

ZENTRALE ABTEILUNG  
VOLKSWIRTSCHAFT UND GELDBANKWESEN  
HAUPTSTELLE FRANKFURT

Annual Report  
**1979**



**EUROPARTNERS**  
BANCO DI ROMA  
BANCO HISPANO AMERICANO  
COMMERZBANK  
CREDIT LYONNAIS

**COMMERZBANK**

# COMMERZBANK Highlights

## Parent Bank

at year-end	1979	1978
Total assets	DM 67,090.3 m	DM 60,624.4 m
Total lending	DM 44,660.1 m	DM 37,503.2 m
Capital and reserves	DM 2,477.6 m	DM 2,128.6 m
Dividend paid per DM 50 nominal share	DM 8.50	DM 8.50
Tax credit (in addition to cash dividend)	DM 4.78	DM 4.78

## Group<sup>1)</sup>

in DM m. at year-end			in DM m. at year-end		
<b>Assets</b>	1979	1978	<b>Liabilities and Shareholders' Equity</b>	1979	1978
Cash reserves	3,549	3,945	Liabilities to banks	36,804	28,429
Cheques, collection items	307	472	Customers' deposits	39,941	39,207
Bills of exchange	1,621	3,758	a) demand deposits	(8,586)	(8,836)
Claims on banks	30,530	25,043	b) time deposits	(21,575)	(20,722)
Treasury bills	1,433	1,598	c) savings deposits	(9,780)	(9,649)
Bonds and notes	3,006	2,994	Bonds outstanding	18,658	16,431
Shares	692	754	Other liabilities	2,015	1,416
Loans and advances to customers	55,929	46,686	Capital and reserves <sup>2)</sup>	2,726	2,345
a) at agreed periods of less than four years	(20,843)	(17,844)	a) share capital	(844)	(726)
b) at agreed periods of four years or more	(35,086)	(28,842)	b) reserves	(1,634)	(1,402)
Investments	738	531	c) reserve arising from consolidation <sup>3)</sup>	(225)	(195)
Land and buildings	741	699	d) minority interests <sup>4)</sup>	(23)	(22)
Other assets	1,753	1,529	Consolidated profit	155	181
<b>Total Assets</b>	<b>100,299</b>	<b>88,009</b>	<b>Total Liabilities and Shareholders' Equity</b>	<b>100,299</b>	<b>88,009</b>
Branches	885	875	Endorsement liabilities	1,849	611
Customers	2,489,200	2,451,200	<b>Business volume</b>	<b>102,148</b>	<b>88,620</b>
Staff	21,656	20,982	Guarantees	7,997	7,208

Commerzbank's shares are officially quoted on the eight German and the following foreign stock exchanges:

Austria	Vienna (since 1972)
Belgium	Antwerp, Brussels (since 1973)
France	Paris (since 1971)
Luxembourg	Luxembourg (since 1974)
Netherlands	Amsterdam (since 1974)
Switzerland	Basel, Bern, Geneva, Lausanne, Zurich (since 1973)
United Kingdom	London (since 1962)

<sup>1)</sup> for complete Consolidated Annual Accounts see pages 87 to 91;

<sup>2)</sup> DM 2,744 m (1978: DM 2,370 m) after allocation of funds decided upon at AGMs of consolidated companies;

<sup>3)</sup> in accordance with section 331 (1) 3 of the German Stock Corporation Act—AktG (cf. page 89);

<sup>4)</sup> excluding attributable share of profits.

Annual Accounts and Report  
for the Year 1979

---

**COMMERZBANK** 

© 1979 by Commerzbank AG  
Frankfurt am Main

### **Commerzbank Head Offices**

---

<u>Düsseldorf</u>	25 Breite Strasse, D-4000 Düsseldorf, Telephone (02 11) 82 71, Telex 8 581 381
<u>Frankfurt</u>	32-36 Neue Mainzer Strasse, D-6000 Frankfurt, Telephone (06 11) 1 36 21, Telex 4 11 246
<u>Hamburg</u>	7-9 Ness, D-2000 Hamburg, Telephone (040) 36 13 21, Telex 2 12 391

All International Departments are in Frankfurt

---

# Contents

	Page
<b>Agenda of the Annual General Meeting</b>	6
<b>Supervisory Board and Advisory Board</b>	7/8
<b>Board of Managing Directors</b>	9
General Managers and Chief Legal Adviser	10
<b>Report of the Board of Managing Directors</b>	
The economic scene:	
World economy: self-interest casts its shadow on the energy scene	11
West Germany: boom carried by investment	13
Radical change in foreign trade position	17
Bundesbank switches policy	19
Lending buoyant	23
Private investors dominate bond market	24
Pump-priming ended too late	25
The search for a viable exchange rate structure	26
Outlook	29
The Bank's progress:	
General performance of Commerzbank	35
Serving our business customers	37
Serving our private customers	41
Issues and stock exchange business	43
International activities	45
Staff and welfare report	49
Notes on the Parent Bank's Annual Accounts	52
<b>Report of the Supervisory Board</b>	59

	Page
<b>Parent Bank's 1979 Annual Accounts</b>	
Business progress from Jan 1, 1952, to Dec 31, 1979	60
Balance Sheet as at Dec 31, 1979	62/63
Profit and Loss Account for the year ended Dec 31, 1979	64/65
<b>Consolidated Annual Report and Accounts for the financial year 1979</b>	
Notes on the Consolidated Annual Accounts	67
Performance of major subsidiaries:	
Berliner Commerzbank AG, Berlin	76
Commerzbank International S.A., Luxembourg	78
Rheinische Hypothekenbank, Frankfurt	80
Holdings in affiliated and other companies (chart)	82-84
Consolidated Balance Sheet as at Dec 31, 1979	88/89
Consolidated Profit and Loss Account for the year ended Dec 31, 1979	90/91
<b>Appendices</b>	
Syndicate transactions in 1979	93
Head offices and domestic branches	96
Foreign branches	103
Domestic and foreign subsidiaries and related banks	104
Representative offices abroad	105
Holdings in foreign financial institutions	106
The Europartners Overseas	109/110
The Europartners in Europe	111
<b>Supplement</b>	
Federal Republic of Germany 30 years of economic growth	31-34

As in previous years,  
our Annual Report is available  
in German, English, and French.



## MUNICH

Commerzbank's 1980 Annual General Meeting has been convened to take place on May 2 at the Congress Hall of the Deutsches Museum in Munich.

where we will account to our shareholders for the Bank's performance in 1979.

Among West Germany's larger cities,

Munich ranks high in terms of the number of branch offices operated there by Commerzbank. Serving at the same time as the Bank's

main branch for the Upper Bavaria region, the Munich branch attends to its customers through almost 30 offices in the city area alone.

---

To our shareholders

1979 was a difficult year for the German banking industry. Despite continued growth in all the main branches of our business and a sustained level of investment both in the Bank's organization and in the training of its staff, we remain dissatisfied with the result for the year.

In view of the decline in the earnings of the Parent Bank, Commerzbank AG, we chose to allocate no funds to its disclosed reserves. At the same time, our proposal that the dividend be kept unchanged is meant as a gesture of thanks to the many shareholders who in the past have repeatedly provided us with the new equity capital needed to keep pace with the expansion in business. The most recent issue of new shares, effected at the start of the current year, again met with a gratifying response.

Whereas throughout 1979 the commercial banks had to battle against very adverse conditions, mortgage banks found the going easier. Consequently, the activities of Rheinische Hypothekbank, our mortgage bank subsidiary ranking second within the Commerzbank Group, not only bring advantage to those of our customers seeking a comprehensive range of building finance but are also clearly benefiting our shareholders.

Besides surveying Commerzbank's 1979 performance, this Report also traces, by reference to charts, the progress of the West German economy over the last thirty years. Commerzbank, too, has during the same period experienced undreamt-of growth.

Solely in the last decade—thus comparing the position at end-1969 with that at end-1979—the Parent Bank's total assets increased almost fourfold. At the same time, dividend payments totalled DM 912 m, and an amount of altogether DM 270 m was allocated from profits to reserves. We also paid out DM 960 m in taxation, although under the new corporation tax regulations resident shareholders were able to reclaim DM 202 m of this in the form of tax credits.

Given our very modest postwar beginnings, it would hardly seem feasible to compare present Commerzbank figures with those of thirty years ago. It is, however, worth mentioning that we started out with only 108 branches and a staff of 4,800 in 1952, our first business year after the decartelization of the big banking concerns ordered by the Allied Powers. Currently Commerzbank AG employs more than 20,000 people who work in some 800 branches at home and abroad. Further details are given in the chart on page 60.

Together with our subsidiary banks we look after the affairs of 2.5 million customers. A ten-year comparison shows the Group's total assets to have risen from DM 18.5 bn to DM 100.3 bn, with much of this growth attributable to the absorption of Rheinische Hypothekbank and the establishment of a subsidiary of substance in Luxembourg.

The 1980 Annual General Meeting will take place in Munich. This is in keeping with our custom of moving our venue each year to a different large German city, as is fitting given the wide geographical distribution of our shareholders. The next two Annual General Meetings are to be held in Stuttgart and Frankfurt.

So far this year, our interest margin has remained under strong pressure. This fact makes severe demands both on the flexibility of our business policy and on the commitment of our staff.

March 1980



*Chairman  
of the Supervisory Board*



*Spokesman  
of the Board of Managing Directors*

---

# 28th Annual General Meeting

---

Notice is hereby given that the 28th Annual General Meeting of the shareholders of Commerzbank AG will be held at the Congress Hall of the Deutsches Museum, 1 Museumsinsel, Munich,

**at 10.30 a.m.  
on Friday, May 2, 1980**

for the following purposes:

## Agenda

**1**  
**To consider the Bank's established Annual Accounts, the Report of its Board of Managing Directors, and the Report of its Supervisory Board, together with the Consolidated Annual Accounts and the Group Report for the year ended December 31, 1979.**

**2**  
**To resolve on the appropriation of the Distributable Profit.**

The Board of Managing Directors and the Supervisory Board propose that the Distributable Profit of DM 126,293,000.00 for the financial year 1979 be used to pay a dividend of DM 8.50 per share of DM 50.00 nominal.

**3**  
**To approve the actions and conduct of the Board of Managing Directors during the financial year 1979.**

The Board of Managing Directors and the Supervisory Board propose that such approval be given.

**4**  
**To approve the actions and conduct of the Supervisory Board during the financial year 1979.**

The Board of Managing Directors and the Supervisory Board propose that such approval be given.

**5**  
**To appoint the Auditors for the financial year 1980.**

The Supervisory Board proposes that Treuarbeit Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Düsseldorf, be appointed Auditors for the current financial year.



---

## Supervisory Board (Aufsichtsrat)

---

PAUL LICHTENBERG  
Frankfurt/Düsseldorf  
*Chairman*

EWALD FAJKUS  
Frankfurt  
Commerzbank AG  
*Deputy Chairman*

ARNO PAUL BÄUMER  
Stuttgart  
Chairman of  
the Board of Managing Directors  
of Allianz Lebensversicherungs-AG, and  
Member of the Board of Managing Directors  
of Allianz Versicherungs-AG

ROLF BECKMANN  
Düsseldorf  
Commerzbank AG

KARIN BEHRENS  
Berlin  
Berliner Commerzbank AG

MARIANNE BONCOURT  
Hanover  
Commerzbank AG

HEINZ-WERNER BUSCH  
Oberhausen  
Commerzbank AG

DR. ROLF DARMSTADT  
Frankfurt  
Commerzbank AG

JÜRGEN HAKER  
Hamburg  
Head of Sub-section  
of Bank and Savings Bank Clerks  
within German Union  
of Salaried Employees (DAG)

PROFESSOR  
DR.-ING. DR. h. c. KURT HANSEN  
Leverkusen  
Chairman of the Supervisory Board  
of Bayer AG

HANS-GEORG JURKAT  
Cologne  
Commerzbank AG

DR. KARL-HEINZ KÜRTE  
Oberhausen  
Member of the Board of Managing Directors  
of Thyssen AG  
vorm. August Thyssen-Hütte, and  
Chairman of the Board of Managing Directors  
of Thyssen Niederrhein AG  
Hütten- und Walzwerke

FRITZ LOSUKOW  
Frankfurt  
Commerzbank AG

PROFESSOR DR.-ING.  
DR. DR.-ING. E. h. HEINRICH MANDEL  
Essen  
*deceased on January 24, 1979*

GÜNTER MAX PAEFGEN  
Düsseldorf  
General Partner in Friedrich Flick KG

HANS REINTGES  
Frankfurt-Höchst  
Member of the Board of Managing Directors  
of Hoechst AG

WERNER RINKE  
Essen  
Barrister  
Member of the Board of Managing Directors  
of Rheinisch-Westfälisches Elektrizitätswerk AG  
*since May 4, 1979*

HONORARY SENATOR HUGO RUPF  
Heidenheim (Brenz)  
Chairman of the Supervisory Board  
of J. M. Voith GmbH

TONI SCHMÜCKER  
Wolfsburg  
Chairman of the Board of Managing Directors  
of Volkswagenwerk AG

DR. JÜRGEN F. SCHWERICKE  
Leverkusen  
Head of Central Legal and Fiscal Department  
of Bayer AG  
*from January 24 to May 4, 1979*

HELMUT WEINERT  
Frankfurt  
Commerzbank AG

DR. GERD WOLLBURG  
Augsburg  
Deputy Chairman  
of the Board of Managing Directors  
of M.A.N. Maschinenfabrik  
Augsburg-Nürnberg AG

---

## Advisory Board (Verwaltungsbeirat)

---

- DR. HANS ALBERS  
Ludwigshafen  
Member of the Board of Managing Directors  
of BASF AG
- KURT ALBERTS  
Essen  
Member of the Board of Managing Directors  
of Karstadt AG
- PROFESSOR  
DIPL.-ING. WERNER BREITSCHWERDT  
Stuttgart  
Member of the Board of Managing Directors  
of Daimler-Benz AG  
*since January 1, 1980*
- DR. FRIEDWART BRUCKHAUS  
Wetzlar  
Deputy Chairman  
of the Board of Managing Directors  
of Buderus AG
- DR.-ING. DR. RER. POL. KARLHEINZ BUND  
Essen  
Chairman of the Board of Managing Directors  
of Ruhrkohle AG
- MARTIN DIMPFLMAIER  
Munich  
Chairman of the Central Staff Council  
of Commerzbank AG
- DR. MAX GÜNTHER  
Munich  
Member of the Board of Managing Directors  
of Siemens AG
- DR. OSKAR JANSON  
Oberhausen  
Member of the Board of Managing Directors  
of Thyssen Niederrhein AG  
Hütten- und Walzwerke
- HELMUT LORENZ-MEYER  
Hamburg  
General Partner in Theodor Wille
- KARLHEINZ MANGELSEN  
Cologne  
Member of the Supervisory Board  
of Kaufhalle GmbH  
*until December 31, 1979*
- DR. DIETRICH WILHELM von MENGES  
Essen  
Barrister
- DR. JÖRG MITTELSTEN SCHEID  
Wuppertal  
Lawyer  
General Partner in Vorwerk + Co.
- PROFESSOR DR. KARL MÖNKEMEYER  
Marl  
Chairman of the Board of Managing Directors  
of Chemische Werke Hüls AG, and  
Member of the Board of Managing Directors  
of VEBA AG
- RUDOLF AUGUST OETKER  
Bielefeld  
Owner, Dr. August Oetker
- ERNST RIECHE  
Königstein (Taunus)
- FRIEDRICH ROESCH  
Cologne  
Member of the Board of Managing Directors  
of Kaufhof AG  
*since January 1, 1980*
- HONORARY SENATOR PROFESSOR  
DR. h. c. HERBERT SCHELBERGER  
Essen  
Member of the Supervisory Board  
of Ruhrgas AG
- DR.-ING. ALBRECHT SCHUMANN  
Frankfurt  
Chairman of the Board of Managing Directors  
of Hochtief AG vorm. Gebr. Helfmann
- HERIBERT WERHAHN  
Neuss  
Partner in Wilh. Werhahn
- DR. GÜNTER WINKELMANN  
Mülheim (Ruhr)  
Chairman of the Board of Managing Directors  
of Stinnes AG, and  
Member of the Board of Managing Directors  
of VEBA AG

---

## Board of Managing Directors (Vorstand)

---

DR. RUDOLF BEHRENBECK  
Frankfurt

DR. PETER DEUSS  
Hamburg

ROBERT DHOM  
Frankfurt

ENGELBERT DICKEN  
Frankfurt

DIETRICH-KURT FROWEIN  
Frankfurt

DR. FRIEDRICH GRUNDMANN  
Hamburg

DR. WOLFGANG JAHN  
Düsseldorf

GÖTZ KNAPPERTSBUSCH  
Düsseldorf

HEINZ NIEDERSTE-OSTHOLT  
Düsseldorf

ARMIN RECKEL  
Düsseldorf

JÜRGEN REIMNITZ  
Frankfurt

DR. RABAN FREIHERR von SPIEGEL  
Frankfurt

DR. JÜRGEN TERRAHE  
Frankfurt

DR. KURT HOCHHEUSER  
Frankfurt  
*Deputy Member  
since January 1, 1980*

---

**General Managers** (Generalbevollmächtigte)  
**Chief Legal Adviser** (Chefjustitiar)

---

General Managers

DR. PETER GÖTZ  
Frankfurt

KLAAS-PETER JACOBS  
New York

FRIEDHELM JOST  
Frankfurt

KARL-HEINZ KINDT  
Düsseldorf

DR. HANS-VIKTOR KURZROCK  
Düsseldorf

WOLFGANG OTTO  
Frankfurt

HERBERT WOLF  
Frankfurt

Chief Legal Adviser

DR. HELMUT BECKER  
Frankfurt

---

# Report of the Board of Managing Directors

---

## **World economy: self-interest casts its shadow on the energy scene**

The repercussions on the world economy of narrowly chauvinistic energy policies are more worrisome than ever before. Growing international tensions, often aggravated by ideological fanaticism, are the result. The struggle for oil as a prime source of both energy and raw materials has thus become fiercer even than sceptics feared. The lack of concern generally evinced in energy matters—not least by the Federal Republic of Germany—is now taking its toll.

### Negative trends predominate ...

To a greater extent than in previous years, the world-wide upsurge in inflation is a consequence of the abrupt redistribution of income between the oil-exporting nations and the rest of the world. In 1980 alone, oil revenues of the order of US \$ 100 bn could pour into the coffers of the OPEC states who in 1979 had a current account surplus of some US \$ 70 bn. The burden this places on the world economy is a heavy one.

We hope, however, that the lower demand for oil which should result from the global economic slowdown will assist the more sober forces within OPEC to regain the upper hand, permitting the world economy gradually to return to its normal path of expansion. We are also convinced that oil consumption is to a large degree determined by market price mechanisms. None the less, there remains a serious concern that the alarming confrontation between the political blocs witnessed last winter might jeopardize hopes of peaceful coexistence as the precondition for economic progress.

### ... but positive tendencies also emerge

The threatening clouds clustering on the horizon tend to detract from the genuinely positive achievements of 1979. More notable among these are in our opinion the opening up of China to the West, the return of the United States to a consciousness of its international monetary responsibilities and, at last, that of the British Government to the principles of a market economy. All three tendencies are of a fundamental significance that extends beyond immediate effects.

### Combating inflation an urgent priority

Thanks to the delay in the economic downturn forecast for the United States, growth of the

world economy in 1979 was stronger than had been expected. This was accompanied by a slight acceleration in world trade and greater direct foreign investment as also by a certain reduction—however temporary—in payments imbalances.

In most industrialized countries, the gratifying revival in capital spending went hand in hand with more rapid inflation which in some cases far exceeded whatever might have seemed justified by higher oil prices. The exaggerated deficit spending of previous years would seem to have been another contributory factor here.

Inflation if unfettered gathers momentum so horrendously that combating it must be made a matter of utmost priority, even in countries with high unemployment. Unfortunately, however, monetary restrictions and a cautious fiscal policy will tend to affect jobs before slowing the price rise, and this demands considerable understanding on the part of the man in the street. Throughout the world, politicians are faced with the unpleasant task of explaining to their electorates that transferring a portion of their wealth to the oil-exporting countries means accepting a cut in real income.

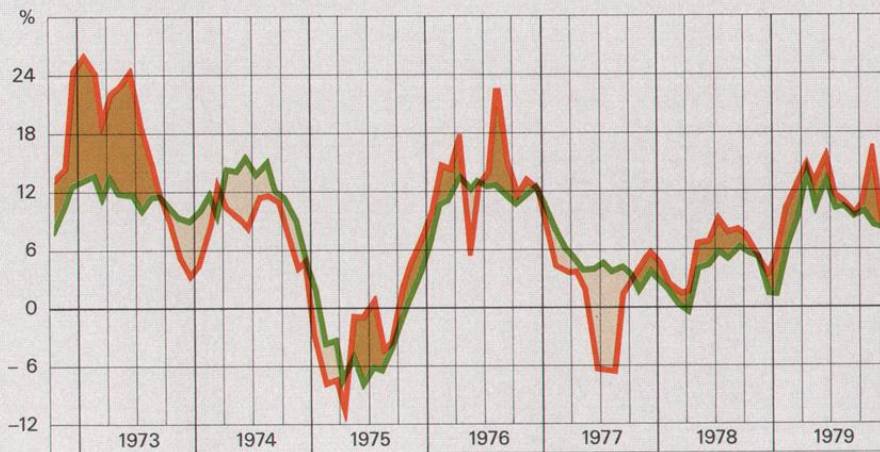
### Interest rates at record levels

Efforts to bring down inflation have already resulted in soaring interest rates world-wide. Western industrialized nations, where central bank interest rates had already been hoisted substantially in 1978, saw them shoot up still further in 1979 by a rough average of 50 per cent. On the markets, the rise in the cost of both short and long-term funds was sometimes even faster. All the same, today's high interest levels cannot be considered excessive given the fact that in many countries savers do not earn a real return on their money.

### Second recycling process under less favourable conditions

A second, even greater wave of recycling surplus oil revenues is currently under way, and this time it will not be coped with so easily as in 1974-1976. Whereas then most of the countries in want of funds were industrialized states with substantial borrowing capacity, it is the less developed and nearly industrialized nations who are already deeply indebted that need monetary assistance today. The possibilities open here to the commercial banks, which have to keep a careful eye on their country limits, have become much more restricted. In addition,

## West German economy: upturn gaining force and breadth

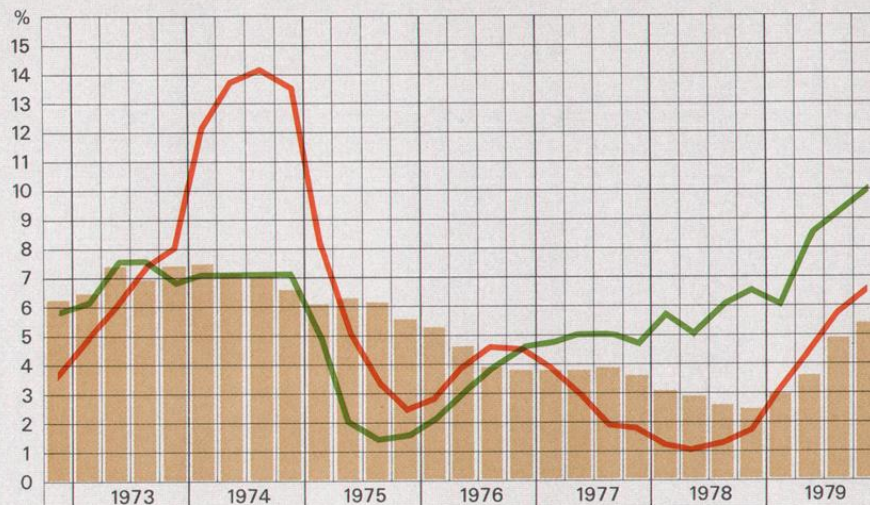


### New orders and sales

The economic recovery brought a sustained rise in domestic demand, especially for basic materials and capital goods. At times, foreign demand provided an even stronger impetus. Order backlogs expanded markedly.

manufacturing industry:  
(change on year)

- new orders
- sales
- orders in hand, growing
- orders in hand, shrinking

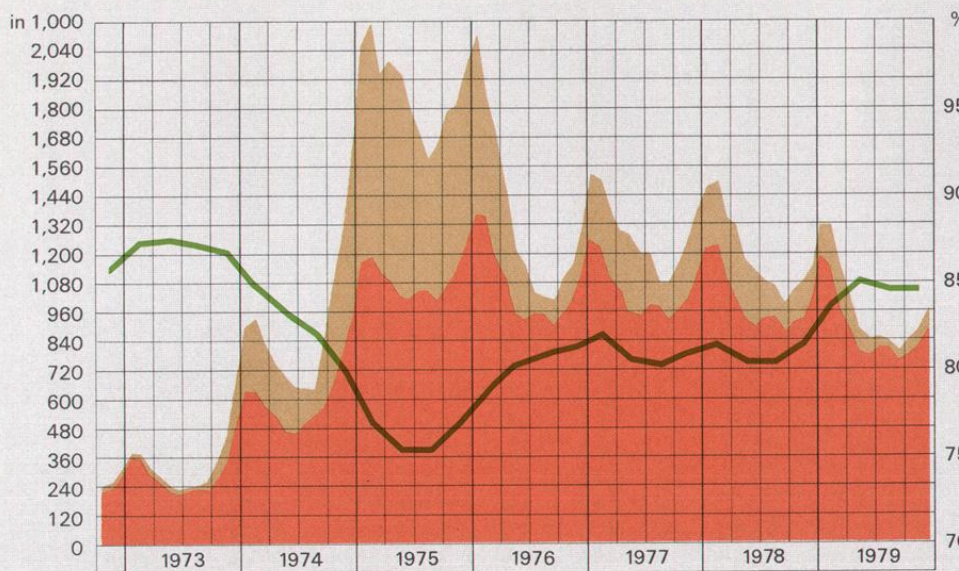


### Price trends

Since end-1978, the overall price situation has changed dramatically. Within a few months, the hike in the price of oil and raw materials caused import prices to increase more rapidly than ever before, and as the economy continued to improve, the wave of rising prices also hit the domestic markets. By the autumn, the cost of living was over 5% up on the year. The even stronger surge of building costs reflected the overheating in this sector.

change on year:

- cost of living
- house-building costs
- industrial producer prices



### Labour market

The economic upswing led not only to a higher level of capacity working but, for the first time since 1974, to a substantial gain in the number of newly employed.

With the total number of gainfully employed persons up by about 350,000, the labour market actually proved more flexible than the official unemployment figures would indicate.

On the other hand, the hard core of jobless remained far higher than before the 1974/75 recession.

- persons working short-time, in 1,000
- persons unemployed, in 1,000
- percentage use of capacity in industry (source: Ifo Institute)

confidence on the international money markets has been eroded by politically motivated government interventions.

Moreover, the normal flow-back of petro-funds through imports by the oil states cannot this time proceed as smoothly as after the first oil price hike. The small population of many of these countries alone means that acquisitions of capital goods and consumer durables have already come close to saturation limits, while the obvious problems generated by too rapid a process of industrialization also tend to discourage further imports.

#### US revises monetary policy

One troubling factor plaguing the international monetary scene for the whole of the past decade has been the growing weakness of the dollar. Doubts as to its lasting ability to serve as a value keeping unit nourished by the dramatic slump in its exchange rate necessarily also impaired its standing and hence its role as a reserve currency. This makes the U-turn in monetary policy the United States finally decided upon last October all the more significant (see also page 26).

#### Economic fundamentals changed in the eighties

The explosion in the dollar price of crude petroleum, which rose twenty-fold in a mere ten years, has produced a substantial shift in wealth towards the oil-exporting nations, the results of which must be very seriously considered. A similarly abrupt shift in both wealth and income has recently been caused by sky-rocketing prices of precious metals. The two trends have made for a fundamental change in the economic set-up in the current decade.

Whereas a few years ago it was still possible to reduce tensions in the world economy to the

simple formula of North-South differentials, things are now more complex, with the international scene a complicated web of confrontations and alignments.

Development aid has lost none of its topicality. Indeed, it has become a matter of even greater urgency for the oil-importing developing nations. For humanitarian, political, and economic reasons the Federal Republic of Germany should be at the forefront here, providing financial and technical assistance for both industry and government in these countries. But it is also up to international bodies—and above all the World Bank which is particularly well equipped to do so—to provide the Third World with more, and more efficient help. At the same time, the International Monetary Fund will need to ensure the solvency of the less developed countries whose own efforts at self-help should be directed more towards the systematic exploitation and processing of their natural resources rather than towards heavy industrial projects.

#### **West Germany: boom carried by investment**

The revival of the West German economy, which began in the summer of 1978, developed from spring 1979 onwards into an upswing propelled by its own momentum. Although both industry and consumers suffered from the further rise in energy costs, steps taken to adjust to the new situation by curtailing the use of oil as a source of energy and as a raw material, or by seeking viable substitutes, provided an economic stimulus.

The most important element in this upturn was, however, the fact that improved sales and earnings prospects led to a marked stockbuilding cycle and to an enhanced willingness on the

Performance of the German economy (change on year, in %)					
	1975	1976	1977	1978	1979 <sup>1)</sup>
Gross national product, nominal	+4.7	+8.7	+6.4	+ 7.5	+ 8.3
Gross national product, real	-2.0	+5.3	+2.6	+ 3.5	+ 4.4
Capital spending, nominal	-0.9	+8.1	+7.4	+11.0	+15.2
Disposable income, nominal	+9.9	+5.8	+5.8	+ 6.1	+ 7.5 <sup>e)</sup>
Cost of living <sup>2)</sup>	+6.0	+4.3	+3.7	+ 2.7	+ 4.1

<sup>1)</sup> provisional; <sup>2)</sup> index for all private households; <sup>e)</sup> estimated.

part of private industry to invest. For the first time in six years, more than a third of manufacturing industry decided to increase its capacity—generally in order to introduce new products or production processes. As a result, new investment finally got back to the levels reached during the sixties.

Market shows convincing powers of self-recovery

Another gratifying aspect of the situation was that the recovery was far more the result of private industry's own efforts to overcome a difficult situation than that of repeated pump-priming by the Government. The lesson this teaches us for the future is to be less prodigal with deficit spending, whose effects are relatively limited but whose consequences—namely the rapid accumulation of government debt—create a lasting burden.

Overall growth of the German economy was even somewhat stronger than had originally been expected. Nominal GNP increased from DM 1,287 bn to DM 1,394 bn, although approximately half the increment was due to higher prices.

Industry's order books well filled, building sector stretched to capacity

Almost all sectors of the economy benefited from the upswing, as did most medium-sized companies. Industry derived sustained impetus from the growing demand for capital goods which on occasion was stronger even from abroad than from domestic customers. Once again, the urge to rationalize that continued unabated led to above-average growth in the data processing and office equipment sectors, which also stand to do very well in 1980. The motor industry, on the other hand, after several years of unexpectedly powerful boom, experienced a pronounced drop in growth during the second half of the year, albeit a slump on the lines of 1974 is held to be unlikely.

Following a period of painful contraction, the building and construction industry in 1979 finally saw output topping 1973 levels again, though the workforce was some 250,000 down on the beginning of the decade. The Government reacted to signs of overheating in this field by postponing certain public-sector projects but could not avoid the added—now undesirable—stimulus provided by earlier spending programmes. For the first time in several years, the number of dwelling units completed was again over 400,000, and an equally high figure can be anticipated for 1980.

Moderate pay settlements, encouraged by substantial tax reductions, held the rise in wage costs below the previous year's figure. Manufacturing industry was able to balance out higher costs of raw materials and energy by a considerable improvement in capacity utilization—from about 81 to almost 85 per cent—along with price increases, and profits recovered once more as a result.

Lagging productivity growth

Despite the powerful economic upswing, productivity on the whole showed only a modest gain. Unlike the situation in the sixties, when the average annual growth in output per working hour was still a good 5 per cent, this figure has in the past decade dropped from 4.9 per cent in 1970/73 to 3.9 per cent in 1974/79. The downturn, which occurred in all industrialized countries, was the combined effect of the structural shift towards the service sector and the lagging investment activity of recent years.

Only since 1978, after a break of several years, has a more balanced relationship been restored between consumption designed to meet present needs and investment undertaken with an eye to the future. Net investment's share of GNP, which in the first half of the sixties was still 17.5 per cent in West Germany, had fallen to 10 per cent by 1974/77 and only recovered to reach at least a meagre 11 per cent in 1978/79.

Performance of German industry (change on year, in %)					
	1975	1976	1977	1978	1979
Output	-6.2	+6.9	+2.7	+2.6	+5.6 <sup>1)</sup>
Employees	-6.4	-2.6	-0.8	-0.7	+0.4 <sup>e)</sup>
Wages and salaries, per capita	+7.5	+8.3	+6.7	+5.5	+6.4 <sup>e)</sup>
Productivity <sup>2)</sup>	+2.4	+8.6	+4.8	+3.1	+4.7 <sup>e)</sup>

<sup>1)</sup> provisional; <sup>2)</sup> output per man-hour, seasonally adjusted; <sup>e)</sup> estimated.



Growth in productivity is also hampered by the fact that 5 to 6 per cent of industry's annual investment spending is today swallowed up by anti-pollution measures.

#### Overall climate must encourage productivity-raising investment

In order to lessen the pressure of high and still rising energy costs, industry needs to direct investment to accelerating innovation and boosting productivity, and conditions generally should encourage it to do so: Firstly, the Bundesbank must succeed in curbing inflation, so as to minimize risks in calculating the cost of borrowing. Secondly, the unions must keep a hold on reality at all levels of the economy. Finally, the Government's fiscal policy must give priority to productive investment. The last requirement involves further reducing such taxes as are not dependent on earnings and thus weigh particularly heavy on medium-size firms.

#### Unemployment down in all regions

The breadth of the economic upswing triggered a brisker demand for labour, so that the annual average jobless figure fell by 120,000 and short-time working became the exception. The job market was in fact able to absorb even more people than this figure suggests, since more than 100,000 school-leavers also started work for the first time. Although those born during the "baby boom" sixties are now seeking employment, companies still managed overall to offer more training vacancies than there were applicants. With a share of 7.5 per cent in the total of those employed, the number of apprentices reached a record level.

Recent trends confirm the close reciprocal relationship between investment climate and labour market. It also became evident that new technologies such as have been introduced increasingly in the last two years have ultimately had the effect of preserving jobs, generally by raising their specialist content and thus making them less sensitive to economic slowdowns.

Every area in West Germany benefited from the decline in unemployment, particularly those which had been hardest hit, namely Lower Saxony, the Rhineland Palatinate, the Saarland and Berlin. This has brought about a reduction of regional differentials, although joblessness in the Ruhr is still acute.

#### Spiralling prices distort overall performance

As the year progressed, the difficulties of the German economy centred more and more on the rise in prices. Whilst an appreciating D-mark and stable food prices had caused inflation markedly to decelerate in 1978, it again rapidly gained momentum during 1979, chiefly due to external factors.

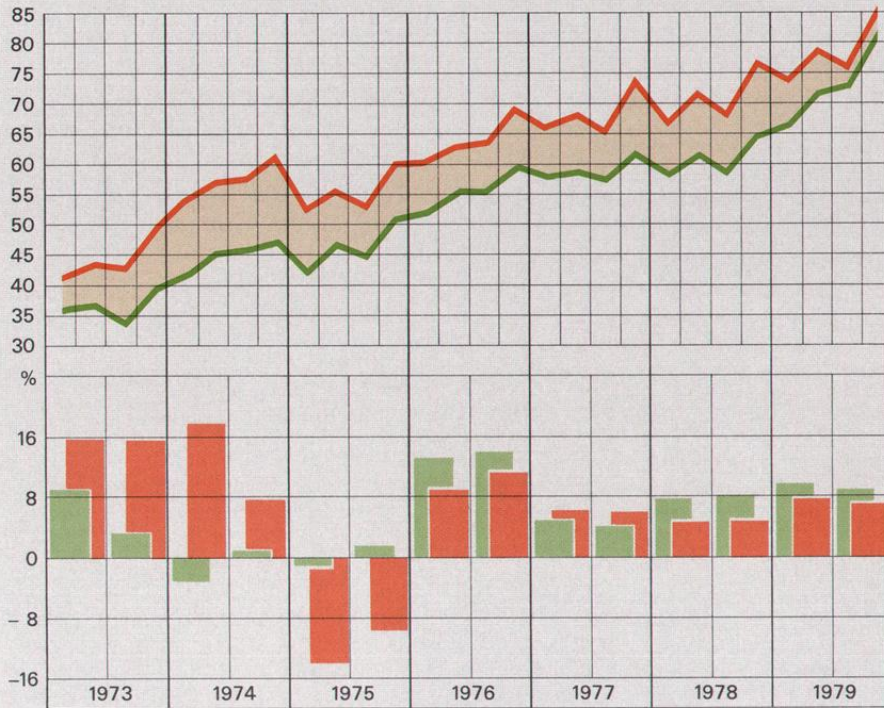
The booming economy together with the increase in VAT from 12 to 13 per cent at mid-year lent further impetus to the price spiral. Higher oil prices accounted directly for only about a third of the more than 4 per cent annual average rise in the cost of living.

Since there is no sign of a halt in oil prices, there is little likelihood of any reversal of the recent cost of living increase, with all this means in terms of eroded purchasing power. Consumer spending already lost much of its dynamism in 1979 and in the longer term, the continuing hike in energy prices will have a still stronger bearing on consumer behaviour. Moreover, higher costs of housing, debt servicing, and financing leisure activities demand an ever-greater share of personal budgets, so that sales of consumer goods cannot help but slow down as time progresses.

#### Energy shortage looms

Thanks to a firm adherence to the principles of a market economy, West Germany had, by paying the prices asked, little difficulty in assuring sufficient energy supplies to meet its needs. However, this may not hold true in the days to come, with oil so unstable a factor in the world economy. It is thus vital that the Federal Republic, too, does everything it can to reduce its dependence on oil. New technologies must be intensively developed, even where they do not immediately appear profitable. Realistic plans must be made to use both nuclear power and coal as substitutes. Every initiative designed to ensure a more economical utilization of energy must be given full backing. Since naturally enough, such processes often require a considerable time to come to maturity, and given the energy shortage that threatens in the not-too-distant future, the necessary decisions should be taken as a matter of urgency (see also page 29.)

# West German foreign trade: expensive oil bill curbs export surplus



## Exports and imports

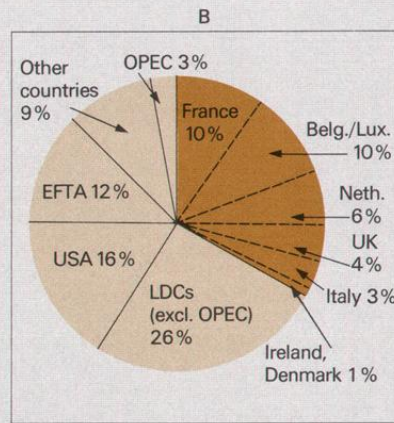
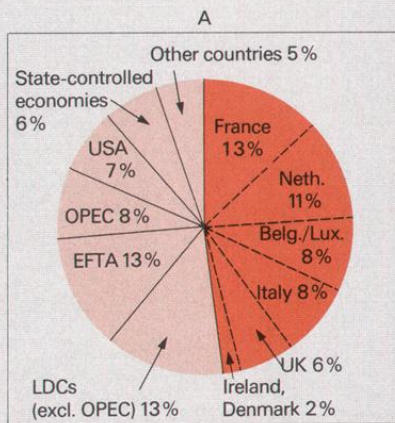
The import volume was inflated by higher prices.

quarterly figures:  
(in DM bn)

exports  
imports  
export surplus

change on year, in real terms:  
(half-yearly figures, in %)

volume of exports  
volume of imports



## A: Regional breakdown of West Germany's foreign trade in 1979

The share of the EEC member countries in West Germany's foreign trade remained unchanged at close on 50%.

share of EEC

## B: West German direct foreign investment (as of mid-1979)

The USA remained the most favoured country.

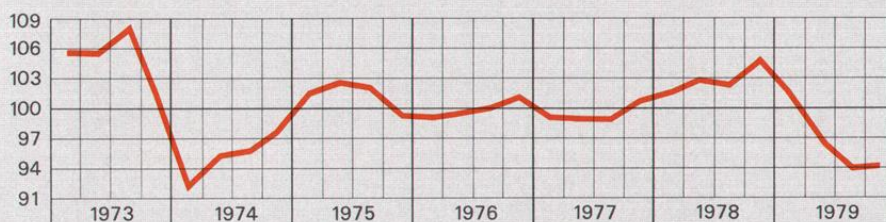
share of EEC: 34%

Exports to	
Other EEC countries	+ 16%
Less developed countries (excl. OPEC)	+ 14%
EFTA	+ 14%
State-controlled economies	+ 7%
USA	+ 3%
OPEC	- 22%
Other countries	+ 8%

Imports from	
OPEC	+ 39%
State-controlled economies	+ 28%
EFTA	+ 19%
Other EEC countries	+ 18%
USA	+ 16%
Less developed countries (excl. OPEC)	+ 13%
Other countries	+ 25%

## Changes in foreign trade by region (1979 on 1978)

While exports to the Western European neighbour countries rose, sales to the OPEC states declined. Trade with non-OPEC developing countries expanded.



## Terms of trade

average export values as percentage of average import values (1976 = 100)

### Radical change in foreign trade position

West Germany's foreign trade position underwent a severe reversal in 1979. For only the fourth time in three decades the year ended—unexpectedly—with a DM 9 bn deficit on current account, the highest ever. Having dropped by half, the country's export surplus was no longer sufficient to offset the traditional deficits in services and transfers. The situation differed from that of 1962 and 1965—when there was also a current account deficit—in that only a small part of the shortfall was cyclical in origin, the major portion deriving from the worsening terms of trade. This makes a change unlikely in the shorter term; indeed, a substantially higher current deficit is on the cards for 1980.

In apparent contradiction of this trend, exports of goods were one mainstay of the economic upswing, expanding by a good 7 per cent. Once again, however, the volume of imports grew even more rapidly.

#### Higher import prices main cause of deterioration

By comparison with 1978, prices of imports (up 10 per cent) rose more than three times as fast as those of exports (up 3 per cent), the upward movement of the D-mark compensating for only a small part of the increase. The appreciation of West Germany's currency against those of its 23 main trading partners was on average just on 5 per cent and thus not quite on a par with the three preceding years. Whereas in 1978 the enhanced external value of the D-mark had still kept ahead of commodity world market prices, it was in 1979 no longer possible to absorb the price climb and cushion domestic prices against external factors on this scale. The cost

of imported raw materials and semi-finished products shot up to an extent hitherto unparalleled, that of crude oil by as much as 70 per cent over the year.

The gap between import and export prices widened dramatically, resulting in a 10 per cent deterioration in West Germany's terms of trade. The effect of this is to eat away at the national income, as a higher level of exports becomes necessary to pay for the same volume of imports.

#### Growing trade in capital goods

To a greater degree than in previous years, foreign demand centred on industrial plant and machinery. On the domestic front the trend, encouraged by the appreciation of the D-mark, for imports of finished products to rise continued. Foreign producers of capital goods and consumer durables thus succeeded in further expanding their shares of the German market albeit, probably for price reasons, not quite on the scale of 1978.

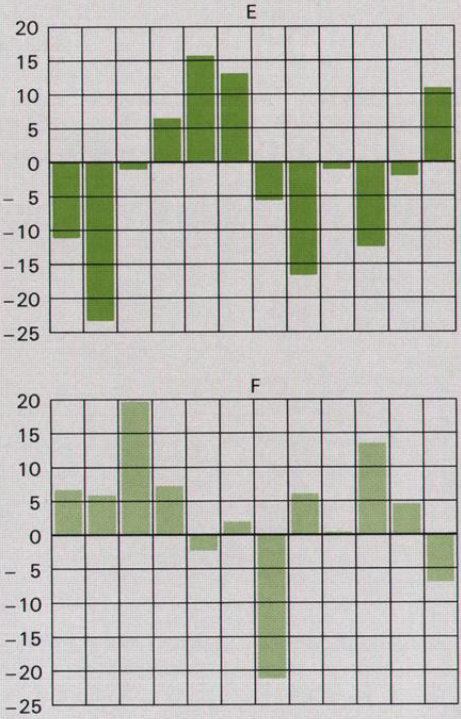
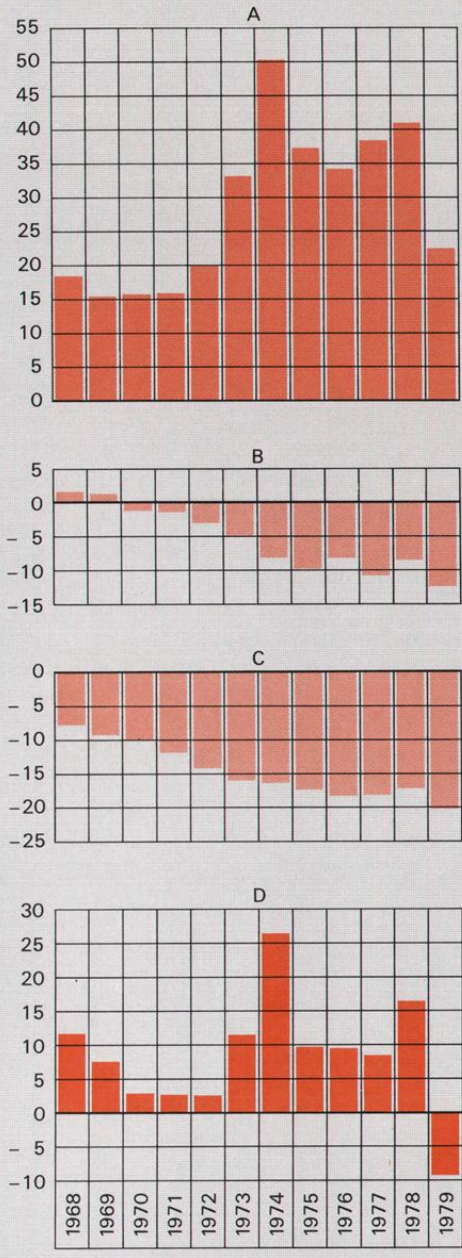
#### Switch from surplus to deficit in trade with OPEC countries

Although West Germany was able to maintain a surplus in trade with other EEC countries, the opposite was true for the OPEC states. Here the pendulum swung sharply in favour of the oil producers, changing West Germany's position from one of an export surplus in excess of DM 5 bn to a deficit of some DM 8 bn. Much of the latter stemmed from higher oil prices, with the near-collapse of exports to Iran being another important factor. Trading surpluses with the United States and the Eastern Bloc countries also deteriorated markedly, while the deficit with

Breakdown of West Germany's balance of payments (in DM m)				
	1976	1977	1978	1979
Current account <sup>1)</sup>	+8,647	+ 9,831	+17,584	- 9,025
Long-term capital transactions	- 317	-12,913	- 2,273	+10,959
Basic balance	+8,330	- 3,082	+15,311	+ 1,934
Short-term capital transactions of banking sector <sup>2)</sup>	+6,731	+ 8,072	+10,089	+ 4,362
Other short-term capital transactions <sup>3)</sup>	-6,271	+ 5,460	- 5,629	-11,250
Special factors <sup>4)</sup>	-7,489	- 7,880	- 7,586	- 2,334
Official foreign exchange balance <sup>5)</sup>	+1,301	+ 2,570	+12,185	- 7,288

<sup>1)</sup> balances of trade, services, and transfer payments taken together; <sup>2)</sup> plus signs symbolize increases in net short-term foreign liabilities; <sup>3)</sup> including unclassifiable transactions; <sup>4)</sup> compensatory amounts for losses resulting from reassessment of monetary reserves, after allowing for allocation of IMF special drawing rights in 1979; <sup>5)</sup> changes in Bundesbank's net external assets.

# West Germany's balance of payments in 1979: first deficit on current account in fourteen years



**Breakdown of West Germany's balance of payments**  
(balances in DM bn)

The export surplus was no longer sufficient to compensate for the deficits on services and transfers.

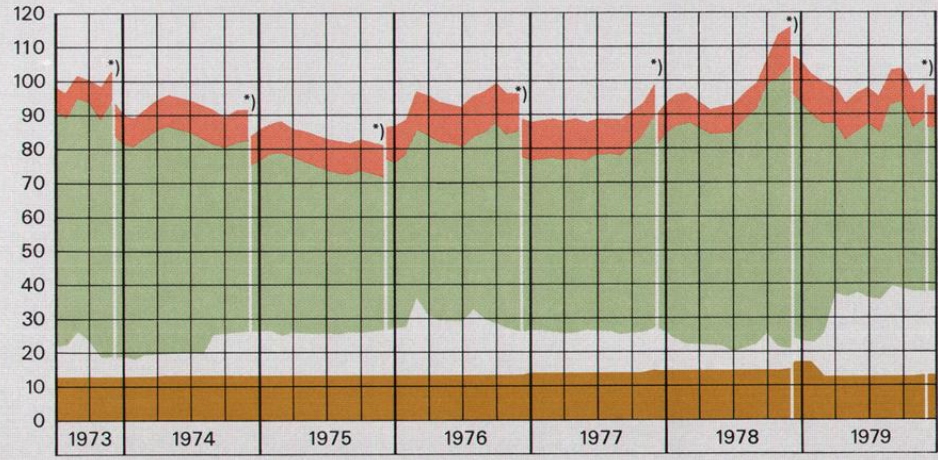
A: visible trade  
B: services  
C: transfer payments  
D: current account (total, A to C)  
E: long-term capital transactions (incl. direct investments)  
F: short-term capital transactions (incl. unclassifiable transactions)

**Direct investments**  
(in DM bn)

	end-1969	mid-1979
aggregate German investments abroad	17.6	61.6
incl.: in USA	1.5	10.1
aggregate foreign investments in West Germany	18.9	54.7
incl.: from USA	9.1	20.6



new West German investments abroad  
new foreign investments in West Germany



overseas LDCs moved slightly deeper into the red. The one bright spot in the picture was trade with China, where the Federal Republic increased its surplus.

#### Capital inflows surprisingly high

Owing largely to the events on the foreign exchange markets, the first five months of 1979 saw an outflow of funds from West Germany, whereas for the rest of the year, the reverse trend prevailed. For 1979 as a whole, the drain of short-term money was more than made up for by imports of long-term capital as the extreme shortage of funds on the German financial markets and their high cost encouraged borrowers to look abroad. The trend was fostered by foreign lenders' interest in D-mark investments.

Such new borrowing abroad, frequently by banks selling securities or taking up loans against borrower's note at other banks, was substantial, and only to a small extent compensated by outflows caused by German companies' direct foreign investments. Once again the latter—especially in North America, but also in a number of developing countries—exceeded foreign firms' capital spending in the Federal Republic.

#### Monetary reserves down slightly

The DM 5 bn deficit in West Germany's overall balance of payments together with the foreign exchange losses incurred by the Bundesbank because of the D-mark's upward move produced a DM 7 bn reduction in the book value of official monetary reserves. For accounting reasons, the latter's structure has substantially changed: under the European Monetary System 20 per cent of the Federal Republic's official gold and US dollar holdings have been made available to the European Monetary Cooperation Fund (EMCF); their book value amounted to DM 28.5 bn at the end of the year. To this must be added the remaining 80 per cent of both the Bundesbank's foreign currency reserves, most of which (DM 51.7 bn) represent US dollar investments, and gold holdings—DM 13.7 bn still valued at far less than the market price—as also its reserve position with the IMF plus special drawing rights together worth DM 9.0 bn.

#### **Bundesbank switches policy**

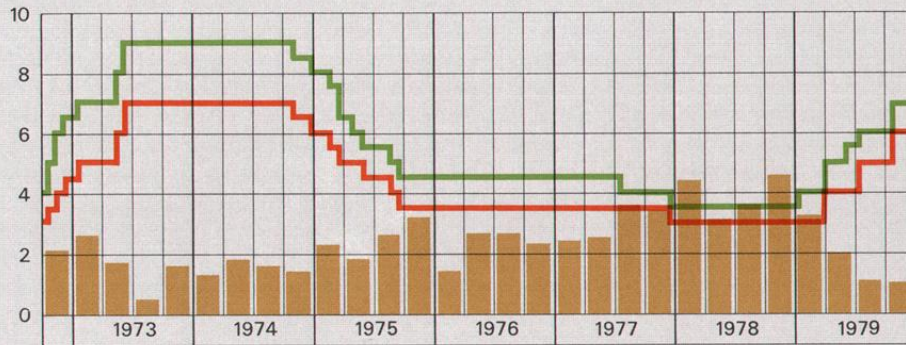
Apart from the on occasion very considerable capital flows out of and into the country, the climate on the German financial markets was mainly determined by the central bank's tight money policy. During the first quarter of 1979 the Bundesbank, in order to siphon off the excess liquidity that had derived from the preceding year's influxes of foreign funds, began to apply the brakes by cutting rediscount quotas and raising minimum reserve requirements. These measures, combined with heavy dollar selling (by May equivalent to DM 22 bn) to counteract too sharp a depreciation of the D-mark, caused the German banks' free liquidity reserves in a very short time to plummet by some DM 10 bn to a technically indispensable minimum of DM 3 to 4 bn. The last time this figure had been so low was in 1973/74 when the Bundesbank had also pursued a sharply restrictionist policy.

In 1979, the Bundesbank first raised the discount rate from 3 to 4 per cent at the end of March and then in two stages to 6 per cent, while also upping the lombard rate in several steps from 3.5 to 7 per cent. Most of its attention, however, was directed to drastically reducing the money supply, and the resultant squeeze at times pushed the rate for interbank call money 2 or even 3 percentage points above the lombard rate.

#### Control through money supply preferred

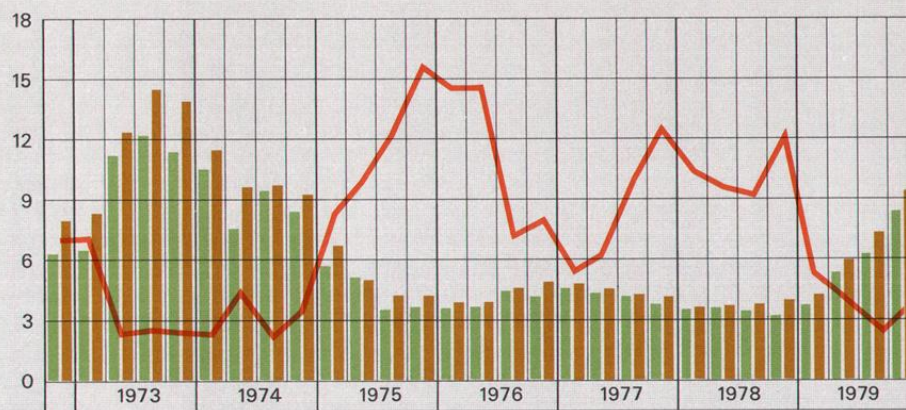
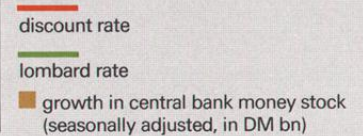
The Bundesbank thus laid clear emphasis on controlling the financial markets through the money supply, resorting to higher interest rates only as an adjunct, to confirm rather than to set market trends. This approach entailed problems for the commercial banks, though, in that the rates they charge their customers tend to be tied more closely to the central bank's discount rate than interest rate agreements would generally indicate. As a consequence, interest rates charged on loans failed noticeably to keep pace with those paid on time deposits, and borrowers were therefore able to obtain credits at a lower rate of interest than that earned by depositing these same funds. Such interest rate arbitrage transactions consequently became a more frequent feature of the market, with older credit lines especially being used for such purposes. The effect of this was to boost overall bank lending to a much greater extent than was economically desirable.

# German financial markets: tight-money policy leaves its mark



### Short-term monetary policies

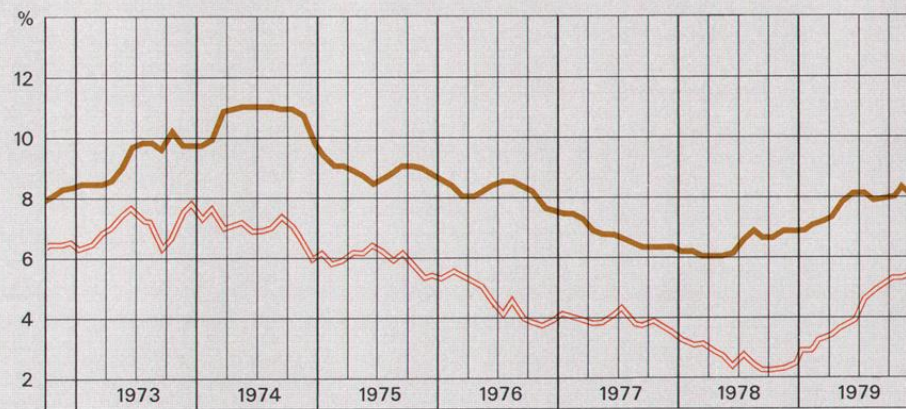
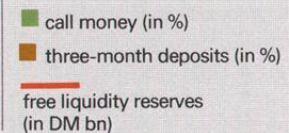
The acceleration in the velocity of money in circulation resulting from the economic upturn together with the sharp rise in interest rates effectively slowed down monetary growth.



### Money markets

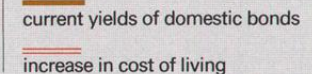
Short-term interest rates soared since, due to the drastic restrictions imposed on central bank borrowing, the banks were forced to have increased recourse to the market to fund their lending.

quarterly averages:



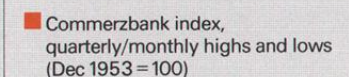
### Long-term bond yields and cost of living

As has already been the case for a number of years, the inflation rate and long-term bond yields in 1979 kept moving largely in parallel: as inflation no longer came down but moved up again, so did bond yields, leaving investors with a healthy return in real terms.



### Stock market

Neither the economic upswing nor higher earnings served to bolster the stock market, which came under pressure through the Bundesbank's restrictive policies and the ensuing rise in interest rates.



Sharply reduced scope for lombard borrowing

Growing pressure on their liquidity prompted the banks initially to turn more and more to lombard borrowing as a relatively cheap source of funds. Instead of responding as might have been expected by raising the lombard rate, the Bundesbank—in the main apparently for external considerations—chose severely to curtail the generous access the banks had so far had to lombard funds by reducing the latter's availability to a mere 15 per cent of an individual bank's rediscount quota. Since September 1 this has restricted possible recourse to this source of finance to some DM 4 bn per day on a monthly average, as against the more than DM 10 bn daily that had previously fed the German money markets.

Competitive structure of banking industry distorted

By the autumn, the world-wide tightening of interest rate screws afforded the Bundesbank greater scope for action, enabling it to pursue a credit policy of even greater stringency, thus putting a further strain on the money markets. Consequently, interest rates on both short-term money and time deposits soared, reaching approximately 9 per cent by December. This impaired the competitive ability of all those banks which, unlike such traditionally savings-oriented institutions as the savings banks and cooperatives, fund their lending largely through time deposits. The resultant difference in earnings between the various banking groups is especially marked when, as in 1979, monetarist policies do not go hand in hand with appropriate interest rate measures.

To ensure that at least the minimum liquidity needs of the banking system were met, the Bundesbank resorted to the application of several new monetary instruments. Thus for the first time ever it bought securities under repurchase agreements and also effected substantial dollar transactions under swap and other repurchase arrangements; both the latter are a convenient method of neutralizing inward and outward flows of foreign exchange.

Repurchase dealings off to an awkward start

The Bundesbank's repurchase dealings in long-term bonds were beset by certain teething troubles, one of the main difficulties being the correct gauging of the necessary volume. Thus, despite their theoretically undisputed effectiveness, such measures have not yet convincingly proved their worth on the German market. On

principle, we consider them well suited to assure the banking system of the basic liquidity it needs, and are also of the opinion that the Bundesbank should be able to supply the banks with exactly the amounts intended, if the latter were to be determined both through price bidding for the bonds involved and allocation of the tender offers received.

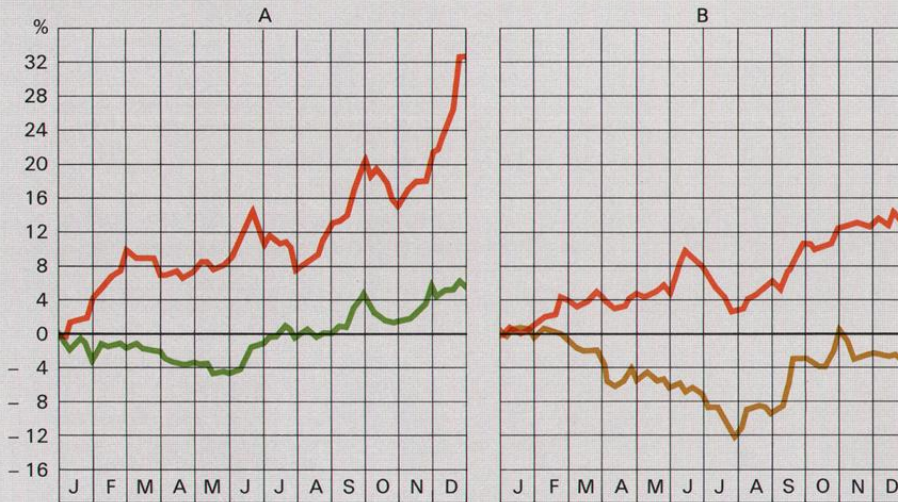
Dollar transactions under swap and other repurchase agreements should continue to prove a useful means of neatly steering bank liquidity, particularly called for when the latter is affected by substantial central bank interventions in the foreign exchange markets. It is also to be recommended that open market operations be extended to include discountable Treasury notes, the DM 12 bn of which at present outstanding have up to now not been used for money market regulation purposes and hence do not so far constitute a monetary instrument for fine-tuning, as is the case in the Anglo-Saxon countries. Moreover, to smooth end-of-month fluctuations in the money market, the banks should be allowed to fulfil part of their minimum reserve requirements on other than a monthly basis, e.g. by allowing them to hold special money market paper running for more than one month.

Monetary growth kept within target range

1979 saw the monetary growth target set by the Bundesbank successfully adhered to for the first time, an important contributing factor being the changed business climate and the consequences of the economic pick-up for the velocity of money in circulation. In the fourth quarter, growth in the central bank money stock was held close to the floor line of the 6 to 9 per cent target range, and for the current year the band has been slightly lowered to 5 to 8 per cent. The chances of its being kept to increase with the length of time the tight-money policy is continued, since high interest rates tend to discourage the holding of liquid funds and encourage the shifting of short-term money into higher-yield investments. This in turn acts to curb monetary expansion in terms of the yardstick chosen by the Bundesbank, viz. the central bank money stock.

At the same time, it is open to question whether the overall performance of the economy will still call for high interest rates as the year progresses. What should certainly be avoided is a slavish adherence to monetary growth targets which, after all, are only a means to an end—the possible cost of the end itself, namely ensuring that the economy is provided with the

# International markets: world inflation outstrips D-mark appreciation

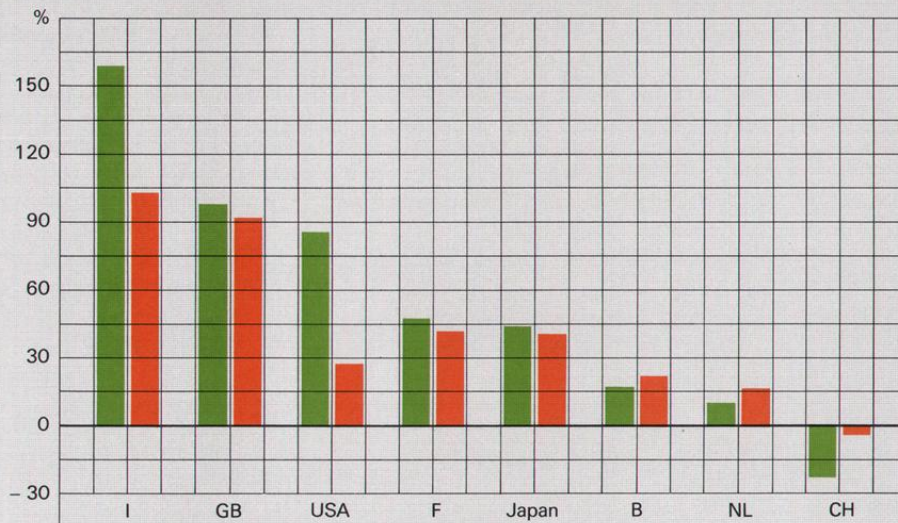


### Commodity prices and DM exchange rates in 1979

A: New York  
 — Moody's index  
 — US S/DM exchange rate

B: London  
 — Reuter's index  
 — £/DM exchange rate

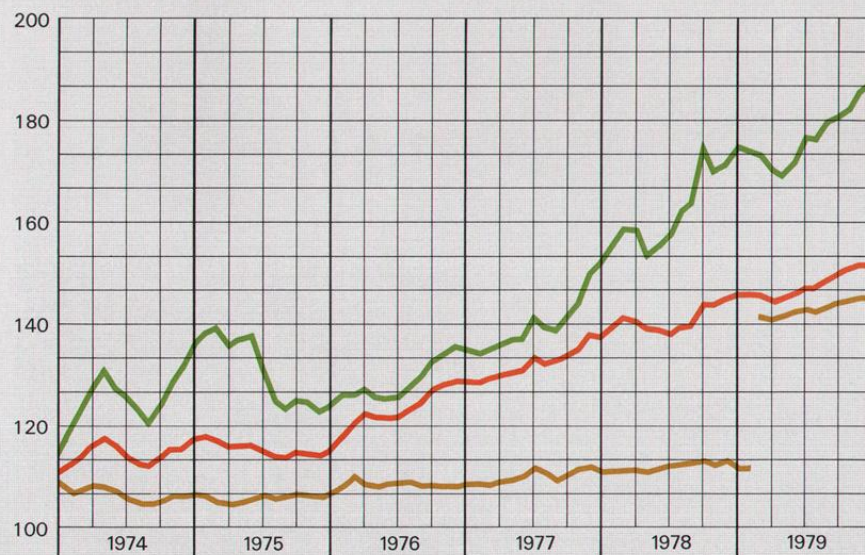
Development of gold price since 1971 (US \$/oz)	
end-1971	43.63
Dec 30, 1974	197.50
Aug 31, 1976	103.05
Dec 31, 1979	524.00
Jan 21, 1980	850.00



### Selected countries' inflation and foreign exchange rates (as compared with West Germany)

In contrast to former years, the appreciation of the D-mark in 1979 failed to make up for the international price differentials: in real terms, there was even a devaluation, especially vis-a-vis the currencies of the other member countries of the European Monetary System (EMS).

changes, end-1979 on end-1972:  
■ increase in cost of living as compared with West Germany  
■ revaluation of D-mark against national currency



### Performance of the D-mark from 1974 to 1979

DM exchange rate: (end-1972 = 100)

— against US \$  
 — against 23 of West Germany's most important trading partners  
 — against currencies of EMS member countries (up to March 1979, against "snake" currencies)

highs (h) and lows (l) against US \$ since Dec 1971: (DM per US \$ 1)

Dec 21, 1971	3.2225
July 9, 1973	2.2835 (h)
Jan 8, 1974	2.8790 (l)
Oct 30, 1978	1.7285 (h)
Dec 1, 1978	1.9358 (l)
Dec 3, 1979	1.7076 (h)



exact amount of liquidity it needs, not too little and not too much. We have the impression that some monetarists tend to overestimate the importance of the targets set.

#### Continuing need for tight, dear money

Despite the general scepticism expressed with regard to the whole concept of steering the economy through the money supply and to the monetarist dogmatism that may result, we none the less consider both tight money and high interest rates a must so long as the price climb continues to give serious reason for concern. What we should like to see during future tight-rein periods, however, are earlier and more indicative changes in key interest rates, to provide the signals without which a convincing monetary policy is inconceivable.

#### **Lending buoyant**

Most of the expansion in lending business in 1979 went to those banks who, thanks to the large share of savings deposits in their overall liabilities, stood to benefit from the sluggishness of the central bank's interest rate policy and were able vigorously to boost their lending without the handicap of high funding costs. For structural reasons this did not apply to the commercial banks.

In all, bank lending to domestic customers was up by over DM 145 bn; four-fifths of this, the highest annual increase to date, went to business and private customers. None the less, public-sector borrowing from banks remained at just about its 1978 level.

#### Lending to industry recovers

Given the large volume of capital spending, it is hardly surprising that companies at last resumed their role of chief borrowers—and this despite an improved self-financing position and the possibility of recourse to easily realizable funds in the form of time deposits, which went on rising in the year under review. Higher sales by trade and industry and brisk stockbuilding activity led to a marked increase in lending, with the emphasis on the short term. Growth in long-term corporate lending, by contrast, hardly accelerated any more, no doubt largely due to the high level of interest rates.

Although both the wholesale and retail trades again stepped up their borrowing, it was chiefly industry that availed itself of more bank loans.

#### Ten-year comparison

Even so, firms and self-employed persons still accounted for only 41 per cent of total German domestic lending of DM 1,283 bn outstanding at the end of 1979, compared with 47 per cent in the early seventies. The share of the public sector, by contrast, rose over the same period from 13 to 20 per cent, a necessary concomitant of the large budget deficits.

Private borrowers, too, had more recourse to bank funds, with consumer loans now representing about 9 per cent of aggregate domestic credits, as against only 6 per cent ten years ago. There was, however, a less marked increase in demand for house-building finance, the share of which fell from 34 to 30 per cent; part of this development was, of course, due to the fact that the postwar building wave had already passed its peak.

#### German domestic bank lending

	at short and medium term			at long term (4 years or more)		
	1978 on 1977 in DM bn	1979 on 1978 in DM bn	1979 on 1978 in %	1978 on 1977 in DM bn	1979 on 1978 in DM bn	1979 on 1978 in %
Bank lending <sup>1)</sup> to:						
Manufacturing industry	+ 0.7	+11.3	+15	+ 2.7	+ 4.0	+ 8
Other businesses <sup>2)</sup>	+ 9.5	+19.3	+15	+19.8	+15.3	+ 8
Persons other than self-employed	+ 7.1	+ 6.8	+11	+ 8.6	+11.3	+33
House-builders	+ 3.5	+ 4.2	+13	+36.1	+40.7	+13
Public authorities	+ 4.1	+ 4.4	+14	+27.1	+27.1	+14
Domestic non-banks, total <sup>3)</sup>	+25.0	+46.4	+14	+94.6	+98.8	+12

<sup>1)</sup> excluding purchases of Treasury bills and other securities; <sup>2)</sup> including the professions as well as Federal Railways, Federal Post Office, and other public enterprises; <sup>3)</sup> including non-profitmaking organizations.

### Private investors dominate bond market

Growth in private savings in 1979 slightly exceeded that in disposable personal income, despite the unexpectedly sharp climb in prices. Apparently, people in West Germany generally are confident that the Bundesbank will once again have inflation back under control in the relatively near future. In addition, the real return on capital—which even when prices were rising very fast was still almost 3 per cent on medium and longer-term bonds—probably also spurred saving activity.

In fact, private investors dominated the bond market in 1979, filling the gap left by the banks who were tied down by short liquidity, but concentrating their activity on those months when interest rates seemed to be peaking. In addition, private individuals were caught up in the world-wide rush for gold. Sales of coins shot up to unprecedented levels, especially towards the year-end when the imminent imposition of VAT on gold bullion and coin sales as from January 1, 1980, led to frantic buying in West Germany.

### Unexpected upsurge in interest rates

Measured in terms of the current yield on public-sector bonds with a remaining life of four years or more, the rate on the German capital

market had already reached 6.9 per cent when 1979 began. By the year-end, it stood at 8 per cent after peaking temporarily at 8.1 per cent in June and again at 8.4 per cent in November. So steep an increase had not generally been anticipated.

### Savers turn to bonds

The domestic bond market was required to cope with new issues to a total net amount of DM 42 bn, to which must be added DM 2 bn worth of bonds that the Bundesbank released back on to the market from its intervention stock. If purchases of foreign bonds are added, savings thus invested were DM 48 bn—DM 3 bn up on 1978 but DM 8 bn down on the all-time high of 1976.

The figure given for the volume of new issues in 1979 includes DM 2 bn of 2½ and 3½-year paper issued by the United States Treasury—known as “Carter notes”—and placed through German banks in November. This offering had been preceded by similar issues designed to strengthen the U.S. foreign exchange reserves, namely DM 5.5 bn of 3 and 4-year notes allotted in two tranches in December 1978 and February 1979. The fourth such offering—alotted to the amount of DM 2 bn—followed in January 1980.

Formation of monetary assets in the Federal Republic of Germany, selected data

	1977	1978	1979	1978	1979
	in DM bn	in DM bn	in DM bn	on 1977	on 1978
Net change in financial assets					
Savings deposits <sup>1)</sup>	26.3	29.0	11.6	+10%	-60%
Federal and other savings bonds	20.9	13.1	16.7	-38%	+28%
Deposits with building and loan associations	6.5	7.3	7.8	+12%	+7%
Life assurances <sup>2)</sup>	15.9	17.8	14.8 <sup>8)</sup>	+12%	+20% <sup>9)</sup>
Bonds (net purchases) <sup>3)</sup>					
a) domestic bonds	42.3	32.9	37.4	-22%	+14%
b) foreign bonds	4.6	3.6	3.7	-22%	+5%
Shares <sup>4)</sup>					
a) domestic shares <sup>5)</sup>	-0.0	0.1	1.0	—	—
b) foreign shares <sup>6)</sup>	0.9	0.7	-0.7	-24%	—
Investment saving					
a) securities funds <sup>7)</sup>	7.3	5.8	2.1	-21%	-64%
b) open-end property funds	0.3	0.5	0.2	+75%	-63%

<sup>1)</sup> institutions reporting monthly; including interest credited; <sup>2)</sup> increase in assets of life assurance companies and pension funds; <sup>3)</sup> at market prices; excluding Bundesbank open-market transactions; <sup>4)</sup> stock exchange transactions only; <sup>5)</sup> cash proceeds, according to Commerzbank's issue statistics, less portfolio investments by foreigners; <sup>6)</sup> portfolio investments only; <sup>7)</sup> investment funds for small investors only; <sup>8)</sup> Jan 1 to Sept 30, 1979; <sup>9)</sup> end-Sept. 12-month comparison.

Once again, the Federal Government was the principal domestic bond issuer, although it did not neglect its other means of borrowing. Thus the total volume raised through borrower's notes—which compete directly with bonds for investors' funds—was slightly up on 1978, while the amount obtained through Federal savings bonds was, partly because of increased resales, lower than the year before. To make sure of meeting its high borrowing requirements from as many sources of funds as possible, the Federal Government has since December been offering a special kind of Federal bonds to private investors. Running for five years and marketable on the stock exchange, these "Bundesobligationen" are on permanent issue, with their yields varying according to market conditions.

#### Inverted yield structure

Because of the strained situation in the money markets, yields on shorter maturities rose far more rapidly than did those on longs, bringing about an inverted yield structure that persisted well into 1979. The fact that shorter-term paper will thus produce a higher return than those with a longer life is seen to indicate a general market belief that long-term interest rates will soon begin to come down, even though probably only gradually.

#### Higher dividend yields facilitate new share issues

Whilst German companies failed to launch a single bond issue in 1979, they had frequent recourse to the stock market to raise further liable capital. Commerzbank's own statistics show that new share issues produced cash proceeds of DM 2.9 bn, the shares being successfully placed at an average price of 231 per cent of their face value despite the market's mostly bearish performance. Evidently, the appreciable rise in share yields that resulted from the introduction of the corporation tax credit system has enabled German companies to issue new shares at substantially increased premiums,

thus strengthening their reserves. This in turn seems to have encouraged higher dividend payments with a view to ensuring shareholders' readiness to provide additional equity funds when needed.

As is our annual practice, we have discussed events on the German share and bond markets during 1979 in detail in our "Stock Market Round-up" booklet. Commerzbank's own activities in the domestic and international securities markets are described on pages 43 to 45 of this Report.

#### **Pump-priming ended too late**

It is in our view indisputable that the monetary policy in West Germany need not have been so restrictive in 1979 had the public sector cut back earlier on its spending. The fact that the Government was still engaged in pump-priming when the Bundesbank had already begun to apply the brakes was a most regrettable error that sacrificed the credibility of the concept of global steering as an effective means of stabilizing the course of the economy.

Fortunately, initial fears of a public-sector deficit of more than DM 50 bn proved false, though thanks less to flexible budget policies than to unexpectedly high tax revenues. All the same, overspending generally was still too great and, according to the Council of Economic Experts, only about a third of it was neutral in that it did not affect the overall course of the economy. In the international context, the fact that net government borrowing had an unchanged share of about 3 per cent in GNP also gives reason for concern.

#### Excessive level of public indebtedness

The excessive level of public-sector indebtedness, which in 1979 again grew rapidly despite the good performance of the German economy, represents a heavy burden for the future. There-

Public sector budget deficits or surpluses (in DM bn)					
	1975	1976	1977	1978	1979 <sup>e)</sup>
Federal Government <sup>1)</sup>	-34.7	-28.5	-21.7	-25.6	-26
Länder governments	-19.9	-15.3	-9.1	-12.5	-14
Municipal authorities	-9.1	-3.8	-2.2	-2.4	-3
Total <sup>2)</sup>	-63.7	-47.6	-33.0	-40.5	-43
Public pension funds	+0.6	-6.0	-9.6	-7.9	-2

<sup>1)</sup> including Equalization of Burdens Fund and ERP Special Fund; <sup>2)</sup> official financial statistics; <sup>e)</sup> estimated.

fore, even with a weakening economy fiscal policy must henceforth aim at a reduction in new borrowing. The overall scope of its being applied during recessionary periods has, however, narrowed since so great a debt leaves ever less room for manoeuvre. Thus, 8 per cent of overall Federal revenues had to be earmarked for interest payments in the current year.

At over DM 200 bn, the Federal Government's indebtedness has almost doubled during the past four years, and more than quadrupled over the last eight. This means that for the first time in history, it accounts for half the total figure for the public sector. By contrast, the rise to some DM 90 bn in local and municipal indebtedness has been comparatively modest over the last few years. Regional authorities maintained their middle course with a 27 per cent share of the overall debt figure.

#### Temporary improvement in pension funding

The improvement in the employment situation brought about by the economic upturn has broadened the funding base and hence the overall financial position of the public pension insurance funds. Unfortunately, however, the latter will come up against new financing problems even in the medium term. It is thus open to doubt whether the reform of the statutory pension scheme in what concerns payments to surviving spouses, due to be completed by 1984, will be possible at no extra cost. As things stand, a majority look like opting for the most expensive variant under discussion; this would mean that the surviving partner receives a substantial part of the combined pension to which the couple is entitled, but no less than his or her own contributions qualify for.

In the longer term, the negative effects of the dramatic change in the population age structure will make themselves felt: from about 1990 onwards, there will be a growing number of senior citizens and comparatively fewer young people. This calls for an early re-examination and revision of the entire system of state welfare payments.

#### **The search for a viable exchange rate structure**

Events on the world monetary scene in 1979 were centred on attempts to devise a practicable form of compatibility between fixed parities such as exist within the European Monetary

System and floating exchange rates. Carefully coordinated intervention policies by the Federal Reserve and the Bundesbank almost halved the fluctuation margin of the US dollar/D-mark exchange rate as compared with the previous year. The highest and lowest dollar rates were DM 1.92 and DM 1.71, respectively, and the annual average at DM 1.83 represented a decline of just on 9 per cent on 1978.

#### New US policy facilitates "modified floating"

Naturally enough, such modified floating temporarily required substantial interventions in order to protect the D-mark against both too strong a downward pull not justified by economic realities and, at other times, against too great an upward pressure. From the German point of view, the two types of intervention largely counterbalanced each other over the year. Action on a massive scale was rendered possible following the large build-up of U.S. intervention funds decided upon on November 1, 1978, but this alone did not provide the full answer to the problem. The latter only came when on October 6, 1979, the Federal Reserve Board unanimously agreed on the crucial step of discontinuing its policy of exclusively regulating liquidity through interest rate measures and instead adopted a strategy of controlling monetary growth, while at the same time giving first priority to the fight against inflation. And indeed, by absorbing liquidity and raising interest rates, the Federal Reserve succeeded in providing the dollar with a corset enabling it to withstand harmful external influences in the late autumn of 1979 and the following winter months. However, the new U.S. policy still has to prove itself in the domestic context where a determined attack has to be made on the nation's disastrous inflation mentality. Only when this is accomplished will there be a lasting return of international confidence in the dollar, so necessary for it to fulfil its functions both as the world's key currency and its number one reserve asset.

#### Crisis-free foreign exchange markets

The fact that fluctuations in the dollar/D-mark exchange rate were kept within narrow bounds was obviously one reason why, despite a number of disturbing factors on the international scene, the foreign exchange markets did not again have to cope with critical situations. The sole currency to suffer a pronounced slump was the Japanese yen which, without any great change in the underlying economic situation, fell by about one-third against the D-mark from its August 1978 peak.

After losing 1 per cent of its value vis-a-vis all other currencies by April 1979, the D-mark recovered to post a 5 per cent gain by year-end. This was, however, not true for sterling and the Austrian schilling, against both of which the German currency depreciated.

#### D-mark has become second reserve currency

The fact that for years the Federal Republic managed to keep inflation at a relatively low level has led the D-mark gradually to assume the functions of a second world currency and, though hardly desirable from the German point of view, such a development was probably unavoidable. More than 11 per cent of other countries' foreign exchange reserves are now held in D-mark. While this is substantial, it must not be forgotten that the dollar still accounts for an unchanged 80 per cent of the total.

Efforts to devise, within the framework of the International Monetary Fund, a substitute for national currencies serving as reserve assets are still in their infancy. The primary purpose of the planned IMF "substitution account" is to offer central banks an attractive investment alternative for their foreign exchange reserves, thereby preventing the markets from being upset by sudden currency shifts while at the same time strengthening the role of special drawing rights. Given the considerable volume of dollars circulating in the Euromarkets, the idea certainly has its appeal. We do not, however, expect success to come in the shorter term, and even in the longer run it will be achieved only if investment in the "substitution account" promises sufficient returns.

#### Precious metal markets in turmoil

Sky-rocketing gold prices have demonstrated in recent months how hypersensitive the international financial markets still are, and they may well be seen as reflecting a widespread lack of confidence. In the course of 1979, the gold price soared from US \$ 224/oz to US \$ 524/oz, and even temporarily topped US \$ 850/oz in early 1980. The climb in the price of silver was still more dramatic, reflecting the same nervousness.

It is comforting that this time the price boom in precious metals was not accompanied by a falling dollar. All the same, it has revealed the limits of a demonetization of gold by showing that the latter simply cannot be banished from the world monetary scene by mere decree. There is, however, another side to the problem: the spectacular rise in the gold price carries with it

the risk that such countries as hold part of their monetary reserves in gold might judge themselves richer in nominal terms, and be also so regarded by their creditors. With possibly disastrous results, this could lead them to neglect the need for "belt-tightening" which, of course, is a world-wide requirement.

#### The EMS—a pro-European achievement

The greater firmness in the US dollar/D-mark exchange rate also improved the basis for the functioning of the European Monetary System, which came into being with some small delay on March 13, 1979. We see this achievement, whereby the earlier "snake" arrangement was made the core of a stabler, institutionalized framework, also as a success for the European idea. From the German point of view, moreover, the involvement of France and—though with certain special conditions—Italy ranks high in terms of foreign trade. Yet, the EMS must remain somewhat of a dismembered body without the participation of the United Kingdom.

Given the often sharply differing inflation levels in the individual member countries, the EMS parity grid will in the foreseeable future require frequent adaptation. The first such revision took place on September 24, 1979, but rather unsatisfactorily proved to be a case of "too little, too late". The second such step following shortly after, namely a devaluation of the Danish krone only, was somewhat more in line with the agreed principle of swift action. Overall, however, inflation differentials within the EMS have so far not been fully made up for by foreign exchange adjustments.

To further the ambitious target of creating a European partnership of monetary stability proved hardly possible under the adverse general conditions prevailing during 1979. It would anyhow be mere wishful thinking to assume that stability and harmonized economic policies can be brought about simply by the creation of an institutional framework. It is this that fills us with considerable doubt as to the wisdom of developing the European Monetary Cooperation Fund, within only a few years, into a central lending authority with responsibility for interventions in the foreign exchange markets. Thanks to the enormous increase in the value of the gold reserves placed in it—although on loan terms for the time being—the Fund has already gained greater importance than was planned for its initial phase.

#### No central role for ECU as yet

Contrary to original plans and expectations, the European Currency Unit (ECU) and the divergence indicator linked to it—which were the subjects of most heated discussion during the preparatory stage—have so far become hardly significant in practice. We are in any case still a long way from a dual currency system with the basket-based ECU playing a central role, since this would presuppose EMS currencies moving constantly in parallel. None the less, there are already bonds issued by private-sector companies that are denominated in ECUs.

One question still to be tackled within the EMS is that of a concerted policy of intervention vis-a-vis the US dollar. This poses thorny problems, as the economies of the individual member countries are very differently affected by a fluctuating dollar.

#### Continuing Euromarket growth

International lending activity was expanded further in 1979. Dollar-denominated Eurobonds once again accounted for just on two-thirds of the overall volume of new issues, whilst those denominated in D-mark saw their share reduced to a quarter of the total amount launched.

Syndicated Euroloans recorded another year of exceptional growth in 1979, and the volume of the Euromoney and Eurocredit markets combined reached some US \$ 600 bn net, or more than US \$ 1,000 bn gross. It was, however, not until the end of the year that the worrying trend towards longer maturities, and even more towards smaller spreads that fail to offer adequate compensation for the risk involved, finally began to slacken. At long last reflecting the quality of the borrower again, spreads have started broadening to a greater or lesser degree.

We have been following with much interest all efforts aimed at ensuring that the growing internationalization of the banking business is matched by cross-border banking supervision. We welcome such endeavours in so far as they are intended to make for greater market transparency, but would reject as harmful any direct interference in the market process.

In particular, the competent international monetary authorities should bear in mind that while the reputable banks operating in the Euromarkets have voluntarily and as a matter of course been adhering to rather strict, self-imposed balance sheet ratios anyway, the planned regulations will not suffice to control capital markets

world-wide. The real root of the trouble, namely the huge volume of dollars that stemmed from the recurrent high deficits on the U.S. balance of payments, would remain just as unaffected by such controls as would borrowers' risks or the excessive lending at longer term by certain banks on the basis of shorter-term borrowing.

There is a serious danger that the central banks and the banking supervisory authorities might intervene in the Euromarkets precisely at a time when their smooth functioning is of vital importance for a world economy faced with a second oil crisis.

## Outlook

The oil crunch will no doubt remain the preeminent issue in international economics, the expression of a fight for shares of the world cake whose like has never been known. Europe is necessarily hard hit.

The dramatic oil price hike has cast a distinct shadow on business activity right around the globe, with the result that all Western industrialized states taken together will experience close to nil growth in 1980. Following the December 1979 OPEC conference in Caracas and the new price rises announced thereafter, most countries found themselves forced again to revise their growth forecasts downwards by between a half and a full percentage point. West Germany is no exception here: not only must it be prepared to accept a lower growth rate but also to cope with increasing inflationary pressures and another—still much larger—deficit on its current account, the latter clearly indicating that the Federal Republic is living beyond its means.

A big current account deficit must not become a permanent feature of the German economy, especially as it would tend to involve greater foreign indebtedness. This, however, would hardly be suitable for a highly industrialized country such as the Federal Republic which, if anything, should export and not import capital. Moreover, for a nation to remain in the red over a longer period entails the risk of its currency depreciating and a consequent rise in import prices.

### The fateful energy question

Recent months have once again demonstrated with frightening clarity the vulnerability of our energy supplies. Valuable years of adaptation have been lost. Research into alternative sources of energy—particularly the vitally important extension of the use of nuclear power, and the development of methods of appropriate waste disposal—has been delayed. Similarly, little effort has been devoted to making economic growth less dependent on energy consumption by more rational use and conservation. The rapidity with which the original oil crisis was overcome and the fact that in West Germany the rise in import prices was palliated by an appreciating D-mark have obviously masked the urgent need for action.

The chief problem remains that of reducing our oil-dependency. This requires a clear and consistent policy providing for a sufficient expansion of power station capacity in good time and

offering rapid and sustained support for all measures designed to economize on energy.

### New circumstances require new approaches

For the first time in thirty years, West Germany will fail to achieve any of the "magic four" overall economic goals of satisfactory growth, full employment, stable prices, and equilibrium in its balance of payments. This new situation requires a new approach. There is this time no question of stimulating demand through fiscal incentives, which under different circumstances might be called for in order to counter a threatening slump, since these would merely lend greater impetus to inflation and further aggravate the payments deficit.

What is now needed is an economic policy that provides companies with more scope for capital spending and also promotes export rather than import growth. Different from earlier years therefore—and this again is new—increased attention must be paid to the international competitiveness of the German economy.

While the Federal Republic is obliged each year to spend an additional 1 per cent of GNP on oil imports and at the same time has to invest increasing amounts to make better use of domestic energy supplies, it would already be a notable success if a decline in real personal income could be prevented. So far people in West Germany, unlike many of their neighbours, have almost always seen their real incomes continue to rise.

### Greater scope for Bundesbank policy

Thanks to the compatibility of the Bundesbank's present two main targets—namely combating inflation and reducing the nation's current account deficit—it is no longer on the horns of what used to be an awkward dilemma in that it can now impose restrictions without being concerned about their possible external consequences. At the same time, the central bank will henceforth be able to pursue a parallel course in both its monetary growth and interest rate policies.

As long as the Bundesbank keeps its foot on the brake, the public sector should continue with its—in any case only modest—efforts to reduce overspending. Only then will it be possible to bring down the cost of finance for industry by 1981, as may well be appropriate at a time when economic activity can be expected to have slowed down again.

Investment as a pillar of growth

In its latest report on the German economy, the Council of Economic Experts came out in favour of encouraging capital spending, chiefly with the aim of reducing unemployment and ensuring adequate energy supplies. Although well aware of the fact that such investment will require increased equity funding by companies, we thoroughly support this view.

Our experience in the banking sector accords with the Council's statement that "firms better provided with venture capital are more liable to undertake risk investments than those with a lower equity ratio". Primarily for tax reasons, however, it is still cheaper for German companies to borrow than to raise new liable capital. This situation calls for further corrective measures on the lines first followed in the corporation tax reform. Moreover, the application in the Federal Republic of a general principle of preference for direct and indirect share ownership would fit in well with the long-adopted concept of promoting the formation of wealth by wage and salary earners.

A rare opportunity for economic policy

Economic revolutions usually come creeping, with the result that any interventions cannot as a rule be rapid. Now, however, we are faced in the present energy shortage with a spectacular event requiring prompt counter-measures. We see this as a chance for economic policy which its makers should not forfeit.

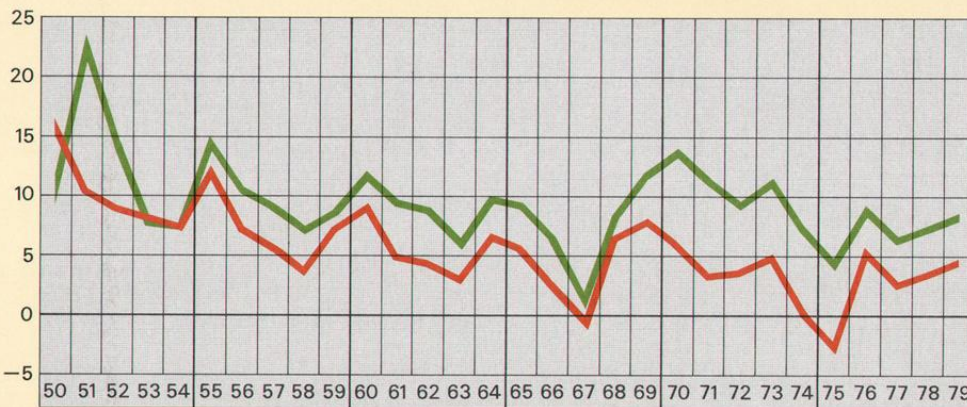
(The German edition of this Report went to press on February 25, 1980.)



# Federal Republic of Germany – Thirty Years of Economic Growth

Despite the severe setbacks resulting from World War II and its consequences, the West German economy has over the last thirty years experienced an undreamt-of boom. Much of this success was due to the consistent application of the principles of the market economy, which not only stimulate the initiative of industry but also enhance the standard of living of the population.

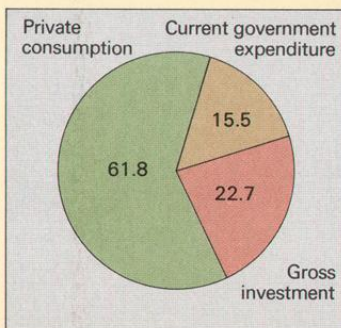
At the same time, the safety net in the form of government social provision was drawn ever more tightly—at steadily rising cost. From 1970 onwards, when the tax burden, rising wages, and spiralling energy costs made too heavy demands on industry, the German economy gradually left its upward path. And only during the second half of the seventies was there a return to growth which, however, fell noticeably short of former levels because of higher energy prices.



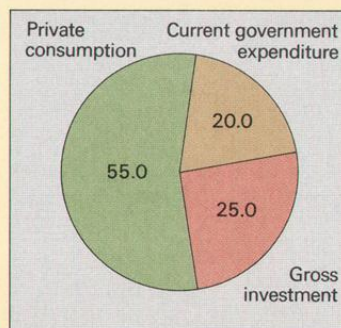
### Growth in gross national product

The seventies saw a widening gap between nominal and real GNP growth.

- GNP (nominal)
- GNP (real) (change on year, in %)



1950



1979

Share of nominal GNP (in %) (excluding net exports of goods and services)

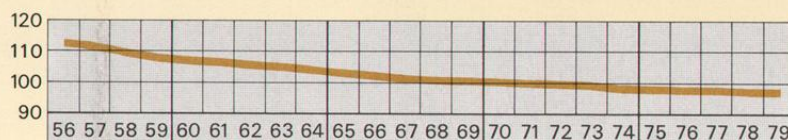
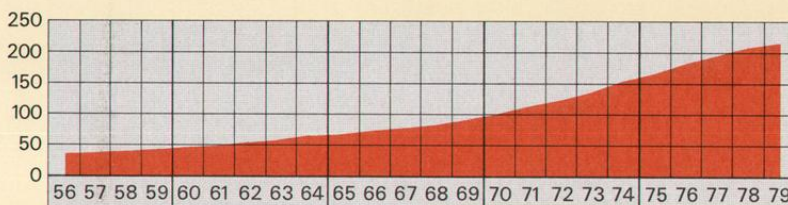
### Use of gross national product

The declining share of private consumption in GNP is inter alia the result of households spending more on home-building and renovation. Increased public-sector spending has widened the share of current government expenditure. Investment is gradually returning to the levels reached during the sixties.

West German labour force (no. of persons, in 1,000)						
annual average	1950	1960	1965	1970	1975	1979
Labour force	21,960	26,518	27,034	26,817	26,407	26,290
incl.: wage and salary earners	13,963	20,257	21,758	22,246	21,386	21,800
self-employed	3,245	3,327	2,923	2,690	2,514	2,410
family members providing assistance	3,168	2,663	2,206	1,732	1,433	1,210
unemployed	1,584	271	147	149	1,074	870

### Population and labour market

The stream of refugees and returning prisoners of war in the first postwar decade was followed in the sixties by the immigration of foreign workers.



Indices 1970 = 100

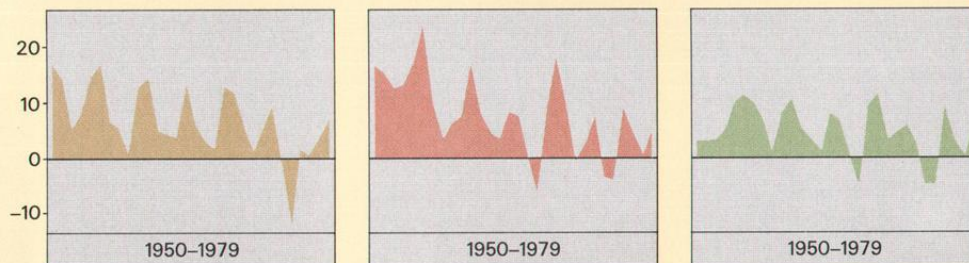
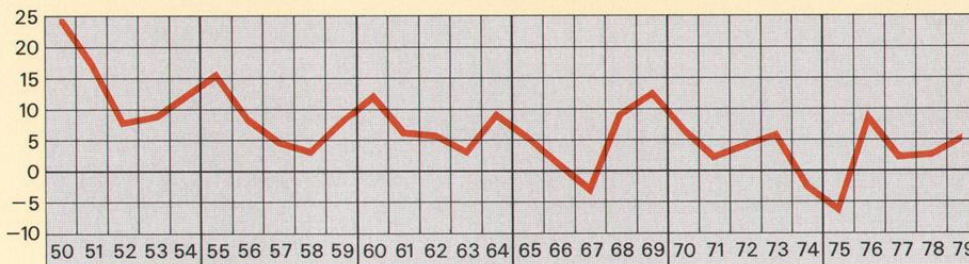
### Income and hours worked

The growing prosperity of the population is reflected by both the steady rise in real income and the declining number of hours worked per week.

- real wage and salary income (per employed person)
- collectively agreed no. of weekly working hours

Following the initial phase of reconstruction, German industry had to live through a painful period of adjustment. At times, high wage settlements curbed its ability to compete on the international markets, and with the D-mark appreciating ever more rapidly, foreign manufacturers became increasingly competitive. The ensuing structural changes constantly forced German companies to improve both the range and the technological standard of their products.

In addition, they were obliged to rationalize their production methods in order to cope with the sustained rise in costs. In the fifties and sixties, industrial expansion was helped among other things by cheap imports of energy and raw materials. However, following the 1973/74 oil crisis, sharply escalating energy costs have imposed limits on growth prospects. On the other hand, the need to conserve energy has in turn lent new impetus to investment.

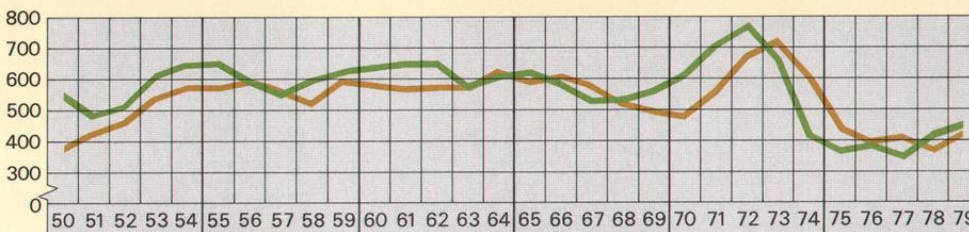


#### Industrial output

For decades, German industry succeeded in steadily increasing its output. Only twice – in 1966/67 and 1974/75 – did a recession bring production below the previous year's level.

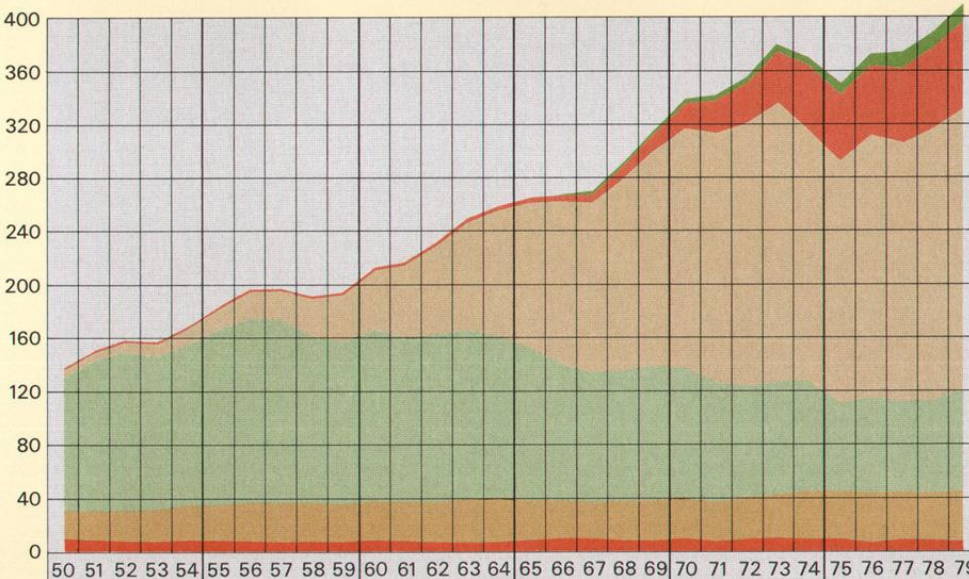
- net industrial output
- basic and producer goods industries
- capital goods industry
- consumer goods industry

(change on year, in %)



#### House-building (in 1,000)

- building permits granted
- dwellings completed



#### Consumption of energy

Coal, which until the mid-60s was Germany's main source of energy, has since then had its share in overall supplies just about cut by half. This decline was prompted by the rapidly growing use of oil. In addition, natural gas has assumed a greater role since the early 70s, whereas use of nuclear power has fallen behind schedule.

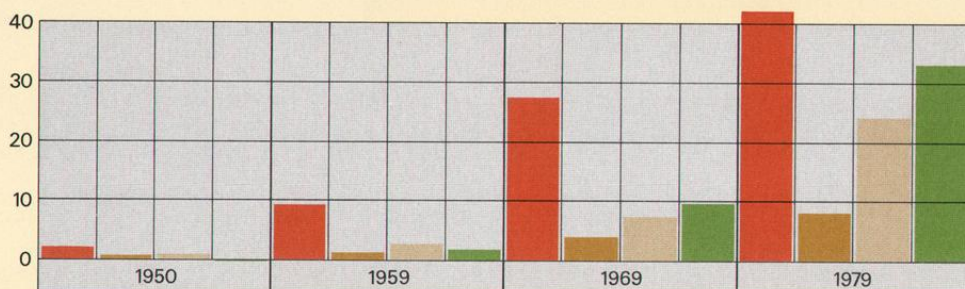
Consumption of primary energy (in million TCE) :

- nuclear energy
- natural gas
- oil
- coal
- lignite
- hydroelectric power, other sources of energy

In parallel with industry, German financial markets too have over the last thirty years expanded at a rate never hitherto experienced. Whereas in the fifties, the main task was the provision of sufficient funds for reconstructing the German economy, emphasis in the sixties was on the financing of investment for rationalization, house-building, and industrial plant exports. During the last decade, meeting the requirements of government borrowing has become ever more important,

making public-sector indebtedness a central theme of economic argument.

The German capital markets have been increasingly successful in fulfilling their prime function of transforming long-term savings into loan funds. Regrettably, German companies still tend to meet their financing needs almost exclusively through borrowing, with little effort directed towards equity funding.



#### Private savings

Private households are the economy's main source of funds with savings of over DM 100 bn annually. Most of the latter are made up by savings deposits and bank savings bonds.

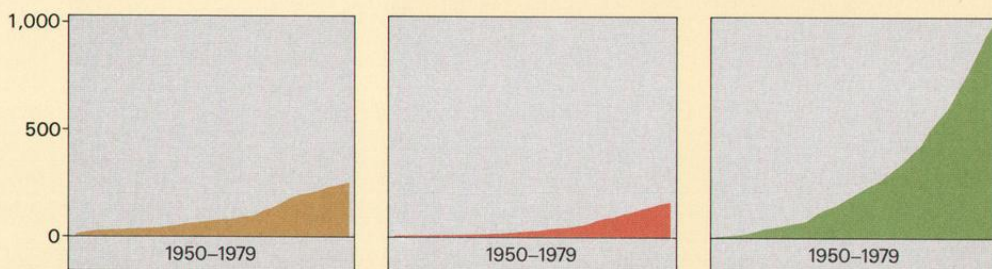
Annual savings (in DM bn):

- with banks
- with building and loan associations
- with insurance companies
- in securities

#### German securities in circulation (in DM bn)

at year-end	1955	1960	1965	1970	1975	1979
Fixed-interest securities	16	43	98	158	317	504
Shares	24	99	80	107	134	137
Investment fund shares	0	3	3	11	23	47

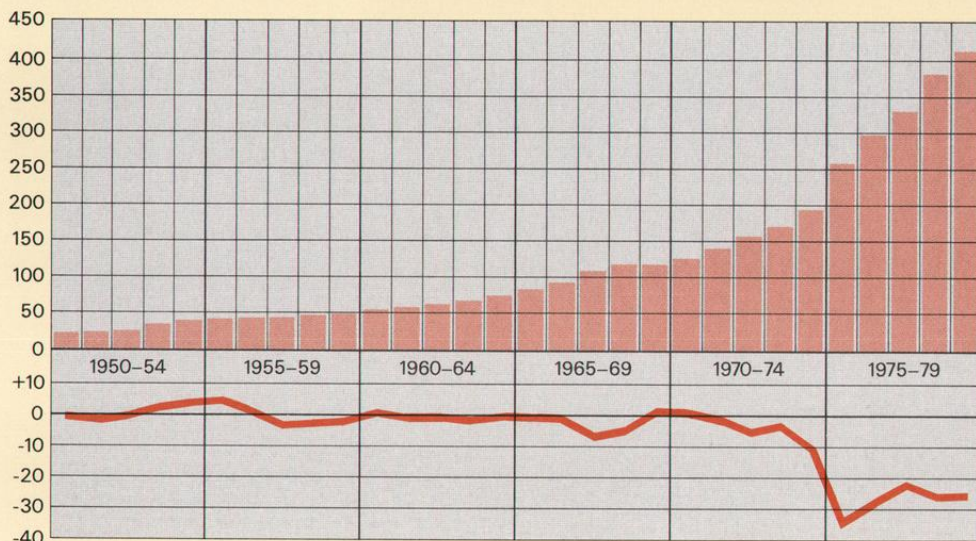
◀ at market prices  
 ◀ including open-end property and specialized funds



#### Lending to non-banks at home and abroad

(on cumulative basis, in DM bn)

- at short term (up to 1 year)
- at medium term (1 to 4 years)
- at long term (4 years or more)



#### Indebtedness of the public sector

Between 1975 and 1979, public-sector indebtedness soared by some DM 220 bn and thus by a higher amount than during the preceding 25 years.

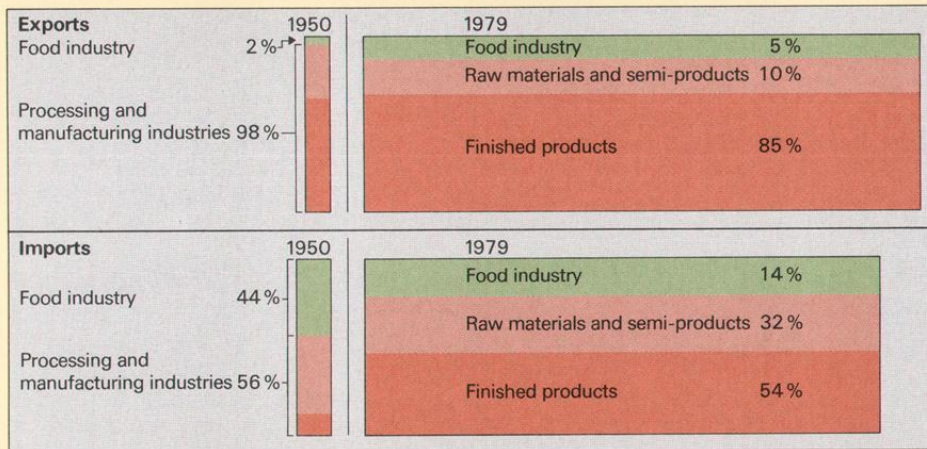
- Accumulated public-sector debt (in DM bn)
- Annual surplus/deficit of Federal budget (in DM bn)

The "German economic miracle", much spoken of abroad, did not only relate to domestic reconstruction but also to exports, which during the last thirty years assumed growing importance. Together with the USA, West Germany today heads the league of world trading nations and is even the world's main supplier of industrial plant. A liberal stance coupled with growing international integration, particularly within the EEC, have led to a more and more interwoven pattern of the international

division of labour. Thus West Germany not only exports but increasingly also imports industrial equipment and high-grade consumer durables. At the same time, the last twenty years have seen the German food industry double its share of the country's exports to 5 per cent.

West Germany's foreign trade				
year	1950	1959	1969	1979
Exports (in DM m)	8,362	41,184	113,557	314,622
Imports (in DM m)	11,374	35,823	97,972	292,161
Terms of trade (1976 = 100)	64.0*	85.9	99.0	96.4

\*)1952



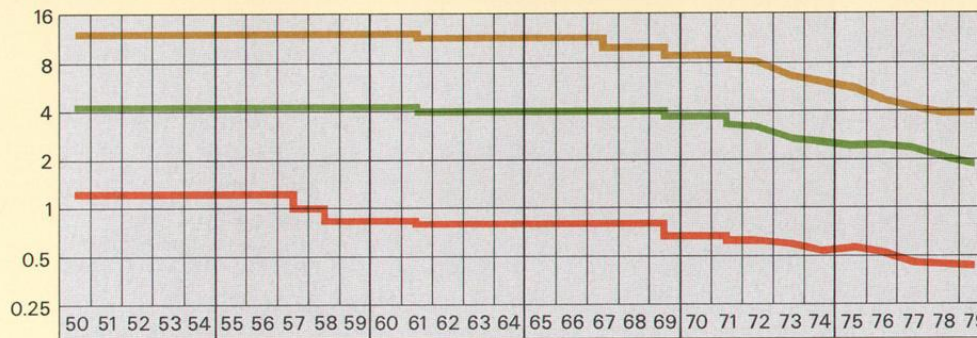
#### Dynamic foreign trade

For many years, export prices outpaced import prices and thus added to the German trade surplus. Only as a result of the drastic oil price hikes did the country's terms of trade deteriorate.

#### Changed structure of imports and exports

Since 1950, the structure of Germany's foreign trade has undergone considerable change: as food products sharply increased their share of exports, so did industrial finished products on the import side.

- food industry
- processing and manufacturing industries:
- raw materials and semiproducts
- finished products



#### DM exchange rates

- pound sterling/DM
- US dollar/DM
- French franc/DM (in 100 old francs to end-1959)

logarithmic scale

German monetary reserves (in DM m)				
at year-end	1949	1959	1969	1979
Gold	-	11,077	14,931	13,693
Reserve position with IMF plus SDRs	-	1,127	1,105	9,007
US dollar holdings	427	7,257	2,239	51,711
Other foreign exchange holdings*)	506	5,700	9,518	23,563
Total	933	25,161	27,793	97,974

#### Gross foreign position of the Bundesbank

IMF = International Monetary Fund  
 SDRs = special drawing rights  
 \*) from 1979 onwards, includes Bundesbank's claims on European Monetary Cooperation Fund incurred within EMS.

## The Bank's progress

### General performance of Commerzbank

In view of the ever-worsening underlying conditions for the banking business in both the domestic and the international markets, Commerzbank restrained its overall growth in 1979. Thus, the balance sheet total of the Parent Bank, Commerzbank AG, rose only 11 per cent over the year and its business volume (which in addition includes endorsement liabilities) by 12 per cent, compared with 19 and 20 per cent respectively in 1978.

The salient figures for the 1979 accounts of the Parent Bank are as follows:

Balance sheet total	DM 67.1	bn
Total deposits and borrowed funds	DM 63.4	bn
Total lending	DM 44.7	bn
Capital and reserves	DM 2.478	bn

The process of extending our branch network was conducted more slowly in the year under review. Commerzbank now maintains 793 domestic branches and operates two subsidiaries, 11 branches (including those to be opened during the first half of 1980) and 19 representative offices abroad. The Bank also has 14 members of its staff on secondment to banks in which it has an interest or with whom it cooperates.

#### Commerzbank Group: total assets top DM 100 bn

The balance sheet total of the Commerzbank Group was DM 100.3 bn as at December 31, 1979. This represented a rise of DM 12.3 bn, most of which was accounted for by subsidiaries. Hence the Parent Bank's share in the total was down to 67 per cent, as against a previous 69 per cent. At end-1979, the banks affiliated within the Commerzbank Group were

handling some 4.3 million accounts for approximately 2½ million customers at 885 branches staffed by 21,656 people.

In addition to the Parent Bank, the Group comprises the following major associated banks (whose annual reports and accounts are summarized on pages 76 to 81):

Berliner Commerzbank AG, Berlin,  
balance sheet total DM 3,716 m;

Commerzbank International S.A.,  
Luxembourg,  
balance sheet total equalling DM 14,908 m;

#### Rheinische Hypothekbank, Frankfurt, balance sheet total DM 17,673 m.

After a DM 21.9 m allocation to reserves, the consolidated profit was DM 155.5 m; this compares with DM 74.2 m and DM 181.2 m respectively for 1978. Subject to the relevant decisions of their annual general meetings, a further DM 18.2 m will be allocated to the reserves of consolidated subsidiaries, as against DM 25.3 m in the previous year.

#### Consolidated liable equity to total DM 2.7 bn

Capital and reserves of the Commerzbank Group, including that part of the equity of Rheinische Hypothekbank not held by Commerzbank, amounted at year-end to DM 2,726 m, or DM 381 m more than at end-1978. Following implementation of the resolutions of the 1980 annual general meetings of the Group member banks, consolidated liable equity will total DM 2,744 m.

(For the Group Report and the Consolidated Annual Accounts see pages 67 to 91.)

Parent Bank: pressure on interest margin

Pressure on Commerzbank's interest margin intensified during the year under review, its foreign branches being particularly hard hit. Even so, net interest and dividend income was maintained at 1978 levels. Chiefly due to the continuing difficulties in the German stock and bond markets, net commission income recorded only a modest rise.

Total personnel-related expenditure was up by a good 8 per cent and other operating expenses by about 11 per cent, part of the latter deriving from branch modernization.

The continued climb in interest rates once again made write-downs of securities a major item on the expenses side of the profit and loss account. Due allowance was made for all identifiable risks in our domestic and foreign lending by appropriate individual adjustments to loan claims. In keeping with the strong growth in lending, similar global adjustments were effected to provide for possible loan losses of our foreign branches as well.

Dividend unchanged

Thanks to an increase in Other income we are able to pay an unchanged dividend. The amount to be distributed will rise by DM 3 m, since DM 17 m nominal of new shares acquired by those holders of our 1978 convertible bonds who chose to exercise their conversion rights at the earliest possible date will rank for dividend for the first time.

Equity base further broadened

In addition to the DM 68 m cash proceeds from this conversion, we raised a further DM 281 m of liable equity in December by making use of existing authorized capital through a one-for-eight rights issue offered to our shareholders at a price of DM 140 per DM 50 nominal share. The Parent Bank's liable capital now stands at almost DM 2.5 bn, a good 16 per cent higher than at end-1978.

Long-term borrowing again increased

In order to finance our own long-term lending, we once more raised considerable long-term funds—DM 2.5 bn in all—from other banks, partly on a roll-over basis. In addition, sales of savings

Utilization of new funds in 1979			
Source of funds	in DM m	Application of funds	in DM m
Increase in liable funds	349	Increase in nostro balances	1,005
Increase in deposits and borrowed funds	6,021	Increase in loans	8,152
a) bank deposits	(4,274)	a) loans to banks	(1,695)
b) customers' deposits	(1,208)	b) loans to customers, at agreed periods of	
c) bonds issued	(63)	ba) less than four years	(3,105)
d) own acceptances	(476)	bb) four years or more	(3,352)
Increase in provisions	47	Increase in fixed assets	415
Reduction of assets	3,066	a) investments as shown in the balance sheet	(280)
a) cash reserves, cheques, and collection items	(581)	b) land and buildings	(58)
b) bills of exchange	(2,134)	c) office furniture and equipment	(77)
c) Treasury bills	(142)	Increase in other assets	41
d) securities	(194)		
e) other assets	(15)		
Increase in other liabilities	63		
Depreciation on fixed assets	67		
	9,613		9,613

bonds brought in more than DM 400 m net. Total deposits and borrowed funds were at year-end DM 6 bn up on 1979, nearly half of this sum being for terms of at least four years.

We continued throughout the year to pursue a very flexible policy in what concerns the acceptance of customers' time deposits. On both the domestic and international money markets, we were again very active, permitting an above-average expansion of our interbank dealings.

#### Lending business better balanced

Most of the additional DM 7.6 bn in the Bank's business volume was attributable to lending in 1979. In liquid funds, the greatest rise was in nostro balances, with the emphasis on terms of less than 3 months. On the other hand, we cut back drastically on trade bills, whenever possible rediscounting them with the Bundesbank.

We at last saw more balanced growth in advances to domestic non-bank clients. Lending both to companies and to private individuals grew by DM 2.1 bn and that to public authorities by DM 1.6 bn. Book credits to international customers, mostly granted by our foreign branches, were up DM 0.6 bn.

Once again, loans to domestic public authorities were mainly against borrower's notes of varying maturities. Our lending to business, private, and foreign customers is reported on below.

#### Investments as shown in the balance sheet

The book value of investments (our holdings in subsidiaries and associated companies and our trade investments) rose chiefly as a result of capital increases by affiliated banks. The largest single amount provided by the Parent Bank in 1979 again related to the broadening of the equity base of the Luxembourg subsidiary, Commerzbank International S.A., effected by subscribing to new shares issued in two stages and by granting a subordinated loan. Moreover, our second international subsidiary, Commerzbank (South East Asia) Ltd. in Singapore, had to be endowed with capital. Additional funds were required to complete the acquisition, in 1979, of a tax-privileged 25 per cent interest in Handelsbank in Lübeck, the parent bank of Lübecker Hypothekenbank in which we already have a similar holding.

For a chart listing all Commerzbank's domestic and foreign holdings in affiliated and other companies see pages 82 to 84.

### **Serving our business customers**

After several years in which companies had been slow to invest, we were gratified in 1979 to see a revival of interest in the comprehensive range of financing services we offer. Leasing facilities, available through specialized affiliates as a back-up to direct credits, gained further momentum in providing corporate finance. We also advised firms seeking various forms of co-operation and acted as an intermediary in raising the equity capital they needed.

#### Capital goods manufacturers seek more bank credit

The mechanical and electrical engineering and metal-producing industries stepped up their borrowing from us. Credit demand from other manufacturers was less pronounced, largely because many firms could still fall back on the substantial liquid funds accumulated in earlier years, but also because of accelerated down payments received on export deliveries. There was no further growth in lending to the wholesale and retail trades which had, however, expanded strongly in the previous year.

Loan terms mirrored the very keen competition in German banking that was a consequence of the Bundesbank's monetary policies; the latter tended to favour the savings banks and cooperatives (see page 21). Since the sharply increased money market rates meant that bills bought over and beyond our scope for rediscounting failed to generate sufficient earnings, we cut back considerably on such activity, bringing the total almost DM 1 bn below the end-1978 level. Despite this policy we were always ready in the difficult year under review to buy trade bills from those of our medium-size business customers who regularly discount them with us.

With interest rates rising as the year progressed, companies once again tended to prefer borrowing at short and medium term. Even so, our longer-term corporate lending also grew over the year as a whole.

#### New loan scheme for smaller companies

In a bid to intensify business with smaller industrial and commercial companies, on which we traditionally lay great stress, we have since autumn 1979 offered them a new loan scheme. Although standardized, it allows for the individual credit to be granted very flexibly as regards life, repayment, interest charged, and actual

## Commerzbank: lending business picking up

1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
									(7,820)
								(7,037)	3,141
								4,136	20,590
								16,446	
								12,648	
								16,921	
								20,929	
13,802	15,641	17,385	18,067	20,135	22,278	25,584	29,031	37,503	44,660

### Volume of lending

Whilst most of our business clients asked for short-term credits, lending to our private customers was mainly at longer terms.

in DM m:

- guarantees
- discounts
- short and medium-term book and acceptance credits
- long-term credits (for four years or more)

1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
									12,179
								11,010	
								9,591	
								28,044	
								35,224	
								11,097	
								11,670	
18,400	20,620	23,893	26,546	29,340	36,128	39,334	47,772	57,331	63,351

### Total deposits and borrowed funds

Our borrowing strategy was once again directed towards above-average growth in long-term funds.

in DM m:

- sight deposits
- time deposits, own bonds and acceptances outstanding
- savings deposits and savings bonds

1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
									609
								609	
								794	
								794	
								726	
								726	
								844	
850	990	1,115	1,213	1,364	1,548	1,781	2,078	2,129	2,478

### Liabe equity

Mainly by means of a capital increase, the Bank's liabe equity was further augmented in 1979.

in DM m:

- other reserves
- legal reserve
- share capital



amount paid out. We expect customers seeking such investment finance to put down 20 per cent of the total sum required. Repayment and servicing may take one of three forms. Thus the annuity type loan provides for equal quarterly instalments including both interest and repayment, with the latter immediately credited. A second type also requires repayment to be made by equal quarterly instalments, but permits separate interest service. A third version, while calling for interest to be paid quarterly, leaves the entire loan outstanding to term, when it will be covered by an appropriately maturing endowment insurance.

Reflecting our considerable efforts both at home and abroad, our guarantee and documentary credit business expanded again by about one-tenth after a lapse of two years. It mostly related to individual deals by medium-sized firms, since large, domestically or internationally contracted projects that would require such financing—particularly the construction of power stations—continue to be held up by political difficulties.

#### EDP services for customers further extended

A substantial proportion of payments effected on behalf of our business customers is now carried out by computer, with no need for vouchers. We also have a special service permitting more efficient, low-cost payment transactions for those of our corporate clients without their own data-processing facilities. We were very concerned, too, to advise our business customers on the many and varied uses they can make of our computer services.

#### Special financing facilities

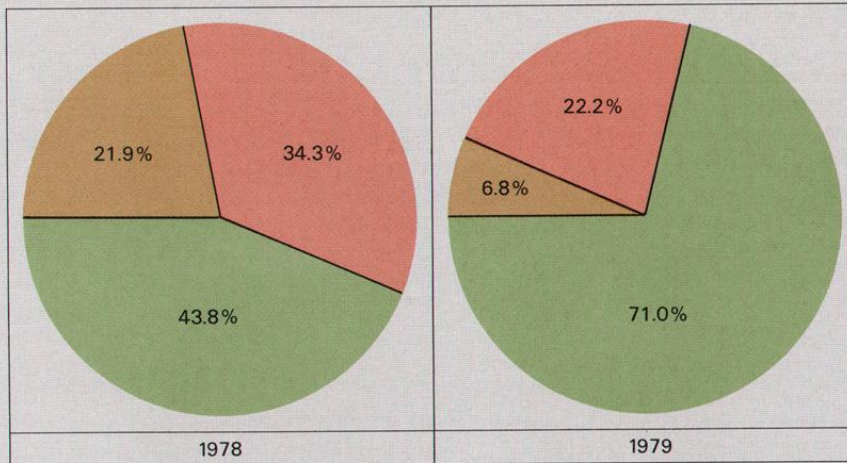
Collaboration with our mortgage bank subsidiary, Rheinische Hypothekbank, enabled us both to offer companies our standardized business loans, and to negotiate industrial mortgages on their behalf. Additional investment finance was raised through Industriekreditbank.

Our leasing activities tend to be concentrated on two subsidiaries, with Commerz- und Industrie-Leasing GmbH (CIL) handling moveable goods and Deutsche Gesellschaft für Immobilien- und Anlagen-Leasing mbH (DIL)—which we operate jointly with Deutsche Bank—dealing with buildings and industrial plant.

Lending to domestic business and private customers*)		
	31-12-1979	31-12-1978
Mining and public utilities	5.1%	6.2%
Chemical industry	4.7%	5.9%
Electrical and precision engineering, metal products, plastics processing	9.0%	9.8%
Production of iron, steel, and other metals; foundries	4.6%	4.5%
Steel construction, mechanical engineering, car industry, shipbuilding	8.9%	9.7%
Building and civil engineering	1.5%	1.6%
Food, drink, and tobacco; animal feeding stuffs	2.9%	3.3%
Textile, clothing, shoe and leather industries	3.0%	3.5%
Wood, paper, and printing	2.4%	2.7%
Commerce	11.9%	14.1%
Other services; professions	10.8%	9.8%
Persons other than self-employed	29.5%	23.9%
Other borrowers	5.7%	5.0%
	100.0%	100.0%

\*) excluding guarantees, but including Loans on a trust basis.

# Commerzbank: still more emphasis on business with private customers



## Savings

To a greater extent than in previous years, our customers withdrew savings deposits in order to purchase securities. Accordingly, the share of the former in overall savings declined, as did that of savings bonds.

share of total:  
(in %)

- growth in deposits on savings accounts
- savings bonds purchased
- securities purchased through withdrawals from savings accounts (net figures)

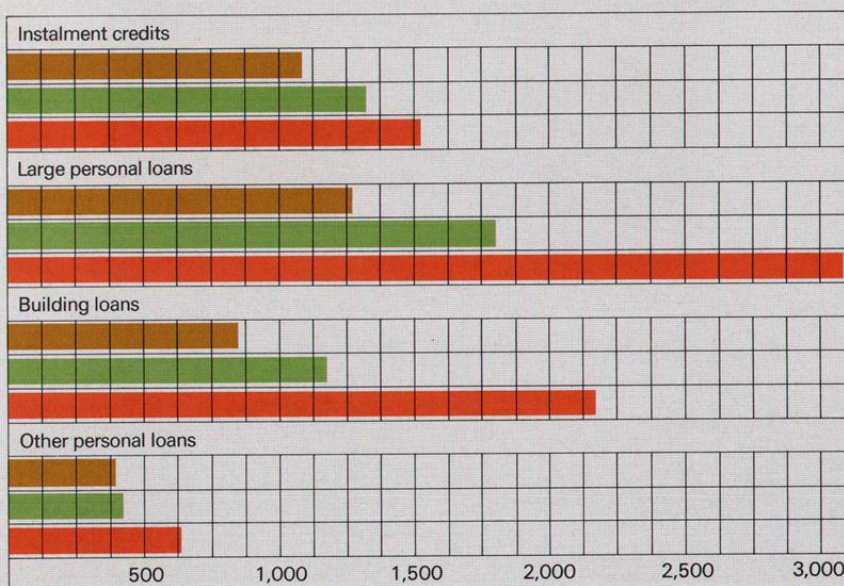


## Private payments transactions

Customers keeping wage and salary account with us took even more to effecting payment through cheque drawings and through standing debit orders. The total share of both in their overall payments transactions today amounts to 47%.

share of total:  
(in %)

- cash withdrawals
- transfers (debit entries)
- cheques and standing debit orders



## Personal loan schemes

The various forms of credit offered under our personal loan schemes were again in brisk demand. The funds obtained were mainly used for house-building, modernization, or redecoration, but also for car purchases.

Loans outstanding at year-end:

- 1977: DM 3,598 m
- 1978: DM 4,722 m
- 1979: DM 7,416 m

### **Serving our private customers**

Much of the Bank's growth in 1979 once more stemmed from its business with private customers, the number of which again greatly increased and now totals 2.1 million.

Retail activities were particularly strong on the lending side, especially until the summer. Later in the year demand for credit tended to recede.

Overall, our loans and advances to private customers (including the self-employed) rose by 43 per cent to DM 9,247 m, which accounted for 31 per cent of all book credits to domestic non-bank clients.

Personal loan schemes with standardized terms and handling procedures were again the focus of interest, up 57 per cent to DM 7,416 m. Especially with fewer people buying cars, however, demand for instalment credits of up to DM 30,000 slackened as the year progressed; even so, their total volume expanded by a good 15 per cent in 1979.

#### Emphasis on home loans

Growth in lending for home building was particularly marked at 77 per cent and in absolute figures was also notable at DM 2 bn. By the late autumn funds provided under this heading by Commerzbank topped the DM 5 bn mark; they were used for house construction and also to instal energy-saving systems or otherwise modernize property.

Building finance took the form of long-term personal credits or, to a noteworthy extent, was used for bridging purposes in connection with home loans from building and loan associations.

Apart from this activity on our own account, we again negotiated a large volume of long-term mortgages for private borrowers through our subsidiary, Rheinische Hypothekenbank. Cooperation with other sources of building finance, such as building and loan associations and insurance companies, was again successful.

#### Shift in savings

The steep climb of money market interest rates duly had its effect on deposit account savings in that customers moved substantial funds into other forms of investment offering a higher yield. Nevertheless, total savings deposits at

DM 8,970 m still showed a slight, 1.3 per cent increase, with those at statutory notice rising by 7.6 per cent and those under bonus schemes up by as much as 13.2 per cent, whilst deposits at agreed periods of notice fell by 8.9 per cent.

Combi-Sparen, Commerzbank's own regular savings scheme earning a cash bonus, continued very popular, the total contracted growing 17 per cent to DM 1.2 bn.

Many of our private customers again placed new standing orders for savings or raised the amount of existing ones. The number of such standing orders, whereby fixed sums or residues on current account are regularly transferred to deposit accounts, went up by a fifth to 174,000, and their total amount by a good third to DM 532 m.

#### Savings bonds outstanding reach DM 2.7 bn

Good progress was made with the sale of Commerzbank savings bonds, which expanded their share of our overall savings business. These bonds, which offer a risk-free investment and earn either a fixed or annually rising rate of interest, were once again in brisk demand, the total outstanding up 20 per cent to DM 2,700 m. Of the three types on offer, bonds sold at a discount for a fixed term and yielding a fixed interest showed the biggest gain (46 per cent), while those with an annually rising return also found a ready market. The amount of savings deposits plus savings bonds outstanding was at year-end up 5 per cent at DM 11,670 m.

#### Overall new saving up

Our customers also channelled substantial funds to other forms of saving. Solely the volume of savings reinvested in securities showed a net increase (purchases less sales) of almost 75 per cent on 1978, reaching DM 1,248 m.


Overall new saving—defined as the surplus of deposits over withdrawals plus accrued interest, net purchases of savings bonds, and securities bought using withdrawals from savings accounts—reached DM 1,757 m in 1979, or 6.7 per cent more than the previous year.

At the same time, term deposits by private customers rose 10 per cent to almost DM 2.5 bn. Payments into build-up accounts with ADIG-Investment were DM 201 m. Buying of gold bullion and coins also became more significant, especially towards the year-end.

# International syndicate activities

FEBRUARY 1979  
 THIS ANNOUNCEMENT APPEARS AS A MATTER OF RECORD ONLY

**U.S. \$ 50,000,000 Term Loan**

  
**EMPRESA LINEAS MARITIMAS ARGENTINAS S.A.**


UNCONDITIONALLY AND UNCONDITIONALLY GUARANTEED BY  
**The Republic of Argentina**

CO-MANAGERS  
**COMMERZBANK**  
 Aktiengesellschaft  
**BANK OF MONTREAL**

MANAGER: THE LONG-TERM CREDIT BANK OF JAPAN, LIMITED  
 CO-MANAGERS: THE MITSUI BANK LTD, THE SUMITOMO BANK, LIMITED  
 THE BANK OF YOKOHAMA LIMITED, THE MITSUI TRUST AND BANKING COMPANY, LIMITED, THE HOKKAIDO TAKU-SHOKU BANK, LIMITED, THE SANWA BANK, LIMITED, TRADE DEVELOPMENT BANK London Branch

BANK OF MONTREAL, CREDIT LYONNAIS, THE BANK OF YOKOHAMA LIMITED, THE MITSUI TRUST AND BANKING COMPANY, LIMITED, THE HOKKAIDO TAKU-SHOKU BANK, LIMITED, THE SANWA BANK, LIMITED, TRADE DEVELOPMENT BANK London Branch

FINANCING PROVIDED BY: COMMERZBANK INTERNATIONAL Société Anonyme, THE LONG-TERM CREDIT BANK OF JAPAN, LIMITED, THE MITSUI BANK LTD, THE SUMITOMO BANK, LIMITED, THE HOKKAIDO TAKU-SHOKU BANK, LIMITED, THE SANWA BANK, LIMITED, TRADE DEVELOPMENT BANK London Branch

  
 AGENT

Highlighting Commerzbank's 1979 activities in Eurobond issues and syndicated Euroloans.

May 1979

  
**The Maritime Services Board  
of New South Wales**

**DM 51 000 000 Term Loan**

unconditionally and irrevocably guaranteed by  
**The Government of the State of New South Wales**

arranged and provided by  
**COMMERZBANK** Aktiengesellschaft  
**THE LONG-TERM CREDIT BANK OF JAPAN** Limited  
 in cooperation with  
**COMMONWEALTH TRADING BANK OF AUSTRALIA**

This announcement appears as a matter of record only  
 September 1979

**OLIVETTI INTERNATIONAL S.A.**

**US-\$ 60,000,000**

Medium Term Loan


Unconditionally guaranteed by  
**ING. C. OLIVETTI & C., S.p.A.**

Managed by  
**COMMERZBANK**  
 Aktiengesellschaft

BANCO DI ROMA, BANK OF MONTREAL, ISTITUTO BANCARIO SAN PAOLO DI TORINO  
 and provided by  
 Commerzbank International S.A., Bank of Montreal, Istituto Bancario San Paolo di Torino, Banco di Roma International S.A., The Bank of Tokyo Ltd, Banque Internationale à Luxembourg S.A., Canadian Imperial Bank of Commerce, International Commercial Bank Limited

Agent  
 Commerzbank International S.A.

These bonds have been sold outside the United States of America. This announcement appears as a matter of record only.  
 NEW ISSUE  
 November 30, 1979

  
**N.V. NEDERLANDSE GASUNIE**  
 Groningen/The Netherlands

**DM 100,000,000**

**8% Bearer Bonds of 1979/1986**

Issue Price: 100<sup>7</sup>/<sub>8</sub>%

**COMMERZBANK**  
 Aktiengesellschaft

<b>ALGEMENE BANK NEDERLAND N.V.</b> DEUTSCHE BANK Aktiengesellschaft	<b>AMSTERDAM-ROTTERDAM BANK N.V.</b> DRESDNER BANK Aktiengesellschaft
---	--

**A.E. Ames & Co. Limited**  
**Julius Baer International Limited**  
**Banca Commerciale Italiana**  
**Banca del Gottardo**  
**B. S. I. Underwriters Limited**  
**Banco di Roma**  
**Banco di Roma per la Svizzera S.A.**  
**Banco Urquijo Hispano Americano Limited**  
**Bank of America International Limited**  
**Bank für Gemeinwirtschaft Aktiengesellschaft**  
**Bank Leu International Ltd.**  
**Bank Mees & Hope NV**  
**Bank Morgan Labouchere N.V.**  
**The Bank of Tokyo (Holland) N.V.**  
**Banque Bruxelles Lambert S.A.**  
**Banque Française du Commerce Extérieur**  
**Banque Générale du Luxembourg S.A.**  
**Banque de l'Indochine et de Suez**  
**Banque Internationale à Luxembourg S.A.**  
**Banque Nationale de Paris**  
**Banque de Paris et des Pays-Bas**  
**Banque de Paris et des Pays-Bas (Suisse) S.A.**  
**Banque Populaire Suisse S.A. Luxembourg**  
**Banque Privée S.A.**  
**Barclays Bank International Limited**  
**Baring Brothers & Co., Limited**  
**Bayerische Hypotheken- und Wechselbank Aktiengesellschaft**  
**Bayerische Landesbank Girozentrale**  
**Bayerische Vereinsbank**  
**Bergen Bank**  
**Berliner Bank Aktiengesellschaft**  
**Berliner Handels- und Frankfurter Bank**  
**Blyth Eastman Dillon & Co. International Limited**  
**Caisse des Dépôts et Consignations**  
**Centrale Rabobank**  
**Chase Manhattan Limited**  
**Christiana Bank og Kreditkasse**  
**Citicorp International Group**  
**Commerzbank International S.A.**  
**Commerzbank (South East Asia) Ltd.**  
**Copenhagen Handelsbank**  
**Creditanstalt-Bankverein**

**Crédit Chimique**  
**Crédit Commercial de France**  
**Crédit Industriel et Commercial**  
**Credit Lyonnais**  
**Credit Suisse First Boston Limited**  
**Daiva Europe N.V.**  
**Delbruck & Co.**  
**Den Danske Bank af 1871 Aktieselskab**  
**Den norske Creditbank**  
**Deutsche Girozentrale**  
 - Deutsche Kommunalbank -  
**DG Bank Deutsche Genossenschaftsbank**  
**Dillon, Read Overseas Corporation**  
**Effectenbank-Warburg Aktiengesellschaft**  
**EuroPartners Bank (Nederland) N.V.**  
**EuroPartners Securities Corporation**  
**European Banking Company Limited**  
**Robert Fleming & Co. Limited**  
**Girozentrale und Bank der österreichischen Sparkassen Aktiengesellschaft**  
**Goldman Sachs International Corp.**  
**Groupement des Banquiers Privés Genevois**  
**Hambros Bank Limited**  
**Hamburgische Landesbank**  
 - Girozentrale -  
**Georg Hauck & Sohn**  
**Hessische Landesbank - Girozentrale - Hill Samuel & Co. Limited**  
**Industriebank von Japan (Deutschland) Aktiengesellschaft**  
**Istituto Bancario San Paolo di Torino**  
**Kansallis-Osake-Pankki**  
**Kidder, Peabody International Limited**  
**Kleinwort, Benson Limited**  
**Kreditbank N.V.**  
**Kuhn Loeb Lehman Brothers International**  
**Kuwait Foreign Trading, Contracting & Investment Co. (S.A.K.)**  
**Landesbank Rheinland-Platz**  
**F. van Lanschot Bankiers**  
**Lloyds Bank International Limited**

**Manufacturers Hanover Limited**  
**Merck, Finck & Co.**  
**Merrill Lynch International & Co.**  
**B. Metzler seel. Sohn & Co.**  
**Morgan Grenfell & Co. Limited**  
**Morgan Stanley International Limited**  
**Nederlandse Credietbank N.V.**  
**Niederländische Middenstandsbank N.V.**  
**The Nikko Securities Co., (Europe) Ltd.**  
**Nippon European Bank S.A.**  
**Nomura Europe N.V.**  
**Norddeutsche Landesbank Girozentrale**  
**Nordic Bank Limited**  
**Österreichische Länderbank Aktiengesellschaft**  
**Sal. Oppenheim jr. & Cie.**  
**Orion Bank Limited**  
**Pierson, Holding & Pierson N.V.**  
**PKBanken Investments, Ltd.**  
**Postipankki**  
**Privatbanken Aktieselskab**  
**N.M. Rothschild & Sons Limited**  
**J. Henry Schroder Waggs & Co. Limited**  
**Salomon Brothers International**  
**Schroder, Münchmeyer, Hengst & Co.**  
**Skandinaviska Enskilda Banken**  
**N.V. Slavenburgs Bank**  
**Société Générale**  
**Société Générale de Banque S.A.**  
**Svenska Handelsbanken**  
**Swiss Bank Corporation (Overseas) Limited**  
**Trinkaus & Burkhart**  
**Union Bank of Finland Ltd.**  
**Union Bank of Switzerland (Securities) Limited**  
**Union de Banques Arabes et Européennes - U.B.A.E. Société Anonyme - Verband Schweizerischer Kantonalbanken Vereins- und Westbank Aktiengesellschaft**  
**M.M. Warburg-Brinckmann, Wirtz & Co.**  
**S.G. Warburg & Co. Ltd.**  
**Westdeutsche Landesbank Girozentrale**  
**Wood Gundy Limited**  
**Yamachi International (Europe) Limited**

December 5, 1979

  
**Österreichische Kontrollbank Aktiengesellschaft**  
 Vienna

**DM 100,000,000**

**8% Bearer Bonds of 1979/1984**

- Private Placement -  
 irrevocably and unconditionally guaranteed by the  
**Republic of Austria**

**COMMERZBANK** Aktiengesellschaft  
**KUWAIT FOREIGN TRADING, CONTRACTING & INVESTMENT Co. (S.A.K.)**

Mai 1979

  
**IRLAND**

**DM 75.000.000**

**7½% Inhaber-Teilschuldverschreibungen von 1979/1987**

- Privatplazierung -  
**COMMERZBANK**  
 Aktiengesellschaft

<b>DEUTSCHE BANK</b> Aktiengesellschaft	<b>WESTDEUTSCHE LANDESBANK</b> GIROZENTRALE <b>EFFECTENBANK-WARBURG</b> Aktiengesellschaft
--	---

Bank für Gemeinwirtschaft Aktiengesellschaft, Bayerische Landesbank Girozentrale, Deutsche Girozentrale - Deutsche Kommunalbank - Landesbank Rheinland-Platz - Girozentrale - DG Bank Deutsche Genossenschaftsbank

---

eurocheque and Eurocard

Once again, much of our activity in servicing our private customers involved payments transactions, which taken on their own continued to produce substantial losses. Fortunately, however, the eurocheque system with its lower processing costs is proving an ever-more popular mode of payment; eurocheque guarantee cards have now been issued for a good two-fifths of the personal current accounts we operate, chiefly to wage and salary earners.

As a complement to the eurocheque system, the Eurocard—a credit card launched jointly by all German banks and acceptable world-wide—was supplied upon application to those of our clients who frequently travel abroad. Although a relative newcomer, the Eurocard has already become firmly established and both the number of cards issued and that of firms participating in the scheme went up markedly in 1979.

We were also actively involved in the year under review in preliminary work connected with the planned introduction by most of the European banking industry of the "euro traveller's cheque".

New technology for private payments

The banks generally are devoting considerable attention to developing new methods of conducting private payments based on recent technology.

Commerzbank is a party to the agreement concluded in 1979 between the German banking associations, providing for the establishment of a nation-wide joint system of cash-dispensers functioning as part of the eurocheque scheme. In the next few years we shall be equipping selected branches with such machines and issuing customers with eurocheque cards suitable for use in both our own and other banks' cash dispensers.

We are also participating in the field tests being conducted by the German Post Office with its viewdata system. Though initially our cooperation is restricted to furnishing appropriate information, this too should in the longer term open up completely new forms of communication between ourselves and our customers.

**Issues and stock exchange business**

Commerzbank was actively involved in the domestic issues business (the main trends on the German capital market are outlined on pages 24 and 25 of this Report). The volume of new bonds on offer rose by a good tenth in 1979, reaching DM 106 bn. Because of the growing volume of shorter-maturity paper falling due, redemptions reached almost DM 65 bn, with the result that net sales were a mere 40 per cent of new issues.

Despite more house-building, overall sales of mortgage bonds slipped back to their 1977 level of some DM 10 bn. On the other hand, sales of communal bonds were up by a further fifth to DM 40 bn and thus remained the chief form of borrowing through bonds, mirroring the sustained expansion in government indebtedness.

The Federal Government was again the most prominent non-permanent issuer, despite the very substantial additional funds it obtained as before through borrower's notes. Private industry, on the other hand, only had recourse to the capital market through share issues. The largest capital increase in 1979 was that of VEBA AG, which produced cash proceeds of DM 674 m and for which we acted as co-manager.

Eurobonds: accent on private placements

Although due to the rise in interest rates the overall volume of foreign D-mark bond issues was down in 1979, the year saw us once more very active in this field, with the accent on private placements. Commerzbank was lead manager for 8 D-mark bond issues to a total nominal value of DM 725 m and co-manager for a further 17 D-mark offerings worth DM 2.8 bn. In all, we were involved in 55 foreign issues denominated in D-mark totalling DM 6.8 bn.

We also continued working to strengthen our position in the field of foreign-currency bond issues, acting as co-manager for 23 such offerings, mainly US dollar-denominated, with an equivalent value of DM 3 bn.

Frankfurt listing for another foreign company

While acting as lead manager for a convertible bond issue by Tokyo Electric Co. Ltd., Tokyo, we also arranged for the shares of this company to be officially quoted and dealt in on the Frankfurt Stock Exchange.

### Heavy demand for syndicated Euroloans

Because of the sustained rise in interest rates, the reluctance to borrow at long term in the Eurobond market found its counterpart in an especially brisk demand for shorter-term Eurofunds, generally raised on a roll-over basis so as to permit interest rates continually to follow the market. The total volume of newly agreed syndicated Eurocredits rose by almost a fifth to US \$ 82 bn. With the insufficient spreads narrowing even further in the course of 1979, we concentrated on the more profitable managing of Euroloans and handled 10 of the latter equivalent to a total of DM 1 bn. Full details of our international lending business are given on pages 45 to 47 of this Report.

### Investors shift from shares to bonds

One effect of the Bundesbank's tight money policy in 1979 was to weaken the German stock market. Measured in terms of the Commerzbank index of 60 leading German shares, losses averaged 12 per cent. Bond prices also slipped back markedly as interest rates moved upward: 10-year bank bonds with a 7 per cent coupon, which at end-1978 were still standing just above par, dropped to 93.

The fall in share prices went hand in hand with a contraction in market volume, whereas high bond yields proved very attractive to investors, particularly private savers. While this meant that the decline in share dealings was more than made up for by a growing turnover in bonds,

the different commission structures applying prevented our overall income from this source matching that of 1978.

### Transfrontier securities dealings

German residents seeking investment in foreign securities—on a generally lower scale than last year—again preferred bonds, with their interest on occasion turning from D-mark denominated to higher-yield foreign currency paper. Investors abroad stepped up their involvement in German shares and bonds by a total of DM 6 bn, somewhat more than in previous years. Both our domestic and foreign clients contributed fairly largely to such cross-border dealings.

### Portfolio management and investment saving

1979 brought further strong growth in the assets of our investment fund subsidiary, Commerzbank Fonds-Verwaltungsgesellschaft mbH (Cofu). The latter, which acts mainly on behalf of insurance companies and pension funds, was at year-end managing a total DM 1.5 bn invested in 55 different funds—a rise of almost a fifth on 1978.

Commerzbank's efforts to encourage investment saving with its private customers were again concentrated on the investment fund shares offered by ADIG Allgemeine Deutsche Investment-Gesellschaft mbH, with the emphasis on the advantages to be gained by long-term investment through build-up accounts. 131,000 such accounts are now being operated

Cooperation in underwriting syndicates			
Year	Capital increases through rights issues*)	Domestic bond issues (incl. convertible bonds)	Foreign DM bond issues (incl. convertible bonds)
1970	37 totalling DM 1.8 bn	19 totalling DM 4.6 bn	29 totalling DM 2.7 bn
1971	28 totalling DM 1.8 bn	40 totalling DM 6.8 bn	36 totalling DM 3.6 bn
1972	35 totalling DM 1.0 bn	32 totalling DM 7.4 bn	53 totalling DM 5.4 bn
1973	25 totalling DM 1.2 bn	18 totalling DM 8.2 bn	39 totalling DM 3.7 bn
1974	20 totalling DM 0.5 bn	18 totalling DM 7.3 bn	8 totalling DM 0.8 bn
1975	27 totalling DM 2.5 bn	20 totalling DM 8.8 bn	60 totalling DM 5.6 bn
1976	20 totalling DM 1.4 bn	23 totalling DM 10.8 bn	70 totalling DM 7.2 bn
1977	20 totalling DM 1.0 bn	15 totalling DM 8.5 bn	87 totalling DM 10.9 bn
1978	22 totalling DM 2.5 bn	23 totalling DM 11.5 bn	98 totalling DM 12.0 bn
1979	19 totalling DM 2.0 bn	15 totalling DM 12.9 bn	55 totalling DM 6.8 bn

\*) cash proceeds

In addition we participated in placing 1,132 foreign currency bond issues between 1970 and 1979.

on behalf of the Bank's clients. At end-1979, ADIG had an increased 22 per cent market share and through its eight funds was managing a total DM 6.4 bn. Commerzbank continued to act as depository bank for four of these funds, aggregate assets of which have now reached DM 5.1 bn.

#### Property funds and equity financing

Assets administered by the open-end property investment fund Haus-Invest, for which we also act as depository bank, were up DM 27 m in the year under review, bringing their total to DM 285 m. At present the fund owns 42 items of real estate varying considerably in terms of size, business of tenant, and regional location.

Deutsche Grundbesitz-Anlagegesellschaft mbH, in which Commerzbank has an interest, established three closed-end property investment funds in 1979 whose shares we were instrumental in placing. These related to the Olympia shopping centre in Munich, an office building in Stuttgart and the First National Bank building in Atlanta, Georgia. We also played a significant part in placing the shares of a private limited company, Trumpf Schokolade- und Kakaofabrik Berlin GmbH, with private investors.

#### New York investment bank

EuroPartners Securities Corporation, the New York investment bank in which we have a 40 per cent holding, had another successful year. While the bank continued to operate mainly in the stockbroking field, it also expanded in other sectors. Despite difficult market conditions, satisfactory growth was achieved in both syndicate operations and securities transactions. At the same time, the bank stepped up its activities in corporate finance and trust business, both of which benefited from the sustained trend of companies and private individuals in Europe to favour U.S. investments.

#### **International activities**

1979 was another year of considerable activity for Commerzbank in all branches of its international business. Expansion of our foreign network was continued with the setting up of a branch in Hong Kong and an agency in Atlanta, Georgia, the establishing in Singapore of Commerzbank's second international subsidiary, and the opening of a representative office in

Toronto. New branches in Madrid and Barcelona are scheduled to start operations during the first half of 1980, bringing the number of our operative bases abroad to fifteen, viz.:

Amsterdam*)	Luxembourg**)
Antwerp	Madrid
Atlanta	New York
Barcelona	Paris
Brussels	Rotterdam*)
Chicago	Singapore***)
Hong Kong	Tokyo.
London	

\*) branches of Europartners Bank (Nederland) N.V. (60% held by Commerzbank)

\*\*\*) Commerzbank International S.A.

\*\*\*) Commerzbank (South East Asia) Ltd.

In expanding our international lending business we took special account of growing risks by ensuring a careful geographical spread. Once again most of these credits were for project financing with the stress on German exports of plant and heavy machinery (see also page 47). As before, we avoided granting financial loans that served to cover balance-of-payment deficits. Interbank credit lines for commercial transactions opened on behalf of business customers were much in demand, with our foreign commitment on both confirmed letters of credit and short-term advances to prefinance mail transfers showing particularly strong growth. Banks accounted for a good third of all loans we extended abroad in 1979.

Gross foreign receivables of Commerzbank AG and its two subsidiaries abroad, Commerzbank International S.A. and Commerzbank (South East Asia) Ltd., which here must be taken to include inter alia letters of credit and guarantees, break down as follows: 76 per cent from industrialized countries, 7 per cent from state-trading nations, 5 per cent from the OPEC states and 12 per cent from other European countries and overseas LDCs. Such receivables were counter-balanced by higher deposits from abroad with Commerzbank Group member banks. For the year as a whole, growth of foreign deposits considerably exceeded that of non-domestic loans.

#### Further growth at branches abroad

Our branches outside the Federal Republic again stepped up their deposit and lending business with trade and industry. Apart from multi-

national concerns, their chief customers remained foreign subsidiaries of German companies and firms with interests in West Germany, although local business, too, was further intensified.

Overall, our foreign branches lent the equivalent of DM 4.8 bn to private firms and public authorities in the year under review. At the same time, they have increasingly been involved in international payment transactions, for which they can make use of Commerzbank's worldwide system of dedicated lines.

#### Representative offices and other facilities abroad

In addition, Commerzbank's international network comprises nineteen representative offices, including that in Toronto opened in early 1979. We also maintain for our customers' convenience special Commerzbank desks manned by staff on secondment to banks with whom we cooperate or in which we hold an interest, in the latter case sometimes in a managerial capacity. Such facilities are to be found in

Bangkok	Jakarta	Paris
Beirut	Kinshasa	Riyadh
Brussels	Madrid	São Paulo
Casablanca	Milan	Seoul.

Our international organization employs a total of some 750 people, almost one-third of whom are Commerzbank staff seconded from the Frankfurt head office for a period of service abroad.

The Bank's foreign presence thus extends to 34 countries with some 75 branches, subsidiaries, and affiliates. Our representative offices and holdings abroad are listed on pages 105 to 107.

#### Foreign subsidiaries and affiliates

Our Luxembourg subsidiary, Commerzbank International S.A., whose activities are discussed in more detail in the Consolidated Annual Report on pages 78 and 79, recorded continuing growth. Its balance sheet total increased to the equivalent of DM 14.9 bn.

Our new merchant bank subsidiary in Singapore ended its first, abbreviated, year of business with total assets equalling DM 0.7 bn.

Of our international affiliates, mention must first be made of Europartners Bank (Nederland) N.V., Amsterdam, which is 60 per cent Commerzbank-owned. Its balance sheet total rose from Dfl 895 m to Dfl 949 m, despite the fact that official credit restrictions again impeded its business expanding.

International Commercial Bank Ltd., London, successfully held its own as a leading institution specializing in Euromarket business. Its total assets went up from £ 506 m to £ 521 m.

Nippon European Bank in Brussels—in which all four Europartners banks are shareholders together with The Long Term Credit Bank and Mitsui Bank, both of Japan—made further good progress.

In 1979, Commerzbank as sole European bank became a founding shareholder of Korea International Merchant Bank, Seoul, with a 20 per cent interest.

#### Europartners: sustained demand for TransCredit loans

Customers of the Europartners banks again benefited from the latter's cooperation in what concerns the availability of TransCredit loans. Under this scheme, firms are able to raise working funds abroad in the home countries of the banking group.

The four Europartners banks pursued their policy of exchanging personnel in the year under review, the main purpose being to familiarize junior staff with the banking business in one another's countries.

The activities of the banking group's two main joint subsidiaries, Europartners Bank (Nederland) N.V. and EuroPartners Securities Corporation, are discussed elsewhere in this Report.

#### Further growth in commercial transactions with abroad

The volume of transactions with foreign banks handled by us on behalf of our clients continued to expand in 1979. Once more, however, commission earnings failed to keep pace with growth. The volume of cheques and other payment orders processed again grew at an above-



average rate even though in some areas customers tended to prefer documentary-based payments so as to minimize the risks involved. Overall, cheques and other payment orders accounted for about 85 per cent and documentary transactions for the remaining 15 per cent of these operations. Given the recent political crises we saw ourselves often obliged to recommend those of our customers doing export business to exercise even greater caution as regards obtaining payment guarantees.

A growing proportion of payments are being processed by the computerized international SWIFT system; in 1979 the volume of outgoing payments through it doubled. More sophisticated technology will permit us in the current year substantially to improve our capacity to handle, through SWIFT, payment transactions with a large number of countries around the world.

#### Unchanged need for forward cover

Frequent calls were again made on the services of our foreign exchange dealers especially since exporters remained keen to obtain forward cover. As in previous years we were capable of affording customers such protection, even in less usual currencies and sometimes for longer terms. Our world-wide foreign exchange organization, which incorporates all our operative bases abroad to give a round-the-clock service, was once more able to stand the test.

#### Long-term export financing

Demand for medium and long-term export finance continued unabated. We again observed a growing trend for German exporters to relieve pressure on their balance sheets by obtaining buyer credits for their foreign clients—many of these at fixed interest rates for the whole term. Given exporters' abundant liquidity, seller credits were by contrast, if asked for at all, primarily needed earlier in the year to cover lead times and only from mid-year onwards also to bridge the period until payment fell due. At the same time, ever-higher money market rates caused fixed-interest financing to become more and more important.

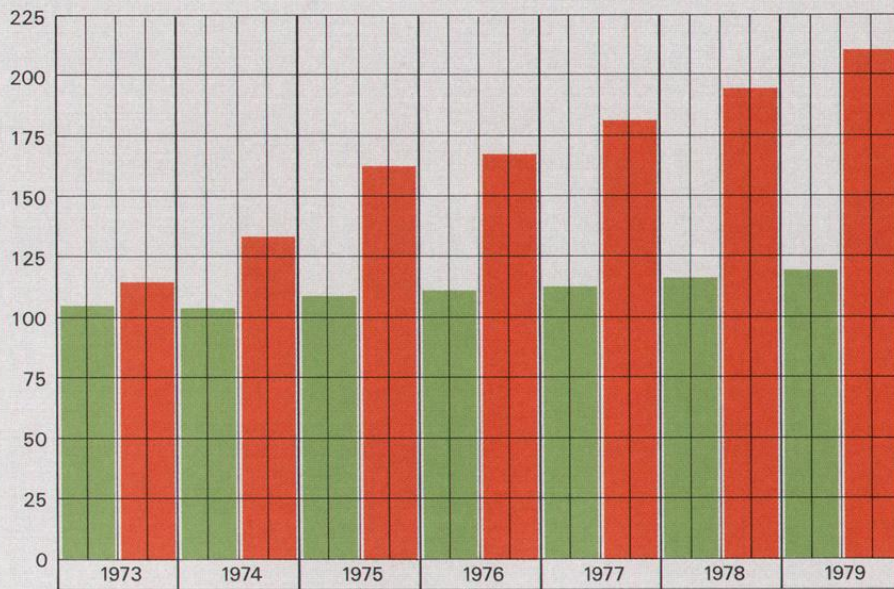
All these trends were reflected both in Commerzbank's own business and in that of AKA, the export finance institution set up jointly by the German banking industry. Whereas fixed-interest A type AKA credits were already more sought after from mid-year onwards, demand for B type AKA loans only picked up towards year-end when their interest cost—which is based on an internationally agreed minimum—began to look attractive in the light of rising money market rates.

To ensure the international competitiveness of our exporting customers and to permit them to sell at prices in line with the market, we continued to provide supplementary funds from our own resources to finance initial and interim payments and local costs. We also increasingly led or co-managed banking syndicates formed to finance exports of large plant.

Thanks to the presence of our foreign branches in major international financial centres, we were to a growing extent involved in the furnishing of project finance in third countries either for subsidiaries of our German business clients or for non-domestic customer firms. Here we benefited greatly from our long-standing links with banks and other financial institutions abroad.

Our international organization and the strategy underlying our foreign operations are discussed in more detail in a brochure entitled "Commerzbank: world-wide activities" soon to be published.

# Commerzbank personnel statistics: trends and structure

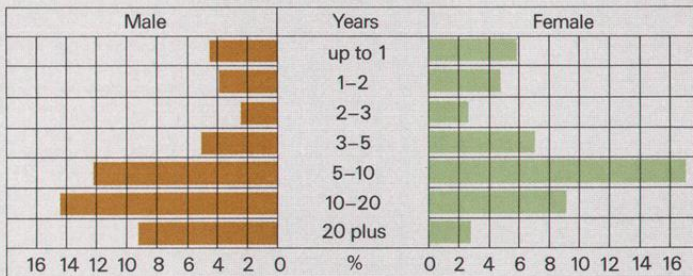


## Number of employees and personnel expenditure

Whereas over the past seven years the number of staff rose by just one-fifth, personnel expenditure more than doubled.

1972 = 100

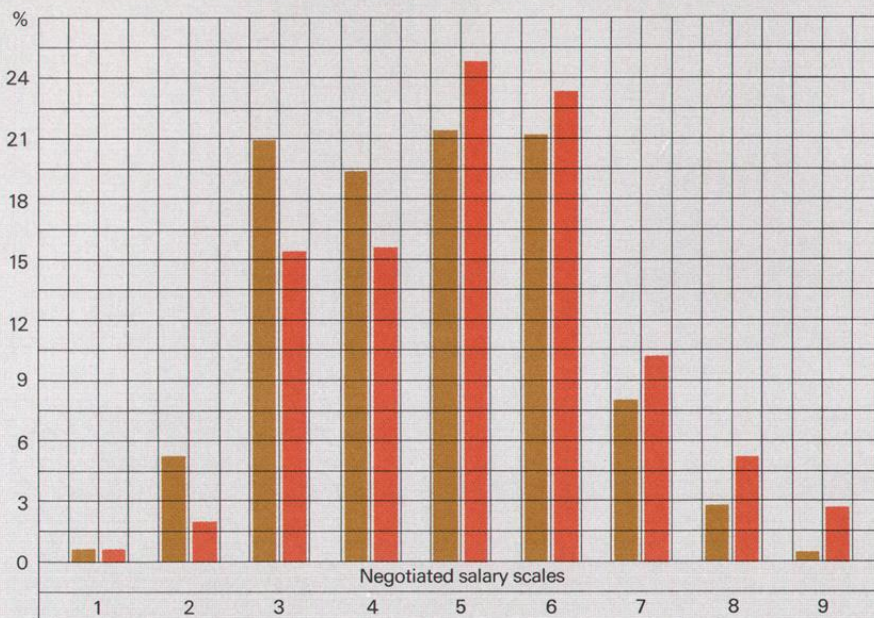
- number of employees
- personnel expenditure (wages and salaries, social security and pension fund contributions, other benefits)



## Years of service with Commerzbank

Almost two-thirds of our staff have now been with Commerzbank for at least 5 years.

- female employees
- male employees



## Breakdown of staff by salary scale

The good performance and increasing qualification of our staff on negotiated salary scales is reflected in a growing number reaching higher scales.

- 1973
- 1979

## **Staff and Welfare Report**

Growing demand for specialist banking services, greater sophistication of technology employed, and sustained competition for banking business both nationally and internationally enhance the demands made on the Bank's staff generally and on those concerned with personnel management. We have endeavoured to take account of this by appropriate planning, recruitment of employees with the necessary qualifications, and by systematic provision of basic and further training. At the same time, it has long been our policy to encourage staff loyalty with fringe benefits.

### More staff at branches

The market-oriented reorganization of our branch network begun in 1978 led in the year under review to intensified branch activity and hence to the taking on of further staff. We were able to offset part of this rise by reducing the number of those employed in central administration, following an overhead/value analysis designed to ascertain which jobs carried out at head office level were no longer defensible in cost/benefit terms.

The year once again brought an overall rise in personnel. Branch staff numbers increased by 820, with our operative units abroad claiming a particularly large share of the increment in order to cope with the expansion in Commerzbank's international business. At the same time, the central administration was cut by 184. At year-end, the total number of people in the Bank's employ was 20,052 or, in full-time terms, 19,040—some 3.5 per cent more than at the end of 1978.

### One in three employees of ten years' standing

Experience and loyalty to Commerzbank are two features of our personnel structure. Thus every third person on the staff has worked for the Bank for more than ten years. The average age of our employees is approximately 36 and the average time with the Bank almost ten years.

Two members of our staff were able to celebrate their 50th anniversary with Commerzbank in 1979, while 33 could look back on 40 and 232 on 25 years in our employ.

In addition to those on our pay-roll, we were at year-end responsible for 3,487 pensioners and widows. 28 employees and 116 pensioners died during 1979.

### Further increase in training facilities

Experience shows sound vocational training to be the best method of assuring an adequately qualified staff. The large number of applications received from young people seeking a bank apprenticeship—an average of almost 30 for every place available—proves that a career in banking has lost nothing of its attraction. Given this strong interest, we once again in 1979 increased training vacancies by approximately 50, making a grand total of over 750. In doing so we were careful to keep a balance between male and female applicants. The overall number of apprentices rose during 1979 by almost 7.4 per cent to 1,647.

The past year saw some 600 young people successfully complete their apprenticeships with Commerzbank. With the exception of a few who left to follow a course of further study or for other personal reasons, we were in a position to offer permanent employment to all of them. To ensure our continued capability of doing so, we are obliged even at the recruitment stage to stress the importance of future mobility. Through the Bank's internal promotion schemes, promising young employees may look forward to a satisfying career with good prospects of advancement based on continued professional training.

### Advanced training for better customer service

Advanced training has a vital role to play in enabling us to maintain and enhance our competitiveness. Commerzbank therefore stresses the advantage of all suitable candidates taking part in such courses. We have been systematically developing these to provide not only technical banking skills but increasingly to cover more general, ancillary subjects. It is our aim that those employees involved, for example, in advising customers should be not only fully equipped with the necessary very specialized knowledge but have attained the ability to empathize. Subjects dealt with in our training courses range from sales promotion and personnel management to economic and social affairs.

### A new seminar series: assessment and career-counselling interviews

Without an efficient, objective method of performance assessment, successful personnel management and career counselling—the merits of which are acknowledged at individual and managerial level alike—are unthinkable. To ensure that optimum use is made of this tool, a

new series of seminars was introduced in the year under review. These centre on the efficient application of our internal assessment procedures, with particular emphasis on the personal interview. Some 2,000 members of middle and senior management will participate in these seminars over a period of about two years.

In all, 340 central and regional training courses were held in 1979 and attended by more than 5,000 people. Approximately DM 44 m was devoted to basic and further training and to management seminars.

#### Personnel costs up 8.4 per cent

The year under review saw personnel costs increase 8.4 per cent to DM 919 m, mainly due to the 4.5 per cent negotiated pay settlement that came into force in March 1979 and to a corresponding rise in non-negotiated salaries the following month. The additional expenditure must also be related to the rise in the number of the Bank's employees, improved holiday and fringe benefit arrangements, and to higher statutory social security contributions. Some DM 61 m was used to cover current pension payments and future pension claims.

Once again in 1979, we gave our staff and pensioners the opportunity to acquire Commerzbank shares on preferential terms at DM 115 each. As in 1978, employees generally were allowed to purchase two such shares and those who had been with the Bank for ten years or more, three. More than half our staff again opted for this advantageous form of investment.

#### Cooperation with staff councils

Collaboration between management and regional and central staff councils was as usual objective and open, and even when staff representatives found occasion to voice criticism, a satisfactory solution was always devised. The fundamental willingness of both sides to cooperate was demonstrated with particular clarity in matters connected with the overhead/value analysis carried out during the year under review.

#### Senior staff elect representatives

At the end of March 1979, the Bank's senior staff elected 43 representatives to facilitate and improve liaison with the committee of spokesmen formed to represent their interests.

#### Tribute to staff

The past year saw Commerzbank again obliged to make considerable demands upon all personnel in terms of hard work and commitment. We are well aware that an able and willing staff is our most valuable asset when it comes to providing our business and private customers with a reliable, comprehensive, and flexible service, and take this opportunity of thanking our employees for all they have done.

---

Parent Bank's Annual Report for the Year 1979

---

**Notes on the Parent Bank's annual accounts**

During the year 1979 the Bank's total assets increased by DM 6,465.9 m to DM 67,090.3 m, a rise which reflects a growth rate of 10.7%. The

relevant changes in the financial position are set out below:

Assets		Liabilities	
in DM m		in DM m	
Cash reserves, cheques, and collection items	- 581.4	Liabilities to banks	+ 4,273.7
Bills of exchange	- 2,133.8	a) demand	(+ 1,348.1)
Claims on banks	+ 2,699.3	b) time	(+ 2,925.6)
Treasury bills	- 141.6	Customers' deposits	+ 1,207.5
Bonds, notes, other securities	- 193.7	a) demand	(- 178.7)
Loans and advances to customers	+ 6,456.5	b) time	(+ 1,267.0)
Investments	+ 278.5	c) savings deposits	(+ 119.2)
Land and buildings, office furniture and equipment	+ 68.7	Bonds outstanding	+ 63.5
Sundries (including Loans on a trust basis)	+ 13.4	Acceptances outstanding	+ 476.2
		Provisions	+ 46.7
		Capital and reserves	+ 349.0
		Distributable profit	+ 2.9
		Sundries (including Loans on a trust basis)	+ 46.4
	+ 6,465.9		+ 6,465.9

**Assets**Liquidity

At year-end, the cash reserves, consisting of cash on hand and balances with the Deutsche Bundesbank and on postal cheque accounts, stood at DM 3,330.0 m, representing 5.3% of our total liabilities to banks and other creditors including indebtedness under bonds and acceptances outstanding in the aggregate amount of DM 63,351.4 m. The Bank's liquid assets—cash reserves, cheques, matured bonds, interest and dividend coupons, collection items, bills rediscountable at the Deutsche Bundesbank,

claims on banks with periods of less than three months, Treasury bills and discountable Treasury notes as well as fixed-interest securities eligible as collateral for Deutsche Bundesbank advances—totalled DM 13,127.7 m and covered 20.7% of the deposits, borrowings, and other indebtedness specified above.

Claims on banks

Claims on banks increased by DM 2,699.3 m to DM 18,691.6 m. This item reflects debit balances on current accounts, money-market investments, and loans to German and foreign banks and is broken down as follows:

Claims on banks			
in DM m	1979	1978	
Interbank and clearing balances	13,700.7	12,696.7	
of which: demand	(1,432.6)	(1,391.4)	
time	(12,268.1)	(11,305.3)	
Loans	4,990.9	3,295.6	
including: long-term	(2,705.3)	(2,048.4)	
Total	18,691.6	15,992.3	

Securities portfolio

The Bank decreased its portfolio of bonds and notes by 5.6% to DM 2,488.9 m, 77.7% of this total being securities eligible as collateral for advances from the Deutsche Bundesbank.

The securities portfolio comprises such of the Bank's holdings of marketable equities, invest-

ment fund shares, and other securities not to be shown elsewhere; its total of DM 686.7 m was down by DM 47.3 m on the year-ago figure.

At December 31, 1979, the Bank held more than 25% of the share capital of the following companies (other than those listed as "holdings by Commerzbank in affiliated and other companies" on pages 82 to 84):

Tax-privileged holdings	
in DM m	Share capital
Holdings of more than 25%	
Karstadt Aktiengesellschaft, Essen	360.0
Kaufhof Aktiengesellschaft, Cologne	300.0
Commerzbank Aktiengesellschaft von 1870, Hamburg	(100.0 RM*)
Hannoversche Papierfabriken Alfeld-Gronau vormals Gebr. Woge, Alfeld (Leine)	40.0
Kempinski Aktiengesellschaft, Berlin	13.8
Holding of more than 50%	
H. Maihak Aktiengesellschaft, Hamburg	5.0

\*) Reichsmark

All securities holdings are, as hitherto, shown at the lower of cost or market.

Lending

Total lending to banks and non-banks (excluding loans on a trust basis and guarantees) was up on the year by DM 7,156.9 m, or 19.1%. The loan portfolio breaks down as follows:

Lending		
	1979	1978
Loans to		
a) banks	DM 4,990.9 m = 11.2%	DM 3,295.6 m = 8.8%
b) customers	DM 36,528.3 m = 81.8%	DM 30,071.8 m = 80.2%
Book and acceptance credits	DM 41,519.2 m = 93.0%	DM 33,367.4 m = 89.0%
Discounts	DM 3,140.9 m = 7.0%	DM 4,135.8 m = 11.0%
Total lending	DM 44,660.1 m = 100.0%	DM 37,503.2 m = 100.0%

Adequate provisions were made for all identifiable risks attaching to individual loans. In addition, the Bank made the required global allowance for possible loan losses.

The combined volume of advances and acceptance credits outstanding at the end of 1979 comprised short and medium-term credits amounting to DM 20,589.7 m and long-term loans totalling DM 20,929.5 m. Advances at short and medium term rose DM 4,143.6 m, or 25.2%, and those at long term DM 4,008.2 m, or 23.7%, above the corresponding figure as at December 31, 1978.

Short and medium-term book credits consisted of loans to non-bank customers worth DM 18,304.1 m (up DM 3,105.2 m) and of lendings to banks amounting to DM 2,285.6 m (up DM 1,038.4 m). The portfolio of long-term loans comprised DM 18,224.2 m advanced to customers other than banks (up DM 3,351.3 m) and DM 2,705.3 m to banks (up DM 656.9 m).

Funds extended at long term were, inter alia, financed by bonds with maturities of more than four years in the amount of DM 2,433.3 m and by long-term borrowings, mainly from banks –among them Kreditanstalt für Wiederaufbau

(Reconstruction Loan Corporation)—and from public authorities, totalling DM 11,380.2 m. Where so provided for in the underlying agreements with the respective lenders, funds were passed on to the final borrowers on the terms on which they had been obtained.

While regular loans and advances outstanding at the end of 1979 exceeded the preceding year-end figure by DM 8,151.8 m or 24.4%, discounts were down by DM 994.9 m, or 24.1% to DM 3,140.9 m, including rediscounted bills of DM 1,737.0 m, or 55.3%.

The Bank's loans and advances to some 467,000 borrowers break down as follows:

Size of loans	1979	1978
354,473 loans of up to DM 20,000	75.9%	84.2%
75,562 loans of more than DM 20,000, up to DM 100,000	16.2%	10.9%
	92.1%	95.1%
33,122 loans of more than DM 100,000, up to DM 1,000,000	7.1%	4.3%
3,684 loans of more than DM 1,000,000	0.8%	0.6%
	100.0%	100.0%

#### Recovery claims

Recovery claims on Federal and Länder authorities—which originate from post-war German monetary reform acts—were reduced by regular and extraordinary redemption payments totalling DM 4.6 m to DM 65.1 m.

#### Investments as shown in the balance sheet

The Bank raised its holdings in subsidiaries and associated companies and its trade investments by DM 278.5 m in 1979. Besides representing new purchases and voluntary payments on account of subscriptions, the change—amounting to DM 282.0 m—reflects mainly share capital increases, obligatory payments on account of subscriptions, and the build-up of existing holdings. Allowing for disposals of DM 2.4 m and write-downs of DM 1.1 m, investments are shown at a book value of DM 1,302.1 m, DM 494.6 m of which is made up by interests held in foreign companies.

In the year under review the Bank's Singapore subsidiary, established in 1978 under the name of Commerzbank (South East Asia) Ltd., was endowed with capital. The Bank also acquired a 20% interest in the newly formed Korea International Merchant Bank Ltd., Seoul. In addition, the full capital of Commerz- und Industrie-Leasing GmbH, Frankfurt, hitherto held by another subsidiary, Bank für Teilzahlungskredit Gesellschaft mit beschränkter Haftung, Düsseldorf, was transferred to Commerzbank AG. The two-stage rise in the share capital of the Luxembourg subsidiary, Commerzbank International

S.A., by a total of Lfr 600.0 m at a cost of DM 71.9 m and the granting of a DM 100.0 m subordinated loan to this subsidiary rank among the major capital increases effected by Group members during the year. The Bank's equity investment in Regina Verwaltungsgesellschaft mbH, Munich, has been raised by DM 25.0 m. Mention should also be made of the acquisition of additional shares in Handelsbank in Lübeck, Lübeck, and in UBAE Arab German Bank S.A., Luxembourg, as a result of which these holdings now account for over 25 per cent of the respective companies' share capital.

Commerzbank's holdings in affiliated and other companies are set out in detail on pages 82 to 84, showing its share in the capital of each.

The performance of Commerzbank's subsidiaries and affiliates was generally satisfactory during 1979, although progress of the commercial banks among them failed to come up to expectations owing to the narrowing of their interest margins. Total income from these investments, including income transferred under profit and loss pooling agreements, came to DM 80.2 m after DM 71.6 m in the previous year.

For details on the Bank's relations with its subsidiaries and affiliates see the Consolidated Annual Report on pages 67 to 91 of this Report.

#### Land and buildings

Land and buildings are shown at DM 667.4 m, exceeding the comparable figure for the pre-



ceding year by DM 41.6 m. This increase represents the balance of additions of DM 57.9 m, disposals of DM 0.4 m, and depreciation of DM 15.9 m, the amount allowed under tax rules.

The additions consist mainly of purchases and new Commerzbank buildings and extensions in Bochum, Essen, Frankfurt, Hamburg, and Cologne.

#### Office furniture and equipment

The net book value of office furniture and equipment rose to DM 196.7 m. This was the result of additions of DM 78.9 m, disposals of DM 1.8 m and normal depreciation of DM 50.0 m. The cost of minor-value items acquired during the year at DM 7.3 m was written off in full.

#### Other assets

"Other assets" as shown in the balance sheet are bullion, coins, and precious metals, as also sundry claims unconnected to the banking business.

#### Deferred items

The deferred asset items not only represent prepaid expenses, interest, and commissions, but also debt discounts at DM 118.5 m. This amount includes DM 116.5 m of unamortized discounts on savings certificates with an annually increasing coupon and DM 2.0 m of bonds issued by the Bank.

### **Liabilities and shareholders' equity**

#### Liabilities

During the year, liabilities to banks and customers rose by 10.0% to DM 60,366.2 m. Of the total advance of DM 5,481.2 m, liabilities to banks accounted for DM 4,273.7 m and customers' deposits for DM 1,207.5 m. A breakdown of total liabilities is given in the table below.

Liabilities to banks with original periods or agreed periods of notice of four years or more include two mortgage-secured loans from a mortgage bank totalling DM 0.5 m assumed when the property concerned had been bought.

#### Bonds

The volume of the Bank's own bonds outstanding went up by a total of DM 63.5 m to DM 2,433.3 m, DM 7.6 m of which were temporarily held by the Bank itself.

Included in this item are DM 1,270.3 m bearer bonds which served to fund long-term loans to customers, as well as DM 911.6 m savings bonds with an annually rising coupon. Also shown here are DM 251.4 m of convertible bonds issued by Commerzbank and consisting of 5½% paper launched in 1972 which are, as in the previous year, shown at the amount still outstanding of DM 62.0 m nominal. The item also includes DM 182.4 m nominal of the 4½% convertible bonds issued in 1978 to a total of DM 250.0 m. In November 1979 the holders of these bonds in accordance with the terms of issue converted a total of DM 67.6 m into Commerzbank shares on a one-for-four basis.

Deposits				
	1979		1978	
Liabilities to banks				
a) demand	DM 4,088.5 m =	6.8%	DM 2,740.4 m =	5.0%
b) time	DM 18,880.5 m =	31.3%	DM 15,951.7 m =	29.1%
Liabilities for customers' drawings on other banks				
	DM 17.2 m =	.	DM 20.4 m =	.
Sub-total	DM 22,986.2 m =	38.1%	DM 18,712.5 m =	34.1%
Customers' deposits				
a) demand	DM 8,090.9 m =	13.4%	DM 8,269.6 m =	15.1%
b) time	DM 20,319.1 m =	33.6%	DM 19,052.1 m =	34.7%
c) savings deposits	DM 8,970.0 m =	14.9%	DM 8,850.8 m =	16.1%
Sub-total	DM 37,380.0 m =	61.9%	DM 36,172.5 m =	65.9%
Total deposits	DM 60,366.2 m =	100.0%	DM 54,885.0 m =	100.0%

Provisions

The actuarially computed liability for pensions increased by DM 39.1 m from DM 429.4 m at end-1978 to DM 468.5 m at December 31, 1979 (since end-1975, these liabilities have been determined by what is mostly referred to as the "normal entry-age method").

The provisions for other expenses, shown at DM 342.9 m, provide for taxes, year-end bonuses, anticipated losses under executory contracts, other liabilities of uncertain amount, and for that portion of the global allowance for possible loan losses designed to cover risks attaching to loans not given accounting recognition, so that the allowance cannot be set off against any of the asset items.

Deferred items

The deferred liability items of DM 220.3 m mainly reflect unearned interest and service charges on credits extended under personal loan schemes.

Share capital and reserves

From November 10 to November 30, 1979, the holders of the 4½% convertible bonds floated by the Bank in 1978 were entitled to convert them, on a one-for-four basis, into Commerzbank shares, the latter to rank for dividend as

from January 1, 1979. With a total of DM 67.6 m converted, DM 16.9 m were used to augment the Bank's share capital, while the balance of DM 50.7 m was allocated to the legal reserve.

In December 1979, the Bank availed itself of part of the DM 244.3 m unissued authorized capital created the year before by raising its equity capital with the consent of the Supervisory Board by DM 100.5 m through the issue of new shares at a price of DM 140 per DM 50 nominal share, yielding a premium of DM 90 or 180% per share. The latter, totalling DM 180.9 m, was allocated to the legal reserve. The new shares were offered to both our shareholders and the owners of convertible Commerzbank bonds. After the aforementioned capital increases, the remaining balance of the Bank's unissued authorized capital was at the balance sheet date DM 143.8 m, with conditional authority for the issue of a further DM 15.5 m and DM 45.6 m of new shares to be offered respectively to such holders of our 1972 and 1978 convertible bonds as may wish to exercise their conversion rights. Another conditionally authorized capital increase of DM 25 m is available for the issue of shares to the holders of bonds with warrants launched in 1978 by the Luxembourg subsidiary, Commerzbank International S.A., at a total par value of DM 100 m.

At the closing date, the Bank's liable funds were made up as follows:

Capital and reserves		
in DM m	1979	1978
Share capital	843.400	726.000
Disclosed reserves		
a) legal reserve	1,025.181	793.581
b) other reserves, voluntary	609.000	609.000
Total liable funds	2,477.581	2,128.581

Footnotes to the balance sheet and other information

Endorsement liabilities from rediscounted bills of exchange were DM 1,737.0 m, against DM 598.1 m as at December 31, 1978.

Commitments under guarantees, including guarantees for bills and cheques, and under indemnity agreements totalled DM 7,819.5 m, exceeding the commitments outstanding at the end of the preceding year by 11.1%.

Commitments for uncalled payments on shares in stock corporations (AG) and private limited li-

ability companies (GmbH), issued but not fully paid, amounted to DM 4.4 m and similar liabilities for shares in cooperatives were DM 0.5 m. In addition, the Bank may, under Section 24 of the German Private Limited Liability Companies Act (GmbHG), be held responsible for possible defaults on such calls by other shareholders.

In respect of its holding in Liquiditäts-Konsortialbank GmbH, the "lifeboat" institution of the German banking industry, the Bank is responsible for the payment of assessments of up to DM 27.4 m, the calling of which is, however, conditional on the passing of an appropriate resolution by the institution's shareholders.

Moreover, the Bank is jointly and severally liable under a guarantee for any assessments payable by the member banks of Bundesverband deutscher Banken e.V. (Federation of German Banks) up to a total of DM 197.6 m.

Under Section 5 (10) of the statutes of the German banks' Deposit Insurance Fund, the Bank undertook to relieve the Federation of German Banks of any losses incurred in respect of actions taken for the benefit of domestic banks in which Commerzbank holds a majority interest.

The Bank's foreign operations make it necessary under the laws of certain countries to furnish government bodies with security. The amount of the Bank's assets on which such organizations hold a lien is DM 164.2 m.

### Profit and loss account

*Interest and similar income from lending and money-market transactions* was DM 3,856.3 m, as against DM 2,964.9 m in 1978, an increase of DM 891.4 m, or 30.1%.

*Current income from fixed-interest securities, Government-inscribed debt, other securities, and investments as shown in the balance sheet* rose by DM 54.8 m, or 23.3%, on the corresponding figure for 1978 to DM 290.2 m.

The net balance obtained by deducting DM 3,059.3 m *interest and similar expenses*

from the DM 4,146.5 m of total interest and dividends earned is DM 1,087.2 m—DM 4.1 m, or 0.4%, more than in 1978. When this percentage is compared with the growth of 17.1% in the average business volume over 1978, it becomes clear that the interest margin has declined even further.

*Commissions and other service charges received* were up by 1.2%, from DM 350.6 m to DM 354.9 m. With *commissions and similar service charges paid* amounting to DM 13.1 m, net income from commissions was DM 341.8 m, compared with DM 338.0 m in the preceding year. This is an advance of DM 3.8 m, or 1.1%, on 1978.

*Other income, including income from writing back of provisions for possible loan losses*, is shown at DM 134.0 m. This item reflects gains from own-account foreign exchange transactions, rentals from real estate, and other ordinary and extraordinary income. Also included are profits realized on large-lot share sales and on other securities dealings (including borrower's notes), gains from downward adjustments and provisions for loan losses no longer required, and bad debts subsequently recovered.

All *write-downs of and adjustments for possible losses on loans and securities* made during the year have been netted against *other income*.

The Bank's total personnel expenses were made up as follows:

Personnel expenditure		
in DM m	1979	1978
<i>Salaries and wages</i>	729.7	675.3
<i>Compulsory social security contributions</i>	98.7	91.1
<i>Expenses for retirement pensions and other employee benefits</i>	90.9	81.6
Total	919.3	848.0

The addition was thus DM 71.3 m, or 8.4%. The higher costs mirror improvements in wages and salaries and a slight expansion in the average number of staff employed during the year.

*Other operating expenses* rose to DM 309.6 m from DM 278.3 m, representing an increase of DM 31.3 m or 11.2%.

*Depreciation on and adjustments to land and buildings, office furniture and equipment* was charged at DM 65.9 m, the amount permitted under tax regulations. *Write-downs of investments* reflect almost exclusively adjustments to the book values of foreign investments.

*Taxes* totalled DM 126.9 m, against DM 164.0 m in the previous year. Total tax expenditure includes DM 14.5 m (1978: DM 10.3 m) for taxes other than those on income and assets.

*Other expenditure*, up by DM 0.3 m, amounted to DM 19.0 m; of this, DM 10.9 m is accounted for by Commerzbank's contribution to the German banks' Deposit Insurance Fund.

The remuneration payable during the year under review to the Bank's Managing Directors amounted to DM 7,647,556.58; retired Managing Directors or their surviving dependants received DM 2,874,699.40. Payments to

members of the Supervisory Board totalled DM 1,228,478.00, and those to members of the Central Advisory Board DM 677,640.00. Members of the Regional Advisory Councils were paid DM 1,409,470.03.

Purchases and sales of the Bank's own shares

In 1979 the Bank purchased altogether 31,490 of its own shares, and its subsidiaries and associated companies acquired a total of 2,040 Commerzbank shares, at an average price of DM 201.17 per share, for resale to employees of the Bank, its subsidiaries, and associated companies at a price of DM 115.00.

The securities transactions coming under Section 71 (1) 1 of the German Stock Corporation Act (AktG) which are subject to disclosure in this Report, consist of purchases at market price, effected at various times during the year to ensure orderly market conditions for trading in our own shares,

by the Bank

of 435,762 Commerzbank shares (bearer shares at a face value of DM 50.00) at a total nominal value of DM 21,788,100.00

and by companies controlled or majority-owned by the Bank

of 9,938 Commerzbank shares at a total nominal value of DM 496,900.00.

The weighted average buying price of these shares was DM 201.89, while the similarly computed average resale price was DM 201.90.

The proceeds from these transactions were allocated to working funds. On one day during

the second half-year, we held 13,804 Commerzbank shares to a total face value of DM 690,200, the largest such volume in our possession during the year under review, corresponding to 0.1% of our share capital as at that same date. Neither the Bank itself nor companies controlled or majority-owned by it held any Commerzbank shares at the balance sheet date.

The collateral furnished by borrowing customers as security included

135,666 Commerzbank shares at a total nominal value of DM 6,783,300.00,

and 10,199 Commerzbank shares at a total nominal value of DM 509,950.00, which were pledged to companies controlled or majority-owned by the Bank.

Net income for the year realized in 1979 is shown in the balance sheet as a distributable profit of

DM 126,293,000.00.

It is proposed that this amount be used for payment of a cash dividend of DM 8.50 per DM 50 nominal share.



After addition of the corporation tax credit of DM 4.78 available under the imputation system, the gross dividend for shareholders resident in West Germany for tax purposes will amount to DM 13.28 per DM 50 nominal share, representing a gross yield of 26.56%.


The DM 100,500,000.00 nominal amount of new shares issued at the end of 1979 will rank for dividend as from January 1, 1980.


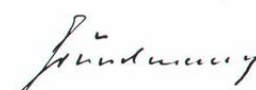


THE BOARD OF MANAGING DIRECTORS



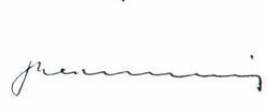
Düsseldorf, March 3, 1980




*Handwritten signatures of the Board of Managing Directors:*



---

# Report of the Supervisory Board

---

Throughout the year under review, the Supervisory Board discharged the duties incumbent upon it under the law and the Bank's Statutes and maintained continual supervision of the conduct of the Bank's affairs. Its Presiding Committee received regular reports on the progress of the Bank's business from the Board of Managing Directors, with whom it discussed all matters of significance pertaining to the affairs of the Bank, its balance sheet, earnings performance and interest rate structure, as also its international activities.

The Loans Committee of the Supervisory Board examined such lending commitments as involved substantial sums or a greater than normal risk. Its Social Welfare Committee dealt with important matters affecting the Bank's staff.

In addition to the Supervisory Board's scheduled meetings, frequent discussions were held with its Chairman, who was kept informed of all major items of business. Both he and the other members of the Supervisory Board assisted the Board of Managing Directors in an advisory capacity.

Dr. Kurt Hochheuser, previously co-manager of our Düsseldorf branch, was transferred to the Frankfurt head office and appointed a deputy member of the Board of Managing Directors with effect from January 1, 1980.

Dr. Jürgen Schwericke, who was elected to the Supervisory Board as a substitute member by the 1978 Annual General Meeting, served as such from January 24 to May 4, 1979. On the latter date, the Annual General Meeting elected in his place Mr. Werner Rinke, barrister, of Essen, a member of the Board of Managing Directors of Rheinisch-Westfälisches Elektrizitätswerk AG.

The Parent Bank's Annual Report and Accounts, together with the books of account for the period from January 1 to December 31, 1979, were examined by the Auditors, Treuarbeit Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Düsseldorf, and certified without qualification. The Supervisory Board has signified its agreement with the result of the audit. Having itself examined the Annual Accounts, the Report, and the proposal of the Board of Managing Directors with regard to the appropriation of the distributable profit, it has found no cause for objection.

The Supervisory Board has approved the Annual Accounts, which may accordingly be regarded as adopted, and also concurs with the proposal of the Board of Managing Directors as to the profit appropriation.

The Consolidated Annual Report and Accounts, the report thereon by the Group's Auditors, and the latter's certificate without qualification were also submitted to the Supervisory Board.

Düsseldorf, March 18, 1980

THE SUPERVISORY BOARD



Chairman

# Business Progress of Parent Bank, 1952-1979

	Total assets	Total lending	Capital and reserves	Savings deposits and savings bonds	Annual dividend	Total amount of dividends paid	Allocation to reserves from profit	Taxes paid	Staff <sup>1)</sup>	Branches
	DM bn	DM bn	DM m	DM m	%	DM m	DM m	DM m		
1-1-1952	1.6	1.3	55	75	–	–	–	–	4,812	108
31-12-1952	1.9	1.6	73	115	6	3.1	17.6	12.5	5,297	109
31-12-1953	2.5	2.1	89	178	8.5	4.9	4.0	22.7	5,935	114
31-12-1954	3.2	2.5	101	324	9	5.8	6.2	20.7	6,651	139
31-12-1955	3.7	3.0	152	387	10	8.1	15.7	32.9	7,160	149
31-12-1956	4.4	3.2	179	382	12	12.6	17.0	33.7	7,401	155
31-12-1957	5.3	3.4	226	458	12	15.9	17.0	39.0	7,537	168
31-12-1958	5.6	3.5	253	587	14	21.0	17.0	35.1	7,690	185
<b>31-12-1959</b>	<b>6.4</b>	<b>4.0</b>	<b>338</b>	<b>789</b>	<b>14 + 2</b>	<b>25.2</b>	<b>25.0</b>	<b>57.9</b>	<b>8,371</b>	<b>217</b>
31-12-1960	6.9	4.5	360	930	16	28.8	22.0	62.1	9,465	266
31-12-1961	7.8	5.5	410	1,053	16	32.0	19.0	57.3	10,507	332
31-12-1962	8.7	5.6	420	1,257	16	32.0	10.0	48.1	10,657	372
31-12-1963	9.3	6.0	435	1,477	16	32.0	15.0	51.6	10,740	392
31-12-1964	9.8	6.6	500	1,720	16	36.0	20.0	54.8	11,021	402
31-12-1965	10.3	6.9	520	2,154	16	36.0	20.0	54.0	11,402	436
31-12-1966	11.0	7.4	540	2,649	16	36.0	20.0	55.2	12,076	461
31-12-1967	12.9	8.4	605	3,040	16	40.0	40.0 <sup>2)</sup>	55.3	12,760	550
31-12-1968	15.4	9.7	660	3,565	17	46.8	30.0 <sup>3)</sup>	59.8	13,409	636
<b>31-12-1969</b>	<b>17.4</b>	<b>12.6</b>	<b>840</b>	<b>3,949</b>	<b>17 + 3</b>	<b>62.5</b>	<b>30.0</b>	<b>77.5</b>	<b>14,350</b>	<b>688</b>
31-12-1970	19.7	13.8	850	4,182	17	59.5	10.0	47.1	15,441	719
31-12-1971	22.1	15.6	990	4,840	17	61.6	15.0	57.1	15,952	731
31-12-1972	25.6	17.4	1,115	5,444	17	68.0	15.0	58.9	16,161	737
31-12-1973	28.4	18.1	1,213	5,651	17	79.6	–	45.2	16,622	755
31-12-1974	31.4	20.1	1,364	6,487	17	79.6	30.0	71.9	16,585	765
31-12-1975	38.5	22.3	1,548	8,005	18	95.5	50.0	129.6	17,328	782
31-12-1976	42.1	25.6	1,781	8,964	18	109.3	50.0	95.8	17,729	790
31-12-1977	50.9	29.0	2,078	10,137	17*)	109.4	50.0	163.8	17,872	794
31-12-1978	60.6	37.5	2,129	11,097	17*)	123.4	50.0	164.0	18,404	795
<b>31-12-1979</b>	<b>67.1</b>	<b>44.7</b>	<b>2,478</b>	<b>11,670</b>	<b>17*)</b>	<b>126.3</b>	<b>–</b>	<b>126.9</b>	<b>19,040</b>	<b>802</b>

\*) not including 9.56% income tax credit for resident shareholders with unlimited tax liability in West Germany.

<sup>1)</sup> calculated as full-time staff; from 1973 onwards does not include employees serving in armed forces;

<sup>2)</sup> including DM 20.0 m resulting from retransfer to assets side of furniture and equipment;

<sup>3)</sup> including DM 5.0 m resulting from retransfer to assets side of furniture and equipment.

# Parent Bank's Annual Accounts as at December 31, 1979

---

Balance Sheet pages 62/63

Profit and Loss Account pages 64/65

# Balance Sheet as at December 31, 1979

Assets	DM	DM	DM	Dec 31, 1978 DM 1,000
Cash on hand			183,990,066.47	151,582
Balance with Deutsche Bundesbank			3,116,681,372.78	3,570,981
Balances on postal cheque accounts			29,262,576.10	27,837
Cheques, matured bonds, interest and dividend coupons, items received for collection			285,419,408.06	446,473
Bills of exchange			1,403,892,185.40	3,537,731
including: a) rediscountable at Deutsche Bundesbank	764,952,361.50			
b) own drawings	14,648,585.39			
Claims on banks				
a) payable on demand		1,766,372,129.02		1,615,455
b) with original periods or periods of notice of				
ba) less than three months		3,826,128,776.99		2,532,868
bb) at least three months, but less than four years		9,422,360,550.49		8,595,757
bc) four years or more		3,676,704,167.07		3,248,207
			18,691,565,623.57	15,992,287
Treasury bills and discountable Treasury notes				
a) of the Federal and Länder Governments		1,202,504,000.00		1,363,004
b) of other issuers		18,910,000.00		—
			1,221,414,000.00	1,363,004
Bonds and notes				
a) with a life of up to four years				
aa) of the Federal and Länder Governments	870,305,725.56			
ab) of banks	184,225,548.42			
ac) of other issuers	—	1,054,531,273.98		992,172
including: eligible as collateral for Deutsche Bundesbank advances DM 933,074,753.77				
b) with a life of more than four years				
ba) of the Federal and Länder Governments	321,709,337.47			
bb) of banks	809,851,310.48			
bc) of other issuers	302,832,507.33	1,434,393,155.28		1,643,154
including: eligible as collateral for Deutsche Bundesbank advances DM 1,000,334,760.47			2,488,924,429.26	2,635,326
Securities not to be shown elsewhere				
a) shares marketable on a stock exchange and investment fund certificates			678,579,347.81	720,160
b) other			8,123,334.86	13,790
including: holdings of more than one-tenth of the shares of a joint stock or mining company, unless shown as Investments	538,291,746.91			733,950
Claims on customers, with original periods or periods of notice of				
a) less than four years		18,304,121,942.00		15,198,906
b) four years or more		18,224,139,240.26		14,872,890
including: ba) secured by mortgages on real estate	3,447,263,538.08			
bb) communal loans	4,339,179,130.27			
			36,528,261,182.26	30,071,796
Recovery claims on Federal and Länder authorities under post-war currency reform acts			65,071,405.80	69,685
Loans on a trust basis at third party risk			50,076,578.32	63,299
Subsidiaries, associated companies, and trade investments (Investments)			1,302,068,000.00	1,023,579
including: investments in banks	917,428,000.00			
Land and buildings			667,463,000.00	625,795
Office furniture and equipment			196,733,000.00	169,622
Bonds and notes issued by Commerzbank			7,603,075.21	18,319
nominal amount	7,658,200.00			
Other assets			45,287,562.31	29,378
Deferred items				
a) unamortized debt discount (difference according to Section 156 (3) of the German Stock Corporation Act—AktG)		118,496,842.20		92,350
b) other		1,350,281.93		1,446
			119,847,124.13	93,796
<b>Total Assets</b>			<b>67,090,263,272.34</b>	<b>60,624,440</b>
<b>Total Assets and the recourse claims from the contingent liabilities shown below the line on the liabilities side include</b>				
a) claims on related companies			2,803,957,694.36	1,706,221
b) claims arising from loans falling under Section 15 (1) 1-6 and (2) of the German Banking Act, unless included under a)			264,450,116.88	197,002





# Profit and Loss Account for the Year ended December 31, 1979

Expenses	DM	DM	1978 DM 1,000
Interest and similar expenses		3,059,277,599.69	2,117,190
Commissions and similar service charges paid		13,115,599.85	12,602
Salaries and wages		729,732,099.26	675,352
Compulsory social security contributions		98,727,873.35	91,120
Expenses for pensions and other employee benefits		90,841,029.49	81,563
Other operating expenses		309,602,243.59	278,293
Depreciation on and adjustments to land and buildings, office furniture and equipment		65,931,506.00	61,754
Write-downs of and adjustments to Investments (subsidiaries, associated companies, and trade investments)		1,049,749.78	1,275
<b>Taxes</b>			
a) on income and assets	112,425,465.18		153,719
b) other	14,437,327.75		10,261
		126,862,792.93	163,980
Charges for losses assumed under profit and loss transfer agreements		—	223
Other expenses		18,999,733.56	18,686
<b>Net income for the year</b>		126,293,000.00	173,420
	<b>Total Expenses</b>	4,640,433,227.50	3,675,458

	DM	DM	1978 DM 1,000
<b>Net income for the year</b>		126,293,000.00	173,420
<b>Allocations to Disclosed reserves from Net income for the year</b>			
a) legal reserve	—		—
b) other reserves, voluntary	—		50,000
		—	50,000
<b>Distributable profit</b>		126,293,000.00	123,420

Income	DM	DM	1978 DM 1,000
<b>Interest and similar income from lending and money-market transactions</b>		3,856,288,995.26	2,964,943
<b>Current income from</b>			
a) fixed-interest securities and Government-inscribed debt	153,266,710.63		116,020
b) other securities	60,740,936.62		50,398
c) Investments (subsidiaries, associated companies, and trade investments)	76,207,979.63		68,995
		290,215,626.88	235,413
<b>Commissions and other service charges received</b>		354,933,053.90	350,546
<b>Other income, including income from the writing back of provisions for possible loan losses</b>		134,011,025.64	108,020
<b>Income from profit-pooling and from partial or full profit-transfer agreements</b>		3,952,304.37	2,629
<b>Income from the writing back of provisions, unless it has to be shown under Other income</b>		1,032,221.45	2,257
<b>Income from the writing back of Special items with partial reserve character</b>		—	11,650
<b>Total Income</b>		4,640,433,227.50	3,675,458

Pension payments and payments to Beamtenversicherungsverein des Deutschen Bank- und Bankiergewerbes (a.G.), Berlin, were made during the year in the amount of DM 50,204,858.00. For the next five years, we expect pension payments equivalent to 108%, 118%, 127%, 138%, and 152% of that amount.

Düsseldorf, March 3, 1980

**COMMERZBANK**  
AKTIENGESELLSCHAFT

THE BOARD OF MANAGING DIRECTORS

Behrenbeck Deuss Dhom Dicken Frowein Grundmann Jahn  
Knappertsbusch Niederste-Ostholt Reckel Reimnitz Spiegel Terrahe Hochheuser (dep.)

The accounting, the annual financial statement, and the management report, which we have examined with due care, comply with German Law and the Company's statutes.

Düsseldorf, March 5, 1980

T R E U A R B E I T  
AKTIENGESELLSCHAFT

WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT · STEUERBERATUNGSGESELLSCHAFT

Dr. Scholz  
Wirtschaftsprüfer  
(German public accountant)

Umlandt  
Wirtschaftsprüfer  
(German public accountant)

Balance Sheet

Assets	Liabilities
Current assets	Current liabilities
Cash and deposits	Accounts payable
Accounts receivable	Notes payable
Prepaid expenses	Accrued liabilities
Other current assets	Other current liabilities
Total current assets	Total current liabilities
Non-current assets	Non-current liabilities
Property, plant and equipment	Long-term debt
Intangible assets	Other non-current liabilities
Other non-current assets	Total non-current liabilities
Total non-current assets	Total non-current liabilities
Total assets	Total liabilities
	Equity
	Paid-up capital
	Retained earnings
	Total equity
	Total liabilities and equity

The accompanying notes are an integral part of these financial statements.

Management's Discussion and Analysis

Operating Results

Financial Position

Capital Resources

Risk Factors

Legal Proceedings

Other Information

---

# Consolidated Annual Report for the Year 1979

---

**Notes on the consolidated annual accounts**

At the end of 1979, the consolidated total assets of the Commerzbank Group for the first time topped DM 100 bn to reach DM 100.3 bn, a 14% rise on the 1978 figure of DM 88.0 bn. The Group's business volume—balance sheet total plus endorsement liabilities—increased from DM 88.6 bn to DM 102.2 bn. Its earnings performance, however, was not satisfactory primarily due to a narrowing of the interest margins of the member commercial banks. Consolidated net income for the year at DM 142 m was thus down DM 82 m on the previous year's result.

Commerzbank Aktiengesellschaft has the status of a related enterprise under Section 15 of the German Stock Corporation Act—AktG in respect of the following subsidiaries and holdings (direct or indirect interest shown below in per cent). Commerzbank (South East Asia) Ltd., Singapore, which commenced operations in March 1979, has been included in the consolidation for the first time, whereas Hera Beteiligungs- und Verwaltungsgesellschaft mbH, Berlin, was excluded following its sale.

1) Companies included in the consolidation

Companies transferring their results to Commerzbank AG under profit and loss pooling agreements:

Atlas-Vermögensverwaltungs-Gesellschaft m.b.H., Düsseldorf Share capital DM 100,000	100.00
Bank für Teilzahlungskredit Gesellschaft mit beschränkter Haftung, Düsseldorf Share capital DM 3,500,000	100.00
Commercium Vermögensverwaltungs-GmbH, Hamburg Share capital DM 50,000	100.00
Commerz- und Industrie-Leasing GmbH, Frankfurt Share capital DM 2,000,000 including three holding subsidiaries with a capital of DM 20,000 each	100.00
GERAP Grundbesitz- und Verwaltungsgesellschaft mbH, Frankfurt Share capital DM 20,000	95.00

Hamburgische Grundstücks Gesellschaft m.b.H., Hamburg Share capital DM 20,000	100.00
Immobilien- und Wohnungs-Gesellschaft mbH, Hamburg Share capital DM 50,000	100.00
L.I.A. Leasinggesellschaft für Immobilien und Anlagegüter mbH, Frankfurt Share capital DM 1,000,000 including ten property holding subsidiaries with a capital of DM 20,000 each	100.00
Norddeutsche Immobilien- und Verwaltungs-GmbH, Hamburg Share capital DM 20,000	100.00
Companies with whom there were no profit and loss pooling agreements:	
Aussenhandel-Förderungs-gesellschaft mbH, Düsseldorf Share capital DM 100,000	100.00
Berliner Commerzbank Aktiengesellschaft, Berlin Share capital DM 42,500,000	100.00
Commerzbank Fonds-Verwaltungsgesellschaft mit beschränkter Haftung (Cofa), Düsseldorf Share capital DM 2,000,000	100.00
Commerzbank International S.A., Luxembourg Share capital Lfr 2,500,000,000	100.00
Commerzbank (South East Asia) Ltd., Singapore Share capital S\$ 20,000,000	100.00
von der Heydt-Kersten & Söhne, Wuppertal-Elberfeld Limited liability capital DM 10,000,000	100.00
Ilse Bank, Sandow & Co., Peine Limited liability capital DM 2,000,000	100.00
C. Portmann, Frankfurt Limited liability capital DM 1,500,000	100.00
RHB-Bau- und Verwaltungsgesellschaft Mannheim mbH, Mannheim Share capital DM 20,000	95.19

Rheinische Hypothekenbank,  
Frankfurt  
Share capital DM 64,625,000 93.59

2) Companies not included in the consolidation  
under Section 329  
of the German Stock Corporation Act (AktG)

Foreign companies:

Atlas Participations – France S.A.R.L.,  
Paris  
Share capital Ffr 11,300,000 100.00

Europartners Bank (Nederland) N.V.,  
Amsterdam  
Share capital Dfl 40,000,000 60.00

Companies of minor significance:

Francommerz Vermögens-  
verwaltungsgesellschaft mbH,  
Frankfurt  
Share capital DM 20,000 100.00

3) Related companies  
not under the Group's sole managerial control

Commerz-Credit-Bank  
Aktiengesellschaft Europartner,  
Saarbrücken  
Share capital DM 10,000,000 60.00

Flender Werft Aktiengesellschaft,  
Lübeck  
Share capital DM 25,000,000 68.90

H. Maihak Aktiengesellschaft,  
Hamburg  
Share capital DM 5,000,000 50.03

Re 1): Companies included in the consolidation

The legal and business relations with consoli-  
dated companies are discussed below in the  
order of the latter's importance for the Group:

Rheinische Hypothekenbank, Frankfurt

This leading German mortgage bank, which is  
90% owned by Commerzbank, is involved in the  
provision of mortgage loans and in lending to  
local authorities, as also in borrowing to fund  
these operations. In all aspects of the bank's  
business, cooperation with Commerzbank is

close, and in order to rationalize and facilitate  
work within the Group, the administrative of-  
fices of Rheinische Hypothekenbank will be  
transferred to Frankfurt in the course of 1980.

During the year under review, the bank's total  
assets reached DM 17.7 bn, after DM 15.4 bn in  
the preceding year. The annual general meeting  
of its shareholders will be asked to increase the  
share capital by a one-for-five bonus issue to  
DM 77.6 m, the new shares to rank for dividend  
pari passu with the old ones as from January 1,  
1979, and hence for the whole year under re-  
view. With the dividend to remain unchanged  
at DM 9, the total amount of dividend to be paid  
will rise from DM 11.6 m to DM 14 m. Subject  
to the consent of the AGM, the reserves will be  
augmented by an allocation of DM 30.0 m, as  
compared with DM 27.5 m the year before.

The progress of business of this mortgage bank  
is more fully discussed on pages 80 and 81.

Commerzbank International S.A., Luxembourg

Commerzbank's Luxembourg subsidiary deals  
mainly in the Euromarket, where it coordinates  
its activities closely with the Parent Bank's do-  
mestic and foreign branch offices.

The bank was again successful in expanding its  
international operations in the year under re-  
view. In line with the higher volume of busi-  
ness, the share capital was raised twice in 1979  
to altogether Lfr 2,500 m, viz. by Lfr 350 m on  
July 2, 1979, and by Lfr 250 m on October 9,  
1979, the new shares being priced at double  
par value in each case. The share premium to-  
gether with the scheduled allocation to reserves  
from the 1979 profit will bring the bank's total li-  
able equity to Lfr 6,124 m, which on the basis of  
the official Frankfurt middle rate on the balance  
sheet date is equivalent to DM 365 m. To  
strengthen its liable capital basis, this subsidi-  
ary was granted a DM 100 m subordinated loan  
by the Parent Bank at the end of December  
1979. Given the decline in earnings caused by  
the bank's narrower interest margin and by the  
necessity of effecting not unsubstantial write-  
downs of its securities portfolio, it retained the  
profit earned of Lfr 299 m instead of transferring  
it to the Parent Bank.

Further details of the bank's performance are  
given on pages 78 and 79.

Berliner Commerzbank Aktiengesellschaft,  
Berlin

Commerzbank's Berlin subsidiary is to pay an unchanged dividend of 16 per cent, the amount to be distributed thus again totalling DM 6.8 m. However, since this bank's earnings also suffered from the adverse trend of interest rate movements, no allocation to reserves could be effected (see pages 76 and 77).

During its abbreviated first financial year, the total assets of

Commerzbank (South East Asia) Ltd.,  
Singapore,

reached the equivalent of over DM 700 m and the bank even managed to report a small profit.

This subsidiary, which is licensed to do business as a merchant bank, operates on a limited scale in the Singapore dollar market. While permitted to engage also in all kinds of offshore banking business, it has initially concentrated on money market dealings.

The operations of the limited partnerships

von der Heydt-Kersten & Söhne,  
Wuppertal-Elberfeld,  
and  
Ilseeder Bank, Sandow & Co., Peine,

are technically fully integrated into the Commerzbank branch network, with the managing partners of both banks retaining their decision-making powers.

The bank of

C. Portmann, Frankfurt,

confines its activities to the administration of its own assets.

The development of

Bank für Teilzahlungskredit Gesellschaft mit beschränkter Haftung, Düsseldorf,

which specializes in instalment credits, has not been satisfactory. At the end of the year under review, this subsidiary's 100% holding in

Commerz- und Industrie-Leasing GmbH,  
Frankfurt,

was taken over by the Parent Bank in order to streamline the Group's organization. This sub-

siary, which is engaged in the leasing of movable goods, experienced satisfactory growth that was reflected in its equally gratifying earnings during the year under review.

L.I.A. Leasinggesellschaft für Immobilien und Anlagegüter mbH, Frankfurt,

has no business involvement but restricts its activities to the administration of its property holding companies. Together with GERAP Grundbesitz- und Verwaltungsgesellschaft mbH, Frankfurt, it is managed under fiduciary agreements by Deutsche Gesellschaft für Immobilien- und Anlagen-Leasing mbH, Düsseldorf, a company in which Commerzbank has a 50% interest.

The two last-mentioned companies, whose operations centre on leasing and instalment credits, rely on Commerzbank to meet their financing requirements. Real estate leasing is, however, also funded, to the extent permitted by law, by mortgage loans granted by Commerzbank's mortgage bank subsidiary.

Finally, mention must also be made of

Commerzbank Fonds-Verwaltungsgesellschaft mit beschränkter Haftung (Cofonds), Düsseldorf.

This is an investment company which, in addition to administering "Cofonds", a publicly offered open-end fund, acts as a management company for 54 individual special-purpose investment funds with total assets of DM 1.5 bn. The expansion in Cofonds' business led to its share capital being raised to DM 2 m in 1979.

The other consolidated companies listed but not separately reported on here are engaged in activities indicated by their firm names, such as trust business or management of real estate of minor importance.

#### Re 2): Companies not included in the consolidation

In accordance with Section 329 of the German Stock Corporation Act

Atlas Participations – France S.A.R.L., Paris,

and

Europartners Bank (Nederland) N.V.,  
Amsterdam,

have, as foreign companies, not been included in the consolidation.



The share capital of Atlas Participations – France S.A.R.L., increased to Ffr 11.3 m, is jointly held by Commerzbank Aktiengesellschaft and its subsidiary, Atlas-Vermögensverwaltungs-Gesellschaft m.b.H., Düsseldorf.

The company continues to have a 10% holding in Crédit Chimique S.A., Paris. It again paid an appropriate dividend to Commerzbank.

The interests of the Europartners member banks in the Netherlands are looked after by Europartners Bank (Nederland) N.V., with offices in Amsterdam and Rotterdam. Commerzbank, which has a 60% holding in this bank, appoints its management and controls its operations. Major policy decisions require the consent of the other shareholders, i.e. Banco di Roma and Crédit Lyonnais, each of whom hold a 20% interest. The bank's accounting is integrated with the EDP system of Commerzbank who together with the two minor shareholders stands ready to finance the bank's lending if and when required.

The year under review saw the bank's balance sheet total expand 6.2% to Dfl 949 m. Since the continued credit restrictions in the Netherlands sensibly inhibited any noteworthy expansion of local business, the bank intensified its involvement in international lending, at the same time reducing its interbank operations. With its interest margin under pressure due to the further world-wide rise in interest rates, the bank, after cautious provision for possible loan losses, closed the year on a break-even basis. Its liable equity is made up by a share capital of Dfl 40 m and reserves of Dfl 6.5 m.

Re 3): Related companies  
not under the Group's sole managerial control

Commerz-Credit-Bank  
Aktiengesellschaft Europartner, Saarbrücken.

This bank saw another year of healthy growth. At the end of 1979, its balance sheet total exceeded DM 790 m.

The operating result achieved once again permits payment of a 10% dividend on the unchanged share capital of DM 10 m. DM 0.5 m was allocated to reserves.

We expect the bank to maintain its progress in 1980, the more so as industry in the Saarland views its business prospects with confidence, despite the generally flat economic outlook.

In the spirit of the Europartners' cooperation, and by agreement with the other partners in Madrid and Rome, the business policy of Commerz-Credit-Bank AG Europartner ist jointly determined by Crédit Lyonnais and Commerzbank without reference to the size of interest held.

Commerzbank maintains close business relations with Commerz-Credit-Bank AG Europartner and, where necessary, together with Crédit Lyonnais provides the bank with funds for its extensive lending activities. For an appropriate fee, Commerzbank also permits the bank to use its EDP facilities to handle the accounting side of its service business.

Flender Werft Aktiengesellschaft, Lübeck

This shipbuilding company successfully compensated for the complete lack of orders for newbuildings by diversifying into other fields. Work for the shipyard has been assured for 1980. There was a slight pick-up in enquiries for new vessels towards the end of 1979. The company sees this and the growing need for replacement of obsolete tonnage as the first sign of a market recovery.

H. Maihak Aktiengesellschaft, Hamburg

While sales declined somewhat by 3.1% to DM 31.7 m in 1979, orders booked at DM 34.2 m matched the high level achieved in the preceding year. Following extensive rationalization, an improvement of the company's earnings performance can be anticipated.

Commerzbank maintains normal banking relations with the latter two industrial firms. Those of the Bank's managing directors who serve on the supervisory boards of these companies confine their activities to watching over Commerzbank's financial interest without seeking to influence the conduct of business.

Principles of consolidation

Commerzbank's consolidated annual accounts as at December 31, 1979, were drawn up in accordance with the format for the presentation of annual accounts of German banks as laid down by a regulation of December 20, 1967. The inclusion of a mortgage bank in the consolidation made it necessary to adjust the standard format for the balance sheet so as to allow for the special nature of its business.

With the exception of Cofo, which has rendered an interim return as at year-end, the financial years of the companies included in the consolidation coincide with the calendar year. The accounts of the Luxembourg and Singapore subsidiaries, which are drawn up in local currency, have been converted at the official Frankfurt middle rates of the balance sheet date; in addition, classification has been made pursuant to the balance sheet regulations for German banks. Assets and liabilities throughout the Group have been valued on a uniform basis in accordance with the principles of the German Stock Corporation Act (AktG).

Consolidation of the capital accounts has been effected by setting off the book values of investments as shown in the balance sheet against the values of the related equity as shown in the books of the subsidiaries and affiliated companies concerned. Hence investments as shown in the consolidated balance

sheet represent only the book values of holdings in non-consolidated companies.

Inter-company balances included in any of the asset and liability items have been eliminated in the consolidated balance sheet, as have similar income and expenses as well as inter-company book profits in the Group's profit and loss account.

Investment income from consolidated companies received in 1979 in respect of 1978 has been included in the profit brought forward.

#### Consolidated balance sheet total

At DM 100,299 m, the consolidated balance sheet was DM 12,290 m, or 14.0%, up on the preceding year's figure, and exceeds the total assets of the Parent Bank, Commerzbank AG, by DM 33,209 m (1978: DM 27,385 m). The following changes occurred in individual balance sheet items during the year under review:

Assets		Liabilities	
in DM m		in DM m	
Cash reserves, cheques, and collection items	- 561	Liabilities to banks	+ 8,375
Bills of exchange	- 2,137	a) demand	(+ 520)
Claims on banks	+ 5,487	b) time	(+ 7,855)
Treasury bills	- 165	Customers' deposits	+ 734
Bonds, notes, other securities	- 50	a) demand	(- 250)
Loans and advances to customers	+ 9,243	b) time	(+ 853)
Investments	+ 207	c) savings deposits	(+ 131)
Land and buildings, office furniture and equipment	+ 227	Bonds outstanding	+ 2,227
Bonds and notes issued by consolidated companies	- 21	Acceptances outstanding	+ 476
Sundries (including Loans on a trust basis)	+ 60	Provisions	+ 41
		Capital and reserves	+ 348
		Reserve arising from consolidation, in accordance with section 331 (1) 3 of the German Stock Corporation Act-AktG	+ 30
		Consolidated profit	- 26
		Sundries (including Loans on a trust basis)	+ 85
	+ 12,290		+ 12,290

Commerzbank Aktiengesellschaft accounts for 63.6% of the assets entering into the Group's balance sheet total before elimination of inter-

company balances, as compared with 66.6% in the previous year. A further 35.4% relates to consolidated banks and 1% to other firms.

**Assets**Liquidity

At year-end, the Group's cash reserves—consisting of cash on hand and balances with the Deutsche Bundesbank and on postal cheque accounts—stood at DM 3,550 m, representing 5.3% of the sum total, on a consolidated basis, of liabilities to banks and other creditors at periods of less than four years and indebtedness under bonds and acceptances outstanding at similar maturities in the aggregate amount of DM 67,433 m. The Group's liquid funds—cash reserves, cheques, matured bonds, interest and dividend coupons, collection items, bills rediscountable at the Deutsche Bundesbank, claims

on banks with periods of less than three months, Treasury bills, discountable Treasury notes, and fixed-interest securities issued by Group members and others eligible as collateral for Deutsche Bundesbank advances—totalled DM 14,804 m or 22.0% of the above-mentioned funds with a life of up to four years.

Lending

The Group expanded its lending to other banks and to customers by DM 10,466 m (excluding loans on a trust basis and guarantees) over the year.

The structure of our loan portfolio is illustrated below:

Lending		
	1979	1978
Loans and advances to		
a) banks	DM 8,694 m = 12.8%	DM 6,572 m = 11.4%
b) customers	DM 55,929 m = 82.1%	DM 46,686 m = 81.0%
Book and acceptance credits	DM 64,623 m = 94.9%	DM 53,258 m = 92.4%
Discounts	DM 3,470 m = 5.1%	DM 4,369 m = 7.6%
Total lending	DM 68,093 m = 100.0%	DM 57,627 m = 100.0%

The share of advances and acceptance credits in total lending rose from 92.4% to 94.9% with claims on banks up DM 2,122 m to DM 8,694 m. Loans to customers increased by DM 9,243 m to DM 55,929 m, representing additional short

and medium-term lendings of DM 2,999 m and long-term credits of DM 6,244 m. Advances to customers at long term now account for 51.5% of the entire volume of lending; they break down as follows:

Long-term lending			
in DM m	1979	1978	change
Sundry long-term loans	12,509	9,707	+ 2,802 = +28.9%
Mortgage loans	9,365	8,402	+ 963 = +11.5%
Communal loans	13,212	10,733	+ 2,479 = +23.1%
Total	35,086	28,842	+ 6,244 = +21.6%

Fixed assets

After elimination of holdings in consolidated companies, the Group's fixed assets stand at DM 2,164 m (1978: DM 1,731 m). These comprise: holdings in unconsolidated companies of DM 738 m (investments), land and buildings at DM 741 m, office furniture and equipment at DM 217 m, leasing equipment at DM 468 m.

**Liabilities and shareholders' equity**Total deposits and borrowed funds

The Group's total deposits and borrowed funds increased during the year by DM 11,812 m to DM 95,955 m and are made up as follows (see overleaf):

Borrowed funds			
in DM m	1979	1978	change
Due at short and medium-term (less than four years) and savings deposits			
a) to banks	28,692	22,233	+ 6,459 = +29.1%
b) to other creditors	37,157	36,856	+ 301 = + 0.8%
c) bonds outstanding	1,032	778	+ 254 = +32.6%
d) acceptances outstanding	552	76	+ 476 = .
Sub-total	67,433	59,943	+ 7,490 = +12.5%
Due at long-term (four years or more)			
a) to banks	8,112	6,196	+ 1,916 = +30.9%
b) to other creditors	2,784	2,351	+ 433 = +18.4%
c) bonds outstanding	17,626	15,653	+ 1,973 = +12.6%
Sub-total	28,522	24,200	+ 4,322 = +17.9%
Total deposits and borrowed funds	95,955	84,143	+11,812 = +14.0%

As the breakdown shows, the Group borrowed DM 36,804 m (38.4% of the total, up from 33.8%) from other banks, and customers' deposits and other creditors accounted for DM 39,941 m (41.6% of the total, down from 46.6%), while outstanding bonds issued by Group members amounted to DM 18,658 m, thus contributing a further almost unchanged 19.4%. Existing mortgage debt of DM 1 m was assumed by the Bank, mainly through real estate purchased.

#### Share capital and reserves

The partial conversion, totalling DM 68 m, of convertible bonds issued by Commerzbank in 1978 into shares and the increase of the Parent Bank's share capital by DM 100.5 m in December 1979 (cash proceeds: DM 281 m) brought the latter's overall equity capital to DM 2,478 m.

The consolidation difference as defined in Section 331(1)3 of the German Stock Corporation Act (AktG)—i.e. the excess of the book value of consolidated subsidiaries' equity over the book value of the Parent Bank's investments therein—which is regarded as quasi-equity, rose DM 30 m in the year under review to DM 225 m. The increase results from the allocation of earnings to the subsidiaries' reserves; the necessary reassessment of the D-mark book value of the share capital of two subsidiaries whose balance sheets are drawn up in local currency has been allowed for. This computation does not account for additional allocations to the subsidiaries' reserves of a total amount of DM 18 m which are conditional on resolutions to be passed by

the respective companies' AGMs. After inclusion of these additional reserves and minority shareholders' interests (the latter not including the attributable share of profits) of DM 23 m, the Group's equity capital at year-end was DM 2,744 m, as against DM 2,370 m in 1978.

#### Contingent liabilities and commitments

Commitments for uncalled payments on shares in stock corporations (AG) and private limited liability companies (GmbH), issued but not fully paid, amounted to DM 5 m at the balance sheet date and similar liabilities for shares in cooperatives were DM 1 m. Group members may, under Section 24 of the German Private Limited Liability Companies Act (GmbHG), also be held responsible for possible defaults on such calls by other shareholders. The investment in Liquiditäts-Konsortialbank GmbH may attract a liability for the payment of assessments up to an amount of DM 29 m, the calling of which is, however, conditional on the passing of an appropriate resolution by the institution's shareholders. Moreover, some Group members are jointly and severally liable for the assessments payable by other members of their banking associations up to an amount of DM 204 m. In addition, pursuant to Section 5(10) of the statutes of the German banks' Deposit Insurance Fund, Commerzbank undertook to relieve the Federation of German Banks of any losses incurred in respect of actions taken for the benefit of unconsolidated domestic banks in which Commerzbank holds a majority interest.

**Consolidated profit and loss account**Net income

Interest and similar income from lending and from money-market transactions and current income from securities, Government-inscribed debt, and investments as shown in the consolidated balance sheet rose by DM 1,540 m to DM 6,435 m.

Allowing for the higher increase in interest expenditure of DM 5,180 m (up by DM 1,603 m), the Group's net interest and dividend earnings were DM 1,255 m, falling short of those for the previous year by DM 63 m, or 4.8%, and covering the current personnel and other operating expenses by 92.7%.

The excess of commission income over commissions paid in respect of services went up by DM 15 m, or 4.4%, to DM 358 m.

The net credit balance of other income and write-downs of and adjustments to claims and securities, including investments as shown in the Group's balance sheet, rose from DM 165 m to DM 235 m. This includes DM 96 m of the income earned by consolidated leasing companies.

Expenditure

The Group's overall personnel expenses were DM 1,004 m, while other operating expenses totalled DM 350 m, the increase in these costs

thus amounting to DM 116 m, or 9.4%, as against DM 85 m, or 7.4%, in 1978.

Depreciation on and adjustments to land and buildings, office furniture and equipment were charged at DM 73 m, compared with DM 71 m in the previous year.

Group taxation totalled DM 190 m, as against DM 247 m in the preceding year. This amount includes DM 173 m (1978: DM 236 m) for taxes on income and assets.

Consolidated net income for the year and consolidated profit

The Group's net income for the year fell from DM 224 m to DM 142 m. The profit of DM 36 m brought forward from the previous year represents profit distributed by the consolidated companies in 1979 in respect of 1978. Subject to the approval of the Annual General Meeting, the net income for the year will be used to allocate DM 22 m to the reserves of consolidated companies.

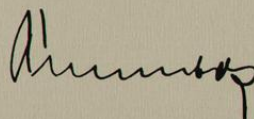
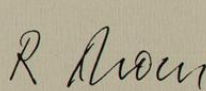
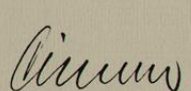
The amount of the profit accruing to minority shareholders is DM 1 m. The remaining consolidated profit is thus DM 155 m from which, subject to approval by the shareholders in annual general meeting, a total of DM 18 m will be allocated to consolidated companies' reserves.

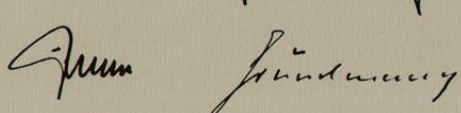
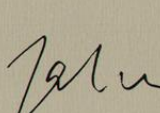
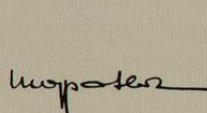
Events during the current year would not so far indicate any improvement in the Group's earnings performance.

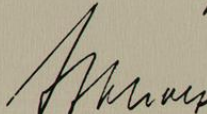
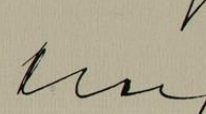
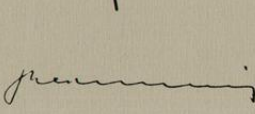
THE BOARD  
OF MANAGING DIRECTORS

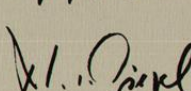
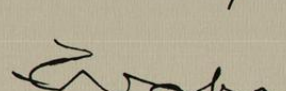
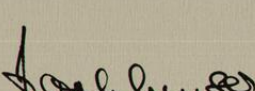
Düsseldorf, March 3, 1980

*Handwritten signatures of the Board of Managing Directors:*

## **Berliner Commerzbank AG, Berlin**

### General performance

Following several years of strong expansion, the total assets of our Berlin subsidiary grew by a further 12% in 1979. Though retail banking was once again the mainstay, there was also a slight pick-up in wholesale business. Chiefly due to the bank's narrowed interest margin, net income for the year did not match the good result of the previous year, but none the less permitted the distribution of an unchanged 16% dividend.

### Serving the business customer

With economic activity also markedly improved in Berlin, buoyant investment and substantial stockbuilding led to a gradual rise in borrowing, despite a still high level of corporate liquidity. Business customers increasingly discounted bills, on which the interest payable was comparatively low. The 15.8% rise in the bank's total lending was, however, more a result of a higher level of borrowing by private clients.

The year brought a slight fall-off in customers' call and time deposits because of the bank's policy of caution in accepting the latter in view of the high interest rates. This was balanced out by a greater recourse to interbank borrowing, which was somewhat less costly.

### Serving the private customer

Our success in the field of retail banking was revealed particularly in the case of standardized personal loans, with both instalment credits and home loans up by 60%. However, demand slackened off towards the end of the year.

Customers tended to look more for such forms of saving as offered higher returns, with the result that sales of savings bonds and of the bank's own bonds picked up, the total volume outstanding rising by 24%. Investment saving was promoted as intensively as previously.

In line with the general trend, savings deposits grew very slowly, by a mere 2.2%. For the first time in years the share of savings under bonus schemes showed a small gain; about half the sum falling due for payment in 1979 was reinvested in savings deposit accounts, savings bonds, and other securities.

### Service business

The year under review brought divergent trends in sales of shares and bonds. Thus whereas plummeting share prices frightened investors away from the market, rising bond interest rates proved more and more attractive and turnover doubled. As a member of underwriting syndicates, Berliner Commerzbank participated in 15 capital increases and 3 bonus share issues, as also in 32 D-mark bond offerings by both domestic and other borrowers.

The bank's foreign business again showed gratifying expansion. Higher earnings were recorded on currency, note and coin dealings, and particularly on transactions in precious metals.

### Staff and organization

At the end of the year, Berliner Commerzbank had a staff of 1,052. Of this, 121 were apprentices whose share of the total thus remained high. Much importance continued to be attributed to further training and some 400 people attended either internal courses in Berlin or seminars organized by the Parent Bank at its Glashütten training centre. The opening of two new branches, one at Roseneck in Wilmersdorf and one at Turmstrasse in the Tiergarten district, brought the total to 58.

Berliner Commerzbank will be participating by providing information in the Berlin trial run of the viewdata system to be operated by the German post office, and will also take part in the joint initiative of the Berlin banking community to set up automatic cash dispensers. By the end of 1980, both Berlin residents and West German visitors to the city will be able to obtain cash from these machines at any time day or night.

## Annual Accounts 1979

Assets	DM 1,000
Cash reserves	199,572
Cheques and collection items	20,414
Bills of exchange	75,416
Claims on banks	963,931
Treasury bills	211,932
Bonds and notes	299,150
Other securities	4,917
Loans and advances to customers at agreed periods of	1,881,507
a) less than four years	(1,006,782)
b) four years or more	(874,725)
Recovery claims on Federal and Länder authorities under post-war currency reform acts	13,429
Loans granted and shares held on a trust basis at third party risk	7,682
Investments (associated companies and trade investments)	920
Land and buildings	21,607
Office furniture and equipment	8,397
Own bonds	255
Other assets	1,781
Deferred items	4,721
<b>Total Assets</b>	<b>3,715,631</b>

Expenses	DM 1,000
Interest and similar expenses	143,754
Commissions paid	397
Write-downs of and adjustments to claims and securities; transfers to provisions for possible loan losses	2,196
Personnel expenditure	50,494
Other operating expenses	17,082
Depreciation on fixed assets	4,149
Taxes	5,899
Other expenses	774
Net income for the year	6,800
<b>Total Expenses</b>	<b>231,545</b>

Liabilities and Shareholders' Equity	DM 1,000
Liabilities to banks	1,346,654
a) demand	(328,850)
b) time	(1,017,804)
Liabilities to customers (customers' deposits)	2,017,946
a) demand	(423,011)
b) time	(867,859)
c) savings deposits	(727,076)
Bonds outstanding	168,306
Loans granted and shares held on a trust basis at third party risk	7,682
Provisions	49,433
Other liabilities	2,240
Deferred items	11,570
Share capital	42,500
Disclosed reserves	62,500
Distributable profit	6,800

<b>Total Liabilities and Shareholders' Equity</b>	<b>3,715,631</b>
Endorsement liabilities	100,457
Guarantees	164,486

Income	DM 1,000
Interest and similar income	195,455
Current income from	
a) fixed-interest securities and Government-inscribed debt	12,674
b) other securities	178
c) Investments	277
Commissions and other service charges received	16,981
Other income, including income from the writing back of provisions for possible loan losses	5,778
Income from the writing back of provisions, unless it has to be shown under Other income	202
<b>Total Income</b>	<b>231,545</b>

**Commerzbank International S.A.,  
Luxembourg**

Objectives

Commerzbank International S.A., Luxembourg, which successfully completed its first decade in 1979, is a stock corporation under Luxembourg law mainly engaged in money and credit transactions in the Euromarkets.

In the interest of its customers world-wide its task is to exploit the manifold possibilities offered by the Euromoney and Eurocredit markets. Luxembourg as a financial centre has traditionally permitted the completely free movement internationally of both short and long-term funds that is necessary for such operations.

Capital and reserves

Continued business expansion led the bank in 1979 to raise its capital in two stages, the cash proceeds being Lfr 1,200 m (DM 71.5 m). As at December 31, 1979, its share capital stood at Lfr 2,500 m (DM 149 m) and its reserves at Lfr 3,454 m (DM 205.9 m). After an allocation to reserves from the net income for the year the bank's liable equity will amount to Lfr 6,124 m (DM 365 m).

In addition, the Parent Bank granted its Luxembourg subsidiary a DM 100 m (Lfr 1,678 m) loan subordinated to all the latter's other liabilities and, according to present Luxembourg regulations, forming part of its liable capital.

General performance

Tight-money policies pursued in the major industrialized countries with a view to stemming inflation caused interest rates for the leading Eurocurrencies to rise sharply and on occasion very suddenly.

At the same time the Euromarkets were, as in previous years, marked by an abundance of liquidity. Owing to the intense competition between the banks involved, spreads remained under pressure and the trend towards longer loan periods persisted. We regard the situation with some unease since were it to last too long it would inhibit banks from accumulating adequate reserves.

1979 saw the bank further intensifying its international business with the accent on project-linked lending, in close collaboration with the Parent Bank and its foreign branches.

Commerzbank International's balance sheet total rose by Lfr 72.5 bn (DM 4.3 bn) on the previous year to reach Lfr 250.1 bn (DM 14.9 bn). This represents an increase of 40.8% as compared with 19.2% in 1978. Most of the gain derived as before from money market activities.

Interbank deposits were the chief source for the bank's own lending and as in the past, a substantial proportion was by central banks.

Total lending

The expansion in total assets is duly reflected in the bank's overall loan business (credits to banks and finance companies, advances to customers, bills discounted and borrower's note loans) which went up by 23.6% to Lfr 95.9 bn (DM 5.7 bn) in the year under review.

Once again, lending was primarily in the form of short and medium-term credits to internationally well-known public-sector and private borrowers. While these loans served largely to finance specific projects, the bank refrained from granting financial credits to cover balance-of-payment deficits.

Earnings

The sustained pressure on interest margins had a strong bearing on the bank's 1979 result. Another factor of importance was the drop in prices of securities – particularly US dollar denominated bonds – provoked by the general climb in interest rates. Hence the bank's securities holdings, valued strictly at the lower of cost or market, had increasingly to be written down. Lfr 170 m (DM 10.1 m) of the net income for the year of Lfr 298.6 m (DM 17.8 m) will be allocated to reserves, and Lfr 128.6 m (DM 7.7 m) will be carried forward.



## Annual Accounts 1979

Assets	Lfr 1,000
Claims on banks with agreed periods of	
a) up to 30 days	46,911,210
b) more than 30 days	124,831,191
Claims on finance companies	9,544,083
Bills of exchange	1,291,930
Loans and advances to customers	51,506,391
Securities	6,049,704
Fiduciary accounts	142,366
Investments (associated companies and trade investments)	2,544,205
Land and buildings	454,586
Office furniture and equipment	5,959
Deferred items	6,340,329
Other assets	517,874

Total Assets 250,139,828  
= DM 14,908 m

Expenses	Lfr 1,000
Interest and commissions paid	17,910,905
Personnel and other operating expenses	196,877
Taxes	352,037
Write-downs and adjustments	515,665
Depreciation	8,849
Other expenses	31,427
Net income for the year	298,573
Total Expenses	19,314,333

Lfr 100 = DM 5.96

Liabilities and Shareholders' Equity	Lfr 1,000
Liabilities to banks with agreed periods of	
a) up to 30 days	122,243,403
b) more than 30 days	99,378,182
Liabilities to customers (customers' deposits) with agreed periods of	
a) up to 30 days	4,466,123
b) more than 30 days	4,235,917
Liabilities to finance companies with agreed periods of	
a) up to 30 days	1,445,191
b) more than 30 days	1,908,711
Bonds outstanding	3,355,700
Fiduciary accounts	142,366
Subordinated loan	1,677,850
Share capital	2,500,000
Reserves	
a) legal reserves	250,000
b) free reserves	1,336,500
c) premia from capital increases	1,867,500
Provisions, write-downs and adjustments	1,261,378
Deferred items	3,758,432
Other liabilities	14,002
Net income for the year	298,573
Total Liabilities and Shareholders' Equity	250,139,828

Income	Lfr 1,000
Interest and commissions received	17,928,036
Other income	1,386,297
Total Income	19,314,333

The bank's 1979 annual accounts will be officially published in Mémorial, Journal officiel du Grand-Duché de Luxembourg, Recueil Spécial des sociétés et associations.

### **Rheinische Hypothekenbank, Frankfurt**

#### General performance

A continuing healthy construction activity and the high public-sector borrowing requirement in 1979 again provided a solid basis for growth in the business of our mortgage bank subsidiary. Its balance sheet total rose to DM 17,673 m, up 14.8% from its 1978 figure of DM 15,388 m. As in previous years most of the new lending was to local, municipal, and regional authorities. In the mortgage field Rheinische Hypothekenbank was faced with much keener competition than hitherto, duly reflected in the lower volume of such commitments.

#### Result and bonus share issue

The annual general meeting on April 29, 1980, will be asked to approve a further one-for-five bonus issue of about DM 12.9 m, the new shares to rank for dividend as from January 1, 1979. Both the bank's board of managing directors and the supervisory board will also propose that of the 1979 distributable profit of DM 22,059 m (1978: DM 19,633 m), the sum of DM 13,959 m (DM 11,633 m) be allocated for payment of a dividend on the increased share capital and that DM 8.1 m (DM 8.0 m) be appropriated to the reserve under Section 7 of the German Mortgage Bank Act-HBG, following the DM 21.9 m (DM 19.5 m) already allocated to reserves from the net income for the year.

While the total amount paid out as a dividend was thus up from DM 11.6 m to DM 14.0 m, the bank's reserves will, subject to the approval of its AGM, be strengthened by a total of DM 30 m (DM 27.5 m), bringing them to DM 282.5 m. Its total liable capital will then stand at DM 360 m (DM 330 m). This leaves scope for a further DM 1.6 bn worth of bonds to be issued if the need arises.

#### New business

New loan commitments, including DM 186 m (DM 221 m) of extensions of what are known as adjustment credits, amounted to DM 3,438 m (DM 3,298 m). Of this sum, DM 2,659 m (DM 2,159 m) took the form of advances to local authorities (communal loans) and DM 779 m (DM 1,139 m) that of mortgages. DM 337 m (DM 440 m) was made available for new home building, DM 304 m (DM 486 m) for the improvement of older houses (mainly modernization), and DM 138 m (DM 213 m) was lent to industry and commerce.

Funds paid out as mortgage loans and as advances to local authorities rose to DM 3,431 m (DM 3,158 m). This brought the total outstanding to DM 16,243 m (DM 14,054 m), 43.4% (46.5%) of which was secured by mortgage.

Rheinische Hypothekenbank raised a total of DM 3,427 m (DM 2,753 m) by the sale of its own bonds, 13.3% (27.4%) of which had a life of up to 5 years and 76.3% (69.0%) one of between 5 and 10 years, the remaining 10.4% (3.6%) being of longer maturity. En bloc borrowing totalled DM 109.5 m (DM 430.4 m). Including those not requiring cover, bonds outstanding at end-1979 were DM 16,022 m (DM 13,911 m). This broke down into 34% (38%) mortgage bonds, 65% (60%) communal bonds and 1% (2%) bonds not requiring cover.

#### Outlook

Political and economic uncertainties, which are also of growing importance for the assessment of future trends in the banking business, lead us to be conservative in our forecast for the current year. Sharp price increases in the construction sector coupled with a substantial rise in the cost of funds and a decreasing demand for building make it unlikely that mortgage business will match 1978 levels. Whether the public sector's continued high borrowing needs will again in 1980 be reflected to any great extent in Rheinische Hypothekenbank's communal loan business will depend on both the performance of the bond market and on the Government's debt management.

## Annual Accounts 1979

Assets	DM 1,000	Liabilities and Shareholders' Equity	DM 1,000
Loans at agreed periods of four years or more		Bonds issued	
a) mortgage loans	5,814,786	a) mortgage bonds	5,358,585
b) communal loans	10,100,315	b) communal bonds	9,746,899
c) other	15,604	c) other bearer bonds	200,000
Recovery claims on Federal and Länder authorities under post-war currency reform acts	16,129	d) bonds drawn by lot and called for redemption	79,324
Bonds and notes	186,902	Bonds to be delivered	60
Other securities	460	Loans taken up at long term	580,367
Cash reserves and collection items	508	Liabilities to banks and other creditors	675,711
Claims on banks and on other debtors	1,213,199	Accrued interest on bonds issued and on loans taken up	486,467
Own bonds (nominal value DM 243,202)	216,994	Loans on a trust basis at third party risk	76,796
Loans on a trust basis at third party risk	76,796	Provisions	55,700
Investments (associated companies and trade investments)	1,564	Foundation	1,205
Land and buildings	18,166	Special items with partial reserve character (in accordance with Sect. 6b of the German Income Tax Act-EStG)	1,006
Office furniture and equipment	10,198	Share capital	64,625
Other assets	904	Disclosed reserves	
		a) legal reserve	66,386
		b) other reserves	220,889
		(in accordance with Section 7 of the German Mortgage Bank Act-HBG)	
		Other liabilities	36,446
		Distributable profit	22,059
		Total Liabilities and Shareholders' Equity	17,672,525
<b>Total Assets</b>	<b>17,672,525</b>		
		<b>Income</b>	<b>DM 1,000</b>
Expenses	DM 1,000	Interest and similar income	1,189,939
Interest and similar expenses	1,061,941	Non-recurrent income from bonds issued and from loans granted	37,009
Non-recurrent expenses on bonds issued and on loans granted	45,027	Income from Investments	72
Write-downs of and adjustments to claims and securities; transfers to provisions for possible loan losses	73	Other income, including income from the writing back of provisions for possible loan losses	3,984
Personnel expenditure	18,990	Income from the writing back of provisions, unless it has to be shown under Other income	107
Other operating expenses	10,200		
Depreciation and other write-downs on fixed assets	1,826		
Taxes	47,338		
Allocations to special items with partial reserve character	1,006		
Other expenses	751		
Net income for the year	43,959		
<b>Total Expenses</b>	<b>1,231,111</b>	<b>Total Income</b>	<b>1,231,111</b>

# Holdings by Commerzbank Aktiengesellschaft in Affiliated and Other Companies

## Consolidated companies

Berliner Commerzbank Aktiengesellschaft, Berlin C DM 42.50 m	100.0%	Commerzbank International S.A., Luxembourg C Lfr 2,500.00 m	100.0%*)	Commerzbank (South East Asia) Ltd., Singapore C S\$ 20.00 m	100.0%
GERAP Grundbesitz- und Verwaltungsgesellschaft mbH, Frankfurt C DM 0.02 m	95.0%	Hamburgische Grundstücks Gesellschaft m.b.H., Hamburg C DM 0.02 m	100.0%	von der Heydt-Kersten & Söhne, Wuppertal-Elberfeld C DM 10.00 m	100.0%

## Other holdings in German banks

Commerz-Credit-Bank Aktiengesellschaft Europartner, Saarbrücken C DM 10.00 m	60.0%	Absatzkreditbank Aktiengesellschaft, Hamburg C DM 16.00 m	32.5%	ADIG Allgemeine Deutsche Investment-Gesellschaft mbH, Munich/Frankfurt C DM 4.80 m	27.1%
Liquidationskasse für Zeitgeschäfte AG, Munich C DM 0.75 m	10.0%	Liquiditäts-Konsortialbank GmbH, Frankfurt	3.7%	Lombardkasse AG, Berlin/Frankfurt C DM 6.00 m	9.4%

## Other holdings in German companies

Almüco Vermögensverwaltungsgesellschaft mbH, Munich C DM 39.00 m	a) 25.0%	AV America Grundbesitzverwaltungsgesellschaft mbH, Frankfurt C DM 0.10 m	25.0%	Beteiligungsgesellschaft für Industrieansiedlungsunternehmen mit beschränkter Haftung, Hamburg C DM 3.00 m	25.0%
Deutsche Gesellschaft für Immobilien- und Anlagen-Leasing mbH, Düsseldorf C DM 10.00 m	50.0%	Deutsche Grundbesitz-Anlagegesellschaft m.b.H., Cologne C DM 0.20 m	25.0%	Deutsche Wagnisfinanzierungs-Gesellschaft mbH, Frankfurt C DM 30.00 m	10.0%
Rossmas Beteiligungsgesellschaft mbH, Frankfurt C DM 33.00 m	f) 40.0%	STELLA Automobil-Beteiligungsgesellschaft mbH, Frankfurt C DM 85.71 m	g) 25.0%	Treuhand- und Holdinggesellschaft mbH, Frankfurt C DM 0.14 m	50.0%

## Holdings in foreign financial institutions and in other companies abroad

Europartners Bank (Nederland) N.V., Amsterdam C Dfl 40.00 m	60.0%	EuroPartners Securities Corporation, New York C US\$ 4.90 m	40.0%	International Commercial Bank Ltd., London C £ 7.00 m	12.0%
Europartenaires Leasing S.A., Paris C Ffr 0.10 m	33.3%	Europartners Holding S.A., Luxembourg C Lfr 10.00 m	25.0%*)	Finance Company VIKING, Zurich C Sfr 30.00 m	12.0%**)
Nippon Europartners Consulting Company, Tokyo C ¥ 100.00 m	25.0%	Nippon European Bank S.A., Brussels C Bfr 400.00 m	10.0%	The Pakistan Industrial Credit & Investment Corporation Limited, Karachi C PR 91.63 m	0.4%
S.W.I.F.T. Society for Worldwide Interbank Financial Telecommunication s.c., Brussels C Bfr 109.56 m	1.8%	Teollistamisrahasto Oy – Industrialization Fund of Finland Ltd., Helsinki C Fmk 100.00 m	0.7%	UBAE Arab German Bank S. A., Luxembourg/Frankfurt C DM 30.00 m	25.1%

\*) held in part indirectly  
 \*\*) held wholly indirectly  
 \*\*\*) held through Atlas Participations – France S.A.R.L.

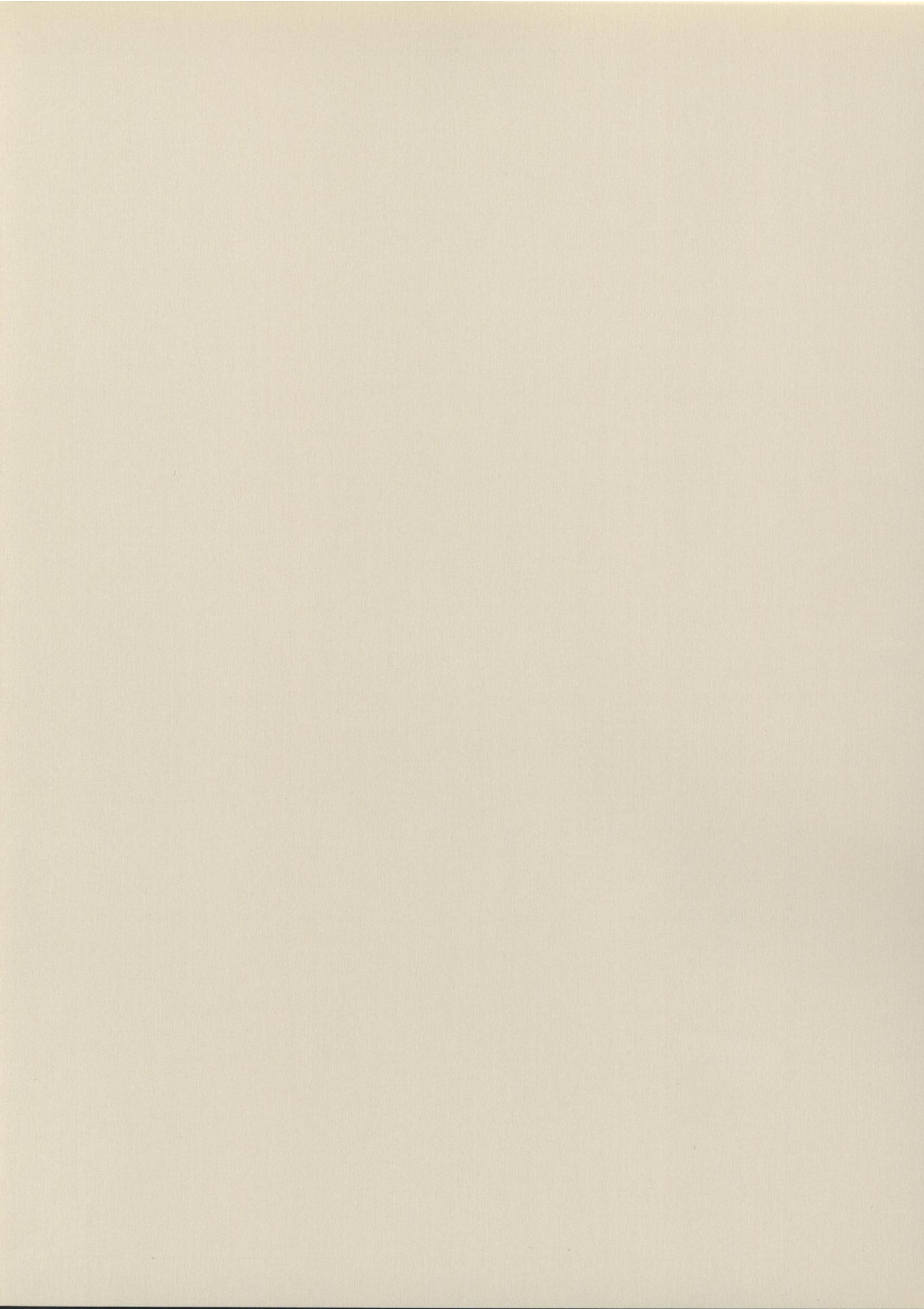
Besides, the Bank holds interests in regional security depository banks, credit guarantee associations, and housing companies, and in addition there are further holdings of minor importance.

Rheinische Hypothekenbank, Frankfurt C DM 64.62 m 93.6%	Bank für Teilzahlungskredit Gesellschaft mit beschränkter Haftung, Düsseldorf C DM 3.50 m 100.0%	Commerz- und Industrie-Leasing GmbH, Frankfurt C DM 2.00 m 100.0%	Atlas-Vermögensverwaltungs-Gesellschaft m.b.H., Düsseldorf C DM 0.10 m 100.0%
Ilseder Bank, Sandow & Co., Peine C DM 2.00 m 100.0%	Immobilien- und Wohnungs-Gesellschaft mbH, Hamburg C DM 0.05 m 100.0%	L.I.A. Leasinggesellschaft für Immobilien und Anlagegüter mbH, Frankfurt C DM 1.00 m 100.0%*)	Norddeutsche Immobilien- und Verwaltungs-GmbH, Hamburg C DM 0.02 m 100.0%**)
AKA Ausfuhrkredit-Gesellschaft mbH, Frankfurt C DM 40.00 m 12.7%	Deutsche Grundbesitz-Investmentgesellschaft mbH, Cologne C DM 4.00 m 25.0%	Deutsche Schiffahrtsbank Aktiengesellschaft, Bremen C DM 35.00 m 9.1%	Deutsche Schiffsbeleihungs-Bank Aktien-Gesellschaft, Hamburg C DM 30.00 m 28.5%
Lübecker Hypothekenbank Aktiengesellschaft, Lübeck C DM 20.00 m 25.0%	Münchener Hypothekenbank eG, Munich C DM 6.11 m 1.6%	Privatdiskont-Aktiengesellschaft, Frankfurt C DM 5.00 m 9.0%	
Beteiligungsgesellschaft für Industrie und Handel mbH, Frankfurt C DM 0.25 m 50.0%	CGT Canada Grundbesitz Treuhand GmbH, Frankfurt C DM 0.10 m 20.0%	Deutsche Canada-Grundbesitz-verwaltungsgesellschaft mbH, Frankfurt C DM 0.10 m 20.0%	Deutsche eurocheque-Zentrale GmbH, Frankfurt C DM 0.02 m 5.0%
Eurocard Deutschland Internationale Kreditkarten-Organisation GmbH, Frankfurt C DM 0.03 m 4.6%	Flender Werft Aktiengesellschaft, Lübeck C DM 25.00 m 68.9%	Gesellschaft für Kreditsicherung mbH, Cologne C DM 0.30 m 26.7%	HOSTRA Beteiligungsgesellschaft mbH, Düsseldorf c) C DM 39.88 m 33.3%
Adela Investment Company S. A., Luxembourg/Lima C US\$ 61.80 m 1.4%	Atlas Participations – France S. A. R. L., Paris C Ffr 11.30 m 100.0%*)	Banco Urquijo S.A., Madrid C Ptas 9,771.00 m 0.8%**)	Banque Marocaine du Commerce Extérieur, Casablanca C dirham 80.00 m 2.2%
Finatourinvest S.A., Luxembourg C Lfr 130.00 m 0.6%	P.T. Finconesia Financial Corporation of Indonesia, Jakarta C IRp 1,260.00 m 8.0%	The Industrial Finance Corporation of Thailand (IFCT), Bangkok C baht 400.00 m 2.0%	The International Investment Corporation for Yugoslavia S.A., Luxembourg C US\$ 13.50 m 1.2%
Private Investment Company for Asia (PICA) S.A., Panama City/Tokyo C US\$ 30.40 m 0.7%	Rifbank S.A.L., Beirut C L£ 5.00 m 31.8%	The Saudi Investment Banking Corporation, Riyadh C SR 90.00 m 5.0%	Sifida Société Internationale Financière pour les Investissements et le Développement en Afrique, Luxembourg C US\$ 15.82 m 0.6%
UNIBANCO – Banco de Investimento do Brasil S.A. (B.I.B.), Rio de Janeiro C Cr\$ 700.00 m 5.0%	Union Internationale de Banques S.A., Tunis C TD 4.00 m 4.0%		

C = Capital

Aussenhandel-Förderungsgesellschaft mbH, Düsseldorf C DM 0.10 m 100.0%	Commercium Vermögensverwaltungs-GmbH, Hamburg C DM 0.05 m 100.0%	Commerzbank Fonds-Verwaltungsgesellschaft mit beschränkter Haftung (Cof), Düsseldorf C DM 2.00 m 100.0%
C. Portmann, Frankfurt C DM 1.50 m 100.0%	RHB-Bau- und Verwaltungsgesellschaft Mannheim mbH, Mannheim C DM 0.02 m 95.2%*)	
Gesellschaft zur Finanzierung von Industrieanlagen mbH, Frankfurt C DM 1.00 m 12.7%	Handelsbank in Lübeck, Lübeck C DM 16.00 m 25.3%	Liquidations-Casse in Hamburg Aktiengesellschaft, Hamburg C DM 1.15 m 25.0%
Deutsche Gesellschaft für Anlageverwaltung mit beschränkter Haftung, Frankfurt C DM 150.00 m 25.0% b)	Deutsche Gesellschaft für Immobilienanlagen „America“ mbH, Bad Homburg v. d. H. C DM 0.10 m 25.0%	a) has holding <sup>o)</sup> in Heidelberger Druckmaschinen AG b) has holding <sup>o)</sup> in Horten AG c) has holding <sup>o)</sup> in Industriekreditbank AG – Deutsche Industriebank d) has holding <sup>o)</sup> in Hutschenreuther AG e) has holding <sup>o)</sup> in Gutehoffnungshütte Aktienverein f) has holdings <sup>o)</sup> in Bavaria Filmkunst GmbH and in Didier-Werke AG g) has holding <sup>o)</sup> in Mercedes-Automobil-Holding AG
Kistra Beteiligungsgesellschaft mbH, Frankfurt C DM 24.20 m 25.0% d)	REGINA Verwaltungsgesellschaft mbH, Munich C DM 37.50 m 25.0% e)	<sup>o)</sup> of at least 25%, entitling to inter-company tax privileges
Banque Nationale pour le Développement Economique, Rabat C dirham 140.00 m 0.4%	Crédit Chimique S.A., Paris C Ffr 100.00 m 10.0%***)	The Development Bank of Singapore Ltd., Singapore C S\$ 126.00 m 0.5%
Korea International Merchant Bank, Seoul C won 5,000.00 m 20.0%	Misr International Bank S.A.E., Cairo C US\$ 10.00 m 2.6%**)	Mithai Europartners Finance and Securities Company Ltd., Bangkok C baht 40.00 m 9.8%
Société de Gestion du Rominvest International Fund S.A., Luxembourg C Lfr 40.00 m 10.0%	Société Européenne d'Édition et de Diffusion S.A., Luxembourg C Ffr 0.82 m 6.1%	Société Financière de Développement – SOFIDE –, Kinshasa C zaïres 4.00 m 1.9%







# Consolidated Annual Accounts as at December 31, 1979

---

Consolidated Balance Sheet pages 88/89

Consolidated Profit and Loss Account pages 90/91

# Consolidated Balance Sheet as at December 31, 1979

Assets	DM	DM	DM	Dec 31, 1978 DM 1,000
Cash on hand			212,548,574.37	168,125
Balance with Deutsche Bundesbank			3,305,385,991.36	3,746,758
Balances on postal cheque accounts			31,688,735.46	30,487
Cheques, matured bonds, interest and dividend coupons, items received for collection			306,628,532.33	471,842
Bills of exchange			1,620,509,878.52	3,757,865
including: a) rediscountable at Deutsche Bundesbank	841,608,548.35			
b) own drawings	15,359,905.03			
Claims on banks				
a) payable on demand		1,497,467,618.30		1,970,168
b) with original periods or periods of notice of				
ba) less than three months		4,564,930,290.78		3,419,481
bb) at least three months, but less than four years		15,007,088,646.10		13,475,788
bc) four years or more		9,460,576,310.09		6,177,854
			30,530,062,865.27	25,043,291
Treasury bills and discountable Treasury notes				
a) of the Federal and Länder Governments		1,414,436,083.40		1,597,905
b) of other issuers		18,910,000.00		—
			1,433,346,083.40	1,597,905
Bonds and notes				
a) with a life of up to four years				
aa) of the Federal and Länder Governments	1,126,280,650.63			
ab) of banks	218,428,914.63			
ac) of other issuers	3,083,447.25	1,347,793,012.51		1,178,076
including: eligible as collateral for Deutsche Bundesbank advances DM 1,196,317,491.34				
b) with a life of more than four years				
ba) of the Federal and Länder Governments	340,665,762.24			
bb) of banks	738,188,576.04			
bc) of other issuers	579,041,550.93	1,657,895,889.21		1,815,987
including: eligible as collateral for Deutsche Bundesbank advances DM 927,407,165.48			3,005,688,901.72	2,994,063
Securities not to be shown elsewhere				
a) shares marketable on a stock exchange and investment fund certificates			684,002,785.08	731,667
b) other			8,164,590.86	22,378
including: holdings of more than one-tenth of the shares of a joint stock or mining company, unless shown as Investments	538,291,746.91		692,167,375.94	754,045
Claims on customers, with original periods or periods of notice of				
a) less than four years			20,842,847,335.47	17,843,596
b) four years or more			35,085,796,798.00	28,842,394
including: ba) secured by mortgages on real estate	9,364,897,678.10			
bb) communal loans	13,211,916,905.19			
			55,928,644,133.47	46,685,990
Recovery claims on Federal and Länder authorities under post-war currency reform acts			95,697,526.54	101,973
Loans granted and shares held on a trust basis at third party risk			160,067,816.63	169,028
Subsidiaries, associated companies, and trade investments (Investments)			737,702,395.34	531,438
including: investments in banks	217,435,774.41			
Land and buildings			740,543,733.56	698,825
Office furniture and equipment			217,034,678.85	180,430
Leasing equipment			468,301,784.05	320,045
Bonds and notes issued by consolidated companies nominal amount	583,088,650.00			
including: eligible as collateral for Deutsche Bundesbank advances	486,317,528.05			
			98,923,692.61	59,070
Other assets				
Deferred items				
a) unamortized debt discount (difference according to Section 156 (3) of the German Stock Corporation Act—AktG)			123,195,755.04	96,564
b) other			45,826,335.67	35,202
			169,022,090.71	131,766
		<b>Total Assets</b>	<b>100,298,648,805.04</b>	<b>88,009,175</b>
<b>Total Assets and the recourse claims from the contingent liabilities shown below the line on the liabilities side include</b>				
a) claims on related companies			592,398,435.29	387,184
b) claims arising from loans falling under Section 15 (1) 1-6 and (2) of the German Banking Act, unless included under a)			315,875,257.64	228,039

Liabilities and Shareholders' Equity		DM	DM	DM	Dec 31, 1978 DM 1,000
<b>Liabilities to banks</b>					
a) payable on demand			4,173,271,634.52		3,653,019
b) with original periods or periods of notice of					
ba) less than three months	10,296,870,739.47				
bb) at least three months, but less than four years	14,208,122,205.32				
bc) four years or more	8,112,120,573.18	32,617,113,517.97			24,775,678
including: due in					
less than four years	DM 6,500,598,780.36				
c) customers' drawings on other banks			13,874,698.25		791
				36,804,259,850.74	28,429,488
<b>Liabilities to customers (customers' deposits)</b>					
a) payable on demand			8,586,183,327.70		8,836,108
b) with original periods or periods of notice of					
ba) less than three months	10,860,120,180.92				
bb) at least three months, but less than four years	7,931,611,603.73				
bc) four years or more	2,783,738,881.71	21,575,470,666.36			20,722,646
including: due in					
less than four years	DM 2,456,784,976.96				
c) savings deposits					
ca) subject to legal period of notice	5,394,316,598.00				9,648,572
cb) other	4,385,243,407.51	9,779,560,005.51			39,207,326
				39,941,213,999.57	
<b>Bonds and notes with a life of</b>					
a) up to four years			1,031,823,467.46		778,111
b) more than four years			17,625,696,718.21		15,652,730
including: maturing in					
less than four years	DM 7,313,877,128.63				
				18,657,520,185.67	16,430,841
<b>Acceptances and promissory notes outstanding</b>					
				551,955,123.05	75,739
<b>Loans granted and shares held on a trust basis at third party risk</b>					
				160,067,816.63	169,028
<b>Provisions</b>					
a) for pensions			553,315,905.01		489,736
b) other			401,627,863.70		404,531
				934,943,768.71	894,267
<b>Other liabilities</b>					
				90,124,626.54	61,409
<b>Deferred items</b>					
a) in accordance with Section 25 of the Mortgage Bank Act-HBG			28,349,556.99		12,701
b) other			240,125,529.94		194,135
				268,475,086.93	206,836
<b>Special items with partial reserve character subject to future taxation (in accordance with Section 6b of the German Income Tax Act-ESTG)</b>					
				1,006,006.00	—
<b>Share capital (unissued conditional capital, additionally authorized for conversion rights: DM 86,100,000.00)</b>					
				843,400,000.00	726,000
<b>Disclosed reserves</b>					
a) legal reserve			1,025,181,000.00		793,581
b) other reserves, voluntary			609,000,000.00		609,000
				1,634,181,000.00	1,402,581
<b>Reserve arising from consolidation in accordance with Section 331 (1) 3 of the German Stock Corporation Act-AktG (excess of book value of consolidated subsidiaries' equity over book value in corresponding Investments in Parent Bank's accounts)</b>					
				225,413,466.59	194,932
<b>Minority interests including: from profit</b>					
	DM 1,413,981.90			23,972,733.40	22,960
<b>Foundations</b>					
				6,659,885.73	6,600
<b>Consolidated profit</b>					
				155,455,255.48	181,168
<b>Total Liabilities and Shareholders' Equity</b>				100,298,648,805.04	88,009,175
<b>Endorsement liabilities on rediscounted bills of exchange</b>				1,849,112,196.87	611,130
<b>Contingent liabilities from guarantees, including guarantees for bills and cheques, and from indemnity agreements</b>				7,997,065,828.67	7,208,396
<b>Commitments under repurchase agreements, not included in liabilities</b>				79,921,400.00	91,200
<b>Savings premiums under the Savings Premium Act</b>				101,101,934.97	96,638
<b>Total Liabilities, together with contingent liabilities and other commitments shown below the line, include liabilities to related companies in the amount of</b>				512,886,622.06	428,489

# Consolidated Profit and Loss Account for the year ended December

Expenses	DM	DM	1978 DM 1,000
Interest and similar expenses		5,179,572,048.86	3,576,531
Commissions and similar service charges paid		15,817,937.97	15,980
Write-downs of and adjustments to claims and securities, transfers to provisions for possible loan losses		32,045,554.32	24,057
Salaries and wages		795,020,954.65	737,610
Compulsory social security contributions		107,062,865.00	98,887
Expenses for pensions and other employee benefits		101,477,598.76	91,940
Other operating expenses		349,595,168.47	310,459
Depreciation on and adjustments to land and buildings, office furniture and equipment		73,071,673.59	70,592
Write-downs of and adjustments to Investments (subsidiaries, associated companies, and trade investments)		1,049,749.78	1,275
<b>Taxes</b>			
a) on income and assets	172,693,525.57		236,458
b) other	16,965,356.01		10,884
		189,658,881.58	247,342
Allocations to special items with partial reserve character		1,006,006.00	—
Other expenses		92,481,862.80	61,963
Consolidated net income for the year		142,512,497.54	224,062
	<b>Total Expenses</b>	<b>7,080,372,799.32</b>	<b>5,460,698</b>

	DM	DM	1978 DM 1,000
Consolidated net income for the year		142,512,497.54	224,062
Profit brought forward from the previous year		36,256,739.84	32,625
		178,769,237.38	256,687
<b>Allocations to Disclosed reserves from Consolidated net income for the year: to Other reserves</b>			
a) Parent Bank	—		50,000
b) consolidated subsidiaries	21,900,000.00		24,200
		21,900,000.00	74,200
Profit attributable to minority interests		156,869,237.38	182,487
		1,413,981.90	1,319
Consolidated profit		155,455,255.48	181,168

Income	DM	DM	1978 DM 1,000
Interest and similar income from lending and money-market transactions		6,114,068,002.16	4,641,663
<b>Current income from</b>			
a) fixed-interest securities and Government-inscribed debt	229,601,194.15		173,580
b) other securities	61,091,733.56		50,944
c) Investments (subsidiaries, associated companies, and trade investments)	29,922,413.46		28,869
		320,615,341.17	253,393
Commissions and other service charges received		373,472,777.24	358,964
Other income, including income from the writing back of provisions for possible loan losses		268,579,498.71	190,143
Income from profit-pooling and from partial or full profit-transfer agreements		2,000,100.00	1,218
Income from the writing back of provisions, unless it has to be shown under Other income		1,637,080.04	3,427
Income from the writing back of Special items with partial reserve character		—	11,890
	<b>Total Income</b>	7,080,372,799.32	5,460,698

Düsseldorf, March 3, 1980

**COMMERZBANK**  
AKTIENGESELLSCHAFT

THE BOARD OF MANAGING DIRECTORS

Behrenbeck Deuss Dhom Dicken Frowein Grundmann Jahn  
Knappertsbusch Niederste-Ostholt Reckel Reimnitz Spiegel Terrahe Hochheuser (dep.)

The annual financial statement and the management report for the Group,  
which we have examined with due care, comply with German law.

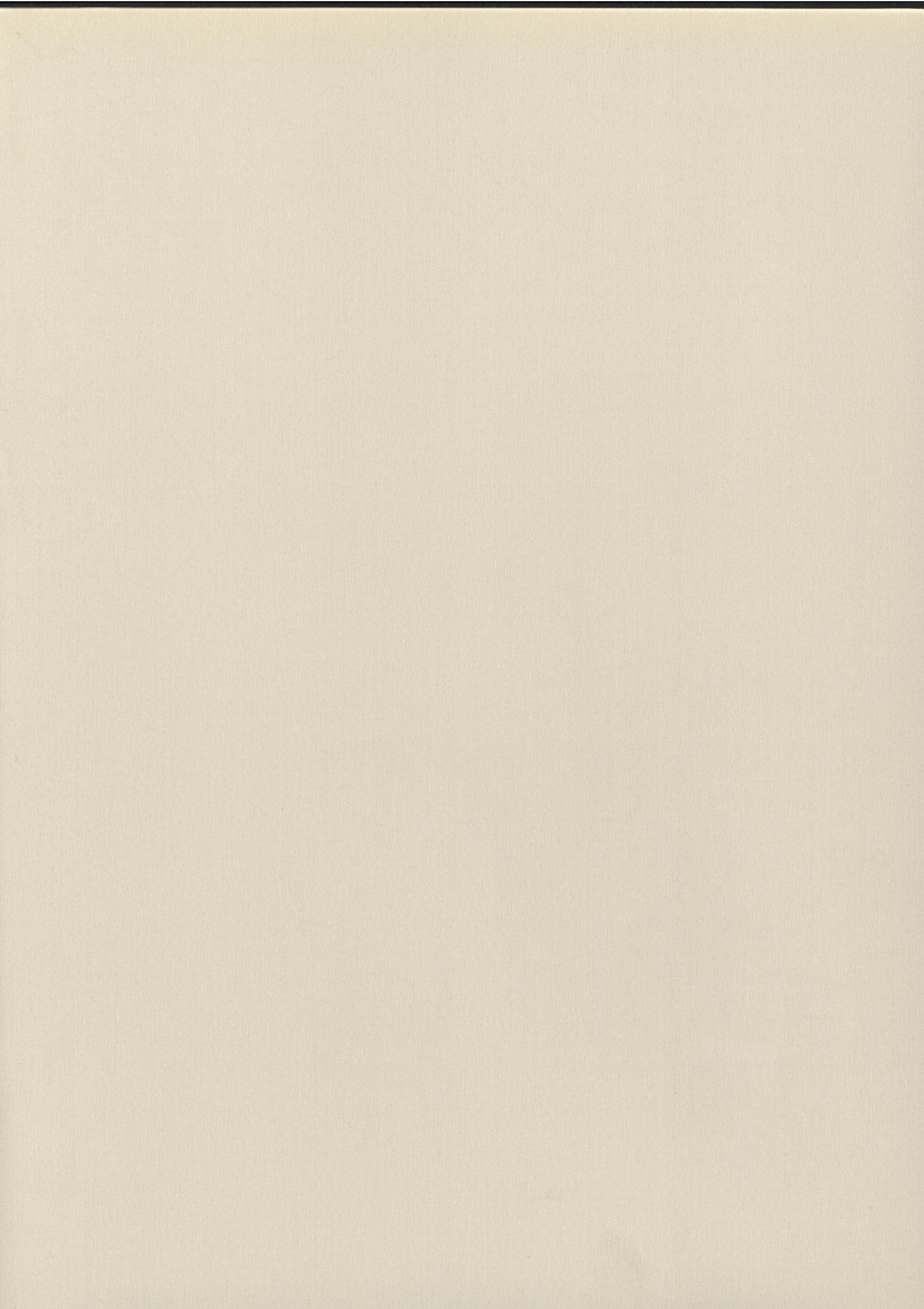
Düsseldorf, March 5, 1980

T R E U A R B E I T  
AKTIENGESELLSCHAFT

WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT · STEUERBERATUNGSGESELLSCHAFT

Dr. Scholz  
Wirtschaftsprüfer  
(German public accountant)

Dr. Jordan  
Wirtschaftsprüfer  
(German public accountant)



# Appendices

## Issues and Syndicate Transactions, Capital Increases, and Stock Exchange Introductions

### Domestic public entities' bonds

German Federal Railways<sup>1)</sup>  
Federal Republic of Germany<sup>1)</sup>  
Kreditanstalt für Wiederaufbau  
(Reconstruction Loan Corporation)  
Lastenausgleichsbank  
(Equalization of Burdens Bank)  
Land Lower Saxony

### Other domestic bonds, including mortgage and communal bonds

Deutsche Hypothekenbank  
(Actien-Gesellschaft)  
Deutsche Schiffsbeleihungs-Bank  
Aktien-Gesellschaft

### Foreign issuers' DM bonds

African Development Bank  
American Express  
International Banking Corporation  
Arbed Finance S.A.<sup>4)</sup>  
Argentine Republic  
Asian Development Bank  
Banco Nacional de Desarrollo (BND)  
Bank of Tokyo (Curaçao) Holding N.V.  
Barclays Overseas Investment Company B.V.  
Federative Republic of Brazil  
Caisse Nationale des Télécommunications (CNT)  
The Council of Europe Resettlement Fund  
for National Refugees and Over-Population  
in Europe<sup>1)</sup>  
Crédit National  
Kingdom of Denmark<sup>1)</sup>  
Electricity Supply Commission (ESCOM)<sup>4)</sup>  
Eletrobrás –  
Centrais Elétricas Brasileiras SA  
EUROFIMA European Company  
for the Financing of Railway Rolling Stock  
European Coal and Steel Community (ECSC)  
European Economic Community (EEC)  
European Investment Bank (EIB)<sup>1)</sup>  
Fujitsu Limited<sup>2)</sup>  
Inter-American Development Bank<sup>1)</sup>  
International Bank for Reconstruction  
and Development (World Bank)<sup>1)</sup><sup>4)</sup>  
Republic of Ireland<sup>4)</sup>  
The Kansai Electric Power Company,  
Incorporated<sup>2)</sup>  
City of Kobe

Megal Finance Company Ltd.  
Minolta Camera Co., Ltd.<sup>2)</sup>  
Mitsubishi Chemical Industries Limited  
N.V. Nederlandse Gasunie  
New Zealand<sup>1)</sup><sup>4)</sup>  
Nippon Kokan Kabushiki Kaisha – NKK  
Nippon Telegraph & Telephone  
Public Corporation  
Nordiska Investeringsbanken  
(Nordic Investment Bank)  
Norges Kommunalbank<sup>1)</sup>  
Kingdom of Norway  
Österreichische Kontrollbank AG<sup>1)</sup><sup>4)</sup>  
Orient Finance Co., Ltd.<sup>2)</sup>  
Petrobrás – Petróleo Brasileiro S.A.  
Red Nacional de los Ferrocarriles  
Españoles (Renfe)  
The Seiyu Stores, Ltd.<sup>2)</sup>  
Statoil – Den norske stats oljeselskap a.s  
Kingdom of Sweden  
The Tokyo Electric Power Company,  
Incorporated  
Tokyu Land Corporation<sup>2)</sup>  
Uny Co., Ltd.<sup>2)</sup>

### Foreign issuers' foreign currency bonds

AGA Aktiebolag<sup>2)</sup>  
Compagnie Nationale Air France  
Alcoa of Australia Limited  
Alco Standard International Finance N.V.<sup>2)</sup>  
Argentine Republic  
Australian Resources Development Bank  
Limited  
Avco Overseas Capital Corp. N.V.  
Banco de Chile  
Banco di Roma International S.A.  
Banco Nacional  
do Desenvolvimento Econômico (BNDE)  
Bank of Tokyo (Curaçao) Holding N.V.  
Banque de l'Indochine et de Suez S.A.  
Banque Nationale de Paris  
Bayer International Finance N.V.<sup>3)</sup>  
Beneficial Overseas Finance N.V.  
BfG Finance Company B.V.  
Federative Republic of Brazil  
Canadian Pacific Limited  
Ciba-Geigy Overseas Finance N.V.<sup>2)</sup>  
Comalco Investments Europe S.A.  
City of Copenhagen  
The Copenhagen County Authority  
Creditanstalt-Bankverein  
The Daiei, Inc.<sup>2)</sup>

<sup>1)</sup> several issues

<sup>2)</sup> convertible bonds

<sup>3)</sup> bonds with warrants or currency option

<sup>4)</sup> private placement

Dominion Bridge Company, Limited  
 Dow Chemical Overseas Capital N.V.  
 Enserch Finance N.V.<sup>2)</sup>  
 EUROFIMA European Company  
     for the Financing of Railway Rolling Stock  
 European Coal and Steel Community (ECSC)<sup>1)</sup>  
 European Investment Bank (EIB)<sup>1)</sup>  
 Export Development Corporation<sup>1)</sup>  
 Finance for Industry Limited<sup>3)</sup>  
 Republic of Finland  
 First Canadian Investments Limited  
 Gaz de France  
 The General Electric Company Limited<sup>3)</sup>  
 Genossenschaftliche Zentralbank  
     Aktiengesellschaft  
 Genstar Limited  
 Gould International Finance N.V.  
 GTE Finance N.V.<sup>1)</sup>  
 Gulf & Western  
     Intercontinental Investments N.V.  
 Hill Samuel Group Limited  
 Hoechst Finance N.V.<sup>3)</sup>  
 Honda Motor Co., Ltd.<sup>2)</sup>  
 Hudson's Bay Company<sup>1)</sup>  
 Hydro-Québec  
 Inter-American Development Bank  
 ITT Antilles N.V.  
 Kennecott International N.V.  
 The Long-Term Credit Bank of Japan  
     Finance N.V.<sup>1)</sup>  
 Manufacturers Hanover  
     Overseas Capital Corporation  
 Midland International Financial Services B.V.  
 Mitsubishi Corporation<sup>2)</sup>  
 The Mortgage Bank  
     and Financial Administration Agency  
     of the Kingdom of Denmark  
 Municipal Finance Authority of British Columbia  
 National Westminster Bank Limited  
 N.V. Nederlandse Gasunie<sup>1)</sup><sup>4)</sup>  
 The New Brunswick Electric Power Commission  
 Province of Newfoundland  
 The Nippon Credit Bank (Curaçao) Finance N.V.  
 Nippon Seiko K.K.<sup>2)</sup>  
 Nitto Electric Industrial Co., Ltd.<sup>2)</sup>  
 Norsk Hydro a.s  
 Kingdom of Norway  
 Nova Scotia Power Corporation  
 Olivetti International S.A.  
 Orient Leasing (Caribbean) N.V.  
 Petróleos Mexicanos (Pemex)  
 P.S.A. Peugeot-Citroën  
 Province of Quebec  
 Redland Finance N.V.<sup>3)</sup>  
 The Royal Bank of Canada<sup>1)</sup>  
 The Royal Bank of Scotland Limited  
 Saint-Gobain-Pont-à-Mousson S.A.

Sears Overseas Finance N.V.  
 Société Centrale de Banque  
 Société Générale Alsacienne de Banque  
 Sociétés de Développement Régional (S.D.R.)  
 Solvay & Cie. S.A.  
 Spectra-Physics International Finance N.V.<sup>2)</sup>  
 Statoil – Den norske stats oljeselskap a.s  
 Kingdom of Sweden<sup>1)</sup>  
 Kingdom of Thailand  
 Toshiba Corporation<sup>2)</sup>  
 Total Oil Marine Ltd.  
 TVO Power Company  
     (Teollisuuden Voima Oy –  
     Industrins Kraft Ab)  
 Union Bank of Switzerland (Panama) Inc.<sup>2)</sup>  
 United Overseas Bank Limited  
 Urquijo International N.V.  
 Williams & Glyn's Bank Limited

German shares

Aachener und Münchener Versicherung AG  
 Allianz Lebensversicherungs-AG  
 BASF AG  
 Bavaria- und St. Pauli-Brauerei  
 Bayerische Handelsbank  
 Bayerische Vereinsbank  
 Deutsche Centralbodenkredit-AG  
 Deutsche Lufthansa AG  
 Frankona Rückversicherungs-AG  
 Gelsenwasser AG  
 Gutehoffnungshütte Aktienverein  
 Heidelberger Druckmaschinen AG  
 Herlitz AG  
 Hilgers AG  
 Hoechst AG  
 I.G. Farbenindustrie in Abwicklung  
     *(company is in liquidation)*  
 Kammgarnspinnerei Wilhelmshaven AG  
 Klöckner-Humboldt-Deutz AG  
 KWS Kleinwanzlebener Saatzucht AG  
 M.A.N. Maschinenfabrik Augsburg-Nürnberg AG  
 Mannheimer Versicherung AG  
 Mittelschwäbische Überlandzentrale AG  
 Münchener Rückversicherungs-Gesellschaft AG  
 Pegulan-Werke AG  
 Rheinische Hypothekenbank  
 Schwab AG  
 Siemens AG  
 Thüringer Gasgesellschaft  
 VEBA AG  
 Vereins- und Westbank AG

<sup>1)</sup> several issues

<sup>2)</sup> convertible bonds

<sup>3)</sup> bonds with warrants or currency option

<sup>4)</sup> private placement



Foreign shares

The British Petroleum Company Limited  
Compagnie des Machines Bull  
Conzinc Riotinto of Australia Limited  
Grand Metropolitan Limited  
Hepworth Ceramic Holdings Limited  
Minolta Camera Co., Ltd.  
Nippon Shinpan Co., Ltd.  
Nippon Yusen Kabushiki Kaisha  
The Rank Organisation Limited  
Sedgwick Forbes Bland Payne  
Group Limited  
Standard Chartered Bank Limited  
Steyr-Daimler-Puch AG  
Thomas Tilling Limited  
Thomson – C.S.F.  
Tokyo Electric Co., Ltd.

Other syndicate transactions

Aachener und Münchener Beteiligungs-AG  
Aachener und Münchener Versicherung AG  
AG für Licht- und Kraftversorgung  
Bayernwerk AG  
Burbach-Kaliwerke AG  
Deutsche Grundbesitz-  
Anlagegesellschaft mbH (DGA)  
Eisenbahn-Verkehrsmittel-AG  
EVA Eisenbahn-Verkehrsmittel GmbH  
Großkraftwerk Franken AG  
Holsten-Brauerei  
Kaiser-Brauerei AG  
M.A.N. Maschinenfabrik Augsburg-Nürnberg AG  
M.A.N. – Roland Druckmaschinen AG  
Thüringer Gasgesellschaft  
Trumpf – Schokolade- und Kakaofabrik  
Berlin GmbH  
VG – Verwaltungsgesellschaft  
für US-Immobilienanlagen mbH  
Wintershall AG

---

## Head Offices

<u>Düsseldorf</u>	25 Breite Strasse, D-4000 Düsseldorf, Telephone (02 11) 82 71, Telex 8 581 381
<u>Frankfurt</u>	32-36 Neue Mainzer Strasse, D-6000 Frankfurt, Telephone (06 11) 1 36 21, Telex 4 11 246
<u>Hamburg</u>	7-9 Ness, D-2000 Hamburg, Telephone (040) 36 13 21, Telex 2 12 391

All International Departments are in Frankfurt

---

## Domestic Branches

Year given indicates either opening of branch by Commerzbank or by one of the three regional banks which became part of it (Mitteldeutsche Privat-Bank in 1920, Mitteldeutsche Creditbank in 1929, and Barmer Bank-Verein in 1932), or take-over of other institutions.

Year given in parentheses indicates opening of branch by bank later taken over by Commerzbank.

---

Aachen 1920 (1874) with sub-branches Adalbertstrasse Burtscheid Markt and paying office Vetschau	Augsburg 1919 with sub-branches Donauwörther Strasse Göggingen Lechhausen	Bad Pyrmont 1979 Bad Salzufflen 1963 Bad Soden (Taunus) 1968 Bad Vilbel 1968 Balingen (Württ.) 1958 Bamberg 1968 Bayreuth 1967 Beckum (Münster district) 1960 Bensheim 1969 Bergheim (Erft) 1975 Bergisch Gladbach 1968 Bergneustadt 1959 Biberach (Riss) 1968 Bielefeld 1905 (1867) with sub-branches Betheleck Brackwede Heeper Strasse Herforder Strasse Jöllenbecker Strasse Sennestadt Sieker Stapenhorststrasse Wellensiek	Bietigheim-Bissingen 1975 Bingen 1968 Bocholt 1920 Bochum 1920 with sub-branches Ehrenfeld Hamme Laer Linden Stiepel Weitmar Bochum-Wattenscheid 1918 (1906) with sub-branch Höntrop Böblingen 1968 Bonn 1908 (1885) with sub-branches Bundeskanzlerplatz Markt Tannenbusch Liaison Office: see page 102 Bonn-Bad Godesberg 1959 with sub-branch Römerplatz Bonn-Beuel 1961 Bonn-Duisdorf 1960 Borchen (Westphalia) 1960
Aalen 1969	Backnang 1961		
Achim 1973	Bad Bramstedt 1973		
Ahlen (Westphalia) 1961	Baden-Baden 1914 (1878)		
Ahrensburg (Holstein) 1958 with sub-branch Hamburger Strasse	Bad Driburg 1975 Bad Harzburg 1974		
Albstadt-Ebingen 1969	Bad Hersfeld 1962		
Albstadt-Tailfingen 1975	Bad Homburg v. d. H. 1967		
Alfeld (Leine) 1962	Bad Honnef 1966		
Alsfeld 1969	Bad Kissingen 1976		
Altena (Westphalia) 1912 (1880) with sub-branch Lennestrasse	Bad Kreuznach 1929 (1907) Bad Nauheim 1968		
Andernach 1954	Bad Neuenahr 1966 with sub-branch Ahrweiler		
Arnsberg-Neheim 1968	Bad Oeynhausen 1965 Bad Oldesloe 1961		
Aschaffenburg 1962			

---

Bottrop 1959	Coburg 1971	Düsseldorf 1903 (1889) with sub-branches Am Hafen Am Hauptbahnhof Brehmplatz Dorotheenplatz Eller Friedrichstrasse Garath Gerresheim Golzheim Grafenberger Allee Heerdt Heinrichstrasse Holthausen Kaiserswerth Karolingerplatz Königsallee Nordstrasse Oberbilk Oberkassel Rath Reisholzer Strasse Schadowstrasse Unterrath Wersten Worringer Platz	Emden 1920 with sub-branch Rathausplatz Emmendingen 1978 Emmerich 1965 (1951) with paying-office Elten Emsdetten 1970 Enger 1967 Ennepetal 1965 Erkelenz 1967 Erkrath 1967 Erlangen 1972 Eschborn 1975 Eschwege 1908 (1830) Eschweiler 1968 Essen 1907 (1898) with sub-branches Altenessen Borbeck Bredeney Essen-Süd Essen-West Holsterhausen Kupferdreh Rüttenscheid Steele Viehofer Platz Wasserturm
Brake 1976	Coesfeld 1961	Düsseldorf-Benrath 1968 Duisburg 1909 (1883) with sub-branches Hochfeld Lutherplatz Marxloh Meiderich Wanheimerort	
Braunschweig 1929 (1853) with sub-branches Am Hauptbahnhof Celler Strasse Dankwardstrasse Jasperallee Radeklint	Cologne: see Köln Cuxhaven 1921 Dachau 1968 with paying office MAN-Allach Darmstadt 1957 with sub-branches Arheilgen Karlstrasse Delmenhorst 1954 Detmold 1961 Diepholz 1968 Diez (Lahn) 1967 Dillenburg 1961 Dinslaken 1965 (1921) Dissen (Teutob. Forest) 1975 Dormagen 1967 Dorsten 1964 Dortmund 1904 (1878) with sub-branches Aplerbeck Brackel Hörde Hohe Strasse Hombruch Kaiserstrasse Königswall Mengede Münsterstrasse Ruhrallee	Duisburg-Hamborn 1958 Duisburg-Homberg 1969 Duisburg-Rheinhausen 1961 Duisburg-Ruhrort 1960 Duisburg-Walsum 1965 (1954) Eckernförde 1960 Ehingen (Danube) 1980 Einbeck 1969 Eislingen 1975 Elmshorn 1953	
Bremen 1920 with sub-branches Dobben Findorff Gröpelingen Hemelingen Huchting Neustadt Schwachhausen Steintor West Woltmershausen Bremen-Vegesack 1954 Bremerhaven 1956 with sub-branches Geestemünde Lehe Bremervörde 1961 Bruchsal 1968 Brühl (Cologne district) 1969 Brunsbüttel 1962 Bückeberg 1954 (1856) Bünde 1961 Burgdorf 1970 Butzbach 1967 Buxtehude 1972			
Celle 1961 Cloppenburg 1961	Dreieich 1968 Dülmen 1968 Düren 1959		Fellbach (Württ.) 1960 Flensburg 1955 with sub-branches Industriegebiet ( <i>industrial estate</i> ) Mürwik Norderstrasse Südermarkt

Frankenthal (Palatinate) 1963	Gelsenkirchen 1918 (1906) with sub-branches	Halver 1959	Hanover 1907 (1826) with sub-branches
Frankfurt 1856 with sub-branches	Am Stern	Hamburg 1870 with sub-branches	Am Klagesmarkt
Adickesallee	Erle	Altstadt	Am Kröpcke
Alt-Bornheim	Horst	Am Hafen	Am Küchengarten
Am Eschenheimer Tor	Neustadt	Barmbek	Am Steintor
Am Opernplatz	Gelsenkirchen-Buer 1920	Billstedt	Buchholz
Berliner Strasse	Gevelsberg 1912 with sub-branch	Blankenese	Herrenhausen
Bockenheim	Zentrum	Bramfeld	Hildesheimer Strasse
Bornheim	Giessen 1906	Dehnhaide	Lister Meile
Dornbusch	Gifhorn 1961	Eidelstedt	Misburg
Flughafen ( <i>airport</i> )	Gladbeck 1960	Eilbek	Sallstrasse
Galluswarte	Glinde 1970	Eimsbüttel	Südstadt
Hanauer Landstrasse	Glückstadt 1968	Eppendorf	Vahrenheide
Hauptwache	Goch 1967	Esplanade	Vahrenwald
Kaiserstrasse	Göppingen 1959	Freihafen ( <i>free port</i> )	Vier Grenzen
Oederweg	Göttingen 1923 (1850) with sub-branches	Fuhlsbüttel	Wülfel
Platz der Republik	Eichendorffplatz	Gänsemarkt	Heide (Holstein) 1961
Rödelheim	Weende	Geschäftsstadt Nord	Heidelberg 1963 with sub-branches
Sachsenhausen	Goslar 1929 (1907)	Grindelberg	Innenstadt
Schwanheim	Greven (Westphalia) 1961	Grossneumarkt	Neuenheim
Wächtersbacher Strasse	Grevenbroich 1960	Hamm	Heidenheim (Brenz) 1954
Zeil	Gross Gerau 1968	Hammerbrook	Heilbronn 1965
Frankfurt-Höchst 1899	Gütersloh 1965	Hoheluft	Heiligenhaus 1959
Frechen 1960	Gummersbach 1919 (1870)	Lokstedt	Helmstedt 1951 with sub-branch
Freiburg (Breisgau) 1960 with sub-branch	Haan (Rhineland) 1967	Lurup	Gröpern
Rathausgasse	Hagen 1900 (1858) with sub-branches	Messberg	Hemer 1968
Freilassing 1980	Haspe	Mittelweg	Hemmingen 1965
Freudenstadt 1980	Mittelstrasse	Mundsburg	Hennef (Sieg) 1966
Friedberg (Hesse) 1929	Wehringhausen	Neugraben	Herford 1920 (1873) with sub-branches
Friedrichshafen 1967	Haltern (Westphalia) 1974	Osdorf	Alter Markt
Fürth (Bavaria) 1899 (1872) with sub-branches		Osterstrasse	Lübbertor
Komotauer Strasse		Othmarschen	Herne 1958
Waldstrasse		Rahlstedt	Herne-Wanne 1918 (1906) with sub-branch
Fulda 1954		Rothenburgsort	Eickel
		St. Georg	Herten 1961
		St. Pauli	Herten-Westerholt 1968
		Schnelsen	Herzberg 1965
		Uhlenhorst	Herzogenrath 1975
		Volksdorf	
		Wandsbek	
		Wilhelmsburg	
		Winterhude	
		Hamburg-Altona 1910 (1872)	
		Hamburg-Bergedorf 1953	
		Hamburg-Harburg 1922	
		Hameln 1960	
		Hamm (Westphalia) 1904 with sub-branch	
		Marktplatz	
		Hanau 1909 with sub-branch	
		Grossauheim	

Hilden 1919	Kaarst 1980	Köln ( <i>Cologne</i> ) 1907 (1869)	Leer (East Friesland) 1962
Hildesheim 1929 with sub-branches Dammstrasse Marienburger Platz Zingel	Kaiserslautern 1961 Kaltenkirchen 1970 Kamen 1962	with sub-branches Barbarossaplatz Braunsfeld Chlodwigplatz Ehrenfeld Hohenzollernring Hohe Strasse Kalk Lindenthal Neumarkt Neusser Strasse Rodenkirchen Sülz Weidenpesch Zollstock	Lehrte (Han.) 1961 Leichlingen 1969 Lemgo 1954
Hockenheim 1973	Kamp-Lintfort 1967	Lindenthal Neumarkt	LenneStadt 1960
Hof (Saale) 1968	Karlsruhe 1953 with sub-branches Am Mühlburger Tor Durlach Mühlburg	Rodenkirchen Sülz Weidenpesch Zollstock	Leonberg 1965 Leverkusen 1958
Hofheim (Taunus) 1967	Kassel 1908 (1881) with sub-branches Bettenhausen Friedrich-Ebert-Strasse	Köln-Mülheim 1962	Limburg (Lahn) 1957
Hohenlimburg 1954 with sub-branch Elsey	Kaufbeuren 1967 with sub-branch Neugablonz	Königstein (Taunus) 1974	Lingen (Ems) 1960
Holzminden 1923 (1884)	Kelkheim (Taunus) 1968	Konstanz 1961 with sub-branch Petershausen	Lippstadt 1961
Hoya (Weser) 1954 (1927)	Kempen (Lower Rhine) 1961	Korbach 1967	Löhne 1966
Husum 1959	Kempten 1973	Krefeld 1905 (1859) with sub-branches Hochstrasse Ostwall Zentrum ( <i>downtown</i> )	Lörrach (Baden) 1962
Ibbenbüren 1971	Kettwig 1974	Krefeld-Hüls 1968	Lohne 1973
Idar-Oberstein 1963 with sub-branch Edelsteinbörse ( <i>jewelry exchange</i> )	Kiel 1905 with sub-branches Arndtplatz Exerzierplatz Gaarden Holtenuer Strasse Nord Holtenuer Strasse Süd Kirchhofallee Wellingdorf and paying office Schlachthof ( <i>slaughter-house</i> )	Krefeld-Uerdingen 1959	Ludwigsburg 1958
Idstein (Taunus) 1975	Kirchheim (Teck) 1968	Kreuztal 1959	Ludwigshafen (Rhine) 1960
Ingelheim 1973	Kirn (Nahe) 1968	Kulmbach 1974	Lübbecke 1966
Ingolstadt 1963 with sub-branch Hindenburgstrasse	Kleve 1918 (1889)	Laatzten (Han.) 1965	Lübeck 1918 (1862) with sub-branches Am Schlachthof Buntekuh Fackenburger Allee Geniner Strasse Marli Travemünde and paying office Skandinavienkai
Iserlohn 1905 (1838) with sub-branch Schillerplatz	Koblentz 1961 with sub-branch Bahnhofplatz	Lahr 1968	Lübeck 1918 (1862) with sub-branches Am Schlachthof Buntekuh Fackenburger Allee Geniner Strasse Marli Travemünde and paying office Skandinavienkai
Iserlohn-Letmathe 1969		Landau (Palatinate) 1968	Lüchow 1968 (1870)
Itzehoe 1966		Landshut 1967	Lüdenscheid 1905 (1869) with paying office Brüninghausen
Jülich 1971		Langen (Hesse) 1967	Lüdinghausen 1968
		Langenfeld (Rhineland) 1962	Lüneburg 1959
		Langenhagen 1965	Lünen 1958
		Lauf 1976	

Maintal-Dörnigheim 1973	Monschau 1969	Neuss 1952 with sub-branch Dreikönigenstrasse	Offenbach (Main) 1904 with sub-branches Sprendlinger Landstrasse Waldstrasse
Mainz 1914 (1890) with sub-branches Am Dom Rheinallee	Mühldorf (Inn) 1968	Neustadt (Holstein) 1974	Offenburg 1968
Mainz-Kastel 1929 (1920)	Mühlheim (Main) 1967	Neustadt (Weinstrasse) 1961	Oldenburg (Oldb.) 1920 with sub-branch Grossmarkt
Mannheim 1921 with sub-branches Käfertal Kaiserring Lindenhof Neckarau Neckarstadt Sandhofen Waldhof	Mülheim (Ruhr) 1918 (1889) with sub-branch Speldorf	Neu-Ulm 1967	Olpe 1968
Marburg (Lahn) 1906	München ( <i>Munich</i> ) 1910 (1876) with sub-branches Baldeplatz Berg-am-Laim Grosshadern Hauptbahnhof/ Marsstrasse Herkomerplatz Hohenzollernstrasse Ingolstädter Strasse Laim Leopoldstrasse Lerchenauer Strasse Lindwurmstrasse Moosach Müllerstrasse Nymphenburger Strasse Pasing Reichenbachplatz Riesenfeldstrasse Rosenheimer Platz Rotkreuzplatz Schleissheimer Strasse Schwanthalerstrasse Sendlinger Strasse Thalkirchner Strasse Thomasiusplatz	Neuwied 1960	Olsberg-Bigge 1965
Marl-Hüls 1955	Münster (Westphalia) 1919 with sub-branches Hammer Strasse Hansaring Wareндorfer Strasse	Niebüll 1966	Opladen 1961
Mayen 1954	Nettetal-Lobberich 1960	Nienburg (Weser) 1954 (1938)	Osnabrück 1906 with sub-branches Bramscher Strasse Johannisstrasse Lotter Strasse Schützenstrasse
Meerbusch-Büderich 1968	Neuburg (Danube) 1976	Norden 1966	Osterholz-Scharmbeck 1966
Meerbusch-Osterath 1969	Neuenkirchen (near Rheine) 1968	Nordenham 1921 (1907)	Osterode (Harz) 1929 (1872)
Memmingen 1969	Neuenrade 1967	Norderstedt 1962	Ottobrunn 1979
Menden 1972	Neu-Isenburg 1919	Nordhorn 1953	Paderborn 1909 (1881)
Meppen 1961	Neumünster 1907	Northheim (Han.) 1960	Papenburg 1967
Meschede 1971		Nürnberg ( <i>Nuremberg</i> ) 1899 (1872) with sub-branches Friedrich-Ebert-Platz Gibitzenhof Königstrasse Landgrabenstrasse Langwasser Plärrer Schweinau Stresemannplatz	Passau 1968
Mettmann 1962		Nürning (Nuremberg) 1899 (1872) with sub-branches Friedrich-Ebert-Platz Gibitzenhof Königstrasse Landgrabenstrasse Langwasser Plärrer Schweinau Stresemannplatz	Peine 1921 (1900)
Metzingen 1974		Nürnberg ( <i>Nuremberg</i> ) 1899 (1872) with sub-branches Friedrich-Ebert-Platz Gibitzenhof Königstrasse Landgrabenstrasse Langwasser Plärrer Schweinau Stresemannplatz	Pforzheim 1960
Minden 1968		Nürnberg ( <i>Nuremberg</i> ) 1899 (1872) with sub-branches Friedrich-Ebert-Platz Gibitzenhof Königstrasse Landgrabenstrasse Langwasser Plärrer Schweinau Stresemannplatz	Pfungstadt 1969
Mönchengladbach 1898 (1871) with sub-branches Am Hauptbahnhof Headquarters Rheindahlen		Nürnberg ( <i>Nuremberg</i> ) 1899 (1872) with sub-branches Friedrich-Ebert-Platz Gibitzenhof Königstrasse Landgrabenstrasse Langwasser Plärrer Schweinau Stresemannplatz	Pinneberg 1957
Mönchengladbach-Rheydt 1905 with sub-branches Friedrich-Ebert-Strasse Odenkirchen		Nürnberg ( <i>Nuremberg</i> ) 1899 (1872) with sub-branches Friedrich-Ebert-Platz Gibitzenhof Königstrasse Landgrabenstrasse Langwasser Plärrer Schweinau Stresemannplatz	Pirmasens 1955 (1908)
Moers 1959		Nürnberg ( <i>Nuremberg</i> ) 1899 (1872) with sub-branches Friedrich-Ebert-Platz Gibitzenhof Königstrasse Landgrabenstrasse Langwasser Plärrer Schweinau Stresemannplatz	Plettenberg 1921
		Nürnberg ( <i>Nuremberg</i> ) 1899 (1872) with sub-branches Friedrich-Ebert-Platz Gibitzenhof Königstrasse Landgrabenstrasse Langwasser Plärrer Schweinau Stresemannplatz	Pullach 1969
		Nürnberg ( <i>Nuremberg</i> ) 1899 (1872) with sub-branches Friedrich-Ebert-Platz Gibitzenhof Königstrasse Landgrabenstrasse Langwasser Plärrer Schweinau Stresemannplatz	Quickborn (Holstein) 1975

Radevormwald 1965	Rüdesheim 1968	Solingen-Ohligs 1903 (1899)	Varel (Oldenburg) 1961
Rastatt 1962	Rüsselsheim 1965	Solingen-Wald 1960	Vechta 1961
Ratingen 1967		Speyer 1975	Velbert 1919 (1880)
Ratingen-Lintorf 1974	Saarburg (near Trier) 1967	Sprockhövel 1967	Velbert-Langenberg 1953
Ravensburg 1971	Salzgitter-Lebenstedt 1958	Stade 1954 (1920)	Verden (Aller) 1970
Recklinghausen 1919 (1904) with sub-branch Recklinghausen-Süd	St. Georgen 1976	Stadtallendorf 1967	Versmold 1962
Rees 1965 (1962)	Sarstedt 1962	Steinhagen 1965	Viernheim 1973
Regensburg 1965	Schleswig 1962	Stolberg 1920	Viersen 1954
Reinbek (near Hamburg) 1959	Schneverdingen 1970	Straubing 1966	Viersen-Dülken 1968
Remscheid 1903 (1898) with sub-branches Alleestrasse Handweiser Hasten	Schöningen 1960	Stuttgart 1919 (1885) with sub-branches Degerloch Feuerbach Hauptstätterstrasse Marienplatz Ostendplatz Rosenbergplatz Rotebühlplatz Schloss-Strasse Vaihingen a. F. Wangen Weilimdorf Zuffenhausen	VS-Schwenningen 1969
Remscheid-Lennep 1961	Schorndorf 1977		VS-Villingen 1969
Remscheid- Lüttringhausen 1961	Schwabach 1967		Vlotho 1969
Rendsburg 1960	Schwäbisch Gmünd 1968		Voerde (Lower Rhine) 1965
Reutlingen 1954 (1930)	Schwalbach (Taunus) 1974		Voerde-Friedrichsfeld 1965 (1959)
Rheda-Wiedenbrück 1959 with sub-branch Berliner Strasse	Schweinfurt 1963		
Rhede (near Bocholt) 1968	Schwelm 1951		Wahlstedt 1973
Rheine 1921	Schwerte (Ruhr) 1959 (1928)	Stuttgart-Bad Cannstatt 1956	Waldbröl 1968
Rheinfelden 1975	Schwetzingen 1969		Waldkraiburg 1971
Rheydt: see Mönchengladbach-Rheydt	Siegburg 1960	Trier 1959	Walsrode 1961
Rietberg 1968	Siegen 1919 with sub-branches Eiserfeld Kaan-Marienborn Weidenau	Troisdorf 1965	Wanne: see Herne-Wanne
Rosenheim 1972	Sindelfingen 1962	Tübingen 1958	Warburg 1917 (1896)
Rotenburg (Wümme) 1976	Singen (Hohentwiel) 1967	Tuttlingen 1975	Wedel (Holstein) 1955
Rottweil 1974	Sinsheim 1969	Uelzen 1919	Wegberg 1974
	Soest 1961	Uetersen (Holstein) 1961	Weiden (Upper Palat.) 1969
	Solingen 1903 (1900) with sub-branch Höhscheid	Ulm (Danube) 1963	Weil (Rhine) 1970
		Unna 1959	Weinheim (Bergstrasse) 1961
		Unterföhring (near Munich) 1967	

Werdohl 1923	Witten 1921
Wermelskirchen 1909 (1893)	with sub-branches Annen Herbede
Wertheim 1979	Wolfenbüttel 1967
Wesel 1965 (1920)	Wolfsburg 1958
Wesseling 1967	with sub-branches Detmerode Kästorf Tiergartenbreite
Westerland (Sylt) 1961	
Wetter (Ruhr) 1970	Worms 1928
Wetter-Wengern (Ruhr) 1970	Würselen 1969
Wetzlar 1906	Würzburg 1961
Weyhe-Kirchweyhe 1954 (1923)	Wunstorf 1961
Weyhe-Leeste 1954 (1928)	Wuppertal 1911 (1754)
Wiehl (Cologne district) 1962	with sub-branches Cronenberg Friedrich-Ebert-Strasse Langerfeld Leimbach Oberbarmen Ronsdorf Unterbarmen Vohwinkel Wichlinghausen
Wiesbaden 1898 (1860)	Wuppertal-Barmen 1867 (1810)
with sub-branches Biebrich Bismarckring Bleichstrasse Kirchgasse Rheinstrasse Wilhelmstrasse	with sub-branch Werth
Wildeshausen 1974	
Wilhelmshaven 1954	Xanten 1965
with sub-branch Gökerstrasse	
Winsen (Luhe) 1970	Zirndorf 1970
Wipperfürth 1975	
Wissen (Sieg) 1967	
	Bonn Liaison Office: 124-132 Reuterstrasse (Bonn Centre) D-5300 Bonn



**Foreign Branches**Antwerp

Commerzbank Aktiengesellschaft  
Bijhuis Antwerpen  
65 Frankrijklei  
B-2000 Antwerp (Belgium)

Atlanta

Commerzbank Aktiengesellschaft  
Atlanta Agency  
2 Peachtree Street, N.W., Suite 1010  
Atlanta, Ga. 30303 (USA)

Barcelona

Commerzbank Aktiengesellschaft  
Sucursal Barcelona  
(to be opened later)

Brussels

Commerzbank Aktiengesellschaft  
Succursale de Bruxelles  
19 H Avenue des Arts  
B-1040 Brussels (Belgium)

Chicago

Commerzbank Aktiengesellschaft  
Chicago Branch  
55 East Monroe Street, Suite 4640  
Chicago, Ill. 60603 (USA)

Hong Kong

Commerzbank Aktiengesellschaft  
Hong Kong Branch  
Connaught Centre  
Connaught Road  
Hong Kong

London

Commerzbank Aktiengesellschaft  
London Branch  
10-11 Austin Friars  
London EC 2N 2HE (England)

Madrid

Commerzbank Aktiengesellschaft  
Sucursal Madrid  
61 Avenida Generalísimo, 1º  
Madrid-16 (Spain)

New York

Commerzbank Aktiengesellschaft  
New York Branch  
55 Broad Street  
New York, N.Y. 10004 (USA)

Paris

Commerzbank Aktiengesellschaft  
Succursale de Paris  
3 Place de l'Opéra  
F-75002 Paris (France)

Tokyo

Commerzbank Aktiengesellschaft  
Tokyo Branch  
Nippon Press Centre  
2-2-1 Uchisaiwaicho, Chiyoda-ku  
Tokyo 100-91 (Japan)

### Subsidiaries and Related Banks

(Majority holdings)

#### Domestic Holdings

##### **BERLINER COMMERZBANK AG**

Head Office and Main Branch at  
125 Potsdamer Strasse, D-1000 Berlin 30

with sub-branches:

Charlottenburg	Spandau
Amtsgerichtsplatz	Nonnendammallee
Charlottenburg	Pichelsdorfer
Gedächtniskirche	Strasse
with paying office	Spandau
Kaufhaus	Steglitz
Wertheim	Albrechtstrasse
Kurfürstendamm	Lankwitz
Maison de France	Lichterfelde
Otto-Suhr-Allee	Steglitz
Reichsstrasse	Tempelhof
Savignyplatz	Am Flughafen
Kreuzberg	Tempelhof
Kochstrasse	Lichtenrade
Kottbusser Tor	Mariendorf
Mehringdamm	Marienfelde
Mehringplatz	Tempelhof
Neukölln	Tiergarten
Buckow	Budapester Strasse
Grüner Weg	Kurfürstenstrasse
Hermannplatz	Moabit
Hermannstrasse	Turmstrasse
Karl-Marx-Platz	Wedding
Neukölln	Badstrasse
Reinickendorf	Müllerstrasse
Hermsdorf	Wedding
Kurt-Schumacher-Platz	Wilmersdorf
Reinickendorf	Berliner Strasse
Residenzstrasse	Halensee
Tegel	Hohenzollerndamm
Wittenau	Roseneck
Schöneberg	Schlangenhader
Friedenau	Strasse
Hauptgeschäft	Schmargendorf
Martin-Luther-Strasse	Wilmersdorf
Schöneberg	Zehlendorf
Wittenbergplatz	Schlachtensee
	Zehlendorf

##### **RHEINISCHE HYPOTHEKENBANK**

Frankfurt · Cologne · Mannheim  
Head Office at  
13 Rheinstrasse, D-6000 Frankfurt

##### COMMERZ-CREDIT-BANK

AKTIENGESELLSCHAFT EUROPARTNER  
4 Faktoreistrasse, D-6600 Saarbrücken,  
with 8 branch offices in Saarland

##### VON DER HEYDT-KERSTEN & SÖHNE

Wuppertal-Elberfeld

##### ILSEDER BANK, SANDOW & CO.

Peine

##### BANK FÜR TEILZAHLUNGSKREDIT GMBH

Düsseldorf

##### COMMERZ- UND INDUSTRIE-LEASING GMBH

Frankfurt

##### COMMERZBANK FONDS-VERWALTUNGS-

GESELLSCHAFT MBH (COFO)

Düsseldorf

#### Foreign Holdings

##### **COMMERZBANK INTERNATIONAL S.A.**

11 Rue Notre-Dame, Luxembourg

##### **COMMERZBANK (SOUTH EAST ASIA) LTD.**

Tower 3902, DBS Building  
6 Shenton Way  
Singapore 0106

##### EUROPARTNERS BANK (NEDERLAND) N.V.

571-573 Herengracht  
Amsterdam (Netherlands),  
with branch office at  
6 Westblaak, Rotterdam (Netherlands)

**Representative Offices Abroad**

Argentina, Paraguay, Uruguay

Karl-Lutz Ammann  
 Representante del Commerzbank AG  
 456 Avda. Corrientes, Depto. 73  
 Buenos Aires (Argentina)

Australia, New Zealand

Joint Representative Office Banco di Roma/  
 Commerzbank AG/Crédit Lyonnais  
 Commerzbank Representative:  
 Reinhold H. von Wienskowski  
 Citicorp House, 54-62 Carrington Street  
 G.P.O. Box 5358  
 Sydney, N.S.W. 2001 (Australia)

Bahrain, Gulf Emirates, Kuwait

Representative Office Bahrain  
 Salahuddin Building, Suite 301  
 P.O. Box 5400  
 Manama (Bahrain)

Brazil

Commerzbank Representação Ltda.  
 São Paulo: Alexander Gregor  
 254 Rua Boa Vista, 7º andar  
 Caixa Postal 7441  
 01000 São Paulo-SP (Brazil)

Commerzbank Representação Ltda.  
 Rio de Janeiro: Werner Tuttlies  
 123 Av. Rio Branco, conj. 706/707  
 Caixa Postal 910-ZC-00  
 20000 Rio de Janeiro-RJ (Brazil)

Canada

Representative Office for Canada  
 Helmuth Martin  
 Royal Bank Plaza, Suite 2585  
 P.O. Box 191  
 Toronto, Ontario M5J 2J4 (Canada)

Denmark, Norway, Sweden, Finland, Iceland

Joint Representative Office  
 for the Nordic Countries  
 Banco di Roma/Banco Hispano Americano/  
 Commerzbank AG/Crédit Lyonnais  
 Commerzbank Repr.: Wilfried A. Reschke  
 4 Rådhuspladsen  
 DK-1550 Copenhagen V (Denmark)

East Asia

Representative Office Tokyo  
 Hans-Jörg Schneider  
 Nippon Press Centre  
 2-2-1 Uchisaiwaicho, Chiyoda-ku  
 Central P.O. Box 939  
 Tokyo 100-91 (Japan)

Egypt, Sudan, Ethiopia

Representative Office Cairo  
 Alfred W. Neuhaus  
 2 Aly Labib Gabr Street (ex: Behler)  
 P.O. Box 1944  
 Cairo (A.R.E./Egypt)

Indonesia

Representative Office for Indonesia  
 Wolfgang Rohde  
 Nusantara Building, 23rd Floor  
 59 Jalan M.H. Thamrin  
 Jakarta (Indonesia)

Iran, Pakistan

Representative Office Tehran  
 Uwe Diesmann  
 13 Avenue Karim Khan Zand  
 P.O. Box Shemiran 98/467  
 Tehran (Iran)

Iraq, Jordan, Lebanon, Saudi Arabia, Syria,  
 North Yemen, South Yemen

Représentation  
 du Proche et Moyen Orient  
 Beirut (Lebanon)  
 (not operating for the time being)

Mexico, Central America, Caribbean Islands

Representación en México  
 Joachim N. Soszna  
 390 Paseo de la Reforma, Piso 13  
 Apartado Postal 5-789  
 Mexico City 6 (Mexico)

Peru, Bolivia, Chile, Ecuador

Representación del Commerzbank AG  
 en el Perú  
 Wilhelm Zeise  
 266 Av. Emancipación, 7º Piso  
 Casilla 1127  
 Lima (Peru)

Southern Africa

Joint Representative Office Banco di Roma/  
Commerzbank AG/Crédit Lyonnais  
Commerzbank Repr.: Werner P. Kahress  
Standard Bank Centre, 78 Fox Street  
P.O. Box 61219, Marshalltown 2107  
Johannesburg 2000  
(Republic of South Africa)

Agency: Keller & Neuhaus  
Trust Co. (Pty.) Limited  
Kaiserstreet, P.O. Box 156  
Windhoek (South West Africa/Namibia)

Spain, Portugal

Günter Schönberner  
Representante del Commerzbank AG  
11 Calle Cedaceros, 6°  
Madrid-14 (Spain)

USSR

Representative Office Moscow  
Heinrich Schembecker  
Hotel Ukraina  
Suite No. 472  
Moscow (USSR)

Venezuela, Colombia

Gerhard Reinecke  
Representante del Commerzbank AG  
Edificio Plaza el Venezolano  
25-27 Chorro a Dr. Paul, Piso 5, Oficina C  
Apartado de Correos 5074  
Caracas 101 (Venezuela)

**Holdings  
in Foreign Financial Institutions  
and in Other Companies Abroad**

Belgium

Nippon European Bank S.A., Brussels

S.W.I.F.T.  
Society for Worldwide Interbank  
Financial Telecommunication s.c.,  
Brussels

Brazil

UNIBANCO –  
Banco de Investimento do Brasil S.A. (B.I.B.),  
Rio de Janeiro

Egypt

Misr International Bank S.A.E., Cairo

Finland

Teollistamisrahasto Oy –  
Industrialization Fund of Finland Ltd., Helsinki

France

Crédit Chimique S.A., Paris  
Europartnaires Leasing S.A., Paris

Indonesia

P.T. Finconesia Financial Corporation  
of Indonesia, Jakarta

Japan

Nippon Europartners Consulting Company,  
Tokyo  
Private Investment Company  
for Asia (PICA) S.A., Panama City/Tokyo

South Korea

Korea International Merchant Bank, Seoul

Lebanon

Rifbank S.A.L., Beirut

Luxembourg

Adela Investment Company S.A.,  
Luxembourg/Lima  
Commerzbank International S.A.,  
Luxembourg  
Europartners Holding S.A., Luxembourg  
Finatourinvest S.A., Luxembourg  
The International Investment Corporation  
for Yugoslavia S.A., Luxembourg

Sifida Société Internationale Financière  
pour les Investissements  
et le Développement en Afrique, Luxembourg

Société de Gestion du Rominvest  
International Fund S.A., Luxembourg

Société Européenne d'Édition  
et de Diffusion S.A., Luxembourg

UBAE Arab German Bank S.A.,  
Luxembourg/Frankfurt

Morocco

Banque Marocaine du Commerce Extérieur,  
Casablanca

Banque Nationale pour le Développement  
Economique, Rabat

Netherlands

Europartners Bank (Nederland) N.V.,  
Amsterdam

Pakistan

The Pakistan Industrial Credit & Investment  
Corporation Limited, Karachi

Saudi Arabia

The Saudi Investment Banking Corporation,  
Riyadh

Singapore

Commerzbank (South East Asia) Ltd.,  
Singapore

The Development Bank of Singapore Ltd.,  
Singapore

Spain

Banco Urquijo S.A., Madrid

Switzerland

Finance Company VIKING, Zurich

Thailand

The Industrial Finance Corporation  
of Thailand (IFCT), Bangkok

Mithai Europartners  
Finance and Securities Company Ltd.,  
Bangkok

Tunisia

Union Internationale de Banques S.A., Tunis

United Kingdom

International Commercial Bank Ltd., London
















USA

EuroPartners Securities Corporation,  
New York

Zaire

Société Financière de Développement  
-SOFIDE-, Kinshasa

## The International Presence of the Europartners

	Foreign branches and subsidiaries	Representative offices abroad	Bank affiliations and other holdings abroad
Commerzbank			
Banco di Roma			
Banco Hispano Americano			
Crédit Lyonnais			
Joint foreign footholds*)			

\*) of Banco di Roma, Commerzbank, and Crédit Lyonnais (and, as regards the Europartners' joint subsidiary at Saarbrücken, their joint holdings at Brussels, Cairo, and Geneva, and their joint representative office at Copenhagen, also of Banco Hispano Americano)

The Europartners in Europe

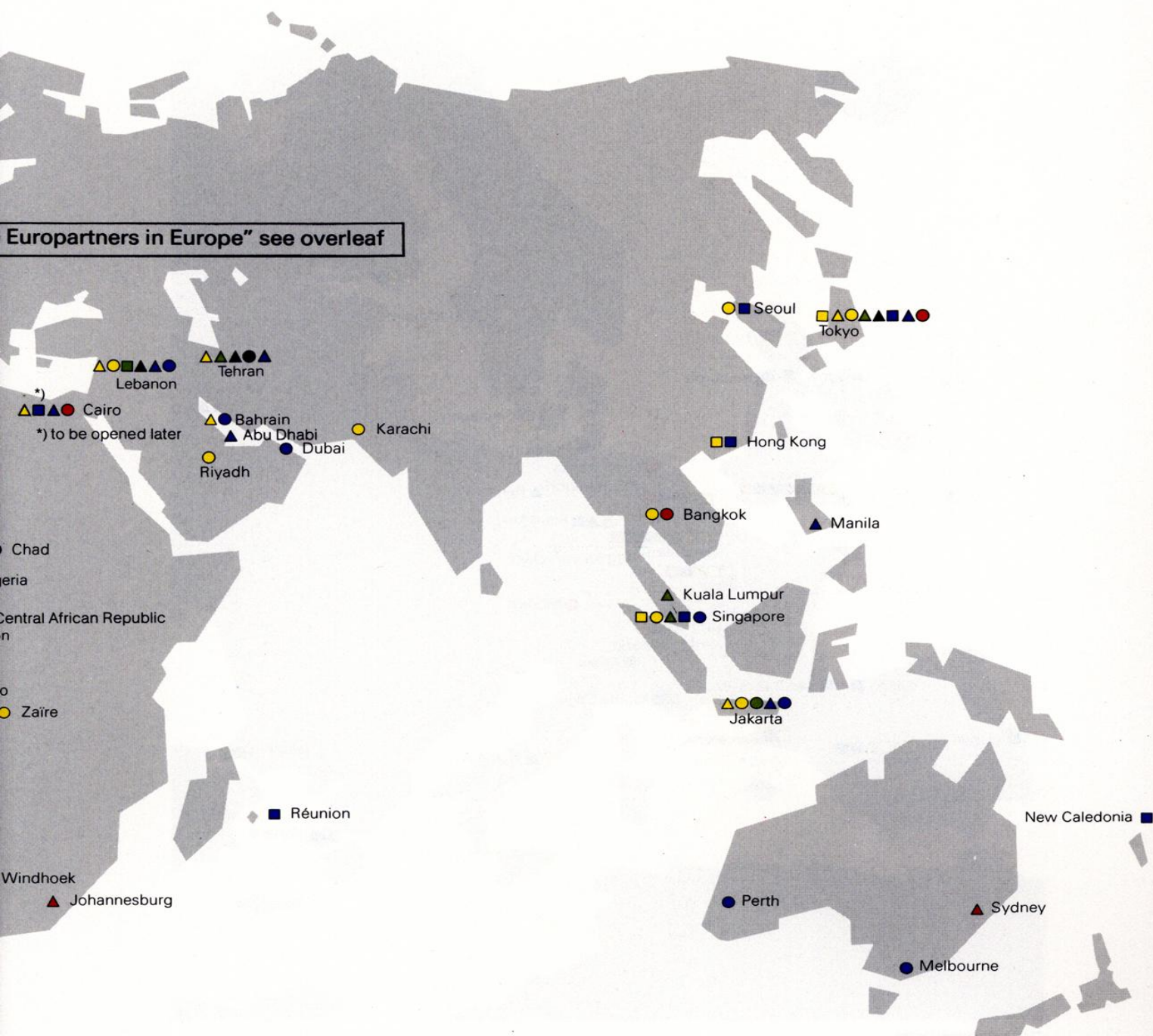
page 111

The Europartners Overseas

pages 109 / 110

# The Europartners Overseas







# The Europartners in Europe



\*) to be opened later

# Europartners Highlights<sup>1)</sup>

## BANCO DI ROMA

		Mid-1979	Mid-1978	Change
Balance Sheet Total	Lire	19,870 billion	Lire 15,796 billion	25.8%
Deposits	Lire	12,193 billion	Lire 10,585 billion	15.2%
Capital and Reserves	Lire	334 billion	Lire 280 billion	19.3%
Branches		293	293	-
Number of Accounts		1,164,100	1,153,000	1.0%
Staff		13,224	13,102	1.0%

## BANCO HISPANO AMERICANO

		Year-end, 1979	Year-end, 1978	Change
Balance Sheet Total	Ptas	1,013,383 million	880,646 million	15.1%
Deposits	Ptas	911,163 million	798,910 million	14.1%
Capital and Reserves <sup>2)</sup>	Ptas	48,714 million	41,880 million	16.3%
Branches		1,229	1,139	7.9%
Number of Accounts		3,276,100	3,029,000	8.2%
Staff		19,129	19,183	-0.3%

## COMMERZBANK

		Year-end, 1979	Year-end, 1978	Change
Balance Sheet Total	DM	67,090 million	60,624 million	10.7%
Deposits	DM	63,351 million	57,331 million	10.5%
Capital and Reserves	DM	2,478 million	2,129 million	16.4%
Branches		802	795	0.9%
Clients		2,226,700	2,158,500	3.2%
Staff		20,052	19,392	3.4%

## CREDIT LYONNAIS

		Year-end, 1979	Year-end, 1978	Change
Balance Sheet Total	Ffr	329,687 million	286,202 million <sup>3)</sup>	15.2%
Deposits	Ffr	311,270 million	273,060 million	14.0%
Capital and Reserves <sup>2)</sup>	Ffr	3,862 million	1,690 million <sup>3)</sup>	*)
Branches		2,312	2,368	-2.4%
Clients		3,734,000	3,653,000	2.2%
Staff		46,810	47,740	-2.0%

## The Group<sup>4)</sup>

		Year-end, 1979 <sup>5)</sup>	Year-end, 1978 <sup>5)</sup>	Change
Balance Sheets Sum Total	DM	277,893 million	240,526 million <sup>3)</sup>	15.5%
Deposits	DM	247,082 million	218,259 million	13.2%
Capital and Reserves	DM	6,130 million	4,553 million <sup>3)</sup>	*)
Branches		4,636	4,595	0.9%
Staff		99,215	99,417	-0.2%

<sup>1)</sup> parent banks only;

<sup>2)</sup> before appropriation of profit;

<sup>3)</sup> before appreciation of certain fixed assets;

<sup>4)</sup> conversion made according to the official Frankfurt middle rates of Dec 31, 1979:

Ffr 1 = DM 0.4295; Lire 100 = DM 0.2147; Ptas 100 = DM 2.619;

<sup>5)</sup> Banco di Roma: mid-year figures;

\*) not comparable.

