and bodies that set standards (e.g., the European Commission, the German legislator, the German Federal Financial Supervisory Authority (BaFin), the Basel Committee on Banking Supervision and the European Banking Authority (EBA)) have in recent years steadily tightened regulatory capital and liquidity requirements for financial institutions. In several cases, this took place in close cooperation with the affected institutions over suitably long implementation periods. In other cases, such as that of the EBA requirements of December 2011 which specified additional Core Tier 1 capital of EUR 5.3 billion for Commerzbank, this took place without consultation and over very short implementation periods. Also for the future, it can be assumed that such measures will be carried out with more or less adequate implementation periods.

The business volume and business activity of the various Group business divisions are materially affected by the regulatory capital standards that apply to the relationship between specific capital components and risk-weighted assets (a measure for regulatory relevant counterparty default risk, market risk and operational risk, which are to be backed by equity, RWA). The same applies to provisions on liquidity management with specifications for necessary liquidity buffers. The EBA requirements published in December 2011, for example, led to an increased and accelerated reduction of RWA in non-core business divisions. In total, RWA of the Commerzbank Group were, on the basis of the EBA definition, reduced by EUR 19 billion in the fourth quarter of 2011 and by a further EUR 14 billion in the first quarter of 2012.

In addition to short-term requirements set forth by the EBA, a whole array of rules to tighten regulatory capital and liquidity standards are under discussion or already being implemented. This is true for example of the European Directives or Regulations to implement the rules of the Basel Committee (here especially Basel III through the so-called "**CRD IV**"). The legislation submitted to this aim by the European Commission comprises the new CRD directive as well as a directly applicable regulation, and is intended to replace the regulatory capital guidelines currently in force. The regulation will be directly applicable to institutions in the European Union and need not be implemented into national law. In respect of its contents, the regulation primarily regulates those areas by which highly specific rules for determining quantitative monitoring mechanisms will be prescribed. This applies in particular to regulations regarding regulatory capital, liquidity standards, maximum leverage ratio (non-risk-based leverage ratio), capital requirements relating to counterparty default risk and large exposure limits. The draft of the CRD IV guideline provides in particular for an incremental increase of the minimum requirements for hard core capital (common equity Tier 1 capital) from currently 2% of RWA to 4.5% through January 1, 2015, while at the same time stricter rules on risk-weighting lead to an increase in RWA. The minimum requirements for core capital will increase from 4% to 6% during the same period. In addition, from January 1, 2011, hybrid capital components will no longer be recognized as core capital or the percentage recognized will gradually decrease starting from January 1, 2013. Further adjustments to equity required by regulatory authorities are also planned, including, for example, the deduction of certain deferred tax assets or a negative revaluation reserve. The introduction of new capital buffers is regulated in the directive and, consequently, is to be implemented into national law. The capital maintenance buffer of 2.5% of RWA must in the future be maintained as a permanent capital buffer above the minimum requirements. Additionally, national supervisory authorities may require an anti-cyclical capital buffer of up to 2.5% of RWA generated in the respective country. Furthermore, greater deductions for regulatory capital may arise than are currently planned. In this respect, capital deductions arising from securitization positions, negative revaluation reserve and deferred tax assets are particularly relevant for Commerzbank.

Because these regulations are currently only available in draft form, to which extensive revisions during the ongoing legislative process cannot be excluded, Commerzbank cannot at present make any definitive statements in respect of the additional regulatory capital requirements solely on the basis of the draft CRD IV regulations and the regulatory recognition of external ratings. According to preliminary estimates, however, Commerzbank expects that additional RWA of EUR 25 to 30 billion will arise, taking into consideration suitable countermeasures, e.g., the transition to a central clearing of OTC derivatives. This rise in RWA increases the necessary capital amount required to meet the above-mentioned minimum requirements for individual capital tiers.

The tightening of regulatory capital and liquidity requirements can have material adverse effects on Commerzbank. Since the Bank's different business activities generate risk assets to a varying extent, thereby increasing the capital requirement and restricting liquidity, the Bank may be forced to neglect potentially profitable but disproportionately capital-constraining business activities and to switch to potentially less profitable areas. It cannot be excluded that the new regulations may give rise to a need to form higher capital buffers, not only in regulatory capital, but also in economic capital, and thereby to reduce overall business volume.

Commerzbank may be forced to reduce its various risk-weighted assets beyond its current plans if it is unable to comply with the modified requirements by establishing a sufficient equity ratio within the transitional periods – which may be rather short. This may lead to a negative impact on the results of operations of Commerzbank. In addition, Commerzbank may be forced to take capital measures in order to generate additional regulatory or core capital, thereby leading to a dilution of shareholders' interests. These types of modified equity requirements may also result in Group areas becoming unprofitable, as the high capital commitment resulting from the increased risk weighting of businesses associated with the respective activity no longer permits profitable continuation, either temporarily or over the long term. The materialization of one or more of these risks can have materially adverse effects on the Group's net assets, financial position and results of operations.

The regulatory developments also include provisions on liquidity management and specifications on necessary liquidity buffers. The Group may be forced to adapt its financing structure and business model to satisfy the modified regulations. Holding large amounts of liquidity may also be linked to increased financing costs. This in turn can have material adverse effects on net assets, financial position and results of operations.

***Other regulatory reforms proposed in the wake of the financial crisis, e.g., statutory charges such as the bank levy or a possible financial transaction tax or stricter disclosure and organizational obligations can materially influence the Group's business model and competitive environment.***

The financial market crisis prompted German and foreign governments, supervisory authorities and other agencies to propose a variety of reforms of the regulatory framework governing the financial sector. Some of these proposals extend beyond stricter equity and liquidity requirements in an effort to improve the ability of the financial sector to withstand future crises. The range of proposals includes restrictions on remuneration policy, restrictions on proprietary trading, registration obligations and operational and disclosure requirements for derivative transactions, extending the powers of supervisory authorities, banning deposit banking for certain business areas, but also very far-reaching interventions such as a financial transaction tax, the statutory separation of the classic banking business from investment banking in order to make the traditional credit and deposit business independent from investment banking, or a splitting up of financial institutions that supervisory authorities consider too big in order to reduce the risk of their collapse, or even the nationalizing of banks.

Some of these proposals have already been implemented in some countries, for example in Germany where the German Restructuring Act lays out new options for bank restructuring. The act also provides for the restructuring fund to be financed by a bank levy in the form of mandatory annual contributions of between 0.0001 times and 0.0006 times the balance sheet liabilities, adjusted for certain items, and based on the nominal amount of derivatives, but with a cap of 20% of the annual net profit (in accordance with the HGB). The payment of the bank levy could have a considerable adverse financial impact on Commerzbank.

In July 2010, the so-called Dodd-Frank Act came into effect in the United States, which includes numerous regulations relevant for the business activities of the Group. A fundamental part of the Dodd-Frank Act is the so called "Volcker Rule", the purpose of which is to prohibit U.S. banks from engaging in proprietary trading of securities and derivatives (subject to certain exemptions) as well as certain investments in hedge funds and private equity funds. According to the U.S. government's implementation proposals concerning the Volcker Rule, these bans on activities would have substantial extra-territorial effects. These proposals would also bar Commerzbank from engaging in proprietary trading if such trading is tied to the United States in the form of a U.S. trading partner, U.S. personnel, or is executed in the United States. According to the proposals, only U.S. government bonds would be exempt from proprietary trading, not, however, government bonds of Germany, the eurozone or other countries. Finally, the proposals could prohibit non-U.S. banks from certain transactions (e.g., bank lending) even outside of the United States with hedge and private equity funds that they sponsor, advise, manage, organize or offer (Super 23A requirement). In addition to the extra-territorial effects, the significant compliance demands have to be taken into account, with which non-U.S. banks might have to comply, even outside of the United States, in order to verify that they abide by the Volcker Rule. Although is it not yet clear in which regulatory way these legislative amendments will be implemented, many elements of this new legislation could lead to changes which would affect the profitability of the Group's business activities, require adaptations to its commercial practices, or increase its costs, including the compliance costs. This also applies to the more stringent disclosure and organization obligations of the U.S. Foreign Account Tax Compliance Act (FATCA) in order to avoid tax evasion of bank clients. Furthermore, implementing necessary changes could also significantly tie-up the management's attention and resources. Other proposals, in particular those aiming at farther-reaching reform, are still being discussed in political circles. It is currently unclear which of these potential proposals will be implemented into law, and if they are, to which extent and under which conditions. For this reason, Commerzbank is currently unable to assess the potential effects. It is possible, however, that the regulatory framework for the financial sector will change in future, perhaps even considerably, thereby creating considerable uncertainty for the Commerzbank Group and the financial sector in general. The possible effects of these regulatory changes or new statutory charges with levies or taxes on Commerzbank may be limited to additional administrative expenses to the implementation and observation of new regulations, but they may also adversely affect the profitability of the Commerzbank Group, or lead to higher financing and/or capital costs or even to restrictions on the business activities which Commerzbank is permitted to carry out. These far-reaching reform proposals could seriously endanger the business models for individual business areas. For example, a bank levy calculated for certain balance sheet items could mean that certain business areas that are structurally less profitable with regard to the cost of capital may no longer be able to continue operating at a profit over the long term (for example, Public Finance and Commercial Real Estate), or a financial transaction tax could make certain business units (for example, in the Corporates & Markets segment) unattractive.

If any proposals are adopted, under which Commerzbank would be required to modify its business model considerably, the resulting changes may impair the Group's business and have materially adverse effects on the Group's net assets, financial position and results of operations.

***The qualification of Commerzbank as a "systemically important" credit institution could affect the Group's business.***

On November 4, 2011, the Financial Stability Board named banks, including Commerzbank, that will currently be classified as systemically important (Global Systemically Important Banks – "**G-SIBs**"). Credit institutions classified as G-SIBs must establish an additional capacity to absorb losses, i.e., an additional capital buffer. The additional buffer is to be established by those institutions that will be specified in the list updated in November 2014. The additional capital charge is intended to be established incrementally beginning in the year 2016. The size of additional capital charge for the banks specified individually on the list is not yet determined. Furthermore, according to recommendations of the Financial Stability Board, G-SiBs should be subject to further regulatory measures; such measures relate to crisis management and winding up of G-SiBs in crisis.

By year-end 2012 the credit institutions referred to in the list of November 2011 must meet the published requirements relating to the "Recovery and Resolution Planning" published by the Financial Stability Board. Currently, neither future statutory regulations nor the concrete requirements for Commerzbank resulting from the Resolution Planning are known. The publication of an EU proposal for a directive on crisis management and on winding up of banks is expected soon (see also "*The European Commission's deliberations regarding the EU Framework for Bank Recovery and Resolution may result in regulatory consequences that could restrict the Bank's business operations and lead to higher refinancing costs*")

Depending on the extent of future regulations of G-SiBs and those regulations regarding crisis management and the winding up of banks, it is possible that this will have consequences for the business activities and/or Group structure of Commerzbank and thereby have a materially adverse effect on the net assets, financial position and results of operations of the Group.

***Commerzbank is affected by the outcome of stress tests, the results of which may have negative effects on the Group's refinancing costs when they are published.***

Stress tests analyzing the robustness of the banking sector are regularly carried out and published by national and supranational supervisory authorities (for example, the EBA). Any announcement by a supervisory authority that it is to perform a stress test can increase uncertainty in the banking sector and lead to a loss of confidence in individual institutions or in the banking sector.

Commerzbank will be subject to future stress tests based on new regulations, such as those applicable as a result of the implementation of Basel III. It cannot be ruled out that future stress tests may result in Commerzbank having to create additional or higher capital buffers. Such requirements may have a negative impact on Commerzbank's results of operations. The EBA has announced that it intends to carry out another EU-wide stress test in the year 2013.

The publication of the aggregated and institution-specific results of regulatory stress tests, their evaluation by financial market participants and the impression of the market in general that they are not strict enough, can have a negative impact on the external assessment of the capital position, refinancing costs and, consequently, also have a negative impact on the business and financial condition of the participating institutions, such as Commerzbank. Consequently, the possibility exists that as a result of the assessment of the results of a stress test, Commerzbank may only be able to secure liquidity on the money and capital markets at higher refinancing costs than in the past. Furthermore, the assessment of the results of a stress test can lead to an increase in capital adequacy requirements, which would lead to an increase in the capital requirement or a greater reduction in RWA with corresponding adverse effects on long-term profitability of the Commerzbank Group.

The realization of one or all of the risks described above can have adverse effects on the net assets, financial position and results of operations of the Group.

***The regulatory capital also includes instruments whose qualification as regulatory capital may change, which means that business operations could be restricted.***

The Group's regulatory capital as of March 31, 2012 consisted of hybrid Tier 1 capital (core capital) in the amount of EUR 1.5 billion and Tier 2 capital (supplementary capital) in the amount of EUR 11.0 billion. The qualification of certain instruments as regulatory capital may change due to amendments to supervisory regulations, but also due to measures of the Group. Under Basel III regulations, the recognition of equity instruments that will no longer be included in Tier 1 capital (core capital) or Tier 2 capital (supplementary capital) (such as trust preferred securities, profit participation certificates and silent participations, which fail to meet the new regulatory requirements for equity), will be gradually phased out over a ten-year period beginning on January 1, 2013. Starting from 2013, the recognizable amount of these equity instruments, once it has been calculated and determined, is set to be reduced by 10% annually.

There is a risk that the trust preferred securities issued by Eurohypo Capital Funding Trusts no longer qualify as hybrid core capital because interest was paid for 2008 despite Eurohypo's loss in 2009. If this risk materialized, it would lead to a reduction in the Group's regulatory capital by EUR 0.5 billion; the equity ratio would be reduced from 15.5% to 15.3% (calculated as of December 31, 2011).

If the Group is required to make interest payments on trust preferred securities issued by the subsidiary companies of Commerzbank, contrary to the Group's legal position (see also risk factor "*Commerzbank and its subsidiaries are subject to claims, including in court proceedings, for payment and restoration of value in connection with profit participation certificates and trust preferred securities it issued. The outcome of such proceedings may have considerable negative effects on the Group, beyond the claims asserted in each case*"), the risk also cannot be completely ruled out that the recognition as equity may be changed in this event. Together with the risk described in the previous paragraph, the Group's equity satisfying regulatory requirements would be reduced by EUR 1.4 billion, and in turn the equity ratio would be reduced from 15.5% to 14.9% (calculated as of December 31, 2011). On this, see also risk factor "*Ever stricter regulatory capital and liquidity standards may bring into question the business model of a number of the Group's operations and negatively affect the Group's competitive position*".

***The European Commission's deliberations regarding the EU Framework for Bank Recovery and Resolution may result in regulatory consequences that could restrict the Bank's business operations and lead to higher refinancing costs.***

Based on the announcement of a new framework for crisis management in the financial sector (IP/10/1353) on October 20, 2010, the European Commission presented a consultation paper on January 6, 2011 that included the technical details of the proposed regulations, and published a further discussion paper at the beginning of April. It is expected that the EU Commission will soon publish a proposal for a directive on crisis management and on the winding up of banks.

The possible regulations include proposals granting additional competencies and powers to supervisory authorities, additional organizational and reporting duties for banks, possible loss participations of bondholders, as well as considerations for the financing of a bank restructuring fund. As a result, Commerzbank may have to conduct stress tests ordered by the supervisory authority whose results may restrict Commerzbank's business activity and have a negative impact on its net assets, financial position and results of operations. The consultation paper also includes proposals on the obligatory issue of new types of debt instruments providing for loss participations by holders of debt instruments (i.e., a bail in). If this resulted in an obligation for Commerzbank to issue debt instruments with loss participation, then an increase in refinancing costs can be expected, which may have a negative impact on the Group's results of operations. The extent of any rising refinancing costs remains impossible to assess at the present time. Furthermore, it is currently not possible to predict if and in what form a liquid market for such debt instruments would develop, or if the market capacity is sufficient to absorb bail-in instruments and forms of contingent capital, whose issue will be mandatory under Basel III regulations.

The consultation also proposes a potential consolidation of deposit guarantee schemes and the bank restructuring fund to be set up by EU member states. At present it is unclear to what extent this consolidation would affect Commerzbank's contribution obligations for the deposit guarantee scheme or for the bank restructuring fund.

If the developments described above result in negative consequences and charges for the Group, this can have material adverse effects on the Group's net assets, financial position and results of operations.

***There can be no guarantee that the Group will be able to fulfill the requirements imposed by the European Commission in respect of the government stabilization assistance received by it on time or to a sufficient degree, or that it will not suffer economic disadvantages in connection with the fulfillment of these requirements.***

On May 7, 2009, the European Commission declared that the stabilization measures which the Group has received are, in principle, compatible with the state aid provisions set out in the EC Treaty. For reasons of competition law, the Federal Republic of Germany committed itself to ensuring that Commerzbank complies with a number of requirements which Commerzbank has contractually committed to vis-à-vis SoFFin. Some of these requirements were later modified through supplementary agreement with SoFFin. On March 30, 2012, the European Commission also changed the condition requiring Commerzbank to sell Eurohypo no later than the end of 2014, into a winding-up condition. Currently, the requirements with which Commerzbank has made a commitment to SoFFin to comply and which were partly changed by the European Commission on March 30, 2012, include, in particular, (1) the reduction of the Group's total assets (excluding non-core activities of Eurohypo, consisting of the Public Finance portfolio and a majority of the Commercial Real Estate portfolio) to EUR 600 billion by December 31, 2012, with the balance sheet not to exceed EUR 600 billion until December 31, 2014, (2) the reduction of the Commercial Real Estate portfolio to the target markets Germany, the United Kingdom, France and Poland and the capping of the portfolio volume to EUR 25 billion until December 31, 2013 and maintaining of this regional and volume-based restriction (including the cap on permitted new business) until December 31, 2015, (3) the prohibition, effective until March 31, 2014, in respect of the acquisition of other companies, (4) limitations until December 31, 2012 on the granting of terms to customers, in particular not to offer better prices for products and services in market segments, in which Commerzbank does not have merely a peripheral market position (less than 5% market share), specifically in the private and corporate business, than the three competitors offering the most favorable conditions, (5) the requirement to offer German SMEs loans at normal market rates corresponding to a volume of a minimum of EUR 40 billion RWA, and (6) the discontinuation of the Eurohypo brand. The possibility that the Group will not be able to fulfill the conditions imposed (indirectly) by the European Commission on time, or will not be able to do so to a sufficient degree, cannot be ruled out. Breaches of certain requirements will result in contractual sanctions being imposed. In particular, there is a risk that, contrary to the expectation of Commerzbank, the ongoing strategic restructuring of individual business units is found to be unlawful by the European Commission or by other authorities in light of the decision on state aid. There is also a risk that the Group may experience other economic disadvantages in connection with fulfillment of these requirements. In the event that the requirements imposed by the European Commission are breached, the Group could be obliged to repay, at least in part, the government funds it received and/or be exposed to contractual claims of SoFFin.

Any of these risks may have a material adverse effect on the Group's net assets, financial position and results of operations.

***The regulatory and banking supervisory frameworks within which the Group operates in the jurisdictions in which it is active outside Germany may change at any time, and non-compliance with local regulatory provisions may result in the imposition of penalties and other disadvantages, including the loss of official licenses.***

The Group's business activities outside Germany are regulated and supervised by the central banks and regulatory authorities in the countries in which it operates. In each of these countries, a banking license or at least notification of the national regulatory authorities is required for Commerzbank, its subsidiaries and, in some cases, also its branches and in some cases for the Group in its entirety. The banking regulatory regime in the various countries may change at any time. In the event of changes to the regulatory provisions in one or more countries, additional requirements may be imposed on the regulated units which could hamper their ability to operate in certain business areas or even bar them from such business areas completely. In addition, infringement of provisions which do not fall directly within the scope of bank supervision law may also have regulatory consequences (see also risk factor *"Proceedings brought by regulators, supervisory authorities and prosecutors may have material adverse effects on the Group*"). In addition, complying with amended regulatory requirements may entail a material increase in the Group's administrative workload and expense. Any of these risks may have a material adverse effect on the Group's net assets, financial position and results of operations.

***There is a risk that the Group will be called upon to indemnify the German Deposit Protection Fund against losses the fund incurs by providing assistance in favor of a Commerzbank subsidiary.***

On the basis of the statutes of the Deposit Protection Fund of the Association of German Banks (*Bundesverband deutscher Banken e.V.*)., Commerzbank has furnished a declaration of indemnification to the Deposit Protection Fund for a number of its investee companies (comdirect, Eurohypo and the European Bank for Fund Services GmbH ("**ebase**")which are members of the Deposit Protection Fund. Accordingly, the Bank has undertaken to indemnify the fund from any losses the fund incurs in providing assistance in favor of one of the aforementioned companies. Any intervention by the Deposit Protection Fund to support these subsidiaries of Commerzbank may therefore have a material adverse effect on the Group's net assets, financial position and results of operations. Moreover, any rescue measures taken by the Deposit Protection Fund in aid of one of these subsidiaries may result in lasting reputational damage to the Group. Any of these risks may have materially adverse effects on the Group's net assets, financial position and results of operations.

***There is a risk that the Deposit Protection Fund will claim increased contributions from the Group or that the Group will be required, independently of the Deposit Protection Fund, to make contributions to help salvage banks that find themselves in economic difficulties. The planned reform of the EU-wide deposit protection guidelines would result in a financial burden on the Group in the form of the payment of substantial contributions, which probably cannot be passed on to the market.***

The Deposit Protection Fund is funded by an annual contribution from each of the participating institutions. If the funds in the Deposit Protection Fund are not sufficient or if it is for other reasons required to perform the tasks of the Deposit Protection Fund, the Board of Directors of the Association of German Banks (*Bundesverband deutscher Banken e.V.*) may decide to raise an additional contribution in the amount of half of the institutions' annual contribution or a special contribution in the amount of half of the annual contribution for each financial year. Such an increase would have material adverse effects on the Group's net assets, financial position and results of operations.

There is also the risk that the Group will be required to make contributions to help salvage banks that find themselves in economic difficulties, possibly also in the form of collateral and similar help. This may have materially adverse effects on the Group's net assets, financial position and results of operations.

The various proposals by the EU Commission, the European Council and the European Parliament for the reform of the EU Directive on Deposit Guarantee Schemes would lead to a considerable increase in the Group's expenditures for deposit protection. Due to the existing price competition, it might not be possible to pass the added expenses resulting for the Group onto the market. The implementation of the reform proposals, as they currently stand, would have material adverse effects on the Group's net assets, financial position and results of operations.

**Legal risks**

***Claims for damages on the grounds of faulty investment advice and the lack of transparency of internal commissions have led to substantial charges and may also in the future lead to further substantial charges for the Group.***

The Commerzbank Group is involved in giving investment advice, particularly in the Private Customers segment. The requirements imposed by lawmakers and case law for "objective investment advice that is fair to the investor" have been made considerably more stringent, particularly in recent years. Commerzbank and its subsidiaries have been and are involved in a number of disputes, some of them in court, in which investors are claiming faulty investment advice and are demanding damages. In the past, this has led to material adverse effects on the Group's net assets, financial position and results of operations. Numerous lawsuits against Commerzbank and a number of its affiliated companies are still pending, in which a number of investors in certain fund products, including open or closed-end real estate funds, have filed suit because of, among other reasons, alleged incorrect advice or failure to properly examine the plausibility of the fund prospectuses, claiming damages for their investment in the relevant funds and, in the case of certain fund products, additionally claiming indemnification for all tax and economic disadvantages. These claims may also in the future lead to material adverse effects on the Group's net assets, financial position and results.

In addition, for a number of years, the question of the extent to which internal commissions and/or rebates must be disclosed when selling closed funds has been the subject of various lawsuits. In July 2011 the German Federal Court of Justice (*Bundesgerichtshof,* "**BGH**") found that Commerzbank must explain to its customers the rebates that it receives for the sale of participations in closed funds and that it is obligated to pay damages for failing to give such an explanation in the case ruled upon by the BGH. The term "rebate" is very broadly defined by the BGH. An explanation by means of a prospectus is only sufficient if it was delivered in a timely manner and both the bank is named as sales agent and the size of the rebate is explicitly stated in the prospectus. Commerzbank has submitted an appeal against the ruling to the German Federal Constitutional Court, which was dismissed in January 2012. Aside from the decision in this case, the ruling of the German Federal Court of Justice may be significant for a number of other pending proceedings relating to the funds that were the subject of the legal dispute before the German Federal Court of Justice (more than 300 other proceedings), and for new claims brought in relation to these funds as well as for other proceedings or new claims for other funds. If the Group is required to pay damages for a significant portion of the participations sold by it or to assume the participations itself at the original price, there is the risk of a material adverse effect on the Group's net assets, financial position and results of operations.

Apart from these issues, due to the nature of its business, Commerzbank and its subsidiaries are regularly parties to a variety of court and arbitration proceedings in Germany and a number of other jurisdictions, in particular in damages, warranty and rescission proceedings. These proceedings are characterized by a large number of uncertainties and it is not possible to definitively predict their outcome. Risks associated with such proceedings may not be quantifiable or be difficult to quantify. For this reason, it is possible that losses resulting from pending or potential proceedings will exceed the provisions made for them, which may have materially adverse effects on the Group's net assets, financial position and results of operations.

***Commerzbank and its subsidiaries are subject to claims, including in court proceedings, for payment and restoration of value in connection with profit participation certificates and trust preferred securities it issued. The outcome of such proceedings can have material negative effects on the Group, beyond the claims asserted in each case.***

Commerzbank, its subsidiaries (particularly Eurohypo and its legal predecessors) and Dresdner Bank and its subsidiaries have issued profit participation certificates and other hybrid financial instruments, including trust preferred securities in particular. These instruments are generally structured so that they are recognized for regulatory purposes as equity. In some cases, there is an obligation to pay interest only where distributable profit has been realized or insofar as the payment of interest does not lead to net loss, and that in the case of losses, the redemption amount of the instruments can be reduced.

Due to Eurohypo's losses in the 2009 and 2010 financial years, it did not pay any interest for the 2009 and 2010 financial years on profit participation certificates and trust preferred securities issued by Eurohypo, its legal predecessors and its subsidiaries, and it has in each case reduced the claim for redemption on the basis of the profit participation certificates' participation in losses, or will proceed accordingly for the 2011 financial year. Investors in Germany have filed suit (or announced their intention to do so) in respect of the reduction of redemption claims and failure to make payments on the profit participation certificates. Investors in the United States have also filed suit (or announced their intention to do so) in respect of the failure to make payments on trust preferred securities. It cannot be ruled out that more claims will be made or suits filed. The first non-binding decisions by courts of first instance are now available in Germany that differ in their conclusions. There have also been two non-binding appeals, in favor of the claimants. Eurohypo has submitted the appropriate legal remedy of an appeal (*Revision)* against the latter to the German Federal Court of Justice.

For other trust preferred securities issued by a number of Commerzbank subsidiaries, due to the economic situation in the 2009 and 2010 financial years, no interest has been paid for these financial years or will be paid for the financial year 2011. In addition, the terms and conditions of the trust preferred securities contain pari passu clauses under which there is an obligation to pay interest for these trust preferred securities in the event that interest is paid on other comparable instruments. On the basis of, among other things, this pari passu clause, investors have asserted claims here for non-payment of interest as well and in some instances also brought lawsuits before courts in Delaware in the United States.

If, contrary to the view of Commerzbank and Eurohypo, these claims end successfully for the claimants, this would only have a binding effect in relation to the winning claimants. However, Commerzbank does not rule out that in such event, all justified claims arising out of the profit participation certificates and trust preferred securities will be or would have to be satisfied, which, with respect to retroactive interest payments on the profit participation certificates and the trust preferred securities and write-up of the redemption claims for profit participation certificates for the 2009, 2010 and 2011 financial years would result in a total charge at Group level of approximately EUR 165 million as at March 31, 2012.

Furthermore, payments or benefits on hybrid financial instruments, such as early repayment of silent participations or related benefits or repurchases of hybrid financial instruments, may result in investors who have invested in other profit participation certificates or other hybrid financial instrument bringing claims for the payment of interest or restoration of value of their instruments that have not been made. If claims are made in such cases, although Commerzbank considers they are unfounded, and payments become necessary, a charge at Group level cannot be excluded (for further consequences see also risk factor "*The regulatory capital also includes instruments whose qualification as regulatory capital may change, which means that business operations could be restricted*").

Any of these risks may have material adverse effects on the Group's net assets, financial position and results of operations.

***Lawsuits brought against Group companies for non-payment of variable remuneration for the 2008 financial year or for failure to pay less than the allegedly promised amount may have adverse effects on the Group.***

A large number of former employees of the former Dresdner Bank group have filed suit against Group companies in Germany and various locations abroad for non-payment of variable remuneration for the 2008 financial year or for failure to pay less than the allegedly promised amount. In May 2012, a court of first instance in London ruled in favor of 104 former employees of Dresdner Kleinwort Investmentbank ("**DKIB**") and ordered Commerzbank to pay approximately EUR 54 million; there has not yet been a decision regarding interest on the amount of the claim or regarding legal fees and court costs. Commerzbank is currently examining legal remedies against this decision. If this decision should stand or be confirmed by a higher court, this would lead to substantial further charges above the already existing provisions. In Germany, a number of such proceedings are also pending. In certain cases there have already been final decisions against, but also for, Commerzbank. The outcome of proceedings that have not yet been finally decided is not foreseeable. It is therefore possible that the losses resulting from pending or threatened proceedings may exceed the provisions built up therefor, which may have adverse effects on the Group's net assets, financial position and results of operations.

***Proceedings brought by regulators, supervisory authorities and prosecutors may have material adverse effects on the Group.***

Commerzbank and its subsidiaries operate in numerous jurisdictions with different legal and regulatory requirements. In the past, regulatory authorities and institutions, including prosecutors, have found some cases of violations of legal and regulatory provisions and have pursued them. The Group is currently involved in a number of such proceedings. A comprehensive assessment is currently underway by the New York County Attorney General, the U.S. Department of Justice and other authorities into whether the Group was in violation of U.S. sanction conditions, particularly against Iran, Sudan, North Korea, Myanmar and Cuba. The New York branch of Commerzbank has also received subpoenas from these U.S. authorities in this connection, in response to which it has made available extensive documentation and the results of internal investigations. The outcome of the matter is not yet foreseeable. The U.S. authorities may impose civil and criminal sanctions on Commerzbank, including substantial fines. In similar proceedings involving other banks, settlements were reached, some involving the imposition of substantial civil and criminal penalties. The outcome of these proceedings is not foreseeable. The Group may potentially also settle such proceedings. The financial ramifications of such proceedings and their termination cannot be predicted and may exceed the value of any provisions established for this purpose, which may have material adverse effects on the Group's net assets, financial position and results of operations.

***Divestments may also result in payment obligations and reputational harm.***

In recent years, the Group has disposed of a number of subsidiaries in the fulfillment of its obligations vis-à-vis SoFFin, which are based on the EU conditions. In addition, several larger pieces of real estate were sold, which formerly belonged to the Commerzbank Group. The corresponding disposal and sale agreements contain various warranties. In some cases, alleged violations of some of these warranties have been asserted in connection with violations of compliance provisions by the former subsidiaries. These have also resulted in investigations by state authorities into these subsidiaries. If claims are successfully asserted against Commerzbank in this respect, or the Group's reputation is harmed, it may have materially adverse effects on the Group's net assets, financial position and results of operations.

***The measures that the Group has taken for the purposes of data protection and to ensure data confidentiality could prove to be inadequate and have an adverse effect on the Group and its reputation.***

Data used by the Group in connection with its business activities is governed by provisions on data protection and information security. The Group has taken a series of measures to protect the data it processes and administers in the course of its business activities against misuse. However, these measures may prove to be inadequate and the confidentiality of customer data could be infringed by employees of the Group or third parties who circumvent the Group's security systems and obtain unauthorized access to this data. This may trigger liability for damages on part of the Group, which may have material adverse effects on the Group's net assets, financial position and results of operations. In addition, there may be negative effects on the Group's reputation.

***The legal relationships between the Group and its customers are based on standardized contracts and forms designed for a large number of business transactions; problems in the individual provisions of this documentation or errors in this documentation may therefore affect a large number of customer relationships.***

The Group maintains contractual relationships with a large number of customers. In all business areas and Group divisions, the administration of such a large number of legal relationships necessitates the use of general terms and conditions, standard contracts and forms. This standardization means that issues in need of clarification, wording errors or the use of individual terms and conditions, standard contracts or forms pose a material risk on account of the large number of these contracts that have been issued. In light of the ongoing changes in the overall legal framework due to new laws and judicial rulings and the increasing influence of European legislation on national law, it is conceivable that not all of the Group's general terms and conditions, standard contracts and forms comply with applicable legal requirements at all times and without limits. If there are application problems or errors or if individual contractual provisions or entire contracts are invalid, a large number of customer relationships could be negatively affected, resulting in substantial claims for damages or other legal consequences that would be negative for the Group, and thus have materially adverse effects on net assets, financial position and results of operations.

***The outcome of legal disputes to which the Group is not a party can have adverse consequences for the Group, for a number of different reasons, including the contesting of practices and clauses customarily used throughout the entire sector.***

Judicial or regulatory decisions against other banks may also have ramifications for the Group, even in cases where the Group is not party to the proceedings. This may be the case where practices or contractual clauses customarily used throughout the entire industry are impugned or found to be unlawful. For instance, decisions which impact individual clauses contained in general terms and conditions, amortization schedules for annuity loans, certain investment products (e.g., certain swap transactions) or consultation practices in respect of kick-back agreements could have an effect on the entire sector. This may also be the case where a decision depends on special circumstances of the individual case and the outcome is then used by customers against the Group. The Group may, as a result, be forced to change its practices or pay compensation in order to avoid reputational damage. These decisions may have materially adverse effects on the Group's net assets, financial position and results of operations.

***The Group is subject to risks associated with tax audits; changes to tax legislation or jurisprudence may have an adverse effect on its net assets, financial position and results of operations. Changes in the planning of expected future income may lead to substantial fluctuations in deferred tax assets.***

Commerzbank's business operations are assessed for tax purposes on the basis of current tax legislation and in light of current case law and administrative practice. Where there is tax law uncertainty with respect to the question of how such business operations are to be assessed, Commerzbank generally takes a risk-averse position. Should nonetheless considerable additional tax charges be assessed, this may have negative effects on the Group's net assets, financial position and results of operations.

The Group is subject to regular audits by tax authorities in Germany and abroad. In Germany, Commerzbank is currently being audited with respect to the period from 2002 to 2008. This long audit period is, inter alia, due to the merger of Dresdner Bank into Commerzbank. This audit could result in changes to assessments for Commerzbank and its subsidiaries and give rise to additional tax charges. Given the long period of continuing audits, there is an increased risk that additional tax payments will have to be made. Commerzbank makes corresponding provisions for taxation risks which may be identified in the course of or up to completion of the audits. Should additional tax charges which considerably exceed established or yet to be established provisions on the balance sheets of the affected companies be identified in the future, there may be material adverse effects on the Group's net assets, financial position and results of operations.

As of March 31, 2012, the Bank had tax loss carryforwards in the amount of EUR 5.3 million. In connection therewith, deferred tax assets in the amount of EUR 2.1 million were accrued in the Group financial statements. The volume of the deferred tax assets depends on the expected future operating results of the Group (which are documented in the multi-year planning). Should planned results decrease over several planning periods (5-year assessment period) because of, for example, a worsening of external factors such as the economic environment, the volume of the accruable tax loss carryforwards is reduced. This leads to a corresponding reduction in shareholders' equity.

In addition, if the view of tax authorities, tax legislation or case law in respect of taxation matters change, this may also have a material adverse effect on the Group's net assets, financial position and results of operations.

***The European Commission has launched an antitrust investigation into 17 companies in the financial sector, including Commerzbank, relating to the market for financial information on CDSs.***

The European Commission has launched an antitrust investigation into 17 companies in the financial sector, including Commerzbank, in which it is investigating their actions in passing on trading data regarding CDSs transactions to providers of financial information. The Commission is studying whether the supply of this data amounted to restrictions on competition as defined by Articles 101 and 102 of the Treaty on the Functioning of the European Union. The outcome of the investigation cannot be predicted. Violations of Articles 101 and 102 of the Treaty on the Functioning of the European Union may be penalized through the imposition of a monetary fine. The fine imposed on each company found to have taken part in an infringement may not exceed 10% of its total revenue for the previous financial year. Should fines be imposed on Commerzbank, this could have material adverse effects on the net assets, financial position and results of operations of the Group.

## GENERAL INFORMATION

This Base Prospectus is made in accordance with § 6 of the German Securities Prospectus Act *(Wertpapierprospektgesetz;* the "**Prospectus Act**"*)*. The final Terms and Conditions relevant for an issue under this Base Prospectus will be made available to investors in a separate document (the "**Final Terms**") on the internet page *www.warrants.commerzbank.com* at the latest on the day of the public offer of the respective Notes.

**Prospectus Liability**

Commerzbank Aktiengesellschaft (the "**Issuer**", the "**Bank**" or "**Commerzbank**", together with its consolidated subsidiaries "**Commerzbank Group**" or the "**Group**") with its registered office at Frankfurt am Main, Federal Republic of Germany, accepts responsibility for the information contained in this Base Prospectus. The Issuer hereby declares that the information contained in this Base Prospectus is, to the best of its knowledge, in accordance with the facts and contains no material omission. The Issuer has taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

No person is or has been authorized by the Issuer to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other information supplied in connection with this Base Prospectus, the Notes and, if given or made, such information or representation must not be relied upon as having been authorized by the Issuer. The information contained herein relates to the date of the Base Prospectus and may have become inaccurate and/or incomplete as a result of subsequent changes.

**Important Note regarding this Base Prospectus**

This Base Prospectus must be read in conjunction with any supplement thereto as well as any other documents incorporated by reference into this Base Prospectus and must be interpreted accordingly.

No person is or has been authorised by the Issuer to give any information or to make any representation that is not contained in, or is inconsistent with, this Base Prospectus or any other information supplied in connection with the Base Prospectus or the Securities. If any such information is given or if any such representation is made, it must not be relied upon as having been authorised by the Issuer.

This Base Prospectus or any information supplied in connection with the Base Prospectus or the Certificates are not intended to provide the sole basis of any credit or other evaluation. They should not be considered as a recommendation by the Issuer that any recipient of this Base Prospectus or any other information supplied in connection with the Base Prospectus or the Certificates should purchase the Certificates described in this Base Prospectus and the Final Terms.

The distribution of this Base Prospectus and the offer or sale of the Notes may be restricted by law in certain jurisdictions. Persons coming into possession of this Base Prospectus or the Notes must inform themselves about, and observe, any such restrictions. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of the Notes within the European Economic Area and the United States of America (see "Offering and Selling Restrictions").

**Availability of Documents**

The Base Prospectus and any supplements thereto will be available for viewing in electronic form at the following website of Commerzbank Aktiengesellschaft (www.commerzbank.com) and copies thereof may be obtained free of charge at the head office of the Issuer, Kaiserstraße 16 (Kaiserplatz), 60311 Frankfurt am Main, Federal Republic of Germany.

Furthermore, the Articles of Association of Commerzbank Aktiengesellschaft (as amended), the financial statements and management reports of Commerzbank Aktiengesellschaft and the Annual Reports of the Commerzbank Group for the financial years 2010 and 2011 will be available for inspection at the Issuer's head office (Kaiserstraße 16 (Kaiserplatz), 60311 Frankfurt am Main, Federal Republic of Germany) or for electronic viewing at *www.commerzbank.com* for a period of twelve months following the date of the publication of this Base Prospectus.

**Information relating to the Securities**

Further information regarding a specific issue of Notes, such as their Terms and Conditions, value date, calculations regarding the redemption amount or other amounts, coupon payments, issue price, issue date, underlying(s) (where applicable), market disruptions, settlement disruptions, adjustments, certain risk factors, clearing system, ISIN or other securities IDs, stock exchange listing, certification of the securities (stating the respective clearing system including the pertaining address) and any other information is set out in the respective Final Terms.

**Offer and Sale**

The details of the offer and sale, in particular the relevant Issue Date and the relevant offer volume, as well as the relevant issue and/or selling price (issue price plus applicable costs) with regard to each issue hereunder will be set out in the relevant Final Terms.

In the case of an offer of Notes during a subscription period which will be specified in the Final Terms any details of the offer that will be determined at the end of the subscription period shall be published by the Issuer without delay at the end of the subscription period. The Issuer may further provide for an offer and sale after the subscription period at a price which is subject to change.

Delivery of the Notes sold will take place [after the subscription period] [after the Issue Date] on the Value Date stated in the relevant Final Terms via the specified clearing system. If the Notes are sold after the Value Date, delivery will take place in accordance with applicable local market practice via the clearing system specified in the relevant Final Terms.

The issue price of the Notes is based on internal pricing models of the Issuer and may be higher than their market value due to commissions and/or other fees relating to the issue and sale of the Notes (including a margin paid to distributors or third parties or retained by the Issuer) as well as amounts relating to the hedging of the Issuer's obligations under such Notes, and the price, if any, at which a person is willing to purchase such Notes in secondary market transactions may be lower than the issue price of such Notes. Persons, who distribute the Notes and receive a commission, fee or non-pecuniary benefits in return, may be obliged under applicable law to disclose the type and amount of such commission, fee or benefit to the investor. Investors should ensure that they receive the relevant information from the relevant distributor prior to purchasing the Notes.

**Increases of a Series of Notes**

In the case of an increase of Notes having been offered and/or listed for the first time under the Base Prospectus dated 24 November 2010 or 24 January 2012, respectively (each, a "**Former Base Prospectus**"), the Terms and Conditions contained in this Base Prospectus shall be substituted by the Terms and Conditions of the respective Former Base Prospectus in cases where, after expiry of the respective Former Base Prospectus, (i) the total nominal amount of Notes issued under the respective Former Base Prospectus is increased, (ii) the application for listing of the Notes issued under the respective Former Prospectus is made at an exchange, or (iii) the Notes issued under the respective Former Prospectus are to be publicly offered in another EU Member State. For this purpose, the section "Terms and Conditions" of the Former Base Prospectus shall be incorporated by reference and form part of this Base Prospectus.

**Calculation Agent**

In cases requiring calculation, Commerzbank acts as the Calculation Agent.

**Information regarding the Underlying**

The Notes to be issued under this Base Prospectus may relate to shares, indices, goods (e.g. precious metals or commodities), futures contracts, bonds, currency exchange rates, interest rates and funds (the "**Underlying**"). The Final Terms to be drawn up with regard to each individual issue hereunder may contain information as to where information regarding the Underlying (ISIN, performance, volatility, index description in the case of indices) can be obtained.

Such information regarding the Underlying will be available on a freely accessible website stated in the Final Terms.

**Post-Issuance Information**

The Issuer will provide no post-issuance information regarding the relevant Underlying.

**INFLUENCE OF THE UNDERLYING ON THE SECURITIES**

**Reverse Convertible Notes**

[cash settlement:]**[**The Notes will be redeemed at the Maturity Date either at par or at a Redemption Amount, which will be calculated according to a formula set out in the Terms and Conditions and which will be depending on the Reference Price of the Underlying of the Notes on the Valuation Date.

The Notes will be redeemed at par, if on the Valuation Date the Reference Price of the Underlying (share, index, metal (i.e. precious or industrial metal), currency exchange rate, futures contract, bond, interest rate or fund) is not below the [Classic:]**[**Strike**]** [Protect:]**[**Barrier**]** set out in the Terms and Conditions. Otherwise the Redemption Amount will be calculated by multiplying the nominal amount of a Note with the performance of the Underlying, whereas the performance will be determined by dividing the Reference Price of the Underlying on the Valuation Date by the Strike.**]**

[delivery:][The Notes will be redeemed at the Maturity Date either at par or by delivery of **[**shares**][**certificates**][***securities***]** as set out in the Terms and Conditions. If the redemption will be made by delivery of **[**shares**][**certificates**][***securities***]** or by payment of the nominal amount, will be determined as to whether the Reference Price of the Underlying on the Valuation Date is below the [Classic:]**[**Strike] [Protect:]**[**Barrier**]**. If the Reference Price is exceeded by the [Classic:]**[**Strike**]** [Protect:]**[**Barrier**]**, the Notes will be redeemed by delivery of **[**shares**][**certificates**][***securities***]**, otherwise the Notes will be redeemed at par.**]**

**Reverse Convertible Notes Plus**

[cash settlement:]**[**The Notes will be redeemed at the Maturity Date either at par or at a Redemption Amount which will be calculated according to a formula set out in the Terms and Conditions and which will depend on the price of the Underlying during the Montioring Period as well as on the Reference Price of the Underlying of the Notes on the Valuation Date.

The Notes will be redeemed at par, if the price of the Underlying is at no time during a Monitoring Period equal to or below the Barrier set out in the Terms and Conditions <u>or</u> if on the Valuation Date the Reference Price of the Underlying is not below the Strike set out in the Terms and Conditions. Otherwise the Redemption Amount will be calculated by multiplying the nominal amount of a Note with the performance of the Underlying, whereas the performance will be determined by dividing the Reference Price of the Underlying on the Valuation Date by the Strike.**]**

[delivery:]**[**The Notes will be redeemed at the Maturity Date either at par or by delivery of **[**shares**][**certificates**][***securities***]** as set out in the Terms and Conditions. The type of redemption is depending on the price of the Underlying during a fixed Monitoring Period as well as on the Reference Price of the Underlying on the Valuation Date.

The Notes will be redeemed at par, if the price of the Underlying is at no time during a Monitoring Period equal to or below the Barrier set out in the Terms and Conditions <u>or</u> if on the Valuation Date the Reference Price of the Underlying is not below the Strike set out in the Terms and Conditions. Otherwise the Notes will redeemed by delivery of **[**shares**][**certificates**][***securities***]**. **]**

## TAXATION

All present and future taxes, fees or other duties in connection with the Notes shall be borne and paid by the holders of the Notes. The Issuer is entitled to withhold from payments to be made under the Notes any taxes, fees and/or duties payable by the holders of the Notes in accordance with the previous sentence.

### Taxation in the Federal Republic of Germany

Currently, there is no legal obligation for the Issuer (acting as issuer of the Notes and not as disbursing agent (*auszahlende Stelle*) as defined under German tax law) to deduct or withhold any German withholding tax (*Quellensteuer*) from payments of interest, principal and gains from the disposition, redemption or settlement of the Securities or on any ongoing payments to the holder of any Securities. Further, income and capital gains derived from particular issues of Securities can be subject to German income tax (*Einkommensteuer*). All tax implications can be subject to alteration due to future law changes.

Prospective investors are advised to consult their own advisors as to the tax consequences of an investment in the Notes, also taking into account the rules on taxation in the investor's country of residence or deemed residence.

**[***additional taxation provisions, where applicable***]**

## SELLING RESTRICTIONS

### Selling Restrictions within the European Economic Area

The Notes may be publicly offered in any member state of the European Economic Area ("**EEA**") that has implemented Directive 2003/71/EC (the "**Prospectus Directive**") (each, a "**Relevant Member State**") from and including the date of entry into effect of the respective implementation in the Relevant Member State, provided that this is permitted under the applicable laws and other legal provisions, and further provided that

(a) the Public Offering starts or occurs within a period of 12 months following the publication of the Prospectus which has been approved by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht) ("**BaFin**") in accordance with the provisions of the German Securities Prospectus Act (*WpPG*) and, if the Notes are publicly offered in a Relevant Member State other than Germany, the approval has been notified to the competent authority in such Relevant Member State in accordance with § 18 WpPG; or

(b) one of the exemptions set forth in § 3 (2) WpPG exists or, in the case of an offering outside Germany, an exemption from the obligation to prepare a prospectus exists as set forth in the implementing law of the respective Relevant Member State in which the Public Offering shall occur.

"**Public Offering**" means (i) a communication to persons in any form and by any means presenting sufficient information on the terms of the offer and the Notes to be offered, so as to enable an investor to decide to purchase or subscribe for these Notes, as well as (ii) any additional specifications defined more closely in the implementing law of the respective Relevant Member State in which the Public Offering is to occur.

In any EEA member state that has not implemented the Prospectus Directive, the Notes may only be publicly offered within or from the jurisdiction of such member state, provided that this is in accordance with the applicable laws and other legal provisions. The Issuer has not undertaken any steps, nor will the Issuer undertake any steps, aimed at making the Public Offering of the Notes or their possession or the marketing of offering documents related to the Notes legal in such jurisdiction if this requires special measures to be taken.

**Selling Restrictions outside the European Economic Area**

In a country outside the EEA, the Notes may only be publicly offered, sold or delivered within or from the jurisdiction of such country, provided that this is in accordance with the applicable laws and other legal provisions, and provided further that the Issuer does not incur any obligations in that regard. The Issuer has not undertaken any steps, nor will the Issuer undertake any steps, aimed at making the Public Offering of the Notes or their possession or the marketing of offering documents related to the Notes legal in such jurisdiction if this requires special measures to be taken.

**Selling Restrictions in the USA**

The Notes have not been, and will not be, registered under the United States Securities Act of 1933 as amended (the "**Securities Act**") and may not be offered or sold within the United States of America or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from, or in transactions not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States of America or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and any regulations thereunder.

Until 40 days after the commencement of the offering of the Notes, an offer or sale of such Note within the United States of America by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

**The blank positions ("●“) in the following Terms and Conditions will be supplemented in the relevant Final Terms; information in square brackets may be deleted if not applicable.**

*Reverse Convertible Notes classic*

## TERMS AND CONDITIONS

### § 1
### FORM

*These paragraphs 1 – 3 shall be applicable only in respect of* ***non-USD*** *issues or* ***USD*** *issues with* ***a lifetime of less than or equal to one year***

1. The **[***Name***]** Notes **[**of each series**]** (the "**Notes**") issued by Commerzbank Aktiengesellschaft, Frankfurt am Main, Federal Republic of Germany (the "**Issuer**") will be represented by a global bearer Note (the "**Global Note**") which shall be deposited with **[**Clearstream Banking AG, Frankfurt am Main**][**Deutsche Bank AG, Große Gallusstraße 10 - 14, 60272 Frankfurt am Main, as common depositary for Clearstream Banking, société anonyme, Luxembourg and Euroclear Bank S.A./N.V. as operator of the Euroclear System (together the "**Clearing System**")**][**Euroclear Belgium**]** **[**Euroclear Nederland (Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V., Amsterdam)**]** **[**(the "**Clearing System**")**]**. **[**The Notes are issued in [Euro ("**EUR**"][United States Dollar ("**USD**")][*currency* ("•")] (the "**Issue Currency**") in the denomination of [EUR 1,000] [USD 1,000] [•] (the "**Denomination**").**]**

2. Definitive Notes will not be issued. The right of the holders of Notes (the **"Noteholders"**) to delivery of definitive Notes is excluded. The Noteholders shall receive co-ownership participations in or rights with respect to the Global Note which are transferable in accordance with applicable law and the rules and regulations of the Clearing System. In securities clearing transactions, the Notes are transferable in units of **[**one**][●]** Note**[**s**]** or integral multiples thereof.

3. The Global Note shall bear the hand-written signatures of two authorised officers of the Issuer.

*These paragraphs 1 – 3 shall be applicable only in respect of* ***USD*** *issues with* ***a lifetime of more than one year***

1. The **[***Name***]** Notes **[**of each series**]** (the "**Notes**") issued by Commerzbank Aktiengesellschaft, Frankfurt am Main, Federal Republic of Germany (the "**Issuer**") will initially be represented by a temporary global bearer Note (the "**Temporary Global Note**"), which will be exchanged not earlier than 40 days and not later than 180 days after their issue date against a permanent global bearer Note (the "**Permanent Global Note**", together with the Temporary Global Note the "**Global Note**"). The Notes are issued in United States Dollar ("**USD**") (the "**Issue Currency**") in the denomination of USD **[**1,000**]** **[•]** (the "**Denomination**").

   The Temporary Global Note and the Permanent Global Note shall be deposited with Deutsche Bank AG, Frankfurt am Main, as common depositary for Clearstream Banking, société anonyme, Luxembourg and Euroclear Bank S.A./N.V., Brussels, as operator of the Euroclear System (together the "**Clearing System**"). The exchange shall only be made upon certification to the effect that, subject to certain exceptions, the beneficial owner or owners of the Notes represented by the Temporary Global Note are not U.S. persons.

2. Definitive Notes will not be issued. The right of the holders of Notes

(the "**Noteholders**") to delivery of definitive Notes is excluded. The Noteholders shall receive co-ownership participations in or rights with respect to the Global Note which are transferable in accordance with applicable law and the rules and regulations of the Clearing System. In securities clearing transactions, the Notes are transferable in units of **[**one**][●]** Note**[**s**]** or integral multiples thereof.

3. The Temporary Global Note and the Permanent Global Note shall bear the hand-written signatures of two authorised officers of the Issuer.

*The paragraphs 1 - 3 are applicable only in respect of (i)* ***EUR*** *issues and (ii) of Notes deposited bý* ***Euroclear France***

1. The **[***Name***]** Notes **[**of each series**]** (the "**Notes**") issued by Commerzbank Aktiengesellschaft, Frankfurt am Main, Federal Republic of Germany (the "**Issuer**") will be issued in bearer dematerialised form (*dématérialisation*). Title to the Notes will be evidenced by book entries (*inscription en compte*) in accordance with the provisions of the French Monetary and Financial Code relating to Holding of Securities (currently, Articles L. 211-3 *et seq*. and R. 211-1 *et seq*. of the French Monetary and Financial Code). No physical document of title (including *certificats représentatifs* pursuant to Article R. 211-7 of the French Monetary and Financial Code) will be issued in respect of the Notes. **[**The Notes are issued in [Euro ("**EUR**")][United States Dollar ("**USD**")][*currency* ("**•**")] (the "**Issue Currency**") in the denomination of [EUR 1,000] [USD 1,000] [**•**] (the "**Denomination**").**]**

2. Transfers of Notes and other registration measures shall be made in accordance with the French Monetary and Financial Code, the regulations, rules and operating procedures applicable to and/or issued by Euroclear France (the "**Clearing System**"; the "**Clearing Rules**").

3. The term "**Noteholder**" in these Terms and Conditions refers to any person holding Notes through a financial intermediary entitled to hold accounts with the Clearing System on behalf of its customers (the "**Note Account Holder**") or, in the case of a Note Account Holder acting for its own account, such Note Account Holder.

*The paragraphs 1 - 2 are applicable only in respect of of (i)* ***EUR*** *issues and (ii) of Notes deposited bý* ***Euroclear Nederland*** *in registered form.*

1. The **[***Name*-**]** Notes **[**of each series**]** (the "**Notes**") of each series issued by Commerzbank Aktiengesellschaft, Frankfurt am Main, Federal Republic of Germany (the "**Issuer**") will be issued in registered form and will be deposited with Euroclear Nederland (Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V., Amsterdam) (the "**Clearing System**").

2. Definitive Notes will not be issued. The right of the holders of Notes (the "**Noteholders**") to delivery of definitive Notes is excluded. The Noteholders shall receive co-ownership participations in or rights with respect to the registered Notes which are transferable in accordance with the Dutch Securities Giro Act (*Wet giraal effectenverkeer*) and the rules and regulations of the Clearing System.

*This paragraph shall apply to all Notes*

**[**3**][**4**]**. The Issuer reserves the right to issue from time to time without the consent of the Noteholders additional tranches of Notes with substantially identical terms, so that the same shall be consolidated to form a single series and increase the total volume of the Notes. The term "Notes" shall, in the event of such consolidation, also comprise such additionally issued Notes.

**[***insert additional or other provisions***]**

## § 2
## DEFINITIONS

1. For the purposes of these Terms and Conditions, the following definitions shall apply in respect of each series of Notes (subject to an adjustment in accordance with § 6):

| *Alternative:* | *Notes with reference to a share* |
|---|---|

"**Underlying**" means the security referred to in paragraph 2. (the "**Share**").

"**Valuation Date**" means the day set out in paragraph 2.

If on the Valuation Date the Reference Price of the Share is not determined and published by the Relevant Exchange or on the Valuation Date a Market Disruption Event occurs, the Valuation Date shall be postponed to the next following Exchange Business Day on which the Reference Price of the Share is determined and published again by the Relevant Exchange and on which a Market Disruption Event does not occur.

If, according to the before-mentioned, the Valuation Date is postponed to the third Payment Business Day prior to the Maturity Date, and if also on such day the Reference Price of the Share is not determined and published by the Relevant Exchange or a Market Disruption Event occurs on such day, then this day shall be deemed to be the Valuation Date and the Issuer shall estimate the Reference Price of the Share in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)), and in consideration of the prevailing market conditions on such day and make a notification thereof in accordance with § 12.

"**Exchange Business Day**" means a day on which the Relevant Exchange and the Futures Exchange (§ 6 paragraph 4) are open for trading during their respective regular trading sessions, notwithstanding the Relevant Exchange or Futures Exchange closing prior to its scheduled weekday closing time. Any trading or trading activities after or before the regular trading sessions on the Relevant Exchange or the Futures Exchange will not be taken into account.

"**Market Disruption Event**" means the occurrence or existence of any suspension of, or limitation imposed on, trading in (a) the Share on the Relevant Exchange, or (b) any option or futures contracts relating to the Share on the Futures Exchange (if such option or futures contracts are traded on the Futures Exchange), provided that any such suspension or limitation is material. The decision whether a suspension or limitation is material will be made by the Issuer in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)). The occurrence of a Market Disruption Event shall be published in accordance with § 12.

A limitation regarding the office hours or the number of days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the respective exchange. A limitation on trading imposed during the course of a day by reason of movements in price exceeding permitted limits shall only deemed to be a Market Disruption Event if such limitation still prevails at the time of termination of the trading hours on such date.

**"Relevant Exchange"** is the exchange referred to in paragraph 2.

"**Reference Price**" shall be **[**the price of the Share last determined and published by the Relevant Exchange on any day (closing price)**][***insert other provision***]**.

**[***insert additional or other provisions***]**

| Alternative: | Notes with reference to an index |
|---|---|

"**Underlying**" means the •-Index **[**(ISIN •)**]** (the "**Index**") as determined and published by the **[***Index Sponsor***]** (the "**Index Sponsor**").

"**Valuation Date**" means the day set out in paragraph 2.

If on the Valuation Date the Reference Price of the Index is not determined and published or on the Valuation Date a Market Disruption Event occurs, the Valuation Date shall be postponed to the next following Index Business Day on which the Reference Price of the Index is determined and published again and on which a Market Disruption Event does not occur.

If, according to the before-mentioned, the Valuation Date is postponed to the third Payment Business Day prior to the Maturity Date, and if also on such day the Reference Price of the Index is not determined and published or a Market Disruption Event occurs on such day, then this day shall be deemed to be the Valuation Date and the Issuer shall estimate the Reference Price of the Index in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)), and in consideration of the prevailing market conditions on such day and make a notification thereof in accordance with § 12.

"**Index Business Day**" means a day on which the level of the Index is usually determined and published by the Index Sponsor.

"**Market Disruption Event**" means the occurrence or existence of any suspension of, or limitation imposed on, trading in the securities contained in the Index on the stock exchanges or trading systems the prices of which are the basis for the calculation of the Index, **[**or the suspension of or limitation imposed on trading in option or futures contracts on the Index on the options or futures exchange with the highest trading volume of option or future contracts relating to the Index**]**, provided that any such suspension or limitation is material. The decision whether a suspension or limitation is material will be made by the Issuer in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)). The occurrence of a Market Disruption Event shall be published in accordance with § 12.

A limitation regarding the office hours or the number of days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the relevant exchange. A limitation on trading imposed during the course of a day by reason of movements in price exceeding permitted limits shall only be deemed to be a Market Disruption Event in the case that such limitation is still prevailing at the time of termination of the trading hours on such date.

"**Reference Price**" means **[**the price of the Index last determined and published by the Index Sponsor on any day (offical closing price)**][***insert other provision***]**.

**[***insert additional or other provisions***]**

| *Alternative:* | *Notes with reference to a metal (i.e. precious or industrial metal)* |
|---|---|

"**Underlying**" means **[[***precious metal***] (**the "**Precious Metal**"**).] [[***industrial metal***] (**the "**Industrial Metal**"**).]**

The "**Valuation Date**" shall be the day set out in paragraph 2.

If on the Valuation Date the Reference Price of the **[**Precious Metal**] [**Industrial Metal**]** is not determined and published or on the Valuation Date a Market Disruption Event occurs, the Valuation Date shall be postponed to the next following Business Day on which the Reference Price of the **[**Precious Metal**] [**Industrial Metal**]** is determined and published again and on which a Market Disruption Event does not occur.

If, according to the before-mentioned, the Valuation Date is postponed to the third Payment Business Day prior to the Maturity Date, and if also on such day the Reference Price of the **[**Precious Metal**] [**Industrial Metal**]** is not determined and published or a Market Disruption Event occurs on such day, then this day shall be deemed to be the Valuation Date and the Issuer shall estimate the Reference Price of the **[**Precious Metal**] [**Industrial Metal**]** in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*))), and in consideration of the prevailing market conditions on such day and make a notification thereof in accordance with § 12.

"**Business Day**" shall be a day on which **[**the "London Banking Fixing" (spot fixing) for the **[**Precious Metal**] [**Industrial Metal**]**generally takes place**] [***insert other provision***]**.

"**Market Disruption Event**" means the occurrence or existence of any suspension of, or limitation imposed on, trading in the **[**Precious Metal**] [**Industrial Metal**]** on the *Interbank International Spot Market* for **[**precious metals**] [**industrial metals**]**or the suspension of or limitation imposed on trading in option or futures contracts on the **[**Precious Metal**] [**Industrial Metal**]** on the Futures Exchange (§ 6 paragraph 3), provided that any such suspension or limitation is material. The decision whether a suspension or limitation is material will be made by the Issuer in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)). The occurrence of a Market Disruption Event shall be published in accordance with § 12.

A limitation regarding the office hours or the number of days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the relevant exchange. A limitation on trading imposed during the course of a day by reason of movements in price exceeding permitted limits shall only be deemed to be a Market Disruption Event in the case that such limitation is still prevailing at the time of termination of the trading hours on such date.

"**Reference Price**" shall be **[**the first spot fixing for a fine troy ounce (31.1035 g) of the Precious Metal quoted in USD as "London Banking Fixing" on **[***screen page***]** (or any successor page) on any day**] [***insert other provision***] [**the "London Bullion Market PM Fixing" for a fine troy ounce (31.1035 g) of the Precious Metal quoted in USD published on www.lbma.org.uk (or any successor page) on any day**] [***insert other provision***]**.

**[***insert additional or other provisions***]**

| *Alternative:* | *Notes with reference to futures contracts* |
|---|---|

"**Underlying**" means **[**subject to the following provision**]** the **[***Futures Contract***]** **[***screen page***]** on the Futures Exchange with delivery month of **[***month, year***]** (the "**Relevant Futures Contract**").

*Applicable only, if the expired Futures Contract is rolled into another*

**[**On a Business Day to be determined by the Issuer, which must be one of the **[**five**][●]** Business Days preceding the last trading day of the Relevant Futures Contract (the "**Futures Roll-Over Date**"), such Relevant Futures Contract shall cease to be the Underlying of the Notes and shall be replaced by the **[**next expiring**][●]** **[***futures contract***]** Futures Contract on the Futures Exchange with a residual life of **[**at least one month**][●]**, which, from that point onwards, shall be used as the Relevant Futures Contract for the valuation of the Notes (the "**Futures Roll-Over Event**").**][***insert other provision***]**

"**Valuation Date**" means the day set out in paragraph 2.

If on the Valuation Date the Reference Price of the Relevant Futures Contract is not determined and published or on the Valuation Date a Market Disruption Event occurs, the Valuation Date shall be postponed to the next following Business Day on which the Reference Price of the Relevant Futures Contract is determined and published again and on which a Market Disruption Event does not occur.

If, according to the before-mentioned, the Valuation Date is postponed to the third Payment Business Day prior to the Maturity Date, and if also on such day the Reference Price of the Relevant Futures Contract is not determined and published or a Market Disruption Event occurs on such day, then this day shall be deemed to be the Valuation Date and the Issuer shall estimate the Reference Price of the Relevant Futures Contract in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)), and in consideration of the prevailing market conditions on such day and make a notification thereof in accordance with § 12.

"**Business Day**" means a day on which the Futures Exchange is open for trading during its respective regular trading sessions, notwithstanding the Futures Exchange closing prior to its scheduled weekday closing time. Any trading or trading activities after or before the regular trading sessions on the Futures Exchange will not be taken into account.

"**Futures Exchange**" means the **[***futures exchange***]** or any successor to the **[***futures exchange***]**.

In case that the Relevant Futures Contract is not longer traded on the **[***futures exchange***]** the Futures Exchange shall be such other futures exchange as determined by the Issuer in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)). The determination of another Futures Exchange shall be published according to § 12.

"**Market Disruption Event**" means the occurrence or existence of any suspension of, or limitation imposed on, trading in the Relevant Futures Contract on the Futures Exchange, provided that any such suspension or limitation is material in the reasonable discretion of the Issuer (*billiges Ermessen*, § 315 German Civil Code (*BGB*)) or the non-determination and/or non-publication of the Reference Price by the Futures Exchange. The decision whether a suspension or limitation is material will be made by the Issuer in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)). The occurrence of a Market Disruption Event shall be published in accordance with § 12.

A limitation regarding the office hours or the number of days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the relevant exchange. A limitation on trading imposed during the course of a day by reason of movements in price exceeding permitted limits (especially "limit-up"/"limit-down" rule) shall only be deemed to be a Market Disruption Event in the case that such limitation is still prevailing at the time of termination of the trading hours on such date.

"**Reference Price**" means **[**the *settlement price* of the Relevant Futures Contract as determined and published by the Futures Exchange on any day on which the Futures Exchange is usually open for trading**][***insert other provision***]**.

**[***insert additional or other provisions***]**

| *Applicable for all Underlyings* |
|---|

"**Interest Rate**" shall the rate set out in paragraph 2.

"**Strike**" shall be the price set out in paragraph 2.

*This definition shall be applicable only to Notes with a Barrier*

**[**"**Barrier**" shall be the price set out in paragraph 2.**]**

*This definition shall be applicable only to Notes with physical delivery*

"**Ratio**" shall be expressed as a decimal figure and be the ratio set out in paragraph 2.

"**Maturity Date**" shall be the day set out in paragraph 2.

"**Payment Business Day**" means a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer System (TARGET) and the Clearing System settle payments in **[**EUR**][***currency***]**.

*This definition is applicable only in the case of necessary conversions*

**[**"**Relevant Conversion Rate**" shall be the price **[**of **[**EUR**][***currency***]** 1.00 in **[**USD**][●]**, as actually traded on the *International Interbank Spot Market* on the Valuation Date at such point of time, at which the Reference Price of the Underlying is determined and published**][●].]**

**[**"**Relevant Conversion Rate**" shall be **[**EUR**][***currency***]** 1,00 / **[**USD**][***currency***]** 1,00.**]**

***[**insert additional or other definitions**]***

2. For each series of Notes the terms **[***insert applicable definition***]** shall have the following meanings:

**[***insert table in which the above-mentioned terms will be defined depending on the Underlying and the respective structure of the Note***]**

## § 3
## INTEREST

| Alternative: | Notes with Fixed Interest |
|---|---|

1. The Notes bear interest as from **[***date***]** (inclusive) at a rate set out in § 2 paragraph 2.

   **[**Interest is payable in arrear on the Maturity Date.**][**Interest is payable annually in arrear on • of each year. The first interest payment shall become due on •.**]** **[***insert other provision***]**

2. The Notes will cease to bear interest at the end of the day preceding the Maturity Date, even if the Maturity Date is not a Payment Business Day and payment is made on the next following Payment Buisness Day.

3. Should the Issuer for any reason whatsoever fail to provide to the Paying Agent, when due, the necessary funds for the redemption of the Notes, then interest on the outstanding principal amount of such Notes will continue to accrue until the payment of such principal has been effected, however not beyond the fourteenth day after the date on which the necessary funds have been provided to the Paying Agent and notice thereof has been given by publication in accordance with § 12.

*This paragraph 4 shall apply if "Actual/Actual" is the agreed Day Count Fraction*

4. The calculation of interest shall be effected on the basis of the actual number of days elapsed divided by 365 or (if a 29 February falls within the relevant interest determination period) divided by 366.

*This paragraph 4 shall apply if "Actual/Actual (ISDA)" is the agreed Day Count Fraction*

4. The calculation of interest shall be effected on the basis of the actual number of days elapsed divided by 365 (or, if any portion of that interest determination period falls in a leap year, the sum of (A) the actual number of days in that portion of the interest determination period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the interest determination period falling in a non-leap year divided by 365).

*This paragraph 4 shall apply if "Actual/Actual (ICMA)" is the agreed Day Count Fraction*

4. The calculation of interest shall be effected on the basis of the actual number of days (actual/actual according to ICMA Rule 251).

*This paragraph 4 shall apply if "Actual/365 (Fixed)" is the agreed Day Count Fraction*

4. The calculation of interest shall be effected on the basis of a 365 day year and on the basis of the actual number of days elapsed.

*This paragraph 4 shall apply if "30/360" or "360/360" or "Bond Basis" is the agreed Day Count Fraction*

4. The calculation of interest shall be effected on the basis of a 360 day year consisting of 12 months of 30 days each and, in the case of an incomplete month, on the basis of the actual number of days elapsed. If the last day of the calculation period is the 31st day of a month but the first day of the calculation period is a day other than the 30th or the 31st day of a month, the month that includes that last day shall not be considered to be shortened to a 30-day month. If the last day of the calculation period is the last day of the month of February, the month of February shall not be considered to be lengthened to a 30-day month.

*This paragraph 4 shall apply if "30E/360" or "Eurobond Basis" is the agreed Day Count Fraction*

4. The calculation of interest shall be effected on the basis of a 360 day year consisting of 12 months of 30 days each and, in the case of an incomplete month, on the basis of the actual number of days elapsed without regard to the date of the first day or last day of the calculation

period.

*This paragraph 4 shall apply if "Actual/360" is the agreed Day Count Fraction*

4. The calculation of interest shall be effected on the basis of a 360 day year and on the basis of the actual number of days elapsed.

**[***insert other provision***]**

| *Alternative:* | *Floating Rate Notes* |
|---|---|

**[**1.**]** The Notes bear interest pursuant to the following provisions:
**[***insert applicable provisions***]**

**[**2./●. The Calculation Agent shall notify the Paying Agent, the Clearing System and, if so required by its rules, the exchange on which the Notes are listed, without delay of the interest rate determined with respect to the relevant Interest Period, the amount payable in respect of each Note as well as the respective Interest Payment Date. **[**The Principal Paying Agent shall without delay publish the interest rate, the interest amount payable in respect of each Note and the Interest Payment Date in accordance with § 12 hereof.**]**

**[***insert other provision***]**

## § 4
## MATURITY

1. **[**Subject to § 6 and § 10**]** the Notes will be redeemed on the Maturity Date.

Subject to paragraph 2, each Note is redeemed at par.

*This paragraph 2 shall be applicable only in case of cash settlement*

2. If on the Valuation Date the Reference Price of the **[**Shares**][**Index**][***Underlying***]** is below the [Classic:]**[**Strike**]** [Protect:]**[**Barrier**]** then each Note shall, in lieu of a redemption at par, be redeemed at an amount (the "**Redemption Amount**") (rounded, if necessary, to the next **[**eurocent (EUR 0.01)**][***currency***]** with **[**eurocent**][***currency***]** 0.5 rounded upwards), that will be calculated by the Issuer according to the following formula:

$$N \times \frac{Underlying_{final}}{Strike}$$

where

N = the nominal amount of a Note (**[***currency***]** **[***denomination***])**

$Underlying_{final}$ = the Reference Price of the **[**Shares**]** **[**Index**]** **[***Underlying***]**on the Valuation Date

*This paragraph 2 shall be applicable only in case of physical delivery of the Shares or Certificates*

2. If on the Valuation Date the Reference Price of the **[**Shares**][**Index**][***Underlying***]**is below the [Classic:]**[**Strike**]** [Protect:]**[**Barrier**]** then each Note shall, in lieu of a redemption at par, be redeemed by delivery of a number of **[**Shares**][**Certificates (the "**Certificates**")**][***securities***]** corresponding to the Ratio in the form and with the characteristics deliverable on the Maturity Date **[**at the Relevant Exchange in accordance with its rules**]**.

If the delivery of **[**Shares**][**Certificates**][***securities***]** is economically or factually impossible on the Maturity Date, the Issuer will be entitled, instead of delivering the **[**Shares**][**Certificates**][***securities***]**, to pay a monetary amount (possibly commercially rounded up or down to the next **[**cent**][●][***currency***]** 0.01) that corresponds to the Reference Price of the **[**Shares**][**Index**][***Underlying***]** on the Valuation Date multiplied by the Multiplier.

Fractions of **[**Shares**][**Certificates**][***securities***]** will not be delivered. The Issuer, instead of delivering the relevant fraction, may pay an amount in **[***currency***]** (the "**Fractional Settlement Amount**") per Note to the holders of the Noteholders, which will be determined by the Issuer by multiplying the fraction by the Reference Price of the **[**Shares**][**Index**][***Underlying***]** on the Valuation Date. The combination of several Fractional Settlement Amounts into claims for the delivery of **[**Shares**][**Certificates**][***securities***]** is excluded.

**[***insert additional or other provisions with respect to the physical delivery***]**

*This paragraph 2 shall be applicable only in case of physical delivery of fund units*

2. If on the Valuation Date the Reference Price of the **[**Shares**] [**Index**] [***Underlying***]**is below the Strike then each Note shall, in lieu of a redemption at par, be redeemed by delivery of a number of funds units. "**Fund Unit**" means a unit of **[**the **[**Comstage ETF DAX® TR (ISIN ●**] [***insert Comstage ETF***]**, a subfunds of Comstage ETF SICAV, Luxemburg**][***insert other funds units***]** (the "**Funds**").

The number of the Funds Units which have to be delivered will be calculated by the Issuer according to the following formula:

$$\frac{\text{Underlying}_{\text{final}}}{\text{NAV}_{\text{final}}} \times \text{Ratio}$$

where

$\text{Underlying}_{\text{final}}$ = the Reference Price of the Fund Unit on the Valuation Date

$\text{NAV}_{\text{final}}$ = **[**the net asset value per Fund Unit as determined by the Depositary as set out in the Selling Prospectus of the Funds and published on the internet page (*www.comstage-etf.com*)**][***insert other provisions***]**

If the delivery of the Fund Unit is economically or factually impossible on the Maturity Date, the Issuer will be entitled, instead of delivering the Fund Unit, to pay a monetary amount (possibly commercially rounded up or down to the next **[**cent**][●][***currency***]** 0.01) that corresponds to the Reference Price of the **[**Shares**][**Index**][***Underlying***]** on the Valuation Date multiplied by the Multiplier.

Fractions of Fund Unit will not be delivered. The Issuer, instead of delivering the relevant fraction, may pay an amount in **[***currency***]** (the "**Fractional Settlement Amount**") per Note to the holders of the Noteholders, which will be determined by the Issuer by multiplying the fraction by the $\text{NAV}_{\text{final}}$ of the Fund Unit on the Valuation Date. The combination of several Fractional Settlement Amounts into claims for the delivery of Fund Unit is excluded.

*This paragraph 3 shall be applicable only in case of necessary conversions*

3. All necessary conversions according to this § 4 shall be made at the Relevant Conversion Rate.

## § 5
## PAYMENTS

*These paragraphs 1 and 2 shall be applicable only in case of cash settlement*

1. All amounts payable pursuant to these Terms and Conditions shall be made to the Paying Agent, subject to the provision that the Paying Agent transfers such amounts to the Clearing System on the dates stated in these Terms and Conditions so that they may be credited to the accounts of the relevant custodian banks and then forwarded on to the Noteholders.

2. If any payment with respect to a Note is to be effected on a day other than a Payment Business Day, payment shall be effected on the next following Payment Business Day. In this case, the relevant Noteholder shall neither be entitled to any payment claim nor to any interest claim or other compensation with respect to such delay.

*These paragraphs 1. to 2. shall be applicable only in case of physical delivery*

1. All amounts payable and/or **[**Shares**][**Certificates**][***securities***]** to be delivered pursuant to the Terms and Conditions shall be paid and/or delivered to the Paying Agent subject to the provision that the Paying Agent transfers such amounts and/or **[**Shares**][**Certificates**][***securities***]** to the Clearing System on the dates stated in these Terms and Conditions so that they may be credited to the accounts of the relevant custodian banks and then forwarded on to the Noteholders.

2. If a payment and/or the delivery according to the Terms and Conditions is to be made on a day that is not a Payment Business Day and not a **[***Business Day***]**, it shall take place on the next following Payment Business Day that is also a **[***Business Day***]**. In this case, the relevant Noteholder shall neither be entitled to any payment claim nor to any interest claim or other compensation with respect to such delay.

3. All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives.

**[***insert additional or other provisions with respect to Payments***]**

## § 6
## ADJUSTMENTS; TERMINATION RIGHT OF THE ISSUER

| *Alternative:* | *Notes with reference to a share* |
| --- | --- |

1. If an Adjustment Event or an Extraordinary Event (both as defined below) has a material effect on the price of the Share, the Issuer will make adjustments to the Terms and Conditions taking into consideration the provisions set forth hereinafter. If an Extraordinary Event has occurred, the Issuer may (instead of such adjustment) optionally terminate the Notes prematurely with respect to an Exchange Business Day (the "**Termination Date**") taking into consideration the provisions set forth hereinafter with a prior notice of seven Payment Business Days in accordance with § 12. Any termination of the Notes in part shall be excluded.

(a) Adjustments to the Terms and Conditionsshall correspond to the adjustments to option or futures contracts relating to the Share made by the Futures Exchange or that would have been made by the Futures Exchange if such option or futures contracts were traded on the Futures Exchange. In the event of any doubts regarding the application of the adjustment rules of the Futures Exchange, the Issuer shall decide in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)). The adjustments made by the Issuer may deviate from those made by the Futures Exchange in cases where the adjustments made by the Futures Exchange would only lead to a minor adjustment of the Terms and Conditions, as well as in cases when and where such deviation is necessary in the reasonable discretion of the Issuer (*billiges Ermessen*, § 315 German Civil Code (*BGB*)) to compensate for the economic effect of the relevant Adjustment Event or Extraordinary Event on the price of the Share.

As a result of such adjustments especially the **[***insert parameters***]** may be amended. The adjustments may also result in the Share being replaced by another share or other securities, a basket of securities and/or cash, and another stock exchange being determined as the Relevant Exchange. If the Futures Exchange makes an adjustment by replacing the Share by a basket of shares, the Issuer shall be entitled to determine only the Share with the highest market capitalisation on the relevant Cut-off Date as the (new) Underlying, to sell the remaining Shares in the basket on the first Exchange Business Day following the Cut-off Date at the first available price and to reinvest the proceeds immediately afterwards in the remaining Share.

Adjustments and determinations take effect as from the date (the "**Cut-off Date**") determined by the Issuer in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)), provided that (if the Issuer follows the manner in which adjustments are or would be made by the Relevant Exchange) the Issuer shall use the date at which such adjustments take effect or would take effect at the Futures Exchange if such option or futures contracts were traded at the Futures Exchange.

Adjustments and determinations as well as the effective date shall be notified by the Issuer in accordance with § 12.

Any adjustment in accordance with this § 4 paragraph 1 does not exclude a later termination in accordance with this paragraph on the basis of the same event.

(b) If the Notes are called for redemption due to the occurrence of an Extraordinary Event, they shall be redeemed at the termination amount per Note (the "**Termination Amount**") which shall be calculated by the Issuer in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)) by taking into account applicable market conditions and any proceeds realised by the Issuer in connection with transactions concluded by it in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)) for hedging measures in relation to the assumption and fulfilment of its obligations under the Notes (the "**Hedging Transactions**"). Expenses for transactions that were required for winding up the Hedging Transactions will be taken into account as deductible items.

The Issuer shall pay the Termination Amount to the Noteholder not later than the **[**third**][**fifth**][**tenth**][●]** Payment Business Day following the Termination Date to the Clearing System for crediting the accounts of the depositors of the Notes with the Clearing System. The rights in connection with the Notes shall expire upon the payment of the Termination Amount to the Clearing System.

2. "**Adjustment Event**" means:

(a) the adjustment of option or futures contracts relating to the Share at the Futures Exchange or the announcement of such adjustment;

(b) any of the following actions taken by the issuer of the underlying Share (the "**Company**"): capital increases through issuance of new shares against capital contribution and issuance of subscription rights to the shareholders, capital increases out of the Company's reserves, issuance of securities with option or conversion rights related to the Share, distributions of ordinary dividends, distributions of extraordinary dividends, stock splits or any other split, consolidation or alteration of category;

(c) a spin-off of a part of the Company in such a way that a new independent entity is formed, or that the spun-off part of the Company is absorbed by another entity; or

(d) any other adjustment event being economically equivalent to the before-mentioned events with regard to their effects.

3. "**Extraordinary Event**" means:

(a) the termination of trading in, or early settlement of, option or futures contracts relating to the Share at the Futures Exchange or the announcement of such termination or early settlement;

(b) the terminationof the listing of the Share on the Relevant Exchange due to a merger by absorption or by creation or due to any other reasons, or the becoming known of the intention of the Company or the announcement of the Relevant Exchange that the listing of the Share at the Relevant Exchange will terminate immediately or at a later date and that the Share will not be admitted, traded or listed at any other exchange which is comparable to the Relevant Exchange (including the exchange segment, if applicable) immediately following the termination of the listing;

(c) the Issuer and/or its affiliates (in the meaning of § 1 paragraph 7 German Banking Act (*KWG*), § 290 paragraph 2 German Commercial Law (*HGB*)) are, even following economically reasonable efforts, not in the position (i) to enter, re-enter, replace, maintain, liquidate, acquire or dispose of any transactions or investments that the Issuer considers necessary to hedge its risks resulting from the assumption and performance of its obligations under the Notes or (ii) to realize, regain or transfer the proceeds resulting from such transactions or investments;

(d) a procedure is introduced or ongoing pursuant to which all shares or the substantial assets of the Company are or are liable to be nationalized or expropriated or otherwise transferred to public agencies, authorities or organizations;

(e) the application for insolvency proceedings or for comparable proceedings with regard to the assets of the Company according to the applicable law of the Company; or

(f) any other event being economically equivalent to the before-mentioned events with regard to their effects.

4. "**Futures Exchange**" means the options or futures exchange with the highest trading volume of option or futures contracts relating to the Share. If option or futures contracts on the Share are not traded on any exchange, the Futures Exchange shall be the options or futures exchange with the highest amount of option or futures contracts relating to shares of companies having their residence in the country in which the Company has its residence. If there is no options or futures exchange in the country in which the Company has its residence on which option or futures contracts on shares are traded, the Issuer will determine the Futures Exchange in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code *(BGB)*) and will make notification thereof in accordance with § 12.

5. The Issuer may also terminate the Notes according to paragraph 1 in the case of a takeover-bid, i.e. an offer to take over or to swap or any other offer or any other act of an individual person or a legal entity that results in the individual person or legal entity buying, otherwise acquiring or obtaining a right to buy more than 10% of the outstanding shares of the Company as a consequence of a conversion or otherwise; all as determined by the Issuer based on notifications to the competent authorities or on other information determined as relevant by the Issuer.

**[***insert additional or other provisions with respect to adjustments***]**

| *Alternative:* | *Notes with reference to an index* |
|---|---|

1. If the Index is no longer calculated and published by the Index Sponsor but by another person, company or institution acceptable to the Issuer in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code *(BGB)*) as the new Index Sponsor (the "**Successor Sponsor**"), the Redemption Amount will be determined on the basis of the Index being calculated and published by the Successor Sponsor and any reference made to the Index Sponsor in these Terms and Conditions shall, if the context so admits, then refer to the Successor Sponsor.

2. If the Index is cancelled or replaced or if the Index Sponsor is replaced by another person, company or institution not acceptable to the Issuer in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)), the Issuer will determine in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)) another index on the basis of which the Redemption Amount will be determined (the "**Successor Index**"). The respective Successor Index as well as the time of its first application will be notified pursuant to § 12. Any reference made to the Index in these Terms and Conditions shall, if the context so admits then refer to the Successor Index. All related definitions shall be deemed to be amended accordingly. Furthermore, the Issuer will make all necessary adjustments to the Terms and Conditions resulting from a substitution of the Index.

*This paragraph 3. is applicable only for share indices*

**[**3. If the occurrence of an Adjustment Event with respect to a **[**share**][***security***]** contained in the Index (the "**Index Share**") has a material effect on the price of the Index, the Issuer will make adjustments to the Terms and Conditions taking into consideration the provisions set forth hereinafter. The Issuer shall actin its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)) .

As a result of such adjustments especially the **[***insert parameters***]** may be amended.

Such adjustment shall become effective on the date on which the occurrence of the Adjustment Event with respect to the Index Share has its effect on the price of the Index.

Adjustments and determinations as well as the effective date shall be notified by the Issuer in accordance with § 12.

Any adjustment in accordance with this § 6 paragraph 3 does not exclude a later termination in accordance with this paragraph on the basis of the same event.

"**Adjustment Event**" means:

(a) the substitution of the Index by a Successor Index pursuant to paragraph 2;

(b) any of the following actions taken by the company issuing the Index Share (the "**Index Company**"): capital increases through issuance of new shares against capital contribution and issuance of subscription rights to the shareholders, capital increases out of the Index Company's reserves, issuance of securities with option or conversion rights related to the Index Share, distributions of ordinary dividends, distributions of extraordinary dividends, stock splits or any other split, consolidation or alteration of category;

(c) a spin-off of a part of the Index Company in such a way that a new independent entity is formed, or that the spun-off part of the Index Company is absorbed by another entity;

(d) the adjustment of option or futures contracts relating to the Index Share on the Futures Exchange or the announcement of such adjustment;

(e) a takeover-bid, i.e. an offer to take over or to swap or any other offer or any other act of an individual person or a legal entity that results in the individual person or legal entity buying, otherwise acquiring or obtaining a right to buy more than 10% of the outstanding shares of the Index Company as a consequence of a conversion or otherwise, as determined by the Issuer in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code *(BGB)*) based on notifications to the competent authorities or on other information determined as relevant by the Issuer;

(f) the termination of trading in, or early settlement of, option or futures contracts relating to the Index Share on the Futures Exchange or relating to the Index itself or the announcement of such termination or early settlement;

(g) the termination of the listing of the Index Share at the exchange on which the respective Index Share is traded (provided that the quotations of the prices of the Index Share on such exchange are taken for the calculation of the Index) (the "**Relevant Exchange**") to terminate the listing of the Index Share on the Relevant Exchange due to a merger by absorption or by creation or any other reason or the becoming known of the intention of the Index Company or the announcement of the Relevant Exchange that the listing of the Index Share at the Relevant Exchange will terminate immediately or at a later date and that the Index Share will not be admitted, traded or listed at any other exchange which is comparable to the Relevant Exchange (including the exchange segment, if applicable) immediately following the termination of the listing;

(h) the Issuer and/or its affiliates (in the meaning of § 1 paragraph 7 German Banking Act (*KWG*), § 290 paragraph 2 German Commercial Law (*HGB*)) are, even following economically reasonable efforts, not in the position (i) to enter, re-enter, replace, maintain, liquidate, acquire or dispose of any transactions or investments that the Issuer considers necessary to hedge its risks resulting from the assumption and performance of its obligations under the Notes or (ii) to realize, regain or transfer the proceeds resulting from such transactions or investments (in each case a "**Hedging Disruption**");

(i) a procedure is introduced or ongoing pursuant to which all shares or the substantial assets of the Index Company are or are liable to be nationalized or expropriated or otherwise transferred to public agencies, authorities or organizations;

(j) the application for insolvency proceedings or for comparable proceedings with regard to the assets of an Index Company according to the applicable law of such company; or

(k) any other event being economically equivalent to the afore-mentioned events with regard to their effects.

"**Futures Exchange**" refers to the exchange with the largest trading volume in futures and options contracts in relation to an Index Share. If no futures or options contracts in relation to the Share are traded on any exchange, the Futures Exchange shall be the exchange with the largest trading volume in futures and options contracts in relation to shares of companies whose registered office is in the same country as the registered office of the Index Company. If there is no futures and options exchange in the country in which the Index Company has its registered office on which futures and options contracts in relation to the Share are traded, the Issuer shall determine the Futures Exchange in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)) and shall announce its choice in accordance with § 12.**]**

**[**3**][**4**]**. If (i) the determination of a Successor Index in accordance with the paragraph 2. is not possible or is unreasonable (*unzumutbar*) or (ii) if the Index Sponsor materially modifies the calculation method of an Index with effect on or after the Issue Date, or materially modifies the Index in any other way (except for modifications which are contemplated in the calculation method of the Index relating to a change with respect to shares comprising the Index, the market capitalisation or with respect to any other routine measures), then the Issuer is entitled to (a) continue the calculation and publication of the

Index on the basis of the former concept of the Index and its last determined level or (b) to terminate the Notes prematurely with respect to an Index Business Day (the "**Termination Date**") with a prior notice of seven Payment Business Days in accordance with § 12. Any termination in part shall be excluded.

The Issuer may also terminate the Notes in accordance with the above in the case of a Hedging Disruption.

**[**4**][**5**]**. In the case of a termination of the Notes pursuant to paragraph **[**3**][**4**]**. the Notes shall be redeemed on the Termination Date at the termination amount (the "**Termination Amount**") which shall be calculated by the Issuer in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)) by taking into account applicable market conditions and any proceeds realised by the Issuer in connection with transactions concluded by it in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)) for hedging measures in relation to the assumption and fulfilment of its obligations under the Notes (the "**Hedging Transactions**"). Expenses for transactions that were required for winding up the Hedging Transactions will be taken into account as deductible items.

The Issuer shall pay the Termination Amount to the Noteholder not later than the **[**third**][**fifth**][**tenth**][●]** Payment Business Day following the Termination Date to the Clearing System for crediting the accounts of the depositors of the Notes with the Clearing System. The rights in connection with the Notes shall expire upon the payment of the Termination Amount to the Clearing System.

**[***insert additional or other provisions with respect to adjustments***]**

| *Alternative:* | *Notes with reference to a metal (i.e. precious or industrial metal)* |
|---|---|

1. If an Extraordinary Event (as defined below) has a material effect on the price of the **[**Precious Metal**] [**Industrial Metal**]**, the Issuer will make adjustments to the Terms and Conditions taking into consideration the provisions set forth hereinafter. The Issuer may instead of such adjustment optionally terminate the Notes prematurely with respect to a Business Day (the "**Termination Date**") taking into consideration the provisions set forth hereinafter with a prior notice of seven Payment Business Days in accordance with § 12. Any termination of the Notes in part shall be excluded.

   (a) Adjustments to the Terms and Conditions shall correspond to the adjustments to option or futures contracts relating to the **[**Precious Metal**] [**Industrial Metal**]** made by the Futures Exchange or that would have been made by the Futures Exchange if such option or futures contracts were traded on the Futures Exchange. In the event of any doubts regarding the application of the adjustment rules of the Futures Exchange, the Issuer shall decide in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)). The adjustments made by the Issuer may deviate from those made by the Futures Exchange in cases where the adjustments made by the Futures Exchange would only lead to a minor adjustment of the Terms and Conditions, as well as in cases when and where such deviation is necessary in the reasonable discretion of the Issuer (*billiges Ermessen*, § 315 German Civil Code (*BGB*)) to compensate for the economic effect of the relevant Extraordinary Event on the price of the **[**Precious Metal**]** **[**Industrial Metal**]**.

As a result of such adjustments especially the **[***insert parameters***]** may be amended. The adjustments may also result in the adjustment of the definition of the **[**Reference Price**][***insert other parameter***]**.

Adjustments and determinations take effect as from the date determined by the Issuer in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)), provided that (if the Issuer takes into consideration the manner in which adjustments are or would be made by the Futures Exchange) the Issuer shall take into consideration the date at which such adjustments take effect or would take effect at the Futures Exchange if such option or futures contracts on the **[**Precious Metal**]** **[**Industrial Metal**]** were traded at the Futures Exchange.

Adjustments and determinations as well as the effective date shall be notified by the Issuer in accordance with § 12.

Any adjustment in accordance with this § 6 paragraph 1 does not exclude a later termination in accordance with this paragraph on the basis of the same event.

(b) If the Notes are called for redemption due to the occurrence of an Extraordinary Event, they shall be redeemed at the termination amount per Note (the "**Termination Amount**") which shall be calculated by the Issuer in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)) by taking into account applicable market conditions and any proceeds realised by the Issuer in connection with transactions concluded by it in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)) for hedging measures in relation to the assumption and fulfilment of its obligations under the Notes (the "**Hedging Transactions**"). Eexpenses for transactions that were required for winding up the Hedging Transactions will be taken into account as deductible items.

The Issuer shall pay the Termination Amount to the Noteholder not later than the **[**third**][**fifth**][**tenth**][●]** Payment Business Day following the Termination Date to the Clearing System for crediting the accounts of the depositors of the Notes with the Clearing System. The rights in connection with the Notes shall expire upon the payment of the Termination Amount to the Clearing System.

2. "**Extraordinary Event**" means:

(a) if since the Issue Date the basis (e.g. quantity, quality or currency) for the calculation of the price of the **[**Precious Metal**]** **[**Industrial Metal**]** and/or the method have been modified substantially,

(b) the adjustment of option or futures contracts relating to the **[**Precious Metal**]** **[**Industrial Metal**]** at the Futures Exchange or the announcement of such adjustment;

(c) the imposition of, change in or removal of a tax on, or measured by reference to, a **[**Precious Metal**]** **[**Industrial Metal**]** after the Issue Date, if the direct effect of such imposition, change or removal is to raise or lower the price of the **[**Precious Metal**]** **[**Industrial Metal**]**;

(d) the Issuer and/or its affiliates (in the meaning of § 1 paragraph 7 German Banking Act (*KWG*), § 290 paragraph 2 German Commercial Law (*HGB*)) are, even following economically reasonable efforts, not in the position (i) to enter, re-enter, replace, maintain, liquidate, acquire or dispose of any transactions or investments that the Issuer considers necessary to hedge its risks resulting from the assumption and performance of its obligations under the Notes or (ii) to realize, regain or transfer the proceeds resulting from such transactions or investments; or

(e) any other event being economically equivalent to the before-mentioned events with regard to their effects.

3. "**Futures Exchange**" means the options or futures exchange with the highest trading volume of option or futures contracts relating to the **[**Precious Metal**] [**Industrial Metal**]**.

**[***insert additional or other provisions with respect to adjustments***]**

| *Alternative:* | *Notes with reference to futures contracts* |
|---|---|

1. If an Extraordinary Event (as defined below) has a material effect on the price of the Relevant Futures Contract, the Issuer will make adjustments to the Terms and Conditions taking into consideration the provisions set forth hereinafter. The Issuer may instead of such adjustment optionally terminate the Notes prematurely with respect to a Business Day (the "**Termination Date**") taking into consideration the provisions set forth hereinafter with a prior notice of seven Payment Business Days in accordance with § 12. Any termination of the Notes in part shall be excluded.

(a) Adjustments to the Terms and Conditions shall correspond to the adjustments to the Relevant Futures Contract made by the Futures Exchange. In the event of any doubts regarding the application of the adjustment rules of the Futures Exchange, the Issuer shall decide in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)). The adjustments made by the Issuer may deviate from those made by the Futures Exchange in cases where the adjustments made by the Futures Exchange would only lead to a minor adjustment of the Terms and Conditions, as well as in cases when and where such deviation is necessary in the reasonable discretion of the Issuer (*billiges Ermessen*, § 315 German Civil Code (*BGB*)) to compensate for the economic effect of the relevant Adjustment Event or Extraordinary Event on the price of the Relevant Futures Contract.

As a result of such adjustments especially the **[***insert parameters***]** may be amended. The adjustments may also result in the Relevant Futures Contract being replaced by other futures contracts and/or another exchange being determined as the Futures Exchange

Adjustments and determinations take effect as from the date determined by the Issuer in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)), provided that (if the Issuer takes into consideration the manner in which adjustments are made by the Futures Exchange) the Issuer shall take into consideration the date at which such adjustments take effect at the Futures Exchange.

Adjustments and determinations as well as the effective date shall be notified by the Issuer in accordance with § 12.

Any adjustment in accordance with this § 6 paragraph 1 does not exclude a later termination in accordance with this paragraph on the basis of the same event.

(b) If the Notes are called for redemption due to the occurrence of an Extraordinary Event, they shall be redeemed at the termination amount per Note (the "**Termination Amount**") which shall be calculated by the Issuer in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)) by taking into account applicable market conditions and any proceeds realised by the Issuer in connection with transactions concluded by it in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)) for hedging measures in relation to the assumption and fulfilment of its obligations under the Notes (the "**Hedging Transactions**"). Expenses for transactions that were required for winding up the Hedging Transactions will be taken into account as deductible items.

The Issuer shall pay the Termination Amount to the Noteholder not later than the **[**third**][**fifth**][**tenth**][●]** Payment Business Day following the Termination Date to the Clearing System for crediting the accounts of the depositors of the Notes with the Clearing System. The rights in connection with the Notes shall expire upon the payment of the Termination Amount to the Clearing System.

2. "**Extraordinary Event**" means

(a) an adjustment of the Relevant Futures Contract on the Futures Exchange and/or the announcement of such an adjustment;

(b) the suspension of trading or the early settlement of the Relevant Futures Contract on the Futures Exchange and/or the announcement of such an event;

(c) a material change regarding the concept of the Relevant Futures Contract or regarding the Contract Specifications on which the Relevant Futures Contract is based;

(d) the introduction, revocation or amendment of a tax levied on the **[**commodity**][●]** underlying the Relevant Futures Contract, provided that this affects the price of the Relevant Futures Contract and provided that such introduction, revocation or amendment occurs after the Issue Date;

(e) the Issuer and/or its affiliates (in the meaning of § 1 paragraph 7 German Banking Act (*KWG*), § 290 paragraph 2 German Commercial Law (*HGB*)) are, even following economically reasonable efforts, not in the position (i) to enter, re-enter, replace, maintain, liquidate, acquire or dispose of any transactions or investments that the Issuer considers necessary to hedge its risks resulting from the assumption and performance of its obligations under the Notes or (ii) to realize, regain or transfer the proceeds resulting from such transactions or investments; or

(f) any other event being economically equivalent to the before-mentioned events with regard to their effects.

**[***insert additional or other provisions with respect to adjustments***]**

| *Alternative:* | *Notes with reference to bonds* |
|---|---|

1. If an Extraordinary Event (as defined below) has a material effect on the price of the Bond, the Issuer will make adjustments to the Terms and Conditions taking into consideration the provisions set forth hereinafter. The Issuer may instead of such adjustment optionally terminate the Notes prematurely with respect to a Business Day (the "**Termination Date**") taking into consideration the provisions set forth hereinafter with a prior notice of seven Payment Business Days in accordance with § 12. Any termination of the Notes in part shall be excluded.

   (a) Adjustments to the Terms and Conditions shall be performed by the Issuer in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)).

   As a result of such adjustments especially the **[***insert parameters***]** may be amended. The adjustments may also result in the Bond being replaced by another bond, security, basket of securities and/or a redemption amount or in another stock exchange being nominated as the Relevant Exchange.

   Adjustments and determinations take effect as from the date determined by the Issuer in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)).

   Any adjustments and determinations as well as the relevant effective date shall be notified by the Issuer in accordance with § 12.

   Any adjustment in accordance with this § 7 paragraph 1 does not exclude a later termination in accordance with this paragraph on the basis of the same event.

   (b) If the Notes are called for redemption due to the occurrence of an Extraordinary Event, they shall be redeemed at the termination amount per Note (the "**Termination Amount**") which shall be calculated by the Issuer in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)) by taking into account applicable market conditions and any proceeds realised by the Issuer in connection with transactions concluded by it in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)) for hedging measures in relation to the assumption and fulfilment of its obligations under the Notes (the "**Hedging Transactions**"). Expenses for transactions that were required for winding up the Hedging Transactions will be taken into account as deductible items.

   The Issuer shall pay the Termination Amount to the Noteholders not later than the **[**third**][**fifth**][**tenth**][●]** Payment Business Day following the Termination Date to the Clearing System for crediting the accounts of the depositors of the Notes with the Clearing System. The rights in connection with the Notes shall expire upon the payment of the Termination Amount to the Clearing System.

2. "**Extraordinary Event**" means

(a) if the Bond ceases to be listed on the Relevant Exchange or if the Relevant Exchange announces or it becomes known that it is the Issuer's intention that the Bond's listing is to be suspended immediately or with effect as of a later point in time and the Bond is not re-admitted to trading or listed on another exchange of equal standing to that of the Relevant Exchange (including the relevant exchange segment, if applicable) soon after such suspension or delisting;

(b) the Issuer and/or its affiliates (in the meaning of § 1 paragraph 7 German Banking Act (*KWG*), § 290 paragraph 2 German Commercial Law (*HGB*)) are, even following economically reasonable efforts, not in the position (i) to enter, re-enter, replace, maintain, liquidate, acquire or dispose of any transactions or investments that the Issuer considers necessary to hedge its risks resulting from the assumption and performance of its obligations under the Notes or (ii) to realize, regain or transfer the proceeds resulting from such transactions or investments;

(c) if an insolvency petition or similar petition under the laws applicable to the issuer of the Bond is filed with respect to the assets of the issuer of the Bond; or

(d) any other event being economically equivalent to the before-mentioned events with regard to their effects.

**[***insert additional or other provisions with respect to adjustments***]**

| *Alternative:* | *Notes with reference to funds (ETFs)* |
|---|---|

1. If an Extraordinary Event (as defined below) has a material effect on the price of the ETF Share, the Issuer will make adjustments to the Terms and Conditions taking into consideration the provisions set forth hereinafter. The Issuer may instead of such adjustment optionally terminate the Notes prematurely with respect to an Exchange Business Day (the "**Termination Date**") taking into consideration the provisions set forth hereinafter with a prior notice of seven Payment Business Days in accordance with § 12. Any termination of the Notes in part shall be excluded.

(a) Adjustments to the Terms and Conditions shall be performed by the Issuer in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)).

As a result of such adjustments especially the **[***insert parameters***]** may be amended. The adjustments may also result in the ETF Share being replaced by another ETF share or other securities, a basket of securities and/or cash, and another stock exchange being determined as the Relevant Exchange. If the ETF share will be replaced, the Issuer will identify an alternative fund in substitution for the ETF Share (the "**Successor Fund**"). The Successor Fund shall be a fund which (i) is denominated in the same currency as the ETF Share, (ii) has the same or similar characteristics and features as the ETF Share and (iii) has similar investment objectives and policies to those of the ETF Share immediately prior to the occurrence of the Extraordinary Event. Any reference made to the ETF Share in these Terms and Conditions shall be deemed as a reference to the Successor Fund, all calculations and determinations made by reference to the ETF Share shall be instead made by reference to the Successor Fund, and the Issuer shall make amendments to all related terms accordingly on the basis of the Removal Value.

Adjustments and determinations as well as the effective date shall be notified by the Issuer in accordance with § 12.

Any adjustment in accordance with this § 7 paragraph 1 does not exclude a later termination in accordance with this paragraph on the basis of the same event.

(b) If the Notes are called for redemption due to the occurrence of an Extraordinary Event, they shall be redeemed at the termination amount per Note (the "**Termination Amount**") which shall be calculated by the Issuer in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)) by taking into account prevailing market conditions and any proceeds realised by the Issuer in connection with transactions concluded by it in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)) for hedging measures in relation to the assumption and fulfilment of its obligations under the Notes (the "**Hedging Transactions**"). Expenses for transactions that were required for winding up the Hedging Transactions will be taken into account as deductible items.

The Issuer shall pay the Termination Amount to the Noteholder not later than the **[**third**][**fifth**][**tenth**][●]** Payment Business Day following the Termination Date to the Clearing System for crediting the accounts of the depositors of the Notes with the Clearing System. The rights in connection with the Notes shall expire upon the payment of the Termination Amount to the Clearing System.

2. "**Extraordinary Event**" means:

(a) the implementation of any change to the terms and conditions of the Fund Company, as detailed in the Memorandum and as notified by the Fund Management, which, in the reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)) of the Issuer, is of a material nature including but not limited to such changes as (i) a change in the risk profile of the Fund Company and/or the ETF Share; (ii) a change in the voting rights, if any, associated with the voting shares of the ETF Share; (iii) an alteration to the investment objectives of the Fund Company including the replacement of the ETF Index; or (iv) a change in the currency in which the ETF Shares are denominated so that the NAV is quoted in a different currency from that in which it was quoted on the Issue Date;

(b) the breach of the investment objectives of the ETF Share (as defined in the Memorandum) if such breach, in the reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)) of the Issuer, is of a material nature;

(c) the imposition or increase of subscription and/or redemption fees, or taxes or other similar fees, payable in respect of a purchase or redemption of the ETF Share after the Issue Date;

(d) if the Fund Management fails for reasons other than of a technical or operational nature, to calculate the NAV for five consecutive Exchange Business Days;

(e) if the activities of the Fund and/or the Fund Management are placed under review by their regulators for reasons of wrongdoing, breach of any rule or regulation or other similar reason;

(f) the Compulsory Redemption of the ETF Shares by the Fund for any reason prior to the Exercise Date;

(g) if the issue of additional shares of the ETF Share or the redemption of existing ETF Shares is suspended and if any such suspension continues for five consecutive Exchange Business Days;

(h) the winding-up or termination of the Fund and/or the ETF Share for any reason prior to the Exercise Date;

(j) if the ETF Share is superseded by a successor fund (the "**Successor**") following a merger or similar event unless, in the reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)) of the Issuer, the Successor has similar investment objectives to those of the ETF Share, is incorporated in the same jurisdiction as the Fund (or another jurisdiction acceptable to the Issuer), is denominated in the same currency as the Fund and is managed and administered by one or more individuals who, or corporate entities which, are reputable and experienced in their field;

(k) the cancellation of the registration, or of the approval, of the Fund and/or the ETF Share and/or the Fund Management by any relevant authority or body;

(l) the replacement of the Fund Management by the Fund unless, in the reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)) of the Issuer, the relevant replacement is an individual or group of individuals who, or a corporate entity which, is reputable and experienced in their field;

(m) any change in the accounting, regulatory or tax treatment applicable with respect to the Fund which could have an economic impact for the Issuer, its affiliates or any other designated hedging entity;

(n) the cessation of the calculation and publication of the ETF Index by the ETF Index Sponsor; or

(o) the termination of the listing of the ETF Share on the Relevant Exchange due to a merger by absorption or by creation or due to any other reasons, or the becoming known of the intention of the Fund Company or the announcement of the Relevant Exchange that the listing of the ETF Share at the Relevant Exchange will terminate immediately or at a later date and that the ETF Share will not be admitted, traded or listed at any other exchange which is comparable to the Relevant Exchange (including the exchange segment, if applicable) immediately following the termination of the listing;

(p) the Issuer and/or its affiliates (in the meaning of § 1 paragraph 7 German Banking Act (*KWG*), § 290 paragraph 2 German Commercial Law (*HGB*)) are, even following economically reasonable efforts, not in the position (i) to enter, re-enter, replace, maintain, liquidate, acquire or dispose of any transactions or investments that the Issuer considers necessary to hedge its risks resulting from the assumption and performance of its obligations under the Notes or (ii) to realize, regain or transfer the proceeds resulting from such transactions or investments;

(q) a procedure is introduced or ongoing pursuant to which all shares or the substantial assets of the Fund Company are or are liable to be nationalized or expropriated or otherwise transferred to public agencies, authorities or organizations;

(r) the application for insolvency proceedings or for comparable proceedings with regard to the assets of the Fund Company according to the applicable law of the Fund Company; or

(s) any other event being economically equivalent to the before-mentioned events with regard to their effects.

**[***insert additional or other provisions with respect to adjustments***]**

| | |
|---|---|
| *Alternative:* | *Notes with reference to other Underlyings*<br>*(Currency Exchange Rates or Interest Rates* |

**[**left intentionally blank**][***insert provisions with respect to adjustments***]**

## § 7
## TAXES

All present and future taxes, fees or other duties in connection with the Notes shall be borne and paid by the Noteholders. The Issuer is entitled to withhold from payments to be made under the Notes any taxes, fees and/or duties payable by the Noteholder in accordance with the previous sentence.

## § 8
## STATUS

The obligations under the Notes constitute direct, unconditional and unsecured obligations of the Issuer and rank at least *pari passu* with all other unsecured and unsubordinated obligations of the Issuer (save for such exceptions as may exist from time to time under applicable law).

## § 9
## PAYING AGENT

*This paragraph 1 is applicable for Notes being deposited by Clearstream Banking, Frankfurt*

1. **[**Commerzbank Aktiengesellschaft, main office, Kaiserstraße 16 (Kaiserplatz), 60311 Frankfurt am Main, Federal Republic of Germany**][●]**, shall be the paying agent (the "**Paying Agent**").

*This paragraph 1 is applicable for Notes being deposited by Euroclear Belgium*

1. BNP Paribas Securities Services S.A., Brussels Branch, a banking institution incorporated under the laws of France, with a registered branch at Boulevard Louis Schmidt 2, B-1040 Brussels, Belgium shall be the paying agent (the "**Paying Agent**").

*This paragraph 1. is applicable for Notes being deposited by Euroclear France*

1. BNP Paribas Securities Services, a société en commandite par actions incorporated under the laws of France, registered with the Registre du commerce et des sociétés of Paris under number 552 108 011, the registered office of which is located at 3, rue d'Antin, 75002 Paris, France, acting through its office located at Les Grands Moulins de Pantin, 9 rue du Débarcadère, 93500 Pantin, France, shall be the paying agent (the "**Paying Agent**").

*This paragraph 1 is applicable for Notes being deposited by Euroclear Nederland*

1. BNP Paribas Securities Services, a société en commandite par actions incorporated under the laws of France, registered with the Registre du commerce et des sociétés of Paris under number 552 108 011, the registered office of which is located at 3, rue d'Antin, 75002 Paris, France, acting through its office located at Les Grands Moulins de Pantin, 9 rue du Débarcadère, 93500 Pantin, France, shall be the paying agent (the "**Paying Agent**") which term shall include any successor or additional paying agent) and BNP Paribas S.A., Amsterdam Branch, Herengracht 595, 1017 CE Amsterdam, The Netherlands, as sub paying agent for the Paying Agent.

2. The Issuer shall be entitled at any time to appoint another bank of international standing as Paying Agent. Such appointment and the effective date shall be notified in accordance with § 12.

3. The Paying Agent is hereby granted exemption from the restrictions of § 181 of the German Civil Code (*BGB*) and any similar restrictions of the applicable laws of any other country.

**[***insert additional or other provisions with respect to the Paying Agent***]**

## § 10
## TERMINATION

1. Each Noteholder is entitled to declare his Notes due and to require the redemption of his Notes pursuant to § 4 plus accrued interest if:

   (a) the Issuer is in default for more than 30 days in the payment of principal or interest **[**and/or any delivery**]** under these Terms and Conditions, or

   (b) the Issuer violates any other obligation under these Terms and Conditions, and such violation continues for 60 days after receipt of written notice thereof from the respective Noteholder, or

   (c) the Issuer is wound up or dissolved whether by a resolution of the shareholders or otherwise (except in connection with a merger or reorganisation in such a way that all of the assets and liabilities of the Issuer pass to another legal person in universal succession by operation of law), or

   (d) the Issuer ceases its payments and this continues for 60 days, or admits to be unable to pay its debts, or

   (e) any insolvency proceedings are instituted against the Issuer which shall not have been dismissed or stayed within 60 days after their institution or the Issuer applies for the institution of such proceedings, or offers or makes an arrangement for the benefit of its creditors opens insolvency proceedings against the Issuer, or

(f) in the case of a substitution of the Issuer within the meaning of § 11 paragraph 4 (b) any of the events set forth in sub-paragraphs (c) – (e) above occurs in respect of the Guarantor.

The right to declare Notes due shall terminate if the circumstances giving rise to it have been remedied before such right is exercised.

2. The right to declare Notes due pursuant to paragraph 1 shall be exercised by a Noteholder by delivering or sending by registered mail to the Paying Agent a written notice which shall state the principal amount of the Notes called for redemption and shall enclose evidence of ownership reasonably satisfactory to the Paying Agent.

In case of termination, the Valuation Date shall be the day on which all preconditions for a termination are fulfilled, and the Maturity Date shall be the fifth Payment Business Date after such day.

## § 11
## SUBSTITUTION OF THE ISSUER

1. Any other company may assume at any time during the life of the Notes, subject to paragraph 2, without the Noteholders' consent all the obligations of the Issuer under these Terms and Conditions. Any such substitution and the effective date shall be notified by the Issuer in accordance with § 12.

Upon any such substitution, such substitute company (hereinafter called the "**New Issuer**") shall succeed to, and be substituted for, and may exercise every right and power of, the Issuer under these Terms and Conditions with the same effect as if the New Issuer had been named as the Issuer herein; the Issuer (and, in the case of a repeated application of this § 11, each previous New Issuer) shall be released from its obligations hereunder and from its liability as obligor under the Notes.

In the event of such substitution, any reference in these Terms and Conditions to the Issuer shall from then on be deemed to refer to the New Issuer.

2. No such assumption shall be permitted unless

(a) the New Issuer has agreed to assume all obligations of the Issuer under the Notes pursuant to these Terms and Conditions;

(b) the New Issuer has agreed to indemnify and hold harmless each Noteholder against any tax, duty, assessment or governmental charge imposed on such Noteholder in respect of such substitution;

(c) the Issuer (in this capacity referred to as the "**Guarantor**") has unconditionally and irrevocably guaranteed to the Noteholders compliance by the New Issuer with all obligations under the Notes pursuant to these Terms and Conditions;

(d) the New Issuer and the Guarantor have obtained all governmental authorisations, approvals, consents and permissions necessary in the jurisdictions in which the Guarantor and/or the New Issuer are domiciled or the country under the laws of which they are organised.

*This paragraph e) is applicable for Notes being deposited by Euroclear Sweden*

**[(**e) Euroclear Sweden has given its consent to the substitution (which consent shall not be unreasonably withheld or delayed).**]**

3. Upon any substitution of the Issuer for a New Issuer, this § 11 shall apply again.

**[***insert additional or other provisions with respect to notices***]**

**§ 12**
**NOTICES**

Notices relating to the Notes shall be published in the Federal Gazette (*Bundesanzeiger*) and shall be deemed to be effective upon such publication unless such publication gives another effective date.

If the Notes are offered to the public, notices relating to the Notes shall in addition be published on the internet page **[***www.warrants.commerzbank.com***]** **[***Internet page***]** (or on another internet page notified at least six weeks in advance by the Issuer in accordance with this § 12). If applicable law or regulations of the stock exchange on which the Notes are listed require a notification in another manner, notices shall also be given in the manner so required.

**[***insert additional or other provisions with respect to notices***]**

**§ 13**
**LIMITATION OF LIABILITY**

The Issuer shall be held responsible for acting or failing to act in connection with the Notes only if, and insofar as, it either breaches material obligations under or in connection with the Terms and Conditions negligently or wilfully or breaches other obligations with gross negligence or wilfully. The same applies to the Paying Agent.

**§ 14**
**FINAL CLAUSES**

1. The Notes and the rights and duties of the Noteholders, the Issuer, the Paying Agent and the Guarantor (if any) shall in all respects be governed by the laws of the Federal Republic of Germany **[**except for § 1 paragraph 1 – **[**2**][**3**]** of the Terms and Conditions which shall be governed by the laws of **[***relevant juristiction***]]**.

2. In the event of manifest typing or calculation errors or similar manifest errors in the Terms and Conditions, the Issuer shall be entitled to declare rescission (*Anfechtung*) to the Noteholders. The declaration of rescission shall be made without undue delay upon becoming aware of any such ground for rescission (*Anfechtungsgrund*) and in

accordance with § 12. Following such rescission by the Issuer, the Noteholders may instruct the account holding bank to submit a duly completed redemption notice to the Paying Agent, either by filling in the relevant form available from the Paying Agent or by otherwise stating all information and declarations required on the form (the "**Rescission Redemption Notice**"), and to request repayment of the Issue Price against transfer of the Notes to the account of the Paying Agent with the Clearing System. The Issuer shall make available the Issue Price to the Paying Agent within **[***number***]** calendar days following receipt of the Rescission Redemption Notice and of the Notes by the Paying Agent, whichever receipt is later, whereupon the Paying Agent shall transfer the Issue Price to the account specified in the Rescission Redemption Notice. Upon payment of the Issue Price all rights under the Notes delivered shall expire.

3. The Issuer may combine the declaration of rescission pursuant to paragraph 2 with an offer to continue the Notes on the basis of corrected Terms and Conditions. Such an offer and the corrected provisions shall be notified to the Noteholders together with the declaration of rescission in accordance with § 12. Any such offer shall be deemed to be accepted by a Noteholder (and the rescission shall not take effect), unless the Noteholder requests repayment of the Issue Price within four weeks following the date on which the offer has become effective in accordance with § 12 by delivery of a duly completed Rescission Redemption Notice via the account holding bank to the Paying Agent and by transfer of the Notes to the account of the Paying Agent with the Clearing System pursuant to paragraph 2. The Issuer shall refer to this effect in the notification.

4. "**Issue Price**" within the meaning of paragraph 2 and 3 shall be deemed to be the higher of (i) the purchase price that was actually paid by the relevant Noteholder (as declared and proved by evidence in the request for repayment) and (ii) the weighted arithmetic average (as determined by the Issuer in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)) of the traded prices of the Notes on the **[***Business Day***]** preceding the declaration of rescission pursuant to paragraph 2 [*The following sentence is applicable if the Underlying is not a currency exchange rate*][If a Market Disruption Event exists on the **[***Business Day***]** preceding the declaration of rescission pursuant to paragraph 2, the last **[***Business Day***]** preceding the declaration of rescission pursuant to paragraph 2 on which no Market Disruption Event existed shall be decisive for the ascertainment of price pursuant to the preceding sentence.**]**

5. Contradictory or incomplete provisions in the Terms and Conditions may be corrected or amended, as the case may be, by the Issuer in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)). The Issuer, however, shall only be entitled to make such corrections or amendments which are reasonably acceptable to the Noteholders having regard to the interests of the Issuer and in particular which do not materially adversely affect the legal or financial situation of the Noteholders. Notice of any such correction or amendment shall be given to the Noteholders in accordance with § 12.

6. If the Noteholder was aware of typing or calculation errors or similar errors at the time of the acquisition of the Notes, then, notwithstanding paragraphs 2 - 5, the Noteholders can be bound by the Issuer to the corrected Terms and Conditions.

7. Should any provision of these Terms and Conditions be or become void in whole or in part, the other provisions shall remain in force. The void provision shall be replaced by a valid provision that reflects the economic intent of the void provision as closely as possible in legal terms. In those cases, however, the Issuer may also take the steps described in paragraphs 2 - 5 above.

8. Place of performance is Frankfurt am Main.

9. Place of jurisdiction for all disputes and other proceedings in connection with the Notes for merchants, entities of public law, special funds under public law and entities without a place of general jurisdiction in the Federal Republic of Germany is Frankfurt am Main. In such a case, the place of jurisdiction in Frankfurt am Main shall be an exclusive place of jurisdiction.

***[****insert additional or other provisions****]***

# TERMS AND CONDITIONS

## § 1
## FORM

*These paragraphs 1 – 3 shall be applicable only in respect of* ***non-USD*** *issues or* ***USD*** *issues with* ***a lifetime of less than or equal to one year***

1. The **[***Name***]** Notes **[**of each series**]** (the "**Notes**") issued by Commerzbank Aktiengesellschaft, Frankfurt am Main, Federal Republic of Germany (the "**Issuer**") will be represented by a global bearer Note (the "**Global Note**") which shall be deposited with **[**Clearstream Banking AG, Frankfurt am Main**][**Deutsche Bank AG, Große Gallusstraße 10 - 14, 60272 Frankfurt am Main, as common depositary for Clearstream Banking, société anonyme, Luxembourg and Euroclear Bank S.A./N.V. as operator of the Euroclear System (together the "**Clearing System**")**][**Euroclear Belgium**]** **[**Euroclear Nederland (Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V., Amsterdam)**]** **[**(the "**Clearing System**")**]**. **[**The Notes are issued in [Euro ("**EUR**"][United States Dollar ("**USD**")][*currency* ("•")] (the "**Issue Currency**") in the denomination of [EUR 1,000] [USD 1,000] [•] (the "**Denomination**").**]**

2. Definitive Notes will not be issued. The right of the holders of Notes (the **"Noteholders"**) to delivery of definitive Notes is excluded. The Noteholders shall receive co-ownership participations in or rights with respect to the Global Note which are transferable in accordance with applicable law and the rules and regulations of the Clearing System. In securities clearing transactions, the Notes are transferable in units of **[**one**][●]** Note**[**s**]** or integral multiples thereof.

3. The Global Note shall bear the hand-written signatures of two authorised officers of the Issuer.

*These paragraphs 1 – 3 shall be applicable only in respect of* ***USD*** *issues with* ***a lifetime of more than one year***

1. The **[***Name***]** Notes **[**of each series**]** (the "**Notes**") issued by Commerzbank Aktiengesellschaft, Frankfurt am Main, Federal Republic of Germany (the "**Issuer**") will initially be represented by a temporary global bearer Note (the "**Temporary Global Note**"), which will be exchanged not earlier than 40 days and not later than 180 days after their issue date against a permanent global bearer Note (the "**Permanent Global Note**", together with the Temporary Global Note the "**Global Note**"). The Notes are issued in United States Dollar ("**USD**") (the "**Issue Currency**") in the denomination of USD **[**1,000**]** **[•]** (the "**Denomination**").

   The Temporary Global Note and the Permanent Global Note shall be deposited with Deutsche Bank AG, Frankfurt am Main, as common depositary for Clearstream Banking, société anonyme, Luxembourg and Euroclear Bank S.A./N.V., Brussels, as operator of the Euroclear System (together the "**Clearing System**"). The exchange shall only be made upon certification to the effect that, subject to certain exceptions, the beneficial owner or owners of the Notes represented by the Temporary Global Note are not U.S. persons.

2. Definitive Notes will not be issued. The right of the holders of Notes (the "**Noteholders**") to delivery of definitive Notes is excluded. The Noteholders shall receive co-ownership participations in or rights with respect to the Global Note which are transferable in accordance with applicable law and the rules and regulations of the Clearing System. In securities clearing transactions, the Notes are transferable in units of **[**one**][●]** Note**[**s**]** or integral multiples thereof.

3. The Temporary Global Note and the Permanent Global Note shall bear the hand-written signatures of two authorised officers of the Issuer.

*The paragraphs 1 - 3 are applicable only in respect of (i)* ***EUR*** *issues and (ii) of Notes deposited bý* ***Euroclear France***

1. The **[***Name***]** Notes of each series (the "**Notes**") issued by Commerzbank Aktiengesellschaft, Frankfurt am Main, Federal Republic of Germany (the "**Issuer**") will be issued in bearer dematerialised form (*dématérialisation*). Title to the Notes will be evidenced by book entries (*inscription en compte*) in accordance with the provisions of the French Monetary and Financial Code relating to Holding of Securities (currently, Articles L. 211-3 *et seq*. and R. 211-1 *et seq*. of the French Monetary and Financial Code). No physical document of title (including *certificats représentatifs* pursuant to Article R. 211-7 of the French Monetary and Financial Code) will be issued in respect of the Notes. **[**The Notes are issued in [Euro ("**EUR**")][United States Dollar ("**USD**")][*currency* ("•")] (the "**Issue Currency**") in the denomination of [EUR 1,000] [USD 1,000] [•] (the "**Denomination**").**]**

2. Transfers of Notes and other registration measures shall be made in accordance with the French Monetary and Financial Code, the regulations, rules and operating procedures applicable to and/or issued by Euroclear France (the "**Clearing System**"; the "**Clearing Rules**").

3. The term "**Noteholder**" in these Terms and Conditions refers to any person holding Notes through a financial intermediary entitled to hold accounts with the Clearing System on behalf of its customers (the "**Note Account Holder**") or, in the case of a Note Account Holder acting for its own account, such Note Account Holder.

*The paragraphs 1 - 2 are applicable only in respect of of (i)* ***EUR*** *issues and (ii) of Notes deposited bý* ***Euroclear Nederland*** *in registered form.*

1. The **[***Name*-**]** Notes **[**of each series**]** (the "**Notes**") of each series issued by Commerzbank Aktiengesellschaft, Frankfurt am Main, Federal Republic of Germany (the "**Issuer**") will be issued in registered form and will be deposited with Euroclear Nederland (Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V., Amsterdam) (the "**Clearing System**").

2. Definitive Notes will not be issued. The right of the holders of Notes (the "**Noteholders**") to delivery of definitive Notes is excluded. The Noteholders shall receive co-ownership participations in or rights with respect to the registered Notes which are transferable in accordance with the Dutch Securities Giro Act (*Wet giraal effectenverkeer*) and the rules and regulations of the Clearing System.

*This paragraph shall apply to all Notes*

**[**3**][**4**]**. The Issuer reserves the right to issue from time to time without the consent of the Noteholders additional tranches of Notes with substantially identical terms, so that the same shall be consolidated to form a single series and increase the total volume of the Notes. The term "Notes" shall, in the event of such consolidation, also comprise such additionally issued Notes.

**[***insert additional or other provisions***]**

## § 2
## DEFINITIONS

1. For the purposes of these Terms and Conditions, the following definitions shall apply in respect of each series of Notes (subject to an adjustment in accordance with § 6):

| *Alternative:* | *Notes with reference to a share* |
|---|---|

The "**Underlying**" shall be the security referred to in paragraph 2. (the "**Share**").

**[**The "**Monitoring Period**" shall be the period set out in paragraph 2. The "**Valuation Date**" shall be the last day of the Monitoring Period.**]**

**[**The "**Valuation Date**" shall be the day set out in paragraph 2.**]**

If on the Valuation Date the Reference Price of the Share is not determined and published by the Relevant Exchange or on the Valuation Date a Market Disruption Event occurs, the Valuation Date shall be postponed to the next following Exchange Business Day on which the Reference Price of the Share is determined and published again by the Relevant Exchange and on which a Market Disruption Event does not occur.

If, according to the before-mentioned, the Valuation Date is postponed to the third Payment Business Day prior to the Maturity Date, and if also on such day the Reference Price of the Share is not determined and published by the Relevant Exchange or a Market Disruption Event occurs on such day, then this day shall be deemed to be the Valuation Date and the Issuer shall estimate the Reference Price of the Share in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)), and in consideration of the prevailing market conditions on such day and make a notification thereof in accordance with § 12.

"**Exchange Business Day**" shall be a day on which the Relevant Exchange and the Futures Exchange (§ 6 paragraph 4) are open for trading during their respective regular trading sessions, notwithstanding the Relevant Exchange or Futures Exchange closing prior to its scheduled weekday closing time. Any trading or trading activities after or before the regular trading sessions on the Relevant Exchange or the Futures Exchange will not be taken into account.

"**Market Disruption Event**" means the occurrence or existence of any suspension of, or limitation imposed on, trading in (a) the Share on the Relevant Exchange, or (b) any option or futures contracts relating to the Share on the Futures Exchange (if such option or futures contracts are traded on the Futures Exchange), provided that any such suspension or limitation is material. The deciion whether a suspension or limitation is material will be made by the Issuer in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)). The occurrence of a Market Disruption Event shall be published in accordance with § 12.

A limitation regarding the office hours or the number of days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the respective exchange. A limitation on trading imposed during the course of a day by reason of movements in price exceeding permitted limits shall only deemed to be a Market Disruption Event if such limitation still prevails at the time of termination of the trading hours on such date.

**"Relevant Exchange"** is the exchange referred to in paragraph 2.

"**Reference Price**" shall be **[**the price of the Share last determined and published by the Relevant Exchange on any day (closing price)**][***insert other provision***]**.

**[***insert additional or other provisions***]**

| *Alternative:* | *Notes with reference to an index* |
|---|---|

"**Underlying**" shall be the **•**-Index **[**(ISIN **•**)**]** (the "**Index**") as determined and published by the **[***Index Sponsor***]** (the "**Index Sponsor**").

**[**The "**Monitoring Period**" shall be the period set out in paragraph 2. The "**Valuation Date**" shall be the last day of the Monitoring Period.**]**

**[**The "**Valuation Date**" shall be the day set out in paragraph 2.**]**

If on the Valuation Date the Reference Price of the Index is not determined and published or on the Valuation Date a Market Disruption Event occurs, the Valuation Date shall be postponed to the next following Index Business Day on which the Reference Price of the Index is determined and published again and on which a Market Disruption Event does not occur.

If, according to the before-mentioned, the Valuation Date is postponed to the third Payment Business Day prior to the Maturity Date, and if also on such day the Reference Price of the Index is not determined and published or a Market Disruption Event occurs on such day, then this day shall be deemed to be the Valuation Date and the Issuer shall estimate the Reference Price of the Index in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)), and in consideration of the prevailing market conditions on such day and make a notification thereof in accordance with § 12.

"**Index Business Day**" shall be a day on which the level of the Index is usually determined and published by the Index Sponsor.

"**Market Disruption Event**" means the occurrence or existence of any suspension of, or limitation imposed on, trading in the securities contained in the Index on the stock exchanges or trading systems the prices of which are the basis for the calculation of the Index, **[**or the suspension of or limitation imposed on trading in option or futures contracts on the Index on the options or futures exchange with the highest trading volume of option or future contracts relating to the Index**]**, provided that any such suspension or limitation is material. The decision whether a suspension or limitation is material will be made by the Issuer in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)). The occurrence of a Market Disruption Event shall be published in accordance with § 12.

A limitation regarding the office hours or the number of days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the relevant exchange. A limitation on trading imposed during the course of a day by reason of movements in price exceeding permitted limits shall only be deemed to be a Market Disruption Event in the case that such limitation is still prevailing at the time of termination of the trading hours on such date.

"**Reference Price**" shall be **[**the price of the Index last determined and published by the Index Sponsor on any day (official closing price)**][***insert other provision***]**.

**[***insert additional or other provisions***]**

| | |
|---|---|
| *Alternative:* | *Notes with reference to a metal (i.e. precious or industrial metal)* |

"**Underlying**" shall be **[[***precious metal***] (**the "**Precious Metal**"**).] [[***industrial metaly***] (**the "**Industrial Metal**"**).]**

**[**The "**Monitoring Period**" shall be the period set out in paragraph 2. The "**Valuation Date**" shall be the last day of the Monitoring Period.**]**

**[**The "**Valuation Date**" shall be the day set out in paragraph 2.**]**

If on the Valuation Date the Reference Price of the **[**Precious Metal**] [**Industrial Metal**]** is not determined and published or on the Valuation Date a Market Disruption Event occurs, the Valuation Date shall be postponed to the next following Business Day on which the Reference Price of the **[**Precious Metal**] [**Industrial Metal**]** is determined and published again and on which a Market Disruption Event does not occur.

If, according to the before-mentioned, the Valuation Date is postponed to the third Payment Business Day prior to the Maturity Date, and if also on such day the Reference Price of the **[**Precious Metal**] [**Industrial Metal**]** is not determined and published or a Market Disruption Event occurs on such day, then this day shall be deemed to be the Valuation Date and the Issuer shall estimate the Reference Price of the **[**Precious Metal**] [**Industrial Metal**]** in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)), and in consideration of the prevailing market conditions on such day and make a notification thereof in accordance with § 12.

"**Business Day**" shall be a day on which **[**the "London Banking Fixing" (spot fixing) for the **[**Precious Metal**] [**Industrial Metal**]** generally takes place**] [***insert other provision***]**.

"**Market Disruption Event**" means the occurrence or existence of any suspension of, or limitation imposed on, trading in the **[**Precious Metal**] [**Industrial Metal**]** on the *Interbank International Spot Market* for **[**pecious metals**] [**industrial metals**]** or the suspension of or limitation imposed on trading in option or futures contracts on the **[**Precious Metal**] [**Industrial Metal**]** on the Futures Exchange (§ 6 paragraph 3), provided that any such suspension or limitation is material. The decision whether a suspension or limitation is material will be made by the Issuer in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)). The occurrence of a Market Disruption Event shall be published in accordance with § 12.

A limitation regarding the office hours or the number of days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the relevant exchange. A limitation on trading imposed during the course of a day by reason of movements in price exceeding permitted limits shall only be deemed to be a Market Disruption Event in the case that such limitation is still prevailing at the time of termination of the trading hours on such date.

"**Reference Price**" shall be **[**the first spot fixing for a fine troy ounce (31.1035 g) of the Precious Metal quoted in USD as "London Banking Fixing" on **[***screen page***]** (or any successor page) on any day**]** **[***insert other provision***]** the "London Bullion Market PM Fixing" for a fine troy ounce (31.1035 g) of the Precious Metal quoted in USD published on www.lbma.org.uk (or any successor page) on any day**]** **[***insert other provision***]**.

**[***insert additional or other provisions***]**

| *Alternative:* | *Notes with reference to futures contracts* |
|---|---|

"**Underlying**" shall be **[**subject to the following provision**]** the **[***Futures Contract***]** **[***screen page***]** on the Futures Exchange with delivery month of **[***month, year***]** (the "**Relevant Futures Contract**").

*Applicable only, if the expired Futures Contract is rolled into another*

**[**On a Business Day to be determined by the Issuer, which must be one of the **[**five**][●]** Business Days preceding the last trading day of the Relevant Futures Contract (the "**Futures Roll-Over Date**"), such Relevant Futures Contract shall cease to be the Underlying of the Notes and shall be replaced by the **[**next expiring**][●] f**utures contracts on the Futures Exchange with a residual life of **[**at least one month**][●]**, which, from that point onwards, shall be used as the Relevant Futures Contract for the valuation of the Notes (the "**Futures Roll-Over Event**").**][***insert other provision***]**

**[**The "**Monitoring Period**" shall be the period set out in paragraph 2. The "**Valuation Date**" shall be the last day of the Monitoring Period.**]**

**[**The "**Valuation Date**" shall be the day set out in paragraph 2.**]**

If on the Valuation Date the Reference Price of the Relevant Futures Contract is not determined and published or on the Valuation Date a Market Disruption Event occurs, the Valuation Date shall be postponed to the next following Business Day on which the Reference Price of the Relevant Futures Contract is determined and published again and on which a Market Disruption Event does not occur.

If, according to the before-mentioned, the Valuation Date is postponed to the third Payment Business Day prior to the Maturity Date, and if also on such day the Reference Price of the Relevant Futures Contract is not determined and published or a Market Disruption Event occurs on such day, then this day shall be deemed to be the Valuation Date and the Issuer shall estimate the Reference Price of the Relevant Futures Contract in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)), and in consideration of the prevailing market conditions on such day and make a notification thereof in accordance with § 12.

"**Business Day**" shall be a day on which the Futures Exchange is open for trading during its respective regular trading sessions, notwithstanding the Futures Exchange closing prior to its scheduled weekday closing time. Any trading or trading activities after or before the regular trading sessions on the Futures Exchange will not be taken into account.

"**Futures Exchange**" shall be the **[***futures exchange***]** or any successor to the **[***futures exchange***]**.

In case that the Relevant Futures Contract is not longer traded on the **[***futures exchange***]** the Futures Exchange shall be such other futures exchange as determined by the Issuer in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)). The determination of another Futures Exchange shall be published according to § 12.

"**Market Disruption Event**" means the occurrence or existence of any suspension of, or limitation imposed on, trading in the Relevant Futures Contract on the Futures Exchange, provided that any such suspension or limitation is material in the reasonable discretion of the Issuer (*billiges Ermessen*, § 315 German Civil Code (*BGB*)) or the non-determination and/or non-publication of the Reference Price by the Futures Exchange. The decision whether a suspension or limitation is material will be made by the Issuer in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)). The occurrence of a Market Disruption Event shall be published in accordance with § 12.

A limitation regarding the office hours or the number of days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the relevant exchange. A limitation on trading imposed during the course of a day by reason of movements in price exceeding permitted limits (especially "limit-up"/"limit-down" rule) shall only be deemed to be a Market Disruption Event in the case that such limitation is still prevailing at the time of termination of the trading hours on such date.

"**Reference Price**" shall be **[**the *settlement price* of the Relevant Futures Contract as determined and published by the Futures Exchange on any day on which the Futures Exchange is usually open for trading**][***insert other provision***]**.

**[***insert additional or other provisions***]**

| *Applicable for all Underlyings* |
| --- |

"**Interest Rate**" shall the rate set out in paragraph 2.

"**Strike**" shall be the price set out in paragraph 2.

"**Barrier**" shall be the price set out in paragraph 2.

*This definition shall be applicable only to Notes with physical delivery*

"**Ratio**" shall be expressed as a decimal figure and be the ratio set out in paragraph 2.

"**Maturity Date**" shall be day set out in paragraph 2.

"**Payment Business Day**" means a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer System (TARGET) and the Clearing System settle payments in **[**EUR**][***currency***]**.

*This definition is applicable only in the case of necessary conversions*

**[**"**Relevant Conversion Rate**" shall be the price **[**of **[**EUR**][***currency***]** 1.00 in **[**USD**][●]**, as actually traded on the *International Interbank Spot Market* on the Valuation Date at such point of time, at which the Reference Price of the Underlying is determined and published**][●]**.**]**

[**"Relevant Conversion Rate**" shall be **[**EUR**][***currency***]** 1,00 / **[**USD**][***currency***]** 1,00.**]**

***[****insert additional or other definitions****]***

2. For each series of Notes the terms **[***insert applicable definition***]** shall have the following meanings:

**[***insert table in which the above-mentioned terms will be defined depending on the Underlying and the respective structure of the Note***]**

**§ 3**
**INTEREST**

| *Alternative:* | *Notes with Fixed Interest Notes* |
|---|---|

1. The Notes bear interest as from **[***date***]** (inclusive) at a rate set out in § 2 paragraph 2.

   **[**Interest is payable in arrear on the Maturity Date.**][**Interest is payable annually in arrear on • of each year. The first interest payment shall become due on •.**]** **[***insert other provision***]**

2. The Notes will cease to bear interest at the end of the day preceding the Maturity Date, even if the Maturity Date is not a Payment Business Day and payment is made on the next following Payment Buisness Day.

3. Should the Issuer for any reason whatsoever fail to provide to the Paying Agent, when due, the necessary funds for the redemption of the Notes, then interest on the outstanding principal amount of such Notes will continue to accrue until the payment of such principal has been effected, however not beyond the fourteenth day after the date on which the necessary funds have been provided to the Paying Agent and notice thereof has been given by publication in accordance with § 12.

*This paragraph 4 shall apply if "Actual/Actual" is the agreed Day Count Fraction*

4. The calculation of interest shall be effected on the basis of the actual number of days elapsed divided by 365 or (if a 29 February falls within the relevant interest determination period) divided by 366.

*This paragraph 4 shall apply if "Actual/Actual (ISDA)" is the agreed Day Count Fraction*

4. The calculation of interest shall be effected on the basis of the actual number of days elapsed divided by 365 (or, if any portion of that interest determination period falls in a leap year, the sum of (A) the actual number of days in that portion of the interest determination period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the interest determination period falling in a non-leap year divided by 365).

*This paragraph 4 shall apply if "Actual/Actual (ICMA)" is the agreed Day Count Fraction*

4. The calculation of interest shall be effected on the basis of the actual number of days (actual/actual according to ICMA Rule 251).

*This paragraph 4 shall apply if "Actual/365 (Fixed)" is the agreed Day Count Fraction*

4. The calculation of interest shall be effected on the basis of a 365 day year and on the basis of the actual number of days elapsed.

*This paragraph 4 shall apply if "30/360" or "360/360" or "Bond Basis" is the agreed Day Count Fraction*

4. The calculation of interest shall be effected on the basis of a 360 day year consisting of 12 months of 30 days each and, in the case of an incomplete month, on the basis of the actual number of days elapsed. If the last day of the calculation period is the 31st day of a month but the first day of the calculation period is a day other than the 30th or the 31st day of a month, the month that includes that last day shall not be considered to be shortened to a 30-day month. If the last day of the calculation period is the last day of the month of February, the month of February shall not be considered to be lengthened to a 30-day month.

*This paragraph 4 shall apply if "30E/360" or "Eurobond Basis" is the agreed Day Count Fraction*

4. The calculation of interest shall be effected on the basis of a 360 day year consisting of 12 months of 30 days each and, in the case of an incomplete month, on the basis of the actual number of days elapsed without regard to the date of the first day or last day of the calculation period.

*This paragraph 4 shall apply if "Actual/360" is the agreed Day Count Fraction*

4. The calculation of interest shall be effected on the basis of a 360 day year and on the basis of the actual number of days elapsed.

**[***insert other provision***]**

| *Alternative:* | *Floating Rate Notes* |
|---|---|

**[**1.**]** The Notes bear interest pursuant to the following provisions: **[***insert applicable provisions***]**

**[**2./●. The Calculation Agent shall notify the Paying Agent, the Clearing System and, if so required by its rules, the exchange on which the Notes are listed, without delay of the interest rate determined with respect to the relevant Interest Period, the amount payable in respect of each Note as well as the respective Interest Payment Date. **[**The Principal Paying Agent shall without delay publish the interest rate, the interest amount payable in respect of each Note and the Interest Payment Date in accordance with § 12 hereof.**]**

**[***insert other provision***]**

## § 4
## MATURITY

1. **[**Subject to § 6 and 10**]** the Notes will be redeemed on the Maturity Date.

   Each Note is redeemed subject to paragraph 2. at par.

*This paragraph 2. shall be applicable only in case of cash settlement*

2. If

   (i) at any time **[**during the Monitoring Period**]** **[**on the Valuation Date**]** **[***share*:**][**a price of the Share as determined and published by the Relevant Exchange**]** **[***index*:**][**a level of the Index as determined and published by the Index Sponsor**]** **[***commodity*:**][**a price for the [Precious Metal**][**Industrial Metal**]** determined as actually traded price on the *International Interbank Spot Market***]** **[***futures contract*:**][**a price of the Relevant Futures Contract as determined and published by the Futures Exchange**]** is equal to or below the Barrier

**and**

(ii) on the Valuation Date the Reference Price of the **[**Shares**][**Index**][***Underlying***]**is below the Strike,

then each Note shall, in lieu of a redemption at par, be redeemed at an amount (the "**Redemption Amount**") (rounded, if necessary, to the next **[**eurocent (EUR 0.01)**][***currency***]** with **[**eurocent**][***currency***]** 0.5 rounded upwards), that will be calculated by the Issuer according to the following formula:

$$\cdot \frac{Underlying_{final}}{Strike}$$

whereas

N = the nominal amount of a Note (**[***currency***]** **[***denomination***])**

$Underlying_{final}$ = the Reference Price of the **[**Shares**][**Index**][***Underlying***]**on the Valuation Date

*This paragraph 2. shall be applicable only in case of physical delivery*

2. If

(i) at any time **[**during the Monitoring Period**]** **[**on the Valuation Date**]** **[***share*:**][**a price of the Share as determined and published by the Relevant Exchange**]** **[***index*:**][**a level of the Index as determined and published by the Index Sponsor**]** **[***precious metal*:**][**a price for the **[**Precious Metal**][**Industrial Metal**]** determined as actually traded price on the *International Interbank Spot Market***]** **[***futures contract*:**][**a price of the Relevant Futures Contract as determined and published by the Futures Exchange**]** is equal to or below the Barrier

**and**

(ii) on the Valuation Date the Reference Price of the **[**Shares**][**Index**][***Underlying***]**is below the Strike,

then each Note shall, in lieu of a redemption at par, be redeemed by delivery of a number of **[**Shares**][**Certificates (the "**Certificates**")**]][***securities***]** corresponding to the Ratio in the form and with the characteristics deliverable on the Maturity Date **[**at the Relevant Exchange in accordance with its rules**]**.

If the delivery of **[**Shares**][**Certificates**][***securities***]** is economically or factually impossible on the Maturity Date, the Issuer will be entitled, instead of delivering the **[**Shares**][**Certificates**][***securities***]**, to pay a monetary amount (possibly commercially rounded up or down to the next **[**cent**][**●**][***currency***]** 0.01) that corresponds to the Reference Price of the **[**Shares**][**Index**][***Underlying***]** on the Valuation Date multiplied by the Multiplier.

Fractions of **[**Shares**][**Certificates**][***securities***]** will not be delivered. The Issuer, instead of delivering the relevant fraction, may pay an amount in **[***currency***]** (the "**Fractional Settlement Amount**") per Note to the holders of the Noteholders, which will be determined by the Issuer by multiplying the fraction by the Reference Price of the **[**Shares**][**Index**][***Underlying***]** on the Valuation Date. The combination of several Fractional Settlement Amounts into claims for the delivery of

[Shares][Certificates][*securities*] is excluded.

[*insert additional or other provisions with respect to the physical delivery*]

*This paragraph 2 shall be applicable only in case of physical delivery of the Fund Units*

2. If

(i) at any time [during the Monitoring Period] [on the Valuation Date] [*share*:][a price of the Share as determined and published by the Relevant Exchange] [*index*:][a level of the Index as determined and published by the Index Sponsor] [*metals*:][a price for the [Precious Metal][Industrial Metal] determined as actually traded price on the *International Interbank Spot Market*] [*futures contract*:][a price of the Relevant Futures Contract as determined and published by the Futures Exchange] is equal to or below the Barrier

**and**

(ii) on the Valuation Date the Reference Price of the [Shares][Index][*Underlying*]is below the Strike,

then each Note shall, in lieu of a redemption at par, be redeemed by delivery of a number of Fund Units.

N = the nominal amount of a Note ([*currency*] [*denomination*])

$\text{Underlying}_{\text{final}}$ = the Reference Price of the Underlying on the Valuation Date

"**Fund Unit**" means a unit of [the [Comstage ETF DAX® TR (ISIN •] [*insert Comstage ETF*], a subfunds of Comstage ETF SICAV, Luxemburg][*insert other fund units*] (the "**Funds**").

The number of the Fund Units which have to be delivered will be calculated by the Issuer according to the following formula:

$$N = \frac{Underlying_{final} \times Multiplier}{NAV_{final}}$$

where

N = the number of Fund Units per Note which has to be delivered

$Underlying_{final}$ = the Reference Price of the Fund Units on the Valuation Date

$\text{NAV}_{\text{final}}$ = [the net asset value per Fund Unit as determined by the Depositary as set out in the Selling Prospectus of the Funds and published on the internet page (*www.comstage-etf.com*)][*insert other provisions*]

If the delivery of the Funds Unit is economically or factually impossible on the Maturity Date, the Issuer will be entitled, instead of delivering the Funds Unit, to pay a monetary amount (possibly commercially rounded up or down to the next [cent][•][*currency*] 0.01) that corresponds to the Reference Price of the [Shares][Index][*Underlying*] on the Valuation Date multiplied by the Multiplier.

Fractions of Funds Unit will not be delivered. The Issuer, instead of delivering the relevant fraction, may pay an amount in [*currency*] (the "**Fractional Settlement Amount**") per Note to the holders of the Noteholders, which will be determined by the Issuer by multiplying the fraction by the $NAV_{final}$ of the Funds Unit on the Valuation Date. The combination of several Fractional Settlement Amounts into claims for the delivery of Funds Unit is excluded.

[*insert additional or other provisions with respect to the physical delivery*]

*This paragraph 3. shall be applicable only in case of necessary conversions*

3. All necessary conversions accorinding to this § 4 shall be made at the Relevant Conversion Rate.

## § 5
## PAYMENTS

*These paragraphs 1. and 2. shall be applicable only in case of cash settlement*

1. All amounts payable pursuant to these Terms and Conditions shall be made to the Paying Agent, subject to the provision that the Paying Agent transfers such amounts to the Clearing System on the dates stated in these Terms and Conditions so that they may be credited to the accounts of the relevant custodian banks and then forwarded on to the Noteholders.

2. If any payment with respect to a Note is to be effected on a day other than a Payment Business Day, payment shall be effected on the next following Payment Business Day. In this case, the relevant Noteholder shall neither be entitled to any payment claim nor to any interest claim or other compensation with respect to such delay.

*These paragraphs 1. to 2. shall be applicable only in case of physical delivery*

1. All amounts payable and/or [Shares][Certificates][*securities*] to be delivered pursuant to the Terms and Conditions shall be paid and/or delivered to the Paying Agent subject to the provision that the Paying Agent transfers such amounts and/or [Shares][Certificates][*securities*] to the Clearing System on the dates stated in these Terms and Conditions so that they may be credited to the accounts of the relevant custodian banks and then forwarded on to the Noteholders.

2. If a payment and/or the delivery of [Shares][Certificates][*securities*] is to be made on a day that is not a Payment Business Day and not a [*Business Day*], it shall take place on the next following Payment Business Day and [*Business Day*]. In this case, the relevant Noteholder shall neither be entitled to any payment claim nor to any interest claim or other compensation with respect to such delay.

3. All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives.

[*insert additional or other provisions with respect to Payments*]

## § 6
## ADJUSTMENTS; TERMINATION RIGHT OF THE ISSUER

| *Alternative:* | *Notes with reference to a share* |
|---|---|

1. If an Adjustment Event or an Extraordinary Event (both as defined below) has a material effect on the price of the Share, the Issuer will make adjustments to the Terms and Conditions taking into consideration the provisions set forth hereinafter. If an Extraordinary Event has occurred, the Issuer may (instead of such an adjustment) optionally terminate the Notes prematurely with respect to an Exchange Business Day (the "**Termination Date**") taking into consideration the provisions set forth hereinafter with a prior notice of seven Payment Business Days in accordance with § 12. Any termination of the Notes in part shall be excluded.

   (a) Adjustments to the Terms and Conditions shall correspond to the adjustments to option or futures contracts relating to the Share made by the Futures Exchange or that would have been made by the Futures Exchange if such option or futures contracts were traded on the Futures Exchange. In the event of any doubts regarding the application of the adjustment rules of the Futures Exchange, the Issuer shall decide in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)). The adjustments made by the Issuer may deviate from those made by the Futures Exchange in cases where the adjustments made by the Futures Exchange would only lead to a minor adjustment of the Terms and Conditions, as well as in cases when and where such deviation is necessary in the reasonable discretion of the Issuer (*billiges Ermessen*, § 315 German Civil Code (*BGB*)) to compensate for the economic effect of the relevant Adjustment Event or Extraordinary Event on the price of the Share.

   As a result of such adjustments especially the **[***insert parameters***]** may be amended. The adjustments may also result in the Share being replaced by another share or other securities, a basket of securities and/or cash, and another stock exchange being determined as the Relevant Exchange. If the Futures Exchange makes an adjustment by replacing the Share by a basket of shares, the Issuer shall be entitled to determine only the Share with the highest market capitalisation on the relevant Cut-off Date as the (new) Underlying, to sell the remaining Shares in the basket on the first Exchange Business Day following the Cut-off Date at the first available price and to reinvest the proceeds immediately afterwards in the remaining Share.

   Adjustments and determinations take effect as from the date (the "**Cut-off Date**") determined by the Issuer in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)), provided that (if the Issuer follows the manner in which adjustments are or would be made by the Relevant Exchange) the Issuer shall use the date at which such adjustments take effect or would take effect at the Futures Exchange if such option or futures contracts were traded at the Futures Exchange.

   Adjustments and determinations as well as the effective date shall be notified by the Issuer in accordance with § 12.

   Any adjustment in accordance with this § 4 paragraph 1 does not exclude a later termination in accordance with this paragraph on the basis of the same event.

(b) If the Notes are called for redemption due to the occurrence of an Extraordinary Event, they shall be redeemed at the termination amount per Note (the "**Termination Amount**") which shall be calculated by the Issuer in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)) by taking into account applicable market conditions and any proceeds realised by the Issuer in connection with transactions concluded by it in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)) for hedging measures in relation to the assumption and fulfilment of its obligations under the Notes (the "**Hedging Transactions**"). Expenses for transactions that were required for winding up the Hedging Transactions will be taken into account as deductible items.

The Issuer shall pay the Termination Amount to the Noteholder not later than the **[**third**][**fifth**][**tenth**][●]** Payment Business Day following the Termination Date to the Clearing System for crediting the accounts of the depositors of the Notes with the Clearing System. The rights in connection with the Notes shall expire upon the payment of the Termination Amount to the Clearing System.

2. "**Adjustment Event**" means:

(a) the adjustment of option or futures contracts relating to the Share at the Futures Exchange or the announcement of such adjustment;

(b) any of the following actions taken by the issuer of the underlying Share (the "**Company**"): capital increases through issuance of new shares against capital contribution and issuance of subscription rights to the shareholders, capital increases out of the Company's reserves, issuance of securities with option or conversion rights related to the Share, distributions of ordinary dividends, distributions of extraordinary dividends, stock splits or any other split, consolidation or alteration of category;

(c) a spin-off of a part of the Company in such a way that a new independent entity is formed, or that the spun-off part of the Company is absorbed by another entity; or

(d) any other adjustment event being economically equivalent to the before-mentioned events with regard to their effects.

3. "**Extraordinary Event**" means:

(a) the termination of trading in, or early settlement of, option or futures contracts relating to the Share at the Futures Exchange or the announcement of such termination or early settlement;

(b) the termination of the listing of the Share on the Relevant Exchange due to a merger by absorption or by creation or due to any other reasons, or the becoming known of the intention of the Company, or the announcement of the Relevant Exchange that the listing of the Share at the Relevant Exchange will terminate immediately or at a later date and that the Share will not be admitted, traded or listed at any other exchange which is comparable to the Relevant Exchange (including the exchange segment, if applicable) immediately following the termination of the listing;

(c) the Issuer and/or its affiliates (in the meaning of § 1 paragraph 7 German Banking Act (*KWG*), § 290 paragraph 2 German Commercial Law (*HGB*)) are, even following economically reasonable efforts, not in the position (i) to enter, re-enter, replace, maintain, liquidate, acquire or dispose of any transactions or investments that the Issuer considers necessary to hedge its risks resulting from the assumption and performance of its obligations under the Notes or (ii) to realize, regain or transfer the proceeds resulting from such transactions or investments;

(d) a procedure is introduced or ongoing pursuant to which all shares or the substantial assets of the Company are or are liable to be nationalized or expropriated or otherwise transferred to public agencies, authorities or organizations;

(e) the application for insolvency proceedings or for comparable proceedings with regard to the assets of the Company according to the applicable law of the Company; or

(f) any other event being economically equivalent to the before-mentioned events with regard to their effects.

4. "**Futures Exchange**" means the options or futures exchange with the highest trading volume of option or futures contracts relating to the Share. If option or futures contracts on the Share are not traded on any exchange, the Futures Exchange shall be the options or futures exchange with the highest amount of option or futures contracts relating to shares of companies having their residence in the country in which the Company has its residence. If there is no options or futures exchange in the country in which the Company has its residence on which option or futures contracts on shares are traded, the Issuer will determine the Futures Exchange in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code *(BGB)*) and will make notification thereof in accordance with § 12.

5. The Issuer may also terminate the Notes according to paragraph 1 in the case of a takeover-bid, i.e. an offer to take over or to swap or any other offer or any other act of an individual person or a legal entity that results in the individual person or legal entity buying, otherwise acquiring or obtaining a right to buy more than 10% of the outstanding shares of the Company as a consequence of a conversion or otherwise; all as determined by the Issuer based on notifications to the competent authorities or on other information determined as relevant by the Issuer.

**[***insert additional or other provisions with respect to adjustments***]**

| *Alternative:* | *Notes with reference to an index* |
|---|---|

1. If the Index is no longer calculated and published by the Index Sponsor but by another person, company or institution acceptable to the Issuer in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)) as the new Index Sponsor (the "**Successor Sponsor**"), the Redemption Amount will be determined on the basis of the Index being calculated and published by the Successor Sponsor and any reference made to the Index Sponsor in these Terms and Conditions shall, if the context so admits, then refer to the Successor Sponsor.

2. If the Index is cancelled or replaced or if the Index Sponsor is replaced by another person, company or institution not acceptable to the Issuer in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)), the Issuer will determine in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)) another index on the basis of which the Redemption Amount will be determined (the "**Successor Index**"). The respective Successor Index as well as the time of its first application will be notified pursuant to § 12. Any reference made to the Index in these Terms and Conditions shall, if the context so admits then refer to the Successor Index. All related definitions shall be deemed to be amended accordingly. Furthermore, the Issuer will make all necessary adjustments to the Terms and Conditions resulting from a substitution of the Index.

*This paragraph 3. is applicable only for share indices*

**[**3. If the occurrence of an Adjustment Event with respect to a **[**share**][***security***]** contained in the Index (the "**Index Share**") has a material effect on the price of the Index, the Issuer will make adjustments to the Terms and Conditions taking into consideration the provisions set forth hereinafter. The Issuer shall act in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)).

As a result of such adjustments especially the **[***insert parameters***]** may be amended.

Such adjustment shall become effective on the date on which the occurrence of the Adjustment Event with respect to the Index Share has its effect on the price of the Index.

Adjustments and determinations as well as the effective date shall be notified by the Issuer in accordance with § 12.

Any adjustment in accordance with this § 6 paragraph 3 does not exclude a later termination in accordance with this paragraph on the basis of the same event.

"**Adjustment Event**" means:

(a) the substitution of the Index by a Successor Index pursuant to paragraph 2.;

(b) any of the following actions taken by the company issuing the Index Share (the "**Index Company**"): capital increases through issuance of new shares against capital contribution and issuance of subscription rights to the shareholders, capital increases out of the Index Company's reserves, issuance of securities with option or conversion rights related to the Index Share, distributions of ordinary dividends, distributions of extraordinary dividends, stock splits or any other split, consolidation or alteration of category;

(c) a spin-off of a part of the Index Company in such a way that a new independent entity is formed, or that the spun-off part of the Index Company is absorbed by another entity;

(d) the adjustment of option or futures contracts relating to the Index Share on the Futures Exchange or the announcement of such adjustment;

(e) a takeover-bid, i.e. an offer to take over or to swap or any other offer or any other act of an individual person or a legal entity that results in the individual person or legal entity buying, otherwise acquiring or obtaining a right to buy more than 10% of the outstanding shares of the Index Company as a consequence of a conversion or otherwise, as determined by the Issuer in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)) based on notifications to the competent authorities or on other information determined as relevant by the Issuer;

(f) the termination of trading in, or early settlement of, option or futures contracts relating to the Index Share on the Futures Exchange or relating to the Index itself or the announcement of such termination or early settlement;

(g) the termination of the listing of the Index Share at the exchange on which the respective Index Share is traded (provided that the quotations of the prices of the Index Share on such exchange are taken for the calculation of the Index) (the "**Relevant Exchange**") to terminate the listing of the Index Share on the Relevant Exchange due to a merger by absorption or by creation or any other reason or the becoming known of the intention of the Index Company or the announcement of the Relevant Exchange that the listing of the Index Share at the Relevant Exchange will terminate immediately or at a later date and that the Index Share will not be admitted, traded or listed at any other exchange which is comparable to the Relevant Exchange (including the exchange segment, if applicable) immediately following the termination of the listing;

(h) the Issuer and/or its affiliates (in the meaning of § 1 paragraph 7 German Banking Act (*KWG*), § 290 paragraph 2 German Commercial Law (*HGB*)) are, even following economically reasonable efforts, not in the position (i) to enter, re-enter, replace, maintain, liquidate, acquire or dispose of any transactions or investments that the Issuer considers necessary to hedge its risks resulting from the assumption and performance of its obligations under the Notes or (ii) to realize, regain or transfer the proceeds resulting from such transactions or investments (in each case a "**Hedging Disruption**");

(i) a procedure is introduced or ongoing pursuant to which all shares or the substantial assets of the Index Company are or are liable to be nationalized or expropriated or otherwise transferred to public agencies, authorities or organizations;

(j) the application for insolvency proceedings or for comparable proceedings with regard to the assets of an Index Company according to the applicable law of such company; or

(k) any other event being economically equivalent to the afore-mentioned events with regard to their effects.

"**Futures Exchange**" refers to the exchange with the largest trading volume in futures and options contracts in relation to an Index Share. If no futures or options contracts in relation to the Share are traded on any exchange, the Futures Exchange shall be the exchange with the largest trading volume in futures and options contracts in relation to shares of companies whose registered office is in the same country as the registered office of the Index Company. If there is no futures and options exchange in the country in which the Index Company has its registered office on which futures and options contracts in relation to the Share are traded, the Issuer shall determine the Futures Exchange in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)) and shall announce its choice in accordance with § 12.**]**

**[**3**][**4**]**. If (i) the determination of a Successor Index in accordance with the paragraph 2. is not possible or is unreasonable (*unzumutbar*) or (ii) if the Index Sponsor materially modifies the calculation method of an Index with effect on or after the Issue Date, or materially modifies the Index in any other way (except for modifications which are contemplated in the calculation method of the Index relating to a change with respect to shares comprising the Index, the market capitalisation or with respect to any other routine measures), then the Issuer is entitled to (a) continue the calculation and publication of the Index on the basis of the former concept of the Index and its last determined level or (b) to terminate the Notes prematurely with respect to an Index Business Day (the "**Termination Date**") with a prior notice of seven Payment Business Days in accordance with § 12. Any termination in part shall be excluded.

The Issuer may also terminate the Notes in accordance with the above in the case of a Hedging Disruption.

**[**4**][**5**]**. In the case of a termination of the Notes pursuant to paragraph **[**3**][**4**]**. the Notes shall be redeemed on the Termination Date at the termination amount (the "**Termination Amount**") which shall be calculated by the Issuer in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)) by taking into account applicable market conditions and any proceeds realised by the Issuer in connection with transactions concluded by it in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)) for hedging measures in relation to the assumption and fulfilment of its obligations under the Notes (the "**Hedging Transactions**"). Expenses for transactions that were required for winding up the Hedging Transactions will be taken into account as deductible items.

The Issuer shall pay the Termination Amount to the Noteholder not later than the **[**third**][**fifth**][**tenth**][●]** Payment Business Day following the Termination Date to the Clearing System for crediting the accounts of the depositors of the Notes with the Clearing System. The rights in connection with the Notes shall expire upon the payment of the Termination Amount to the Clearing System.

**[***insert additional or other provisions with respect to adjustments***]**

| *Alternative:* | *Notes with reference to a metal (i.e. precious or industrial metal)* |
|---|---|

1. If an Extraordinary Event (as defined below) has a material effect on the price of the **[**Precious Metal**] [**Industrial Metal**]**, the Issuer will make adjustments to the Terms and Conditions taking into consideration the provisions set forth hereinafter. The Issuer may instead of such adjustment optionally terminate the Notes prematurely with respect to a Business Day (the "**Termination Date**") taking into consideration the provisions set forth hereinafter with a prior notice of seven Payment Business Days in accordance with § 12. Any termination of the Notes in part shall be excluded.

(a) Adjustments to the Terms and Conditions shall correspond to the adjustments to option or futures contracts relating to the **[**Precious Metal**] [**Industrial Metal**]** made by the Futures Exchange or that would have been made by the Futures Exchange if such option or futures contracts were traded on the Futures Exchange. In the event of any doubts regarding the application of the adjustment rules of the Futures Exchange, the Issuer shall decide in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)). The adjustments made by the Issuer may deviate from those made by the Futures Exchange in cases where the adjustments made by the Futures Exchange would only lead to a minor adjustment of the Terms and Conditions, as well as in cases when and where such deviation is necessary in the reasonable discretion of the Issuer (*billiges Ermessen*, § 315 German Civil Code (*BGB*)) to compensate for the economic effect of the relevant Extraordinary Event on the price of the **[**Precious Metal**]** **[**Industrial Metal**]**.

As a result of such adjustments especially the **[***insert parameters***]** may be amended. The adjustments may also result in the adjustment of the definition of the **[**Reference Price**][***insert other parameter***]**.

Adjustments and determinations take effect as from the date determined by the Issuer in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)), provided that (if the Issuer takes into consideration the manner in which adjustments are or would be made by the Futures Exchange) the Issuer shall take into consideration the date at which such adjustments take effect or would take effect at the Futures Exchange if such option or futures contracts on the **[**Precious Metal**]** **[**Industrial Metal**]** were traded at the Futures Exchange.

Adjustments and determinations as well as the effective date shall be notified by the Issuer in accordance with § 12.

Any adjustment in accordance with this § 6 paragraph 1 does not exclude a later termination in accordance with this paragraph on the basis of the same event.

(b) If the Notes are called for redemption due to the occurrence of an Extraordinary Event, they shall be redeemed at the termination amount per Note (the "**Termination Amount**") which shall be calculated by the Issuer in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)) by taking into account applicable market conditions and any proceeds realised by the Issuer in connection with transactions concluded by it in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)) for hedging measures in relation to the assumption and fulfilment of its obligations under the Notes (the "**Hedging Transactions**"). Expenses for transactions that were required for winding up the Hedging Transactions will be taken into account as deductible items.

The Issuer shall pay the Termination Amount to the Noteholder not later than the **[**third**][**fifth**][**tenth**][●]** Payment Business Day following the Termination Date to the Clearing System for crediting the accounts of the depositors of the Notes with the Clearing System. The rights in connection with the Notes shall expire upon the payment of the Termination Amount to the Clearing System.

2. "**Extraordinary Event**" means:

(a) if since the Issue Date the basis (e.g. quantity, quality or currency) for the calculation of the price of the **[**Precious Metal**] [**Industrial Metal**]** and/or the method have been modified substantially,

(b) the adjustment of option or futures contracts relating to the **[**Precious Metal**] [**Industrial Metal**]** at the Futures Exchange or the announcement of such adjustment;

(c) the imposition of, change in or removal of a tax on, or measured by reference to, a **[**Precious Metal**] [**Industrial Metal**]** after the Issue Date, if the direct effect of such imposition, change or removal is to raise or lower the price of the **[**Precious Metal**] [**Industrial Metal**]**;

(d) the Issuer and/or its affiliates (in the meaning of § 1 paragraph 7 German Banking Act (*KWG*), § 290 paragraph 2 German Commercial Law (*HGB*)) are, even following economically reasonable efforts, not in the position (i) to enter, re-enter, replace, maintain, liquidate, acquire or dispose of any transactions or investments that the Issuer considers necessary to hedge its risks resulting from the assumption and performance of its obligations under the Notes or (ii) to realize, regain or transfer the proceeds resulting from such transactions or investments; or

(e) any other event being economically equivalent to the before-mentioned events with regard to their effects.

3. "**Futures Exchange**" means the options or futures exchange with the highest trading volume of option or futures contracts relating to the **[**Precious Metal**] [**Industrial Metal**]**.

**[***insert additional or other provisions with respect to adjustments***]**

| *Alternative:* | *Notes with reference to futures contracts* |
|---|---|

1. If an Extraordinary Event (as defined below) has a material effect on the price of the Relevant Futures Contract, the Issuer will make adjustments to the Terms and Conditions taking into consideration the provisions set forth hereinafter. The Issuer may instead of such adjustment optionally terminate the Notes prematurely with respect to a Business Day (the "**Termination Date**") taking into consideration the provisions set forth hereinafter with a prior notice of seven Payment Business Days in accordance with § 12. Any termination of the Notes in part shall be excluded.

(a) Adjustments to the Terms and Conditions shall correspond to the adjustments to the Relevant Futures Contract made by the Futures Exchange. In the event of any doubts regarding the application of the adjustment rules of the Futures Exchange, the Issuer shall decide in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)). The adjustments made by the Issuer may deviate from those made by the Futures Exchange in cases where the adjustments made by the Futures Exchange would only lead to a minor adjustment of the Terms and Conditions, as well as in cases when and where such deviation is necessary in the reasonable discretion of the Issuer (*billiges Ermessen*, § 315 German Civil Code (*BGB*)) to compensate for the economic effect of the relevant Adjustment Event or Extraordinary Event on the price of the Relevant Futures Contract.

As a result of such adjustments especially the **[***insert parameters***]** may be amended. The adjustments may also result in the Relevant Futures Contract being replaced by other futures contracts, and/or another exchange being determined as the Futures Exchange.

Adjustments and determinations take effect as from the date determined by the Issuer in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)), provided that (if the Issuer takes into consideration the manner in which adjustments are made by the Futures Exchange) the Issuer shall take into consideration the date at which such adjustments take effect at the Futures Exchange.

Adjustments and determinations as well as the effective date shall be notified by the Issuer in accordance with § 12.

Any adjustment in accordance with this § 6 paragraph 1 does not exclude a later termination in accordance with this paragraph on the basis of the same event.

(b) If the Notes are called for redemption due to the occurrence of an Extraordinary Event, they shall be redeemed at the termination amount per Note (the "**Termination Amount**") which shall be calculated by the Issuer in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)) by taking into account applicable market conditions and any proceeds realised by the Issuer in connection with transactions concluded by it in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)) for hedging measures in relation to the assumption and fulfilment of its obligations under the Notes (the "**Hedging Transactions**"). Expenses for transactions that were required for winding up the Hedging Transactions will be taken into account as deductible items.

The Issuer shall pay the Termination Amount to the Noteholder not later than the **[**third**][**fifth**][**tenth**][●]** Payment Business Day following the Termination Date to the Clearing System for crediting the accounts of the depositors of the Notes with the Clearing System. The rights in connection with the Notes shall expire upon the payment of the Termination Amount to the Clearing System.

2. "**Extraordinary Event**" means

(a) an adjustment of the Relevant Futures Contract on the Futures Exchange and/or the announcement of such an adjustment;

(b) the suspension of trading or the early settlement of the Relevant Futures Contract on the Futures Exchange and/or the announcement of such an event;

(c) a material change regarding the concept of the Relevant Futures Contract or regarding the Contract Specifications on which the Relevant Futures Contract is based;

(d) the introduction, revocation or amendment of a tax levied on the **[**commodity**][●]** underlying the Relevant Futures Contract, provided that this affects the price of the Relevant Futures

Contract and provided that such introduction, revocation or amendment occurs after the Issue Date;

(e) the Issuer and/or its affiliates (in the meaning of § 1 paragraph 7 German Banking Act (*KWG*), § 290 paragraph 2 German Commercial Law (*HGB*)) are, even following economically reasonable efforts, not in the position (i) to enter, re-enter, replace, maintain, liquidate, acquire or dispose of any transactions or investments that the Issuer considers necessary to hedge its risks resulting from the assumption and performance of its obligations under the Notes or (ii) to realize, regain or transfer the proceeds resulting from such transactions or investments; or

(f) any other event being economically equivalent to the before-mentioned events with regard to their effects.

**[***insert additional or other provisions with respect to adjustments***]**

| *Alternative:* | *Notes with reference to bonds* |
|---|---|

1. If an Extraordinary Event (as defined below) has a material effect on the price of the Bond, the Issuer will make adjustments to the Terms and Conditions taking into consideration the provisions set forth hereinafter. The Issuer may instead of such adjustment optionally terminate the Notes prematurely with respect to a Business Day (the "**Termination Date**") taking into consideration the provisions set forth hereinafter with a prior notice of seven Payment Business Days in accordance with § 12. Any termination of the Notes in part shall be excluded.

(a) Adjustments to the Terms and Conditions shall be performed by the Issuer in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)).

As a result of such adjustments especially the **[***insert parameters***]** may be amended. The adjustments may also result in the Bond being replaced by another bond, security, basket of securities and/or a redemption amount or in another stock exchange being nominated as the Relevant Exchange.

Adjustments and determinations take effect as from the date determined by the Issuer in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)).

Any adjustments and determinations as well as the relevant effective date shall be notified by the Issuer in accordance with § 12.

Any adjustment in accordance with this § 7 paragraph 1 does not exclude a later termination in accordance with this paragraph on the basis of the same event.

(b) If the Notes are called for redemption due to the occurrence of an Extraordinary Event, they shall be redeemed at the termination amount per Note (the "**Termination Amount**") which shall be calculated by the Issuer in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)) by taking into account applicable market conditions and any proceeds realised by the Issuer in connection with transactions concluded by it in its reasonable discretion (*billiges Ermessen*,

§ 315 German Civil Code (*BGB*)) for hedging measures in relation to the assumption and fulfilment of its obligations under the Notes (the "**Hedging Transactions**"). Expenses for transactions that were required for winding up the Hedging Transactions will be taken into account as deductible items.

The Issuer shall pay the Termination Amount to the Noteholders not later than the **[**third**][**fifth**][**tenth**][●]** Payment Business Day following the Termination Date to the Clearing System for crediting the accounts of the depositors of the Notes with the Clearing System. The rights in connection with the Notes shall expire upon the payment of the Termination Amount to the Clearing System.

2. "**Extraordinary Event**" means

(a) if the Bond ceases to be listed on the Relevant Exchange or if the Relevant Exchange announces or it becomes known that it is the Issuer's intention that the Bond's listing is to be suspended immediately or with effect as of a later point in time and the Bond is not re-admitted to trading or listed on another exchange of equal standing to that of the Relevant Exchange (including the relevant exchange segment, if applicable) soon after such suspension or delisting;

(b) the Issuer and/or its affiliates (in the meaning of § 1 paragraph 7 German Banking Act (*KWG*), § 290 paragraph 2 German Commercial Law (*HGB*)) are, even following economically reasonable efforts, not in the position (i) to enter, re-enter, replace, maintain, liquidate, acquire or dispose of any transactions or investments that the Issuer considers necessary to hedge its risks resulting from the assumption and performance of its obligations under the Notes or (ii) to realize, regain or transfer the proceeds resulting from such transactions or investments;

(c) if an insolvency petition or similar petition under the laws applicable to the issuer of the Bond is filed with respect to the assets of the issuer of the Bond; or

(d) any other event being economically equivalent to the before-mentioned events with regard to their effects.

**[***insert additional or other provisions with respect to adjustments***]**

| *Alternative:* | *Notes with reference to funds (ETFs)* |
|---|---|

1. If an Extraordinary Event (as defined below) has a material effect on the price of the ETF Share, the Issuer will make adjustments to the Terms and Conditions taking into consideration the provisions set forth hereinafter. The Issuer may instead of such adjustment optionally terminate the Notes prematurely with respect to an Exchange Business Day (the "**Termination Date**") taking into consideration the provisions set forth hereinafter with a prior notice of seven Payment Business Days in accordance with § 12. Any termination of the Notes in part shall be excluded.

(a) Adjustments to the Terms and Conditions shall be performed by the Issuer in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)).

As a result of such adjustments especially the **[***insert parameters***]** may be amended. The adjustments may also result in the ETF Share being replaced by another ETF share or other securities, a basket of securities and/or cash, and another stock exchange being determined as the Relevant Exchange. If the ETF share will be replaced, the Issuer will identify an alternative fund in substitution for the ETF Share (the "**Successor Fund**"). The Successor Fund shall be a fund which (i) is denominated in the same currency as the ETF Share, (ii) has the same or similar characteristics and features as the ETF Share and (iii) has similar investment objectives and policies to those of the ETF Share immediately prior to the occurrence of the Extraordinary Event. Any reference made to the ETF Share in these Terms and Conditions shall be deemed as a reference to the Successor Fund, all calculations and determinations made by reference to the ETF Share shall be instead made by reference to the Successor Fund, and the Issuer shall make amendments to all related terms accordingly on the basis of the Removal Value.

Adjustments and determinations as well as the effective date shall be notified by the Issuer in accordance with § 12.

Any adjustment in accordance with this § 7 paragraph 1 does not exclude a later termination in accordance with this paragraph on the basis of the same event.

(b) If the Notes are called for redemption due to the occurrence of an Extraordinary Event, they shall be redeemed at the termination amount per Note (the "**Termination Amount**") which shall be calculated by the Issuer in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)) by taking into account prevailing market conditions and any proceeds realised by the Issuer in connection with transactions concluded by it in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)) for hedging measures in relation to the assumption and fulfilment of its obligations under the Notes (the "**Hedging Transactions**"). Expenses for transactions that were required for winding up the Hedging Transactions will be taken into account as deductible items.

The Issuer shall pay the Termination Amount to the Noteholder not later than the **[**third**][**fifth**][**tenth**][●]** Payment Business Day following the Termination Date to the Clearing System for crediting the accounts of the depositors of the Notes with the Clearing System. The rights in connection with the Notes shall expire upon the payment of the Termination Amount to the Clearing System.

2. "**Extraordinary Event**" means:

(a) the implementation of any change to the terms and conditions of the Fund Company, as detailed in the Memorandum and as notified by the Fund Management, which, in the reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)) of the Issuer, is of a material nature including but not limited to such changes as (i) a change in the risk profile of the Fund Company and/or the ETF Share; (ii) a change in the voting rights, if any, associated with the voting shares of the ETF

Share; (iii) an alteration to the investment objectives of the Fund Company including the replacement of the ETF Index; or (iv) a change in the currency in which the ETF Shares are denominated so that the NAV is quoted in a different currency from that in which it was quoted on the Issue Date;

(b) the breach of the investment objectives of the ETF Share (as defined in the Memorandum) if such breach, in the reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)) of the Issuer, is of a material nature;

(c) the imposition or increase of subscription and/or redemption fees, or taxes or other similar fees, payable in respect of a purchase or redemption of the ETF Share after the Issue Date;

(d) if the Fund Management fails for reasons other than of a technical or operational nature, to calculate the NAV for five consecutive Exchange Business Days;

(e) if the activities of the Fund and/or the Fund Management are placed under review by their regulators for reasons of wrongdoing, breach of any rule or regulation or other similar reason;

(f) the Compulsory Redemption of the ETF Shares by the Fund for any reason prior to the Exercise Date;

(g) if the issue of additional shares of the ETF Share or the redemption of existing ETF Shares is suspended and if any such suspension continues for five consecutive Exchange Business Days;

(h) the winding-up or termination of the Fund and/or the ETF Share for any reason prior to the Exercise Date;

(j) if the ETF Share is superseded by a successor fund (the "**Successor**") following a merger or similar event unless, in the reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)) of the Issuer, the Successor has similar investment objectives to those of the ETF Share, is incorporated in the same jurisdiction as the Fund (or another jurisdiction acceptable to the Issuer), is denominated in the same currency as the Fund and is managed and administered by one or more individuals who, or corporate entities which, are reputable and experienced in their field;

(k) the cancellation of the registration, or of the approval, of the Fund and/or the ETF Share and/or the Fund Management by any relevant authority or body;

(l) the replacement of the Fund Management by the Fund unless, in the reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)) of the Issuer, the relevant replacement is an individual or group of individuals who, or a corporate entity which, is reputable and experienced in their field;

(m) any change in the accounting, regulatory or tax treatment applicable with respect to the Fund which could have an economic impact for the Issuer, its affiliates or any other designated hedging entity;

(n) the cessation of the calculation and publication of the ETF Index by the ETF Index Sponsor; or

(o) the termination of the listing of the ETF Share on the Relevant Exchange due to a merger by absorption or by creation or due to any other reasons, or the becoming known of the intention of the Fund Company or the announcement of the Relevant Exchange that the listing of the ETF Share at the Relevant Exchange will terminate immediately or at a later date and that the ETF Share will not be admitted, traded or listed at any other exchange which is comparable to the Relevant Exchange (including the exchange segment, if applicable) immediately following the termination of the listing;

(p) the Issuer and/or its affiliates (in the meaning of § 1 paragraph 7 German Banking Act (*KWG*), § 290 paragraph 2 German Commercial Law (*HGB*)) are, even following economically reasonable efforts, not in the position (i) to enter, re-enter, replace, maintain, liquidate, acquire or dispose of any transactions or investments that the Issuer considers necessary to hedge its risks resulting from the assumption and performance of its obligations under the Notes or (ii) to realize, regain or transfer the proceeds resulting from such transactions or investments;

(q) a procedure is introduced or ongoing pursuant to which all shares or the substantial assets of the Fund Company are or are liable to be nationalized or expropriated or otherwise transferred to public agencies, authorities or organizations;

(r) the application for insolvency proceedings or for comparable proceedings with regard to the assets of the Fund Company according to the applicable law of the Fund Company; or

(s) any other event being economically equivalent to the before-mentioned events with regard to their effects.

**[***insert additional or other provisions with respect to adjustments***]**

| | |
|---|---|
| *Alternative:* | *Notes with reference to other Underlyings*<br>*(Currency Exchange Rates or Interest Rates* |

**[**left intentionally blank**][***insert provisions with respect to adjustments***]**

**§ 7**
**TAXES**

All present and future taxes, fees or other duties in connection with the Notes shall be borne and paid by the Noteholders. The Issuer is entitled to withhold from payments to be made under the Notes any taxes, fees and/or duties payable by the Noteholder in accordance with the previous sentence.

## § 8
## STATUS

The obligations under the Notes constitute direct, unconditional and unsecured obligations of the Issuer and rank at least *pari passu* with all other unsecured and unsubordinated obligations of the Issuer (save for such exceptions as may exist from time to time under applicable law).

## § 9
## PAYING AGENT

*This paragraph 1 is applicable for Notes being deposited by Clearstream Banking, Frankfurt*

1. **[**Commerzbank Aktiengesellschaft, main office, Kaiserstraße 16 (Kaiserplatz), 60311 Frankfurt am Main, Federal Republic of Germany**][●]**,, shall be the paying agent (the "**Paying Agent**").

*This paragraph 1 is applicable for Notes being issued through Euroclear Belgium*

1. BNP Paribas Securities Services S.A., Brussels Branch, a banking institution incorporated under the laws of France, with a registered branch at Boulevard Louis Schmidt 2, B-1040 Brussels, Belgium shall be the paying agent (the " **Paying Agent**").

*This paragraph 1. is applicable for Notes being issued through Euroclear France*

1. BNP Paribas Securities Services, a société en commandite par actions incorporated under the laws of France, registered with the Registre du commerce et des sociétés of Paris under number 552 108 011, the registered office of which is located at 3, rue d'Antin, 75002 Paris, France, acting through its office located at Les Grands Moulins de Pantin, 9 rue du Débarcadère, 93500 Pantin, France, shall be the paying agent (the " **Paying Agent**").

*This paragraph 1 is applicable for Notes being issued through Euroclear Nederland*

1. BNP Paribas Securities Services, a société en commandite par actions incorporated under the laws of France, registered with the Registre du commerce et des sociétés of Paris under number 552 108 011, the registered office of which is located at 3, rue d'Antin, 75002 Paris, France, acting through its office located at Les Grands Moulins de Pantin, 9 rue du Débarcadère, 93500 Pantin, France, shall be the paying agent (the "**Paying Agent**") which term shall include any successor or additional paying agent) and BNP Paribas S.A., Amsterdam Branch, Herengracht 595, 1017 CE Amsterdam, The Netherlands, as sub paying agent for the Paying Agent.

2. The Issuer shall be entitled at any time to appoint another bank of international standing as Paying Agent. Such appointment and the effective date shall be notified in accordance with § 12.

3. The Paying Agent is hereby granted exemption from the restrictions of § 181 of the German Civil Code (*BGB*) and any similar restrictions of the applicable laws of any other country.

**[***insert additional or other provisions with respect to the Paying Agent***]**

## § 10
## TERMINATION

1. Each Noteholder is entitled to declare his Notes due and to require the redemption of his Notes pursuant to § 4 plus accrued interest, if:

   (a) the Issuer is in default for more than 30 days in the payment of principal or interest **[**and/or any delivery**]** under these Terms and

Conditions, or

(b) the Issuer violates any other obligation under these Terms and Conditions, and such violation continues for 60 days after receipt of written notice thereof from the respective Noteholder, or

(c) the Issuer is wound up or dissolved whether by a resolution of the shareholders or otherwise (except in connection with a merger or reorganisation in such a way that all of the assets and liabilities of the Issuer pass to another legal person in universal succession by operation of law), or

(d) the Issuer ceases its payments and this continues for 60 days, or admits to be unable to pay its debts, or

(e) any insolvency proceedings are instituted against the Issuer which shall not have been dismissed or stayed within 60 days after their institution or the Issuer applies for the institution of such proceedings, or offers or makes an arrangement for the benefit of its creditors opens insolvency proceedings against the Issuer, or

(f) in the case of a substitution of the Issuer within the meaning of § 11 paragraph 2 any of the events set forth in sub-paragraphs (c) – (e) above occurs in respect of the Guarantor.

The right to declare Notes due shall terminate if the circumstances giving rise to it have been remedied before such right is exercised.

2. The right to declare Notes due pursuant to paragraph 1 shall be exercised by a Noteholder by delivering or sending by registered mail to the Paying Agent a written notice which shall state the principal amount of the Notes called for redemption and shall enclose evidence of ownership reasonably satisfactory to the Paying Agent.

In case of termination, the Valuation Date shall be the day on which all preconditions for a termination are fulfilled, and the Maturity Date shall be the fifth Payment Business Date after such day.

## § 11
## SUBSTITUTION OF THE ISSUER

1. Any other company may assume at any time during the life of the Notes, subject to paragraph 2, without the Noteholders' consent all the obligations of the Issuer under these Terms and Conditions. Any such substitution and the effective date shall be notified by the Issuer in accordance with § 12.

Upon any such substitution, such substitute company (hereinafter called the "**New Issuer**") shall succeed to, and be substituted for, and may exercise every right and power of, the Issuer under these Terms and Conditions with the same effect as if the New Issuer had been named as the Issuer herein; the Issuer (and, in the case of a repeated application of this § 11, each previous New Issuer) shall be released from its obligations hereunder and from its liability as obligor under the Notes.

In the event of such substitution, any reference in these Terms and Conditions to the Issuer shall from then on be deemed to refer to the New Issuer.

2. No such assumption shall be permitted unless

(a) the New Issuer has agreed to assume all obligations of the Issuer under the Notes pursuant to these Terms and Conditions;

(b) the New Issuer has agreed to indemnify and hold harmless each Noteholder against any tax, duty, assessment or governmental charge imposed on such Noteholder in respect of such substitution;

(c) the Issuer (in this capacity referred to as the "**Guarantor**") has unconditionally and irrevocably guaranteed to the Noteholders compliance by the New Issuer with all obligations under the Notes pursuant to these Terms and Conditions;

(d) the New Issuer and the Guarantor have obtained all governmental authorisations, approvals, consents and permissions necessary in the jurisdictions in which the Guarantor and/or the New Issuer are domiciled or the country under the laws of which they are organised.

*This paragraph e) is applicable for Notes being deposited by Euroclear Sweden*

**[**(e) Euroclear Sweden has given its consent to the substitution (which consent shall not be unreasonably withheld or delayed).**]**

3. Upon any substitution of the Issuer for a New Issuer, this § 11 shall apply again.

**[***insert additional or other provisions with respect to notices***]**

**§ 12**
**NOTICES**

Notices relating to the Notes shall be published in the Federal Gazette (*Bundesanzeiger*) and shall be deemed to be effective upon such publication unless such publication gives another effective date.

If the Notes are offered to the public, notices relating to the Notes shall in addition be published on the internet page **[***www.warrants.commerzbank.com***]** **[***Internet page***]** (or on another internet page notified at least six weeks in advance by the Issuer in accordance with this § 12). If applicable law or regulations of the stock exchange on which the Notes are listed require a notification in another manner, notices shall also be given in the manner so required.

**[***insert additional or other provisions with respect to notices***]**

**§ 13**
**LIMITATION OF LIABILITY**

The Issuer shall be held responsible for acting or failing to act in connection with the Notes only if, and insofar as, it either breaches material obligations under or in connection with the Terms and Conditions negligently or wilfully or breaches other obligations with gross negligence or wilfully. The same applies to the Paying Agent.

## § 14
## FINAL CLAUSES

1. The Notes and the rights and duties of the Noteholders, the Issuer, the Paying Agent and the Guarantor (if any) shall in all respects be governed by the laws of the Federal Republic of Germany **[**except for § 1 paragraph 1 – **[**2**][**3**]** of the Terms and Conditions which shall be governed by the laws of **[***relevant juristiction***]]**.

2. In the event of manifest typing or calculation errors or similar manifest errors in the Terms and Conditions, the Issuer shall be entitled to declare rescission (*Anfechtung*) to the Noteholders. The declaration of rescission shall be made without undue delay upon becoming aware of any such ground for rescission (*Anfechtungsgrund*) and in accordance with § 12. Following such rescission by the Issuer, the Noteholders may instruct the account holding bank to submit a duly completed redemption notice to the Paying Agent, either by filling in the relevant form available from the Paying Agent or by otherwise stating all information and declarations required on the form (the "**Rescission Redemption Notice**"), and to request repayment of the Issue Price against transfer of the Notes to the account of the Paying Agent with the Clearing System. The Issuer shall make available the Issue Price to the Paying Agent within **[***number***]** calendar days following receipt of the Rescission Redemption Notice and of the Notes by the Paying Agent, whichever receipt is later, whereupon the Paying Agent shall transfer the Issue Price to the account specified in the Rescission Redemption Notice. Upon payment of the Issue Price all rights under the Notes delivered shall expire.

3. The Issuer may combine the declaration of rescission pursuant to paragraph 2 with an offer to continue the Notes on the basis of corrected Terms and Conditions. Such an offer and the corrected provisions shall be notified to the Noteholders together with the declaration of rescission in accordance with § 12. Any such offer shall be deemed to be accepted by a Noteholder (and the rescission shall not take effect), unless the Noteholder requests repayment of the Issue Price within four weeks following the date on which the offer has become effective in accordance with § 12 by delivery of a duly completed Rescission Redemption Notice via the account holding bank to the Paying Agent and by transfer of the Notes to the account of the Paying Agent with the Clearing System pursuant to paragraph 2. The Issuer shall refer to this effect in the notification.

4. "**Issue Price**" within the meaning of paragraph 2 and 3 shall be deemed to be the higher of (i) the purchase price that was actually paid by the relevant Noteholder (as declared and proved by evidence in the request for repayment) and (ii) the weighted arithmetic average (as determined by the Issuer in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)) of the traded prices of the Notes on the **[***Business Day***]** preceding the declaration of rescission pursuant to paragraph 1. [*The following sentence is applicable if the Underlying is <u>not</u> a currency exchange rate*][If a Market Disruption Event exists on the **[***Business Day***]** preceding the declaration of rescission pursuant to paragraph 2, the last **[***Business Day***]** preceding the declaration of rescission pursuant to paragraph 2 on which no Market Disruption Event existed shall be decisive for the ascertainment of price pursuant to the preceding sentence.**]**

5. Contradictory or incomplete provisions in the Terms and Conditions may be corrected or amended, as the case may be, by the Issuer in its reasonable discretion (*billiges Ermessen*, § 315 German Civil Code (*BGB*)). The Issuer, however, shall only be entitled to make such corrections or amendments which are reasonably acceptable to the Noteholders having regard to the interests of the Issuer and in particular which do not materially adversely affect the legal or financial situation of the Noteholders. Notice of any such correction or amendment shall be given to the Noteholders in accordance with § 12.

6. If the Noteholder was aware of typing or calculation errors or similar errors at the time of the acquisition of the Notes, then, notwithstanding paragraphs 2 - 5, the Noteholders can be bound by the Issuer to the corrected Terms and Conditions.

7. Should any provision of these Terms and Conditions be or become void in whole or in part, the other provisions shall remain in force. The void provision shall be replaced by a valid provision that reflects the economic intent of the void provision as closely as possible in legal terms. In those cases, however, the Issuer may also take the steps described in paragraphs 2 - 5 above.

8. Place of performance is Frankfurt am Main.

9. Place of jurisdiction for all disputes and other proceedings in connection with the Notes for merchants, entities of public law, special funds under public law and entities without a place of general jurisdiction in the Federal Republic of Germany is Frankfurt am Main. In such a case, the place of jurisdiction in Frankfurt am Main shall be an exclusive place of jurisdiction.

***[****insert additional or other provisions****]***

## COMMERZBANK AKTIENGESELLSCHAFT

## General information

### Bank name, registered office, corporate purpose and financial year

Commerzbank was founded in Hamburg as "Commerz- und Disconto-Bank" in 1870. Following temporary decentralization, Commerzbank was re-established on July 1, 1958 after a re-merger of the successor institutions created as part of the post-war breakup in 1952. Commerzbank's registered office is Frankfurt am Main and its head office is at Kaiserstrasse 16 (Kaiserplatz), 60311 Frankfurt am Main, Germany, Tel. +49-69-136-20. It is entered in the commercial register of the Local Court of Frankfurt am Main under the number HRB 32000. The Bank's legal name is Commerzbank Aktiengesellschaft. In its business dealings, the Bank uses the name Commerzbank. The Bank was established under German law for an indefinite period.

In accordance with Article 2 of the Articles of Association, Commerzbank's corporate purpose is to engage in banking transactions and to offer all types of financial services and other related services and transactions, including acquiring, holding and disposing of interests in other entities. The Bank may realize its corporate purpose itself, through affiliated companies and equity participations or through the conclusion of affiliation and cooperation agreements with third parties. It is entitled to have recourse to all transactions and measures which are suitable for promoting its corporate purpose, in particular the establishment of branches in Germany and abroad and the acquisition, management and disposal of interests in other enterprises.

Commerzbank's financial year is the calendar year.

## Description of the Commerzbank Group's Business Activities

### *Overview*

As of March 31, 2012, the Commerzbank Group is, according to its own estimates, the second-largest bank in Germany measured by total assets. Its approximately 1,200 branches in the future give it one of the most extensive branch networks of all private German banks, serving customers from every group. The focus of its activities is on the provision of a wide range of financial services to private, small and medium-sized corporate as well as institutional customers in Germany, including account administration and payment transactions, lending, savings and investment products, securities services, and capital market and investment banking products and services. Furthermore through its subsidiaries and associated companies, the Group is also active in specialist sectors, such as ship financing and leasing. As part of its comprehensive financial services strategy, the Group also offers other financial services in association with cooperation partners, particularly building savings loans, asset management and insurance. In addition, the Group is expanding its position as one of the most important German export financiers. Alongside its business in Germany, the Group is also active in Central and Eastern Europe through its subsidiaries, branches and investments. Outside of Germany, the Commerzbank Group is represented through 25 operational foreign branches, 35 representative offices and eight significant subsidiaries in 52 countries as of March 31, 2012. The focus of its international activities lies in Europe.

In the three-month period ending March 31, 2012, the Commerzbank Group achieved, with total assets as of March 31, 2012 of EUR 691.0 billion (including Eurohypo), a pre-tax result of EUR 550 million, or a decrease of EUR 594 million over the corresponding period in the previous year. As of March 31, 2012, the Commerzbank Group had a total of 57,133 employees: 43,654 in Germany and 13,479 abroad.

Since the completion of the Dresdner Bank acquisition in 2009, Commerzbank has taken great efforts to integrate its business divisions with those of Dresdner Bank and has largely completed the integration in the meantime. At present, the number of branch offices of approximately 1,470 still remains to be consolidated to the target number of 1,200 branch offices in the future. Alongside strategic synergies, Commerzbank anticipates cost synergies in the amount of EUR 2.4 billion a year beginning in 2014. Meanwhile, the Bank expects annually recurring cost synergies in the amount of more than EUR 2.1 billion in 2012, and in the amount of EUR 2.3 billion in 2013. In 2011 cost synergies of EUR 1.8 billion were already realized. Non-recurring total integration and restructuring costs of EUR 2.5 billion are anticipated in connection therewith. For the 2012 financial year, the Bank expects costs to be approximately EUR 40 million compared with EUR 205 million in 2011.

In response to the financial market crisis, SoFFin contributed silent partnerships in December 2008 and in June 2009 to Commerzbank initially in the total amount of EUR 16.4 billion, and in May 2009 acquired a stake of 25% plus one share in the Bank (see "*Description of the Commerzbank Group's Business Activities—Material agreements—Utilization of the SoFFin stabilization measures by Commerzbank*"). In connection with the capital measures conducted by the Bank in the second quarter of 2011 and in March 2012, the silent participations were largely repaid and converted into shares of Commerzbank. The nominal amount of SoFFin's silent participations has since then been approximately EUR 1.71 billion. In addition, as of the date of this Base Prospectus, SoFFin holds 1,398,527,254 shares of Commerzbank, which continues to correspond to a shareholding of 25% plus 1 share.

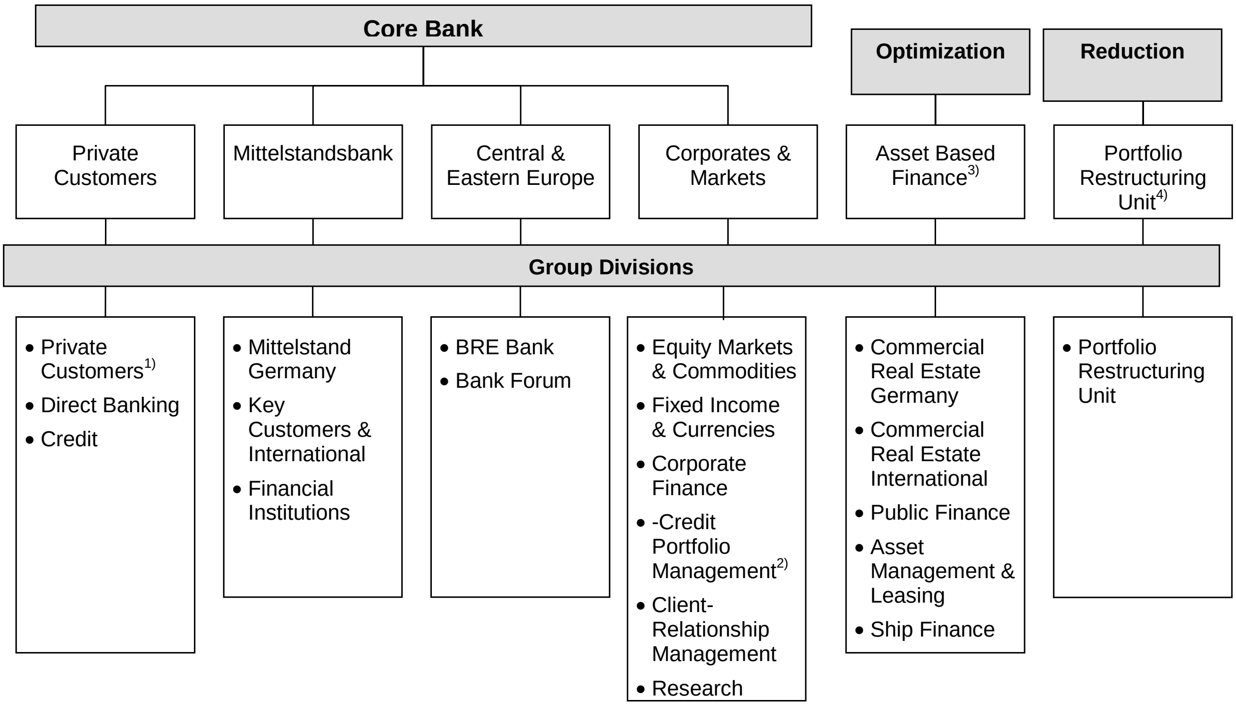
### ***Segments***

#### Overview

The Commerzbank Group is divided into six operating segments – Private Customers, Mittelstandsbank, Central & Eastern Europe, Corporates & Markets, Asset Based Finance and Portfolio Restructuring Unit – as well as the Others and Consolidation segment. Thereof, the Private Customers, Mittelstandsbank, Central & Eastern Europe and Corporates & Markets segments, along with the Others and Consolidation segment, form the core bank of the Commerzbank Group as of March 31, 2012.

The Asset Based Finance segment will be divided up as of July 1, 2012: The Group division Public Finance, the Commercial Real Estate (CRE) portfolios outside the target markets and those with a low coverage ratio or heightened risk within the target markets, as well as the non-core business with private customers will be transferred to the new Group internal reduction unit, Non Core Assets (NCA). The reduced core Commercial Real Estate portfolio, the Group division Ship Finance and the Group division Asset Management & Leasing will form the new, core bank segment Real Estate & Ship Finance. The core business of Eurohypo with private customers (private construction financing) will be integrated into the Private Customers segment.

The structure of the Group as of March 31, 2012 (before the division of the Asset Based Finance segment and without the Others and Consolidation segment) is presented below:

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1) Group business division reorganized in the above form as of August 1, 2011.

2) Emerged from a subdivision of Corporate Finance on April 1, 2012; due to be formed as a new Group division as of July 1, 2012.

3) Will be reorganized on July 1, 2012 and will be divided between the segments Real Estate & Ship Finance (RES) and Non Core Assets (NCA).

4) Set to be dissolved as of July 1, 2012 and the remaining portfolio will be transferred into the Corporates & Markets segment.

## Private Customers segment

The units in the Private Customers segment were reorganized in 2011 and now cover the activities of the Private Customers, Direct Banking and Credit Group divisions.

### Group division Private Customers

In February 2011, the merger of the Group divisions Private and Business Customers and Wealth Management created the new Group division Private, Business and Wealth Management Customers in the Private Customers segment. By consolidating this Group division with the staff divisions for private customers, the new Private Customers Group division was created in August 2011. This new Group division also integrated the call center services of Commerz Direktservice GmbH for its domestic branches. Marketing support is still separate for Private and Business Customers, and Wealth Management customers.

*Private and Business Customers*

This division serves private and business customers. In contrast to customers of the Mittelstandsbank, business customers are defined as corporate customers with annual sales of less than EUR 2.5 million. By July 1, 2011, 65 business customer consulting centers were established in metropolitan areas to develop and provide more extensive advice to business customers.

Commerzbank offers its customers a competitive range of banking and financial services tailored to their needs in the areas of securities and investment, real estate financing and mortgages, pensions, liquidity management and deposits, as well as accounts and payment transactions.

Commerzbank offers its customers the products of Allianz SE, Allianz Global Investors Kapitalanlagegesellschaft mbH ("**AGI**"), Commerz Finanz GmbH and Wüstenrot Bausparkasse. These include insurance, fund and building savings and loan products, which supplement the Bank's own product range.

The impact of the continuing uncertainty in international financial markets on the changing needs of customers and the consequences of the global financial crisis were again the main topics in the investment business in 2011. Commerzbank has met the resulting need for financial advice with a structured advisory process. Investment products are subject to a comprehensive centralized research and analysis process. As in 2010, sales were focused on asset management products, which provide customers with tailored investments through various investment options.

Commerz Direktservice GmbH, a wholly-owned subsidiary of Commerzbank, offers customers in the Group division Private Customers a range of services, including call center activities, telephone banking, technical hotlines and quality management services.

The primary distribution channel is the Group's branch network, which has been significantly expanded through the integration of Dresdner Bank. An additional distribution channel is available on the Internet at www.commerzbanking.de, where customers can carry out all their day-to-day banking transactions.

*Wealth Management Customers*

Wealth Management serves affluent private customers with liquid assets over EUR 1 million and/or customers who require specific solutions due to the complexity of their assets. Wealth Management offers its clients specialized advice and a broad portfolio of products and services. The products range from simple investment accounts to the management of complex asset structures. Customers are offered a wide range of services (including securities, real estate and credit management, asset management, family office solutions and inheritance and trust management) as well innovative products tailored to their individual needs. As a result of the cooperation with the Mittelstandsbank segment, Commerzbank is able to offer customized wealth solutions to entrepreneurs that give equal weight to personal and business investment issues.

At the Bank's competence centers, customers have access to specialists in securities, real estate and loans in addition to a relationship manager who functions as the customer's permanent personal contact. In addition, there are specialists based at the head office who can advise customers on asset management, inheritance and trust management. The main focus outside of Germany is on Commerzbank International S.A. in Luxembourg, which acts as a hub for the international wealth management business.

Group division Direct Banking

The Group division Direct Banking bundles the activities of the comdirect group, which essentially comprises comdirect bank and ebase. Comdirect bank focuses on modern private investors in Germany who are regular users of online services.

The comdirect bank is a full-service bank with three areas of expertise: brokerage, banking and advisory services. The brokerage division covers discretionary investment, under which comdirect bank offers, in addition to securities and funds, information for investment decisions and extensive trading functions. The banking division covers all services necessary to day-to-day cash transactions. The advisory division covers phone and Internet-based advisory services on construction loans and investment. Ebase acts as a full-service partner for financial companies, insurers, asset managers and investment companies, especially in the funds business. B2B partners can use ebase to handle all funds transactions for their customers under a single brand and supplement banking solutions with a B2B capability.

As a direct bank, comdirect bank primarily delivers its products and services via the Internet.

Group division Credit

The Group division Credit offers Private, Business and Wealth Management Customers credit products and a comprehensive range of lending-related services. The segment primarily provides private real estate financing, as well as personal loans, installment loans and consumer loans. The Group division offers some 30 credit products, which can be combined in a modular manner to match a customer's individual needs. For example, the Group division is one of the few national banks to offer a home equity loan with a flexible 100% early repayment option in addition to the usual repayment options. Spurred on by public discussion on the resale of loans, the Group has also developed a construction loan which offers the customer protection against resale over its entire term.

Credit products are primarily distributed by the Group division Private Customers through its nation-wide network of branches. The distribution process is supported by modern IT-based advisory programs. In order to create a transparent and efficient advising and sales process for customers, the administrative processing, risk valuation and loan decision-making will be assumed centrally by loan processing centers belonging to the Credit Group division, with the participation of the risk management unit.

Mittelstandsbank segment

This segment comprises the three Group divisions of Mittelstand Germany, Key Customers & International and Financial Institutions.

The Group division Mittelstand Germany bundles the business with SME customers, the public sector and institutional customers. The Group division Key Customers & International focuses on providing services to corporate customer groups with sales revenues of over EUR 500 million. Smaller firms with more affinity for the capital markets as well as those with material foreign activities are also advised here; the competence center for customers from the "renewable energies" sector is also included in this Group division. Through its foreign branches, this Group division is to be a strategic partner – both for the international activities of German corporate groups and for international firms with business activities in the German market. Commerzbank (Eurasija) SAO in Russia, the Hungarian Commerzbank Zrt. and the Commerzbank branch offices in the Czech Republic and Slovakia were transferred internally to the Mittelstandsbank segment from the CEE segment as of January 1, 2012. The goal of these measures is to continue to concentrate on being, comparable to the further extent possible to the other foreign units in the Mittelstandsbank segment, a niche provider for corporate customers businesses with an emphasis on providing services to German companies in the respective markets and in Central Europe as well as to local medium-sized customers.

SMEs and large corporate customers are divided into three core groups based on sales and customer needs:

- *Small SMEs:* Companies registered in the commercial register with annual sales of between EUR 2.5 million and EUR 12.5 million

- *Large SMEs:* Companies registered in the commercial register with annual sales of between EUR 12.5 million and EUR 250 million and companies with annual sales of between EUR 250 million and EUR 500 million that are not active in the capital markets (companies with annual sales over EUR 250 million that are active in the capital markets or engage in material activities abroad are advised by the Group division Key Customers & International).

Public sector customers include municipalities, municipally-owned corporations and public sector bodies. The most important institutional customers are social security funds, pension plans and pension funds, occupational pension schemes, churches, foundations and business federations.

The product range of the Group Division Mittelstand Germany and Key Customers & International comprise the sophisticated services required by its customers, including risk management, investment advice, financing, transaction management, assistance with foreign trade transactions and investment banking activities. In the area of risk management, the Group divisions offer hedging transactions for commodity price, interest rate and currency fluctuations. In the field of investment advice, the services include money market, mutual and special funds, as well as money and capital market products such as variable and fixed deposits, shares, bonds, structured products and securities lending as well as advice on occupational pensions and working time accounts. In the field of financing, the funds required by the customer are provided after an assessment of the customer's overall situation as well as their plans and requirements. In addition, CommerzFactoring GmbH, a joint venture with GE Commercial Finance Inc., offers receivables financing services that are comprehensive and integrated into the banking business. Support services in the area of transaction management include the provision of appropriate cash levels and the updating of account information several times a day through to automatic cash management systems for companies with numerous branches or establishments requiring their own accounts locally. To support foreign trade, customers are offered processing services for their payment transactions with foreign countries and export financing products combined with comprehensive advice. Customers are advised on expanding their market position and developing new markets, and are offered support in assessing new developments abroad. The product portfolio is rounded off by a comprehensive range of investment banking advisory services.

The services available to public sector customers comprises a broad spectrum of financing services, ranging from loans to municipalities, corporate finance and revenue forfaiting through to project finance, as well as investments and derivatives, debt management and payments solutions.

The distribution model of Mittelstandsbank is based on its customers' needs. Client advisors specialize in the Group division's core customer segments. If necessary, client advisors can call on additional product specialists for corporate banking products and capital market products from the Corporates & Markets segment.

The Group division Financial Institutions is responsible for the Group's relationships with foreign and domestic banks, as well as with central banks. The Group division offers these customers comprehensive advice and support, with a strategic focus on facilitating foreign trade. The Group division also uses a network of approximately 7,000 correspondent banks together with business relationships in emerging markets to promote the Group's foreign trade activities throughout the world. It also assists other Group divisions with their international activities.

The Group division works on the basis of a global service approach, where customer advisors based centrally at the Bank's head office work with a worldwide network of representative offices and financial institution units in foreign centers.

Central & Eastern Europe segment

In 2008, the Group restructured its business in Central and Eastern Europe. The activities of the subsidiaries and branches in the region were combined in the Central & Eastern Europe segment. In addition to BRE Bank in Poland, the segment also includes another full-service bank, the Ukrainian Bank Forum. Commerzbank (Eurasija) SAO in Russia, the Hungarian Commerzbank Zrt. and the Commerzbank branch offices in the Czech Republic and Slovakia were transferred internally to the Mittelstandsbank segment as of January 1, 2012. The segment also has minority interests in various microfinance and small loans banks and the Russian Promsvyazbank. Customers of the Central & Eastern Europe segment include private customers, local companies in Central and Eastern Europe, as well as companies active in this region.

The segment's main revenue source is the Polish BRE Bank. As a universal bank, BRE Bank offers its clients customized products and services. In its corporate banking business, BRE Bank concentrates on supporting large corporate customers and fast-growing SMEs. It also has an extensive range of products and services for private customers operating under its mBank and MultiBank brands. While MultiBank concentrates primarily on affluent private customers and entrepreneurs, mBank is focused mainly on active users of Internet banking in Poland, the Czech Republic and Slovakia via its direct banking platform.

The strategic focus of the corporate banking business of the Ukrainian Bank Forum is Ukrainian SMEs and selected Ukrainian large corporate customers. In its private customer business, Bank Forum concentrates primarily on affluent private customers. Commerzbank took a series of restructuring measures to realign the Bank Forum. These measures include capital increases already implemented, re-focusing the business model, a newly appointed management team and improved risk management. In addition, assets were transferred to subsidiaries of Commerzbank in the Ukraine for a targeted reduction of balance sheet assets.

Together with ProCredit Holding AG and international development agencies, the Group is also a minority shareholder in six ProCredit banks in Albania, Bosnia and Herzegovina, Bulgaria, Kosovo, Romania and Serbia. These banks specialize in supporting SMEs in their respective countries with loans, and are active deposit-takers, receiving savings and time deposits from companies and individuals. Since their foundation, the ProCredit banks have gained market share in their respective countries. Together with international development agencies, the Group also has a minority stake in the Belarusian Bank for Small Business based in Minsk.

Distribution is largely through the operating units. In corporate banking, BRE Bank is represented in the main economic regions. In BRE Bank's private customer business, mBank primarily offers its products via the Internet as well as through other direct distribution channels. Like Bank Forum, MultiBank's distribution is primarily office-based through Financial Service Centers and Partner Outlets.

Corporates & Markets segment

The Corporates & Markets segment includes the Group's investment banking activities and services to customers who require capital market products. The segment comprises the Group divisions Equity Markets & Commodities, Fixed Income & Currencies, Corporate Finance and Client Relationship Management, supported by Research. This segment continues to include the Group division Credit Portfolio Management. The structured loan portfolios were transferred to the Portfolio Restructuring Unit (PRU) segment in 2009 in order to be reduced successively. Risks from non-structured loan portfolios are still handled by the Corporates & Markets segment.

The Group division Equity Markets & Commodities offers a [growing] and widely diversified product range, principally derivatives for private and institutional investors. In addition to the equities asset class (equity derivatives and equity brokerage), the division sells and trades in commodities derivatives both as risk management solutions as well as investment products for corporate and private customers. The division now offers over 150,000 products in the field of equity derivatives.

The Group division Fixed Income & Currencies provides solutions for corporate customers, but also private customers, in the interest rate, currencies and credit asset classes. The product offering is comprehensive and ranges from standard transactions through to tailored structured solutions. In currency and bond trading, customers can conduct all conventional currency and currency option transactions via an electronic platform. Group-wide distribution channels also make the products available to clients in the Private Customers and Mittelstandsbank segments.

The Group division Corporate Finance offers corporate customers a comprehensive range of financing solutions and advisory services for equity and debt instruments. The main products are equity issues, syndicated corporate bonds and loans, LBO financing, bond and covered bond issues and project finance. In addition, the division advises on mergers and acquisitions. The Group division Corporate Finance is also responsible for the segment's central credit portfolio management.

Credit Portfolio Management, which emerged as of April 1, 2012 from a subdivision of the Group division Corporate Finance, takes over the global institutional control and active management of the credit risk of the Corporates & Markets segment. The counterparty and market risks arising in the loan book of the Corporates & Markets segment are managed using hedging instruments and secondary market opportunities in order to achieve a reduction of concentration risks and to optimize capital consumption. As of July 1, 2012 Credit Portfolio Management is to be formed as a new Group division.

The Group division Client Relationship Management focuses on serving prominent German multinationals, selected German family businesses in all key industrial sectors, companies in the international insurance sector, U.S. companies, leading private equity investors, as well as the German Federal Government and German states. The product range comprises all of the Group's commercial and investment banking products. In order to offer customers customized solutions, the

Group division works closely with the relevant product specialists, such as from the Group divisions Corporate Finance, Fixed Income & Currencies, or Equity Markets & Commodities.

Furthermore, this segment includes the research activities and the New York and London branches.

The Group's Investment Banking activities in all customer segments utilize a number of sales channels, both inside and outside of the Group. Support is provided to corporate customers through the Group's own branch network in Germany and abroad, through sales specialists for major customers branch-wide and at the head office, as well as through employees of the Group division Client Relationship Management. Institutional customers are primarily served by distribution teams in Frankfurt and London, as well as, to a lesser extent, in New York, Singapore and Hong Kong. Private customers are serviced by the Group's own domestic branch network. Moreover, key sales channels for this segment also include a wide network of international private banks, sales networks of universal banks (financial intermediates), German and European exchanges (public distribution) and electronic trading platforms.

Asset Based Finance segment

The Asset Based Finance segment at present consolidates the Group divisions Commercial Real Estate Germany, Commercial Real Estate International, Public Finance, Asset Management & Leasing and Ship Finance and the retail banking business of Eurohypo AG. Commercial Real Estate Germany, Commercial Real Estate International and Public Finance are almost entirely based at Eurohypo and to a lesser extent at Erste Europäische Pfandbrief- und Kommunalkreditbank Aktiengesellschaft in Luxembourg ("**EEPK**"). The Group division Asset Management & Leasing primarily includes the activities of Commerz Real AG ("**Commerz Real**"). The Group division Ship Finance combines the Group's ship financing activities, including those of the former Deutsche Schiffsbank. In May 2012 Deutsche Schiffsbank was merged into Commerzbank. Prior to that, Commerzbank had in November 2011 acquired the minority stake in Deutsche Schiffsbank held by Unicredit Bank Aktiengesellschaft and since then held 100% of shares in Deutsche Schiffsbank until the merger. Ship Finance has been located in this segment since the beginning of 2009. Public Finance (largely Eurohypo) and the private construction financing business of Eurohypo (a reduction portfolio with no new business intake, containing loans being continuously reduced though scheduled repayments and other repayments) have been allocated to this segment since the third quarter of 2009. Due to the decision of the EU Commission of March 30, 2012 to change the condition regarding the sale of Eurohypo into a winding-up condition (see "*Material agreements—Utilization of the SoFFin stabilization measures by Commerzbank*"), the holdings of the Asset Based Finance segment will be divided between the core and non-core business as of July 1, 2012: The core business of the Commercial Real Estate business in the markets of Germany, the United Kingdom, France and Poland (after removing businesses with low coverage ratio or heightened risk from the portfolios), the Ship Finance business and the Group division Asset Management & Leasing will form the new core bank segment Real Estate & Ship Finance (RES). Core divisions of the Private Customer business of Eurohypo, namely the private construction financings, are intended to be integrated in the Private Customers segment. The non-core business of the Group division Commercial Real Estate, i.e. the entire business outside the markets of Germany, the United Kingdom, France and Poland as well as business with a low coverage ratio or heightened risk within these countries, the entire Public Finance business and the remaining retail banking business will be transferred into the new Group internal asset reduction unit, Non Core Assets (NCA).

Commercial Real Estate Germany and Commercial Real Estate International Group divisions

Eurohypo has to date been an internationally active bank specializing in real estate and public sector lending within the Commerzbank Group.

The Group divisions Commercial Real Estate Germany and Commercial Real Estate International concentrate on commercial real estate financing in Germany and the other international markets of the United Kingdom, France and Poland. The product range extends from classic fixed interest rate loans and structured finance to financial market products. The advantage for the customer is that in addition to classic lending, the division offers syndication and securitization as a means of optimally serving and structuring customers' financing needs.

Following the European Commission's decision to change the requirement to sell Eurohypo to a requirement to wind it down, the Commercial Real Estate business division is intended to be totally restructured as of July 1, 2012. The Commercial Real Estate business will be divided into a core and non-core business. The non-core business is expected to be transferred into the new Group internal NCA divestments unit and systematically reduced in according with the existing strategy of portfolio reduction. The remaining Commercial Real Estate core portfolio, together with the former Group divisions Asset Management & Leasing and Ship Finance, are intended to be consolidated into the Real Estate & Ship Finance (RES) segment belonging to the core bank.

Product distribution is based primarily on the ongoing and long-term business relationships maintained by the Group division with most of its customers.

Group division Public Finance

The Group division Public Finance handles state financing business with the public sector in Germany (federal and states), the G8 member nations, the European Union and the European Economic Area, OECD member states and Switzerland. In addition to classic medium- and long-term finance (loans and bonds), the product range includes structured finance and derivative instruments. The lending business is primarily refinanced through issues of public-sector Pfandbriefe and Lettres de Gage Publiques (Luxembourg) as well as through the repo market.

In view of the EU requirement to wind down Eurohypo, the Group division Public Finance will be fully transferred into the new Group internal reduction unit NCA as of July 1, 2012 and the reduction strategy already pursued will be continued.

Group division Asset Management & Leasing (Commerz Real)

One focus is on the provision of investment products for private and institutional investors, such as open and closed-end real estate funds and closed-end funds for ships, aircraft and renewable energy. The open-ended real estate funds are characterized by a broad international diversification of portfolio assets. The focus of investments is on the office, retail and logistics sectors.

A further focus of the Group division is the Structured Investments unit, which combines the activities of real estate leasing, large-scale plant and equipment leasing (such as industrial plants, power plants and transmission networks) and structured finance. The product range includes solutions for customer-specific investment projects and the development of tax-neutral and balance sheet-neutral solutions based on both IFRS and the German Commercial Code. In addition the Group division offers financing concepts structured on an individual basis, such as the transfer of pension liabilities off the balance sheet and operator models for municipal utilities and waste disposal facilities. The Group division has longstanding experience with public investment projects such as clinics, schools and cultural establishments (public private partnerships or PPPs).

The product range is rounded off with the equipment leasing business, which is primarily divided between the traditional product areas of plant and machinery and IT equipment. In addition, this Group division also covers innovative financial models for intangible assets, such as brands and patent leasing. The financing concepts of Commerz Real offer SMEs in particular attractive alternatives to classic financing.

Commerz Real uses different distribution channels depending on the product area. Sales are largely carried out through Commerzbank via the Private Customers and Mittelstandsbank segments as well as via third-parties that distribute fund products that target the private customers group.

As part of the reorganization, the activities of the Group division Asset Management & Leasing will be continued, accompanied by a realignment of marketing and the divestment of non-core activities. The Group division will be fully transferred into the new core bank Real Estate & Ship Finance (RES) segment as of July 1, 2012.

Group division Ship Finance

Following the integration of Dresdner Bank into Commerzbank, all the Commerzbank Group's ship financing activities were consolidated in the Group division Ship Finance, i.e., Commerzbank's ship financing and the activities of Deutsche Schiffsbank which has now merged into Commerzbank have been consolidated in the Ship Finance division.

The core business is financing new buildings and the purchase of second-hand tonnage, generally in the form of long-term ship mortgage loans. Other services closely linked with long-term ship lending primarily include derivative financial products for managing interest and currency risks, payment transactions and investment business for the financed ships and borrowers.

In November 2011, Commerzbank acquired the minority stake in Deutsche Schiffsbank held by Unicredit Bank Aktiengesellschaft. In May 2012, Deutsche Schiffsbank was merged into Commerzbank in order to combine the ship financing portfolios of Commerzbank and Deutsche Schiffsbank. The merger took effect retroactively as of January 1, 2012. The headquarters of the business unit will be Hamburg. The closure of the second headquarters of the former Deutsche Schiffsbank in Bremen is planned for 2013.

The Group division Ship Finance offers its customers a wide range of maritime financial services concentrated on the markets in Germany, Greece and Asia. The Commerzbank Group offers its customers a broad range of financial services, from loans and structured financing solutions, access to capital and international investors through to research and derivatives.

The Group division Ship Finance will be fully transferred into the new core bank Real Estate & Ship Finance (RES) segment as of July 1, 2012.

Portfolio Restructuring Unit segment

Certain assets are concentrated in the Portfolio Restructuring Unit segment in order to dispose of them in a targeted manner. These concern structured credit assets and non-strategic credit products in the trading book and from the Commerzbank, Dresdner Bank and Eurohypo portfolios, including non-performing assets and positions that since 2009 no longer fit within the Commerzbank business model, such as assets in connection with discontinued proprietary trading and investment activities. The positions that were managed by this segment when it was established included asset-backed securities (ABSs) not having a state guarantee, other structured credit products, proprietary trading positions in corporate or financial bonds and exotic credit derivatives. These positions were mainly transferred from the Corporates & Markets and Asset Based Finance (formerly Commercial Real Estate) segments to the Portfolio Restructuring Unit.

According to plan the PRU segment is to be wound up as a stand-alone segment as of July 1, 2012. The remaining portfolio is in substantial part to be transferred into the Corporates & Markets segment belonging to the core bank.

Others and Consolidation segment

Revenues and expenses not falling within the areas of responsibility of the operating segments are positioned in the Others and Consolidation division. "Others" comprises holdings not assigned to the operating segments (e.g. industrial holdings) and Group Treasury. The costs of all support functions (i.e. Information Technology, Organization, Banking Operations, Markets Operations, Security as well as Support and Group Services Commerzbank Exzellenz) are also reported here. The support functions are combined in the Group Services unit. The costs of the Group Services units – except for integration and restructuring costs – are charged in full to the operating segments. The allocation of the Group Services units' costs occurs – except for integration and restructuring costs, which remain under Others – through the cost allocation process.

"Consolidation" essentially includes expenses and revenue that represent the reconciliation of internal management reporting figures shown in segment reporting with the consolidated financial statements in accordance with IFRS. The costs of all staff and management functions are also included here (i.e. Development & Strategy, Communications, Legal, Finance, Investor Relations, Finance Architecture, Compliance, Audit, Human Resources, Integration and Group Management Excellence as well as Risk). The staff and management functions are combined in the Group Management unit. The costs of Group management units are – except for integration and restructuring costs, which are shown under Others – also charged in full to the operating segments.

Furthermore, the Others and Consolidation segment also includes the integration and restructuring costs of the business support service units

The Group Treasury unit is responsible for managing the risks associated with liquidity and interest rate changes, for capital management, and for managing the Group's balance sheet structure. Following the acquisition of Dresdner Bank and the associated organizational realignment of the Group, Group Treasury has been part of the Others and Consolidation segment since the start of 2009. This unit is represented in all of the Group's main locations in Germany and abroad.

Liquidity management is broken down into an operational and an analytical component. Operational liquidity management involves the management of daily payments, central bank access and the liquidity portfolio as well as planning expected cash flows; for the longer-term it also involves securing access to secured and unsecured sources of funding on the capital markets. The analytical component of liquidity management includes drawing up a maturity profile for all assets and liabilities, including modeling the proportion of customer deposits available on a permanent basis, the Group's resulting issuing strategy and the calculation and allocation of liquidity costs. Furthermore, conceptual liquidity management is concerned with regulatory issues, in particular developments related to Basel III and CRD IV, and their potential effects on the business activities of the Group in order to account for these effects early on in strategic management.

Capital management deals with the optimization of the Group's capital structure as well as the allocation of costs and revenues generated in connection with the issuance and investment of equity instruments. Balance sheet management involves optimization of the balance sheet in terms of both size and structure, taking risk and return aspects into consideration. Other responsibilities of Group Treasury include central management of Commerzbank's interest rate and translation risk, management of the internal interest rate netting and investment models.

### *Rating*

The following table shows the Group's long-term and short-term ratings as of the date of this offering circular:

| Rating agency | Long-term rating | Short-term rating |
|---|---|---|
| Moody's Investors Service, Inc.................................... | A3[1)] | P-2[2)] |
| Standard & Poor's Financial Services LLC ................. | A | A-1 |
| Fitch Ratings, Inc......................................................... | A+ | F1+ |

[1)] Obligations rated A are judged to be upper-medium grade and are subject to low credit risk. (Note: Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 3 indicates a ranking in the lower end of that generic rating category.)
[2)] Issuers (or supporting institutions) rated Prime-2 have a strong ability to repay short-term debt obligations.

The information on the rating were correctly reproduced and no facts were omitted that would render the information incorrect or misleading.

All of these rating agencies have subsidiaries in the European Union that have been registered by the European Securities and Markets Authority (ESMA) in accordance with Regulation (EC) No. 1060/2009 of the European Parliament and of the Council of September 16, 2009 on rating agencies (Source: ESMA, Press Release from October 31, 2011).

Each agency rating reflects the opinion of the particular rating agency at the given reported point in time. Investors should consider each rating individually and obtain additional information and a more detailed understanding of the significance of the respective credit rating information provided by the respective rating agency. Rating agencies may change their ratings at any time if specific circumstances require such a change in their opinion. Investors should not buy, hold or sell securities based on the long-term rating recommendation.

### *Trademark rights*

Commerzbank holds various German trademarks, Community trademarks and international registrations. The "Commerzbank" trademark in particular is protected in Germany and several other countries for financial services and associated goods and services, among others.

Commerzbank has had the Internet domains that it regards as important for its business activities in Germany and abroad registered on its behalf. In particular, the domains "commerzbank.de" and "commerzbank.com" are in particular are protected.

### *Group structure and corporate investments*

The following table provides an overview of the main subsidiaries held by the Bank, both directly and indirectly as of the date of this Base Prospectus:

| **Company** | **Registered office** |
|---|---|
| **In Germany** | |
| Atlas Vermögensverwaltungs-Gesellschaft mbH .................... | Frankfurt am Main |
| comdirect bank Aktiengesellschaft ......................................... | Quickborn |
| Commerz Real AG .................................................................. | Eschborn |
| Deutsche Schiffsbank Aktiengesellschaft[1] ............................. | Hamburg/Bremen |
| Eurohypo Aktiengesellschaft .................................................. | Eschborn |
| **Abroad** | |
| BRE Bank SA ......................................................................... | Warsaw |
| Commerzbank Holdings (UK) Limited[2] ................................... | London |
| Commerz Markets LLC[3] ........................................................ | New York |
| Commerzbank (EURasija) SAO .............................................. | Moscow |
| Commerzbank Europe (Ireland) .............................................. | Dublin |
| Commerzbank International S.A. ........................................... | Luxembourg |
| Commerzbank Zrt. .................................................................. | Budapest |
| Erste Europäische Pfandbrief- und Kommunalkreditbank AG | Luxembourg |
| Public Joint Stock Company "Bank Forum"............................ | Kiev |

1) Deutsche Schiffsbank Aktiengesellschaft was merged into Commerzbank with effect as of January 1, 2012.
2) formerly Dresdner Kleinwort Group Limited.
3) formerly Dresdner Kleinwort Group Securities LLC

Further information on the holdings in affiliates and other companies is contained in the Financial Statements of the Commerzbank Group as at December 31, 2011 (Note 106) which is incorporated by reference into, and form part of, this Base Prospectus (please see page 194 of this Base Prospectus).

### *Administrative, Management and Supervisory Board*

<u>Board of Managing Directors</u>

The Board of Managing Directors currently consists of nine members.

The following table shows the members of the Board of Managing Directors of Commerzbank and their responsibilities:

| Name | Responsibilities |
|---|---|
| Martin Blessing, *Chairman of the Board* | Group Management: Group Development & Strategy, Group Communications, Group Legal, Group Treasury |
| Frank Annuscheit......................... | Group Services: Group Information Technology, Group Organization, Group Support, Group Banking Operations, Group Markets Operations, Group Security, Group Services Commerzbank Exzellenz |
| Markus Beumer ........................... | Segment Mittelstandsbank: Mittelstand, Key Customers, Corporate Banking, Financial Institutions, International, Strategic Projects |
| Stephan Engels | Group Management: Group Investor Relations, Group Compliance, Group Finance, Group Finance Architecture, Group Audit |
| Jochen Klösges ........................... | Segment Asset Based Finance: Public Finance, Ship Finance, Commercial Real Estate Germany, Commercial Real Estate International, Asset Management & Leasing, Eurohypo Retail, COO ABF |
| Michael Reuther .......................... | Segment Corporates & Markets: Equity Markets & Commodities, Fixed Income & Currencies Trading, Corporate Finance, Fixed Income & Currencies Sales, Credit Portfolio Management, Client Relationship Management, Research, COO C&M, New York, London, Segment Portfolio Restructuring Unit |
| Dr. Stefan Schmittmann ............. | Group Risk Management: Group Credit Risk Management, Group Risk Controlling & Capital Management, Group Market Risk Management, Group Intensive Care |
| Ulrich Sieber ................................ | Segment Central & Eastern Europe<br>Group Management: Group Human Resources, Group Management Commerzbank Exzellenz |
| Martin Zielke ................................ | Segment Private Customers: Private Customers, Sales Private and Corporate Customers Northeast, Sales Private and Corporate Customers Southwest, Sales Wealth Management, Direct Banking, Credit |

The members of the Board of Managing Directors have currently the following administration responsibilities or posts as Managing Directors or Supervisory Board members, on comparable controlling bodies or the position as a partner in enterprises and companies, outside the Commerzbank Group.

| Name | External mandates |
|---|---|
| Martin Blessing ............ | None. |
| Frank Annuscheit......... | None. |
| Markus Beumer ........... | • Member of several Investment Committees of Allianz Global Investors Kapitalanlagegesellschaft, Frankfurt am Main<br>• Member of the Advisory Board of DFS Deutsche Flugsicherung GmbH, Langen |

- Member of the Board of Managing Directors, Chairman of the Corporate Financing Committee and Member of the Committee for Investment Banking of the Association of German Banks (*Bundesverband deutscher Banken e.V.*), Berlin
- Member of the Advisory Board of Deutsche Amphibolin-Werke von Robert Murjahn Stiftung & Co KG

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| Stefan Engels .............. | Member of the Advisory Board of SdB – Sicherungsgesellschaft deutscher Banken mbH |
| Jochen Klösges ........... | None. |
| Michael Reuther .......... | • Member of the Stock Exchange Council of the Frankfurt Stock Exchange, Frankfurt am Main<br>• Member of the Stock Exchange Council of Eurex Deutschland, Eschborn |
| Dr. Stefan Schmittmann | • Member of the Supervisory Board of Schaltbau Holding AG, Munich<br>• Member of the Supervisory Board of Verlagsgruppe Weltbild GmbH, Augsburg |
| Ulrich Sieber ................ | • Deputy Chairman of the Supervisory Board and Member of the Executive Committee of BVV Pensionsfonds des Bankgewerbes AG, Berlin<br>• Deputy Chairman of the Supervisory Board and Member of the Executive Committee of BVV Versorgungskasse des Bankgewerbes e.V., Berlin<br>• Deputy Chairman of the Supervisory Board and Member of the Executive Committee of BVV Versicherungsvereins des Bankgewerbes AG, Berlin<br>• Chairman of the Executive Board of Arbeitgeberverbands des privaten Bankgewerbes e.V., Berlin<br>• Member of the Executive Committee of the Confederation of German Employer Associations, Berlin<br>• Member of the Board of Trustees of Gesellschaft für Kapitalmarktforschung e.V., Frankfurt<br>• Member of the Board of Trustees of Goethe Business School gGmbH, Frankfurt<br>• Member of the Board of Trustees of the Goethe Business School Foundation, Frankfurt<br>• Member of the Board of Trustees of the Faculty of Economics and Business Administration of Goethe-Universität, Frankfurt<br>• Member of the Board of Trustees of the Frankfurt School of Finance & Management Foundation, Frankfurt<br>• Member of the Executive Committee of Ost-Ausschuss der Deutschen Wirtschaft, Berlin |

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| Martin Zielke ................ | • Member of the Supervisory Board of Allianz Global Investors Kapitalanlagegesellschaft mbH, Frankfurt<br>• Chairman of the Committee for Private and Business Customers of the Association of German Banks (*Bundesverband deutscher Banken e.V.*), Berlin |

The Members of the Board of Managing Directors may be reached at the Bank's business address: Kaiserstrasse 16 (Kaiserplatz), 60311 Frankfurt am Main, Germany.

Supervisory Board

In accordance with the Articles of Association, the Supervisory Board comprises twenty members.

The following overview shows the members of the Bank's Supervisory Board together with their other administrative, management and supervisory board mandates and mandates on similar supervisory bodies both in Germany and abroad or their partnership stakes in enterprises and companies outside the Commerzbank Group:

| **Name** | **Main function** | **Other administrative, management or supervisory board mandates and mandates on similar super-visory bodies both in Germany and abroad** |
|---|---|---|
| Klaus-Peter Müller........... | *Chairman of the Supervisory Board of Commerzbank* | • Member of the Supervisory Board of Fresenius SE & Co. KGaA (formerly Fresenius SE)<br>• Member of the Supervisory Board of Fresenius Management SE<br>• Member of the Supervisory Board of Linde AG<br>• Member of the Board of Administration of Landwirtschaftliche Rentenbank<br>• Member of the Supervisory Board of Parker Hannifin Corporation |
| Uwe Tschäge .................. | Employee of Commerzbank (works council member) and Chairman of the Central Works Council of Commerzbank<br>*Deputy Chairman of the Supervisory Board* | • None. |
| Hans-Hermann Altenschmidt.................... | Commerzbank employee (works council member) | • Member of the Supervisory Board of BVV Pensionsfonds des Bankgewerbes AG<br>• Member of the Supervisory Board of BVV Versicherungsverein des Bankgewerbes a.G.<br>• Member of the Supervisory Board of BVV Versorgungskasse des Bankgewerbes e.V. |
| Dr. Ing. Burckhard Bergmann........................ | Former Chairman of the Board of E.ON Ruhrgas AG; former member of the Board of E.ON AG; Adviser | • Deputy Chairman of the Supervisory Board at Allianz Lebensversicherungs AG<br>• Member of the Supervisory Board of E.ON Energie AG<br>• Member of the Board of Directors of OAO Novatek<br>• Member of the Board of Directors of Telenor ASA<br>• Member of the Advisory Board of Accumulatorenwerke Hoppecke Carl Zoellner & Sohn GmbH<br>• Chairman of the Advisory Board of Jaeger Beteiligungsgesellschaft mbH & Co. KG |

| | | |
|---|---|---|
| Dr. Nikolaus von Bomhard | Chairman of the Board of Administration of Münchener Rückversicherungs-Gesellschaft AG | • Chairman of the Supervisory Board of ERGO Versicherungsgruppe AG<br>• Chairman of the Supervisory Board of Munich Health Holding AG (formerly DKV International Health Holding AG)<br>• Chairman of the Board of the International Association for the Study of Insurance Economics (AIEEA, "Geneva Association") |
| Karin van Brummelen | Commerzbank employee | • None. |
| Astrid Evers | Commerzbank employee | • None. |
| Uwe Foullong | Trade Union Secretary, Vereinte Dienstleistungs-gewerkschaft (ver.di), Düsseldorf | • None. |
| Daniel Hampel | Employee of Commerzbank (works council member) | • None. |
| Dr.-Ing. Otto Happel | Entrepreneur | • None. |
| Beate Hoffmann | Commerzbank employee | • None. |
| Prof. Dr.-Ing. Dr.-Ing. E.h. Hans-Peter Keitel | President of the Federation of German Industries (Bundesverband der Deutschen Industrie e.V.) | • Member of the Supervisory Board of National-Bank AG<br>• Member of the Investment Committee at EQT Infrastructure Ltd.<br>• Member of the Board of Trustees of the RAG Foundation<br>• Member of the Supervisory Board of Thyssen Krupp AG<br>• Member of the Supervisory Board of Deutsche Messe AG<br>• Member of the Advisory Board of Heitkamp & Thumann Group |
| Alexandra Krieger | Hans-Böckler Foundation, Head of the Economics Department | • None. |
| Dr. h.c. Edgar Meister | Lawyer | • Member of the Supervisory Board of DWS Investment GmbH<br>• Member of the Supervisory Board of Standard & Poor's Credit Market Services Europe Limited |
| Prof. h.c. (CHN) Dr. rer. oec. Ulrich Middelmann | Former Deputy Chairman of the Board of ThyssenKrupp AG; Adviser | • Member of the Supervisory Board of Deutsche Telekom AG<br>• Member of the Supervisory Board of LANXESS AG<br>• Member of the Supervisory Board of LANXESS Deutschland GmbH<br>• Chairman of the Advisory Board of Hoberg & Driesch GmbH |
| Dr. Helmut Perlet | Former member of the Board of Managing | • Member of the Supervisory Board of Allianz SE<br>• Member of the Supervisory Board of GEA Group |

| | | |
|---|---|---|
| | Directors of Allianz SE | |
| Barbara Priester............... | Commerzbank employee | • None. |
| Mark Roach...................... | Secretary ver.di Trade Union National Administration | • Member of the Supervisory Board of Fiducia IT AG |
| Dr. Marcus Schenck........ | Member of the Board of Managing Directors of E.ON AG | • Member of the Supervisory Board of E.ON Ruhrgas AG<br>• Chairman of the Supervisory Board of E.ON IT GmbH<br>• Member of the Supervisory Board of E.ON Energy Trading SE<br>• Member of the Administrative Board of HSBC Trinkaus & Burkhardt AG<br>• Member of the Board of Directors of AXA S.A. |
| Dr. Gertrude Tumpel-Gugerell (since May 23, 2012)................................ | Former Member of the Executive Board of the ECB | • Member of the University Council of the University of Vienna<br>• Member of the Supervisory Board of Österreichische Bundesbahnen Holding AG<br>• Member of the Supervisory Board of Finanzmarktbeteiligung Aktiengesellschaft des Bundes<br>• Member of the Supervisory Board of Wien Holding GmbH<br>• Member of the Supervisory Board of BBRZ Group<br>• Member of the Supervisory Board of Vienna Insurance Group |

The Members of the Supervisory Board may be reached at the Bank's business address: Kaiserstrasse 16 (Kaiserplatz), 60311 Frankfurt am Main, Germany.

***Potential Conflict of Interest***

With respect to potential conflicts of interest between the obligations of the members of the Board of Managing Directors or the Supervisory Board to the Bank and their private interests or outside obligations, it is to be noted that members of the Board of Managing Directors and the Supervisory Board currently hold shares of the Bank. Altogether, these shares amount to a holding of less than 1% of the issued shares of Commerzbank.

In the context of the conditions for participation in the still ongoing Long Term Performance Plans (LTP), there is a restriction on divestiture of the shares of the Bank held by the members of the Managing Board of Directors in that a reduction in the number of the allocated shares to a number divisible by 50 is, up to the minimum number of 1,000 shares per LTP Plan year designated for the Managing Board of Directors, possible at any time; a re-increase, however, is not. In case the number falls below the minimum, the respective member of the Board of Managing Directors is eliminated from the LTP for the year.

Beyond this, there are no conflicts of interest or potential conflicts of interest between the obligations of the members of the Board of Managing Directors or the Supervisory Board to the Bank on the one hand, and their private interests or outside obligations on the other.

***Major Shareholders***

Based on the shareholders disclosure pursuant to sections 21 et seq. of the German Securities Trading Act (WpHG) Commerzbank has received, the following shareholders own more than 3% of Commerzbank's ordinary shares:

| Name of Shareholder | Percentage of Voting rights[1] (in %) |
|---|---|
| Financial market stabilization fund/special fund for the stabilization of the financial markets (SoFFin)[2] ............................................... | 25.00 |
| BlackRock Group[3] ........................................................................ | 4.54 |

(1) The percentages have been commercially rounded.

(2) Corresponds to the information provided in the most recent voting rights notification by SoFFin of May 16, 2011. The interest held by SoFFin therefore totals 25% plus one share of the share capital of the Bank.

(3) Corresponds to the information provided in the most recent voting rights notification of April 13, 2011. BlackRock Holco 2, Inc. and BlackRock Financial Management, Inc. each hold 1.50%, and BlackRock, Inc. 1.54% of the voting rights.

### *Historical Financial Information*

The audited annual financial statements and the audited consolidated annual financial statements of Commerzbank for the financial years ended 2010 and 2011 are incorporated by reference into, and form part of, this Base Prospectus (see pages 193/194 of this Base Prospectus).

### *Interim Financial Information*

The interim report as of March 31, 2012 (reviewed English version) is incorporated by reference into, and forms part of, this Base Prospectus (see page 194 of this Base Prospectus).

### *Trend Information*

No material adverse changes in the prospects of Commerzbank Group have occurred since December 31, 2011.

There have been no significant changes in the financial position of Commerzbank Group since December 31, 2011.

### *Auditors*

The Bank's auditors are PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft ("**PwC**"), Olof-Palme-Strasse 35, 60439 Frankfurt am Main, Germany. PwC audited the consolidated financial statements for the 2010 and 2011 financial years, which were prepared in accordance with the International Financial Report Standards ("**IFRS**") and the additional accounting requirements under Section 315a(1) of the German Commercial Code (HGB), which were prepared in accordance with German generally accepted accounting principles, as well as the unconsolidated financial statements for the financial years 2010 and 2011, which were prepared in accordance with German generally accepted accounting principles, and issued an unqualified auditors report in each case. PwC has also subjected Commerzbank's condensed consolidated interim financial statements as of March 31, 2012 to an auditor's review and issued a review report.

PwC is a member of the German *Wirtschaftsprüferkammer* (Chamber of Public Accountants).

***Material agreements***

The following presentation of material agreements is not ordered according to materiality. Instead, it is organized by the aggregate agreements with Allianz, Commerzbank's utilization of the SoFFin's stabilization measures, and other material agreements.

Agreements with Allianz

*Agreement on the establishment of a silent partnership between Allianz and Commerzbank dated June 4, 2009*

On June 4, 2009, Commerzbank and AZ-Arges Vermögensverwaltungsgesellschaft mbH ("**AZ-Arges**") entered into an agreement on the creation of a silent partnership in the amount of EUR 750 million (the "**Allianz Participation Agreement**"). The Allianz Participation Agreement was concluded as part of the SoFFin stabilization measures described under "*Utilization of the SoFFin stabilization measures by Commerzbank*". With the exception of the conversion right granted to SoFFin, equal treatment of Allianz with SoFFin in respect of its silent participations (specifically in respect of regular payments from the profit participation and any repayments of silent participations) was agreed. In particular, as consideration for the contribution of the silent participation, a profit participation by Allianz consisting of fixed interest of 9% p.a. on the nominal value of the participation plus additional dividend-linked remuneration of 0.01% p.a. for each full EUR 5,906,764 cash dividend paid was agreed.

In connection with the measures to partially repay the silent participations implemented by Commerzbank in the second quarter of the financial year 2011, Allianz has waived the proportional repayment of its silent participation, concurrent with the repayment of SoFFin's silent participations, in the context of the capital measures.

Utilization of the SoFFin stabilization measures by Commerzbank

On November 2, 2008 and January 7, 2009, the Bank applied to SoFFin to use the stabilization measures under the German Financial Market Stabilization Fund Act. The terms and conditions of these measures were set out in detail in the framework agreement dated December 19, 2008 and the supplementary agreement dated May 14, 2009 between the Bank and SoFFin.

On May 7, 2009, the EU Commission declared the stabilization measures used by the Bank to be compatible in principle with the state aid regulations of the EC treaty. Due to competition laws, the Federal Republic of Germany was obliged to ensure that Commerzbank complies with a number of requirements. These originally included specifically:

- reducing the Group's total assets to EUR 900 billion by December 31, 2012, and – after the sale of Eurohypo – to approximately EUR 600 billion (including separate requirements to reduce total assets in Investment Banking); reducing the number of branches in the Group division Private & Business Customers; reducing the risk-weighted assets in the Western European business by 25% by December 31, 2012; reducing the market presence in Investment Banking; reducing the portfolio volume in the Group division Commercial Real Estate to EUR 60 billion by December 31, 2012 and reducing selected country portfolios in the Central and Eastern Europe segment,

- a reduction in the total assets of the Group division Public Finance by EUR 60 billion to EUR 100 billion by December 31, 2012 (with new business limited to the amount required for the cover funds);

- stabilizing the business model by comprehensive de-risking combined with a focus on the customer business and by de-leveraging, in particular by reducing the volume of the Commercial Real Estate portfolio and the committed capital in the Corporates & Markets segment (excluding the Group division Public Finance) by one fifth compared with the aggregated value of the Commerzbank Group and Dresdner Bank Group,

- the sale of Eurohypo by 2014 and of Kleinwort Benson Channel Islands Holdings Ltd, Kleinwort Benson Private Bank Ltd, Dresdner Van Moer Courtens S.A., Dresdner VPV NV, Privatinvest Bank AG, Reuschel & Co. Kommanditgesellschaft ("**Reuschel**") and Allianz Dresdner Bauspar AG by 2011,

- no payment of dividends for the 2008 and 2009 financial years and payment of coupons on equity instruments for the 2009 and 2010 financial years only if there is mandatory legal obligation to do so, and a ban on releasing reserves to make such payments possible,

- the ban up to and including April 2012 on acquiring financial companies or other companies that are potential competitors of Commerzbank, and

- an obligation applicable until December 31, 2012 at the latest on Commerzbank not to offer its products and services (specifically in the private corporate customers business) at more favorable prices than the three competitors offering the most favorable prices unless Commerzbank has an insignificant market position by market share (less than 5%) in the relevant product market.

The requirements were incorporated in detail in the Framework Agreement on the Granting of Stabilization Measures between SoFFin and Commerzbank as obligations of Commerzbank (see the description in the following section) and have been already met in part by Commerzbank and in some cases modified through a further agreement. The shares in Reuschel were sold to Conrad Hinrich Donner Bank AG in November 2009. The shares in Kleinwort Benson Channel Islands Holdings Ltd and Kleinwort Benson Private Bank Ltd were sold to RHJ International SA in July 2010. The shares in Privatinvest Bank AG were sold to Zürcher Kantonalbank and Dresdner VPV in February 2010 under a management buyout. The shares in Dresdner Van Moer Courtens S.A. were sold in March 2010 under a management buyout. The shares in Allianz Dresdner Bauspar were sold to Wüstenrot Bauspar AG in July 2010.

Concerning the requirement to sell Eurohypo by December 31, 2014, the German government and Commerzbank concordantly came to the conclusion that a sale to a private investor by the end of 2014, in light of the current market environment and the structural changes in the refinancing markets and in banking regulation, is not realistic. For this reason, the European Commission together with the Federal Republic of Germany agreed on March 30, 2012 to change the sale requirement for Eurohypo with substitute requirements. The substitute requirements include specifically:

- extension until March 31, 2014 of the ban, originally in place until April 2012, on acquiring financial companies or other companies that are potential competitors of Commerzbank, with the extension of the ban applying to all companies;

- reduction of the Commercial Real Estate portfolio to the target markets of Germany, the United Kingdom, France and Poland, and winding down the rest of the Commercial Real Estate portfolio;

- maintenance of the agreed reduction of the Group's total assets to approximately EUR 600 billion by the end of 2014, whereby the portfolios in the Group internal NCA reduction unit are not included in the calculation of total assets;

- adjustment of the Group-wide Commercial Real Estate portfolio in the target markets of Germany, the United Kingdom, France and Poland to a total of EUR 25 billion by the end of 2013 and limitation of this Commercial Real Estate core portfolio to this portfolio volume by the end of 2015;

- limitation of the Group-wide net new business volume in the Commercial Real Estate division to a maximum of EUR 5 billion a year by the end of 2015;

- continuation of the reduction strategy in the Public Finance portfolio; and

- discontinuation of the Eurohypo brand.

The remaining business-related requirements not affected by these substitute requirements remain in place.

*Framework agreement between SoFFin and Commerzbank on the granting of stabilization measures dated December 19, 2008 together with the supplementary agreement dated May 14, 2009*

In implementation of the outline agreement of November 3, 2008, SoFFin, represented by the German Financial Market Stabilization Authority and Commerzbank signed a framework agreement on December 19, 2008 on the granting of stabilization measures, which was amended and restated by a supplementary agreement dated May 14, 2009 for the purpose of granting further capital assistance (the "**Framework Agreement**"). In this Framework Agreement the parties agreed on the general conditions for the stabilization measures granted by SoFFin to the Bank and the conditions and requirements for their utilization.

Specifically, SoFFin granted the following stabilization measures to the Bank under Participation Agreement 1, Participation Agreement 2, the Guarantee Agreement and the Share Acquisition Agreement (each as defined below):

- first SoFFin silent participation in the initial amount of EUR 8.2 billion;
- second SoFFin silent participation in the initial amount of EUR 8.2 billion;
- guarantee credit facility worth EUR 15 billion; and
- SoFFin stake of 25% plus one share in the Bank's share capital.

In return, the Bank undertook to ensure that it is adequately capitalized and to conduct its business on a cautious, sound and sustainable basis through de-risking (reducing risk positions), de-leveraging (reducing the use of debt capital in comparison with equity by reducing balance sheet assets) and reducing its commercial real estate portfolio. In particular, Commerzbank undertook (whereby a number of the following points were modified due to substitute requirements described above) to reduce the Group's total assets to EUR 900 billion by December 31, 2012 and after the sale of Eurohypo to approximately EUR 600 billion (according to the substitute requirements the total assets from the end of 2012 to the end of 2014, with the exception of non-core activities, may not exceed the amount of EUR 600 billion); to reduce total assets in Investment Banking by EUR 200 billion and in the Group division Public Finance by EUR 60 billion by December 31, 2012 (according to the substitute requirements, as a non-core activity the Public Finance portfolio must be entirely wound up); to reduce the number of branches in the Group division Private & Business Customers, the risk-weighted assets in the Western Europe business by 25% by December 31, 2012, the market presence in the Group division Investment Banking, the portfolio volume in the Group division Commercial Real Estate to EUR 60 billion by December 31, 2012 (according to the substitute requirements, qualified non-core activities of the Commercial Real Estate business must be entirely wound up), and selected country portfolios in the Central & Eastern Europe segment.

Furthermore, the stabilization measures are subject to particular conditions that require the Bank to:

- provide German SMEs with loans at normal market rates corresponding to a volume of a minimum of EUR 40 billion RWA, to the extent that there is a demand for loans, and to the extent the application of the Bank's credit-rating criteria and its level of liable equity capital allow it to do so;
- establish a special (loan) ceiling (special loan program) for German SMEs with a new lending volume of EUR 2.5 billion;
- align its remuneration systems for management and members of its boards to the sustainable long-term performance and profitability of the Group;
- ensure that the monetary remuneration of the members of the its boards does not exceed EUR 500,000 gross per member for each of the 2008 and 2009 financial years in respect of the duties they carry out for the Group;
- adjust and restructure its remunerations systems for members of its boards to eliminate any compensation in cases of premature termination of contracts of service existing at the time the

Framework Agreement was concluded, provided that this is not prohibited contractually or by law, and/or, for contracts of service concluded after execution of the Framework Agreement, to refrain from including such compensation arrangements in the event of premature termination or change of control;

- not pay a dividend in either of the 2009 and 2010 financial years for the previous financial year respectively;

- not reduce its capital except for restructuring purposes and not buy back any shares or other components of the bank's liable equity capital;

- only pay interest and profit participations on profit-linked equity instruments such as silent participations, hybrid capital and profit participation certificates in the 2009 and 2010 financial years if it is obliged to do so without releasing any reserves or special reserves in accordance with Section 340g of the German Commercial Code; the same generally applies to the Bank's subsidiaries; where necessary and legally permitted under Section 150 of the German Stock Corporation Act, the Bank will release reserves in the 2009 and 2010 financial years to avoid the carrying value of its equity instruments from being reduced, the same applies to special reserves under Section 340g of the German Commercial Code;

- refrain from repayments or redemptions of other equity instruments not required by law until the silent participations are fully repaid and the book value of the silent participations and other equity instruments has been reduced and/or cumulative profit distributions or interest on such instruments has been fully paid; however, it is permissible to terminate or repay other equity instruments due to the fact that the relevant instrument as a component of Commerzbank equity for which it was created is no longer recognized, as is the replacement of another existing equity instrument by a new instrument with at least the same equity category, amount and maturity,

- take all actions necessary within the scope of what is legally possible to ensure that two of the persons nominated by the German Financial Market Stabilization Authority are appointed members of the Bank's Supervisory Board and that at least one of the Supervisory Board members proposed by the German Financial Market Stabilization Authority is represented on the Presiding, Audit and Nomination Committees of the Supervisory Board (and on any other committees set up), and

- comply with agreed auditing, reporting and disclosure obligations vis-à-vis SoFFin.

In the event of a breach of these obligations and conditions, the Bank will be subject to a contractual penalty.

SoFFin is entitled to terminate the Framework Agreement prospectively, i.e., without affecting capital already provided or guarantees already granted, (1) at any time with a reasonable period of notice, provided that the EU Commission revokes its authorization of state aid for the stabilization measures provided for in the German Financial Market Stabilization Fund Act or amends the authorization in such a way as to prevent the German Federal Government from continuing to provide the stabilization measures under this Framework Agreement and (2) at any time without notice if the Bank breaches any of the provisions of the Framework Agreement or for cause.

In accordance with the contract, compliance with the provisions of the Framework Agreement has been audited every six months by an audit firm since June 30, 2009, most recently as of December 31, 2011. No specific breaches of the requirements and conditions were identified.

*Agreement between SoFFin and Commerzbank on the establishment of a silent partnership dated December 19, 2008 / June 3, 2009 / June 22, 2010 /June 9, 2011 in the version after submission of the conversion notice dated March 7, 2012*

On December 19, 2008, SoFFin and Commerzbank entered into an agreement on the establishment of a silent partnership for an amount of EUR 8.2 billion ("**Participation Agreement 1**"). The agreement was amended several times, most recently by the Agreement for the partial conversion of the silent participations in share capital dated March 7, 2012. As a result of the measures to partially repay the silent participations implemented by Commerzbank in the second quarter of 2011 and the conversion notice of SoFFin from March 2012, the nominal value of the participation amounts to approximately EUR 1.71 billion. As consideration for the silent participation the Bank granted SoFFin a fixed interest payment of 9% p.a. of the nominal value of the participation and a dividend-linked supplementary payment of 0.01% p.a. of the nominal value of the participation for every full dividend amount of EUR 5,906,764. If Participation Agreement 1 is terminated in full or in part during a given financial year, SoFFin is entitled to claim a proportion of the interest payable up to the date of termination. A profit participation is ruled out for any earnings period (1) if and to the extent that the payment of such a profit participation would lead to a loss for the Bank in the financial year concerned or would increase such loss, (2) if the book value of the silent participation has been reduced below its nominal value due to losses incurred in previous years and has not yet been restored through profits earned in subsequent years, (3) if an application to initiate bankruptcy proceedings on the Bank's assets has been filed before the profit participation payment is due or (4) if the Bank's solvency ratio on a group basis as defined by Section 2(6) of the German Solvency Regulation is below 9%. Any reduction in the profit participation will be pro-rated in proportion to the ratio of the non-reduced profit participation to the sum of (1) all non-reduced payments for capital contributions to the Bank for which the payment of interest or dividends is contingent upon the Bank not reporting a net loss in the relevant earnings period, plus (2) all non-reduced profit participations from the silent partnership with HT1 Funding GmbH for the relevant earnings period. If any instruments forming part of the core and supplementary capital of the Bank are reduced as a result of participating in losses of the Bank and if writing up these instruments to their full par value again and paying the full profit participation on instruments of the core and supplementary capital in an earnings period would result in a net loss, the amount available for write-ups and profit participation payments will be used by the Bank first for writing up the value of the reduced instruments of the core and supplementary capital in accordance with the provisions applicable to these instruments in each case. Unpaid profit participations will not be cumulative under Participation Agreement 1.

SoFFin's share in any net loss is based on the ratio of the book value of the silent participation to the overall book value of all of the Bank's liable capital participating in the net loss (Section 10(2a), (4) and (5) of the German Banking Act). After a reduction the silent participation will be written up again in the following financial years to its full original nominal value, provided that this does not thereby cause or increase a net loss.

Participation Agreement 1 grants SoFFin the right to exchange the silent participation into shares of the Bank under certain conditions. In particular, in the event of a dilution of SoFFin's stake in the Bank's share capital of currently 25% plus one share due to a capital transaction by the Bank, SoFFin will be entitled to require that the Bank issue ordinary shares to it in return for the full or partial contribution of the silent participation based on one of the following variants:

- through full or partial termination of the silent participation, with the German Federal Financial Supervisory Authority's consent, and the contribution of its resulting repayment claim against the Bank by way of capital increase by the Bank against a contribution in kind (subject to subscription rights by the Bank's shareholders, unless Commerzbank is entitled to exclude the subscription rights),

- through full or partial contribution of the silent participation as a contribution in kind by way of a capital increase by the Bank against a contribution in kind (subject to subscription rights by the Bank's shareholders, unless Commerzbank is entitled to exclude subscription rights), or

- through full or partial conversion of the silent participation into shares issued from the Bank's conditional capital raised in accordance with Section 7a of the German Financial Market Stabilization Acceleration Act.

The number of shares to be issued in the event of a conversion request by SoFFin will be calculated by dividing the nominal value of the participation for which conversion is requested by the volume-weighted price of the Bank's ordinary shares on the Xetra trading system of the Frankfurt Stock Exchange on the ten Frankfurt am Main trading days prior to the submission of the conversion request.

After the capital increase was concluded in March 2012, SoFFin exercised its conversion right by means of the conversion notice dated March 7, 2012 to increase its shareholding back to the previous stake of 25% plus one share. On March 7, 2012, 120,169,989 new bearer shares, each representing a proportionate interest in the share capital of EUR 1.00 per share, were issued to SoFFin against conversion in part of Silent Participation I in the amount of EUR 230,762,429.88, and subsequently admitted for trading on the stock exchange upon application by the Bank. The issue of these new shares increased the Bank's share capital from EUR 5,473,939,020.00 to EUR 5,594,109,009.00.

SoFFin may not terminate Participation Agreement 1. The Bank may effect an ordinary (full or partial) or extraordinary termination of Participation Agreement 1, with the German Federal Financial Supervisory Authority's consent, under certain conditions, subject to a notice period of at least 30 days prior to the end of a financial year, at the earliest as of December 31, 2013.

*Agreement between SoFFin and Commerzbank on the establishment of a silent partnership dated June 3, 2009, Supplemental Agreement dated June 22, 2010 and subsequent amendments and Termination Agreement dated June 5, 2011*

On June 3, 2009, SoFFin and Commerzbank entered into an agreement on the establishment of a silent partnership for an initial amount of EUR 8.2 billion ("**Participation Agreement 2**"), which was amended by agreements dated June 22, 2010, January 25, 2011 and May 10, 2011, and further adjusted on May 11 and May 12, 2011 following the issuance of the conversion notice dated May 11, 2011 and the conversion notice dated May 12, 2011. In connection with the measures to partially repay the silent contributions implemented by Commerzbank in the second quarter of 2011, the silent participation contributed under Participation Agreement 2 was repaid in full. Thereupon, Participation Agreement 2 was terminated through a termination agreement dated June 5, 2011.

*Agreement between SoFFin and Commerzbank on the provision of guarantees dated December 30, 2008*

On December 30, 2008, SoFFin as guarantor and Commerzbank as guarantee holder entered into an agreement on the provision of a EUR 15 billion guarantee credit facility (the "**Guarantee Agreement**") in respect of certain bearer bonds.

As compensation for the entitlement to draw on the guarantee, the Bank pays to the German Financial Market Stabilization Authority on the behalf of SoFFin a guarantee fee, in an amount that is determined by the remaining term of the guarantee. When guaranteed bearer bonds are issued with a guarantee term between three and twelve months, 0.5% p.a. is assessed, and at a term of over one year, 0.948% p.a. The German Financial Market Stabilization Authority is entitled to specify a different amount for the guarantee provision at anytime even for previously granted guarantees, if required to do so for legal reasons to avoid a distortion of competition, or if the European Commission calls for other compensation regulations for state guarantees granted to banks.

The guarantee credit facility in the amount of EUR 10 billion was returned to SoFFin unused in two tranches of EUR 5 billion each on August 13, 2009 and on September 17, 2009. A note guaranteed by SoFFin dated January 8, 2009 was repaid on schedule in January 2012. The guarantee credit facility can no longer newly be drawn upon due to expiration.

*Participation agreement between SoFFin and Commerzbank dated June 3, 2009*

On June 3, 2009, SoFFin and Commerzbank entered into a participation agreement ("**Participation Agreement**") under which SoFFin acquired 295,338,233 new no-par-value bearer shares, each representing a notional par value of EUR 2.60 in the Bank's share capital with a full dividend entitlement as of January 1, 2009. The shares were issued under the capital increase against cash contributions resolved by the Annual General Meeting on May 16, 2009, which increased the share capital by EUR 767,879,405.80 from EUR 2,303,638,201.80 to EUR 3,071,517,607.60. The new shares were issued at a price of EUR 6.00. Shareholders' statutory subscription rights were excluded. The capital increase was registered in the Bank's commercial register at the Local Court (*Amtsgericht*) of Frankfurt am Main on June 5, 2009.

*Special approval of April 6, 2011 and implementation agreements*

On April 6, 2011, SoFFin and Commerzbank entered into an “Agreement on the waiver of compliance with certain provisions of the framework agreement on the granting of stabilization measures”, for the purpose of carrying out the measures to partially repay the silent contributions implemented by Commerzbank in the second quarter of 2011 (“**Special Approval**”). This allowed SoFFin to waive, under certain conditions, individual provisions of the Framework Agreement, including the prohibition imposed on Commerzbank against reducing its capital other than for restructuring purposes. Moreover, SoFFin and Commerzbank undertook to enter into various agreements for the purpose of technically implementing the partial conversion of the silent participations and ensuring that SoFFin’s stake of 25% plus one share in the share capital of Commerzbank would be maintained even after the implementation of the overall capital increase transaction. In addition to the measures of the overall capital increase transaction (partial conversion into shares and repayment from the issue proceeds), Commerzbank agreed to employ an amount of EUR 3.27 billion out of free regulatory capital toward the repayment of the silent participations. Pursuant to the contractual provisions, the silent participations that are repaid early have no further claims to be serviced for and as of the year 2011. Against this background, the Bank and SoFFin have agreed upon a one-time compensation payment of EUR 1.03 billion in connection with the overall capital increase transaction, which was paid to SoFFin at the beginning of June 2011. Due to the transactionally contingent partial conversion of the silent participations into shares and the partial repayment of the silent participations from the proceeds of the capital increase transaction and free regulatory capital in the amount of EUR 3.27 billion, both parties agreed to a complete early termination of Participation Agreement 2 on June 5, 2011 and a partial early termination of Participation Agreement 1 on June 9, 2011.

<u>Other material agreements</u>

*Cooperation agreement between Commerzbank, Wüstenrot Bausparkasse AG and Allianz Dresdner Bauspar AG dated April 21, 2010*

On April 21, 2010, Commerzbank, Wüstenrot Bausparkasse AG and Allianz Dresdner Bauspar AG entered into a cooperation agreement regarding the sale by Commerzbank of savings and loan and construction financing products. The agreement provides for Commerzbank as a secondary agent within the meaning of Sections 84 and 92 of the German Commercial Code to offer and sell exclusively the products of Wüstenrot Bausparkasse AG and Allianz Dresdner Bauspar AG to its customers in the Federal Republic of Germany.

Commerzbank receives commissions on reaching goals for selling building savings and loan and construction financing products together with other fees.

The cooperation agreement was concluded for an indefinite term and can be terminated by giving 12-months notice, at the earliest as of December 31, 2020 and subsequently at the end of each successive three-year period.

*Silent participation by HT1 Funding GmbH*

Effective with the merger of Dresdner Bank and Commerzbank the silent participation of EUR 1 billion by HT1 Funding GmbH in Dresdner Bank since July 20, 2006 was transferred to Commerzbank. Commerzbank is obliged to pay HT1 Funding GmbH a share of the net income of Commerzbank reported in its annual financial statements in accordance with the German Commercial Code of 6.932% p.a. of the capital loaned for the earning period ending on or before December 31, 2016 and of the 12-month EURIBOR plus 2.580% p.a. of the capital loaned for all earning periods ending after December 31, 2016. The payment obligation is subordinated to the claims of all present and future creditors of Commerzbank, other funds in the supplementary capital and other subordinated liabilities. A profit participation is excluded (1) if and to the extent that there is not enough profit eligible for distribution to pay such participation in the financial year concerned, (2) if there has been a reduction and the silent participation has not yet been fully credited again, (3) if application has been made to initiate bankruptcy proceedings on the assets of Commerzbank or the German Federal Financial Supervisory Authority has exercised its authority under Sections 45, 46, 46a, 47 of the German Banking Act or (4) if the total capital ratio of Commerzbank at the company or Group level is below 9% and payment would result in a net loss for the year.

The silent participation is granted for an indefinite period and cannot be terminated by HT1 Funding GmbH. Commerzbank may terminate the underlying participation agreement under certain conditions by giving notice of ordinary termination of two years, however, not prior to December 31, 2016. Under an amendment agreement dated April 15, 2009, Commerzbank is further entitled on payment of compensation to reduce the nominal amount of the participation by transferring certain securities with a total nominal value of EUR 1 billion to HT1 Funding GmbH which the latter had issued in 2006 to refinance the participation. In this event HT1 Funding GmbH is obliged under the amendment agreement to redeem these securities.

*Merger agreement between Commerzbank and Deutsche Schiffsbank dated April 5, 2012*

Commerzbank and Deutsche Schiffsbank entered into an agreement dated April 5, 2012 (the "**Merger Agreement**") to transfer the assets of Deutsche Schiffsbank as a whole into Commerzbank (merger by acquisition). Pursuant to the Merger Agreement, the takeover of the assets of Deutsche Schiffsbank takes effect retroactively as of January 1, 2012. No consideration was agreed. In particular, Commerzbank has committed itself in the Merger Agreement to grant the holders of profit participation rights in Deutsche Schiffsbank, with the transfer of the profit participation rights through the merger's taking effect, profit participation rights of equal value. Commerzbank further committed itself to granting the silent partners of Deutsche Schiffsbank, with the transfer of the silent participation through the merger's taking effect, a silent participation of equal value with a corresponding payment obligation.

### *Legal disputes*

The companies in the Group are involved as defendant, plaintiff or in another capacity in court, arbitration and regulatory cases in Germany as well as in other countries, including the United States. There are also other legal disputes in which the Bank or its subsidiaries are not directly involved, but which could have an impact on the Group due to their fundamental importance for the banking industry. The Group recognizes provisions for potential losses from contingent obligations in accordance with the relevant accounting rules if the potential loss is probable and can be estimated. Provisions for court, arbitration and regulatory proceedings are generally recognized at a flat rate of 50% of the amount at issue where this is below EUR 0.5 million, and on a case-by-case basis where the amount at issue exceeds EUR 0.5 million, based on the estimate of the probable loss, taking into account the course of the proceedings, the Group's experience and third-party experience in comparable cases, lawyers' opinions and other factors. In addition, provisions are recognized for all probable litigation costs for proceedings in Germany. In foreign proceedings, provisions are recognized only for the Group's own probable litigation costs and reimbursable costs in the given jurisdiction. The ultimate, actual liabilities of the Group may however differ from the recognized provisions, as assessing the probability and determining contingent liabilities from such legal proceedings requires extensive valuation and estimation which may prove wrong in the further course of the proceedings in question.

Apart from proceedings described below, the Bank is not currently aware of any government interventions or investigations or lawsuits, or arbitration proceedings which have arisen and/or been concluded in the past twelve months (including those proceedings which to the Bank's knowledge are pending or could be initiated) in which the Bank or one of its subsidiaries is involved as defendant or in any other capacity and which are currently having or have recently had a material impact on the financial position or profitability of the Bank and/or the Group or which in the Bank's current estimation could have such effect in the future. With regard to each of the proceedings described below, some of which cover several disputes, the expected possible losses in excess of the provisions are in the Group's opinion either insignificant or cannot be estimated.

*Flawed investment advice, in particular, incorrect information regarding internal commissions and/or rebates and other fund products*

Commerzbank and its subsidiaries are involved in giving investment advice, particularly in the Private Customers segment. The requirements imposed by lawmakers and case law for "objective investment advice that is fair to the investor" have been made considerably more stringent, particularly in recent years. Commerzbank and its subsidiaries have been and are involved in a number of disputes, some of them in court, in which investors are claiming faulty investment advice and are demanding damages. In the past, this has led to adverse effects on the Group's net assets, financial position and results of operations.

For a number of years, the question of the extent to which internal commissions and/or rebates must be disclosed when selling closed funds has been the subject of various lawsuits. In July 2011 the German Federal Court of Justice found that the Bank must explain to its customers the rebates that it receives for the sale of participations in closed funds and that it is obligated to pay damages for failing to give such an explanation in the case ruled upon by the German Federal Court of Justice. The term "rebate" is very broadly defined by the German Federal Court of Justice. An explanation by means of a prospectus is only sufficient if it was delivered in a timely manner and the bank is cited by name under the specification of the amount of commissions. Commerzbank has submitted an appeal against the ruling to the German Federal Constitutional Court, which was dismissed in January 2012. Aside from the decision in this case, the ruling of the German Federal Court of Justice may be significant for a number of other pending proceedings relating to the funds that were the subject of the legal dispute before the German Federal Court of Justice (more than 300 other proceedings), and for new claims brought in relation to these funds as well as for other proceedings or new claims for other funds. A definitive assessment is currently not yet possible. In addition to the already existing reserve, in the 2011 financial year a reserve was set up to take account of the new situation relating to the funds that were the subject matter of the legal dispute before the German Federal Court of Justice. If the Group is required to pay damages for a significant portion of the participations sold by it or to assure the participations itself at the original price, there is the risk of material adverse effects on the Group's net assets, financial position and results of operations.

A number of investors in certain fund products, including open or closed-end real estate funds, have filed suit against Commerzbank and a number of its affiliated companies, among other reasons because of alleged incorrect advice, failure to properly examine the plausibility of the fund prospectuses or failure to disclose commissions received from the Group, claiming damages for their investment in the relevant funds and, in the case of certain fund products, in addition to indemnification from all tax and economic disadvantages. The number of cases and the size of the claims made is constantly changing because of new claims and the settlement of existing claims, so that concrete valuation is not possible.

*Lehman investors' complaint*

Following the bankruptcy of Lehman Brothers, a large number of the Group's customers are claiming damages in relation to the sale by Dresdner Bank of certificates issued by Lehman Brothers. These customers base their case in particular on the allegation of faulty investment advice. Some of the decisions that have been handed down so far in the first instance in these proceedings are in favor of the Group, while others have been against it. The possibility that more claims will be made also cannot be ruled out. In decisions of September 27, 2011, the German Federal Court of Justice for the first time ruled on Lehman cases of another bank, whose sales practices and product range cannot, however, readily be compared with the sale of Lehman certificates by the Group. The German Federal Court of Justice demands in this regard a general explanation of the so-called general issuer risk. The investor must be informed that it may lose its invested capital in full in the event of the insolvency of the issuer or guarantor. The chances of success of individual claims against the Group thus essentially depend on whether in an individual case an explanation that conforms to the requirements laid out by the German Federal Court of Justice has been provided and whether this can be proven. The number of legal actions being filed can be expected to increase slightly further, as the plaintiffs have conducted conciliatory proceedings postponing time-barring of claims and are only presently filing legal actions.

Various foreign legal proceedings are pending against a subsidiary of Commerzbank that acted as a participating issuing bank for debt of Lehman Brothers. Commerzbank seeks to settle in regards to several class actions, and it has created corresponding reserves. A court confirmation of the settlement has not yet occurred. The risk arising for Commerzbank from further complaints from plaintiffs not participating in the settlement is not currently estimable because of the earlier status of proceedings.

*Claims for payment and restoration of value in connection with issued profit participation certificates and trust preferred securities*

Commerzbank, its subsidiaries (particularly Eurohypo and its legal predecessors) and Dresdner Bank and its subsidiaries have issued profit participation certificates and other hybrid financial instruments, including trust preferred securities in particular. These instruments are generally structured so that they are recognized for regulatory purposes as equity. In some cases, there is an obligation to pay interest only where distributable profit has been realized or where the payment of interest does not lead to net loss and that in the case of losses, the redemption amount of the instruments can be reduced.

Due to Eurohypo's losses in the 2009 and 2010 financial years, it did not pay any interest for the 2009 and 2010 financial years on profit participation certificates and trust preferred securities issued by Eurohypo, its legal predecessors and its subsidiaries, and it has in each case reduced the claim for redemption on the basis of the profit participation certificates' participation in losses, or will proceed accordingly for the 2011 financial year. Investors in Germany have filed suit (or announced their intention to do so) in respect of the reduction of redemption claims and failure to make payments on the profit participation certificates. Investors in the United States have done the same in respect of the failure to make payments on trust preferred securities. It cannot be ruled out that more claims will be made or suits filed.

The first non-binding decisions by courts of first instance are now available in Germany that differ in their conclusions. There have also been two non-binding appeals, in favor of the claimants. Eurohypo has submitted the appropriate legal remedy of an appeal (*Revision)* against the latter to the German Federal Court of Justice. Some plaintiffs base their claims on the control and profit transfer agreement with Eurohypo. They argue that under this agreement Commerzbank Inlandsbankenholding GmbH's loss compensation obligation prevents an annual loss at Eurohypo, so that the conditions for suspending or postponing interest payments on the profit participation certificates or trust preferred securities and for reducing the redemption claim for the profit participation certificates did not apply. The lawsuit in Delaware is also significantly based on the pari passu clause contained in the terms and conditions of the trust preferred securities, under which there is an interest payment obligation for trust preferred securities where interest payments are made on other comparable instruments. The plaintiffs argue that profit participation certificates are "parity securities", so that servicing in the second half of 2009 (for the 2008 financial year) creates an obligation to pay interest on the trust preferred securities in the 2010 financial year (for the 2009 financial year).

For other trust preferred securities issued by a number of Commerzbank subsidiaries, due to the economic situation in the 2009 and 2010 financial years, no interest has been paid for these financial years or will be paid for the financial year 2011. The terms and conditions of these trust preferred securities contain pari passu clauses under which there is an obligation to pay interest for these trust preferred securities in the event that interest is paid on other comparable instruments. On the basis of this pari passu clause, investors have asserted claims here for non-payment of interest as well and in some instances also brought lawsuits before courts in Delaware in the United States. It cannot be ruled out that further similar claims will be asserted or suits filed. If, contrary to the view of Commerzbank and Eurohypo, these claims end successfully for the claimants, this would only have a binding effect in relation to the winning claimants. However, Commerzbank does not rule out that in such event it will or would have to satisfy all justified claims arising out of the profit participation certificates and trust preferred securities, which, with respect to retroactive interest payments on the profit participation certificates and trust preferred securities and write-up of the redemption claims for profit participation certificates for the 2009, 2010 and 2011 financial years would result in a total charge at Group level of approximately EUR 165 million as at December 31, 2011.

*Variable remuneration 2008*

A large number of mostly former employees of the former Dresdner Bank Group have filed suit against Group companies, in Germany and various locations abroad, for failure to pay variable remuneration for the 2008 financial year in the allegedly promised amount or at all.

In Germany, the German Federal Labor Court has rejected in the first lawsuits claims by a non pay-scale employee without an agreement on objectives and by employees from the DKIB investment banking division. A decision by the German Federal Labor Court in respect of the claims of non pay-scale employees with agreements on objectives is expected by Commerzbank in the third quarter of 2012. In this constellation, differing decisions by a number of various regional labor courts exist. Claims brought by pay-scale employees, however, were successful. Consequently, the Group has announced that in July 2012 it will make a compensation payment for the variable remuneration for the 2008 financial year to pay-scale employees who were employed at Dresdner Bank AG in Germany as of December 31, 2008 and are still employed by the Group. On the grounds of equal treatment, compensation will also be paid to pay-scale employees employed at the Commerzbank Group in the 2008 financial year and still employed by the Group today. The resulting expense has been fully accounted for in the financial statements as of December 31, 2011.

The likely outcome of the proceedings varies and depends on the individual circumstances. The possibility that more claims will be filed also cannot be ruled out.

*Claims against a subsidiary of Commerzbank in connection with former holdings in South American banks*

A subsidiary of Commerzbank had holdings in two South American banks which have since gone into bankruptcy. In various lawsuits in Uruguay and Argentina, a number of investors and creditors of these banks have brought actions against the subsidiary and, in some cases, also Commerzbank for alleged shareholder liability and for alleged breaches of duty by individuals appointed by the subsidiary to the supervisory board of the banks. In addition, the subsidiary participated in two funds that acquired monies and allowed them to be managed by Bernhard L. Madoff. In a court proceeding in the United States, the liquidators of these funds are seeking the return of payments received by the subsidiary from the funds.

*Prospectus liability suit*

An investor is claiming damages from Commerzbank because of an alleged defective prospectus in connection with an IPO by a company. The company's insolvency administrator is also filing recourse claims against the Bank arising out of joint and several liability and other legal grounds. In the event of a loss, the Bank has recourse claims against other members of the underwriting syndicate and against third parties.

*U.S. Department of Justice*

In 2006 and 2007, the Group was served with subpoenas in the United States asking it to supply certain documents and information to the U.S. Department of Justice relating to customers who were active in the field of online gambling. The reason for this was that Dresdner Kleinwort Benson – the investment bank of Dresdner Bank – was accused of providing advisory services in connection with the financing of companies that had made it possible for U.S. citizens, in violation of the laws of the United States, to participate in online gambling. In the course of the proceedings, the U.S. Department of Justice proposed to Commerzbank a non-prosecution agreement, which provides for payment of a fine in exchange for the termination of the proceedings. A draft of this non-prosecution agreement was prepared by the U.S. Department of Justice in December of 2009, and comments thereon exchanged. The outcome of the proceedings is not yet foreseeable. There is a possibility that they could be settled by a sum in the lower tens of millions; a corresponding reserve has been set up for this purpose.

*Alleged violations of embargos*

At the beginning of March 2010, the Board of Managing Directors of Commerzbank was requested by the New York County Attorney General to carry out an internal investigation into alleged violations by the Group of U.S. sanction conditions and to cooperate closely with the U.S. authorities in this regard. A comprehensive assessment is currently underway by the New York Count Attorney General, the U.S. Department of Justice and other authorities into whether the Group was in violation of U.S. sanction conditions, particularly against Iran, Sudan, North Korea, Myanmar and Cuba. The New York branch of Commerzbank has also received subpoenas from these authorities in this connection, in response to which it has made available extensive documentation and the results of internal investigations. The outcome of the matter is not yet foreseeable. The U.S. authorities may impose civil and criminal sanctions on Commerzbank, including substantial fines. In similar proceedings involving other banks, settlements were reached, some involving the imposition of substantial civil and criminal penalties were imposed. In light of these other cases, it cannot be ruled out that Commerzbank will be required to settle the matter for a not insignificant amount.

*Shareholder challenge of general shareholders' meeting resolutions regarding capital measures to largely repay the silent participations of SoFFin*

A shareholder has filed a challenge and annulment action against resolutions by the general shareholders' meeting of Commerzbank of May 6, 2011 regarding capital measures to largely repay the silent participations of SoFFin, as well as against the resolution at the same general shareholders' meeting to formally approve of (*entlasten*) the members of the Board of Management. The plaintiff has also filed an interlocutory petition to establish the illegality of the resolutions by the Board of Management and Supervisory Board of April 6, 2011 to issue the CoMEN (non-interest bearing Conditional Mandatory Exchangeable Notes that featured the obligation to be converted into shares of Commerzbank upon the occurrence of certain conditions), because approval had not been obtained from the general shareholders' meeting. The Local Court (*Landgericht*) of Frankfurt dismissed the action in full in the first instance. The plaintiff has lodged an appeal against this decision with the Higher Regional Court (*Oberlandesgericht*) of Frankfurt.

If, contrary to the expectations of Commerzbank the shareholder challenge and annulment action should succeed, this would not have any effect on the validity of the capital measures registered in the Commercial Register. However, shareholders could then file damage claims against Commerzbank pursuant to sections 7c sentence 4 of the Financial-Market Stabilization Acceleration Act (*FMStBG*) and 246a(4) of the German Stock Corporation Act. The plaintiff would bear the burden of presentation and proof of the existence and amount of the damages. Also a positive outcome of the interlocutory petition would not have any effect on the validity of the capital measures in the resolution of the general shareholders' meeting of Commerzbank of May 6, 2011. However, it cannot be ruled out that a positive ruling might form the basis for damage claims against Commerzbank. Here, too, the plaintiff would bear the burden of presentation and proof of the existence and amount of the damages.

*Antitrust Investigation by the European Commission*

The European Commission has launched an antitrust investigation into 17 companies in the financial sector, including Commerzbank, in which it is investigating their actions in passing on trading data regarding CDSs transactions to providers of financial information. The Commission is studying whether the supply of this data amounted to restrictions on competition as defined by Articles 101 and 102 of the Treaty on the Functioning of the European Union. The outcome of the investigation cannot be predicted. Violations of Articles 101 and 102 of the Treaty on the Functioning of the European Union may be penalized through the imposition of a monetary fine. The fine imposed on each company found to have taken part in an infringement may not exceed 10% of its total revenue for the previous financial year.

### ***Recent developments and outlook***

The global economy has remained on a course of growth in the first four months of the 2012 financial year. Nonetheless, there were marked differences among the various regions of the world. Whereas in the United States recovery has stabilized and the economy again experienced somewhat stronger growth, economic activity in the eurozone continues to suffer from the sovereign debt crisis. The German economy continues to develop at a faster pace than the eurozone average. However, German gross domestic product for the first four months of 2012 will be only slightly higher in comparison to the equivalent period of the previous year. In the financial markets in the first quarter of 2012, riskier investment classes in particular benefited from the temporary easing of the sovereign debt crisis and the therefore somewhat improved prospects for the global economy. In the months of April and May 2012, this positive development nonetheless reversed, in particular due to fears of a renewed escalation of the sovereign debt crisis and aggravated uncertainty regarding Greece's remaining in the eurozone. Accordingly, the German DAX share index gained nearly 18% in the first three months of 2012 compared to the end of 2011. On the bond markets, risk spreads on bonds of EU periphery countries with terms of up to three years stabilized in the first four months of the year, not least due to the substantial injection of liquidity by the ECB. Longer terms continue to remain volatile and are finding substantially lower demand in the primary market. At the same time, however, the yields on German government bonds remained very low, with ten-year Treasury notes only briefly exceeding the 2% mark, and have in part reached new historic lows.

The operating result of the Commerzbank Group for the first three months of the 2012 financial year was EUR 584 million, and that of the core bank (including Others and Consolidation) EUR 845 million. This amounts in each case to a decrease compared to the first quarter of the previous year. The main reasons for this were the non-recurrence of a one-time positive effect from a measure to optimize the capital structure in 2011, charges from the valuation of own liabilities as well as from the volume reduction as part of Commerzbank's de-risking, the low interest-rate environment and the generally prevailing lack of customer activity. This development could be only partly offset by achievements in the form of markedly lower administrative expenses and loan loss provisions in the lending business. This development continued in April 2012, so that the operating results of the core bank's segments were lower or unchanged when compared to the same month of the previous year. According to preliminary estimates, the operating result of the Group in the current financial year through March 31, 2012 was in total lower than that of the previous year period.

On April 1, 2012 Stephan Engels succeeded Eric Strutz as Chief Financial Officer, as planned.

Furthermore, in mid-April 2012 Commerzbank opened a representative office in Dhaka, the capital of Bangladesh, thereby further expanding its network on the Indian subcontinent. Commerzbank's strategic goal is to increase its presence specifically in global growth markets. The new representative office will act as a point of contact for local banks as well as international and German companies in Bangladesh. On May 22, 2012 Deutsche Schiffsbank was merged into Commerzbank.

For the remainder of the year, Commerzbank expects the operating environment for its business activities to remain challenging. Many of the factors that affected the results of operations in the first quarter, such as the low interest-rate environment and the continuing hesitance of private customers in the securities business in particular, but also that of corporate customers in the business for new loans, are expected to remain. In Europe's periphery states in particular, the economic prospects remain poor. In these countries, Commerzbank is of the opinion that the economy will continue to be impacted for a number of quarters due to the restrictive fiscal policy and the reduction of borrowings in respect of companies and private households. The measures taken by the ECB have effectively contained the effects of the sovereign debt crisis in the first quarter of 2012, but they have not eliminated their causes. The results of the parliamentary elections in Greece in the beginning of May 2012 have escalated anew fears of an exit of Greece from the European Monetary Union, with far-reaching consequences for the entire monetary union. In addition, doubt regarding whether politics would respond resolutely enough in the case of a renewed escalation of the crisis has recently grown again and aggravated the uncertainty on the financial markets. On the basis of the numerous risks, it cannot be ruled out that the substantially more robust economic development of Germany might also weaken during the course of the year.

Despite economic uncertainty and heightened impairment expenses for ship financings when compared to the previous year, Commerzbank nonetheless expects loan loss provisions for the full-year 2012 not to exceed an amount greater than EUR 1.7 billion, based on its own assessment of the robust nature of the German corporate sector. Due to the progress made in respect of expenses in the first few months, Commerzbank is confident of remaining below the budget of EUR 7.6 billion set for the current year.

In the opinion of the Bank, the development of net interest and commission income in the core segments will, however, remain subdued so long as there is no revival in activity by customers and investors in the investment and lending business. A declining development in output is also to be expected in the Asset Based Finance segment, where Commerzbank is continuing to reduce the portfolio in the Shipping and Commercial Real Estate divisions.

The development of the Real Estate & Ship Finance (RES) segment to be formed as part of the reorganization of Eurohypo AG as of July 1, 2012 is heavily dependent on the development of international transportation markets. In commercial real estate financing, business development is restricted by the modified condition of the EU Commission limiting the portfolio to EUR 25 billion. In the Central & Eastern Europe segment, where the BRE Bank should benefit from the favorable operating conditions in the Polish market, Commerzbank expects a stable development.

Commerzbank has, as of March 31, 2012, already fulfilled the EBA requirement to exhibit by the end of June 2012 a Core Tier 1 capital ratio of at least 9% according to EBA definition. Even with an expected lower contribution – in light of the ongoing difficult conditions – from retained earnings than the EUR 1.2 billion originally planned for the first half of 2012, Commerzbank expects with the further planned measures to strengthen its capital to be able to build up a significant Core Tier 1 capital buffer over and above the EBA requirements. In the opinion of the Bank, the core bank continues to remain in a good position even in a difficult market environment thanks to its customer-oriented business model. Subject to a stable economic situation, Commerzbank continues to aim for a solid operating profit for 2012. In consideration of the planned step-by-step introduction of the regulations resulting from Basel III, Commerzbank expects to reach a Basel III Core Tier 1 capital ratio (common equity Tier 1 ratio including the silent participation of SoFFin) of at least 10% as of the beginning of 2013.

**Documents incorporated by reference**

All of the following documents incorporated by reference in this Base Prospectus have been published in a base prospectus or supplement to a base prospectus in each case deposited with and approved by the German Federal Financial Supervisory Autorhity (Bundesanstalt für Finanzdienst-leistungsaufsicht). The parts of the respective base prospectus or supplement to a base prospectus which are not incorporated by reference herein are not relevant to the investor.

The "Terms and Conditions" of the Former Base Prospectus (see page 97 of this Base Prospectus) shall be incorporated by reference and form part of this Base Prospectus.

The following documents were published in the Base Prospectus dated April 6, 2011 relating to Structured Notes of Commerzbank Aktiengesellschaft and shall be deemed to be incorporated in, and to form part of, this Base Prospectus:

**Commerzbank Group**
**Annual Report 2010**

| | |
|---|---|
| Group Management Report | p. 96 |
| Group Risk Report | p. 182 |
| | |
| *Financial Statements of the Commerzbank Group as at December 31, 2010* | p. 220 |
| | |
| Statement of comprehensive income | p. 224 - 227 |
| Balance sheet | p. 228 – 229 |
| Statement of changes in equity | p. 230 – 231 |
| Cash flow statement | p. 232 – 233 |
| Notes | p. 234 – 388 |
| Responsibility statement by the Board of Managing Directors | p. 389 |
| Auditor's report | p. 390 |

**Financial Statements and Management Report**
**2010 of the Commerzbank AG**

| | |
|---|---|
| Management report | p. 394 - 462 |
| Income statement | p. 463 |
| Balance sheet | p. 464 |
| Notes | p. 466 - 510 |
| Responsibility statement by the Board of Managing Directors | p. 511 |
| Auditor's report | p. 512 |

The following documents were published in the Supplement dated April 13, 2012 to the Base Prospectus dated February 14, 2012 relating to Warrants of Commerzbank Aktiengesellschaft and shall be deemed to be incorporated in, and to form part of, this Base Prospectus:

**Financial Statements and Management Report 2011 of the Commerzbank AG**



**Commerzbank Group Annual Report 2011**



The Interim Report of the Commerzbank Group as of March 31, 2012 (reviewed English version) was published in the Supplement as of May 10, 2012 to the Base Prospectus as of September 13, 2011 relating to Structured Certificates of Commerzbank Aktiengesellschaft and shall be deemed to be incorporated in, and to form part of, this Base Prospectus:

**Interim Report of the Commerzbank-Group as at March 31,2012**



Documents incorporated by reference have been published on the website of the Issuer (www.commerzbank.com).

Frankfurt am Main, June 20, 2012

**C O M M E R Z B A N K**
AKTIENGESELLSCHAFT

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| by: Borinski | by: Jung |