Annual Report
1978

EUROPARTNERS

BANCO DI ROMA
BANCO HISPANO AMERICANO
COMMERZBANK
CREDIT LYONNAIS

COMMERZBANK

COMMERZBANK Highlights

Parent Bank

at year-end	1978	1977
Total assets	DM 60,624.4 m	DM 50,896.3 m
Total lending	DM 37,503.2 m	DM 29,031.3 m
Capital and reserves	DM 2,128.6 m	DM 2,078.2 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[1)]

in DM m, at year-end

Assets	1978	1977
Cash on hand	3,945	2,973
Cheques, collection items	472	283
Bills of exchange	3,758	4,041
Claims on banks	25,043	24,944
Treasury bills	1,598	513
Bonds and notes	2,994	1,851
Shares	754	783
Loans and advances to customers	46,686	37,496
a) at agreed periods of less than four years	(17,844)	(14,542)
b) at agreed periods of four years or more	(28,842)	(22,954)
Investments	531	522
Land and buildings	699	665
Other assets	1,529	1,210
Total Assets	88,009	75,281

Branches	875	870
Customers	2,451,200	2,425,900
Staff	19,948	19,377

in DM m, at year-end

Liabilities and Shareholders' Equity	1978	1977
Liabilities to banks	28,429	24,436
Customers' deposits	39,207	33,833
a) sight deposits	(8,836)	(7,483)
b) time deposits	(20,722)	(17,073)
c) savings deposits	(9,649)	(9,277)
Bonds outstanding	16,431	13,313
Other liabilities	1,416	1,279
Capital and reserves[2)]	2,345	2,249
a) share capital	(726)	(726)
b) reserves	(1,402)	(1,352)
c) reserve arising from consolidation[3)]	(195)	(151)
d) minority interests[4)]	(22)	(20)
Consolidated profit	181	171
Total Liabilities and Shareholders' Equity	88,009	75,281
Endorsement liabilities	611	246
Business volume	88,620	75,527
Guarantees	7,208	7,329

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)

[1)] for complete Consolidated Annual Accounts see pages 91 to 95;
[2)] DM 2,370 m (1977: DM 2,279 m) after allocation of funds decided upon at AGMs of consolidated companies;
[3)] in accordance with section 331 (1) 3 of the German Stock Corporation Act–AktG (cf. page 93);
[4)] excluding attributable share of profits.

Annual Accounts and Report for the Year 1978

COMMERZBANK

Commerzbank Head Offices

Düsseldorf	25 Breite Strasse, D-4000 Düsseldorf, Telephone (0211) 8271, Telex 8 581 381
Frankfurt	32-36 Neue Mainzer Strasse, D-6000 Frankfurt, Telephone (0611) 13621, Telex 411246
Hamburg	7-9 Ness, D-2000 Hamburg, Telephone (040) 361321, Telex 212391
	All International Departments are in Frankfurt

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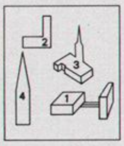
As in previous years,
our Annual Report is available
in German, English, and French.

Note: throughout this Report, the term "billion" represents "1,000 million".

HAMBURG

Commerzbank's 1979 Annual General Meeting has been convened to take place on May 4 at the Congress Centre Hamburg, where we will account to our shareholders for the Bank's performance in 1978.

The Hanseatic city of Hamburg is of particular significance to Commerzbank since it was here that the Bank was founded in 1870 under the name of Commerz- und Disconto-Bank. Today, Commerzbank maintains one of its three head offices in Hamburg which, due to its powerful industrial and commercial basis, is an important centre of Commerzbank's business. With 45 branches and sub-branches, the Bank's presence in Hamburg is especially strong.



1 Commerzbank
2 Congress Centre Hamburg
3 Town Hall
4 St. Nicholas Church

To our shareholders

Commerzbank AG managed once again to achieve a good result in 1978. As before, however, this was only possible by dint of a considerable expansion of the Bank's operations. The balance sheet total topped DM 60 bn, thus almost doubling in the last four years. A substantial portion of the volume of our business, as also of our earnings, must be credited to our foreign branches, but the recent reorganization of our domestic activities also began to yield results. Rheinische Hypothekenbank and the other members of the Commerzbank Group enjoyed an equally prosperous year.

Commerzbank AG has been operating in its present legal form since 1958, when the successor institutions emerging from the enforced break-up of 1945 were allowed to reunite. This circumstance prompts one to look back over the last twenty years and rejoice at the record of steady, healthy growth in all the main sectors of activity. The trends most characteristic of the past two decades have been the enhanced importance of the retail banking side of our business and of the increasing internationalization of our operations. The necessary organizational back-up for this expansion was provided by a rise in the number of our domestic offices from 185 to 788 and, over the last ten years, by the creation of a foreign branch network. Here, more often than not, Commerzbank was the pioneer among the German banks.

As the table on page 64 shows, the last twenty years have seen a more than tenfold increase in the Parent Bank's balance sheel total, and an expansion in the business volume of the Group from approximately DM 6 bn to DM 89 bn. A regular strengthening of the reserves and appropriate new share issues have permitted the Bank's equity to keep pace with this growth.

The year under review saw a further issue of convertible loan stock, and we were pleased to note how many of our shareholders subscribed to the offer. The purpose of the D-mark bonds with warrants issued in the spring of 1978 by Commerzbank International S.A., Luxembourg, was not merely to tap another promising source of funds but also to augment the number of our shareholders, especially abroad. Since there is no coupon tax levied on these bonds, they were primarily intended to appeal to foreign investors who at present are prevented from enjoying the advantages of the amended German Corporation Tax Act.

This year our Annual General Meeting is to take place in Hamburg, the city where Commerzbank was once founded. It is planned to hold the next Annual General Meetings in Munich and Stuttgart.

Two proposals on this year's agenda are designed to assure the Bank an adequate equity basis for its future business. They are:

- the authorization of a DM 75 m conditional capital increase for the issue, in due course, of new shares to those holders of our shares and bonds who, having subscribed to the third convertible bond issue to be offered by Commerzbank AG, may wish to exercise their conversion rights;

- the authorization of an additional DM 60 m conditional capital increase for the issue, in due course, of new shares to those holders of bonds with warrants to be issued by Commerzbank International S.A. who may wish to exercise their option rights. This will be the second such offering by our Luxembourg subsidiary, this time denominated in US dollars. We also ask that the subscription right be excluded.

Our purpose in proposing these measures is to allow for Commerzbank's future growth, at the same time taking into account the interests of our domestic and also our foreign shareholders. Since both proposals are to provide for future contingencies, we ask that the authorization be granted with effect until April 30, 1984.

The current financial year has begun well, although competition as regards interest rates has become even keener. Whereas in recent years the emphasis has been on expanding our international presence, we now plan to give priority to the extension of our domestic branch network.

March 1979

Chairman
of the Supervisory Board

Spokesman
of the Board of Managing Directors

27th Annual General Meeting

27th Annual General Meeting
of shareholders

Notice is hereby given that
the 27th Annual General Meeting
of the shareholders of Commerzbank AG
will be held
at the Congress Centre Hamburg,
Am Dammtor,
Hamburg 36

at 10.30 a.m.
on Friday, May 4, 1979,

for the following purposes:

Agenda

1
To consider
the Bank's established Annual Accounts,
the Report of the Board of Managing Directors,
and the Report of the Supervisory Board,
together with the
Consolidated Annual Accounts
and the Group Report
for the year ended December 31, 1978.

2
To resolve on the appropriation
of the distributable profit.

3
To approve the actions and conduct
of the Board of Managing Directors
during the financial year 1978.

4
To approve the actions and conduct
of the Supervisory Board
during the financial year 1978.

5
To authorize the Board of Managing Directors
to issue convertible loan stock
and to resolve on both a conditional increase
in the Bank's share capital
and an amendment to its statutes.

6
To authorize the Board of Managing Directors
to approve an issue of bonds with warrants by
Commerzbank International S.A., Luxembourg,
and to resolve on both a conditional increase
in Commerzbank AG's share capital
and an amendment to its statutes.

7
To elect a substitute member
of the Supervisory Board.

8
To appoint the Auditors
for the financial year 1979.

Supervisory Board (Aufsichtsrat)

PAUL LICHTENBERG
Frankfurt/Düsseldorf
Chairman

HELMUT LORENZ-MEYER
Hamburg
General Partner in Theodor Wille
Deputy Chairman
until May 12, 1978

DR. DIETRICH WILHELM von MENGES
Essen
Barrister
Deputy Chairman
until May 12, 1978

EWALD FAJKUS
Frankfurt
Commerzbank AG
Deputy Chairman
since May 12, 1978

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
since May 12, 1978

HEINZ–WERNER BUSCH
Oberhausen
Commerzbank AG
since May 12, 1978

DR. ROLF DARMSTADT
Frankfurt
Commerzbank AG
since May 12, 1978

JÜRGEN HAKER
Hamburg
Member of the Advisory Council
of the German Union of Salaried Employees
since May 12, 1978

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

RUTH JAHNKE
Hamburg
Commerzbank AG
until May 12, 1978

HANS-GEORG JURKAT
Cologne
Commerzbank AG

JOSEF KOERFER
Düsseldorf
Commerzbank AG
until May 12, 1978

DR. KARL-HEINZ KÜRTEN
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
since May 12, 1978

PROFESSOR DR.-ING.
DR. DR.-ING. E. h. HEINRICH MANDEL
Essen
Member of the Board of Managing Directors
of Rheinisch-Westfälisches
Elektrizitätswerk AG
deceased on January 24, 1979

RUDOLF AUGUST OETKER
Bielefeld
Owner, Dr. August Oetker
until May 12, 1978

GÜNTER MAX PAEFGEN
Düsseldorf
General Partner
in Friedrich Flick KG

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

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
since January 24, 1979

HELMUT WEINERT
Frankfurt
Commerzbank AG

HERIBERT WERHAHN
Neuss
Partner in Wilh. Werhahn
until May 12, 1978

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

Advisory Board (Verwaltungsbeirat)

DR. HANS ALBERS
Ludwigshafen
Member of the Board of Managing Directors
of BASF AG
since May 12, 1978

KURT ALBERTS
Essen
Member of the Board of Managing Directors
of Karstadt AG
since May 12, 1978

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

DR.-ING. E. h. HELMUTH BURCKHARDT
Herzogenrath
Chairman of the Supervisory Board
of Eschweiler Bergwerks-Verein
until May 12, 1978

MARTIN DIMPFLMAIER
Munich
Chairman of the Central Staff Council
of Commerzbank AG
since January 1, 1979

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
since May 12, 1978

KARLHEINZ MANGELSEN
Cologne
Member of the Supervisory Board
of Kaufhalle GmbH

DR. DIETRICH WILHELM von MENGES
Essen
Barrister
since May 12, 1978

DR. JÖRG MITTELSTEN SCHEID
Wuppertal
Lawyer
General Partner in Vorwerk + Co.
since May 12, 1978

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
since May 12, 1978

ERNST RIECHE
Königstein (Taunus)

HONORARY SENATOR PROFESSOR
DR. h. c. HERBERT SCHELBERGER
Essen
Member of the Supervisory Board
of Ruhrgas AG

HEINZ SCHMITZ
Essen
until May 12, 1978

DR.-ING. ALBRECHT SCHUMANN
Frankfurt
Chairman of the Board of Managing Directors
of Hochtief AG vorm. Gebr. Helfmann

FRITZ SEYDAACK
Düsseldorf
Member of the Supervisory Board
of Horten AG
until May 12, 1978

HERIBERT WERHAHN
Neuss
Partner in Wilh. Werhahn
since May 12, 1978

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

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: more balanced growth possible

The structural changes in the world economy, brought about by lasting inflation and further fuelled by the sudden oil price hike, are still in progress and go hand in hand with a protracted readjustment of exchange rates.

Growth in the industrialized countries was successfully kept in the region of 3½ per cent during 1978, chiefly thanks to the support afforded by the booming US economy and the sustained recovery in Japan. In the second half of the year, however, the source of impetus shifted gradually across the Atlantic to Europe.

In most OECD countries, the problem continued to be the rather low level of investment. The generally unsatisfactory utilization of capacity led industry throughout Western Europe to keep labour forces to a minimum; as a result, unemployment within the EEC was a stubborn six million.

Overall, prospects of a more evenly balanced, solidly based growth improved as the majority of the industrialized nations succeeded in at least partially curbing the inflationary trend. And it is gratifying to see that since the autumn even the United States has finally accorded greater priority to fighting the persistent rise in prices.

Interest rates climb

The higher interest rates with which many countries entered 1979 in part derived from substantial budget deficits, but were also one element in a strategy for counteracting inflation and improving the balance of payments. Thus in the USA the year under review saw the Federal Reserve hoisting the discount rate in seven stages from 6 per cent to a historical high of 9½ per cent. However, the upward movement of interest rates also reflects people's endeavours to obtain a real return on their savings and in Western Europe, as the old year gave way to the new, investment in securities did achieve this end.

Expansion in world trade

Expansion in world trade accelerated slightly, reaching just on 5 per cent as compared with the previous year's 4 per cent. The trend was held in check by protectionist attitudes which were expressed less in drastic individual measures than in a growing tendency to more concealed forms of discrimination. This was most obvious in the case of basic products such as steel and man-made fibres which were suffering from a world-wide capacity surplus.

The fact that China has recently proved willing to step up its dealings with the West is a vital development for international trade which has boosted the hopes of suppliers of capital goods, especially since the Comecon countries have cut down on their imports in this field.

A turn for the better

One source of particular satisfaction to us is the more recent trend towards greater monetary stability and a larger degree of market economy on the part of our French neighbours, which strengthens our confidence in the future of Western Europe as a whole. Another reassuring factor is the Americans' gradual realization of the responsibility they bear for the health of the world economy, as evidenced by their monetary decisions of November 1, 1978. The unease increasingly voiced on both sides of the Atlantic at the disincentive effect of punitive taxation and growing government interference must in our opinion also be viewed positively.

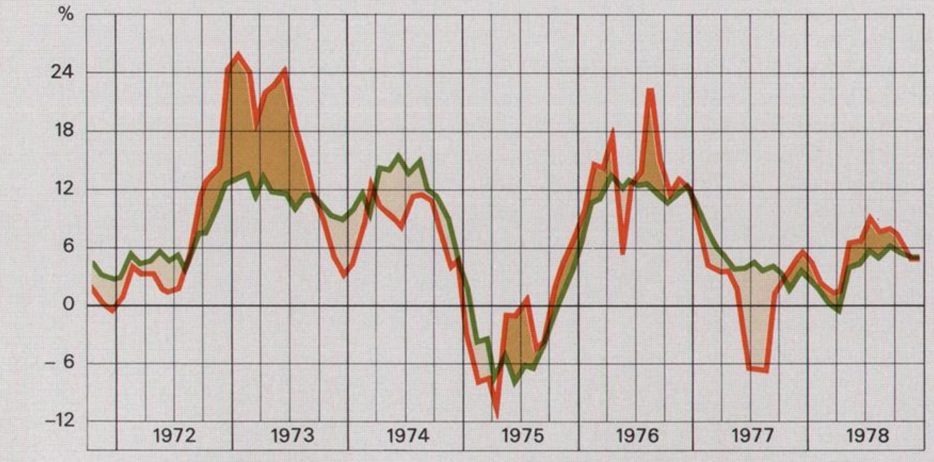
On the other hand, many problems concerned with ensuring reliable supplies of raw materials and energy still remain to be solved, not least in West Germany (see page 19).

It is regrettable, too, that it has not proved possible to conclude on schedule the Tokyo Round talks aimed at reducing trade barriers, and that so far little further progress has been made in the North-South dialogue. It is our hope that those coming together for the fifth UNCTAD conference later this year will have a greater sense of reality than was manifest in previous efforts to devise a "new world economic order".

Need for effective aid to developing countries

The solutions that have been evolved for the problems of the Third World–especially as regards those countries dependent upon energy imports–are still far from satisfactory. And it is in the particular interests of West Germany, with its high degree of involvement in foreign trade, that everything should be done to achieve a world economy based on mutual cooperation and a division of labour. We should not therefore, either now or in the future, oppose an upward trend in the external value of the D-mark which only reflects the overall economic situation, nor should we seek to inhibit the structural changes in German industry that are imposed by the shifting pattern of foreign trade.

West German industry: recovery gaining momentum since the summer



New orders and sales

After slowing down at the beginning of 1978, domestic demand, especially for capital goods, picked up in the course of the year. Foreign business remained more restrained, particularly when taking the "inflation" of overall figures by a number of very large orders into account.

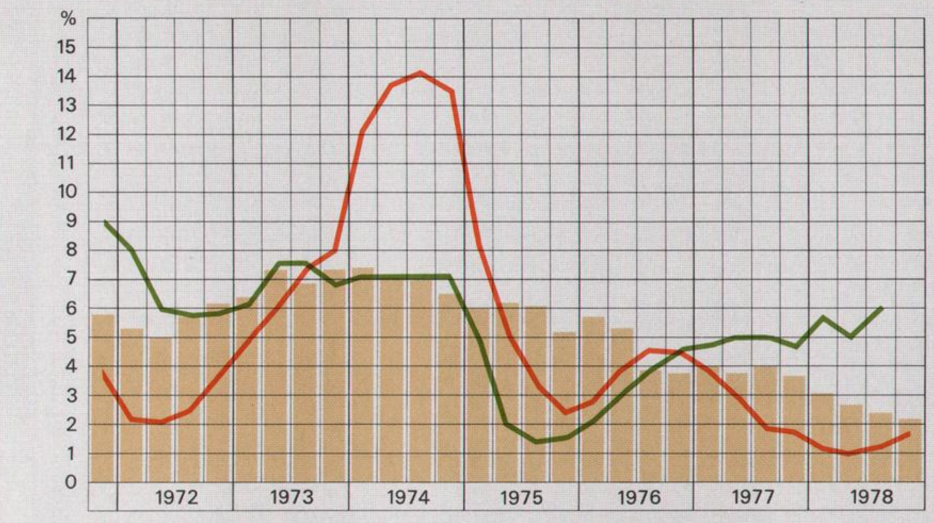
manufacturing industry: (change on year)

new orders

sales

orders in hand, growing

orders in hand, shrinking



Price trends

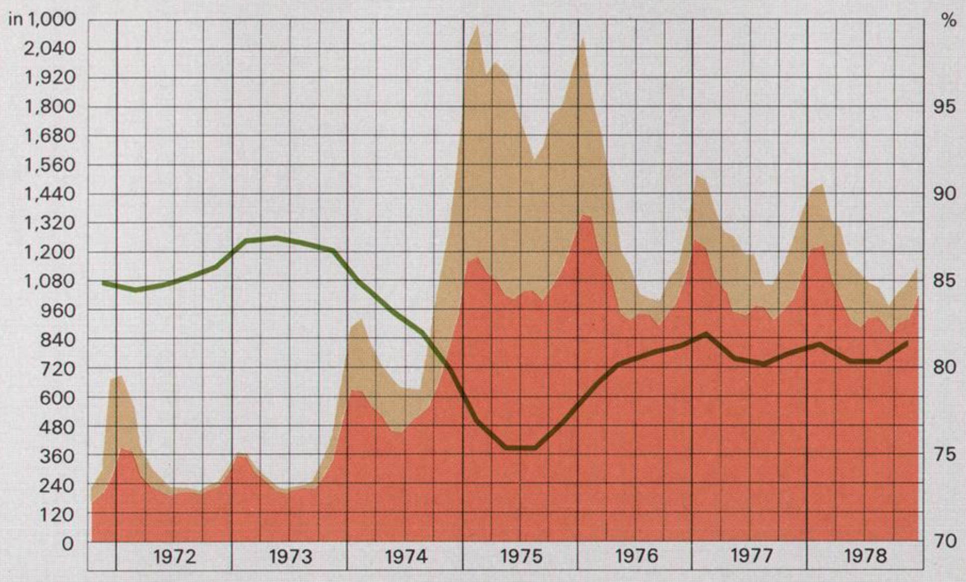
Inflation rates continued to fall in 1978, with the rise in the cost of living coming down to its lowest level since 1969 thanks to decreasing prices of agricultural and imported products. But while there was only a small climb in manufactures' output prices, building costs went up markedly.

change on year:

cost of living

house-building costs

industrial producer prices



Labour market

With the population of working-age growing and aggregate demand for labour up but slightly, there was only a minor reduction in unemployment. Capacity utilization, however, was finally on the increase again owing to the revival in overall economic activity.

persons working short-time, in 1,000

persons unemployed, in 1,000

percentage use of capacity in industry (source: Ifo Institute)

At the same time, we must strive more seriously for effective aid to developing countries, not merely in the sense of more financial help for well-devised and useful projects but of greater assistance with know-how in administration and economic management. The Federal German Government should, however, continue to resist the tendency to confuse development aid and policies aimed at stabilizing commodity markets. Even more important, West Germany must practice free trade with the Third World and act more decisively against protectionist trends wherever they may occur–even when this includes the agricultural and industrial policies of the European Community.

Euromarkets: credits taking the lead

Once again, the year under review brought an expansion of international lending and capital flows. Although Eurobond offerings were fewer, this was merely a reflection of the temporary weakness of the US dollar; the D-mark, on the other hand, was for some time the most popular currency for bond issues.

The overall decline in issuing business was more than made up for by a marked rise in syndicated credits, even though much of this was simply refinancing through which borrowers sought to avail themselves of the more favourable terms the market offered. The abundance of international liquidity, which resulted in a further rapid expansion in the net volume of the Euromarket to a total of nearly US $ 500 bn, caused loan spreads to narrow to a minimum, thus no longer yielding the recompense necessary for the risk involved.

West Germany's contribution to the world economy

In 1978, too, West Germany provided incentives to the world economy through various packages of measures designed to boost business activity and reduce taxation. It did so at the cost of high budget deficits, as well as through the sustained upward trend of the D-mark. The result was that once again the volume of imports grew more than twice as fast as domestic output, pushing the German import ratio–or imports as a percentage of the country's total demand–up by a fifth from 17 to 20 per cent since 1970. Another fact worth mentioning–and by no means the least important–is that German trade and industry again invested more in other countries than was conversely the case.

West Germany: domestic demand a prime growth factor

The economic revival in the Federal Republic which has become more noticeable since last summer is only partly the expression of inherent dynamism. To a great extent, it is the consequence of large, ever-increasing budget deficits. Ultimately, however, it has been possible to put the economy back on a more stable course only thanks to the market's own powers of recovery.

Hopes of a self-sustained upswing bringing with it a lasting reduction in the number of unemployed were nevertheless disappointed in 1978. One of the main reasons for this is in our view the unsatisfactory earnings situation in many sectors of the economy. The causal link between this and excessive wage settlements is something that cannot be ignored, as are the unfavourable after-effects of an appreciating D-mark.

Despite these negative factors, the picture presented by the West German economy as 1979 got under way was much brighter than that of six months previously, when growth expectations had waned to such a degree that the Federal Republic agreed at the Bonn summit to provide further wide-ranging fiscal incentives. As it turned out, however, the gloom of the summer was premature and, after price adjustment, GNP expansion for the year as a whole reached 3.4 per cent, confirming the Govern-

Performance of the German economy (change on year, in %)

	1974	1975	1976	1977	1978¹)
Gross national product, nominal	+7.3	+4.7	+9.2	+6.3	+ 7.4
Gross national product, real	+0.4	−2.0	+5.7	+2.6	+ 3.4
Capital spending, nominal	−4.0	−0.9	+8.4	+7.6	+11.0
Disposable income	+8.8	+9.7	+6.2	+5.9	+ 6.5ᵉ)
Cost of living²)	+7.0	+6.0	+4.5	+3.9	+ 2.6

¹) provisional; ²) index for all private households; ᵉ) estimated.

ment's optimism at the beginning of 1978. Expressed in current prices, the national product rose from DM 1,199 bn to DM 1,287 bn.

Industry lags behind

Not until the second half of the year did industry make any noteworthy contribution to the growth of the German economy and total output for 1978 went up by no more than roughly 3 per cent, only slightly outdoing the previous year's performance. This situation combined with the marked differences from one branch of the economy to another that had already characterized 1977. As before, the healthiest progress was made by the data processing and office machinery sectors, in both cases reflecting manufacturers' intensive concern with rationalization. The situation was also gratifying in the motor industry, now enjoying its fourth boom year. The high output of 1977, when car production topped 4 million for the first time ever, was matched despite shortfalls due to strikes. On the other hand, the basic and consumer goods industries–those hardest hit by the changed foreign trade situation–found recovery slow.

The building and construction sector proved one of the driving forces behind the domestic economy. Although it has not yet equalled its peak output of 1972/73, the cutbacks forced upon it during the preceding recession mean that capacity is now frequently insufficient, and this in turn has produced a leap in building costs. Much of the higher demand stemmed from people's desire to own their own home, as also from the Government's specific spending programmes. There was even some revival in building for renting, the branch of construction activity most sensitive to interest rate movements. Now that the many previously empty dwellings have largely been filled and building permits granted are again exceeding 400,000 p.a., the housing industry at least may be expected to enjoy continuing prosperity. This favourable situation is enhanced by the stimulus afforded by active modernization of the older housing stock, encouraged by government grants. On the other hand, building land is in short supply. In our opinion, the scarcity of suitable sites with development approval, particularly for residential purposes, is a significant factor in the rise in construction costs.

The further marked increase in capital spending on machinery and equipment, though in part a consequence of expansion, in the main reflected the need to replace outdated plant that had built up over the years. Such modernization and rationalization tended to be more frequent in the service sector than in manufacturing. The economy generally has thus clearly moved out of the investment trough that lasted for a number of years.

More stable prices ...

The already brisk competition in German industry and commerce was made even keener by imported products. This had the effect of keeping down prices which, despite the higher rate of value-added tax introduced at the start of 1978, rose less than in the eight preceding years. Thanks chiefly to excellent crops, the annual increase in the cost of living fell to just over 2 per cent in the autumn of the year under review.

... fail to hold wages

Despite the appreciable reduction in taxes on earned income in 1978, there was little sign of a slowdown in wage costs, with the result that the recovery in profits hoped for after the preceding year's pronounced decline failed to materialize to the anticipated extent. Although a slight improvement in capacity utilization acted as somewhat of a damper on industrial prices, the effect on earnings generally was little more than minimal. That they were better at all was in our opinion mostly due to lower raw material prices.

More successful would seem to be the record of the service industries which, accounting as they do for 37 per cent of West Germany's GNP,

Performance of German industry (change on year, in %)

	1974	1975	1976	1977[1]	1978[1]
Output	– 2.0	–6.2	+6.9	+2.7	+2.9[2]
Employees	– 2.4	–6.4	–2.7	–0.9	–0.6[e]
Wages and salaries, per capita	+11.5	+7.5	+8.4	+6.9	+6.2[e]
Productivity[3]	+ 2.2	+2.6	+8.7	+4.9	+2.8[e]

[1]) owing to changes in statistical collection techniques, 1977 and 1978 figures are not fully comparable with those of preceding years; [2]) provisional; [3]) output per man-hour, seasonally adjusted; [e]) estimated.

now carry equal weight in the economy with the manufacturing sector but are less exposed to foreign competition. This applies particularly to the retail trade which gained a slightly larger slice of growing consumer spending than in previous years.

Still no recovery in equity ratios

The extent to which German industry's ability to compete on international markets has been impaired by the combination of spiralling wage costs and an appreciating D-mark is revealed by a long-term comparison: while labour costs in the United States have risen by about 50 per cent since 1970, German firms competing in dollar markets have to reckon with wage and additional labour costs which have shot up three times as fast–by 150 per cent–over the same period.

It is, therefore, hardly surprising that the steady pressure on profit margins has taken a heavy toll in terms of company finances. Despite the low level of investment over several years, throughout many sectors of the German economy equity ratios have if anything continued to shrink, the average for all companies falling from 30 to 23 per cent of balance sheet total between 1967 and 1977. At the same time, businesses have made growing use of the good possibilities offered for longer-term borrowing.

Unemployment helped little by overall situation

1978 brought a per capita increase of 5.4 per cent in wages and salaries, with the purchasing power of those in employment up by a respectable 4 per cent in real terms thanks to the slower rise in prices and a variety of tax cuts. Instead of going for high nominal wage settlements, unions concentrated their efforts on protecting workers from the consequences of rationalization. In view of the fact that since mid-1978, the amended German Codetermination Act has given employees a greater say on the supervisory boards of all the larger concerns, the unwillingness to compromise that has characterized certain industrial disputes came as something of a shock. This stiffening of attitudes on the wages front is hardly in accord with the general job situation.

Just because last year saw the average number of registered jobless fall below the one million mark for the first time since 1974, it would be premature to think that a permanent solution has been found to the unemployment problem. The situation generally has remained gloomy. Although the total population has declined, the number of those of working age will go up by some 1.8 million by 1985. However, it is now more than ever important that we should not fail to see the trees for the wood. There is an apparent paradox in the fact that a shortage of skilled workers in many regions goes hand in hand with a hard core of jobless that is if anything further expanding. Among the "problem groups" who have particular difficulty in finding jobs, the number of unemployed university graduates has risen; of these, every third person has so far been denied the opportunity to start a career.

Cutting working time: rigid solutions should be avoided

Fears aroused by unemployment have resulted in a call for cuts in working time. Since, however, there are clear indications that the situation will undergo a radical change by the second half of the eighties and that the number of those of working age will steadily decrease, it would be unwise to adopt any irrevocable solution. Indeed, this alone would seem to argue in favour of reducing an individual's working life rather than of the rash introduction of a general 35-hour week. Again, almost the only effect of any shortening of the working week would be to raise costs and do little to help employment, while earlier retirement, which many older workers would probably welcome, would make jobs available for younger people.

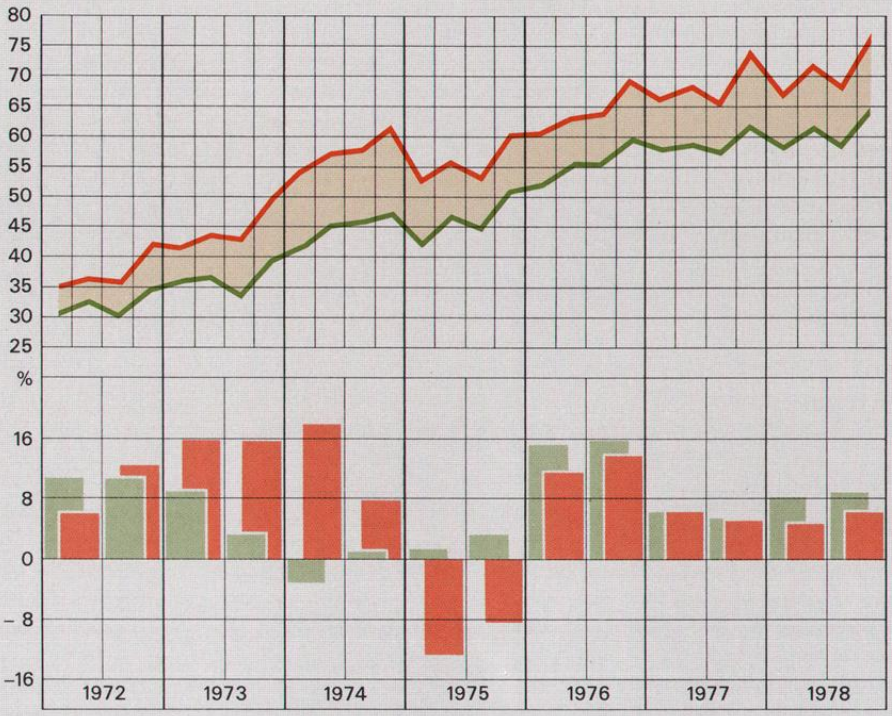
After several years during which income differentials have gradually been eroded, partly thanks to union demands for lump-sum minimum increases, we feel that a restoration of wage scales permitting rewards to reflect efficiency and skill to a greater extent is desirable. One effect this should have is to stimulate ambition and serve as an incentive to further training.

Progress in structural adaptation

The steady appreciation of the D-mark since 1973, which at times has been much stronger than international price differentials would have justified, has contributed to the speed of structural adaptation and selection in the business sector. The considerable flexibility in German companies' planning and management ensured the continuation of the restructuring process in the year under review.

Private enterprise demonstrated a greater degree of efficiency and resilience. The running down of workforces, which had to be their first reaction to spiralling costs and sluggish de-

West German foreign trade: stronger growth in 1978



Exports and imports

quarterly figures:
(in DM bn)

exports

imports

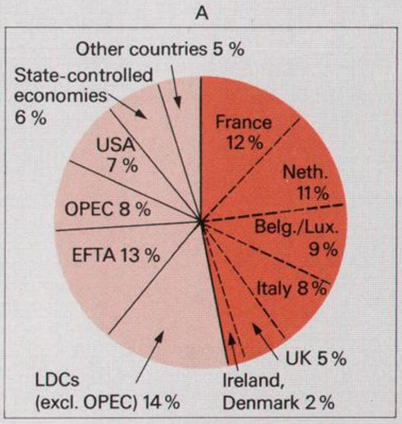
export surplus

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

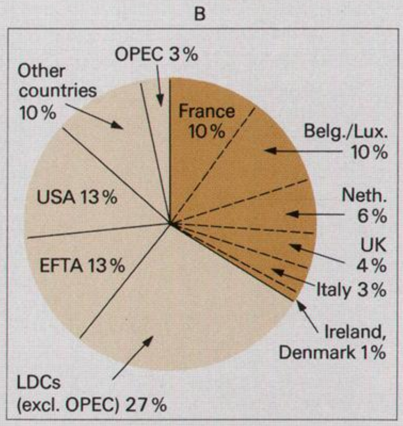
volume of exports

volume of imports

A



B



A: Regional breakdown of West Germany's foreign trade in 1978

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-1978)

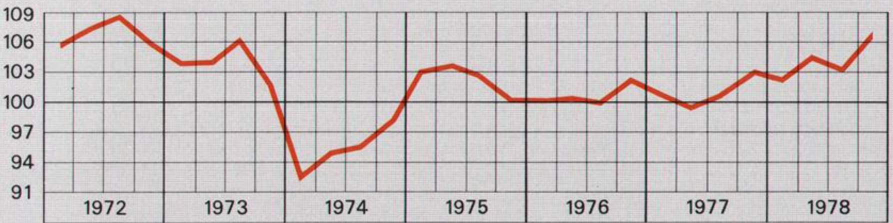
share of EEC: 34 %

Exports to	
USA	+ 12 %
State-controlled economies	+ 8 %
EEC (excl. W. Germany)	+ 6 %
OPEC	+ 1 %
EFTA	± 0 %
Less developed countries (excl. OPEC)	± 0 %
Other countries	+ 8 %

Imports from	
EFTA	+ 20 %
State-controlled economies	+ 12 %
EEC (excl. W. Germany)	+ 6 %
Less developed coutries (excl. OPEC)	+ 2 %
USA	+ 1 %
OPEC	– 18 %
Other countries	± 0 %

Changes in foreign trade by region (1978 on 1977)

While the strongest growth in exports was to the USA and the EEC countries, the most pronounced rise in imports was from the EFTA area.



Terms of trade

average export values as percentage of average import values (1970 = 100) mand, came to an end. And the number of insolvencies, which had risen steadily for several years, finally started to decline.

The total of those working in German industry would seem to have stabilized at 7.2 million, as compared with a peak of 8.7 million in 1970. After dropping by about a million over the last five years of difficulty for the economy, the overall number of employed in West Germany now stands at some 21.5 million. The fall has been spread almost equally between German and foreign workers. The growing movement of labour out of the structurally weak sectors of the economy into areas with better prospects is one we see as positive.

Most small and medium-size enterprises have shown considerable flexibility in adjusting to changed conditions, and when their finances were sound, the process tended to be a rapid one. We are gratified to see that the Government has followed its fine words in praise of small businesses by concrete action in the form of incentives for research and development work which include smaller companies and–even more important–by gradually eliminating taxes unrelated to earnings which have been undermining the existence of many such firms.

Energy policy a constant problem

One of the long-term problems which West Germany, too, failed to solve was that of future energy supplies. In fact quite the contrary was the case, and despite increasing deliveries from the North Sea, oil supplies proved to be highly vulnerable. In the case of nuclear energy, the question of how best to dispose of waste has continued to be a serious difficulty–and one that requires speedy solution because of the fifteen nuclear power stations already in operation in West Germany which provide almost one-eighth of the country's electricity consumption. It must be feared that by the mid-eighties at the latest, the decline in the Federal Republic's energy-generating potential will hamper economic growth, revealing the shortsightedness of all those politicians who, instead of properly informing the public and taking such action as is necessary, have joined forces with those who, either out of ignorance or sheer ill will, seek to impede the creation of a broad basis for power supplies.

Further strong growth in imports

Because of the D-mark appreciation, the value of German exports rose in 1978 to reach 12 per cent of world trade, thus for the first time almost equalling those of the United States. Although in real terms export growth again failed to match that of imports, the improvement in the terms of trade which was largely the result of lower import prices meant that the export surplus of the Federal Republic was the second-highest ever.

Once again, imports of capital goods grew at an above-average rate. Over the last twenty years, finished products as a proportion of total German imports–now 40 per cent–have almost doubled, the steady trend being only temporarily interrupted by the effects of the oil price hike. In the meantime, however, the upward movement of the D-mark together with a more careful use of energy have substantially pruned the share of oil in the overall import volume, and despite a six-fold increase in the dollar price of crude oil between 1972 and 1978, West Germany's oil bill has only tripled.

Breakdown of West Germany's balance of payments (in DM m)

	1975	1976	1977	1978
Current account[1])	+ 9,801	+9,690	+ 8,583	+16,194
Long-term capital transactions	−16,831	− 317	−12,876	− 1,872
Basic balance	− 7,030	+9,373	− 4,293	+14,322
Short-term capital transactions of banking sector[2])	− 2,261	+6,731	+ 8,855	+11,282
Other short-term capital transactions[3])	+ 7,071	−7,314	+ 5,888	− 5,833
Special factors[4])	+ 5,480	−7,489	− 7,880	− 7,586
Official foreign exchange balance[5])	+ 3,260	+1,301	+ 2,570	+12,185

[1]) balances of trade, services, and transfer payments taken together; [2]) change on previous year; plus signs symbolize increases in net short-term foreign liabilities; [3]) including unclassifiable transactions; [4]) compensatory amounts for losses and gains resulting from reassessment of official gold holdings and other monetary reserves; [5]) changes in Bundesbank's net external assets.

West Germany's external payments in 1978: surplus increased by capital imports

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

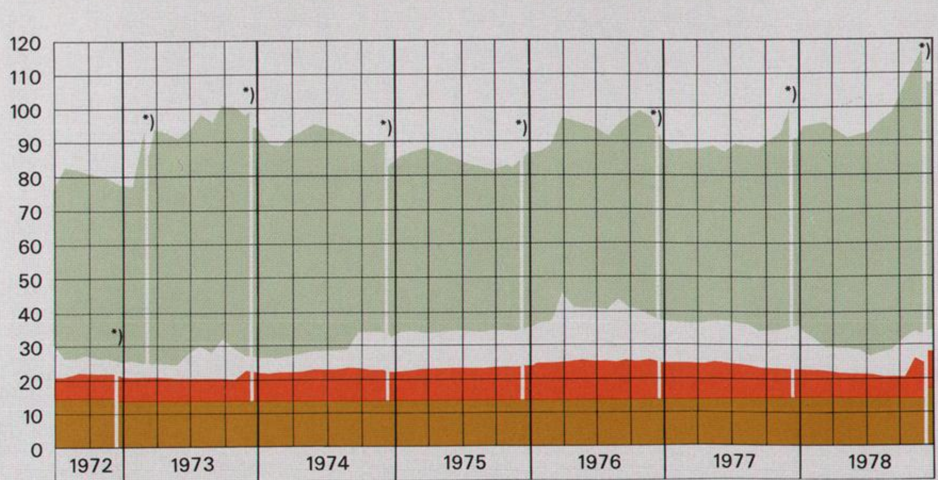
A: visible trade
B: services
C: transfer payments
D: current account (total, A to C)
E: long-term capital transactions (incl. direct investments)
F: short-term capital transactions (incl. unclassifiable transactions)

Direct investments
(in DM bn)

	1968	1978
aggregate German investments abroad	14.3	54.9
incl.: in USA	1.2	7.4
aggregate foreign investments in West Germany	16.8	50.6
incl.: from USA	8.1	19.3

new West German investments abroad

new foreign investments in West Germany



West German monetary reserves
(foreign position as shown by the Bundesbank, gross figures in DM bn)

US dollar reserves
other foreign exchange reserves
special drawing rights and reserve position with IMF
gold

*) reassessment of monetary reserves

As in the case of imports, much of the rise in exports was accounted for by trade with the industrialized countries, with sales to the United Kingdom and Japan up by approximately a sixth. However, owing to the considerable upturn in imports, from neighbouring European countries especially, Federal Germany's export surplus with the industrialized nations generally remained practically unchanged. That with the OPEC countries, by contrast, rose sharply to more than DM 5 bn, mainly due to lower German imports, while the Comecon countries again succeeded in reducing their–still high–deficits vis-a-vis this country.

West Germany's contribution to the world economy was further enhanced in 1978 by its traditional deficit on the invisibles account. The Federal Republic is the world's largest importer of invisibles–chiefly because of the substantial amounts spent abroad by German tourists, but also because of the money sent home by foreign workers and the increasing German contributions to international bodies. Overall, the balance on current account showed considerable improvement on 1977, particularly since the figure then was burdened by some DM 2 bn of additional dividend payments of German subsidiaries to parent companies abroad.

Higher inflow of funds

The surplus on current account was not offset by capital exports. On the contrary, the fact that there was a large influx of short-term funds in 1978 meant that the pronounced differences in interest rate levels were outweighed by the uncertain foreign exchange situation. Capital inflows for the most part tended to be investments by foreign financial institutions with German banks. By contrast, the latter's substantial non-domestic lending business bears little influence on West Germany's balance of payments since it is generally channelled through their branches and subsidiaries abroad. In long-term capital transactions, dealings in securities were more or less in balance, whereas in the case of direct investments, new commitments abroad by German companies were once more higher than those of foreign firms in this country (see chart on opposite page).

Official monetary reserves written down

The surplus on West Germany's overall balance of payments, which rose to DM 20 bn, was again not fully reflected in the growth of the Bundesbank's foreign currency holdings, since the dollar slump from DM 2.11 at end-1977 to DM 1.83 at end-1978 meant that they had to be revised downwards by DM 10 bn, the biggest annual write-down so far. This brings the loss in value of the country's currency reserves since 1969 to almost DM 50 bn.

The 1978 decline was largely made up for by net foreign earnings of DM 4.5 bn on the part of the Bundesbank, as also the writing up of official gold holdings to their original acquisition prices, producing a book profit of DM 3 bn. Gold reserves are now valued at slightly over DM 17 bn, representing an average price of slightly more than US $ 78/oz equivalent.

During the last few weeks of 1978, West Germany's official monetary reserves temporarily just topped the DM 100 bn mark.

Monetary policy hampered by dollar problem

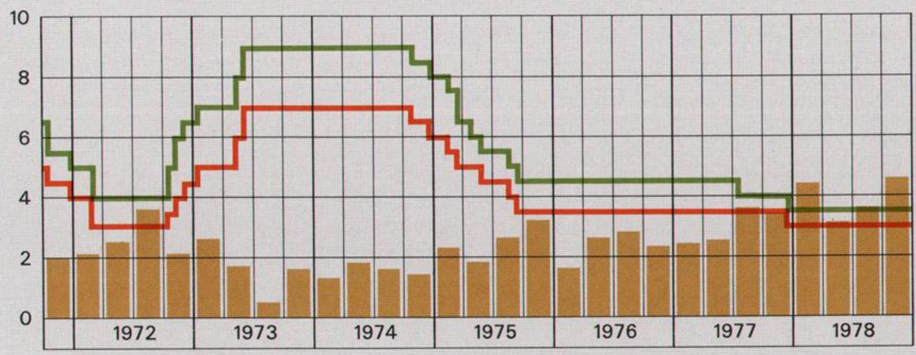
The troubled foreign exchange markets again put unexpected difficulties in the way of monetary policy. This is particularly true of the last four months of 1978 which saw a high inflow of foreign funds, after a temporary recovery of the dollar in the spring had caused funds to be withdrawn.

The fluctuations in the value of the American currency thus left an even more noticeable mark than in previous years on the German monetary scene, and especially on the long-term capital market. Experience shows that whenever the dollar strengthened, capital was moved to the United States, and as soon as it fell again, funds were reinvested in the Federal Republic.

The slow rate of recovery of the German economy combined with a further slowdown in inflation enabled the Bundesbank to tolerate some at least of the upsurge in liquidity deriving from its currency interventions. Only after the massive influxes in the autumn did it feel obliged to siphon off more of the surplus funds. Then, within a few months–namely between early October 1978 and early February of this year–it succeeded in tying down DM 17 bn of actual or potential bank liquidity, mostly by means of direct restrictions but also by the sale of mobilization (or special open-market intervention) paper. The placement in the German market of the first tranche of what have become known as "Carter notes" had the immediate effect of drawing off a further DM 2 bn of liquid funds.

On the other hand, when long-term interest rates rose in the summer, the Bundesbank

German financial markets:
after reaching low, interest rates started climbing again



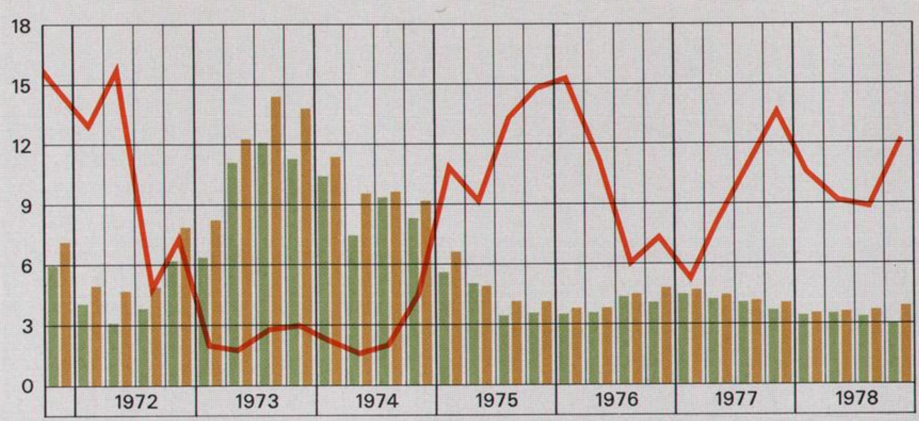
Short-term monetary policies

Although overall liquidity management was impeded by high currency inflows, the slow recovery of the economy together with the low level of prices enabled the Bundesbank to tolerate abundant corporate funds.

discount rate

lombard rate

growth in central bank money stock (seasonally adjusted, in DM bn)



Money markets

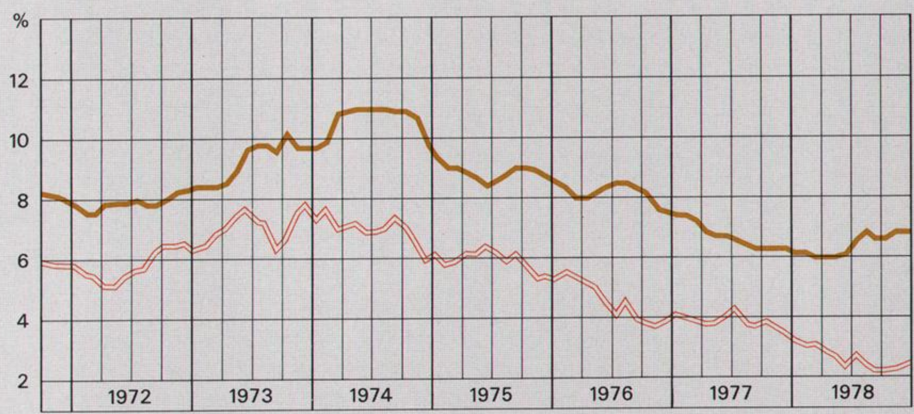
On the other hand, the Bundesbank succeeded in keeping bank liquidity tight, as was shown by short-term money rates fluctuating mostly around the lombard level.

quarterly averages:

call money (in %)

three-month deposits (in %)

free liquidity reserves (in DM bn)

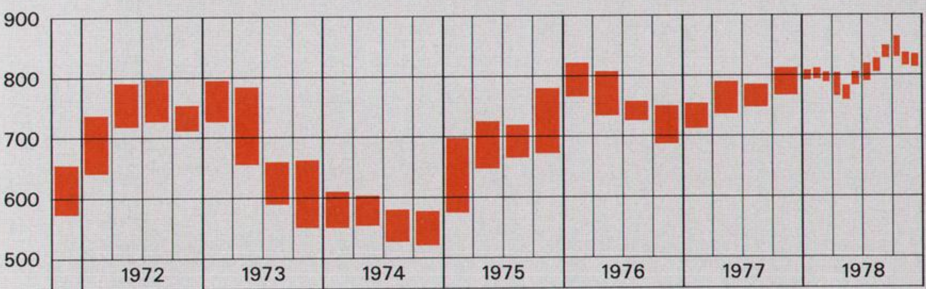


Long-term bond yields and cost of living

In the spring, concern for the Government's exerting undue strain on the capital market was decisive in causing interest rates to turn. Interest earned on investments rose to over 4% in real terms.

current yields of domestic bonds

cost of living



Stock market

Hopes for business activity to pick up increasingly made for a generally friendly mood on the stock exchange.

Commerzbank index, quarterly/monthly highs and lows (Dec 1953 = 100) countered a tendency which cyclically was clearly undesirable by purchasing Federal bonds to the value of DM 4 bn on the open market. While this duly had the effect of preventing excessive fluctuations in interest rates, it could not–and indeed was not intended to–provoke a reversal in their general trend.

Short-term interest rates, by contrast, varied only slightly, with the rate for call money mostly keeping close to that for lombard borrowing. Thus the money market maintained a stable, if anything somewhat strained climate which contrasted with the situation of high liquidity prevailing in trade and industry. We see this as evidence that even under the difficult conditions of 1978 the Bundesbank retained control over the banks' free liquidity reserves, its task being rendered easier by a certain "draining away" of imported funds into cash holdings and minimum reserves.

Money supply target under discussion

Once again it proved impossible to keep within the target limit the Bundesbank had set for monetary growth. Instead of the hoped-for average of 8 per cent for the year, expansion of the central bank money stock reached 11.5 per cent in 1978. The other, less problematical yard-sticks for measuring the money supply showed a similarly sharp rise, particularly in the last quarter of 1978.

Such expansion was the result not merely of the flood of foreign money entering the country but also of the sudden increase in borrowing. Another factor was a certain change of attitude on the part of private enterprise. Thus, whereas formerly the tendency was to keep long-term indebtedness to a minimum and to meet any sudden need for funds by short-term measures such as the discounting of bills of exchange, the effect of lower interest rates has been to make longer-term borrowing a more attractive proposition of which firms have taken full advantage. Consequently, any temporary surplus liquidity now finds its way into term deposits and, indeed, companies' balances on such accounts have in recent years risen more rapidly than has their borrowing. The trend for deposit accounts to grow was helped in 1978 by a stronger preference on the part of individual investors to hold part of their funds ready in cash in expectation of higher long-term interest rates. A further contributing factor was an unexpectedly sharp rise in the amount of money in circulation.

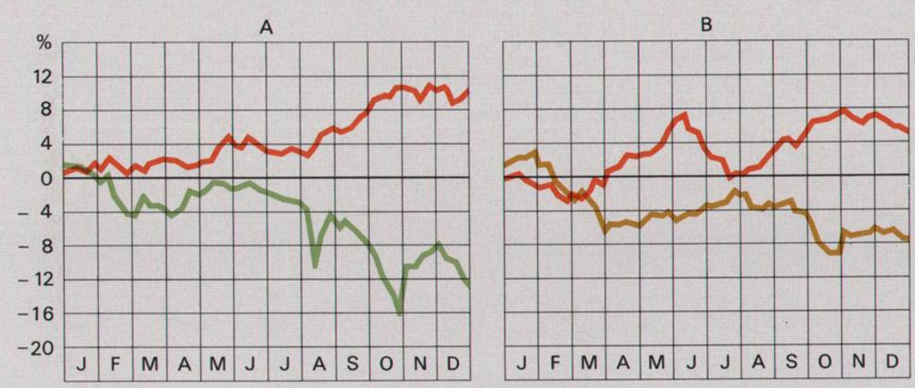
It has now become generally clear that the link between the money supply on the one hand and the performance of the economy and prices on the other is by no means so close as monetarist theories would have it. With monetary growth once more exceeding the set limit in 1978, even more voices were raised against the publishing of such targets, something which Switzerland has already abandoned. None the less, the Bundesbank decided to make such an announcement again this year in order to demonstrate its desire, even in the difficult circumstances which will result from the implementation of the European Monetary System, to adhere to a policy which watches trends in the money supply. The target for monetary growth in 1979 was for the first time given as a range to permit the Bundesbank to take account of unforeseeable developments, especially in what concerns the D-mark exchange rate. It would, however, be mistaken to assume that, because the target has been announced in this form, it is intended to be less binding than

German domestic bank lending

	at short and medium term			at long term (4 years or more)		
Bank lending[1]) to:	1977 on 1976 in DM bn	1978 on 1977 in DM bn	1978 on 1977 in %	1977 on 1976 in DM bn	1978 on 1977 in DM bn	1978 on 1977 in %
Manufacturing industry	+ 2.7	+ 0.7	+ 1	+ 3.2	+ 2.7	+ 6
Other businesses[2])	+ 3.1	+ 9.5	+ 8	+17.0	+19.8	+11
Persons without independent means	+ 6.4	+ 7.1	+13	+ 5.7	+ 8.6	+34
House-builders	+ 4.3	+ 3.5	+12	+24.8	+36.1	+13
Public authorities	– 2.6	+ 4.1	+16	+19.0	+27.1	+16
Domestic non-banks, total[3])	+14.1	+25.0	+ 8	+70.0	+94.6	+13

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

International markets: further appreciation of D-mark



Commodity prices and DM exchange rates in 1978

A: New York

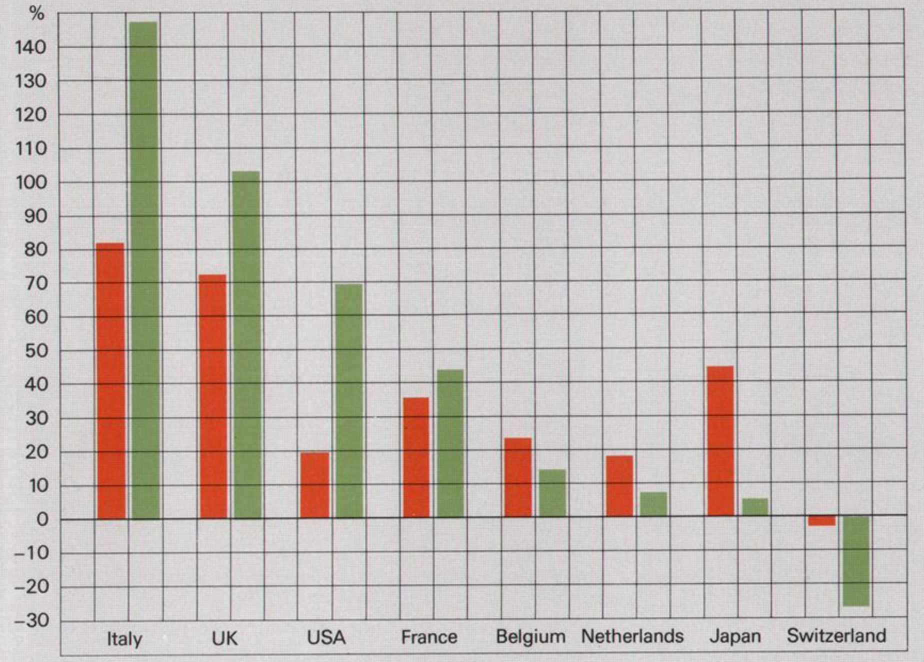
Moody's index

DM/US $ exchange rate

B: London

Reuter's index

DM/£ exchange rate

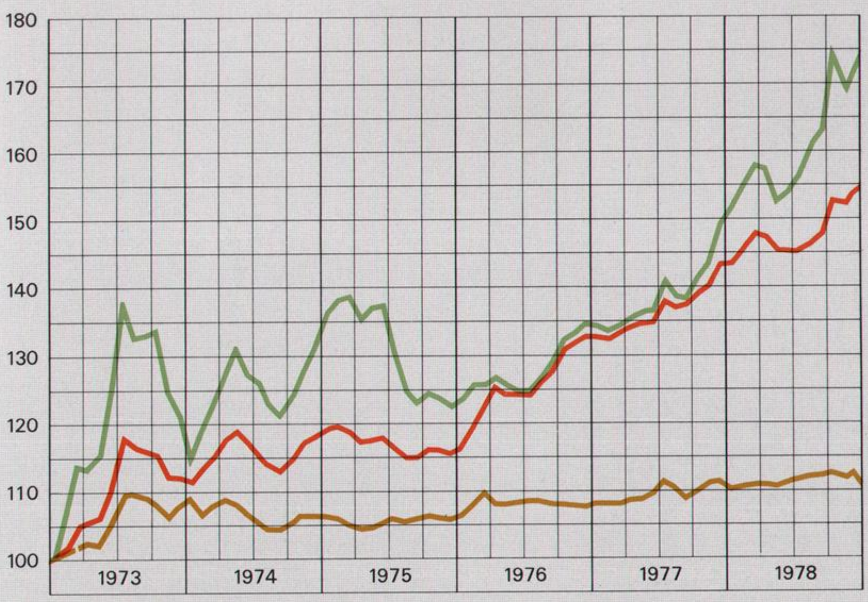


Selected countries' inflation and foreign exchange rates
(as compared with West Germany)

In recent years, the D-mark has often appreciated more than price differences would have justified (e. g. in Italy, the UK, and the US), while the opposite was true as regards the other "snake" countries, Japan, and Switzerland, where the German currency depreciated in real terms.

changes, end-1978 on end-1972:

- increase in cost of living as compared with West Germany (rise there: 33 %)
- revaluation of D-mark against national currency



Performance of the D-mark from 1972 to 1978

against US $

against 22 of West Germany's most important trading partners

against the jointly floating currencies ("snake")

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

Dec 21, 1971	3.2225
Feb 14, 1973	2.9003
July 9, 1973	2.2853 (h)
Jan 8, 1974	2.8790 (l)
Mar 3, 1975	2.2785 (h)
Dec 16, 1975	2.6385 (l)
Dec 29, 1977	2.1018 (h)
Jan 9, 1978	2.1503 (l)
Oct 30, 1978	1.7285 (h)

would be a single figure; the truth is very probably the contrary.

We are still left with the dilemma of how to reconcile the demands made on monetary strategy by the differing needs of domestic and external policies. This will require considerable skill on the part of the Bundesbank, particularly when it comes to the calculated use of interest rates.

Marked differences in credit demand persist

1978 brought with it a greater demand for credit and, for the first time, new lending to domestic borrowers topped the DM 100 bn mark. Even so, imbalances in credit business persisted. Whilst private households and government authorities had much greater recourse to borrowing than the year before and demand for house-building finance even exceeded its 1973 record level, industry again showed little desire to avail itself of the funds offered by the banks. However, direct borrowing from the banks was to a limited extent replaced by leasing as a form of finance, with this tendency rapidly gaining momentum.

Between 1974 and 1978, industrial borrowing from domestic sources only rose by 6 per cent, whereas that of the public sector doubled and private borrowing shot up by more than 90 per cent. The intensive involvement of the German banks in the financing of government spending, combined with their willingness to offer their private customers loans at attractive rates of interest, has played an important role in stabilizing the country's economy after the oil crisis. None the less, the banks would have preferred to provide the funds for more industrial investment, thus ensuring sustained economic expansion.

Emphasis still on long-term lending

As in 1977, a good four-fifths of new lending to domestic borrowers was for periods of four years or more–an indication that the pattern of borrowing in West Germany has changed considerably since interest rates peaked in 1973/74. Whereas then 24 per cent of all credits were at short and 12 per cent at medium term–i.e. for periods of more than one, but less than four years–these figures have now changed to 18 and 11 per cent, respectively. Conversely, long-term loans have increased their share in total lending from 64 to 71 per cent, with a clear emphasis on advances for periods of up to ten years. Trade and industry made full use of the opportunities offered for refinancing their debts.

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

	change on year, in DM bn			variation in change	
Yearly savings volume	1976	1977	1978	1977 on 1976	1978 on 1977
Savings deposits[1])	34.3	26.3	29.0	− 24%	+10%
Federal and other savings bonds	15.1	20.9	13.1	+ 39%	−38%
Deposits with building and loan associations	7.2	6.5	5.9	− 10%	− 9%
Life assurance premiums[2])	16.5	15.9	12.6[7])	− 4%	+ 5%[8])
Bond purchases (net)[3])					
a) domestic bonds	46.6	42.3	32.8	− 9%	−22%
b) foreign bonds	1.4	4.5	3.5	+236%	−22%
Share purchases on stock exchange					
a) domestic shares[4])	0.7	−0.0	0.1	—	—
b) foreign shares[5])	−0.4	0.9	0.7	—	−25%
Investment saving					
a) securities funds[6])	4.3	7.3	5.8	+ 72%	−22%
b) open-end property funds	0.2	0.3	0.5	+ 21%	+75%

[1]) institutions reporting monthly; including interest credited; [2]) increase in assets of life assurance companies and pension funds; [3]) at market prices; excluding Bundesbank open-market transactions; [4]) cash proceeds, according to Commerzbank's issue statistics, less portfolio investments by foreigners; [5]) portfolio investments only; [6]) investment funds for small investors only; [7]) Jan 1 to Sept 30, 1978; [8]) end-Sept, 12-month comparison.

Bond yield reversal at early stage of business cycle

A rise in disposable income together with an almost unchanged savings ratio produced a greater volume of savings in 1978, while the overall demand for finance was not such as to justify fears of funds becoming scarce. The capital market was nevertheless somewhat disturbed by the growing budget deficits.

Whereas early on in 1978, falling interest rates lent buoyancy to the German bond market, the horizon soon became clouded by uncertainty, and investors took the safer option of increasingly depositing their funds with the banks. The result was a greater growth than in 1977 in both time and savings deposits of firms and individuals, who at the same time reduced their purchases of securities. Since banks and institutional investors also pursued more cautious investment policies, the volume of bonds outstanding fell short of the 1977 record level. Even so, the accumulation of redemptions due and the consequent need for follow-on finance meant that the gross volume of new issues reached a new high–a situation which is also to be reckoned with in 1979.

Real yield high

Bond yields as calculated on all domestic paper in circulation with a remaining life of more than four years had as early as 1977 steadily declined from 7.5 to 6.2 per cent and bottomed out at just under 6 per cent between late February and mid-April 1978. They then began to recover and by mid-February 1979 had reached 7.2 per cent, bringing a return of about 4 per cent in real terms. At the same time, hopes of higher coupons have made investors reluctant to commit themselves at the longer end of the market.

Shares take over from bonds

Even more than in previous years, bond issues were dominated by those of the Federal Government and the public sector generally. While there was not a single case of companies seeking to raise funds through debentures, they did increasingly resort to new share issues.

This is an indication of the stimulating effect of the preceding year's amendment of the German Corporation Tax Act on share issuing. In our view, this trend is likely to continue as more companies realize the benefits of paying rather high dividends now so as to be able to count on their shareholders' loyalty when further funds are needed later. We do, however, regard as a serious shortcoming the fact that the discrimination against German foundations and shareholders abroad which has resulted from the corporation tax reform has not yet been done away with. We also feel that Section 39 of the German Corporation Tax Act, which puts obstacles in the way of the repatriation of foreign-held German shares, should urgently be revised.

Once again, we have looked in detail at trends in the German share and bond markets in our separate "Stock Market Round-up" booklet, the thirtieth edition of which was published at the end of 1978. Commerzbank's own activities in issuing and stock market business are discussed on pages 47 to 49 of this Report.

The limits of fiscal policy

In the year under review, the Federal German Government endeavoured increasingly to spur on the flagging economy with fiscal measures. However, doubts as to the good timing of such incentives have grown. If any further proof were needed of the counter-cyclical time-lags involved, 1978 provided it.

Public sector budget deficits or surpluses (in DM bn)

	1974	1975	1976	1977	1978[e])
Federal Government[1])	– 9.9	–34.7	–28.5	–21.7	–26
Länder governments	– 8.8	–19.7	–15.3	– 8.2	–12
Municipal authorities	– 9.6	–10.9	– 3.8	– 2.2	– 2
Total[2])	–28.3	–65.4	–47.6	–32.1	–40
Public pension funds	+ 5.4	+ 0.6	– 6.0	– 9.6	– 6

[1]) including Equalization of Burdens Fund and ERP Special Fund; [2]) as recorded in official financial statistics; [e]) estimated.

When things looked gloomy in the summer of 1978, it was decided to raise the following year's aggregate public-sector budget deficit by DM 13 bn. These funds are now being spent at a time when overall demand has returned to satisfactory levels. The negative effect of this policy on interest rates has already been referred to (see page 26). The paradox is particularly striking in that the Government is still happily pump-priming while the central bank, fearing that the economy might gain momentum too fast, has already started to apply the brakes.

Investment fall halted

Despite the reservations we have expressed, there can be no doubt that fiscal policy is indispensable in steering the economy. It should, however, be utilized more to influence the pattern of public expenditure, particularly that of local authorities which tend to be much more flexible here than the Federal Government. It was a definite error of economic policy to restrict capital spending by the public sector just at a time when private business was proving reluctant to invest; yet for three years the former fell short of its 1974 level. Although this decline has now been halted, the figure is still little more than 11 per cent of total government spending–far less than in the sixties, when it constantly averaged more than 15 per cent. And now there is the further risk that as the major programmes of stimulative measures gradually peter out, investment's share of total government spending will contract even more while the public sector's personnel and social security expenditure goes on rising.

Public indebtedness doubled within four years

The total indebtedness of the public sector now stands at more than DM 370 bn–twice the figure at end-1974. In four short years, therefore, the increase has been the same as over the previous quarter century. Debts accumulated by the Federal Government alone are two and a half times their figure of only four years ago, the situation being further aggravated by the fact that since 1975 there has been a rapid decrease in the assets of public pension insurance funds–formerly a source tapped by the financial markets.

A goodly part of the swelling deficits must be attributed to the trend towards the welfare state, with each economic cycle bringing a further deterioration in public-sector finances. And whereas–thanks chiefly to the build-up of assets by the public pension insurance funds–up until the mid-sixties the overall budget was generally in surplus, we have now grown accustomed to annual deficits of a minimum of 3 per cent of GNP. This is a high level even by international standards, and 1979 will probably bring another rise to 3.5 per cent.

What is particularly worrying, however, is the rapidity with which new debt is accumulating and the negative consequences this may have for the economy as a whole, where capital flows have undergone abrupt changes and excessive demands are being made on the capital market.

Thought for the next generation

The return to a more balanced public-sector budget is not only highly desirable in the interests of the capital market, but also because of the need to limit the tax burden for the coming generation. The trend towards a further decline of the West German population will in any case place a heavier load on the shoulders of those called upon to provide pensions for the sick and retired.

The fact that public-sector borrowing is coming up against its limits is also important when planning future budget policies. The Federal budget, in particular, has retained little flexibility over the years, with most spending items laid down by law or dictated by other obligations. And care must be taken that any room for manoeuvre still remaining is not entirely taken up with debt servicing. Even in the current year, interest payments will consume almost 8 per cent of the Federal Government's fiscal revenue and it is not hard to foresee that this figure will be exceeding 10 per cent by, at best, 1983.

With taxes and social levies already representing 40 per cent of West Germany's GNP, any efforts to put government finances on a healthier footing must start with the question of expenditure.

Foreign exchange markets struggle for new equilibrium

Once again, the weakness of the US dollar left its mark on the international monetary scene. The foreign exchange markets only achieved some degree of calm after the US Government had, through the measures announced on November 1, 1978, finally shown its readiness to accept responsibility for the world economy, thereby reflecting a change in its assessment of the consequences of the dollar slide. Whereas for a long time the Carter Administration regarded the slump only as a problem for America's trading partners or even as a welcome boost to US exports, concern at the rising costs of imported goods, and of energy in particular, now tends to predominate.

Key role of dollar

The November measures were mainly designed to strengthen America's foreign currency reserves. Hence, it did not take long for the United States to have recourse, for the first time ever, to both the IMF and the German bond market. The issue of 3 and 4-year "Carter notes" enabled the US Treasury to raise DM 3 bn from German banks, and this was followed by a similar operation involving Sfr 2 bn in early 1979. Soon after, at the end of February, a second tranche of medium-term, DM-denominated "Carter notes" yielding DM 2.5 bn was launched.

The supportive action together with a more cyclically oriented dear-money policy has enabled the United States to clear the way for a recovery of confidence in the dollar. But as long as inflation in the US is still running several percentage points higher than in hard currency countries, the dollar is unlikely to appear very attractive. The fact that President Carter only managed to push a minor part of his energy saving programme through Congress means that the American economy will continue to be burdened by the high, and still rising, cost of oil imports, making it all the more vital that domestic inflation be effectively curbed.

Unprecedented level of interventions

Although payments disequilibria are still too high world-wide, the last few months of 1978 have seen a general trend towards improvement which should persist in the current year. This applies especially to the United States, but is also true for Japan.

The extent of intervention on behalf of the dollar which once more particularly involved West Germany, Switzerland, and Japan–and latterly also the United States–again increased by approximately a quarter and reached US $ 50 bn. The fact that despite this activity the rise in world currency reserves failed to keep pace with previous years must, we feel, be due to the reduction in balance of payments surpluses and deficits. The aggregate surplus of the OPEC states, for example, was down to just over US $ 10 bn, or a mere third of the preceding year's figure. Given the enormous potential of the Euromarkets, international liquidity remained none the less in abundant supply. Even so, facilities for borrowing from the IMF have been further augmented and more special drawing rights are to be allocated. In addition, the reservoir of international liquidity has been swollen dangerously by a hefty rise in the gold price, prompting a revaluation of official holdings.

Gold and D-mark as alternative monetary assets

The gold price once again reflected the marked fluctuations in the dollar exchange rate. Gold is therefore still much in demand as an alternative to the US currency and its demonetization a mere pious wish.

At the same time, the D-mark and the Swiss franc were much sought after as reserve currencies, with D-mark holdings now accounting for nearly one-tenth of total world foreign exchange reserves. However, the Federal Republic is little affected by this development since official D-mark holdings are mainly invested in the Euromoney and Eurobond markets. And whatever mobilization paper the Bundesbank sold to foreign monetary authorities had no effect on the domestic money supply–which is not the case of US Treasury bills sold abroad.

New European initiative

The erratic movements of the dollar since the autumn of 1977 and the favourable experience of the member countries of the "snake" with the functioning of the system lay at the root of a new initiative aimed at stabilizing currency relationships within the European Community. The French President and the Federal German Chancellor first put forward the proposal of a European Monetary System (EMS) to serve as a preliminary to full monetary union. This was the expression of a political desire to lend new impetus to the European idea and, even more, of down-to-earth economic reasoning. The EMS, it is hoped, will allow its member countries to steer their mutual exchange rate relationships clear of the imponderables associated with dollar movements. At the same time, trade between them should benefit from the stable basis of calculation provided by agreed parities. The latter would be of particular advantage in that most of the Nine, including West Germany, do half of their foreign trade within the EEC.

Initial scepticism as to the feasibility of the EMS has given way to a more favourable attitude–albeit with reservations–now that it has proved possible to settle points of dispute in a manner which will enable the hard currency countries to continue to pursue an anti-inflationary economic policy. It is unfortunate that the United Kingdom has not yet seen its way to agreeing to join the EMS and that its start was delayed by problems connected with the CAP.

The aim of the EMS is to promote economic stability in Western Europe. Its success will depend upon the readiness of its members quickly to adjust their mutual exchange rates whenever necessary. Another precondition is that the regulations governing lending under the system should be such as to ensure that it does not undermine financial discipline. On the contrary, they should be so conceived as to permit the enforcement of conditions requiring that parallel anti-inflation policies be pursued.

Outlook

Unlike earlier periods of economic upswing in West Germany, the current recovery, which of late appears to have gained further momentum, is essentially domestic-led. The main driving force is, increasingly, the pent-up need to replace industrial plant which has been giving an appreciable boost to investment figures.

Even so, capital spending by the manufacturing and house-building industries still falls short of the long-term average, and the sharp expansion in government investment in the year under review only looks impressive because it contrasts with several years of virtual stagnation. While, moreover, 1979 should see a rise in the share of all private and public-sector capital spending to more than 23 per cent of GNP, this is still about one-tenth lower than it used to be in the sixties–and there is no guarantee at all that even this level can be maintained. Any further worsening of cost structures both within Germany and world-wide could not fail to have a detrimental effect, and basic shifts in demand also have their due influence on the industrial investment climate.

Emergence of the leisure society

One of the chief characteristics of our time is the growing emphasis on leisure as reflected in the movement towards earlier retirement despite a higher life expectancy, towards longer annual holidays and towards a shorter working week. All this triggers major economic repercussions which call for a thorough rethinking of fundamental concepts. As the trend progresses in West Germany, we shall see a relative fall-off in demand for manufactured goods, accompanied by a greater demand for services–a situation to which trade and industry will have to make an early adjustment. The outlook is little different in what concerns German exports and imports of goods and services, as is evidenced in the main by the steady above-average growth in German foreign travel.

Another matter requiring basic reappraisal are the implications for public finances of the shift in trade union policy away from high wage increases towards more leisure. Since any gain in productivity can only be shared out once, the choice between higher earnings or a greater amount of free time is a very important one from the Government's point of view. Every change places a question mark over the public sector's long-term financial planning, and unless the claims made on both the state and the social insurance organizations are curbed substantially, the screws will have to be tightened even further and more funds clawed back in taxes and social security contributions.

So far there has been a general failure to grasp the full implications of a population that is ageing at an ever faster rate. Yet this is bound permanently to affect both the structure of demand and, in particular, the whole subject of pension provision. Whereas under today's pay-as-you-go system of financing the state pension scheme there are at present 100 wage and salary earners to cover, through their contributions, payments to 45 pensioners, the latter figure will in all probability be over 50 by 1990, and may be expected to exceed 67 within another ten years.

Foreign trade risks

Risks in the sphere of foreign trade have become more difficult to assess. Events in Iran earlier this year have once again demonstrated the possible consequences of a political upheaval–even one confined to a certain region–for the international structure of supply and demand in general. They should be seen as a grave warning to the whole world to look ahead in planning energy policies.

A further factor militating to the detriment of the German economy, and one which is bound to affect future economic trends and growth, is the world-wide tendency towards a more marked division of labour brought about by the dynamism of the young industrialized nations and by movements in exchange rates.

West Germany, with its high level of industrial output and efficiency, is well equipped to cope with the keen competition for international markets, even more so since major branches have already been involved in this competitive struggle for three decades and thus maintained their flexibility. A high degree of specialization in both production and service is still a German trump card.

Recovery helped by monetary stability

The paramount importance of monetary stability has in recent years been confirmed, as has the fact that stability and growth based on higher productivity are by no means mutually exclusive but if anything complementary. Without success in containing the price/cost spiral over the long term, the current economic recovery would have been unthinkable, since inadequate profits would have continued to prohibit investment on the scale required–quite apart from the disastrous social consequences of creeping inflation.

With world prices of energy and raw materials once again moving upwards, the current year will bring a further severe attack on the value of money which it will be difficult to repulse. As a result, the damping down of inflationary tendencies on the home front becomes even more important.

Desirability of employee investment

Any economic policy with the twofold aim of stability and expansion must be concerned to promote the build-up of private assets. Greater participation by employees in the capital of the companies they work for continues to be highly desirable; not only would this have the effect of strengthening the latter's equity base–and hence their capacity as innovators–but would also entail certain socio-economic advantages. However, the pursuing of a policy of promoting the formation of wealth with a view to its redeployment in industry would require a number of–long-heralded–legislative measures.

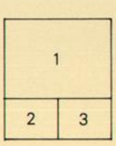
The market economy to which we owe our high standard of living must, if it is to survive, be able to count on a multitude of firms of all sizes. This presupposes an economic and fiscal policy creating a climate in which small and medium-sized firms are able to grow and prosper.

(The German edition of this Report went to press on February 27, 1979).

COMMERZBANK'S INTERNATIONAL PRESENCE

The seventies will go down in German banking history as the years in which foreign branches began to be established. We at Commerzbank are proud that in many cases, in Europe as well as overseas, we have pioneered this development, which incidentally was preceded by foreign–especially American–banks flocking into West Germany.

The setting up of operative bases in twelve major cities abroad within the short period of a decade made Commerzbank a truly international bank doing business on a global level.

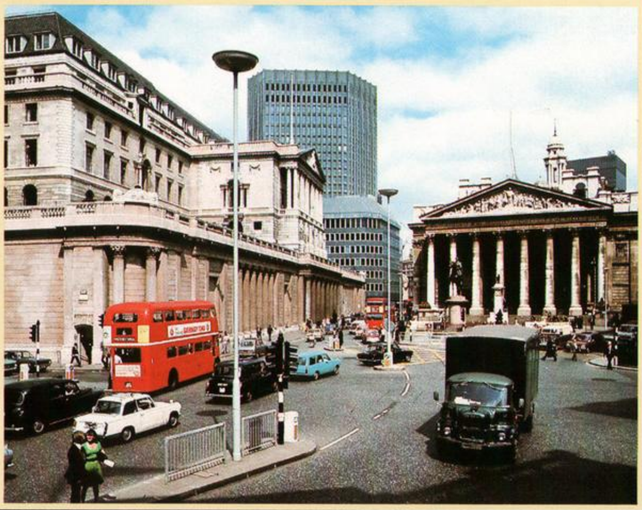


1 Frankfurt Head Office
2 Commerzbank International S. A., Luxembourg
3 Foreign exchange dealing room, New York Branch

Our world-wide activities are also being supported and promoted by twenty representative offices whose main task is to generate business and furnish information.

The chief factors behind the German banks' decision to establish their own networks of foreign branches and subsidiaries were the high degree of international involvement of German industry, which rapidly set up and expanded production facilities abroad, the steady increase in the number of multinational customers, and the growing importance of both international financial transactions and the D-mark as a world currency.

Paris:
1, 4 Typical sights
2 At Charles de Gaulle Airport
3 Paris Branch at Place de l'Opéra



Where the domestic legislation of the countries concerned permits, the new foreign business strategy of the major German banks involves them in wide-ranging activity, not least at consortium level, where the emphasis is on foreign bond issues and syndicated loans.

All our foreign branches work efficiently for both our customers and for the Bank, and their earnings have come to constitute an important part of the Bank's overall result.

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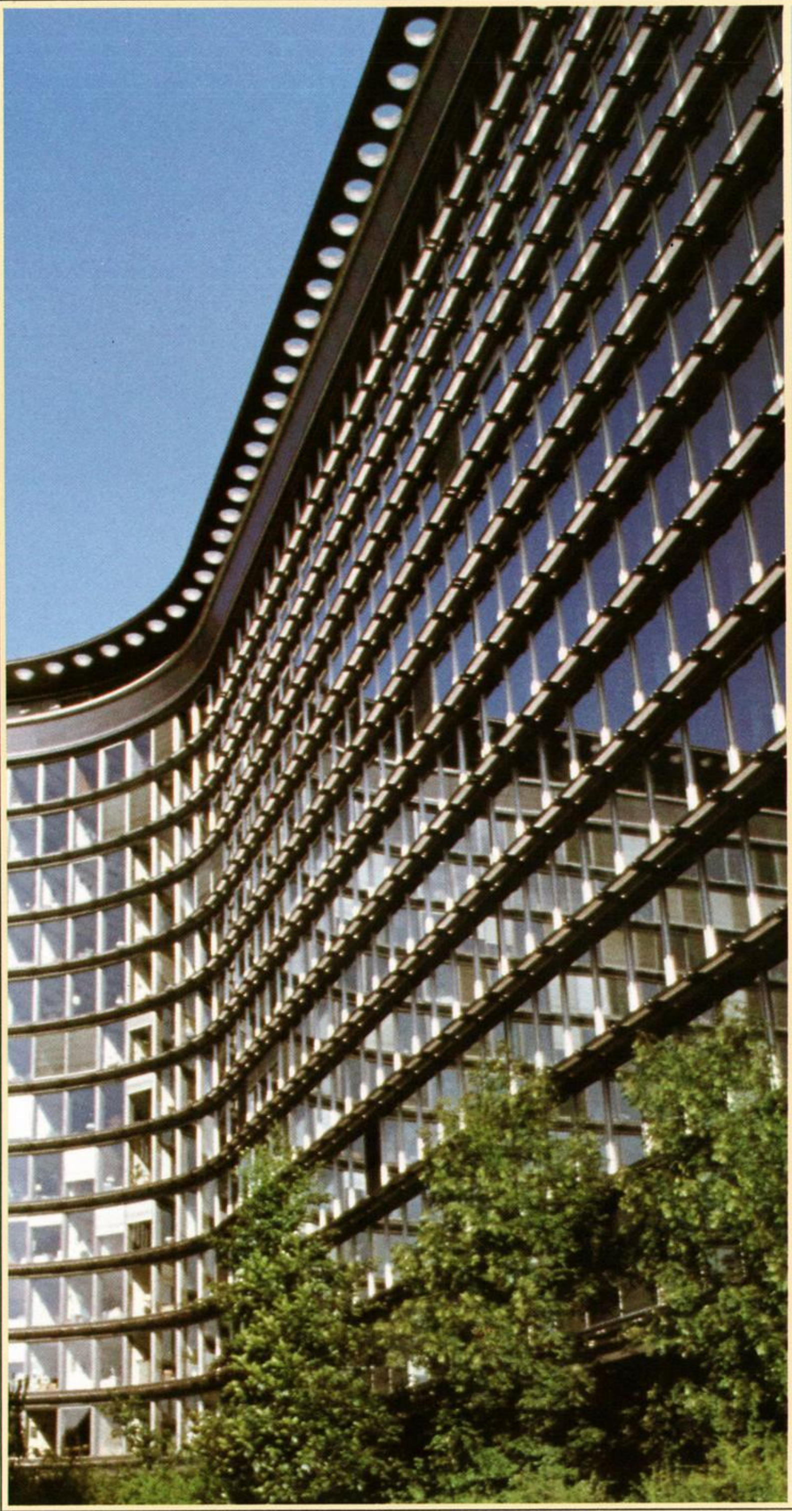
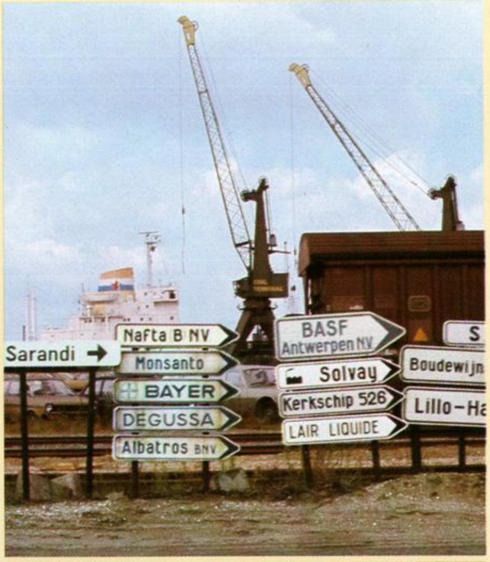
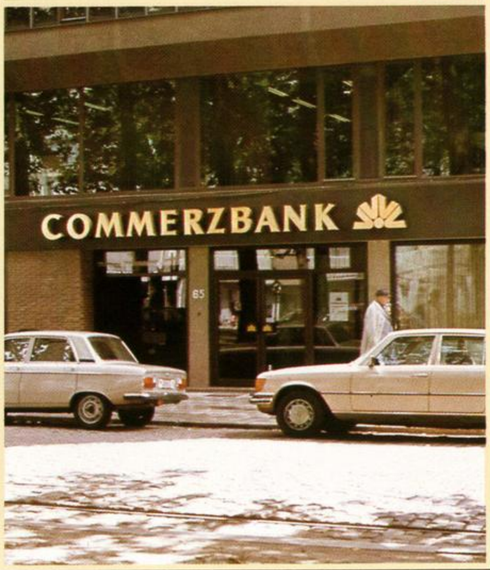
London:
1 Tower Bridge
2 London Branch at Austin Friars
3 Bank of England and Stock Exchange







Our first direct foreign installation was Commerzbank International S.A., formed exactly ten years ago in early 1969 in Luxembourg as the up-and-coming centre for Euromarket transactions.

In 1971, Commerzbank crossed the Atlantic and set up its first American branch in New York. Its aim was two-fold: whilst affording the Bank a firm foothold in the homeland of the dollar, the new branch was to enable Commerzbank to offer its customers a broad range of services on the spot, particularly in regard to lending and payment transactions. By now, the Bank is also maintaining a branch office in Chicago and an agency in Atlanta.

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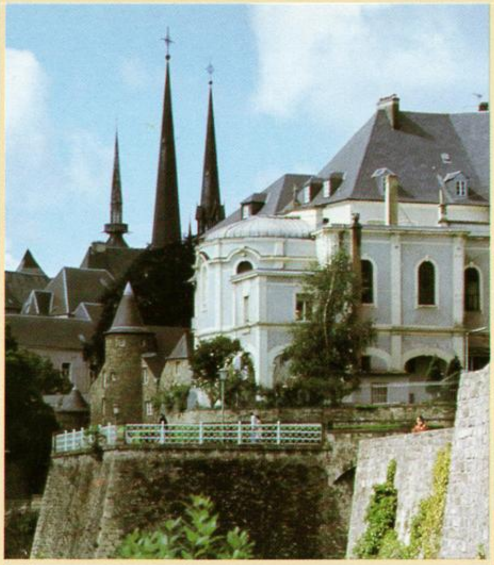
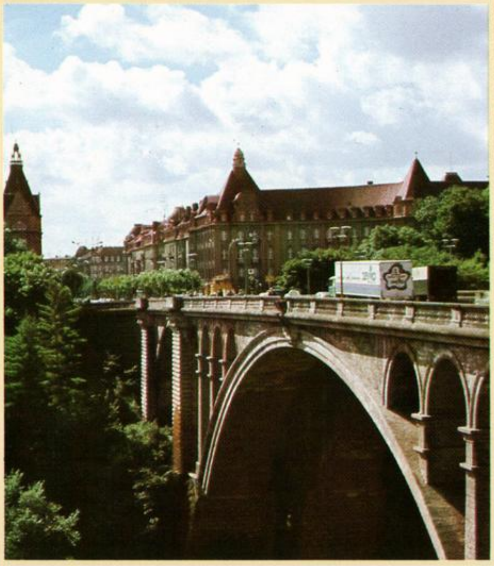
	3
	4

Belgium:
1 EEC premises, Brussels
2 Antwerp port
3 Brussels Branch on Avenue des Arts
4 Antwerp Branch on Frankrijklei





As with all our foreign branches, the emphasis at our US offices is on wholesale banking.

Since Commerzbank's forward planning has always given a special place to Europe, it is hardly surprising that our second foreign branch began to operate in London as early as 1973. The choice of location was greatly influenced both by the United Kingdom's entry into the European Community and by the key role of the City of London in the Euromarkets.

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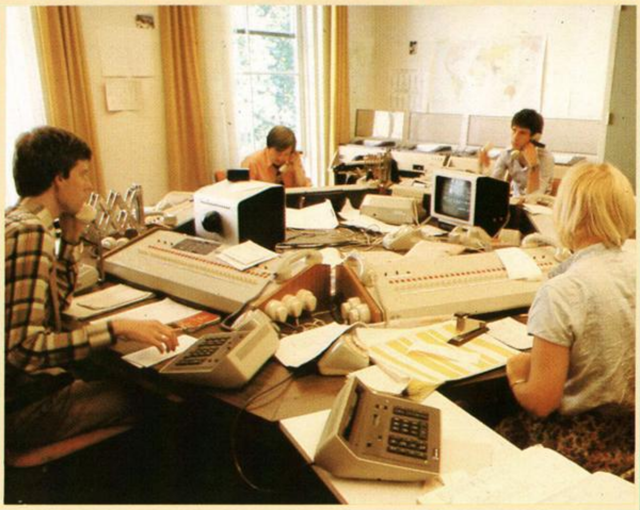
3
4
1

Luxembourg:
1, 3 Commerzbank International S. A. on Rue Notre-Dame
2 Fortress Wall and Cathedral
4 Pont Adolphe



The years that followed saw us expanding into the other centres of Western Europe– thereby complementing and strengthening the cooperation within the Europartners Group which dates back to 1970. Commerzbank's activities in Amsterdam and Rotterdam are channelled through Europartners Bank (Nederland) N.V. in which we have a 60 per cent holding. We were again the first leading German bank to establish branches in Paris, Brussels, and Antwerp, and thus to offer Commerzbank's full range of banking services in the countries of our three Western neighbours which, as West Germany's chief trading partners, together account for almost one-third of its exports and imports.

1	
2	3

Amsterdam:
1 Europartners Bank (Nederland) N.V. on Herengracht
2 Herengracht
3 Foreign exchange dealing room, Amsterdam subsidiary

The third centre of world banking to emerge has recently been East and South-East Asia. This led us to open branches in both Tokyo and Hong Kong, and to form Commerzbank (South East Asia) Ltd. as a wholly-owned merchant banking subsidiary in Singapore. As are all of our other operative bases abroad, these new offices are also linked to our Frankfurt head office via a network of on-line telephone-based connections which not only permit the rapid exchange of accounting figures and other information but also–and this may be even more important–of opinions.
At the same time, this on-line telecommunications system provides the technical framework for world-wide round-the-clock currency dealings.

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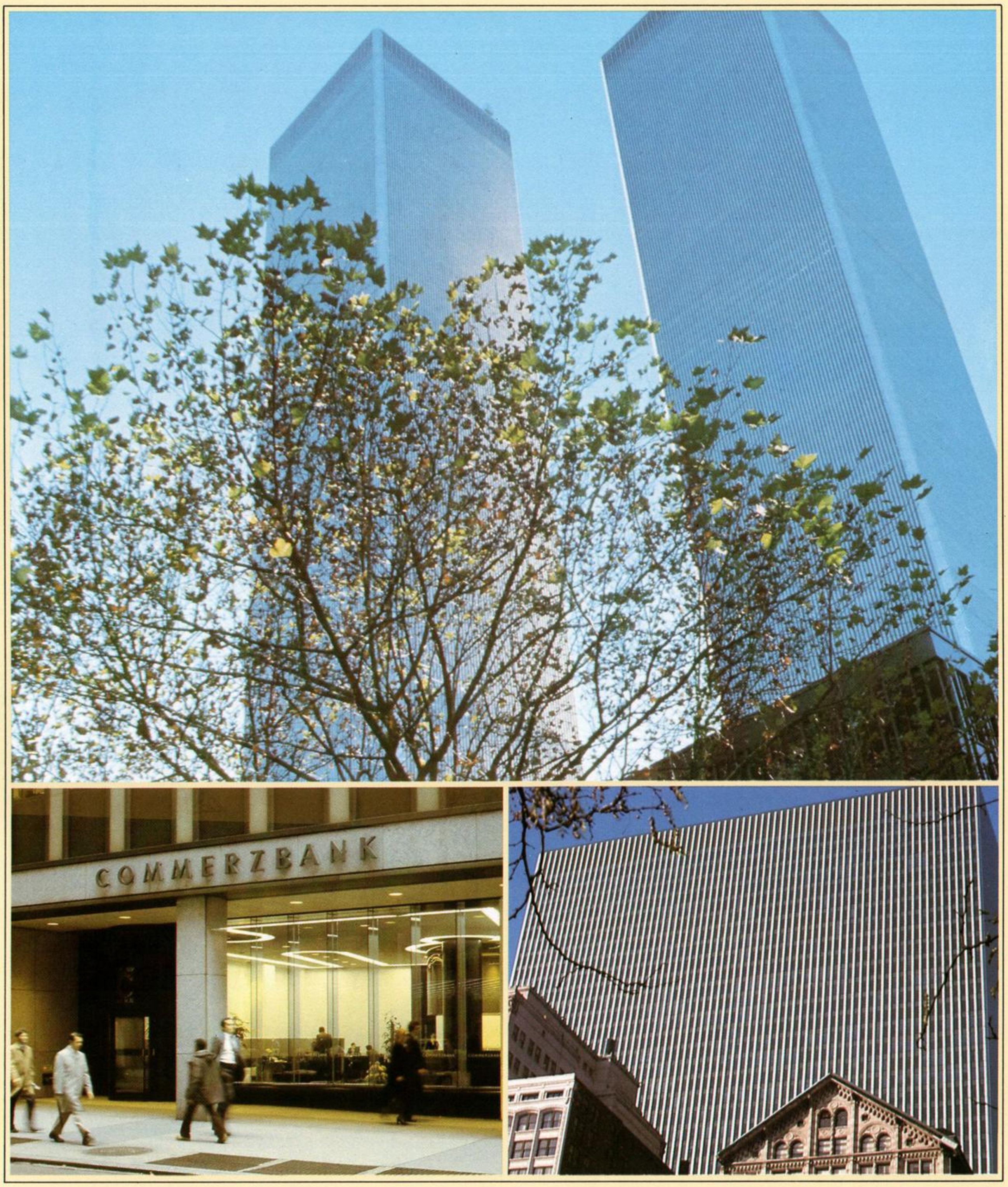
1 Tokyo
2 Hong Kong
3 Singapore



Although our operative bases abroad may differ widely as to their particular functions, they have one thing in common: all are headed by highly trained, experienced Commerzbank managers who increasingly rely on locally recruited staff–a fact which greatly helps our Bank to integrate smoothly into the respective host countries.

Ultimately all our foreign offices have but one purpose–to provide our customers world-wide with the high standard of what they have come to esteem as Commerzbank service, in combination with specialized know-how of the country concerned for all types of banking transactions. At the same time, our expansion beyond national frontiers has increased the financial strength and earning power of our Bank.

1	
2	3

USA:
1 World Trade Center, New York
2 New York Branch on Broad Street
3 Chicago Branch on East Monroe Street

The Bank's Progress

General performance of Commerzbank

During the year under review, the balance sheet total of the Parent Bank, Commerzbank AG, rose by DM 9.7 bn, or 19.1 per cent, as compared with the preceding year's 20.9 per cent. Its business volume, which in addition includes endorsement liabilities, grew by an average 19.6 per cent over the year and thus more rapidly than in previous ones. The increase in long-term items on both sides of the balance sheet was particularly marked.

The salient figures for the 1978 accounts of Commerzbank AG are as follows:

Balance sheet total	DM 60.6	bn
Total deposits and borrowed funds	DM 57.3	bn
Total lending	DM 37.5	bn
Capital and reserves	DM 2.129	bn

The reorganization of the Bank's domestic branch network, which now totals 788 and includes 40 designated main branches with a controlling function, was completed in the year under review.

In recent years, the extending of our branch coverage gave priority to our international presence. If those offices opened early in 1979 are included, we now operate two subsidiaries, nine branches, and 19 representative offices abroad. We have also seconded 14 members of Commerzbank staff to banks in which we have an interest or with whom we cooperate.

Commerzbank Group: DM 224 m consolidated net income for the year

The balance sheet total of the Commerzbank Group was DM 88.0 bn as at December 31, 1978, thus having approximately doubled over a mere four years. As in the preceding year, most of the 1978 increase of DM 12.7 bn was attributable to the Parent Bank, Commerzbank AG.

At the turn of 1978/79, the banks affiliated within the Commerzbank Group were

handling about 4.1 million accounts
for some 2.4 million customers
at 875 branches
staffed by 20,982 employees.

Calculated on a full-time basis, the Group's personnel totalled 19,948 at the end of the year under review.

The following major associated banks, whose annual reports and accounts are summarized on pages 80 to 85, form part of the Group together with the Parent Bank:

Berliner Commerzbank AG, Berlin,
balance sheet total DM 3,317 m;

Commerzbank International S.A., Luxembourg,
balance sheet total equalling DM 11,069 m;

Rheinische Hypothekenbank, Frankfurt,
balance sheet total DM 15,388 m.

After allocating DM 74.2 m to reserves, the consolidated profit was DM 181.2 m; this compares with DM 72.2 m and DM 171.3 m, respectively, for 1977. Following the pertinent decisions of their annual general meetings, a further DM 25.3 m will be allocated to the reserves of consolidated subsidiaries, as against DM 29.8 m in 1977. Consolidated net income for the year was DM 224.1 m, compared with DM 212.7 m in 1977.

Consolidated liable funds to total DM 2.4 bn

Capital and reserves of the Commerzbank Group, including that part of the equity of Rheinische Hypothekenbank not held by Commerzbank, amounted at year-end to DM 2,345 m, or DM 96 m more than at end-1977. Following implementation of the resolutions of the 1979 annual general meetings of the Group members, the consolidated liable funds will stand at DM 2.370 bn.

For the Consolidated Annual Report and Accounts see pages 71 to 95.

Parent Bank: profit up slightly

While Commerzbank Aktiengesellschaft succeeded in increasing its net income from current banking operations, own-account dealings in securities failed to match the very good result achieved in 1977.

Thanks to the expansion in our business volume and despite the further slight narrowing of the interest margin, net interest and dividend income was up 7.9 per cent.

We were able to keep the rise in personnel costs to 7.4 per cent and that in other operating expenses to 7.6 per cent.

Because of the higher interest rates, write-downs of securities became a major item on the expense side of the profit and loss account. Due allowance was made for all identifiable risks in our domestic and foreign lending by appropriate adjustments to our loan claims.

With an unchanged dividend to be paid, the total amount to be distributed will be DM 14 m higher than in 1977, since the new shares issued at the turn of 1977/78 to raise the Bank's capital will rank for dividend for the first time.

Once again, we shall be allocating DM 50 m from the net income for the year to reserves.

More long-term borrowing

In order to take account of the persisting strong demand for long-term funds, we stepped up our long-term borrowing from other banks. Sales of savings bonds netted an additional DM 600 m and those of other bonds DM 597 m, DM 250 m of the latter figure being the cash proceeds of the 1978 convertible bond issue.

At end-1978, total deposits and borrowed funds were DM 9.5 bn more than in 1977; DM 3.7 bn of this was for terms of at least four years.

We again pursued a policy of great flexibility in accepting customers' time deposits throughout 1978. Our involvement in the domestic and international money markets continued unabated.

Further rise in lending to public sector

Approximately four-fifths of the DM 10.1 bn expansion in Commerzbank's business volume derived from higher lending. The increase in our liquid funds was achieved mainly through the purchase of discountable Treasury notes and medium-term public-sector notes.

Utilization of new funds in 1978

Source of funds	in DM m
Increase in liable funds	50
Increase in deposits and borrowed funds	9,527
a) bank deposits	(3,367)
b) customers' deposits	(5,197)
c) bonds issued	(963)
Increase in provisions	83
Reduction of assets	1,816
a) bills of exchange	(275)
b) nostro balances	(1,504)
c) other assets	(37)
Increase in other liabilities	100
Depreciation on fixed assets	63
	11,639

Application of funds	in DM m
Increase in cash on hand, cheques, and collection items	1,172
Increase in loans	8,389
a) loans to banks	(837)
b) loans to customers, at agreed periods of	
ba) less than four years	(3,567)
bb) four years or more	(3,985)
Increase in holdings of	
a) Treasury bills	850
b) bonds	1,030
Increase in fixed assets	163
a) "investments"	(52)
b) land and buildings	(48)
c) office furniture and equipment	(63)
Increase in other assets	24
Decrease in other liabilities	11
	11,639

Loans to public authorities were mainly against the Federal Government's note and mostly for periods of 3 to 5 years. Also included here were the "Carter notes" issued by the US Government in December 1978.

Lending to business, private, and foreign customers is reported on below.

"Investments"

The book value of our holdings in subsidiaries and associated companies and of our trade investments rose as a result of capital increases by affiliated banks. The largest amount relates to the new shares issued by our Luxembourg subsidiary. For a chart listing all of Commerzbank's domestic and foreign holdings in affiliated and other companies see pages 86 to 88.

At the beginning of 1979 we acquired a good 25 per cent of the shares of Sachs AG, the holding company of Fichtel & Sachs AG, which had been in foreign hands. For tax reasons, these shares are as a temporary measure being held by our Luxembourg subsidiary, Commerzbank International S.A., but it is planned in due course to sell most of them to the general public.

At the end of the year under review we also purchased just over 25 per cent of the shares of Handelsbank in Lübeck, the main shareholder of Lübecker Hypothekenbank. An application has already been made to the Federal Cartel Office for approval of this transfer of equity.

Foreign branches' share of business up again

1978 brought another rise in the share of the balance sheet total attributable to our branch offices abroad but, in contrast with previous years, saw a narrowing in the gap between the growth achieved by the latter and the domestic branches (see also page 49). The contribution of our various foreign offices to the overall result was again a healthy one.

Serving our business customers

Even greater efforts were made in the year under review to provide our business customers with a comprehensive range of financing facilities. In competing for clients in this field we have time and again seen the importance of knowledgeable advice based on sound experience. Leasing facilities–which we offer through specialized affiliates (see page 43)–have now firmly established themselves as a form of finance alongside conventional bank loans.

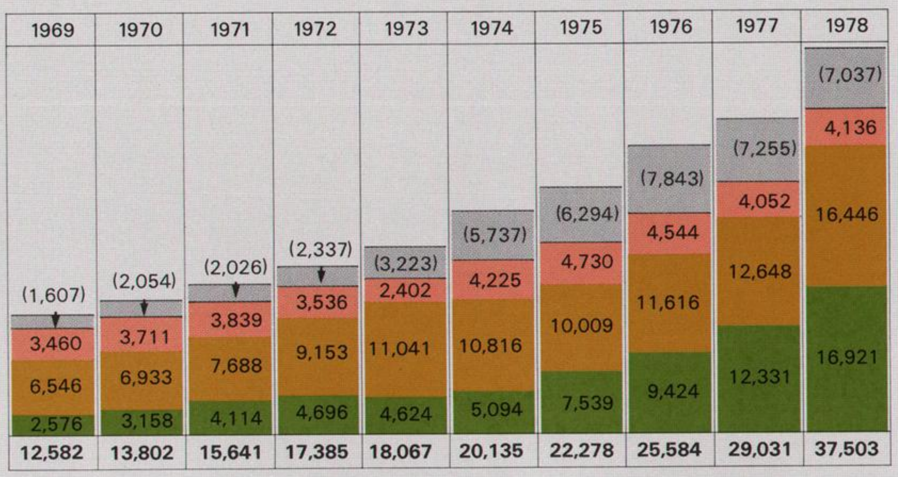
1978 again saw only a slight upturn in demand for funds by domestic trade and industry. Al-

Lending to domestic business and private customers*)

	31–12–1978	31–12–1977
Mining and public utilities	6.2%	6.3%
Chemical industry	5.9%	7.3%
Electrical and precision engineering, metal products, plastics processing	9.8%	10.1%
Production of iron, steel, and other metals; foundries	4.5%	5.3%
Steel construction, mechanical engineering, car industry, shipbuilding	9.7%	10.6%
Building and civil engineering	1.6%	1.9%
Food, drink, and tobacco; animal feeding stuffs	3.3%	3.2%
Textiles, clothing and footwear; leather	3.5%	3.7%
Wood, paper, and printing	2.7%	2.8%
Commerce	14.1%	14.6%
Other services; professions	9.8%	9.9%
Private persons without independent means	23.9%	19.4%
Other borrowers	5.0%	4.9%
	100.0%	100.0%

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

Commerzbank: continued growth

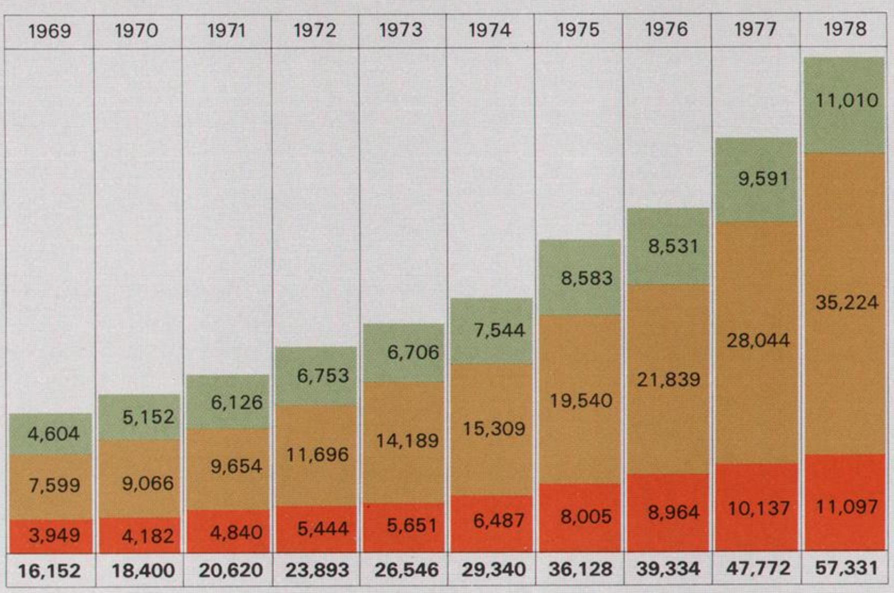


Volume of lending

As before, our overall lending reflected the strong demand of our customers for long-term financing means.

in DM m:

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

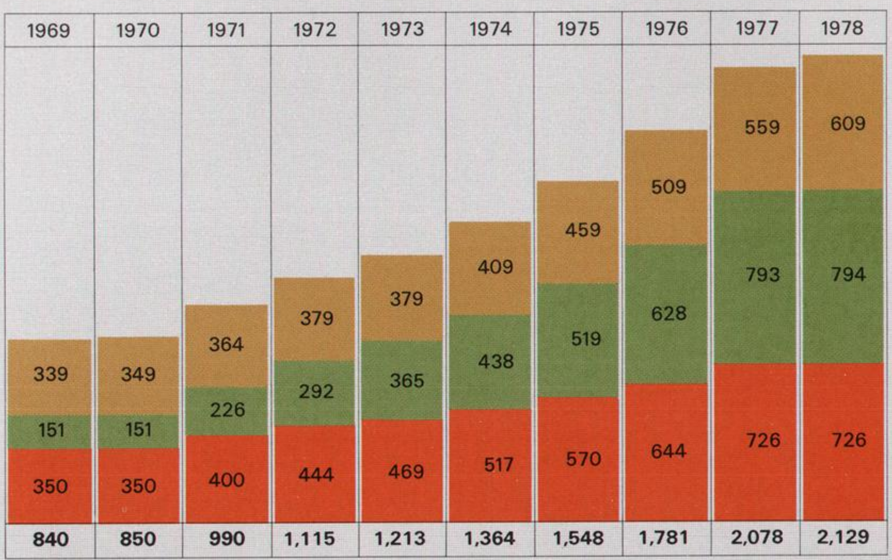


Total deposits and borrowed funds

Emphasis in our borrowing strategy was again on assuring above-average growth of long-term funds.

in DM m:

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



Liable funds

The Bank's capital and reserves were further increased by allocating DM 50 m to disclosed reserves from net income for the year.

in DM m:

- other reserves
- legal reserve
- share capital

though commercial firms and small businesses did approach us more than in the preceding year, borrowing by manufacturing companies remained slow. Even towards the close of the year, when investment activity gained further momentum, industrial customers showed little interest in borrowing funds from banks, since many of them were able to make use of their own liquidity reserves, often held in the form of time deposits. Moreover, a higher inflow of payments on account had considerably enhanced the financial position of many capital goods producers.

Long-term loans in brisk demand

Long-term loans continued in brisk demand–and one which we did our best to meet.

Since earnings on the discounting of bills were just barely satisfactory, we permitted only a slight year-on-year increase in such operations. The volume of guarantees we issued again declined somewhat due to the dearth of new business in plant construction that resulted mainly from delays in building new power stations.

Adjustments to loan claims down

Our stringent lending policy once more enabled us to keep the volume of bad debts to a minimum. Despite the conservative assessment of every identifiable risk, allowances for possible losses on domestic loans were lower than in previous years.

It must, however, be noted with regret that the pressure of costs on many of our business customers has for some years been so heavy as seriously to impair their self-financing ability and thus to undermine their net worth.

Special financing facilities

Collaboration with our mortgage bank subsidiary, Rheinische Hypothekenbank, enabled us not only to offer corporate customers our standardized business loans, but also to negotiate industrial mortgages on their behalf. In addition, we cooperated with Industriekreditbank in providing investment finance.

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.

EDP services for customers extended

Our computer services were put to greater use for payment transactions on behalf of business customers. At the same time, we have been very active in advising the latter as to the many advantages of automated payments.

Serving our private customers

Every effort was made to develop further the range of services offered to our private customers, with the result that retail banking continued to contribute substantially to the Bank's overall growth.

Once again, the loan facilities we offer attracted a great deal of interest. The volume of lending under standardized personal loan schemes–whether in the form of instalment credits, advances secured by mortgage or otherwise, or overdrafts–rose 31 per cent to DM 4.719 bn. If other, non-standardized loans are included, private lending reached DM 6.5 bn.

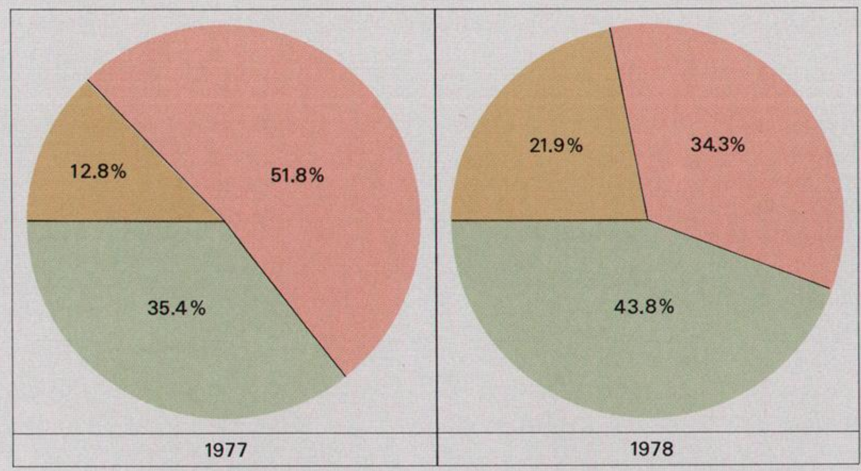
Lively call for home loans

There was particularly strong growth in the provision of building finance. Besides funds for home buying, loans for improvement and modernization were increasingly in demand. The overall amount of home loans granted to private customers was up 40 per cent to more than DM 3 bn. This rise was attributable not only to more favourable loan terms but also to the high qualifications of staff handling this type of business and to excellent cooperation with the banks providing the necessary funds.

Quite apart from this activity on our own account, we negotiated a substantial volume of long-term mortgage finance for private borrowers through our subsidiary, Rheinische Hypothekenbank. As from the beginning of the new year, we have put our cooperation with this bank in the financing of house building and purchase on a new footing. Consequently, Commerzbank branches are now in a position immediately to approve, up to a certain limit, loans to be extended by Rheinische Hypothekenbank. We expect this development to make such borrowing much faster and easier for our customers.

With a higher ceiling of DM 30,000 and an extended maximum period of 72 months, instalment credits were likewise more in demand than in the preceding year. Borrowings were

Commerzbank:
business with private customers further expanded

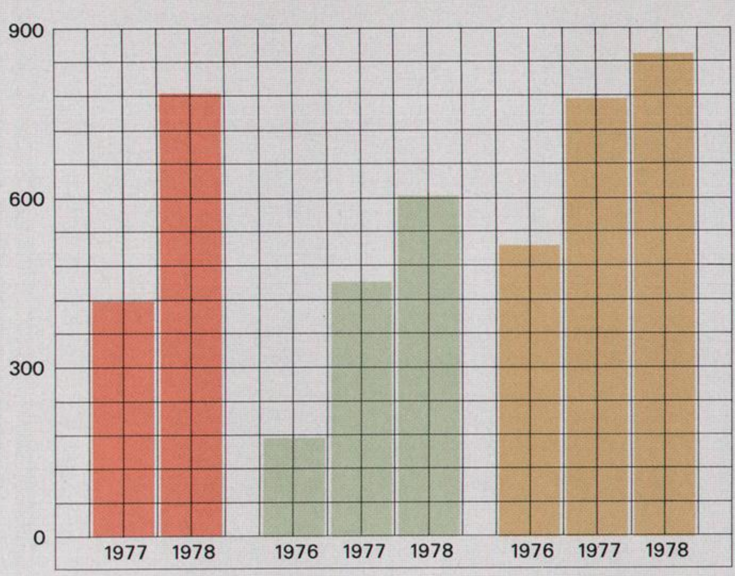


Savings

In 1978, too, our customers preferred longer-term investments, in securities as well as on savings accounts.

share of total:
(in %)

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

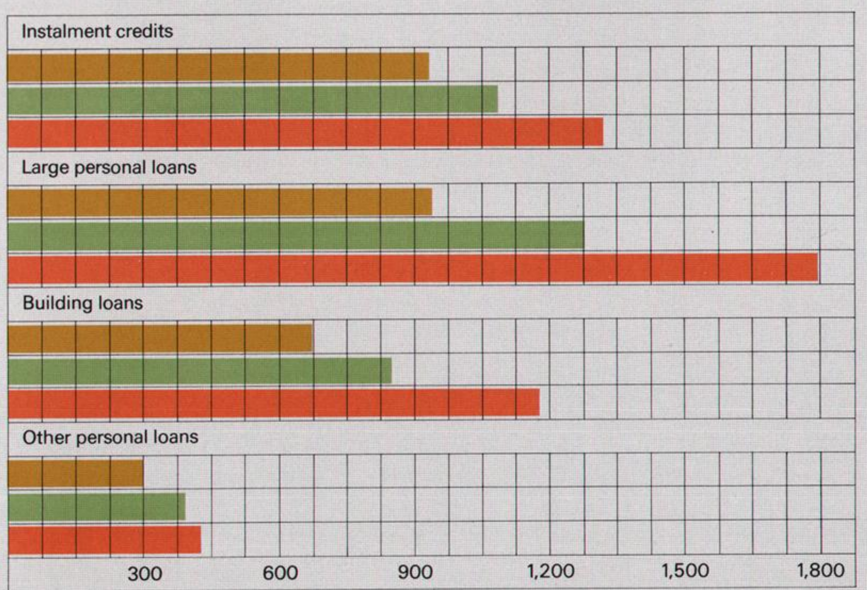


Savings bonds

Demand for our savings bonds, which we offer in three different kinds, centred on those with an annually increasing coupon, introduced by us in 1977.

in DM m:

- with increasing coupon (only since 1977)
- sold at a discount
- "normal" type, with regular interest payments



Personal loan schemes

The volume of advances under personal loan schemes was again strongly expanded in 1978. Credits granted for building purposes showed above-average growth.

Loans outstanding at year-end:

- 1976: DM 2,846 m
- 1977: DM 3,596 m
- 1978: DM 4,719 m

again largely used for the purchase of cars and other consumer durables. In all, the volume of such loans rose by 22 per cent to DM 1.3 bn.

Nearly 2 million deposit saving accounts

In line with the general trend, and with people as before tending to look for higher interest rates, growth in deposit account savings was rather slow. Total conventional savings with agreed or legal periods of notice went up by a good 5 per cent, while balances on bonus accounts declined by a further 8 per cent because of the many contracts reaching maturity. However, the overall contracted value of the latter fell markedly short of the comparable 1977 figure.

Commerzbank's own regular savings scheme, Combi-Sparen, which earns a cash bonus and which may also qualify for an additional bonus under a government-sponsored savings programme, again proved very popular. The sum total contracted under the scheme was up by a third and topped the DM 1 bn mark.

The number of standing orders for savings, whether for the transfer of regular amounts or of residues in current accounts at the end of a salary month, grew by almost 50 per cent. At altogether DM 393 m, such transfers were more than 150 per cent up on their 1977 level.

Total savings deposits rose by a good 4 per cent to DM 8.851 bn and the number of deposit accounts by nearly 3 per cent to 1.94 m which, at DM 4,600, produced a slightly higher average figure per account.

Size of savings accounts in DM	Number of accounts	Total amount in DM m
up to 1,000	984,491	230.3
from 1,000 to 10,000	766,727	2,564.2
from 10,000 to 50,000	165,488	3,121.7
over 50,000	18,530	2,934.6
	1,935,236	8,850.8

Growing attractiveness of savings bonds

Once again our savings business was boosted by sales of savings bonds. These bonds, which yield a fixed rate of return yet do not carry a price risk, have proved more and more popular with private savers.

The total volume of such savings bonds outstanding rose by 36 per cent to DM 2.246 bn in 1978. We continued to offer three different kinds of such bonds, viz. a standard type with regular interest payments, another sold at a discount–both issued for a fixed term and yielding a fixed rate of interest–and a third with an annually increasing coupon redeemable ahead of maturity. The third type was especially in demand, but the second also found ready buyers.

The sum of savings deposits and outstanding savings bonds combined was, at DM 11.1 m, up 9.5 per cent at the year-end.

Total savings almost DM 2 bn

The volume of savings deposits subsequently reinvested in marketable securities and investment fund shares was higher than in the preceding year. Net withdrawals from savings accounts for the purchase of equities were up by almost a fifth to DM 721 m.

If the surplus of deposits over withdrawals plus interest accruing on savings accounts is added to net purchases of both savings bonds and securities effected with funds withdrawn from savings deposits, the resulting 1978 figure for total savings is DM 1.646 bn and thus more or less on a par with the previous year. In addition, DM 291 m was paid into build-up accounts with ADIG-Investment, our investment fund affiliate, either in the form of lump sums or of regular payments, the interest on these accounts being automatically reinvested.

The ADIG build-up investment scheme linked to life assurance was considerably improved during the year under review. In cooperation with ADIG-Investment and well-known insurance companies we thus offer a means of gradually accumulating capital and simultaneously complementing existing pension provision. The new scheme has met with great interest.

Our private customers availed themselves more and more of our services for their payment transactions. As before, this branch of our activity would, if taken on its own, be running at a considerable loss.

Account-holders are making increasing use of the tried and tested eurocheque system which for many has become an indispensable means of payment when travelling in Europe and the Mediterranean. We have issued a great number with eurocheque cards permitting them to benefit from the system.

Those who frequently travel overseas can take with them the Eurocard credit card, which is ac-

REPUBLIC OF PORTUGAL

US-$ 150,000,000

SEVEN-YEAR MULTICURRENCY LOAN OF 1978

COMMERZBANK
Aktiengesellschaft

WESTDEUTSCHE LANDESBANK
GIROZENTRALE

THE BANK OF TOKYO, LTD.
LLOYDS BANK INTERNATIONAL Limited
BANCO DE VIZCAYA S.A.
GULF INTERNATIONAL BANK B.S.C.

CREDIT LYONNAIS
NATIONAL WESTMINSTER BANK Limited
BANQUE INTERNATIONALE A LUXEMBOURG S.A.
MIDLAND BANK LIMITED
TOKAI BANK NEDERLAND N.V.

DEUTSCHE GIROZENTRALE INTERNATIONAL S.A.
SWISS BANK CORPORATION
BARCLAYS BANK INTERNATIONAL Limited
SOCIETE GENERALE DE BANQUE S.A.

provided by

Commerzbank International Société Anonyme
Crédit Lyonnais
Lloyds Bank International Limited
Banco de Vizcaya S.A.
Gulf International Bank B.S.C.
Tokai Bank Nederland N.V.
Associated Japanese Bank (International) Limited
Banque Commerciale pour l'Europe du Nord (Eurobank)
Banque Nationale de Paris
Berliner Handels- und Frankfurter Bank
Hamburgische Landesbank -Girozentrale-
Landesbank Rheinland-Pfalz und Saar International S.A.

WestLB International S.A.
Deutsche Girozentrale International S.A.
Banque Internationale à Luxembourg S.A.
Midland Bank Limited
Badische Kommunale Landesbank International S.A.
Banque Continentale du Luxembourg S.A.
Bayerische Vereinsbank International S.A.
Bremer Landesbank
Hypobank International S.A.
Société Générale
Vereins- und Westbank Internationale S.A.

The Bank of Tokyo, Ltd.
International Westminster Bank Limited
Société de Banque Suisse (Luxembourg) S.A.
Barclays Bank International Limited
Société Générale de Banque S.A.
Banco Totta & Açores London Branch
Banque Générale du Luxembourg S.A.
Berliner Bank International S.A.
Europartners Bank (Nederland) N.V.
Kansallis International Bank S.A.
Union de Banques Arabes et Européennes – U.B.A.E. Société Anonyme

and

Commerzbank International Société Anonyme
– as Agent –

November 1978

This advertisement appears as a matter of record only.

European Investment Bank

DM 100,000,000.–

6% Bearer Bonds of 1978/1988 II

– Private Placement –

COMMERZBANK
Aktiengesellschaft

BANK OF AMERICA
International Limited

B.S.I. UNDERWRITERS LIMITED

CREDIT COMMERCIAL DE FRANCE

CREDIT LYONNAIS

SWISS BANK CORPORATION (OVERSEAS)
Limited

Highlighting Commerzbank's 1978 international bond and syndication business.

May 1978

This advertisement appears as a matter of record only

Volkswagen International Finance N.V.

7¾% US$ 35,000,000.– Bonds of 1978/1985

– Private Placement –

Guaranteed by

Volkswagenwerk AG

COMMERZBANK
Aktiengesellschaft

NEUEMISSION

23. Februar 1978

NEUSEELAND

DM 250.000.000,–

5¼% Inhaber-Teilschuldverschreibungen von 1978/1986

– Wertpapier-Kenn-Nr. 462149 –

Verkaufskurs: 100½%

COMMERZBANK AG / CREDIT LYONNAIS
AMSTERDAM-ROTTERDAM BANK N.V.
KIDDER, PEABODY INTERNATIONAL LIMITED

S. G. WARBURG & CO. LTD.
DEUTSCHE BANK Aktiengesellschaft
M. M. WARBURG-BRINCKMANN, WIRTZ & CO.

Algemene Bank Nederland N.V.
A.E. Ames & Co. Limited
Arnhold and S. Bleichroeder, Inc.
Julius Baer International Limited
Banca Commerciale Italiana
Banca del Gottardo
Banca Nazionale del Lavoro
Banco di Roma
Banco Urquijo Hispano Americano Limited
Bank of America International
Bank für Gemeinwirtschaft Aktiengesellschaft
Bank Leu International Ltd.
Bank Mees & Hope NV
Bank of New Zealand
Banque Bruxelles Lambert S.A.
Banque Française du Commerce Extérieur
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 Populaire Suisse S.A. Luxembourg
Banque Privee S.A.
Banque Rothschild
Banque de l'Union Européenne
Banque Worms
Baring Brothers & Co., Limited
Bayerische Hypotheken- und Wechsel-Bank
Bayerische Landesbank Girozentrale
Bayerische Vereinsbank
Joh. Berenberg, Gossler & Co.
Berliner Bank Aktiengesellschaft
Berliner Handels- und Frankfurter Bank
Bankhaus Gebrüder Bethmann
Blyth Eastman Dillon & Co. International Limited
Caisse des Depots et Consignations
Citicorp International Group
Commerzbank International S.A.
Creditanstalt-Bankverein
Crédit Chimique
Crédit Commercial de France

Credit Industriel et Commercial
Credito Italiano (Underwriters) S.A.
Credit Suisse White Weld Limited
Delbrück & Co.
Den Danske Bank af 1871 Aktieselskab
Den norske Creditbank
Deutsche Girozentrale – Deutsche Kommunalbank –
DG Bank Deutsche Genossenschaftsbank
Dillon, Read Overseas Corporation
Dresdner Bank Aktiengesellschaft
Effectenbank-Warburg Aktiengesellschaft
Europartners Securities Corporation
European Banking Company Limited
First Boston (Europe) 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
Kansallis-Osake-Pankki
Kjøbenhavns Handelsbank
Kleinwort, Benson Limited
Kredietbank N.V.
Kredietbank S.A. Luxembourgeoise
Kuhn Loeb Lehmann Brothers International
Landesbank Rheinland-Pfalz – Girozentrale –
Lazard Brothers & Co. Limited
Lazard Frères et Cie
Lloyds Bank International Limited

Loeb Rhoades International Limited
Manufacturers Hanover Limited
Merck, Finck & Co.
Merrill Lynch International & Co.
B. Metzler seel. Sohn & Co.
Morgan Grenfell & Co. Limited
Morgan Stanley International
The National Bank of New Zealand Ltd.
Nederlandsche Middenstandsbank N.V.
The Nikko Securities Co., (Europe) Ltd.
Nippon European Bank S.A.
Nomura Europe N.V.
Norddeutsche Landesbank Girozentrale
Sal. Oppenheim jr. & Cie.
Pierson, Heldring & Pierson N.V.
PKbanken
Privatbanken Aktieselskab
Renouf & Co.
N.M. Rothschild & Sons Limited
J. Henry Schroder Wagg & Co. Limited
Schröder, Münchmeyer, Hengst & Co.
J. & A. Scrimgeour Limited
Skandinaviska Enskilda Banken
Smith Barney, Harris Upham & Co. Incorporated
Société Générale
Société Générale de Banque S.A.
Svenska Handelsbanken
Swiss Bank Corporation (Overseas) Limited
Trinkaus & Burkhardt
UBS-DB Corporation
Union Bank of Finland Ltd.
Union Bank of Switzerland (Securities) Limited
Union de Banques Arabes et Européennes – U.B.A.E. Société Anonyme
Vereins- und Westbank Aktiengesellschaft
Warburg Paribas Becker Inc.
Westdeutsche Landesbank Girozentrale
Westfalenbank Aktiengesellschaft
Wood Gundy Limited

NEUEMISSION

1. März 1978

BNDE

BANCO NACIONAL DO DESENVOLVIMENTO ECONÔMICO

RIO DE JANEIRO

DM 200,000,000.–

6¾% Inhaber-Teilschuldverschreibungen von 1978/1986

– Wertpapier-Kenn-Nr. 462122 –

Verkaufskurs: 100%

COMMERZBANK
Aktiengesellschaft

BANK OF AMERICA INTERNATIONAL
CREDIT LYONNAIS
SWISS BANK CORPORATION (OVERSEAS) Limited
WESTDEUTSCHE LANDESBANK GIROZENTRALE

CITICORP INTERNATIONAL GROUP
SALOMON BROTHERS INTERNATIONAL Limited
S. G. WARBURG & CO. LTD.
WOOD GUNDY LIMITED

DG BANK
Deutsche Genossenschaftsbank

Algemene Bank Nederland N.V.
A.E. Ames & Co. Limited
AMEX Bank Limited
Amsterdam-Rotterdam Bank N.V.
ASIAC – Asian International Acceptances & Capital Limited
Bache Halsey Stuart Shields Incorporated
Bank Julius Baer International Limited
Banca Commerciale Italiana
Banca del Gottardo
Banca Nazionale del Lavoro
Banco di Roma
Banco Urquijo Hispano Americano Limited
Bank für Gemeinwirtschaft Aktiengesellschaft
Bank Leu International Ltd.
Bankers Trust International Limited
Banque Bruxelles Lambert S.A.
Banque Française du Commerce Extérieur
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 Populaire Suisse S.A. Luxembourg
Banque de l'Union Européenne
Baring Brothers & Co., Limited
Bayerische Hypotheken- und Wechsel-Bank
Bayerische Landesbank Girozentrale
Bayerische Vereinsbank
Joh. Berenberg, Gossler & Co.
Bergen Bank
Berliner Bank Aktiengesellschaft
Berliner Handels- und Frankfurter Bank
Blyth Eastman Dillon & Co. International Limited
Caisse des Depots et Consignations
Chase Manhattan Limited
Christiania Bank og Kreditkassë
Commerzbank International S.A.
Compagnie Monegasque de Banque
Creditanstalt-Bankverein
Crédit Chimique
Crédit Commercial de France

Credit Industriel et Commercial
Credit Suisse White Weld Limited
Daiwa Europe N.V.
Richard Daus & Co. Bankiers vorm. Hans W. Petersen
Delbrück & Co.
Den norske Creditbank
Deutsche Bank Aktiengesellschaft
Deutsche Girozentrale – Deutsche Kommunalbank –
Dillon, Read Overseas Corporation
Dresdner Bank Aktiengesellschaft
Effectenbank-Warburg Aktiengesellschaft
Europartners Bank (Nederland) N.V.
Europartners Securities Corporation
European Banking Company Limited
First Boston (Europe) Limited
Robert Fleming & Co. Limited
Girozentrale und Bank der österreichischen Sparkassen Aktiengesellschaft
Goldman Sachs International Corp.
Groupement des Banquiers Privés Genevois
Hambros Bank Limited
Georg Hauck & Sohn
Hessische Landesbank – Girozentrale –
Hill Samuel & Co. Limited
E.F. Hutton & Co. N.V.
Industriebank von Japan (Deutschland) Aktiengesellschaft
Kidder, Peabody International Limited
Kansallis-Osake-Pankki
Kleinwort, Benson Limited
Kredietbank N.V.
Kredietbank S.A. Luxembourgeoise
Kuhn Loeb Lehman Brothers International
Landesbank Rheinland-Pfalz – Girozentrale –
Lazard Brothers & Co. Limited
Lazard Frères et Cie
Lloyds Bank International Limited
Loeb Rhoades Hornblower International Limited

Manufacturers Hanover Limited
McLeod, Young, Weir International Limited
Merck, Finck & Co.
Merrill Lynch International & Co.
B. Metzler seel. Sohn & Co.
Morgan Grenfell & Co. Limited
Morgan Stanley International
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
PKbanken
Postipankki
N.M. Rothschild & Sons Limited
J. Henry Schroder Wagg & Co. Limited
Schröder, Münchmeyer, Hengst & Co.
Skandinaviska Enskilda Banken
Smith Barney, Harris Upham & Co. Incorporated
Société Générale
Société Générale de Banque S.A.
Svenska Handelsbanken
Trinkaus & Burkhardt
Union Bank of Finland Ltd.
Union Bank of Switzerland (Securities) Limited
Union de Banques Arabes et Européennes – U.B.A.E. Société Anonyme
Union de Banques Arabes et Françaises – U.B.A.F.
Verband der schweizerischen Kantonalbanken
Vereins- und Westbank Aktiengesellschaft
J. Vontobel & Co.
M.M. Warburg-Brinckmann, Wirtz & Co.
Westfalenbank Aktiengesellschaft
Wobaco Investments Limited
Yamaichi International (Europe) Ltd.

ceptable world-wide and has now become a useful complement to the eurocheque system.

The policy of setting up special departments to look after our private customers, staffed with people able to give competent advice on the complete range of services we offer, was systematically pursued throughout our branch network. It has been gratifying to see the high hopes we had of this new, open concept of counselling and salesmanship fully justified.

Issuing and stock exchange business

1978 again found us actively involved in domestic issuing business, the main trends of which are discussed on page 26. The volume of new bonds offered in West Germany rose by almost a fifth to reach DM 95 bn. The tendency in recent years for terms to be shorter meant that redemptions were above-average at more than DM 50 bn and, as a result, net sales were for the first time ever equivalent to less than half the gross value of new issues.

Brisk activity in the sphere of house-building for owner occupation meant that mortgage banks stepped up their sales of mortgage bonds by 50 per cent to DM 15 bn. Sales of communal bonds, covering loans to public authorities, were also up by a good quarter to DM 33 bn, thus remaining the chief form of borrowing through bonds and mirroring the ever-mounting trend of public indebtedness.

Ordinary bond issues, too, were once more dominated by the public sector, with the Federal Government also raising substantial funds through its own medium-term notes or borrower's note loans. Private industry, by contrast, obtained its finance increasingly through new share issues.

Lively business in Eurobonds ...

At the same time, we were again very active in the field of foreign D-mark bond issues where the volume of new offerings was the highest ever. Those in which Commerzbank participated once more outstripped the corresponding domestic issues (see table below).

Solely on behalf of foreign borrowers, Commerzbank handled as lead-manager 23 D-mark bond offerings and private placements to a total nominal value of DM 1.6 bn. We also co-managed 22 D-mark bond issues worth DM 3.7 bn. In all, we were involved in 98 foreign issues denominated in D-mark totalling DM 12.0 bn, a large proportion of which were convertible bonds of major Japanese manufacturers.

The Bank further assisted in placing 87 foreign currency bond issues equivalent to US $ 4.4 bn, 65 of which were denominated in US dollar. Of the remainder, 8 were in sterling with a dollar option and 6 in units of account or special drawing rights, while 3 were in Japanese yen. We acted as lead-manager in a private dollar placement for Volkswagen International Finance N.V. and were co-managers in a further 11 foreign currency bond offerings. In early 1979, Commerzbank was one of the managers of US dollar bonds with warrants issued by Bayer International Finance N.V.

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

*) cash proceeds

In addition we participated in placing 1,032 foreign currency bond issues between 1970 and 1978.

... and syndicated Euroloans

International syndicated loans in which we participated, more often than not as members of the management group, also substantially exceeded the previous year's level, reaching the equivalent of DM 25 bn. Most of these credits were once again denominated in US currency. Especially worthy of note is the US $ 150 m loan granted to the Republic of Portugal with Commerzbank as syndicate leader; it was arranged in parallel with one of DM 420 m most of which was backed by Federal Government guarantee.

More foreign shares listed

A consortium under Commerzbank's leadership had the shares of three North American companies–American Express Company, Amax Inc., and Warner Communications Inc.–listed on German stock exchanges. While acting as lead-managers for two Japanese convertible loan issues, by Nisshin Steel Co. Ltd. and Ricoh Company Ltd., we also arranged for the shares of these companies to be officially quoted on the Frankfurt stock exchange.

Opposing trends on German stock markets

Again in 1978, rises in share prices outstripped losses on the German stock market. Measured in terms of the Commerzbank index of 60 leading German shares, the average gain was 4 per cent. Since specialty shares were particularly sought after, the market value of the 400 quoted companies covered by the Bank's stock exchange statistics increased rather more sharply.

Contrasting with this trend, bond prices recorded a marked drop as they adjusted to the upward movement of interest rates. Public-sector 10-year bonds with a 6 per cent coupon, which at end-1977 had been trading slightly above par, fell to 96.

Stock exchange turnover up again

Stock exchange dealings in both shares and bonds on behalf of our customers were further up in the year under review–a fact which we attribute to the success of our policy of systematically extending customer counselling services at branch level.

Transfrontier securities dealings

German investors looking outside this country for a home for their money again showed more interest in bonds, and while foreign investors on the German stock market tended to buy shares, those who did purchase bonds once more gave preference to foreign paper denominated in D-mark and thus not liable to coupon tax. Once again, domestic investors bought more foreign bonds denominated in D-mark than in other currencies.

Due to the uncertainty on the foreign exchange markets, German investors continued to shy away from foreign shares, particularly American ones.

Portfolio management and investment saving

1978 brought another marked expansion in the volume of securities covered by Commerzbank's trust business and by its subsidiary investment fund company, Commerzbank Fonds-Verwaltungsgesellschaft mbH (Cofo). The latter, which acts mainly on behalf of insurance companies and pension funds, was at end-1978 managing a total of DM 1.3 bn invested in 44 different funds–an increase of 31 per cent over the previous year.

Commerzbank's efforts to place investment fund shares again centred on those offered by ADIG Allgemeine Deutsche Investment-Gesellschaft mbH. At the end of 1978, the eight funds it operated were administering total assets of DM 6.3 bn–a rise of 17 per cent. ADIG's market share was unchanged at 21 per cent. As before, Commerzbank was the depository bank for four of these funds, the aggregate assets of which now stand at DM 4.8 bn.

Open and closed-end property funds

Assets administered by the open-end property investment fund Haus-Invest, for which we also act as depository bank, were up DM 56 m in the year under review, bringing their total to DM 255 m. Real estate owned varies considerably as regards size, business of tenant, and regional location. At present the fund owns 38 sites, almost all of which are used for commercial or industrial purposes, in 32 cities throughout West Germany.

AV America Grundbesitzverwaltungsgesellschaft mbH and Deutsche Grundbesitz-Anlagegesellschaft mbH, in both of which Commerzbank holds a stake, established two closed-end property investment funds in 1978, and we were instrumental in placing the shares. At the same time, it gave us the opportunity to offer our customers an attractive means of investing in real estate in West Germany and also in the United States.

NYSE membership for EuroPartners Securities

EuroPartners Securities Corporation, the New York investment bank in whose capital Commerzbank continues to hold a 40 per cent share, had another successful year. Its syndicate operations involved it in the underwriting of all foreign bonds floated in the United States–known as Yankee bonds–and of most US domestic issues. Particular mention should be made of the bank's strongly expanding activity in the field of mergers and acquisitions and in the provision of finance for direct investments by European firms in North America. Trust business also recorded healthy growth.

An important development from which both Commerzbank's customers and the Bank itself will undoubtedly benefit was the admittance of EuroPartners Securities Corporation to membership of the New York Stock Exchange in February 1979. The bank, which is already a member of the Midwest and Philadelphia, Baltimore and Washington stock exchanges, was one of the first two entirely foreign-owned companies to be given this honour.

International activities

1978 was again a year of much activity for Commerzbank in all branches of its international business.

The growth in foreign lending, which went hand in hand with an increase in short and long-term deposits by non-domestic customers, led us to take particular care to spread our risks widely. Credits were in the main for project financing with the emphasis on German exports of plant and heavy machinery. At the same time, we continued as far as possible to avoid committing ourselves to the financing of balance of payments deficits. Gross foreign receivables of Commerzbank AG and Commerzbank International S.A. combined, which here should be understood to include letters of credit and guarantees, break down as 75 per cent from industrialized countries, 6 per cent each from the OPEC countries and from those with state-controlled economies, and 13 per cent from other European countries and overseas LDCs.

Various measures taken during the year under review served further to strengthen our foreign organization. One important event on this side of the Atlantic was the starting up of our Antwerp branch. In the United States we prepared the way for opening an agency in Atlanta, Georgia, and in Asia we established two new bases. The three latter began their operations in early 1979. The fact that we now have two additional footholds in Asia–a branch in Hong Kong and a merchant bank in Singapore–should permit us to intensify our involvement in the rapidly expanding financial activity in the Pacific basin. The Singapore subsidiary, wholly-owned by Commerzbank, operates under the name of Commerzbank (South East Asia) Ltd.

These new outlets are a useful extension of our international coverage, which centres on Western Europe, North America, and the Far East. In all, Commerzbank now maintains thirteen operative bases abroad, viz.:

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

*) branches of Europartners Bank (Nederland) N.V.
**) Commerzbank International S.A.
***) Commerzbank (South East Asia) Ltd.

Foreign branches sustain their strong growth

Our foreign branches continued to expand their lending and deposit business with trade and industry. Chief among their customers were international concerns, foreign subsidiaries of German companies, and firms with interests in West Germany.

At the same time, our branches have been actively building up their local custom, thereby becoming ever more firmly based in their host countries. In order to insure themselves against chance fluctuations in large-scale business, their efforts tend to be consciously directed at well-established companies of medium size.

Overall, our foreign branches lent DM 4.4 bn to private firms and public authorities in the year under review–a rise of some 40 per cent on the previous year's figure. They were also increasingly involved in multinational payment transactions, for which they can rely on Commerzbank's world-wide system of on-line telephone connections.

Representative offices and other facilities abroad

Including the Toronto office which was opened early in 1979, Commerzbank's international network comprises nineteen representative offices abroad. Our customers are also able to call upon our services in the following cities where Commerzbank staff are on secondment–some of them in a managerial capacity–to foreign banks in whom we have a holding or with whom we cooperate:

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

Our international organization employs more than 600 people, almost one third of whom are Commerzbank staff seconded from the Frankfurt head office for a period of service abroad.

Commerzbank's presence thus covers 37 countries outside West Germany with some 70 branches, subsidiaries, and affiliates. Our foreign representative offices and our holdings abroad are listed on pages 107 to 109.

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 82 and 83, once more made satisfactory progress, its balance sheet total reaching the equivalent of DM 11.1 bn in this, its tenth year of operation. Among our international affiliates, mention must first be made of Europartners Bank (Nederland) N.V., Amsterdam, which is 60 per cent Commerzbank-owned. Its total assets rose only slightly–from Dfl 876 m to Dfl 895 m–in the year under review because of the inhibiting effect on business of official credit restrictions. The bank's Rotterdam branch worked successfully to gain a share of the considerable business carried out between Germany and the Netherlands.

International Commercial Bank Ltd., London, further demonstrated its ability as one of the leading institutions specializing in Euromarket business. Its balance sheet total was up from £ 488 m to £ 506 m.

The good performance of U.B.A.E. Union de Banques Arabes et Européennes S.A., Luxembourg and Frankfurt, which as a member of the U.B.A.F. banking group is mainly concerned with the financing of German-Arab trade, caused its total assets to increase from the equivalent of DM 861 m to DM 982 m. Commerzbank's involvement with the Arab countries also includes holdings in Rifbank, Beirut, in the Commercial Bank of Dubai, and in the Riyadh-based Saudi Investment Banking Corporation, with some of these investments already dating back a considerable number of years.

In Brussels, Nippon European Bank–in which all the Europartners banks are shareholders together with The Long Term Credit Bank and Mitsui Bank, both of Japan–continued to fulfil the promise of its start. The gratifying performance of EuroPartners Securities Corporation, New York, is described on page 49.

Europartners: continued demand for TransCredit loans

Customers of the Europartners banks again benefited from their cooperation, particularly as regards the availability of the TransCredit loan scheme, whereby firms can raise working funds outside their own national frontiers in the countries of the member banks.

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 Europartners also operated joint stands at eight international trade fairs in 1978.

Further growth in commercial transactions with abroad

The volume of foreign transactions handled by us on behalf of our customers continued to expand strongly in 1978, although commission earnings failed to keep pace with this growth. Owing to the marked upsurge in West Germany's imports and exports of capital goods, we were again often called upon to provide the necessary finance.

Cooperation with our correspondent banks abroad also developed satisfactorily. Recourse to credits granted by us in the context of international interbank lending rose 22 per cent. We see this as yet another result of our intensive involvement as a bank in our customers' foreign trading activities.

272 of Commerzbank's branch offices have been provided with computer terminals directly linked to the Bank's Frankfurt EDP centre and are thus connected to the S.W.I.F.T. system for computerized international payments.

Considerable importance was again given to the efficient servicing of customers attending international trade fairs and to ensuring that they can easily obtain any information they may require.

Both total foreign receivables and liabilities of our domestic branches–aggregated in accordance with the Bundesbank's disclosure rules–showed a further increase in 1978.

Lively demand for forward cover

As in previous years, the services of our foreign exchange dealers were keenly sought after. With exchange rates fluctuating sharply at times, exporters were particularly anxious to assure themselves of forward cover. This we were able to furnish–even in less usual currencies and sometimes also for longer terms–thanks to the efficiency of our highly integrated foreign exchange organization, which includes all our operative bases abroad. Dealing on behalf of both our customers and ourselves yielded an entirely satisfactory result.

Long-term export financing

German exporters of capital goods continued in the year under review to relieve the pressure of deferred payments on their balance sheets by obtaining buyer credits of matching maturity for their foreign clients. Once more, demand for additional loans to finance initial and interim payments and such project costs as are incurred in the customer's country or elsewhere abroad was very brisk. The fact that ever longer loan terms were frequently asked for posed something of a problem, as did the greater call for finance in foreign currencies.

The tendency to prefer buyer credits as a means of financing exports, together with the high level of company liquidity and the existence of more advantageous sources of funds to bridge production periods, led to stagnation in demand for the export credits available through AKA Ausfuhrkredit-Gesellschaft mbH. Although there was considerable interest in the new fixed-interest variant of A type AKA credits, that in B type credits, which in certain circumstances involve a minimum interest requirement as internationally agreed, waned even further. New commitments for C type loans again achieved a gratifyingly high level.

As bankers to many exporting firms, we gained our due share of all types of AKA business. In some cases we were also called upon to provide export credits from our own resources.

In addition, we were frequently either leaders or joint leaders of banking consortia formed to finance the German share of large foreign projects. In such cases we are in a position to offer both credits from our own funds backed by a guarantee of the Federal Government and Euroloans which may be used either to finance initial and interim payments or to cover so-called local costs.

Many of the large foreign projects in whose financing we had in previous years committed ourselves to assist reached fruition in the course of 1978. This resulted in higher drawings and thus a greater call on our funds.

Thanks to the very gratifying progress made as regards export finance provided by our foreign branches, most of which was backed by the guarantee of the export credit authorities of their host countries, we were able more than in previous years to help foreign firms–including subsidiaries of German companies–finance their long-term export business.

Staff and Welfare Report

Continuing efforts to enhance our competitiveness on the domestic and international fronts require a business structure that is both technically and organizationally sophisticated, as also a high degree of competence and a willingness to work hard on the part of our staff. Because of the limits imposed on recruitment by rising costs, we have tended to put even more emphasis on improving the qualifications of our personnel by an intensive programme of training at all levels, while giving special attention to the basic training offered to junior staff. At the same time, it is the Bank's policy to show its appreciation for work done and to encourage loyalty through better fringe benefits.

During the financial year 1978 we also gave much consideration to staffing problems stemming from the reorganization of our branch structure. One of the chief of these was the considerable number of managerial transfers brought about by the transformation of branch offices into regional main branches.

The continued healthy expansion of the Bank's business meant that a slight increase in personnel was necessary in the year under review from a level which had remained unchanged in 1977. Thus, at end-1978, the number of persons employed by Commerzbank at home and abroad totalled 19,392–a rise of 520. Calculated in full-time terms, the number of people in our employ was 18,404, or 3 per cent more than at end-1977.

A large proportion of the extra staff went to bases abroad where the rapid growth of business made them necessary.

The average age of our employees was just under 36 and the average number of years in our employment 9; every third member of our staff has been with Commerzbank for more than ten years.–Herbert Limberg and Josef Rechmann celebrated 50 years with us in 1978, while 27 people were able to look back on 40 years, and 228 people on 25 years in the Bank's service.

In addition to those in active employment we were at the year-end caring for 3,354 pensioners and widows. 24 employees and 108 Commerzbank pensioners died during 1978.

More apprenticeships offered

Once again we endeavoured to offer as many vacancies as possible to young people seeking a start in the banking profession. However, despite an increase in the number of apprenticeships, we were unable to keep pace with the growing demand for places. Out of some 21,000 applicants, we offered jobs to over 700–nearly one-tenth more than in 1977. While it is true that many school leavers approach several banks at the same time in the hope of securing a vacancy, the steady rise in the number of applicants is an indication of the popularity of the banking profession among those choosing a career–as is also the proportion of high school graduates applying, which was up again. Overall, the number of apprentices with the Bank went up from 1,452 to 1,534 during 1978.

The past year saw some 600 young people successfully complete their apprenticeship. To be able to offer permanent employment to as many of our former trainees as possible, we lay great stress on mobility. However, for some years now we have seen with regret that younger employees are less and less willing to move with the job, and thus often miss excellent opportunities. Suitable candidates, who may or may not be college or university graduates but are willing to transfer from one branch to another are given every chance to make a worthwhile career through our internal promotion scheme.

Flexible training programme

Because a bank is a highly labour-intensive service enterprise, it is vital that we should be able to count on a staff with a thorough and up-to-date training. To this end, we provide a comprehensive programme of seminars which is constantly being reviewed in the light of the requirements of business policy. Strong expansion on the retail banking side meant that the range of seminars dealing with the various aspects of this type of business was further extended; in 1978, practically every second one related to the subject.

Since the opening of our Glashütten training centre in 1975, the courses there have been attended by 7,510 members of the Bank's staff. Now that it has become firmly established within the overall training programme, we are directing our efforts both to bettering the quality of existing instruction programmes and to devising new ones.

Of 308 seminars held during 1978, 148 took place at Glashütten and 160 at regional training centres.

New emphasis in staff assessment

Although the system of regularly evaluating our employees' performance applied since 1973 has generally proved its worth, it was decided last year, in consultation with the central staff council, to introduce a number of changes with the aim of greater objectivity. The new assessment criteria lay more stress than hitherto on the work entrusted to an individual and how he or she matches up to the task. The personal interview which forms part of the appraisal procedure is intended to assist in determining the future course of that person's career.

Further improvement in fringe benefits

Part of the rise in personnel expenditure was due to a further improvement in fringe benefits in 1978. One such was an increase in holiday bonuses, the idea being to take greater account of length of service and thus give some reward to employees of longer standing. Under the new arrangements, a holiday bonus is now payable when a person has completed just one year with the Bank, and the amount rises after the third and the tenth year of service.

Since 1965, we have offered our employees and pensioners the opportunity of acquiring Commerzbank shares at preferential prices. Here again, we gave priority in 1978 to those who had been with the Bank for a minimum of ten years, allowing them to purchase three shares at the price of DM 125 each as compared with other employees' two. More than half our staff opted for this advantageous method of investment. Altogether, the Bank has since 1965 spent more than DM 9 m on financing the discounts granted under the scheme.

With a view to extending the range of sports activities available to our staff, we introduced a new scheme in 1977. The number of people belonging to the Bank's various sports clubs, which total some 100, is now approaching 3,800, and we continued to encourage participation in 1978.

Personnel expenditure now DM 848 m

In the year under review, the Bank's total personnel expenditure was up by DM 58.7 m to DM 848.0 m, or by 7.4 per cent. Apart from the 5 per cent increase in negotiated salaries as from March 1, 1978, and that in salaries not subject to collective agreement which followed, the rise is attributable to the greater number of employees and higher contributions both for social security and to the banking industry's supplementary pension scheme, as also to the improvements in fringe benefits already referred to.

Supervisory Board elected according to new Codetermination Act

Since the AGM on May 12, 1978, Commerzbank's Supervisory Board has been made up as required by the new German Codetermination Act and, instead of the previous 21, now has 20 members, half of whom are employee representatives. Under the complicated and very time-consuming procedure laid down by the new law, election of the latter required several initial ballots. One important preliminary vote took place as early as November 14, 1977, when our staff decided in favour of direct election as against election through appointed representatives.

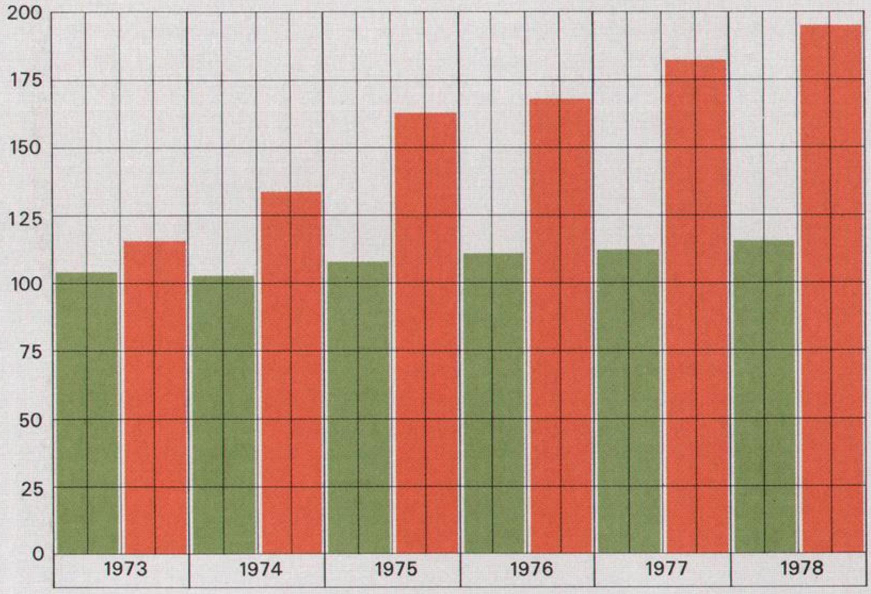
February 21, 1978 saw the decisive poll to elect the employee representatives. Some 73% of the more than 21,000 members of Commerzbank staff entitled to vote actually took part. The employee representatives on the Supervisory Board are as follows:

5 representatives of office staff
1 representative of non-office staff
1 representative of senior staff
3 union representatives (two of whom are Commerzbank employees).

Re-election of staff councils

Another two days of important decision for our staff fell on May 9 and 10, 1978, when the elections of local staff councils took place at the branches and head offices. The new central staff council, on which by agreement the Bank's three German regional divisions are equally represented, was formed on June 8, 1978.

Statistical data on Commerzbank staff: personnel expenditure and net output

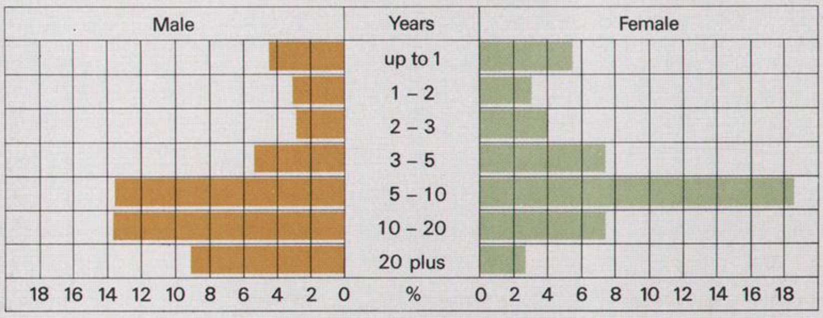


Number of employees and expenses on personnel

Since 1972, our staff has increased by 15 %. Over the same period, costs for salaries and wages – including social security and company pension fund contributions have almost doubled.

1972 = 100

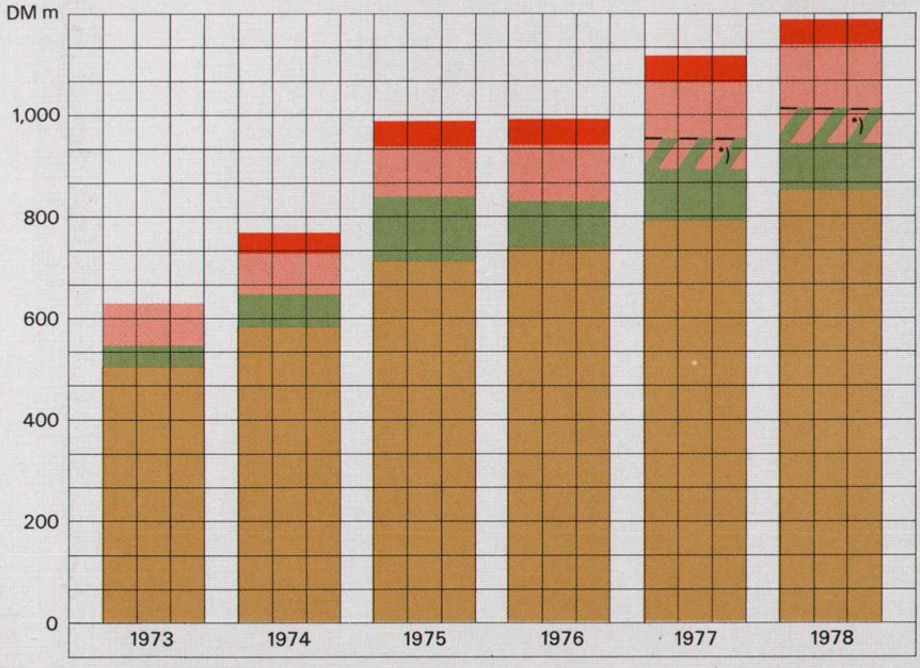
- number of employees
- personnel expenditure (salaries and wages, social security and pension fund contributions, other benefits)



Years of service with Commerzbank

Those of our employees having worked with Commerzbank for more than 5 years have further increased their share in our total workforce to 65 %.

- female employees
- male employees



Breakdown of the Bank's net product

Commerzbank's share in West Germany's national income amounted to nearly DM 1.2 bn last year, up 6.6 % on 1977. Again, almost 72 % of the total was for the benefit of our employees and pensioners (in the form of salaries, wages, social security and pension fund contributions); a further 14 % was due in taxes, and 10 % was used for dividend payments.

- allocations to reserves
- payments to shareholders
- taxes and other payments to government bodies
- payments to employees

*)dividend tax credit

New senior staff committee

1978 also saw the formation of a new committee to give voice to the opinions of senior staff. Its activity will be governed by a general agreement with the Board of Managing Directors, as also a statute setting out in more detail the composition of the committee and its objects. This committee, which was elected for a period of four years, is composed of eight members plus, in a non-voting, ex officio capacity, the senior staff representative on the Supervisory Board.

Cooperation with staff councils

Once again, collaboration between the central staff council and the management in all matters connected with staff and welfare was objective and frank. The same is true of cooperation with local staff councils at branch level.

Tribute to staff

Our staff continued their efforts on behalf of the Bank in 1978. We wish to take this opportunity of thanking each one for the personal commitment and active involvement that contributed so much to the Bank's success.

Parent Bank's Annual Report for the Year 1978

Notes on the Parent Bank's annual accounts

During the year 1978 the Bank's total assets increased by DM 9,728.1 m to DM 60,624.4 m, a rise which reflects a growth rate of 19.1%. The relevant changes in the financial position are set out below:

Assets in DM m	
Cash on hand, cheques, and collection items	+1,172.5
Bills of exchange	– 275.0
Claims on banks	– 667.1
Treasury bills	+ 849.6
Bonds, notes, other securities	+1,000.8
Claims on customers	+7,551.8
Investments	+ 51.2
Land and buildings, office furniture and equipment	+ 48.7
Sundries (including loans on a trust basis)	– 4.4
	+9,728.1

Liabilities in DM m	
Liabilities to banks	+3,367.6
a) demand	(+ 145.4)
b) time	(+3,222.2)
Customers' deposits	+5,196.7
a) demand	(+1,273.2)
b) time	(+3,563.9)
c) savings deposits	(+ 359.6)
Bonds outstanding	+ 962.9
Provisions	+ 83.3
Capital and reserves	+ 50.4
Distributable profit	+ 14.0
Sundries (including loans on a trust basis)	+ 53.2
	+9,728.1

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 3,750.3 m, representing 6.5% of our total liabilities to banks and other creditors including indebtedness under bonds and acceptances outstanding in the aggregate amount of DM 57,330.5 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 14,426.5 m and covered 25.2% of the deposits, borrowings, and other indebtedness specified above.

Claims on banks

Claims on banks decreased by DM 667.1 m to DM 15,992.3 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	1978	1977
Interbank and clearing balances	12,696.7	14,200.1
of which: demand	(1,391.4)	(2,342.7)
time	(11,305.3)	(11,857.4)
Loans	3,295.6	2,459.3
including: long-term	(2,048.4)	(1,442.9)
Total	15,992.3	16,659.4

Securities portfolio

The Bank increased its portfolio of bonds and notes by 64.1% to DM 2,635.3 m, 76.7% 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, investment fund shares, and other securities not to be shown elsewhere; its total of DM 734.0 m was down by DM 29.0 m on the year-ago figure.

At December 31, 1978, 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 86 to 88):

Tax-privileged holdings

in DM m	Share capital
Holdings of more than 25%	
Karstadt Aktiengesellschaft, Essen	360.0
Kaufhof Aktiengesellschaft, Cologne	300.0
Brauerei Isenbeck AG, Hamm	6.0
Commerzbank Aktiengesellschaft von 1870, Hamburg	(100.0 RM*)
Hannoversche Papierfabriken Alfeld-Gronau vormals Gebr. Woge, Alfeld (Leine)	40.0
Hochtief Aktiengesellschaft vorm. Gebr. Helfmann, Essen	70.0
Kempinski Hotelbetriebs-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 8,471.9 m, or 29.2%. The loan portfolio is made up as follows:

Total lending

	1978		1977	
Loans to				
a) banks	DM 3,295.6 m =	8.8%	DM 2,459.3 m =	8.5%
b) customers	DM 30,071.8 m =	80.2%	DM 22,520.0 m =	77.5%
Book and acceptance credits	DM 33,367.4 m =	89.0%	DM 24,979.3 m =	86.0%
Discounts	DM 4,135.8 m =	11.0%	DM 4,052.0 m =	14.0%
Total	DM 37,503.2 m =	100.0%	DM 29,031.3 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 1978 comprised short and medium-term credits amounting to DM 16,446.1 m and long-term loans totalling DM 16,921.3 m. Advances at short and medium term rose DM 3,798.1 m, or 30.0%, and those at long term DM 4,590.0 m, or 37.2%, above the corresponding figure as at December 31, 1977.

Short and medium-term book credits consisted of loans to non-bank customers worth DM 15,198.9 m (up DM 3,567.3 m) and of lendings to banks amounting to DM 1,247.2 m (up DM 230.8 m). The portfolio of long-term loans comprised DM 14,872.9 m advanced to customers other than banks (up DM 3,984.5 m) and DM 2,048.4 m to banks (up DM 605.5 m).

Funds extended at long term were, inter alia, financed by bonds with maturities of more than four years in the amount of DM 2,369.8 m and by long-term borrowings, mainly from banks–

among them Kreditanstalt für Wiederaufbau (Reconstruction Loan Corporation)–and from public authorities, totalling DM 8,501.0 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 1978 exceeded the preceding year-end figure by DM 8,388.1 m or 33.6%, discounts were only up by DM 83.8 m, or 2.1% to DM 4,135.8 m, including rediscounted bills of DM 598.1 m, or 14.5%.

The Bank's loans and advances to some 508,000 borrowers break down as follows:

Size of loans	1978	1977
427,796 loans of up to DM 20,000	84.2%	85.2%
55,546 loans of more than DM 20,000, up to DM 100,000	10.9%	10.3%
	95.1%	95.5%
21,601 loans of more than DM 100,000, up to DM 1,000,000	4.3%	3.8%
3,241 loans of more than DM 1,000,000	0.6%	0.7%
	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 totaling DM 5.1 m to DM 69.7 m.

"Investments"

In the year under review, the Bank increased its holdings in subsidiaries and associated companies and its trade investments by DM 51.2 m. The change reflects mainly share capital increases, payments on account of subscriptions, and the build-up of existing holdings amounting to DM 56.1 m. Allowing for disposals of DM 3.6 m and write-downs of DM 1.3 m, "investments" are shown at a book value of DM 1,023.6 m, DM 300.5 m of which is accounted for by interests in foreign companies.

One capital increase worthy of mention is the Lfr 330.0 m issue of new shares by the Bank's subsidiary Commerzbank International S.A., Luxembourg, subscribed to by the Parent Bank at a price of DM 42.3 m.

Commerzbank's holdings in affiliated and other companies are set out in detail on pages 86 to 88, showing its share in the capital of each.

The Bank's subsidiaries and affiliates continued to make satisfactory progress in 1978: income from these "investments", including income transferred under profit and loss pooling agreements, was DM 71.6 m, as against DM 53.6 m in the preceding year.

For details on the Bank's relations with its subsidiaries and affiliates see the Consolidated Annual Report on pages 71 to 95 of this Report.

Land and buildings

Land and buildings are shown at DM 625.8 m, exceeding the comparable figure for the preceding year by DM 32.7 m. This increase represents the balance of additions of DM 52.0 m, disposals of DM 4.2 m, and depreciation of DM 15.1 m, the amount allowed under tax rules.

The additions consist mainly of purchases and new Commerzbank buildings and extensions in Darmstadt, Frankfurt, Cologne, and Nuremberg.

Office furniture and equipment

The net book value of office furniture and equipment rose to DM 169.6 m. This was the result of additions of DM 63.5 m, disposals of DM 0.9 m and normal depreciation of DM 46.6 m. The cost of minor-value items acquired during the year at DM 7.2 m was written off in full.

Other assets

"Other assets" as shown in the balance sheet are bullion, coins, and medals, as also sundry debtors 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 92.4 m. This amount includes DM 89.2 m of unamortized discounts on savings certificates with an annually increasing coupon and DM 3.2 m of bonds issued by the Bank.

Liabilities and shareholders' equity

Liabilities

During the year, liabilities to banks and customers rose by 18.5% to DM 54,885.0 m. Of the total advance of DM 8,564.3 m, liabilities to banks accounted for DM 3,367.6 m and customers' deposits for DM 5,196.7 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 962.9 m to DM 2,369.8 m, DM 17.3 m of which were temporarily held by the Bank itself.

Included in this item are DM 1,272.8 m bearer bonds which served to fund long-term loans to customers, as well as DM 781.9 m savings bonds with an annually increasing coupon. Also shown here are DM 315.1 m of convertible bonds issued by Commerzbank and consisting of 4½% paper launched in 1978 with a face value of DM 250 m and of 5½% bearer bonds of 1972 which are, as in the preceding year, shown at the nominal amount of DM 62.0 m still outstanding.

Provisions

The actuarially computed liability for pensions increased by DM 32.8 m from DM 396.6 m at end-1977 to DM 429.4 m at December 31, 1978. (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 335.3 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 160.9 m mainly reflect unearned interest and service charges on credits extended under personal loan schemes.

Share capital and reserves

The issued share capital stands unchanged at DM 726.0 m. Following a resolution passed by the Annual General Meeting on May 12, 1978, the Bank's unissued authorized capital, which amounted to DM 94.3 m at the end of 1977, was raised by DM 150 m to DM 244.3 m. In addition, conditional capital increases of DM 15.5 m and DM 62.5 m have been authorized for the issue of shares to holders of convertible bonds of 1972 and 1978, respectively, wishing 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

Deposits

	1978		1977	
Bank deposits				
a) demand	DM 2,740.4 m =	5.0%	DM 2,595.0 m =	5.6%
b) time	DM 15,951.7 m =	29.1%	DM 12,740.8 m =	27.5%
Liabilities for customers' drawings on other banks	DM 20.4 m =	·	DM 9.1 m =	·
Sub-total	DM 18,712.5 m =	34.1%	DM 15,344.9 m =	33.1%
Customers' deposits				
a) demand	DM 8,269.6 m =	15.1%	DM 6,996.4 m =	15.1%
b) time	DM 19,052.1 m =	34.7%	DM 15,488.2 m =	33.5%
c) savings deposits	DM 8,850.8 m =	16.1%	DM 8,491.2 m =	18.3%
Sub-total	DM 36,172.5 m =	65.9%	DM 30,975.8 m =	66.9%
Total deposits	DM 54,885.0 m =	100.0%	DM 46,320.7 m =	100.0%

bonds with warrants offered in 1978 by the Luxembourg subsidiary, Commerzbank International S.A., at a total par value of DM 100 m. A total of DM 379,500–made up by DM 129,500 and DM 250,000 of premiums realized on market sales of our own shares and convertible bonds not subscribed to at the 1977 capital increase and the 1978 bond offering, respectively–was allocated to the legal reserve.

Other reserves were augmented by another DM 50 m from the net income for the year.

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

Capital and reserves		
in DM m	1978	1977
Share capital	726.000	726.000
Disclosed reserves		
a) legal reserve	793.581	793.202
b) other reserves, voluntary	609.000	559.000
Total liable funds	2,128.581	2,078.202

Footnotes to the balance sheet and other information

Endorsement liabilities from rediscounted bills of exchange were DM 598.1 m, against DM 239.3 m as at December 31, 1977.

Commitments under guarantees, including guarantees for bills and cheques, and under indemnity agreements totalled DM 7,037.4 m, falling short of the commitments outstanding at the end of the preceding year by 3.0%.

Commitments for uncalled payments on shares in stock corporations (AG) and private limited liability companies (GmbH), issued but not fully paid, amounted to DM 4.5 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, 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 formed in 1974, 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 11.7 m.

Profit and loss account

In order to improve the comparability of Commerzbank's figures with those of other German banks, certain reclassifications have been made in regard to the information given in the profit and loss account. They affect the items "interest and similar income from lending and money-market transactions", "commissions and other service charges received", and "other income, including income from the writing back of provisions for possible loan losses". In particular, the reclassifications are concerned with accrued interest on borrower's notes sold before the interest payment date. Such income was previously classified as interest and has now been included in "other income" as profits realized on dealings on our own account. Another change relates to the commissions charged on letters of credit where, since the beginning of the year under review, a distinction has been made between interest-like risk premiums and service fees. Such earnings are now classified as commission income. Finally, profits from the trading of securities on a consignment basis, mainly deriving from dealings in investment fund certificates, have been treated as service income instead of being included, as was previously the case, in "other income" as gains realized on own-account transactions. The comparable 1977 figures as shown in the 1978 profit and loss account have been adjusted accordingly.

Interest and similar income from lending and money-market transactions was DM 2,964.9 m, as against DM 2,496.1 m in 1977, an increase of DM 468.8 m, or 18.8%.

Current income from fixed-interest securities, Government-inscribed debt, other securities, and "investments" rose by DM 59.6 m, or 33.9%, on the corresponding figure for 1977 to DM 235.4 m. The gain derived mainly from holdings of bonds and notes which on average were up for the year as a whole. It also reflects higher dividend income stemming from the corporation tax credit allowed to the Bank under the amended German Corporation Tax Act on dividends received from domestic companies on which these latter have already paid corporation tax before distribution that is hence imputable. The item includes tax-exempt interest and dividends from certain tax-privileged foreign investments amounting to DM 21.1 m as compared to DM 21.2 m in 1977. Also included are dividends from German investments, which enjoy inter-company privileged status for property and trade tax purposes, totalling DM 84.4 m, as against DM 66.0 m in 1977.

The net balance obtained by deducting DM 2,117.2 m *interest and similar expenses* from the DM 3,200.3 m of total interest and dividends earned is DM 1,083.1 m–DM 79.4 m, or 7.9%, more than in 1977. When this percentage is compared with the growth of 19.6% in the average business volume over 1977, it becomes clear that the interest margin has declined even further–a development which has been accentuated by the continued expansion of the operations of the Bank's foreign branches.

Commissions and other service charges received rose by 6.6% from DM 328.7 m to DM 350.6 m. With *commissions and similar service charges paid* amounting to DM 12.6 m, net income from commissions was DM 338.0 m, against DM 317.2 m in the preceding year. This is a rise of DM 20.8 m, or 6.6%, which was generated more or less equally by the various service sectors.

Other income, including income from writing back of provisions for possible loan losses, is shown at DM 108.0 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 securities dealings, 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	1978	1977
Salaries and wages	675.3	623.7
Compulsory social security contributions	91.1	84.8
Expenses for retirement pensions and other employee benefits	81.6	80.8
Total	848.0	789.3

The rise was thus DM 58.7 m, or 7.4%. The higher costs reflect improvements in wages and salaries and a slight expansion in the average number of staff employed during the year.

Notwithstanding the overall growth of its business, the Bank succeeded in limiting its *other operating expenses* to DM 278.3 m, as against DM 258.6 m in the preceding year. The rise of DM 19.7 m is equivalent to 7.6%.

Depreciation on and adjustments to land and buildings, office furniture and equipment was charged at DM 61.8 m, the amount permitted for tax purposes. *Write-downs of investments* reflect almost exclusively adjustments to the book values of foreign investments.

Taxes totalled DM 164.0 m, against DM 163.8 m in the previous year. Total tax expenditure includes DM 10.3 m (1977: DM 12.0 m) for taxes other than those on income and assets.

DM 0.2 m *charges for losses assumed under profit and loss transfer argreements* relate to losses incurred by two affiliated property companies where major repair work had to be carried out in 1978.

Other expenditure, up by DM 1.6 m, amounted to DM 18.7 m; of this, DM 9.2 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 7,268,898.00; retired Managing Directors or their surviving dependants received DM 3,144,190.88. Payments to members of the Supervisory Board totalled DM 1,002,735.20, and those to members of the Central Advisory Board DM 536,984.00. Members of the Regional Advisory Councils were paid DM 1,319,890.03.

Purchases and sales of the Bank's own shares

In 1978 the Bank purchased altogether 28,641 of its own shares, and its subsidiaries and associated companies acquired a total of 1,958 Commerzbank shares, at an average price of DM 221.96 per share, for resale to employees of the Bank, its subsidiaries, and associated companies at a price of DM 125.00.

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 at various times during the year

by the Bank

of 769,407 Commerzbank shares (bearer shares at a face value of DM 50.00) at a total nominal value of DM 38,470,350.00

and by companies controlled or majority-owned by the Bank

of 12,680 Commerzbank shares at a total nominal value of DM 634,000.00.

The weighted average buying price of these shares was DM 225.09, while the similarly computed average resale price was DM 225.41.

The proceeds from these transactions were allocated to working funds. 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

186,901 Commerzbank shares at a total nominal value of DM 9,345,050.00,

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.

After an allocation of DM 50,000,000.00 to the reserves, there remains a distributable profit of

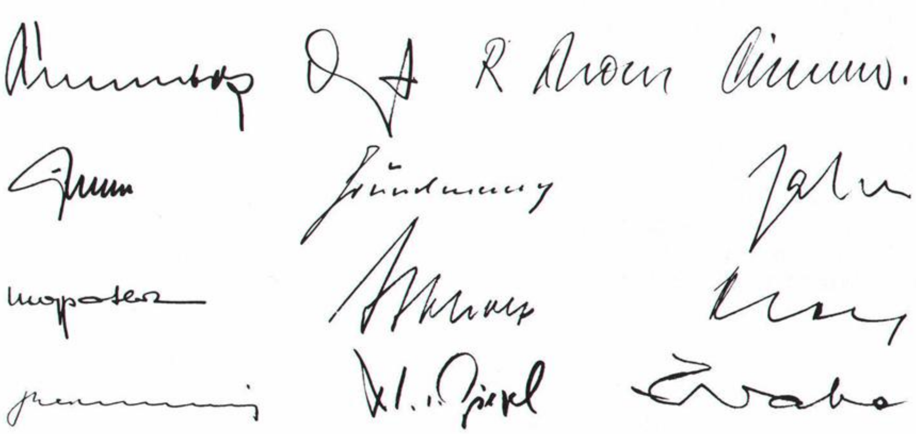
DM 123,420,000.00.

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 new 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 BOARD
OFMANAGING DIRECTORS

Düsseldorf, February 28, 1979



Report of the Supervisory Board

Since the Annual General Meeting of May 12, 1978, the Supervisory Board has, as required by the German Codetermination Act, been made up of twenty members, ten of whom represent the shareholders and ten the employees of the Bank.

During 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 and its performance from the Board of Managing Directors with whom it discussed all matters of significance pertaining to the affairs of the Bank and its international activities.

The Loans Committee of the Supervisory Board checked 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.

January 24, 1979, saw the death of Professor Dr. Heinrich Mandel, who had been a member of the Supervisory Board since 1975 and prior to that a member of the Advisory Board. His death means the loss to the Bank of a good friend and adviser whose knowledge and opinions we held in high esteem.

As a result of the legally required reduction in the number of shareholders' representatives on the Supervisory Board, Mr. Lorenz-Meyer, Dr. von Menges, Mr. Oetker, and Mr. Werhahn have decided not to seek re-election. The Bank is deeply in their debt for their knowledgeable advice and for the experience from which they have allowed us to benefit over the years. Mr. Lorenz-Meyer has been Deputy Chairman of the Supervisory Board since 1960 and Dr. von Menges since 1975; in this capacity both gentlemen have done much to assist the course of the Bank's business. All four retiring members will retain their close links with Commerzbank.

The Parent Bank's Annual Report and Accounts, together with the books of account for the period from January 1 to December 31, 1978, were examined by the Auditors, Treuhand 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 appropriation of the profit.

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 for its approval.

Düsseldorf, March 20, 1979

THE SUPERVISORY BOARD

Chairman

Business Progress of Parent Bank, 1952/1978

	Total assets DM bn	Total lending DM bn	Capital and reserves DM m	Savings deposits and savings bonds DM m	Annual dividend %	Total amount of dividends paid DM m	Allo-cation to reserves from profit DM m	Taxes paid DM m	Staff[1])	Branches
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**
31-12-1959	6.4	4.0	338	789	14+2	25.2	25.0	57.9	8,371	217
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[2])	55.3	12,760	550
31-12-1968	**15.4**	**9.7**	**660**	**3,565**	**17**	**46.8**	**30.0[3])**	**59.8**	**13,409**	**636**
31-12-1969	17.4	12.6	840	3,949	17+3	62.5	30.0	77.5	14,350	688
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**

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

[1]) calculated as full-time staff; from 1973 onwards does not include employees serving in armed forces;
[2]) including DM 20.0 m resulting from retransfer to assets side of furniture and equipment;
[3]) including DM 5.0 m resulting from retransfer to assets side of furniture and equipment.

Parent Bank's Annual Accounts as at December 31, 1978

Balance Sheet pages 66/67

Profit and Loss Account pages 68/69

Balance Sheet as at December 31, 1978

Assets	DM	DM	DM	Dec 31, 1977 DM 1,000
Cash on hand			151,581,597.87	142,319
Balance with Deutsche Bundesbank			3,570,981,322.98	2,588,604
Balances on postal cheque accounts			27,837,037.71	28,144
Cheques, matured bonds, interest and dividend coupons, items received for collection			446,473,127.73	265,289
Bills of exchange			3,537,731,070.11	3,812,690
including: a) rediscountable at Deutsche Bundesbank	2,698,176,690.91			
b) own drawings	142,364.32			
Claims on banks				
a) payable on demand		1,615,455,032.05		2,676,174
b) with original periods or periods of notice of				
ba) less than three months		2,532,867,898.55		3,988,655
bb) at least three months, but less than four years		8,595,756,648.29		7,611,763
bc) four years or more		3,248,207,191.96		2,382,773
			15,992,286,770.85	16,659,365
Treasury bills and discountable Treasury notes				
a) of the Federal and Länder Governments		1,363,004,000.00		469,593
b) of other issuers		—		43,770
			1,363,004,000.00	513,363
Bonds and notes				
a) with a life of up to four years				
aa) of the Federal and Länder Governments	897,704,027.79			
ab) of banks	94,467,342.64			
ac) of other issuers	—	992,171,370.43		312,308
including: eligible as collateral for Deutsche Bundesbank advances DM 906,310,436.35				
b) with a life of more than four years				
ba) of the Federal and Länder Governments	381,681,303.19			
bb) of banks	929,372,113.67			
bc) of other issuers	332,100,989.28	1,643,154,406.14		1,293,214
			2,635,325,776.57	1,605,522
including: eligible as collateral for Deutsche Bundesbank advances DM 1,113,820,413.23				
Securities not to be shown elsewhere				
a) shares marketable on a stock exchange and investment fund certificates		720,159,449.83		748,661
b) other		13,790,075.83		14,319
			733,949,525.66	762,980
including: holdings of more than one-tenth of the shares of a joint stock or mining company, unless shown as Investments	617,661,532.91			
Claims on customers, with original periods or periods of notice of				
a) less than four years		15,198,905,902.68		11,631,644
b) four years or more		14,872,890,476.39		10,888,363
			30,071,796,379.07	22,520,007
including: ba) secured by mortgages on real estate	2,880,417,776.74			
bb) communal loans	4,035,924,752.49			
Recovery claims on Federal and Länder authorities under post-war currency reform acts			69,684,638.72	74,823
Loans on a trust basis at third party risk			63,298,490.92	83,904
Subsidiaries, associated companies, and trade investments ("Investments")			1,023,579,000.00	972,422
including: investments in banks	669,745,000.00			
Land and buildings			625,795,000.00	593,130
Office furniture and equipment			169,622,000.00	153,596
Bonds and notes issued by Commerzbank			18,318,776.83	—
nominal amount	17,265,450.00			
Other assets			29,378,643.98	31,907
Deferred items				
a) unamortized debt discount (difference according to Section 156 (3) of the German Stock Corporation Act–AktG)		92,350,565.15		85,853
b) other		1,445,843.98		2,381
			93,796,409.13	88,234
		Total Assets	60,624,439,568.13	50,896,299
Total Assets and the recourse claims from the contingent liabilities shown below the line on the liabilities side include				
a) claims on related companies			1,706,220,979.61	1,045,231
b) claims arising from loans falling under Section 15 (1) 1-6 and (2) of the German Banking Act, unless included under a)			197,002,242.65	184,279

Liabilities and Shareholders' Equity	DM	DM	DM	Dec. 31, 1977 DM 1,000
Liabilities to banks				
a) payable on demand		2,740,375,191.36		2,594,971
b) with original periods or periods of notice of				
ba) less than three months	3,501,614,487.39			
bb) at least three months, but less than four years	5,885,828,082.99			
bc) four years or more	6,564,300,839.89	15,951,743,410.27		12,740,810
including: due in less than four years DM 4,684,791,922.36				
c) customers' drawings on other banks		20,360,735.77		9,124
			18,712,479,337.40	15,344,905
Liabilities to customers (customers' deposits)				
a) payable on demand		8,269,571,312.77		6,996,403
b) with original periods or periods of notice of				
ba) less than three months	8,922,666,954.04			
bb) at least three months, but less than four years	8,192,774,833.24			
bc) four years or more	1,936,734,114.66	19,052,175,901.94		15,488,179
including: due in less than four years DM 1,504,284,906.46				
c) savings deposits				
ca) subject to legal period of notice	4,485,134,899.28			
cb) other	4,365,640,353.13	8,850,775,252.41		8,491,191
			36,172,522,467.12	30,975,773
Bonds and notes with a life of				
a) up to four years		—		—
b) more than four years		2,369,798,000.00		1,406,903
			2,369,798,000.00	1,406,903
including: maturing in less than four years DM 1,600,913,000.00				
Own acceptances and promissory notes outstanding			75,738,474.04	44,793
Loans on a trust basis at third party risk			63,298,490.92	83,904
Provisions				
a) for pensions		429,425,000.00		396,670
b) other		335,255,000.00		284,755
			764,680,000.00	681,425
Other liabilities			47,660,067.44	40,084
Deferred items			160,907,743.42	113,856
Special items with partial reserve character subject to future taxation (in accordance with the fiscal regulation governing global valuation reserves)			—	11,650
Share capital (conditional capital additionally authorized for conversion rights: DM 103,000,000.00)			726,000,000.00	726,000
Disclosed reserves				
a) legal reserve (allocation of premium on share issue: DM 379,500.00)		793,581,000.00		793,202
b) other reserves, voluntary		609,000,000.00		559,000
(allocation from Net income for the year: DM 50,000,000.00)			1,402,581,000.00	1,352,202
Commerzbank Foundation			5,353,987.79	5,392
Distributable profit			123,420,000.00	109,412
Total Liabilities and Shareholders' Equity			60,624,439,568.13	50,896,299
Endorsement liabilities on rediscounted bills of exchange			598,125,273.71	239,329
Contingent liabilities from guarantees, including guarantees for bills and cheques, and from indemnity agreements			7,037,349,568.51	7,255,400
Commitments under repurchase agreements, not included in liabilities			91,200,000.00	97,000
Savings premiums under the Savings Premium Act			88,108,614.85	112,827
Total Liabilities, together with contingent liabilities and other commitments shown below the line, include liabilities to related companies in the amount of			1,553,675,035.01	701,170

Profit and Loss Account for the Year ended December 31, 1978

Expenses	DM	DM	1977 DM 1,000
Interest and similar expenses		2,117,189,706.33	1,668,229
Commissions and similar service charges paid		12,601,773.50	11,453
Salaries and wages		675,352,362.66	623,738
Compulsory social security contributions		91,120,192.73	84,751
Expenses for pensions and other employee benefits		81,562,939.91	80,840
Other operating expenses		278,292,512.39	258,643
Depreciation on and adjustments to land and buildings, office furniture and equipment		61,754,122.08	57,136
Write-downs of and adjustments to Investments (subsidiaries, associated companies, and trade investments)		1,274,607.90	11,839
Taxes			
a) on income and assets	153,719,376.90		151,796
b) other	10,261,113.36		11,972
		163,980,490.26	163,768
Charges for losses assumed under profit and loss transfer agreements		222,681.32	—
Other expenses		18,686,418.56	17,130
Net income for the year		173,420,000.00	159,412
	Total Expenses	3,675,457,807.64	3,136,939

	DM	DM	1977 DM 1,000
Net income for the year		173,420,000.00	159,412
Allocations to Disclosed reserves from Net income for the year:			
a) legal reserve	—		—
b) other reserves, voluntary	50,000,000.00		50,000
		50,000,000.00	50,000
Distributable profit		123,420,000.00	109,412

Consolidated Annual Report for the Year 1978

Notes on the consolidated annual accounts

The consolidated total assets of the Commerzbank Group increased from DM 75.3 bn at end-1977 to DM 88.0 bn at end-1978, thus by 16.9%. The business volume–balance sheet total plus endorsement liabilities–of the Group expanded from DM 75.5 bn to DM 88.6 bn, or by 17.3%. Earnings did not quite match this growth in overall business, with consolidated net income for the year up from DM 213 m to DM 224 m, or by 5.3%.

Commerzbank Aktiengesellschaft has a direct or indirect involvement with the following subsidiaries and related companies (direct or indirect holding in each shown in %):

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 Vermögens-verwaltungs-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 nine 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 (Cofo), Düsseldorf Share capital DM 1,000,000	100.00
Commerzbank International S.A., Luxembourg Share capital Lfr 1,900,000,000	100.00
Hera Beteiligungs- und Verwaltungsgesellschaft mbH, Berlin Share capital DM 1,000,000	100.00
von der Heydt-Kersten & Söhne, Wuppertal-Elberfeld Limited liability capital DM 10,000,000	100.00
Ilseder 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 Verwaltungs-gesellschaft Mannheim mbH, Mannheim Share capital DM 20,000	94.96
Rheinische Hypothekenbank, Frankfurt Share capital DM 58,162,500	93.28

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 11,000,000	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) Associated 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 consolidated companies are discussed below in the order of the latter's significance 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 offices of Rheinische Hypothekenbank will be transferred to Frankfurt by 1980.

During the year under review, the bank's total assets reached DM 15.4 bn, after DM 13.3 bn in the preceding year. The annual general meeting of its shareholders will be asked to increase the share capital by a one-for-nine bonus issue to DM 64.6 m, the new shares to rank for dividend pari passu with the old ones as from January 1, 1978. The dividend will be increased from the previous DM 8.50 to DM 9.00 per share for the year under review, resulting in a rise in the total amount of dividend to be paid from DM 9.9 m to DM 11.6 m. Subject to the consent of the AGM, the reserves will be augmented by an allocation of DM 27.5 m, as compared with DM 25 m the year before.

The progress of business of this mortgage bank is more fully discussed on pages 84 and 85.

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 domestic and foreign branch offices.

The bank was again successful in expanding its international operations in the year under review. In line with the higher volume of business, the share capital was raised by Lfr 330 m to Lfr 1,900 m on April 27, 1978, the new shares being priced at twice the par value. The share premium together with the scheduled allocation to reserves from the 1978 profit will bring the bank's total liable funds to Lfr 4,754 m, wich on the basis of the official Frankfurt middle rate of the last trading day preceding the balance sheet date is equivalent to DM 296.2 m. The AGM to be held in April will be asked to approve an unchanged dividend of 18% on the augmented capital, with the new shares also ranking for full payment.

Further details of the bank's performance are given on pages 82 and 83.

Berliner Commerzbank Aktiengesellschaft, Berlin

Subject to the allocation to reserves of a further DM 4 m, the bank's liable capital will be DM 105 m (see also pages 80 and 81). With an unchanged dividend of 16% to be paid, the total amount to be distributed will rise from DM 5.6 m to DM 6.8 m because of the capital increase effected in the previous year.

The operations of the limited partnerships

von der Heydt-Kersten & Söhne, Wuppertal-Elberfeld, and

Ilseder 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.

Commerz- und Industrie-Leasing GmbH, Frankfurt,

a company engaged in the leasing of movable property, experienced highly satisfactory growth, parallelled by that in earnings.

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. The latter and GERAP Grundbesitz- und Verwaltungsgesellschaft mbH, Frankfurt, are managed under fiduciary agreements by Deutsche Gesellschaft für Immobilien- und Anlagen-Leasing mbH, Düsseldorf, a company in which Commerzbank has a 50% holding.

The results achieved by

Bank für Teilzahlungskredit Gesellschaft mit beschränkter Haftung, Düsseldorf,

which specializes in instalment credits, were once again not in line with our hopes. In part, this was undoubtedly due to the continuing reluctance of small business to embark upon capital expenditure as also to their apparent preference for leasing as against outright purchase–a trend from which one of our leasing subsidiaries, Commerz- und Industrie-Leasing, duly benefited. The situation led us to revise the business policy of Bank für Teilzahlungskredit and also to make some changes in its staffing; in the longer run these measures should, we feel, bring some improvement in its earnings.

The two last-mentioned companies, whose activities 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 (Cofo), Düsseldorf.

This is an investment company which, in addition to administering "Cofonds", a publicly offered open-end fund, acts as a management company for 43 individual special-purpose investment funds with aggregate assets of DM 1.3 bn.

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. of Ffr 11 m is jointly held by Commerzbank Aktiengesellschaft and its subsidiary, Atlas-Vermögensverwaltungs-Gesellschaft m.b.H. The company continues to hold a 10% interest in Crédit Chimique S.A., Paris. The dividend paid for 1978 was up more than three times on the amount distributed for the preceding year.

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 has a 60% holding in this bank, the remaining shares being split equally between Banco di Roma and Crédit Lyonnais. The responsibility for appointing the managerial staff and supervising the bank's operations is in our hands. Major policy decisions need the agreement of all shareowners. We, together with the two minor shareholders, stand ready to furnish the bank at prevailing market rates with such international funds for lending as it requires. The bank is administered in accordance with Commerzbank guidelines, and its accounting is integrated into the latter's data processing system, for which an appropriate charge is paid.

1978 saw only a slight expansion in the balance sheet total, to Dfl 895 m, the credit restrictions in force in the Netherlands for the last two years having inhibited the existing potential for greater business growth. The sharp rise in interest rates for guilders and dollars in the year under review put pressure on margins and was another factor in holding earnings well below their 1977 level when they had been especially high.

The bank's net income for the year will be devoted entirely to strengthening its reserves by an allocation on a par with previous years; these will then amount to Dfl. 6.5 m, while the share capital stands at Dfl 40 m.

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

Commerz-Credit-Bank Aktiengesellschaft Europartner, Saarbrücken

By agreement with the other partner banks in Madrid and Rome, the business policy of this bank, which is chiefly operating in the Saar, is jointly determined by Crédit Lyonnais and Commerzbank in the spirit of the Europartners' concept of cooperation. Our working relationship with this bank is a close one and, where necessary, Commerzbank together with Crédit Lyonnais provides funds for the bank's operations, particularly its extensive lending activities, at prevailing market rates. For an appropriate fee, the bank uses Commerzbank's EDP facilities for its accounting.

The bank can look back on a satisfactory financial year, at the end of which its total assets had reached DM 690 m. The result for the year again permits payment of a 10% dividend, or a total amount of DM 1 m, and a strengthening of the reserves by another DM 0.9 m.

Flender Werft Aktiengesellschaft, Lübeck

Despite the world-wide crisis in the ship-building industry, the company managed to work at capacity most of the time and to keep the workforce, considerably reduced in some areas, fully employed. Results for 1978 will probably match expectations. The level of working required for 1979 could, however, only be assured at the cost of substantial price concessions. The company is making every effort to offset the sluggish demand on the part of the shipping industry by diversifying into other fields.

H. Maihak Aktiengesellschaft, Hamburg

Sales in the year under review were DM 32.7 m and thus 2.1% below their 1977 figure, whereas orders booked were 13.3% up on the previous year. The improvement in the level of capacity working which this ought to bring should be sufficient to stabilize earnings.

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, 1978, 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 take account of 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 subsidiary, which are drawn up in Luxembourg francs, have been converted at the official Frankfurt middle rate of the last trading day preceding the balance sheet date since the latter fell on a Sunday; in addition, classification has been made in accordance with 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" against the values of the related equity as shown in the books of the subsidiaries and affiliated companies concerned. Hence "investments" 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 in the profit and loss account.

Investment income from consolidated companies received in 1978 in respect of 1977 has been included in the profit brought forward.

The consolidated net income for the year has been adjusted to allow for the withholding tax imposed on the dividend distributed by Commersbank's Luxembourg subsidiary.

Consolidated balance sheet total

At DM 88,009 m, the consolidated balance sheet was DM 12,728 m, or 16.9%, up on the preceding year's figure, and exceeds the total assets of the Parent Bank, Commerzbank AG, by DM 27,385 m (1977: DM 24,385 m). The following changes occurred in individual balance sheet items during the year:

Assets (in DM m)	
Cash on hand, cheques, and collection items	+ 1,161
Bills of exchange	– 283
Claims on banks	+ 99
Treasury bills	+ 1,085
Bonds, notes, other securities	+ 1,114
Claims on customers	+ 9,190
Investments	+ 9
Land and buildings, office furniture and equipment	+ 174
Bonds and notes issued by consolidated companies	+ 151
Sundries (including Loans on a trust basis)	+ 28
	+12,728

Liabilities (in DM m)	
Liabilities to banks	+ 3,993
a) demand	(+ 792)
b) time	(+ 3,201)
Customers' deposits	+ 5,374
a) demand	(+ 1,353)
b) time	(+ 3,649)
c) savings deposits	(+ 372)
Bonds outstanding	+ 3,118
Provisions	+ 66
Capital and reserves	+ 50
Reserve arising from consolidation, in accordance with section 331 (1) 3 of the German Stock Corporation Act–AktG	+ 44
Consolidated profit	+ 10
Sundries (including Loans on a trust basis)	+ 73
	+12,728

Commerzbank Aktiengesellschaft accounts for 66.6% of the assets entering into the Group's balance sheet total before elimination of inter-company balances, as compared with 66.1% in the preceding year. A further 33.0% relates to consolidated banks and 0.4% 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 3,945 m, representing 6.6% of the sum total, on a consolidated basis, of liabilities to banks and other creditors at periods not exceeding four years and indebtedness under bonds and acceptances outstanding at similar maturities in the aggregate amount of DM 59,943 m. The Group's liquid funds–cash reserves, cheques, matured bonds, interest and dividend coupons, collection items, bills re-discountable 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 16,842 m or 28.1% of the above-mentioned funds with a life of up to four years.

Lending

Lending to banks and other customers of the Group (excluding loans on a trust basis and guarantees) was expanded over the year by DM 10,767 m.

The structure of our loan portfolio is illustrated below:

Total lending	1978	1977
Loans and advances to		
a) banks	DM 6,572 m = 11.4%	DM 5,077 m = 10.8%
b) customers	DM 46,686 m = 81.0%	DM 37,496 m = 80.0%
Book and acceptance credits	DM 53,258 m = 92.4%	DM 42,573 m = 90.8%
Discounts	DM 4,369 m = 7.6%	DM 4,287 m = 9.2%
Total	DM 57,627 m = 100.0%	DM 46,860 m = 100.0%

The share of advances and acceptance credits in total lending rose from 90.8% to 92.4% with claims on banks rising by DM 1,495 m to DM 6,572 m. Loans to customers were up by DM 9,190 m to DM 46,686 m, representing additional short and medium-term lendings of DM 3,302 m and long-term credits of DM 5,888 m. Advances to customers at long term now account for 50% of the entire volume of lending; they break down as follows:

Long-term lending in DM m	1978	1977	change
Sundry long-term loans	9,707	8,686	+1,021 = +11.8%
Mortgage loans	8,402	6,700	+1,702 = +25.4%
Communal loans	10,733	7,568	+3,165 = +41.8%
Total	28,842	22,954	+5,888 = +25.7%

Fixed assets

After elimination of holdings in consolidated companies, the Group's fixed assets stand at DM 1,731 m (1977: DM 1,547 m). These comprise holdings in unconsolidated companies of DM 532 m ("investments"), land and buildings at DM 699 m, office furniture and equipment at DM 180 m, and leasing equipment at DM 320 m.

Liabilities and shareholders' equity

Total deposits and borrowed funds

The Group's total deposits and borrowed funds increased during the year by DM 12,516 m to DM 84,143 m and are made up as follows (see overleaf):

Borrowed funds in DM m	1978	1977	change
Due at short and medium-term (less than four years) and savings deposits			
a) to banks	22,233	19,696	+ 2,537 = +12.9%
b) to other creditors	36,856	31,898	+ 4,958 = +15.5%
c) bonds outstanding	778	803	– 25 = – 3.1%
d) acceptances outstanding	76	45	+ 31 = +68.9%
Sub-total	59,943	52,442	+ 7,501 = +14.3%
Due at long-term (four years or more)			
a) to banks	6,196	4,740	+ 1,456 = +30.7%
b) to other creditors	2,351	1,935	+ 416 = +21.5%
c) bonds outstanding	15,653	12,510	+ 3,143 = +25.1%
Sub-total	24,200	19,185	+ 5,015 = +26.1%
Total deposits and borrowed funds	84,143	71,627	+12,516 = +17.5%

As the breakdown shows, the Group borrowed DM 28,429 m (33.8% of the total) from other banks, and customers' deposits and other creditors accounted for DM 39,207 m (46.6% of the total), while outstanding bonds issued by Group members amounted to DM 16,431 m, thus contributing a further 19.5%. The share of both nostro liabilities and borrowing from other creditors in the total declined slightly, while that of bonds outstanding was up from 18.6% to 19.5%. Existing mortgage debt in the amount of DM 1 m was assumed by the Bank, mainly through real estate purchased.

Share capital and reserves

An allocation of DM 50 m to the reserves of Commerzbank AG raised its total liable funds to DM 2,129 m. The consolidation difference as defined in Section 331(1)3 of the German Stock Corporation Act (AktG)–that is 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 44 m in the year under review to DM 195 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 one subsidiary whose balance sheet is drawn up in a foreign currency has been allowed for. This computation does not account for additional allocations to the subsidiaries' reserves of a total amount of DM 25 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 21 m, the Group's equity capital at year-end was DM 2,370 m, as against DM 2,279 m in 1977.

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

In drawing up both the Group's and the Parent Bank's profit and loss account, three income items have been reclassified and the respective 1977 figures as shown in the 1978 account have been adjusted accordingly. Details on this are given on pages 60 and 61.

Net income

Interest and similar income from lending and from money-market transactions and current income from securities, Government-inscribed debt, and "investments" rose by DM 679 m to DM 4,895 m. Allowing for the increase in interest expenditure by DM 605 m to DM 3,577 m, the Group's net interest and dividend earnings were DM 1,318 m, exceeding those for the previous year by DM 74 m, or 5.9%, and covering the current personnel and other operating expenses with a surplus of DM 80 m.

The excess of commission income over commissions paid in respect of services rose by DM 24 m, or 7.5%, to DM 343 m.

The net credit balance of other income and write-downs of and adjustments to claims and securities, including "investments", went up from DM 134 m to DM 165 m.

Expenditure

The Group's overall personnel expenses were DM 928 m, while other operating expenses totalled DM 310 m, the increase in these costs thus amounting to DM 85 m, or 7.4%, as against DM 92 m, or 8.7%, in 1977.

Depreciation on and adjustments to land and buildings, office furniture and equipment were charged at DM 71 m, compared with DM 64 m in the previous year.

Group taxation totalled DM 247 m, as against DM 250 m in the preceding year. This amount includes DM 236 m (1977: DM 237 m) for taxes on income and assets.

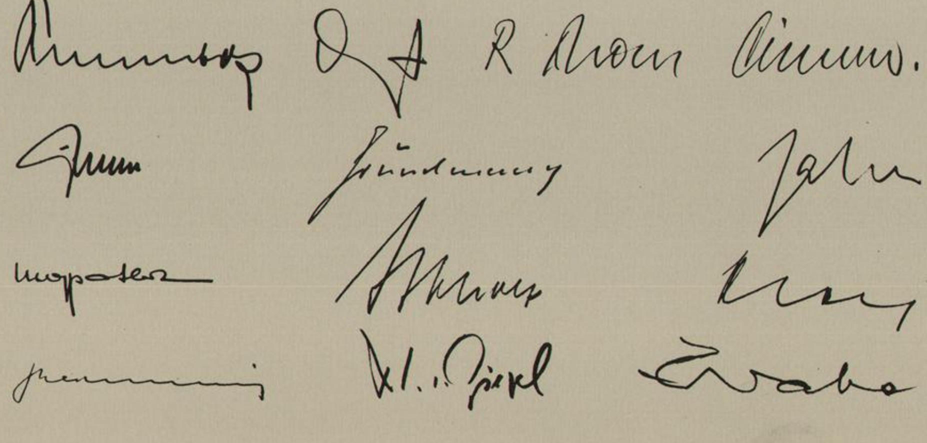
Consolidated net income for the year and consolidated profit

The Group's net income for the year increased from DM 213 m to DM 224 m. The profit of DM 32 m brought forward from the previous year represents profit distributed by the consolidated companies in 1978 in respect of 1977. Subject to the approval of the Annual General Meeting, the net income for the year will be used to allocate DM 50 m to the Parent Bank's reserves and DM 24 m to those of consolidated companies. The amount of the profit accruing to minority shareholders is DM 1 m. The remaining consolidated profit is thus DM 181 m from which, subject to approval by the shareholders in annual general meeting, a total of DM 25 m will be allocated to the reserves of consolidated companies.

There have so far been no events of especial significance for the Group in the current financial year.

THE BOARD
OF MANAGING DIRECTORS

Düsseldorf, February 28, 1979



Berliner Commerzbank AG, Berlin

General performance

In 1978 again, our Berlin subsidiary achieved a substantial expansion in the volume of its business. The 18.8% rise in balance sheet total to DM 3.317 bn was chiefly the result of increased retail banking activities.

Thanks to earnings which exceeded those of the preceding year, it will be possible to add DM 4 m to reserves and to pay an unchanged dividend of 16% on the higher qualifying share capital.

Serving the business customer

Since an economic revival in West Berlin proved slow in coming, the city's trade and industry pursued a policy of caution. As a result, loans to this sector accounted for slightly less than in 1977 of the bank's total lending. Even so, the latter was successfully expanded by 20.3% due to the brisk demand for funds by public authorities on the one hand, and to the strong growth in standardized personal loans on the other.

The appreciable advance in customers' time deposits may be explained both by companies' high liquidity holdings and by the greater volume of funds transferred from the Federal Republic to West Berlin in pursuit of the higher interest rates available there at times.

Serving the private customer

Exceeding as it did 60%, the rise in lending to private customers was particularly marked, with the emphasis again on building finance in the widest sense, including the purchase of real estate. Improved terms and flexibility with regard to lending limits further helped the bank to meet the vigorous demand by its customers. Instalment credits, available now for terms of up to 72 months and for a maximum amount of DM 30,000, increased by 26% and thus more than in 1977.

At the same time–and in line with the general trend–the pattern of customer saving became more varied. Whereas growth in savings deposits remained very moderate at only 1.6%, the volume of savings bonds outstanding expanded by 57%, and sales of the bank's own bonds were further up by 27%. Total savings by customers as shown in the balance sheet grew by DM 94 m, or 11%, while investment saving also made good progress.

Service business

The satisfactory overall performance of German shares in 1978 resulted in a higher stock market turnover and, consequently, in higher commission income for the bank. Sales of fixed-interest securities were up by a comfortable 45%. As a member of underwriting syndicates, Berliner Commerzbank AG participated in 24 capital increases and 2 bonus share issues, as also in 43 D-mark bond offerings by both domestic and foreign borrowers.

The course of the bank's foreign business remained similarly gratifying, with a greater involvement in international lending. Customers stepped up their demand for foreign exchange cover.

Staff and organization

Despite a further extension of its activities and the opening of two more sub-branches in the Neukölln and Schöneberg districts, the number of those employed by the bank fell slightly to 1,063. This figure includes 123 apprentices, thus 11.5% of the total.

Once again, particular attention was devoted to advanced training, with more than half the bank's workforce attending regional courses in Berlin or seminars at Commerzbank's central training establishment at Glashütten.

Methods of collecting and processing data were further modernized and developed, with Berliner Commerzbank in some cases being used for pilot tests. The equipping of all sub-branches with computer terminals permitted the introduction of the loose-leaf passbook and with it the creation of a basis for a technologically sophisticated system of customer service.

Annual Accounts 1978

Assets	DM 1,000
Cash on hand	174,983
Cheques and items received for collection	24,683
Bills of exchange	104,953
Claims on banks	858,548
Treasury bills	234,901
Bonds and notes	134,833
Other securities	4,775
Claims on customers, with agreed periods of	(1,729,658)
a) less than four years	988,307
b) four years or more	741,351
Recovery claims on Federal and Länder authorities under post-war currency reform acts	14,243
Loans on a trust basis at third party risk	148
Associated companies and trade investments	924
Land and buildings	22,051
Office furniture and equipment	7,399
Other assets	976
Deferred items	4,180
Total Assets	3,317,255

Liabilities and Shareholders' Equity	DM 1,000
Liabilities to banks	(982,265)
a) demand	185,577
b) time	796,688
Liabilities to customers (customers' deposits)	(2,031,096)
a) demand	449,527
b) time	870,132
c) savings deposits	711,437
Bonds outstanding	128,693
Loans on a trust basis at third party risk	148
Provisions	53,107
Other liabilities	2,523
Deferred items	7,623
Share capital	42,500
Reserves	62,500
Distributable profit	6,800
Total Liabilities and Shareholders' Equity	3,317,255
Endorsement liabilities	8,741
Guarantees	171,208

Expenses	DM 1,000
Interest and similar expenses	84,989
Commissions paid	209
Write-downs of and adjustments to claims and securities; transfers to provisions for possible loan losses	1,157
Personnel expenditure	50,058
Other operating expenses	16,419
Depreciation on fixed assets	5,832
Taxes	10,111
Other expenses	1,074
Net income for the year	10,800
Total Expenses	180,649

Income	DM 1,000
Interest and similar income	152,377
Current income from	
a) fixed-interest securities and Government-inscribed debt	5,135
b) other securities	123
c) investments	287
Commissions and other service charges received	16,505
Other income, including income from the writing back of provisions for possible loan losses	6,144
Income from the writing back of provisions, unless it has to be shown under Other income	78
Total Income	180,649

Commerzbank International S.A., Luxembourg

Objectives

Commerzbank International S.A., Luxembourg, which was established in the form of a stock corporation under Luxembourg law in 1969, operates on the Euromoney and Eurocredit markets. In the interest of its customers world-wide, it makes full use of the possibilities offered by Luxembourg as a financial centre for the free movement internationally of both short and long-term funds.

The growing importance of Luxembourg must also be seen in the light of the D-mark's increasing use as a world currency. It has, after all, been the declared policy of the German monetary authorities to do nothing to encourage any tendency on the part of other countries to hold their D-mark reserves in the Federal Republic because of the inevitable disturbances which this would produce on the domestic markets.

Capital and reserves

Following a capital increase in April, the cash proceeds of which amounted to Lfr 660 m (DM 41.1 m), the bank's capital as at December 31, 1978, totalled Lfr 1.9 bn (DM 118.4 m) and its reserves Lfr 2.576 bn (DM 160.5 m). The allocation from the 1978 profit will bring reserves to Lfr 2.854 bn (DM 177.8 m).

General performance

For the banks active on the Euromarket, 1978 was another year of abundant liquidity and shrinking spreads in the lending business. The trend of loan periods to lengthen continued.

On the money and foreign exchange markets, most of the year was marked by the steep climb in US dollar interest rates, combined with persistent pressure on those for Swiss franc and D-mark funds.

Commerzbank International's balance sheet total was up by Lfr 28.6 bn (DM 1.8 bn) to Lfr 177.6 bn (DM 11.1 bn) in the year under review. This corresponds to a rise of 19.2%, as against 15.9% in 1977, with most of the improvement stemming from an expansion in money market activities.

More long-term funds raised

Interbank deposits remained the chief source for long-term lending, with deposits by foreign central banks again providing a gratifying proportion of the total. An additional supply of long-term funds was assured by a DM 100 m issue of 10-year bonds with warrants (entitling holders to convert their bonds into shares of Commerzbank AG) and through a 5-year private placement for the same amount. Both issues–the first such fund-raising operations to be undertaken by the bank–were placed successfully.

Total lending

The bank's total lending (credits to banks and finance companies, advances to customers, discounts on bills, and borrower's note loans) rose in the year under review by 15.3% to Lfr 77.6 bn (DM 4.8 bn). Once again, most of this was in the form of short and medium-term credits to internationally well-known public-sector and private borrowers.

Service business

Money market and foreign exchange transactions continued to expand, as did securities dealings on customers' and the bank's own account.

Earnings

The bank's overall earnings performance was satisfactory, permitting for an unchanged dividend of 18% to be paid for 1978 on the increased capital of Lfr 1.9 bn, the amount to be distributed thus up from Lfr 283 m to Lfr 342 m (DM 21.3 m). The bank managed to achieve this gratifying result even though the appreciation of the D-mark meant that, after conversion, profits made in foreign currencies were down on the previous year.

Assets	Lfr 1,000
Claims on banks with agreed periods of a) up to 30 days b) more than 30 days	 28,082,771 87,893,460
Claims on finance companies	7,264,312
Bills of exchange	1,302,695
Claims on customers	42,497,468
Securities	5,503,702
Fiduciary accounts	136,977
Associated companies and trade investments	 357,201
Land and buildings	428,052
Office furniture and equipment	8,656
Deferred items	3,858,785
Other assets	309,390
Total Assets	177,643,469
	= DM 11,069 m

Liabilities and Shareholders' Equity	Lfr 1,000
Liabilities to banks with agreed periods of a) up to 30 days b) more than 30 days	 79,585,303 76,836,076
Liabilities to customers (customers' deposits) with agreed periods of a) up to 30 days b) more than 30 days	 3,006,314 3,568,922
Liabilities to finance companies with agreed periods of a) up to 30 days b) more than 30 days	 1,028,023 1,979,892
Bonds outstanding	3,209,760
Fiduciary accounts	136,977
Share capital	1,900,000
Reserves a) legal reserves b) free reserves c) from capital increase	 190,000 1,058,500 1,327,500
Provisions, write-downs and adjustments	 911,522
Deferred items	2,274,902
Other liabilities	9,778
Profit brought forward	1,010
Net income for the year	618,990
Total Liabilities and Shareholders' Equity	 177,643,469

Expenses	Lfr 1,000
Interest and commissions paid	8,263,967
Personnel and other operating expenses	 159,607
Taxes	599,811
Write-downs and adjustments	249,969
Depreciation	8,703
Other expenses	310,986
Net income for the year	618,990
Total Expenses	10,212,033

Income	Lfr 1,000
Interest and commissions received	9,093,520
Other income	1,118,513
Total Income	10,212,033

Lfr 100 = DM 6.231

Rheinische Hypothekenbank, Frankfurt

General performance

The year under review saw the continued, profitable expansion of business by our mortgage bank subsidiary, whose balance sheet total rose by 15.9% to DM 15.388 bn. As previously, growth in long-term lending derived chiefly from public-sector borrowing, but mortgage commitments were also up, especially those for the construction of new houses and the modernization of older ones.

Healthy earnings enabled the bank to propose to the annual general meeting that the dividend per DM 50 nominal share be increased from DM 8.50 to DM 9, and that this be combined with another one-for-nine bonus issue, the new shares to rank for dividend as from January 1, 1978. This will raise the amount to be distributed from DM 9.9 m to DM 11.6 m.

Following the resolution of the AGM, the bank's disclosed reserves will total DM 265.4 m and overall liable funds DM 330 m, leaving scope for a further DM 2.071 bn worth of bonds to be issued in due course.

New business

New loan commitments reached DM 3.298 bn (1977: DM 2.329 bn), including DM 221 m of extensions of so-called adjustment credits. Of this total, DM 2.159 bn were advances to local authorities (communal loans), DM 440 m were for new house building, and DM 486 m for the improvement of older buildings (especially for their modernization), while DM 213 m was lent to industry and commerce.

Funds paid out as mortgage loans and as advances to local authorities amounted to DM 3.158 bn. This brought the total outstanding to DM 14.054 bn, 46.5% of this being secured by mortgage.

DM 2.753 bn (1977: DM 1.922 bn) were raised by Rheinische Hypothekenbank trough the sale of its own bonds, 69% of which had a life of between 5 and 10 years.

Bonds outstanding, including those not requiring cover, totalled DM 13.911 bn at the end of 1978. This broke down into 38% mortgage bonds, 60% communal bonds, and 2% bonds not requiring cover.

Outlook

The bank views its business prospects for 1979 with something less than optimism. Ever keener competition and the considerable uncertainty surrounding the German bond market mean that new business is unlikely to attain the high levels of 1978.

Annual Accounts 1978

Assets	DM 1,000
Loans at agreed periods of four years or more	
a) mortgage loans	5,495,204
b) communal loans	7,981,653
c) other	10,377
Recovery claims on Federal and Länder authorities under post-war currency reform acts	16,900
Bonds and notes	109,813
Other securities	2,033
Cash on hand and items received for collection	664
Claims on banks and on other debtors	1,340,996
Own bonds (nominal value DM 335,714,000)	325,727
Loans on a trust basis at third party risk	79,518
Associated companies and trade investments	1,564
Land and buildings	19,918
Office furniture and equipment	1,988
Other assets	1,458
Total Assets	15,387,813

Liabilities and Shareholders' Equity	DM 1,000
Bonds issued	
a) mortgage bonds	5,085,198
b) communal bonds	7,937,548
c) other bearer bonds	292,248
d) bonds drawn by lot and called for redemption	47,365
Bonds to be delivered	58,463
Loans taken up at long term	460,628
Liabilities to banks and to other creditors	616,545
Accrued interest on bonds issued and on loans taken up	379,026
Loans on a trust basis at third party risk	79,518
Provisions, write-downs and adjustments	68,135
Foundation	1,246
Share capital	58,162
Disclosed reserves	
a) legal reserve	72,848
b) other reserves (in accordance with Section 7 of the German Mortgage Bank Law–HBG)	190,989
Other liabilities	20,261
Distributable profit	19,633
Total Liabilities and Shareholders' Equity	15,387,813

Expenses	DM 1,000
Interest and similar expenses	923,277
Non-recurrent expenses on bonds issued and on loans granted	51,485
Personnel expenditure	17,702
Other operating expenses	9,720
Depreciation and other write-downs on fixed assets	1,135
Taxes	42,699
Other expenses	690
Net income for the year	39,133
Total Expenses	1,085,841

Income	DM 1,000
Interest and similar income	1,038,126
Non-recurrent income from bonds issued and from loans granted	42,343
Income from investments	159
Other income, including income from the writing back of provisions for possible loan losses	5,179
Income from the writing back of provisions, unless it has to be shown under Other income	34
Total Income	1,085,841

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 1,900.00 m	100.0%*)
Rheinische Hypothekenbank, Frankfurt	C DM 58.16 m	93.3%
Hamburgische Grundstücks Gesellschaft m.b.H., Hamburg	C DM 0.02 m	100.0%
Hera Beteiligungs- und Verwaltungsgesellschaft mbH, Berlin	C DM 1.00 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 13.00 m	32.5%
ADIG Allgemeine Deutsche Investment-Gesellschaft mbH, Munich/Frankfurt	C DM 4.80 m	27.1%
Liquiditäts-Konsortialbank GmbH, Frankfurt	C DM 250.00 m	3.7%
Lombardkasse AG, Berlin/Frankfurt	C DM 6.00 m	9.4%
Lübecker Hypothekenbank Aktiengesellschaft, Lübeck	C DM 20.00 m	25.0%

Other holdings in German companies

Almüco Vermögensverwaltungs-gesellschaft mbH, Munich a)	C DM 39.00 m	25.0%
AV America Grundbesitz-verwaltungsgesellschaft 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%
Rossma Beteiligungsgesellschaft mbH, Frankfurt f)	C DM 33.00 m	40.0%
STELLA Automobil-Beteiligungsgesellschaft mbH, Frankfurt g)	C DM 85.71 m	25.0%
Treuhand- und Holdinggesellschaft mbH, Frankfurt	C DM 0.14 m	50.0%

Holdings in foreign financial institutions and in other companies abroad

Commerzbank (South East Asia) Ltd., Singapore	C S$ 20.00 m ++)	100.0%
Europartners Bank (Nederland) N.V., Amsterdam	C Dfl 40.00 m	60.0%
EuroPartners Securities Corporation, New York	C US$ 4.71 m	40.0%
The Commercial Bank of Dubai Ltd., Dubai	C DH 14.78 m	25.7%
Crédit Chimique S.A., Paris	C Ffr 40.00 m	10.0%***)
The Development Bank of Singapore Ltd., Singapore	C S$ 100.00 m	0.5%
IRIS – Institutional Research and Investment Services S.A., Geneva	C Sfr 0.90 m	25.0%
Misr International Bank S.A.E., Cairo	C US$ 10.00 m	2.6%**)
Mithai Europartners Finance and Investment 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'Edition 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%

*) held in part indirectly
**) held wholly indirectly
***) held through Atlas Participations – France S.A.R.L.
+) increased to DM 2.00 m after Dec. 31, 1978
++) paid up in 1979

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.

Bank für Teilzahlungskredit Gesellschaft mit beschränkter Haftung, Düsseldorf
C DM 3.50 m 100.0%

Commerz- und Industrie-Leasing GmbH, Frankfurt
C DM 1.00 m+) 100.0%**)

Atlas-Vermögensverwaltungs-Gesellschaft m.b.H., Düsseldorf
C DM 0.10 m 100.0%

Aussenhandel-Förderungsgesellschaft mbH, 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 3.50 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%

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%

International Commercial Bank Ltd., London
C £ 7.00 m 12.0%

Adela Investment Company S.A., Luxembourg/Lima
C US$ 61.80 m 1.4%

Atlas Participations – France S.A.R.L., Paris
C Ffr 11.00 m 100.0%*)

AUC Holdings Ltd., Melbourne
C A$ 6.25 m 6.3%*)

Europartenaires Leasing S.A., Paris
C Ffr 0.10 m 33.3%

Europartners Holding S.A., Luxembourg
C Lfr 6.00 m 25.0%*)

Finance Company VIKING, Zurich
C Sfr 60.00 m 6.7%**)

Finatourinvest S.A., Luxembourg
C Lfr 194.60 m 0.6%

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 83.28 m 0.4%

Private Investment Company for Asia (PICA) S.A., Panama City/Tokyo
C US$ 29.00 m 0.7%

Société Libano Européenne pour la Gestion Privée (Crédit Lyonnais) S.A.L., SLIGEST, Beirut
C L£ 2.00 m 5.0%

S.W.I.F.T. Society for Worldwide Interbank Financial Telecommunication s.c., Brussels
C Bfr 83.20 m 2.4%

Teollistamisrahasto Oy – Industrialization Fund of Finland Ltd., Helsinki
C Fmk 100.00 m 0.7%

U.B.A.E. Union de Banques Arabes et Européennes S.A., Luxembourg/Frankfurt
C DM 30.00 m 13.7%

C = Capital

Commercium Vermögensverwaltungs-GmbH, Hamburg
C DM 0.05 m 100.0%

Commerzbank Fonds-Verwaltungsgesellschaft mit beschränkter Haftung (Cofo), Düsseldorf
C DM 1.00 m⁺) 100.0%

GERAP Grundbesitz- und Verwaltungsgesellschaft mbH, Frankfurt
C DM 0.02 m 95.0%

C. Portmann, Frankfurt
C DM 1.50 m 100.0%

RHB-Bau- und Verwaltungsgesellschaft Mannheim mbH, Mannheim
C DM 0.02 m 95.0%*)

Gesellschaft zur Finanzierung von Industrieanlagen mbH, Frankfurt
C DM 1.00 m 12.7%

Liquidations-Casse in Hamburg Aktiengesellschaft, Hamburg
C DM 1.15 m 25.0%

Liquidationskasse für Zeitgeschäfte AG, Munich
C DM 0.50 m 10.0%

Deutsche Gesellschaft für Anlageverwaltung mit beschränkter Haftung, Frankfurt b)
C DM 150.00 m 25.0%

Deutsche Gesellschaft für Immobilienanlagen „America" mbH, Bad Homburg v. d. H.
C DM 0.10 m 25.0%

Kistra Beteiligungsgesellschaft mbH, Frankfurt d)
C DM 24.20 m 25.0%

REGINA Verwaltungsgesellschaft mbH, Munich e)
C DM 37.50 m 25.0%

a) has holding°) in Heidelberger Druckmaschinen AG
b) has holding°) in Horten AG
c) has holding°) in Industriekreditbank AG – Deutsche Industriebank
d) has holding°) in Hutschenreuther AG
e) has holding°) in Gutehoffnungshütte Aktienverein
f) has holdings°) in Bavaria Filmkunst GmbH and in Didier-Werke AG
g) has holding°) in Mercedes-Automobil-Holding AG

°) *of at least 25%, entitling to inter-company tax privileges*

Banco Urquijo S.A., Madrid
C Ptas 7,612.91 m 0.8%**)

Banque Marocaine du Commerce Extérieur, Casablanca
C dirham 80.00 m 2.2%

Banque Nationale pour le Développement Economique, Rabat
C dirham 140.00 m 0.4%

P.T. Finconesia Financial Corporation of Indonesia, Jakarta
C IRp 680.00 m 9.0%

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%

Rifbank S.A.L., Beirut
C L£ 4.00 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$ 429.29 m 5.0%

Union Internationale de Banques S.A., Tunis
C TD 4.00 m 4.0%

Consolidated Annual Accounts as at December 31, 1978

Consolidated Balance Sheet as at December 31, 1978

Assets	DM	DM	DM	Dec 31, 1977 DM 1,000
Cash on hand			168,125,411.01	159,062
Balance with Deutsche Bundesbank			3,746,758,411.89	2,783,954
Balances on postal cheque accounts			30,487,231.59	30,349
Cheques, matured bonds, interest and dividend coupons, items received for collection			471,842,029.12	282,402
Bills of exchange			3,757,864,741.59	4,040,881
including: a) rediscountable at Deutsche Bundesbank	2,784,677,981.85			
b) own drawings	1,696,600.24			
Claims on banks				
a) payable on demand		1,970,168,549.41		2,997,836
b) with original periods or periods of notice of				
ba) less than three months		3,419,480,811.21		5,380,856
bb) at least three months, but less than four years		13,475,787,703.06		11,861,391
bc) four years or more		6,177,853,765.35		4,703,887
			25,043,290,829.03	24,943,970
Treasury bills and discountable Treasury notes				
a) of the Federal and Länder Governments		1,597,904,624.81		469,593
b) of other issuers		—		43,770
			1,597,904,624.81	513,363
Bonds and notes				
a) with a life of up to four years				
aa) of the Federal and Länder Governments	1,073,683,144.09			
ab) of banks	96,586,176.01			
ac) of other issuers	7,806,303.75	1,178,075,623.85		364,454
including: eligible as collateral for Deutsche Bundesbank advances DM 1,083,710,524.18				
b) with a life of more than four years				
ba) of the Federal and Länder Governments	409,828,789.28			
bb) of banks	850,527,242.48			
bc) of other issuers	555,630,927.17	1,815,986,958.93		1,486,005
including: eligible as collateral for Deutsche Bundesbank advances DM 1,071,567,502.40			2,994,062,582.78	1,850,459
Securities not to be shown elsewhere				
a) shares marketable on a stock exchange and investment fund certificates		731,666,561.21		768,994
b) other		22,378,107.41		14,360
including: holdings of more than one-tenth of the shares of a joint stock or mining company, unless shown as Investments	617,661,532.91		754,044,668.62	783,354
Claims on customers, with original periods or periods of notice of				
a) less than four years		17,843,596,535.85		14,542,586
b) four years or more		28,842,393,640.48		22,953,563
			46,685,990,176.33	37,496,149
including: ba) secured by mortgages on real estate	8,402,487,167.67			
bb) communal loans	10,732,813,000.07			
Recovery claims on Federal and Länder authorities under post-war currency reform acts			101,973,104.01	108,947
Loans on a trust basis at third party risk			169,028,127.54	181,089
Subsidiaries, associated companies, and trade investments ("Investments")			531,438,294.85	522,032
including: investments in banks	161,599,543.57			
Land and buildings			698,825,407.88	665,210
Office furniture and equipment			180,430,062.35	162,644
Leasing equipment			320,044,561.00	197,555
Bonds and notes issued by consolidated companies			566,229,102.23	415,169
nominal amount	605,480,950.00			
including: eligible as collateral for Deutsche Bundesbank advances	496,852,945.33			
Other assets			59,069,604.88	52,731
Deferred items				
a) unamortized debt discount (difference according to Section 156 (3) of the German Stock Corporation Act–AktG)		96,563,968.47		88,999
b) other		35,201,919.86		2,964
			131,765,888.33	91,963
		Total Assets	88,009,174,859.84	75,281,283
Total Assets and the recourse claims from the contingent liabilities shown below the line on the liabilities side include				
a) claims on related companies			387,183,816.94	193,765
b) claims arising from loans falling under Section 15 (1) 1-6 and (2) of the German Banking Act, unless included under a)			228,039,060.48	213,845

Liabilities and Shareholders' Equity	DM	DM	DM	Dec 31, 1977 DM 1,000
Liabilities to banks				
a) payable on demand		3,653,018,826.99		2,861,334
b) with original periods or periods of notice of				
ba) less than three months	7,041,318,531.68			
bb) at least three months, but less than four years	11,538,173,882.46			
bc) four years or more	6,196,185,754.26	24,775,678,168.40		21,574,071
including: due in less than four years DM 4,350,948,693.44				
c) customers' drawings on other banks		791,191.22		948
			28,429,488,186.61	24,436,353
Liabilities to customers (customers' deposits)				
a) payable on demand		8,836,108,073.65		7,482,523
b) with original periods or periods of notice of				
ba) less than three months	9,697,968,335.48			
bb) at least three months, but less than four years	8,673,507,855.85			
bc) four years or more	2,351,170,126.72	20,722,646,318.05		17,073,583
including: due in less than four years DM 1,683,699,768.12				
c) savings deposits				
ca) subject to legal period of notice	5,048,771,347.77			
cb) other	4,599,800,350.99	9,648,571,698.76		9,276,701
			39,207,326,090.46	33,832,807
Bonds and notes with a life of				
a) up to four years		778,110,822.73		802,875
b) more than four years		15,652,729,721.58		12,510,446
			16,430,840,544.31	13,313,321
including: maturing in less than four years DM 6,458,099,765.37				
Own acceptances and promissory notes outstanding			75,738,474.04	44,793
Loans on a trust basis at third party risk			169,028,127.54	181,089
Provisions				
a) for pensions		489,736,022.09		451,989
b) other		404,531,116.10		376,489
			894,267,138.19	828,478
Other liabilities			61,408,583.23	54,777
Deferred items				
a) in accordance with Section 25 of the Mortgage Bank Act (HBG)		12,701,344.65		25,282
b) other		194,134,947.51		124,658
			206,836,292.16	149,940
Special items with partial reserve character subject to future taxation (in accordance with the fiscal regulation governing global valuation reserves)			—	11,890
Share capital (conditional capital additionally authorized for conversion rights: DM 103,000,000.00)			726,000,000.00	726,000
Disclosed reserves				
a) legal reserve		793,581,000.00		793,202
b) other reserves, voluntary		609,000,000.00		559,000
			1,402,581,000.00	1,352,202
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)			194,932,038.15	150,523
Minority interests			22,959,712.00	21,244
including: from profit DM 1,319,304.00				
Foundations			6,600,330.04	6,605
Consolidated profit			181,168,343.11	171,261
Total Liabilities and Shareholders' Equity			88,009,174,859.84	75,281,283
Endorsement liabilities on rediscounted bills of exchange			611,129,724.73	246,184
Contingent liabilities from guarantees, including guarantees for bills and cheques, and from indemnity agreements			7,208,395,900.66	7,329,157
Commitments under repurchase agreements, not included in liabilities			91,200,000.00	97,000
Savings premiums under the Savings Premium Act			96,638,214.24	124,624
Total Liabilities, together with contingent liabilities and other commitments shown below the line, include liabilities to related companies in the amount of			428,489,470.98	159,665

Consolidated Profit and Loss Account for the year ended December

Expenses	DM	DM	1977 DM 1,000
Interest and similar expenses		3,576,530,544.76	2,971,775
Commissions and similar service charges paid		15,980,393.04	16,946
Write-downs of and adjustments to claims and securities, transfers to provisions for possible loan losses		24,057,174.62	16,855
Salaries and wages		737,609,615.19	679,524
Compulsory social security contributions		98,887,306.17	92,084
Expenses for pensions and other employee benefits		91,939,569.35	90,966
Other operating expenses		310,459,001.76	290,291
Depreciation on and adjustments to land and buildings, office furniture and equipment		70,592,137.25	63,988
Write-downs of and adjustments to Investments (subsidiaries, associated companies, and trade investments)		1,274,607.90	14,707
Taxes			
a) on income and assets	236,457,823.27		237,486
b) other	10,884,133.07		12,897
		247,341,956.34	250,383
Other expenses		61,963,115.31	39,514
Consolidated net income for the year		224,062,334.98	212,711
	Total Expenses	5,460,697,756.67	4,739,744

	DM	DM	1977 DM 1,000
Consolidated net income for the year		224, 062,334.98	212,711
Profit brought forward from the previous year		32,625,312.13	31,944
		256,687,647.11	244,655
Allocations to Disclosed reserves from Consolidated net income for the year:			
to Other reserves			
a) Parent Bank	50,000,000.00		50,000
b) consolidated subsidiaries	24,200,000.00		22,205
		74,200,000.00	72,205
		182,487,647.11	172,450
Profit attributable to minority interests		1,319,304.00	1,189
Consolidated profit		181,168,343.11	171,261

Income	DM	DM	Comparable 1977 figures*) DM 1,000
Interest and similar income from lending and money-market transactions		4,641,662,890.77	4,036,217
Current income from			
a) fixed-interest securities and Government-inscribed debt	173,579,860.45		117,958
b) other securities	50,943,787.30		42,887
c) Investments (subsidiaries, associated companies, and trade investments)	28,869,678.26		19,425
		253,393,326.01	180,270
Commissions and other service charges received		358,963,830.29	336,136
Other income, including income from the writing back of provisions for possible loan losses		190,142,858.17	165,936
Income from profit-pooling and from partial or full profit-transfer agreements		1,218,497.37	—
Income from the writing back of provisions, unless it has to be shown under Other income		3,426,524.06	9,294
Income from the writing back of Special items with partial reserve character		11,889,830.00	11,891
	Total Income	5,460,697,756.67	4,739,744

Düsseldorf, February 28, 1979

COMMERZBANK
AKTIENGESELLSCHAFT

THE BOARD OF MANAGING DIRECTORS

Behrenbeck Deuss Dhom Dicken Frowein Grundmann
Jahn Knappertsbusch Niederste-Ostholt Reckel Reimnitz Spiegel Terrahe

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, 1979

TREUARBEIT
AKTIENGESELLSCHAFT
WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT · STEUERBERATUNGSGESELLSCHAFT

Dr. Scholz
Wirtschaftsprüfer
(German public accountant)

Dr. Jordan
Wirtschaftsprüfer
(German public accountant)

*) cf. page 79.

Appendices

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

Domestic public entities' bonds

Land Baden-Württemberg
Free State of Bavaria
Land Berlin
German Federal Railways[1]
Federal Republic of Germany[1]
Land Hessen
Lastenausgleichsbank
(Equalization of Burdens Bank)
Saarland

Other domestic bonds, including mortgage and communal bonds

AKA Ausfuhrkredit-Gesellschaft mbH
Badenwerk AG
Deutsche Hypothekenbank
(Actien-Gesellschaft)
Deutsche Schiffsbeleihungs-Bank
Aktien-Gesellschaft

Foreign issuers' DM bonds

All Nippon Airways Co., Ltd. [2]
Argentine Republic[1]
Asian Development Bank
Commonwealth of Australia
Republic of Austria
Banco Nacional
do Desenvolvimento Econômico (BNDE)
BankAmerica
Overseas Finance Corporation N.V.
Banque Extérieure d'Algérie
Banque Française
du Commerce Extérieur (BFCE)
Banque Nationale d'Algérie
Barlow Rand Investments N.V.[1] [4]
Federative Republic of Brazil[1]
Canada
Comisión Federal de Electricidad (CFE)
Commerzbank International S.A.[1] [3] [4]
City of Copenhagen
The Council of Europe Resettlement Fund
for National Refugees and Over-Population
in Europe[1]
Crédit National[1] [4]
Dansk Eksportfinansieringsfond
(Danish Export Finance Corporation)[4]
Kingdom of Denmark[1]
Electricity Supply Commission (ESCOM)[4]
Eletrobrás –
Centrais Elétricas Brasileiras SA
Sociéte Nationale Elf Aquitaine (SNEA)
Elkem-Spigerverket a/s [4]
EUROFIMA European Company
for the Financing of Railway Rolling Stock
European Coal and Steel Community (ECSC)[1]
European Investmentbank (EIB)[1] [4]
Republic of Finland[1]
A/S Follum Fabriker [4]
Forsmarks Kraftgrupp Aktiebolag
Hitachi Shipbuilding & Engineering
Company Limited
Republic of Indonesia
The Industrial Bank of Japan
Finance Company N.V.
Industrial Development Corporation
of South Africa Ltd.[4]
Inter-American Development Bank
International Bank for Reconstruction
and Development (World Bank)[1]
Jusco Co., Ltd.[2]
City of Kobe
Light-Serviços de Eletricidade S.A.
Marudai Food Co., Ltd.[2]
United Mexican States
Mitsubishi Petrochemical Company Limited
New Zealand[1]
Nippon Shinpan Co., Ltd.[2]
Nippon Steel Corporation
Nissan Diesel Motor Co., Ltd.[2]
Nisshin Steel Co., Ltd.[2]
Norcem A/S
Norges Kommunalbank
Den Norske Industriebank A/S
Kingdom of Norway[1]
Olympus Optical Co., Ltd.[2]
Österreichische Kontrollbank AG[1] [4]
Petrobrás – Petróleo Brasileiro S.A.
Republic of the Philippines
Post-och Kreditbanken, PKbanken
Province of Quebec
Rautaruukki Oy
Ricoh Company, Ltd.[1] [2]
Sanyo Electric Co., Ltd.[2]
The Seiyu Stores, Ltd.[2]
Sharp Corporation[2]
S.O.F. (Proprietary) Ltd.[4]
South African Iron and Steel Industrial
Corporation, Limited (ISCOR)[4]
Kingdom of Spain
Standard Chartered Bank Limited
Stanley Electric Co., Ltd.[2]
Statoil – Den norske stats oljeselskap a.s
Tauernautobahn AG
Teollisuuden Voima Oy –
Industrins Kraft Ab

[1]) several issues
[2]) convertible bonds
[3]) bonds with warrants or currency option
[4]) private placement

Tokyo Electric Co., Ltd.[2])
The Toyo Rubber Industry Co., Ltd.[4])
City of Trondheim
UDS Group (Netherlands) B.V.
Republic of Venezuela[1])

Foreign issuers' foreign currency bonds

African Development Bank
AGA Aktiebolag
American Express International
Finance Corporation N.V.
Arab International Bank
Asian Development Bank
ASICS Corporation[2])
Commonwealth of Australia
Avco Overseas Capital Corp. N.V.
Baker International Finance N.V.[2])
Banco de la Nación Argentina
Banco Nacional
do Desenvolvimento Econômico (BNDE)
Bank of Tokyo (Curaçao) Holding N.V.
Banque Extérieure d'Algérie
Banque Worms
BBC Brown Boveri Finance (Curaçao) N.V.[2])
Bertelsmann International Finance N.V.[4])
The Boots Company Limited[2])
Caisse Centrale
de Coopération Economique C.C.C.E.
Caisse Nationale des Télécommunications
(CNT)
Canadair Limited
Chase Manhattan
Overseas Banking Corporation
Citicorp Overseas Finance
Corporation N.V.[1]) [3])
Coca-Cola Bottling of New York
Finance N.V.[2])
City of Copenhagen
Crédit Commercial de France
Development Finance Corporation
of New Zealand[1])
Dominion Bridge Company, Ltd.
A/S Eksportfinans
I/S ELSAM
(Jutland-Funen Electricity Consortium)
Empresa Nacional del Petróleo, S.A.
(ENPETROL)
EUROFIMA European Company
for the Financing of Railway Rolling Stock
European Coal and Steel Community (ECSC)[1])
European Investment Bank (EIB)[1]) [3])
Financiering Maatschappij
d'Oranjeboom B.V.[3])
N.Z. Forest Products Limited
Gestetner Holding B.V.[3])
Götabanken
Groupement de l'Industrie Sidérurgique
(G.I.S.)[4])
Hitachi Shipbuildung & Engineering
Company Limited
Hospital Overseas Capital N.V.
Hydro-Québec
IC Industries Finance Corporation N.V.
INA International Holdings, Ltd.[3])
Industrial Bank of Finland Limited
Intershop Overseas Finance (Curaçao) N.V.[2])
Ishikawajima-Harima
Heavy Industries Co., Ltd. (IHI)
Kommunlåneinstitutet Aktiebolag
(Municipal Financing Company)[1])
The Long-Term Credit Bank
of Japan Finance N.V.[1])
MacMillan Bloedel Limited
Midland International
Financial Services B.V.
National Westminster Bank Limited[1])
Province of Newfoundland
New Zealand[4])
The Nippon Credit Bank (Curaçao)
Finance, N.V.
Nordiska Investeringsbanken
(Nordic Investment Bank)
Kingdom of Norway
Novo Industri A/S[2])
Occidental International Finance N.V.
Offshore Mining Company Limited
Ontario Hydro
City of Oslo
Österreichische Kontrollbank AG
J.C. Penney Overseas Finance N.V.
Province of Quebec
Rowntree Mackintosh
International Finance B.V.[3])
Sears International Finance N.V.[3])
Sociétés de Développement Régional (SDR)
Standard Chartered Bank Limited
Sumitomo Heavy Industries, Ltd.
Sundsvallsbanken
Sveriges Investeringsbank AB
Thorn International Finance B.V.[2])
Unilever USF Investments Limited
United Overseas Bank Limited
Volkswagen International Finance N.V.[4])
Whitbread and Company, Limited[3])

[1]) several issues
[2]) convertible bonds
[3]) bonds with warrants or currency option
[4]) private placement

German shares

BASF AG
Bayerische Hypotheken- und Wechsel-Bank
Bayerische Motoren Werke AG
Bayerische Vereinsbank
Berliner Handels- und Frankfurter Bank
Biewag Investitions-AG
Bilfinger + Berger Bauaktiengesellschaft
Braunschweig-Hannoversche Hypothekenbank
Bremer Vulkan Schiffbau und Maschinenfabrik
Buderus AG
Chemie-Verwaltungs-AG
Deutsche Babcock AG
Deutsche Centralbodenkredit-AG
Didier-Werke AG
Aktien-Gesellschaft „Ems"
Gerling-Konzern
  Allgemeine Versicherungs-AG
Gutehoffnungshütte Aktienverein
Hein, Lehmann AG
Industriekreditbank AG
  – Deutsche Industriebank
Industrie-Werke Karlsruhe Augsburg AG
Kabel- und Metallwerke
  Gutehoffnungshütte AG
AG Kühnle, Kopp & Kausch
Mannesmann AG
Oelmühle Hamburg AG
F. Reichelt AG
Rheinische Hypothekenbank
Rheinisch-Westfälisches
  Elektrizitätswerk AG
Schering AG
Siemens AG
Sloman Neptun Schiffahrts-AG
STRABAG Bau-AG
Süddeutsche Bodencreditbank
Thüringer Gasgesellschaft
Vereins- und Westbank AG
Volkswagenwerk AG

Foreign shares

Alexander Howden Group Ltd.
All Nippon Airways Co., Ltd.
Amax Inc.
American Express Company
Amsterdam-Rotterdam Bank N.V.
Consolidated Gold Fields Limited
Jusco Co., Ltd.
Marudai Food Co., Ltd.
Midland Bank Limited
Nippon Shinpan Co., Ltd.
Nisshin Steel Co., Ltd.
Olympus Optical Co., Ltd.
Ricoh Company, Ltd.
Rorento N.V.
Rowntree Mackintosh Limited
Sanyo Electric Co., Ltd.
The Seiyu Stores, Ltd.
Stanley Electric Co., Ltd.
Steyr-Daimler-Puch AG
Sun Company, Inc.
Swiss Bank Corp.*)
Tokyo Electric Co., Ltd.
Tokyo Sanyo Electric Co., Ltd.
Turner & Newall Limited
Warner Communications Inc.

*) certificates of participation

Other syndicate transactions

Allgemeine Transportmittel AG
AV America
  Grundbesitzverwaltungsgesellschaft mbH
Deutsche Gesellschaft
  für Immobilienanlagen „America" mbH
Deutsche Grundbesitz-Anlagegesellschaft mbH
  (DGA)
Deutsche Pfandbriefanstalt
Deutsche Schiffahrtsbank AG
Deutsche Schiffskreditbank AG
Eisenbahn-Verkehrsmittel-AG
Energieversorgungs-
  und Verkehrsgesellschaft mbH
Hoechst AG
Fried. Krupp Hüttenwerke AG

Head Offices

Düsseldorf	25 Breite Strasse, D-4000 Düsseldorf, Telephone (0211) 8271, Telex 8 581 381
Frankfurt	32-36 Neue Mainzer Strasse, D-6000 Frankfurt, Telephone (0611) 13621, Telex 411 246
Hamburg	7-9 Ness, D-2000 Hamburg, Telephone (040) 361321, Telex 212391

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

Aalen
1969

Achim
1973

Ahlen (Westphalia)
1961

Ahrensburg (Holstein)
1958
with sub-branch
Hamburger Strasse

Albstadt-Ebingen
1969

Albstadt-Tailfingen
1975

Alfeld (Leine)
1962

Alsfeld
1969

Altena (Westphalia)
1912 (1880)
with sub-branch
Lennestrasse

Andernach
1954

Arnsberg-Neheim
1968

Aschaffenburg
1962

Augsburg
1919
with sub-branches
Donauwörther Strasse
Göggingen

Backnang
1961

Bad Bramstedt
1973

Baden-Baden
1914 (1878)

Bad Driburg
1975

Bad Harzburg
1974

Bad Hersfeld
1962

Bad Homburg v. d. H.
1967

Bad Honnef
1966

Bad Kissingen
1976

Bad Kreuznach
1929 (1907)

Bad Nauheim
1968

Bad Neuenahr
1966
with sub-branch
Ahrweiler

Bad Oeynhausen
1965

Bad Oldesloe
1961

Bad Salzuflen
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 106

Bonn-Bad Godesberg
1959
with sub-branch
Römerplatz

Bonn-Beuel
1961

Bonn-Duisdorf
1960

Borken (Westphalia)
1960

Bottrop
1959

Brake
1976

Braunschweig
1929 (1853)
with sub-branches
Am Hauptbahnhof
Celler Strasse
Dankwardstrasse
Jasperallee
Radeklint

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

Bückeburg
1954 (1856)

Bünde
1961

Burgdorf
1970

Butzbach
1967

Buxtehude
1972

Celle
1961

Cloppenburg
1961

Coburg
1971

Coesfeld
1961

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

Dreieich
1968

Dülmen
1968

Düren
1959

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

Düsseldorf-Benrath
1968

Duisburg
1909 (1883)
with sub-branches
Hochfeld
Lutherplatz
Marxloh
Meiderich
Wanheimerort

Duisburg-Hamborn
1958

Duisburg-Homberg
1969

Duisburg-Rheinhausen
1961

Duisburg-Ruhrort
1960

Duisburg-Walsum
1965 (1954)

Eckernförde
1960

Einbeck
1969

Eislingen
1975

Elmshorn
1953

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

Esslingen
1965

Ettlingen
1967

Euskirchen
1960

Fellbach (Württ.)
1960

Flensburg
1955
with sub-branches
Industriegebiet
(industrial estate)
Mürwik
Norderstrasse
Südermarkt

Frankenthal (Palatinate)
1963

Frankfurt
1856
with sub-branches
Adickesallee
Alt-Bornheim
Am Eschenheimer Tor
Am Opernplatz
Berliner Strasse
Bockenheim
Bornheim
Dornbusch
Flughafen *(airport)*
Galluswarte
Hanauer Landstrasse
Hauptwache
Kaiserstrasse
Oederweg
Platz der Republik
Rödelheim
Sachsenhausen
Schwanheim
Wächtersbacher Strasse
Zeil

Frankfurt-Höchst
1899

Frechen
1960

Freiburg (Breisgau)
1960
with sub-branch
Rathausgasse

Friedberg (Hesse)
1929

Friedrichshafen
1967

Fürth (Bavaria)
1899 (1872)
with sub-branches
Komotauer Strasse
Waldstrasse

Fulda
1954

Garbsen
1965

Garmisch-Partenkirchen
1969

Geesthacht
1974

Geislingen (Steige)
1974

Gelsenkirchen
1918 (1906)
with sub-branches
Am Stern
Erle
Horst
Neustadt

Gelsenkirchen-Buer
1920

Gevelsberg
1912
with sub-branch
Mittelstrasse

Giessen
1906

Gifhorn
1961

Gladbeck
1960

Glinde
1970

Glückstadt
1968

Goch
1967

Göppingen
1959

Göttingen
1923 (1850)
with sub-branches
Eichendorffplatz
Weende

Goslar
1929 (1907)

Greven (Westphalia)
1961

Grevenbroich
1960

Gross Gerau
1968

Gütersloh
1965

Gummersbach
1919 (1870)

Haan (Rhineland)
1967

Hagen
1900 (1858)
with sub-branches
Haspe
Mittelstrasse
Wehringhausen

Haltern (Westphalia)
1974

Halver
1959

Hamburg
1870
with sub-branches
Altstadt
Am Hafen
Barmbek
Billstedt
Blankenese
Bramfeld
Dehnhaide
Eidelstedt
Eilbek
Eimsbüttel
Eppendorf
Esplanade
Freihafen *(free port)*
Fuhlsbüttel
Gänsemarkt
Geschäftsstadt Nord
Grindelberg
Grossneumarkt
Hamm
Hammerbrook
Hoheluft
Lokstedt
Lurup
Messberg
Mittelweg
Mundsburg
Neugraben
Osdorf
Osterstrasse
Othmarschen
Rahlstedt
Rothenburgsort
St. Georg
St. Pauli
Schnelsen
Uhlenhorst
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

Hanover
1907 (1826)
with sub-branches
Am Klagesmarkt
Am Kröpcke
Am Küchengarten
Am Steintor
Buchholz
Herrenhausen
Hildesheimer Strasse
Lister Meile
Misburg
Sallstrasse
Südstadt
Vahrenheide
Vahrenwald
Vier Grenzen
Wülfel

Heide (Holstein)
1961

Heidelberg
1963
with sub-branches
Innenstadt
Neuenheim

Heidenheim (Brenz)
1954

Heilbronn
1965

Heiligenhaus
1959

Helmstedt
1951
with sub-branch
Gröpern

Hemer
1968

Hemmingen
1965

Hennef (Sieg)
1966

Herford
1920 (1873)
with sub-branches
Alter Markt
Mindener Strasse

Herne
1958

Herne-Wanne
1918 (1906)
with sub-branch
Eickel

Herten
1961

Herten-Westerholt
1968

Herzberg
1965

Herzogenrath
1975

Hilden
1919

Hildesheim
1929
with sub-branches
Dammstrasse
Marienburger Platz
Zingel

Hockenheim
1973

Hof (Saale)
1968

Hofheim (Taunus)
1967

Hohenlimburg
1954
with sub-branch
Elsey

Holzminden
1923 (1884)

Hoya (Weser)
1954 (1927)

Husum
1959

Ibbenbüren
1971

Idar-Oberstein
1963
with sub-branch
Edelsteinbörse
(jewelry exchange)

Idstein (Taunus)
1975

Ingelheim
1973

Ingolstadt
1963
with sub-branch
Hindenburgstrasse

Iserlohn
1905 (1838)
with sub-branch
Schillerplatz

Iserlohn-Letmathe
1969

Itzehoe
1966

Jülich
1971

Kaiserslautern
1961

Kaltenkirchen
1970

Kamen
1962

Kamp-Lintfort
1967

Karlsruhe
1953
with sub-branches
Am Mühlburger Tor
Durlach
Mühlburg

Kassel
1908 (1881)
with sub-branches
Bettenhausen
Friedrich-Ebert-Strasse

Kaufbeuren
1967
with sub-branch
Neugablonz

Kelkheim (Taunus)
1968

Kempen (Lower Rhine)
1961

Kempten
1973

Kettwig
1974

Kiel
1905
with sub-branches
Arndtplatz
Exerzierplatz
Gaarden
Holtenauer Strasse Nord
Holtenauer Strasse Süd
Kirchhofallee
Wellingdorf
and paying office
Schlachthof
(slaughter-house)

Kirchheim (Teck)
1968

Kirn (Nahe)
1968

Kleve
1918 (1889)

Koblenz
1961
with sub-branch
Bahnhofsplatz

Köln *(Cologne)*
1907 (1869)
with sub-branches
Barbarossaplatz
Braunsfeld
Chlodwigplatz
Ehrenfeld
Hohenzollernring
Hohe Strasse
Kalk
Lindenthal
Neumarkt
Neusser Strasse
Rodenkirchen
Sülz
Weidenpesch
Zollstock

Köln-Mülheim
1962

Königstein (Taunus)
1974

Konstanz
1961
with sub-branch
Petershausen

Korbach
1967

Krefeld
1905 (1859)
with sub-branches
Hochstrasse
Ostwall
Zentrum *(downtown)*

Krefeld-Hüls
1968

Krefeld-Uerdingen
1959

Kreuztal
1959

Kulmbach
1974

Laatzen (Han.)
1965

Lahn: see
Giessen and Wetzlar

Lahr
1968

Landau (Palatinate)
1968

Landshut
1967

Langen (Hesse)
1967

Langenfeld (Rhineland)
1962

Langenhagen
1965

Lauf
1976

Leer (East Friesland)
1962

Lehrte (Han.)
1961

Leichlingen
1969

Lemgo
1954

Lennestadt
1960

Leonberg
1965

Leverkusen
1958

Limburg (Lahn)
1957

Lingen (Ems)
1960

Lippstadt
1961

Löhne
1966

Lörrach (Baden)
1962

Lohne
1973

Ludwigsburg
1958

Ludwigshafen (Rhine)
1960

Lübbecke
1966

Lübeck
1918 (1862)
with sub-branches
Am Schlachthof
Buntekuh
Fackenburger Allee
Geniner Strasse
Marli
Travemünde
and paying office
Skandinavienkai

Lüchow
1968 (1870)

Lüdenscheid
1905 (1869)
with paying office
Brüninghausen

Lüdinghausen
1968

Lüneburg
1959

Lünen
1958

Maintal-Dörnigheim
1973

Mainz
1914 (1890)
with sub-branches
Am Dom
Rheinallee

Mainz-Kastel
1929 (1920)

Mannheim
1921
with sub-branches
Käfertal
Kaiserring
Lindenhof
Neckarau
Neckarstadt
Sandhofen
Waldhof

Marburg (Lahn)
1906

Marl-Hüls
1955

Mayen
1954

Meerbusch-Büderich
1968

Meerbusch-Osterath
1969

Memmingen
1969

Menden
1972

Meppen
1961

Meschede
1971

Mettmann
1962

Metzingen
1974

Minden
1968

Mönchengladbach
1898 (1871)
with sub-branches
Am Hauptbahnhof
Headquarters
Rheindahlen

Mönchengladbach-Rheydt
1905
with sub-branches
Friedrich-Ebert-Strasse
Odenkirchen

Moers
1959

Monschau
1969

Mühldorf (Inn)
1968

Mühlheim (Main)
1967

Mülheim (Ruhr)
1918 (1889)
with sub-branch
Speldorf

München *(Munich)*
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

Münster (Westphalia)
1919
with sub-branches
Hammer Strasse
Hansaring
Warendorfer Strasse

Nettetal-Lobberich
1960

Neuburg (Donau)
1976

Neuenkirchen
(near Rheine)
1968

Neuenrade
1967

Neu-Isenburg
1919

Neumünster
1907

Neuss
1952
with sub-branch
Dreikönigenstrasse

Neustadt (Holstein)
1974

Neustadt (Weinstrasse)
1961

Neu-Ulm
1967

Neuwied
1960

Niebüll
1966

Nienburg (Weser)
1954 (1938)

Norden
1966

Nordenham
1921 (1907)

Norderstedt
1962

Nordhorn
1953

Northeim (Han.)
1960

Nürnberg *(Nuremberg)*
1899 (1872)
with sub-branches
Friedrich-Ebert-Platz
Gibitzenhof
Königstrasse
Landgrabenstrasse
Plärrer
Schweinau
Stresemannplatz

Oberhausen
1918 (1896)
with sub-branches
Buschhausen
Osterfeld

Oberhausen-Sterkrade
1960

Obertshausen
1967

Oberursel (Taunus)
1968

Oelde
1976

Oer-Erkenschwick
1969

Offenbach (Main)
1904
with sub-branches
Sprendlinger
Landstrasse
Waldstrasse

Offenburg
1968

Oldenburg (Oldb.)
1920
with sub-branch
Grossmarkt

Olpe
1968

Olsberg-Bigge
1965

Opladen
1961

Osnabrück
1906
with sub-branches
Bramscher Strasse
Johannisstrasse
Lotter Strasse
Schützenstrasse

Osterholz-Scharmbeck
1966

Osterode (Harz)
1929 (1872)

Paderborn
1908 (1881)

Papenburg
1967

Passau
1968

Peine
1921 (1900)

Pforzheim
1960

Pfungstadt
1969

Pinneberg
1957

Pirmasens
1955 (1908)

Plettenberg
1921

Pullach
1969

Quickborn (Holstein)
1975

Radevormwald
1965

Rastatt
1962

Ratingen
1967

Ratingen-Lintorf
1974

Ravensburg
1971

Recklinghausen
1919 (1904)
with sub-branch
Recklinghausen-Süd

Rees
1965 (1962)

Regensburg
1965

Reinbek (near Hamburg)
1959

Remscheid
1903 (1898)
with sub-branches
Alleestrasse
Handweiser
Hasten

Remscheid-Lennep
1961

Remscheid-Lüttringhausen
1961

Rendsburg
1960

Reutlingen
1954 (1930)

Rheda-Wiedenbrück
1959
with sub-branch
Berliner Strasse

Rhede (near Bocholt)
1968

Rheine
1921

Rheinfelden
1975

Rheydt: see
Mönchengladbach-Rheydt

Rietberg
1968

Rosenheim
1972

Rotenburg (Wümme)
1976

Rottweil
1974

Rüdesheim
1968

Rüsselsheim
1965

Saarburg (near Trier)
1967

Salzgitter-Lebenstedt
1958

St. Georgen
1976

Sarstedt
1962

Schleswig
1962

Schneverdingen
1970

Schöningen
1960

Schorndorf
1977

Schwabach
1967

Schwäbisch Gmünd
1968

Schwalbach (Taunus)
1974

Schweinfurt
1963

Schwelm
1951

Schwerte (Ruhr)
1959 (1928)

Schwetzingen
1969

Siegburg
1960

Siegen
1919
with sub-branches
Eiserfeld
Kaan-Marienborn
Weidenau

Sindelfingen
1962

Singen (Hohentwiel)
1967

Sinsheim
1969

Soest
1961

Solingen
1903 (1900)
with sub-branch
Höhscheid

Solingen-Ohligs
1903 (1899)

Solingen-Wald
1960

Speyer
1975

Sprockhövel
1967

Stade
1954 (1920)

Stadtallendorf
1967

Steinhagen
1965

Stolberg
1920

Straubing
1966

Stuttgart
1919 (1885)
with sub-branches
Degerloch
Feuerbach
Hauptstätterstrasse
Marienplatz
Ostendplatz
Rosenbergplatz
Rotebühlplatz
Schloss-Strasse
Vaihingen a. F.
Wangen
Weilimdorf
Zuffenhausen

Stuttgart-Bad Cannstatt
1956

Trier
1959

Troisdorf
1965

Tübingen
1958

Tuttlingen
1975

Uelzen
1919

Uetersen (Holstein)
1961

Ulm (Danube)
1963

Unna
1959

Unterföhring
(near Munich)
1967

Varel (Oldenburg)
1961

Vechta
1961

Velbert
1919 (1880)

Velbert-Langenberg
1953

Verden (Aller)
1970

Versmold
1962

Viernheim
1973

Viersen
1954

Viersen-Dülken
1968

VS-Schwenningen
1969

VS-Villingen
1969

Vlotho
1969

Voerde (Lower Rhine)
1965

Voerde-Friedrichsfeld
1965 (1959)

Wahlstedt
1973

Waldbröl
1968

Waldkraiburg
1971

Walsrode
1961

Wanne: see
Herne-Wanne

Warburg
1917 (1896)

Wedel (Holstein)
1955

Wegberg
1974

Weiden (Upp. Palat.)
1969

Weil (Rhine)
1970

Weinheim
(Bergstrasse)
1961

Werdohl
1923

Wermelskirchen
1909 (1893)

Wesel
1965 (1920)

Wesseling
1967

Westerland (Sylt)
1961

Wetter (Ruhr)
1970

Wetter-Wengern (Ruhr)
1970

Wetzlar
1906

Weyhe-Kirchweyhe
1954 (1923)

Weyhe-Leeste
1954 (1928)

Wiehl (Cologne district)
1962

Wiesbaden
1898 (1860)
with sub-branches
Biebrich
Bismarckring
Bleichstrasse
Kirchgasse
Rheinstrasse
Wilhelmstrasse

Wildeshausen
1974

Wilhelmshaven
1954
with sub-branch
Gökerstrasse

Winsen (Luhe)
1970

Wipperfürth
1975

Wissen (Sieg)
1967

Witten
1921
with sub-branches
Annen
Herbede

Wolfenbüttel
1967

Wolfsburg
1958
with sub-branches
Detmerode
Kästorf
Tiergartenbreite

Worms
1928

Würselen
1969

Würzburg
1961

Wunstorf
1961

Wuppertal
1911 (1754)
with sub-branches
Cronenberg
Friedrich-Ebert-Strasse
Langerfeld
Leimbach
Oberbarmen
Ronsdorf
Unterbarmen
Vohwinkel
Wichlinghausen

Wuppertal-Barmen
1867 (1810)
with sub-branch
Werth

Xanten
1965

Zirndorf
1970

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)

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, 42nd Floor
Rooms 4201–4203 and 4216–4220
Connaught Road
Hong Kong

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

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 Uchisaiwai-cho, Chiyoda-ku
Tokyo 100-91 (Japan)

Subsidiaries

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

with sub-branches:

Charlottenburg
- Amtsgerichtsplatz
- Charlottenburg
- Gedächtniskirche
  - with paying office Kaufhaus Wertheim
- Kurfürstendamm
- Maison de France
- Otto-Suhr-Allee
- Reichsstrasse
- Savignyplatz

Kreuzberg
- Kochstrasse
- Kottbusser Tor
- Mehringdamm
- Mehringplatz

Neukölln
- Buckow
- Grüner Weg
- Hermannplatz
- Hermannstrasse
- Karl-Marx-Platz
- Neukölln

Reinickendorf
- Hermsdorf
- Kurt-Schumacher-Platz
- Reinickendorf
- Residenzstrasse
- Tegel
- Wittenau

Schöneberg
- Friedenau
- Hauptgeschäft
- Martin-Luther-Strasse
- Schöneberg
- Wittenbergplatz

Spandau
- Nonnendammallee
- Pichelsdorfer Strasse
- Spandau

Steglitz
- Albrechtstrasse
- Lankwitz
- Lichterfelde
- Steglitz

Tempelhof
- Am Flughafen Tempelhof
- Lichtenrade
- Mariendorf
- Marienfelde
- Tempelhof

Tiergarten
- Budapester Strasse
- Kurfürstenstrasse
- Moabit

Wedding
- Badstrasse
- Müllerstrasse
- Wedding

Wilmersdorf
- Berliner Strasse
- Halensee
- Hohenzollerndamm
- Roseneck
- Schlangenbader Strasse
- Schmargendorf
- Wilmersdorf

Zehlendorf
- Schlachtensee
- Zehlendorf

COMMERZBANK INTERNATIONAL S.A.
11 Rue Notre-Dame, Luxembourg

COMMERZBANK (SOUTH EAST ASIA) LTD.
Tower 3902, DBS Building
6 Shenton Way
P.O. Box 3314, Maxwell Road,
Singapore 1 (Singapore)

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

Related Banks

(Majority holdings)

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

COMMERZ-CREDIT-BANK
AKTIENGESELLSCHAFT EUROPARTNER
4 Faktoreistrasse, D-6600 Saarbrücken,
with 7 branch offices in Saarland

EUROPARTNERS BANK (NEDERLAND) N.V.
571-573 Herengracht
Amsterdam (Netherlands),
with branch office at
6 Westblaak, Rotterdam (Netherlands)

Representative Offices Abroad

Arabian Peninsula
Dieter Fetz
Salahuddin Building, Suite 301
P.O. Box 5400
Manama (Bahrain)

Argentina, Paraguay, Uruguay
Karl-Lutz Ammann
456 Avda. Corrientes, Depto. 73
Buenos Aires (Argentina)

Australia, New Zealand
Joint Representative Office Banco di Roma/
Commerzbank AG/Crédit Lyonnais
Commerzbank Repr.: Stefan C.W.Stäcker
Citicorp House, 54-62 Carrington Street
G.P.O. Box 5358
Sydney, N.S.W. 2001 (Australia)

Brazil

Commerzbank Representação Ltda.
São Paulo: Alexander Gregor
254 Rua Boa Vista, 7° 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

Nippon Press Centre
2-2-1 Uchisaiwai-cho, Chiyoda-ku
Central P.O. Box No. 939
Tokyo 100-91 (Japan)

Egypt, Sudan, Ethiopia

Gert Solmsen
2 Aly Labib Gabr Street (ex: Behler)
P.O. Box 1944
Cairo (A.R.E./Egypt)

Indonesia

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

Iran, Pakistan

Dr. Helmut R. Töllner
13 Avenue Karim Khan Zand
P.O. Box 33-467
Tehran (Iran)

Lebanon, Libya, Iraq, Jordan, Syria

Commerzbank Representative Office
416-421 Starco Bloc Nord
Boîte Postale No. 11-3246
Beirut (Lebanon)
(not operating for the time being)

Mexico, Central America, Caribbean Islands

Joint Representative Office Banco di Roma/
Commerzbank AG/Crédit Lyonnais
Commerzbank Repr.: Joachim N. Soszna
445 Paseo de la Reforma, 7° Piso
Apartado Postal 5-789
Mexico City (Mexico)

Peru, Bolivia, Chile, Ecuador

Wilhelm Zeise
266 Av. Emancipación, 7° Piso, Casilla 1127
Lima (Peru)

Southern Africa

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

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

Spain, Portugal

Günter Schönberner
11 Calle Cedaceros
Madrid-14 (Spain)

USSR

Heinrich Schembecker
Hotel Ukraina, Suite 472
Moscow (USSR)

Venezuela, Colombia

Gerhard Reinecke
Avda. Universidad Esq. Traposos,
Edif. Banco Hipotecario de Crédito Urbano,
Piso 9, Apartado 5074, Carmelitas 101
Caracas (Venezuela)

Holdings
in Foreign Financial Institutions
and in Other Companies Abroad

Australia

AUC Holdings Ltd., Melbourne

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

Dubai

The Commercial Bank of Dubai Ltd., Dubai

Egypt

Misr International Bank S.A.E., Cairo

Finland

Teollistamisrahasto Oy–
Industrialization Fund of Finland Ltd., Helsinki

France

Crédit Chimique S.A., Paris

Europartenaires 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

Lebanon

Rifbank S.A.L., Beirut

Société Libano Européenne pour la Gestion Privée (Crédit Lyonnais) S.A.L., SLIGEST, 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'Edition et de Diffusion S.A., Luxembourg

U.B.A.E. Union de Banques Arabes et Européennes 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

IRIS–Institutional Research and Investment Services S.A., Geneva

Thailand

The Industrial Finance Corporation of Thailand (IFCT), Bangkok

Mithai Europartners Finance and Investment Ltd., Bangkok

Tunisia

Union Internationale de Banques S.A., Tunis

United Kingdom

International Commercial Bank Ltd., London

USA

EuroPartners Securities Corporation, New York

Zaïre

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 subsidiaries at Saarbrücken and Geneva, their joint holdings at Brussels and Cairo, and their joint representative office at Copenhagen, also of Banco Hispano Americano).

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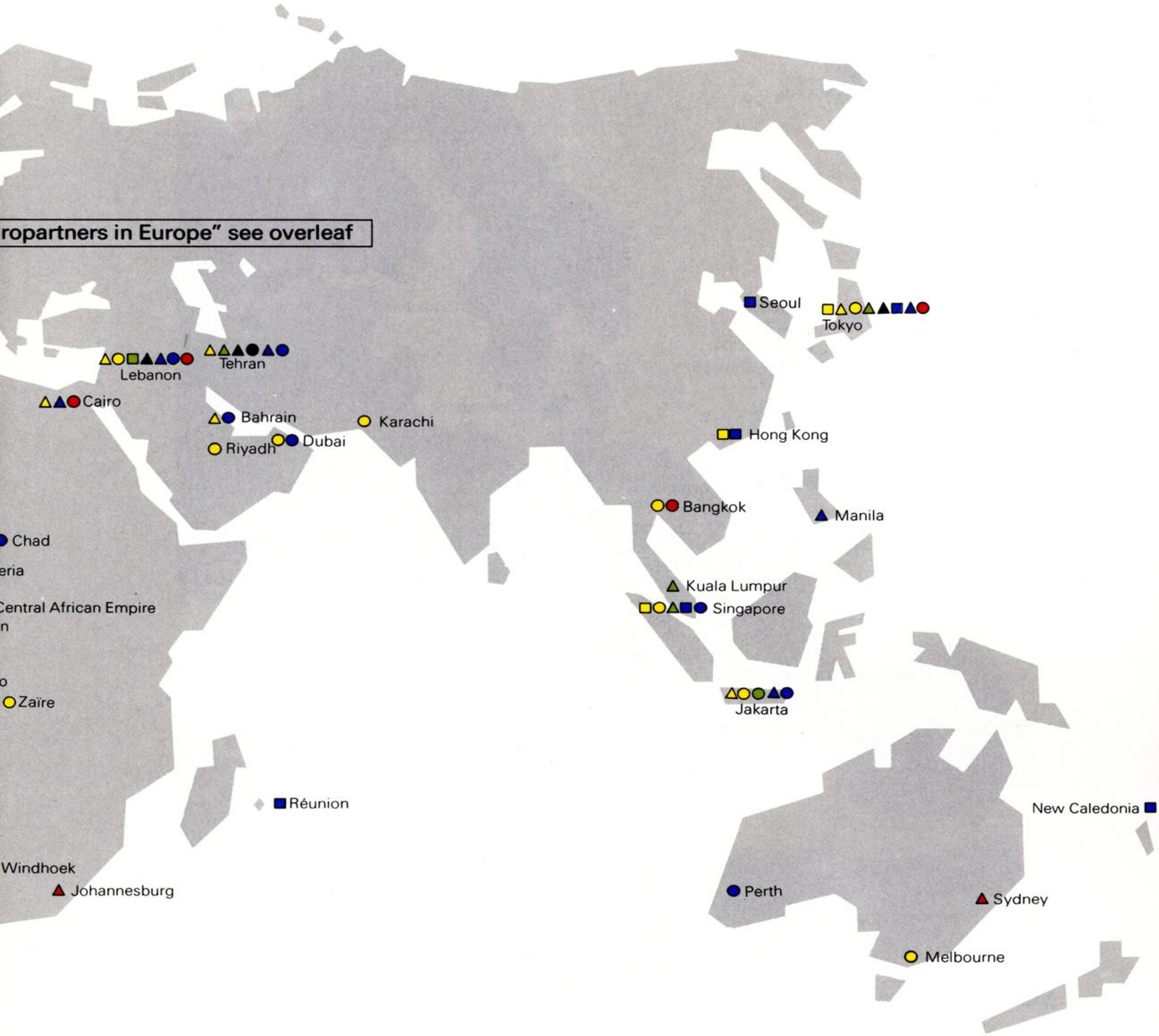
The Europartners Overseas pages 111/112

The Europartners Overseas



ropartners in Europe" see overleaf
Seoul
Tokyo
Lebanon
Tehran
Cairo
Bahrain
Karachi
Riyadh
Dubai
Hong Kong
Bangkok
Manila
Chad
eria
Central African Empire
n
o
Zaïre
Kuala Lumpur
Singapore
Jakarta
Réunion
New Caledonia
Windhoek
Johannesburg
Perth
Sydney
Melbourne

The Europartners in Europe

Europartners Highlights[1]

BANCO DI ROMA

	Year-end, 1978	Year-end, 1977	Change
Balance Sheet Total	Lire 21,407 billion	Lire 15,357 billion	39.4%
Deposits	Lire 14,523 billion	Lire 11,133 billion	30.5%
Capital and Reserves	Lire 331 billion	Lire 277 billion	19.5%
Branches	297	289	2.8%
Number of Accounts	1,181,700	1,175,000	0.6%
Staff	13,188	13,044	1.1%

BANCO HISPANO AMERICANO

	Year-end, 1978	Year-end, 1977	Change
Balance Sheet Total	Ptas 880,646 million	Ptas 731,884 million	20.3%
Deposits	Ptas 798,910 million	Ptas 657,956 million	21.4%
Capital and Reserves[2])	Ptas 41,880 million	Ptas 40,831 million	2.6%
Branches	1,139	1,086	4.9%
Number of Accounts	3,029,000	2,766,000	9.5%
Staff	19,183	19,330	−0.8%

COMMERZBANK

	Year-end, 1978	Year-end, 1977	Change
Balance Sheet Total	DM 60,624 million	DM 50,896 million	19.1%
Deposits	DM 57,331 million	DM 47,772 million	20.0%
Capital and Reserves	DM 2,129 million	DM 2,078 million	2.5%
Branches	795	794	0.1%
Clients	2,158,500	2,107,000	2.4%
Staff	18,404	17,872	3.0%

CREDIT LYONNAIS

	Year-end, 1978	Year-end, 1977	Change
Balance Sheet Total	Ffr 286,202 million	Ffr 235,670 million	21.4%
Deposits	Ffr 273,060 million	Ffr 221,767 million	23.1%
Capital and Reserves[2])	Ffr 1,690 million	Ffr 1,472 million	14.8%
Branches	2,368	2,424	−2.4%
Clients	3,653,000	3,660,000	−0.2%
Staff	47,740	48,095	−0.7%

The Group[3]

	Year-end, 1978	Year-end, 1977	Change
Balance Sheets Sum Total	DM 255,293 million	DM 206,376 million	23.7%
Deposits	DM 229,011 million	DM 185,984 million	23.1%
Capital and Reserves	DM 4,682 million	DM 4,390 million	6.7%
Branches	4,599	4,593	0.1%
Staff	98,515	98,341	0.2%

[1]) parent banks only;
[2]) before appropriation of profit;
[3]) conversion made according to the official Frankfurt middle rates of Dec 29, 1978:
Ffr 1 = DM 0.4357; Lire 100 = 0.2199; Ptas 100 = DM 2.60.