

ZENTRALSTELLE  
VOLKSWIRTSCHAFTLICHE ÖFFENTLICHKEITSDIENST  
HAUPTSTELLE FRANKFURT

Annual Report  
**1977**



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

**COMMERZBANK**

# COMMERZBANK Highlights

## Parent Bank

at year-end	1977	1976
Total assets	DM 50,896.3 m	DM 42,090.1 m
Total lending	DM 29,031.3 m	DM 25,584.1 m
Capital and reserves	DM 2,078.2 m	DM 1,781.0 m
Dividend paid per DM 50 nominal share	DM 8.50	DM 9.00
Tax credit (in addition to cash dividend)	DM 4.78	—

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

in DM m. at year-end			in DM m. at year-end		
<b>Assets</b>	1977	1976	<b>Liabilities and Shareholders' Equity</b>	1977	1976
Cash on hand	2,973	2,580	Due to banks	24,436	19,248
Cheques, collection items	283	173	Customers' deposits	33,833	29,376
Bills of exchange	4,041	4,270	a) sight deposits	(7,483)	(6,619)
Due from banks	24,944	19,099	b) time deposits	(17,073)	(13,724)
Treasury bills	513	859	c) savings deposits	(9,277)	(9,033)
Bonds	1,851	1,476	Bonds issued	13,313	11,372
Shares	783	642	Other liabilities	1,279	1,199
Loans and advances to customers	37,496	32,249	Capital and reserves <sup>2)</sup>	2,249	1,902
a) at agreed periods of less than four years	(14,542)	(12,930)	a) share capital	(726)	(644)
b) at agreed periods of four years or more	(22,954)	(19,319)	b) reserves	(1,352)	(1,137)
Investments	522	490	c) consolidation "difference" <sup>3)</sup>	(151)	(99)
Bank premises and other real estate	665	610	d) minority interests <sup>4)</sup>	(20)	(22)
Other assets	1,210	827	Consolidated profit retained (before dividend)	171	178
<b>Total Assets</b>	<b>75,281</b>	<b>63,275</b>	<b>Total Liabilities and Shareholders' Equity</b>	<b>75,281</b>	<b>63,275</b>
Branches	870	861	Endorsement liabilities	246	518
Customers	2,425,900	2,383,800	<b>Business volume</b>	<b>75,527</b>	<b>63,793</b>
Staff	19,377	19,207	Guarantees	7,329	7,482

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

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

<sup>1)</sup> for complete Consolidated Annual Accounts see pages 91 to 95.

<sup>2)</sup> DM 2,279 m (1976: DM 1,942 m) after allocation of funds decided upon at AGM's of consolidated companies;

<sup>3)</sup> pursuant to Article 331, paragraph 1, item 3, of the German Companies Act-AktG (cf. page 93);

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

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Annual Accounts and Report  
for the Year 1977

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**COMMERZBANK** 



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



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To our shareholders,

Despite the sometimes serious difficulties posed by the general economic situation, Commerzbank AG managed in 1977 both to expand its business in all sectors and to achieve a good result. Most of the growth was derived from enhanced emphasis on servicing our private customers, a further rise in long-term lending, and a consistent intensifying of our foreign activities. This progress contrasted sharply with our domestic wholesale business which continued to suffer from companies' sluggish demand for short-term loans. However, rapidly falling interest rates led to above-average earnings in securities dealings on our own account, while a greater cost-consciousness likewise contributed to our good performance.

The other member banks of the Commerzbank Group also helped substantially to produce the overall result, some 42 per cent of the DM 212 m consolidated profit for the year being earned by our subsidiaries.

This is the first year in which our dividend payment is affected by the amended provisions on German corporation tax. Those of our shareholders resident within West Germany can now credit that portion of the corporation tax already paid by the Bank relating to the dividend against their own tax liability or obtain a refund, as the case may be. Unfortunately, no way has yet been found of enabling our shareholders residing abroad to benefit from a similar tax credit—a fact we consider all the more regrettable since in our own interests we arranged at a very early stage for Commerzbank shares to be quoted on the stock exchanges of several other European countries.

We should like to thank the great majority of our shareholders who subscribed to the rights offer we made at the beginning of the current year, thus permitting us once more to strengthen the Bank's equity basis.

The following proposals for further raising the Bank's capital will be found on the agenda of this year's Annual General Meeting:

- a contingent capital increase to cover a convertible loan issue to be offered to the holders of our shares and outstanding convertible bonds;
- an additional contingent capital increase in connection with an issue of bonds with warrants by Commerzbank International S.A.,

Luxembourg, in respect of which we ask that the subscription right be excluded;

- a further authorized capital increase; as in previous years, the new shares are to be offered to both the holders of our shares and convertible bonds, with market sales restricted to any small amounts needed to round up the share capital.

The purpose of these three measures is firstly to take account of the differing interests of domestic and foreign investors and secondly to ensure in good time an adequate base for the Bank's growth in all sectors, including international business. Moreover, at a time of great economic risk it is impossible to over-estimate the value, to a bank active on an international level, of substantial capital and reserves.

The Annual General Meeting, which this year is to be held at Commerzbank's legal domicile in Düsseldorf, will also be asked to elect new members to the Supervisory Board and to make extensive amendments to the Bank's By-laws; both these measures relate to the new German Codetermination Act of May 4, 1976.

Commerzbank's net product—i.e. the Bank's contribution to West Germany's national income—topped the DM 1 bn mark for the first time last year (see chart on page 52), and 1978 has likewise made a promising beginning.

March 1978



*Chairman  
of the Supervisory Board*



*Spokesman  
of the Board of Managing Directors*

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# 26th Annual General Meeting

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26th Annual General Meeting  
of shareholders

Notice is hereby given that  
the 26th Annual General Meeting  
of the shareholders of Commerzbank AG  
will be held  
at the Exhibition and Conference Centre,  
Neues Messegelände,  
Rotterdamer Strasse/  
corner Stockumer Kirchstrasse,  
Düsseldorf,

**on Friday, May 12, 1978,  
at 10.00 a. m.,**

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, 1977.
- 2**  
To resolve on the appropriation of the profit.
- 3**  
To approve the actions and conduct  
of the Board of Managing Directors  
and of the Supervisory Board  
during the financial year 1977.
- 4**  
To authorize the Board of Managing Directors  
to issue convertible loan stock  
and to resolve on a contingent increase  
in the Bank's share capital.
- 5**  
To approve an issue  
of bonds with warrants  
by Commerzbank International S.A.,  
Luxembourg,  
and to resolve upon  
the resultant contingent increase  
in the Parent Bank's share capital.
- 6**  
To authorize the Board of Managing Directors  
to increase the Bank's share capital  
(authorized capital increase).
- 7**  
To resolve upon an amendment  
to the Bank's By-laws.
- 8**  
To elect the members of the Supervisory Board.
- 9**  
To appoint the Auditors  
for the financial year 1978.



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# Supervisory Board (Aufsichtsrat)

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PAUL LICHTENBERG  
Frankfurt/Düsseldorf  
*Chairman*

HELMUT LORENZ-MEYER  
Hamburg  
General Partner in Theodor Wille  
*Deputy Chairman*

DR. DIETRICH WILHELM VON MENGES  
Oberhausen  
Member of the Supervisory Board  
of Gutehoffnungshütte Aktienverein  
*Deputy Chairman*

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

PROFESSOR DR. DR. h. c. mult.  
DR. E. h. mult. OTTO BAYER  
Leverkusen  
Honorary Chairman  
of the Supervisory Board  
of Bayer AG  
*until May 10, 1977*

ROLF BECKMANN  
Düsseldorf  
Commerzbank AG

KARIN BEHRENS  
Berlin  
Berliner Commerzbank AG

EWALD FAJKUS  
Frankfurt  
Commerzbank AG

PROFESSOR DR.-ING.  
DR. h. c. KURT HANSEN  
Leverkusen  
Chairman of the Supervisory Board  
of Bayer AG  
*since May 10, 1977*

RUTH JAHNKE  
Hamburg  
Commerzbank AG

HANS-GEORG JURKAT  
Cologne  
Commerzbank AG

JOSEF KOERFER  
Düsseldorf  
Commerzbank AG

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

PROFESSOR DR.-ING.  
DR. DR.-ING. E. h. HEINRICH MANDEL  
Essen  
Member of the Board of Managing Directors  
of Rheinisch-Westfälisches  
Elektrizitätswerk AG

RUDOLF AUGUST OETKER  
Bielefeld  
Owner, Dr. August Oetker

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, and Managing Director  
of Voith-Beteiligungen GmbH

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

HELMUT WEINERT  
Frankfurt  
Commerzbank AG

HERIBERT WERHAHN  
Neuss  
Partner in Wilh. Werhahn

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

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## Advisory Board (Verwaltungsbeirat)

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DR.-ING. WALTER BARTELS  
Hanover  
*until May 10, 1977*

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

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

MAX KÜPPERS  
Wesel  
Managing Partner  
in Gerhard Hülskens & Co.

KARLHEINZ MANGELSEN  
Cologne  
Member of the Board of Managing Directors  
of Kaufhof AG,  
and Chairman of the Supervisory Board  
of Kaufhalle GmbH

PROFESSOR DR. KARL MÖNKEMEYER  
Marl  
Chairman of the Board of Managing Directors  
of Chemische Werke Hüls AG

ERNST RIECHE  
Königstein (Taunus)

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

HEINZ SCHMITZ  
Essen  
Member of the Board of Managing Directors  
of Karstadt AG

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

FRITZ SEYDAACK  
Düsseldorf  
Member of the Supervisory Board  
of Horten AG

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

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## Board of Managing Directors (Vorstand)

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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

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## Assistant Managing Directors (Generalbevollmächtigte) Chief Legal Adviser (Chefjustitiar)

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### Assistant Managing Directors

DR. PETER GÖTZ  
Frankfurt

KLAAS-PETER JACOBS  
New York

KARL-HEINZ KINDT  
Düsseldorf

DR. HANS-VIKTOR KURZROCK  
Düsseldorf

WOLFGANG OTTO  
Frankfurt

HERBERT WOLF  
Frankfurt

### Chief Legal Adviser

DR. HELMUT BECKER  
Frankfurt

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# Report of the Board of Managing Directors

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## **Shadows over the world economy**

The combination of inflation and recession is exerting a long-lasting effect on the world economy generally. Any upturn is proving slow in coming, and certainly too much so to help cut unemployment. Another problem common to all the industrialized nations and contributing to the jobless situation has been the slump in capital expenditure. All over the world, investment by industry and commerce—and often also by the public sector—has fallen below the levels recorded in the sixties and early seventies. This is true even in the case of the United States whose marked economic upswing in 1977 was supported chiefly by the healthy situation in the house-building sector and by strong demand for consumer goods. The reluctance of companies to commit themselves to more capital spending is the result of years of growth euphoria which in some industries led to the creation of surplus capacity, and also to widespread uncertainty as to what the future might hold in store.

This scepticism in turn is the product of many factors. Certain tensions on the world political scene have become more acute, and both the escalation of terrorism and the violence which has accompanied protests against the construction of nuclear power stations have demonstrated the vulnerable nature of the liberal society we have tried to create. At the same time, power failures and oil rig incidents have proved how easily disrupted is the sophisticated technology on which our Western economies are based.

### Recovery hopes dashed . . .

High hopes of a forceful economic recovery were doomed to disappointment. Although a decline in the real annual growth rate for the OECD countries as a whole from the 5 per cent average recorded during the 1976 upturn to an approximate 3½ per cent last year might not seem unacceptable, the underlying figures vary considerably. And even this level would not have been achieved had it not been for the comparatively good economic performance of the United States and, to a lesser degree, of Japan—and this despite the fact that the latter's growth fell far short of expectations. Meanwhile, the nations of Western Europe were obliged to content themselves with a modest real growth figure of just over 2 per cent.

The lack of inherent dynamism and the grave results this had for the employment situation led many countries to change course in their

economic policy. In Japan and West Germany especially, massive expansionary measures were introduced, and during the six months covering the winter of 1977/78 it would seem that there has been no further slowing down in the world economy at large. All the same, capacity working levels everywhere are far from satisfactory and even in the USA the figure is still some 3 percentage points below the average for the years 1964 to 1973. In Japan the shortfall is as much as 10 and in Federal Germany a good 5 percentage points. In the countries of the OECD, unit wage costs were on average up by more than 6 per cent in 1977, the figure for German industry being 4 per cent. This could not fail to act as a brake on growth.

### . . . but inflation down

Among the pluses to be recorded for 1977 are an improved balance of payments situation in the larger European countries and in most cases a further slowdown in inflation. In Western Europe this led to some relaxation on the domestic monetary front and consequently also to lower interest rates.

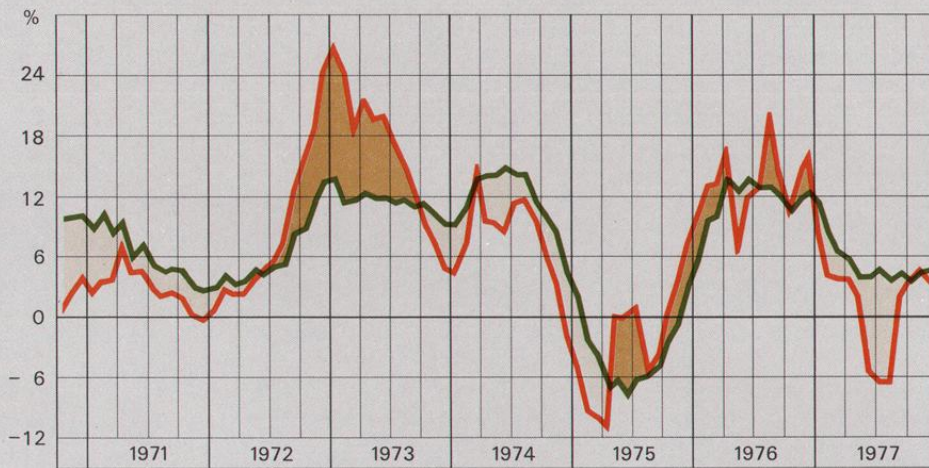
### The disruptive dollar

Both the final months of the old year and the first months of the new were overshadowed by the prolonged dollar slump. The equanimity with which the US authorities initially accepted their shatteringly high current account deficit (which is unlikely to be much lower in 1978) is no doubt explainable by the country's small dependence on foreign trade, but none the less caused great anxiety throughout the rest of the world. This concern easily shifted from the economic to the political sphere, and more people began to ask themselves whether America was still ready to accept the responsibility that goes with political leadership (see also pages 25 and 26).

### World trade: growth more than halved

For the first time ever, the overall volume of world trade reached the US \$ 1,000 bn mark in 1977—although the gingerbread loses some of its gilt if we bear in mind the steep slide in the value of the dollar. Real growth in the worldwide exchange of merchandise has fallen by two-thirds from its 1976 level, making for a true advance of no more than about 4 per cent in 1977, and while the increasing trend towards protectionism has as yet hardly made itself felt, it cannot fail to dampen hopes for 1978. Even more serious than direct restrictions on imports is the subsidizing of lame duck sectors of in-

# West German industry: growth weaker than hoped for

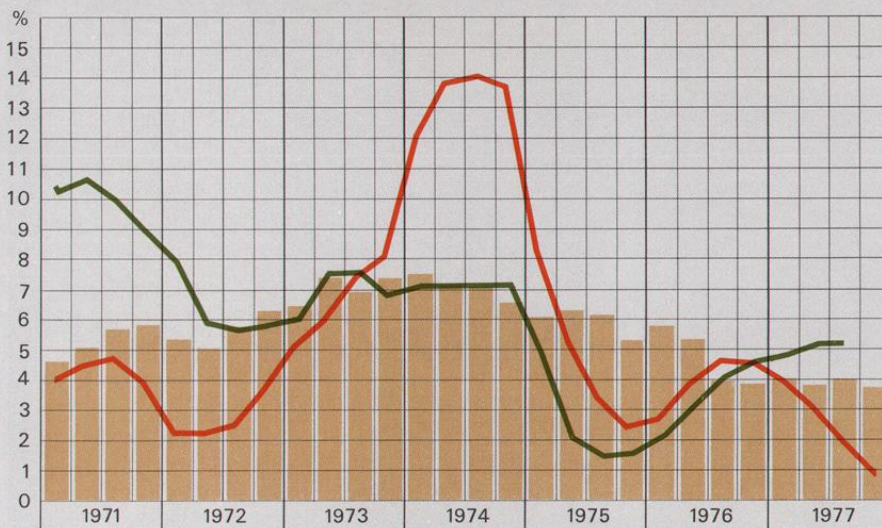


### New orders and sales

Demand for manufactured goods declined sharply in 1977. During the first six months, however, the decrease was less pronounced than it appeared since several large foreign orders had boosted the comparable 1976 figure. Domestic demand has picked up again since the autumn.

manufacturing industry:  
(change on year, seasonally adjusted)

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

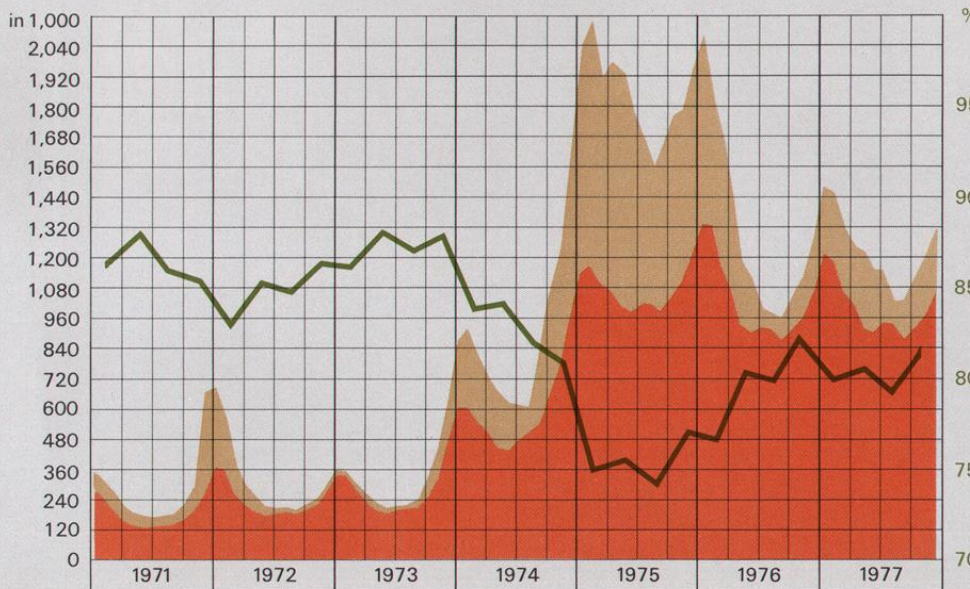


### Price trends

Inflation rates were further down in 1977, with the rise in the cost of living on average falling below 4% for the first time in years. Manufacturers' output prices almost ceased rising.

change on year:

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



### Labour market

The situation on the labour market did not get any better in 1977: while it proved practically impossible to further reduce hard core unemployment, seasonal factors were less influential than usual. Capacity utilization remained rather low.

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

dustry which inhibits the international division of labour.

#### Adjustment of foreign trade

With the exception of the United States, which must be regarded as an extreme case, there was a tendency for the current account balances of most nations to improve—a development which had become necessary in the wake of the 1973 oil price hike. A sustained amelioration was most noticeable in countries such as the United Kingdom where greater use could be made of domestic energy resources, and very high surpluses were recorded on the Japanese and—once again—Swiss current accounts. The decision by the OPEC countries not to raise the price of oil any further in the first half of 1978 is evidence of a realistic appreciation of the market at a time of lower demand for primary energy.

#### North-South dialogue attitudes harden

Because of the decline in commodity prices that began in the spring of 1977, the non-oil producers among the less developed countries saw little improvement in their balances of trade, and it is more than likely that the current year will even see a worsening as regards their foreign currency holdings. It must also be feared that the many states taking part in the North-South dialogue who promise themselves advantages from cartels for raw materials or from a sharing out of the oceans might well use this fact as an argument to back their demands.

We have noted with concern a hardening of attitudes in this dialogue and feel that there is need for a great deal of rethinking. What is required is a move away from the one-sided idea of commodity agreements and buffer stocks which benefit rich and poor without discrimination and, as does the EEC's agricultural policy, tend to encourage surplus production. Instead we should like to see more aid—both technical and financial—for the developing countries to enable them to build up their economies on a wider base. Such a policy would, of course, have to go hand in hand with a greater readiness on the part of the industrialized nations to import from the countries thus assisted.

#### Growth in financial markets continues unabated

Last year saw an even stronger expansion of volume in the international financial markets than in 1976. The degree to which borrowing is used primarily to fund balance of payments deficits gives cause for anxiety and problems

have been generated not only by the growth of international indebtedness but also by its quality. Average maturities of international bonds and Eurocredits tended to lengthen and for both, fresh records in issuing volumes were achieved. The Euromoney market in its narrower definition expanded by some 13 per cent to the equivalent of about US \$ 350 bn. New business in publicly announced syndicated Eurocredits was up by a good third to US \$ 40 bn and the total face value of Eurobonds issued similarly rose to US \$ 16 bn, bringing the overall volume of Eurobonds outstanding to US\$ 86 bn. Another trend that became apparent was the obviously growing importance of the yen as a currency for international transactions, although for the time being investors continued to be most interested in the US dollar, the D-mark, and the Swiss franc.

#### West Germany again does more than its bit

During 1977 West Germany was often blamed for failing to act as a world economic "locomotive" to the extent that some countries would have wished. The critics overlooked, however, the expansionary fiscal measures implemented by the Federal Republic since 1974 which—even if we disregard their manifold ripple effects—have totalled more than DM 30 bn. To this must be added tax reliefs worth at least DM 10 bn annually which first became effective in 1978. Another fact which is frequently disregarded is the sustained appreciation of the D-mark that has greatly helped foreign companies to boost their sales in the German market. Thus over the past three years West Germany's imports have increased by more than a quarter, five times as fast as domestic production, and at the same time German industry has considerably stepped up its direct investments abroad.

#### **West Germany: only moderate expansion**

With real economic growth in West Germany down by half to an annual rate of merely 2.4 per cent in 1977 and with the summer months even bringing a period of standstill, hopes for a pick-up of business activity were still more disappointed here than was the case abroad. The main factor in this slowdown—apart from the decline in foreign orders—was industry's reluctance to invest which has still not lastingly been overcome. The general stimulus afforded by private consumption also remained slight, with additional demand concentrated on cars, leisure goods, and services. Capital spending by the public sector was in real terms down on the previous years, owing in part to the time-lag

with which the package of new incentive measures began to spur production.

In current prices the aggregate value of goods produced and services rendered by the West German economy in 1977 amounted to DM 1,193 bn, which compares with a GNP of DM 1,125 bn achieved in 1976.

Once again, the country's performance was not unsatisfactory in international terms. Despite continuing high unemployment, the Federal Republic remained largely free from social tensions and there were signs that inflation was slowing even further, with the annual rise in prices down to less than 4 per cent for the first time since 1970. In the second half of 1977, the cost of living index was unchanged and domestic industrial prices even remained steady from April to December, while import prices—due to the sustained strengthening of the D-mark—actually fell.

As before, the most successful performers were the computer and car industries. On the negative side, there were more branches than in 1976 whose output stagnated or which, like steel, had to cut back production. At end-1977, the total volume of goods manufactured was a mere 3 to 4 per cent above its pre-recession level of four years ago and capacity utilization was still running 5 percentage points below its average for many years past.

#### Rationalization given priority

Although investment by industry and commerce has been slow to pick up and is still slightly below its level of the early seventies, there are indications that backlog demand for replacement plant is gradually making itself felt. And while companies are still energetically pursuing rationalization in order to alleviate some of the cost pressure, capital spending on plant expansion within West Germany has been rare.

A number of large nuclear power stations planned as well as important road and other civil engineering projects are being held up by protracted approval procedures and pending court action—another serious blow to the construction industry, where output is still some 15 per cent below its 1972/73 record level.

#### Continued pressure on profits

After recovering briefly in 1976, company profits were once more strangled by the combination of rising costs and an appreciating D-mark. Wage settlements were markedly in excess of productivity growth, with the result that unit wage costs moved upwards again. The fact that fringe benefits are also sizeable means that West Germany is now the country with the highest average labour costs, which in early 1978 were 15 per cent above the corresponding figure for the United States. Such relief as was afforded by lower interest rates and cheaper imports of intermediate products was in no way sufficient to offset the rise in wages.

Since the market situation left little scope for increased costs to be passed on in prices, industrial earnings, despite higher sales, fell by 5 to 10 per cent in 1977. We see these unsatisfactory profit margins as the main reason why companies are reluctant to invest. The average post-tax profit-sales ratio in industry was, after adjustment for fictitious earnings and for entrepreneurs' remunerations, in the region of 1.5 per cent and thus only half the figure of the sixties, while the yield on invested capital also declined. The result often was that, at least temporarily, the various forms of financial investment seemed a more attractive home for liquid funds than a tying up in physical assets—and this at a time when, given the present inevitable rise in the proportion of non-productive capital investment for anti-pollution measures and the like, a greater commitment of capital would have been required.

Performance of the German economy (change on year, in %)					
	1973	1974	1975	1976	1977 <sup>1)</sup>
Gross national product, nominal	+11.2	+7.3	+4.5	+9.1	+6.1
Gross national product, real	+ 4.9	+0.4	-2.5	+5.7	+2.4
Capital spending, nominal	+ 5.2	-4.0	-0.9	+8.5	+6.5
Disposable income	+ 8.9	+8.8	+9.7	+6.3	+5.7 <sup>e)</sup>
Cost of living <sup>2)</sup>	+ 6.9	+7.0	+6.0	+4.5	+3.9

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



The running down of the industrial labour force continued throughout 1977, although more slowly, resulting in a drop of almost 100,000 in the number of employed by the end of the year. The manual trades, however, took on an additional 90,000 workers, chiefly due to the demand for craftsmen deriving from brisk activity in the renovation and modernization of older houses.

#### Unemployment still a problem

Reducing the number of jobless is proving an uphill task for the Government that is not made any easier by changes in the population structure (relatively few people retiring from work but a large number of school-leavers). 1977 was the third successive year in which the number of those out of work in West Germany topped the one million mark, with the persistently high and thus seemingly unchanged unemployment figures in fact concealing considerable movement, though obviously with great regional variation. Thus some 3.3 million people signed on at the employment exchanges as jobless but about an equal number of those already registered found new work. Close on one-fifth of those without occupation have been so for more than a year and of these almost every second person has some kind of health problem.

The greatest difficulty is posed in placing those people with no skills or fewer qualifications, but also older office workers, all of whom easily found jobs during the long period of over-employment but now have difficulty in doing so. There is a similarly wide gap between supply and demand in the case of part-time work, most candidates for which are women.

#### Companies proving flexible

Notwithstanding sustained keen competition, West German enterprises generally have reacted to the many changes in the macroeconomic environment—a doubling of hourly wage rates since 1970 accompanied by an almost 70 per cent appreciation of the D-mark, the explosion

of energy prices and many markets showing signs of saturation—with remarkable flexibility and should be congratulated both for their openness to innovation and their highly market-oriented sales strategy.

New customers for German products were gained in the OPEC states in particular and new production bases were set up in countries where costs are lower. The drastic rise in oil and gas prices obliged companies to economize on their fuel consumption, and advantage was taken of falling interest rates for refinancing. At the same time, in line with the rules of a market economy, the sharp increase in labour costs prompted cutbacks in staff. Firms that failed to adjust quickly enough went to the wall, as is witnessed by the growing number of bankruptcies—no less than 41,000 between 1973 and 1977. Once again in the year under review, the number of bankruptcies and compositions was slightly up, to the consequent disadvantage of the general social structure.

#### Higher wages—or more jobs

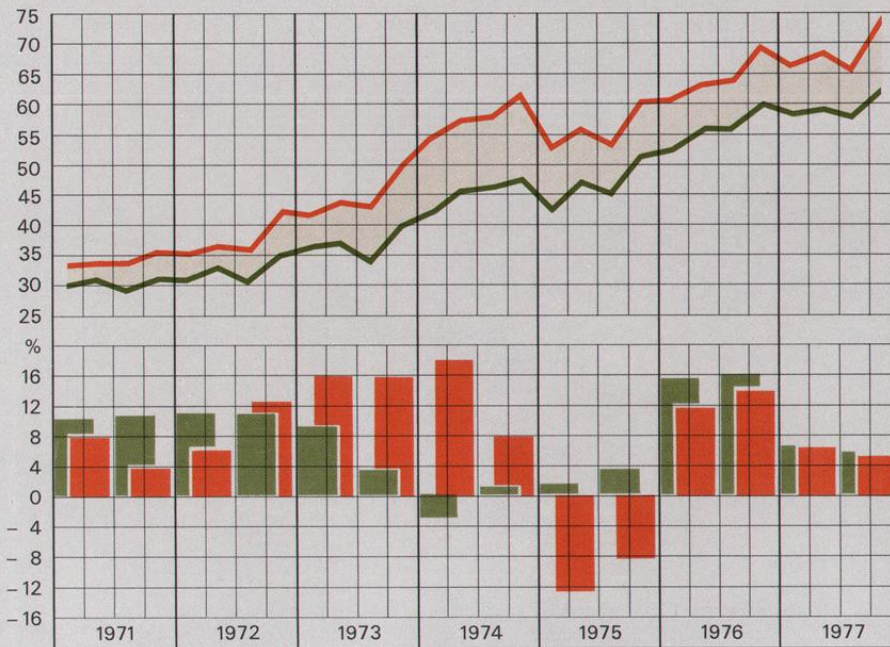
Since 1973, the number of those employed by German industry and commerce has dropped by 1.3 million, with most of the decline centred on manufacturing industry and the construction sector (down 13 per cent and 22 per cent, respectively). Even though half a million foreign workers have returned to their home countries, the situation in the labour market changed from one of over-full to under-employment, demonstrating clearly the close link between labour costs and job availability. This is backed up by a comparison with the United States over a ten-year period:

Although economic growth there was roughly parallel with that in Federal Germany, the per capita wages on an annual average only just kept ahead of inflation by 0.5 percentage points, whereas German workers during the same period achieved a rise of almost 5 per cent p. a. in real terms. In fact, West Germany was one of the few countries where wage and

Performance of German industry (change on year, in %)				
	1974	1975	1976	1977 <sup>1)</sup>
Output	– 2.0	– 6.2	+ 6.9	+ 2.9 <sup>2)</sup>
Employees	– 2.4	– 6.4	– 2.7	– 0.9 <sup>e)</sup>
Wages and salaries, per capita	+ 11.6	+ 7.5	+ 8.4	+ 7.0 <sup>e)</sup>
Productivity <sup>3)</sup>	+ 2.3	+ 2.6	+ 8.7	+ 4.6 <sup>e)</sup>

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

# West German foreign trade: slower growth of exports and imports



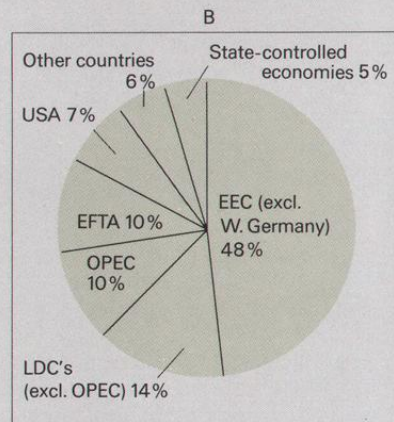
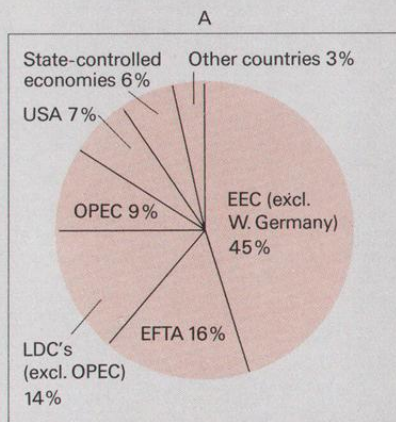
## Exports and imports

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



## West German foreign trade in 1977

A: export share

B: import share

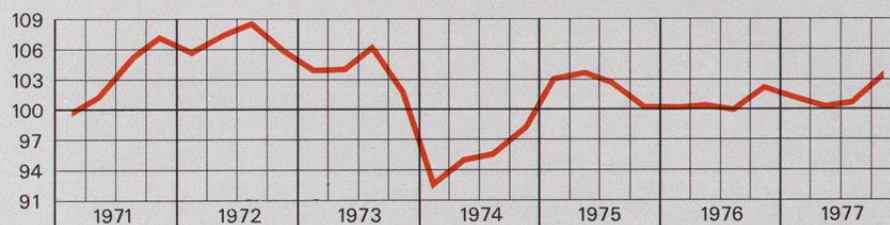
The share of the other EEC member countries in West Germany's foreign trade remained unchanged at close on 50%.

changes by region, 1977 on 1976

Exports	
USA	+ 26%
OPEC	+ 20%
EFTA	+ 6%
EEC (excl. W. Germany)	+ 5%
Less developed countries (excl. OPEC)	+ 4%
State-controlled economies	- 4%
Other countries	+ 2%

Imports	
Less developed countries (excl. OPEC)	+ 13%
EFTA	+ 13%
EEC (excl. W. Germany)	+ 6%
State-controlled economies	+ 3%
USA	- 3%
OPEC	- 4%
Other countries	+ 10%

While by far the strongest increase in exports was to the USA and the OPEC states, the most pronounced rise in imports was from the less developed countries.



## Terms of trade

— average export values as percentage of average import values (1970 = 100)

salary earners actually saw their purchasing power increase during the latest recession, though the cost to the national economy was high indeed: while the US workforce is now 23 per cent above its 1967 level, that of the Federal Republic is up by a mere 1 per cent.

Not surprisingly, the naïve thesis that today's wage increases, by creating greater consumer demand, will stimulate the economy of tomorrow failed to prove itself. It has been found that a gross wage rise of say DM 100, while pushing the employers' costs by at least DM 150, will only boost domestic consumption to the tune of DM 50. The real beneficiary would thus seem to be the Government but only for a certain time, until the wage-price spiral catches up on the extra revenue.

While battling with problems related to the business cycle, the West German economy is also faced with far-reaching changes of a structural nature. Research and development play a key role in the long-term process of adjustment to the new framework and we are glad to see that the Government has also been doing more to encourage small and medium-sized firms to improve their production set-up. In 1977, the Government supplemented the approximately DM 13 bn raised by industry for research and development by some DM 3.3 bn allocated to selected branches, with the result that for the first time in several years R and D expenditure was up again in real terms.

#### Insufficient equity and energy supplies still pose problems

Many German firms have been finding their position increasingly vulnerable due to under-capitalization. Despite the general reluctance to embark on more investment, few companies

have managed to enhance their equity ratio (proportion of capital and reserves to balance sheet total) and manufacturing industry saw the latter drop from an average 33 per cent in the mid-sixties to a mere 26 per cent as of today. In addition, there has been a tendency for the value of companies' equity funds to be reduced even more both by fictitious profits stemming from inflation and by legal measures. Thus since a person changing jobs now takes his pension entitlement with him, the capital tied up in the company's pension fund may no longer be regarded as quasi-equity. Similarly, no provision may be made for the payments becoming compulsory in the event of plant close-down.

Another unsolved problem is that of ensuring future energy supplies at prices which will enable industry to remain competitive. The fact that oil tanks are at present overflowing and pit-head stocks have never been so high must not distract us from the risks of a fuel shortage in the eighties. The very long spans of time involved in both planning and construction in the power industry should urge us to make our decisions in good time.

#### **West Germany's external payments remained well balanced**

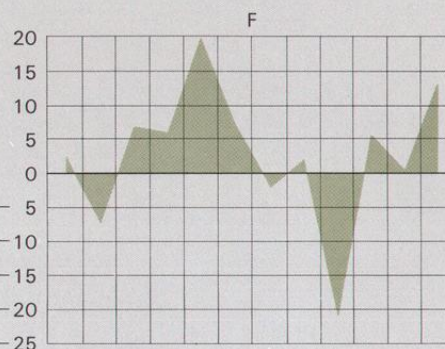
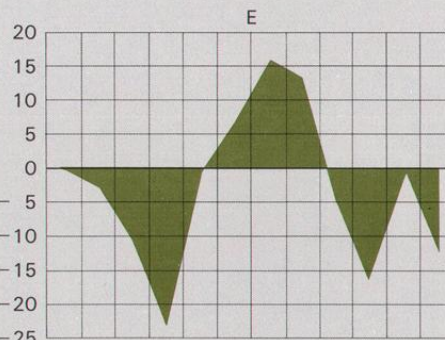
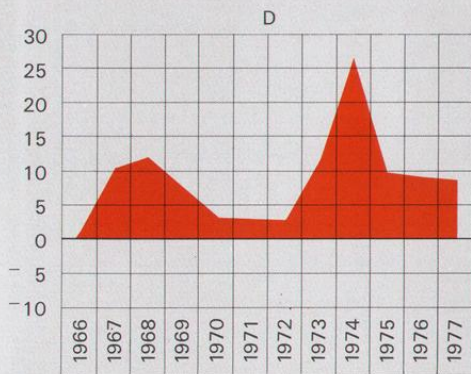
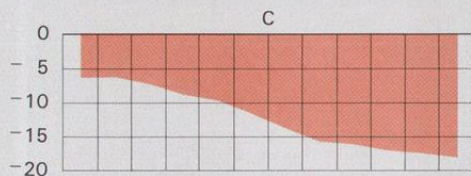
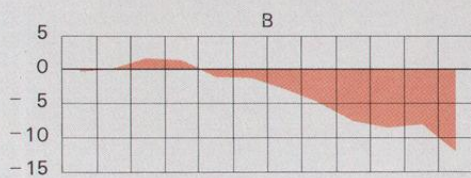
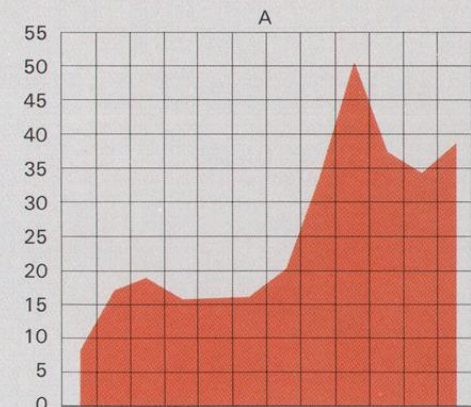
With both imports and exports further up, West Germany maintained a satisfactory equilibrium in its balance of payments and, despite the enhanced difficulties of selling abroad, achieved a foreign trade surplus of DM 38 bn—the second-highest ever—with much of this success due to increased sales of capital goods. The fact that, in spite of the tendency of import prices to decline, their value rose almost in parallel with that of exports is mainly attributable to

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

	1974	1975	1976	1977
Current account <sup>1)</sup>	+25,130	+9,378	+8,455	+8,151
Capital account <sup>2)</sup>	-17,302	-9,336	-6,396	-6,306
Overall balance of monetary movements	+ 7,828	+ 42	+2,059	+1,845
Short-term capital movements of banking sector <sup>3)</sup>	- 9,733	-2,261	+6,731	+8,605
Special factors <sup>4)</sup>	- 7,231	+5,480	-7,489	-7,880
Official foreign exchange balance <sup>5)</sup>	- 9,137	+3,260	+1,301	+2,570

<sup>1)</sup> balances of trade, services, and transfer payments taken together; <sup>2)</sup> excluding short-term capital movements of banking sector, but including unclassifiable transactions; <sup>3)</sup> change on previous year; minus signs symbolize increases in net short-term foreign assets; <sup>4)</sup> compensatory amounts for losses and gains resulting from reassessment of monetary reserves; <sup>5)</sup> changes in net external assets of the Bundesbank.

## West Germany's external payments in 1977: continuing tendency towards better balance



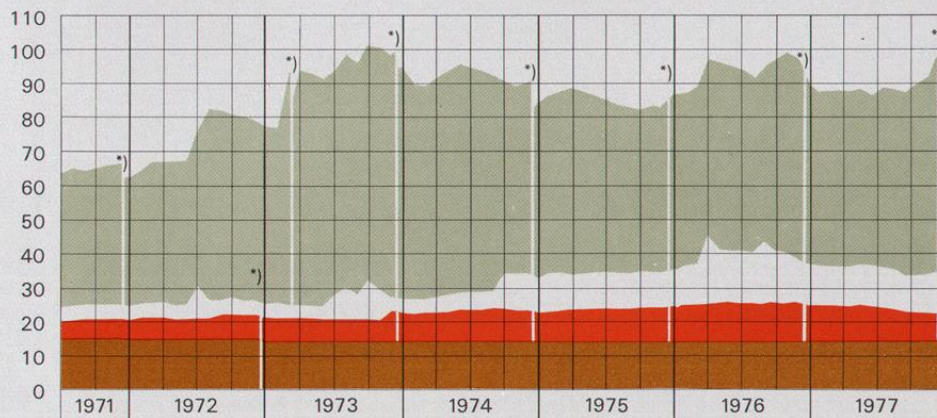
### Breakdown of West Germany's balance of payments (balances in DM bn)

- 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)



- 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

the sharp jump in imports of finished products, with the emphasis again on capital goods.

The West German Government held to its liberal imports policy, unperturbed by the much keener competition with which domestic industry was faced. We should like to see this attitude maintained under all circumstances. At the same time, the Government's scheme of export credit guarantees for long-term contracts must continue to be adjusted to the rapid, above-average growth of industrial plant export.

#### Trade deficit with LDC's, surplus with OPEC

The most pronounced rise in West German exports in 1977 was to the oil-producing countries and to the United States; in the latter case this was partly due to the setting up of new production facilities by German firms. By contrast, growth in exports to the other member countries of the EEC was well down, while the Eastern bloc countries even cut their imports from the Federal Republic substantially, clearly obliged to do so because of their shrinking scope for further indebtedness—a situation also applying to a number of the less developed countries.

For the first time ever, West Germany's trade with the OPEC countries registered a surplus, whereas a marked upturn in purchases from overseas LDC's brought about the unusual situation of a West German deficit vis-à-vis those countries—a gratifying occurrence for the world economy. The largest bilateral deficit was one of DM 3.5 bn with Japan.

Federal Germany's substantial export surplus was once again annulled in great part by invisibles in the form of services and transfers. 1977 was unique in that 1976 corporate earnings were not yet subject to the amended German law on corporation tax, with the result that additional dividend payments made to parent companies abroad hit West Germany's current balance to the tune of DM 2 bn.

#### Reversal in basic balance of payments

The basic payments balance, which in addition to the balance on current account includes long-term capital movements, recorded a deficit of DM 4 bn after a DM 8 bn surplus in 1976. This stemmed inter alia from non-domestic loans made by German banks and from German purchases of foreign securities. There was also a growing trend for German enterprises to build up or intensify production in other countries, and for the first time ever new direct invest-

ments abroad by German companies were more than double the figure put into this country by foreign firms.

#### Foreign exchange reserves reassessed

The surplus on Federal Germany's overall balance of payments rose to DM 10 bn, but since the weakness of the dollar necessitated another downward adjustment of nearly DM 8 bn in the Bundesbank's foreign exchange holdings, the effect of the increase as regards the latter was hardly noticeable. In all, West Germany has been obliged to write down its currency reserves by almost DM 40 bn since 1969. The Bundesbank's large dollar holdings—still representing almost two-thirds of the country's total currency reserves equalling some DM 90 bn—are invested in US Government securities, making the West German central bank the US Treasury's main creditor, second only to the Federal Reserve System.

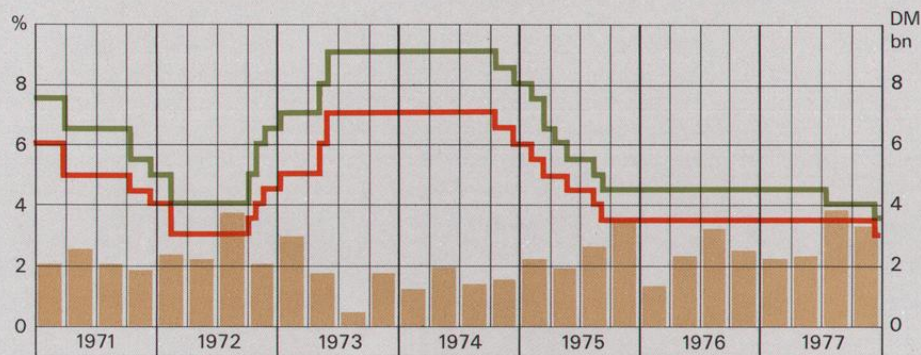
#### **Bundesbank's pragmatic policy**

As in the previous year, the German financial markets reflected a paradoxical situation in which companies had funds in abundance while banks had only limited liquidity at their disposal. Over the year, the Bundesbank returned increasingly to its traditional means, three times cutting the minimum reserve requirements and raising the rediscount quotas, while also reducing central bank interest rates: July saw a cut in the lombard rate followed by another, made chiefly for reasons not related to the home economy, towards the end of the year, this time in conjunction with a lowering of the discount rate. Moreover, the Bundesbank frequently went in for open-market operations to iron out strains in the money markets, the emphasis being on bill business with banks under short-term repurchase agreements.

At the same time, it endeavoured to keep a strict watch on the money supply and thus, by this pragmatic action on two fronts, to bring present demands of economic policy into harmony with its long-term objective of stabilizing monetary growth.

The commercial banks saw earlier restrictions on their discount business largely made up for when the rediscount quotas were raised in several stages by altogether about one half or, in absolute figures, almost DM 7 bn—although in fact little use was made of this additional source of credit. There was even a drop in the volume of domestic bills rediscounted from an

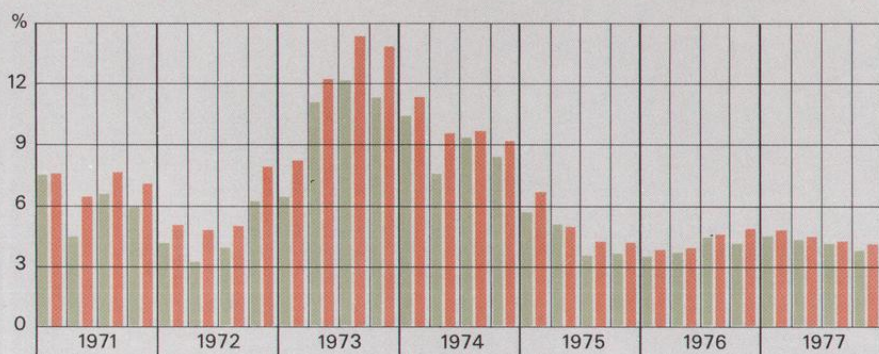
## German financial markets: large volume of funds raised, with interest rates further down



### Discount and lombard rates

In 1977, the Bundesbank was primarily concerned with controlling liquidity. Only in the second half of the year did it also give its credit policy the reins by lowering both the discount and the lombard rates for the first time since 1975.

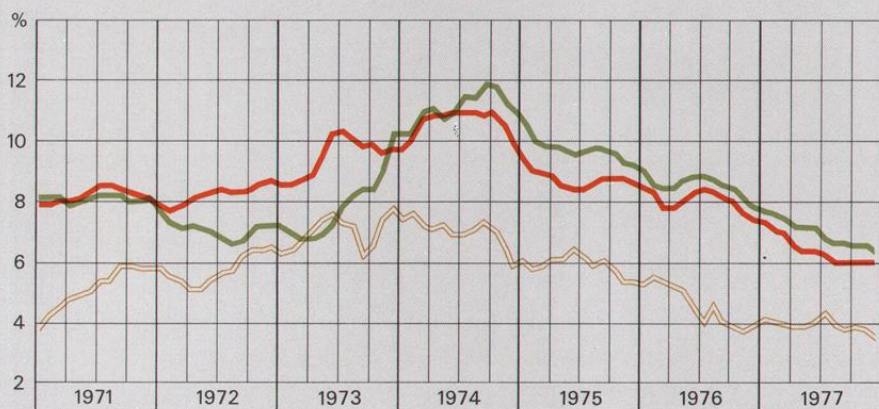
— discount rate  
— lombard rate  
■ growth in central bank money stock (seasonally adjusted, in DM bn)



### Money markets

With bank liquidity remaining tight despite the abundance of funds, call money hardly dropped below the lombard rate.

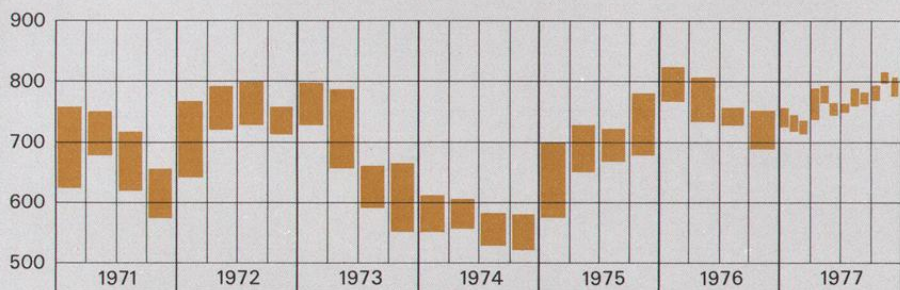
quarterly averages:  
(rates in %)  
■ call money  
■ three-month deposits



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

Long-term interest rates on public bonds declined to 6% on average, owing to both a further dampening of inflation and also to the sustained weakness in overall capital spending.

current yields:  
— domestic bonds  
— foreign DM bonds  
— cost of living



### Stock market

The upward movement of German share prices gained momentum in the late autumn, following a rather dull and only at times more buoyant performance during the summer months.

■ Commerzbank index, quarterly/monthly highs and lows (Dec 1953 = 100)

average of DM 15 bn in the first to less than DM 14 bn in the second half of 1977, which in turn generated an increase in the banks' free liquid reserves from mid-year onwards.

None the less, the interbank money market remained largely under strain. Even though interest rates were generally on the decline, call money—which may be considered a yardstick for bank liquidity—was on average even dearer than in 1976. New problems arose in December, when the Bundesbank once more found itself compelled to buy more dollars—in all it siphoned some US \$ 5 bn off the market in the last quarter of the year. The liquidity thus released was in part offset early in 1978 by the raising of minimum reserve requirements on deposits by foreign residents and by open-market operations.

#### Doubts concerning money supply target

As far back as the early autumn there were signs that the 8 per cent target the Bundesbank had set for growth in the central bank money stock would be exceeded. A strict observance of the self-imposed limit would have entailed undesirable restrictions on business activity but since, contrary to initial expectations, the velocity of money circulation had kept falling and the price rise had been further slowed down, the Bundesbank was able to permit the excess without too great a risk of fuelling inflation.

One of the chief ideas behind the fixing of a monetary growth target was to provide both sides of industry with a guide for their negotiations. However, the hope that the figure would duly be taken into account was doomed to disappointment. Moreover, in setting a precise limit, the Bundesbank is making itself depen-

dent upon the imponderables afflicting the financial markets which do not allow themselves to be tied down, and doubts as to the wisdom of this course of action are growing. Whilst we accept that the steering of the money supply is an essential component of monetary policy, we feel that guide-lines might as well be given in words as in figures.

For more than two years, from September 1975 to December 1977, the Bundesbank maintained the discount rate at 3½ per cent—rather high for a period of recession. In fact, even as far back as the high-interest phase of 1973/74 when it was frozen at 7 per cent, the discount rate bore little relation to market conditions and thus lost its guiding function, and since 1976 interest rates charged on lending have been falling fast without any prior cut in the bank rate for quite some time. All the same, the latest lowering of the discount rate was highly indicative for both the national economy and transactions with abroad.

#### **Emphasis still on debt consolidation**

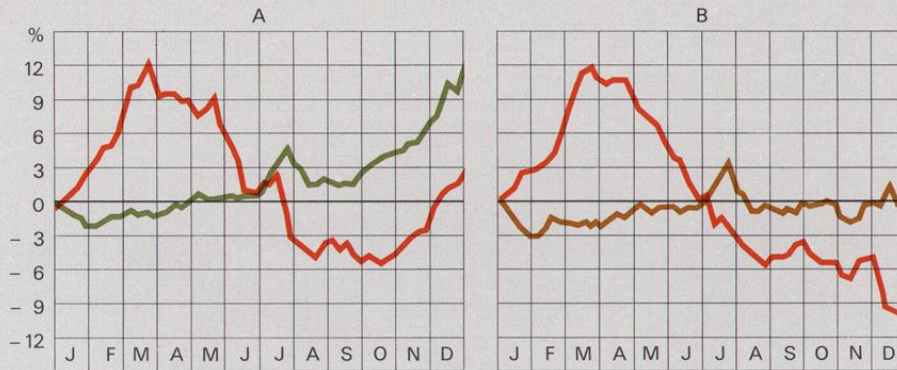
The volume of bank lending to domestic and foreign customers was up by approximately DM 90 bn, just slightly less than the year before. Outstanding loans in the narrower sense, that is excluding interbank business and advances against securities, passed the DM 1,000 bn mark in June 1977, which represented a doubling within 6½ years.

Once again there was no sign of trade and industry clamouring for funds. On the contrary, firms continued to build up their cash and near-cash holdings in the form of shorter-term deposits and securities. And while the public sec-

German domestic bank lending						
	at short and medium term			at long term (4 years or more)		
	1976 on 1975 in DM bn	1977 on 1976 in DM bn	1977 on 1975 in %	1976 on 1975 in DM bn	1977 on 1976 in DM bn	1977 on 1975 in %
Bank lending <sup>1)</sup> to:						
Manufacturing industry	+ 1.0	+ 2.7	+ 5	+ 3.5	+ 3.2	+ 16
Other businesses <sup>2)</sup>	+ 7.4	+ 3.3	+ 9	+ 19.4	+ 20.1	+ 25
Persons without independent means	+ 11.7	+ 10.9	+ 47	+ 8.2	+ 12.3	+ 66
House-builders	- 0.3	- 0.3	- 34	+ 11.9	+ 15.0	+ 13
Public authorities	+ 2.9	- 2.6	+ 1	+ 25.9	+ 19.0	+ 35
Domestic non-banks, total <sup>3)</sup>	+ 22.5	+ 14.1	+ 13	+ 69.4	+ 70.0	+ 25

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

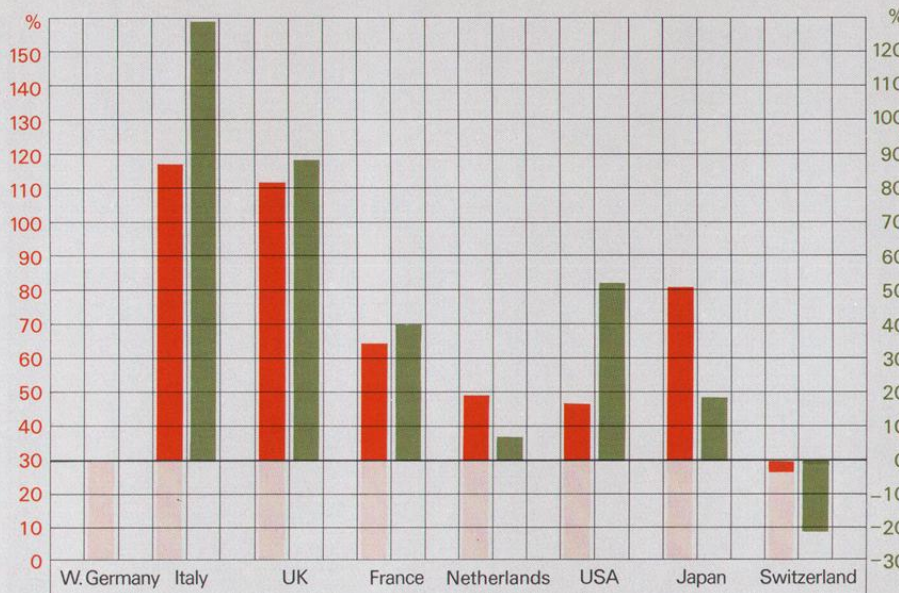
# International markets: further appreciation of D-mark



**Commodity prices and DM exchange rates in 1977**

A: New York  
 Moody's index  
 DM/US \$ exchange rate

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



**Inflation rates and DM exchange rates for selected countries**

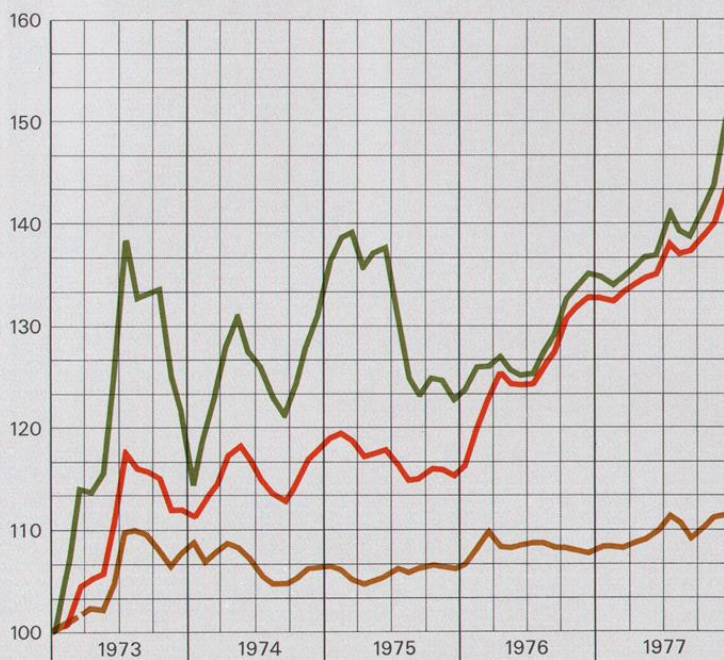
1977 saw the D-mark appreciate more against a number of important currencies than would seem justified by the different inflation rates.

changes, 1977 on 1972:

increase in cost of living

inflation rate, in national currency  
 for comparison: West German inflation rate

D-mark exchange rate, change against national currencies



**Performance of the D-mark from 1972 to 1977**  
 (year-end 1972 = 100)

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	2.2835 (h)
Jan 8, 1974	2.8790 (l)
Mar 3, 1975	2.2785 (h)
Dec 16, 1975	2.6385 (l)
Mar 1, 1978	1.9920 (h)

against US \$  
 against 22 of West Germany's most important trading partners  
 against the jointly floating currencies



tor's borrowing needs declined even more than planned in the budgets, private borrowers took increasingly advantage of the lower interest rates to finance purchases of homes, cars, and furnishings.

#### Sharp rise in long-term credits

Companies' conversion of short into longer-term debt proceeded apace and even gathered momentum, and for the first time ever the proportion of new loans to domestic non-bank customers for periods in excess of four years reached 82 per cent of total new bank lending, comparing with an average of 74 per cent for the years 1972 through 1976. So great a predominance of longer-term loans reflects the importance of the mortgage banks in West Germany, although even the commercial banks saw the proportion of new business accounted for by such credits rise from a previous 63 per cent to 70 per cent.

Longer-term loans by German banks to foreign non-bank borrowers went up in 1977 by almost a fifth to reach DM 38 bn. This figure does not, however, give a fair picture of the operations of German banks abroad since it does not include the expanding credit business of their foreign branches and subsidiaries.

#### Long-term funds: shortage becomes abundance

Contrasting with the marked increase in labour costs, the last few years have seen longer-term funds for investment becoming much cheaper in the Federal Republic. This should not, however, be taken to mean that interest levels in this country have fallen too low.

The slowdown in growth in the early seventies brought about a fundamental change in the whole sphere of financing. With capital spending by trade and industry almost at stagnation point, West Germany is no longer—as it was in the fifties and sixties—a country in which longer-term funds are scarce and comparatively expensive. Such capital is now plentifully available, so much so as to urge interest rates downwards. Although less important, another contributory factor here has been the world-wide attractiveness of D-mark investments which are, however, mainly effected through the Euromarkets.

It is by no means abnormal in a highly industrialized country for long-term investment finance to be so abundant as to encourage even the long-term export of capital. Such a trend has been reflected since 1974/75 both in German interest rate levels and in the country's interna-

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

	Change on year, in DM bn			Variation in change	
	1975	1976	1977	1976 on 1975	1977 on 1976
Yearly savings volume					
Savings deposits <sup>1)</sup>	64.7	34.3	26.3	- 47%	- 24%
Federal and other savings bonds	14.0	15.1	20.9	+ 8%	+ 39%
Deposits with building and loan associations	7.4	7.2	8.5	- 3%	+ 18%
Life assurance premiums <sup>2)</sup>	12.4	16.5	11.9 <sup>7)</sup>	+ 33%	- 6% <sup>8)</sup>
Bond purchases (net) <sup>3)</sup>					
a) domestic bonds	38.8	46.6	42.4	+ 20%	- 9%
b) foreign bonds	1.4	1.4	4.5	- 2%	+ 232%
Share purchases on stock exchange					
a) domestic shares <sup>4)</sup>	1.6	0.7	- 0.0	- 57%	—
b) foreign shares <sup>5)</sup>	1.2	- 0.4	0.9	—	—
Investment saving					
a) securities funds <sup>6)</sup>	1.5	4.3	7.3	+ 187%	+ 72%
b) open-end property funds	0.2	0.2	0.3	+ 48%	+ 21%

<sup>1)</sup> institutions reporting monthly; including interest credited; <sup>2)</sup> increase in assets of life assurance companies and pension funds; <sup>3)</sup> at market prices; excluding Bundesbank open-market transactions; <sup>4)</sup> cash proceeds, according to Commerzbank issue statistics, less portfolio investments by foreigners; <sup>5)</sup> portfolio investments only; <sup>6)</sup> investment funds for small investors only; <sup>7)</sup> Jan 1 to Sept 30, 1977; <sup>8)</sup> end-Sept, 12-month comparison.

tional capital transactions, and while at that time not surprising because of the serious recession, it is interesting to find that this situation still persists.

At the same time, there was a return to noticeably longer terms for borrowing in the Federal Republic.

However—and basically, we feel, because of unsatisfactory earnings-equity ratios—there is a continued shortage of risk capital. Hopes are now turning towards the possibility that the higher gross dividends which should result from the German corporation tax reform might foster more share purchases by the public at large. And the more valued shares become as an investment, the more permanently will they be able to fulfil their function as a means of raising equity—increasingly, we hope, also to the benefit of medium-sized firms.

During periods when companies generally are reluctant to invest it is only natural that longer-term funds should be in plentiful supply—a tendency which has been enhanced by a sustained high level of savings activity. Although in fact 1977 saw a slight fall in the savings ratio from 15.4 per cent to 14.6 per cent of disposable personal income, this was due solely to the extremely high volume of funds maturing under both asset-building and bonus savings schemes which was almost DM 25 bn up on 1976. The current year should, however, see this figure decline by at least DM 10 bn and this in conjunction with the recent tax reliefs should, we feel, again push the savings ratio up above the 15 per cent level. For the longer term, too, we view private savings with optimism, since changes in the population structure may be relied upon to have a favourable effect.

#### Bond market activity brisk

Gross sales of domestic bonds exceeded DM 80 bn and thus the already high levels of the previous two years. The public sector was

again the chief borrower, accounting for three-quarters of the total figure.

The upsurge in the public sector's borrowing requirements has caused the volume of domestic bonds outstanding to double over the past five years or so, to nearly DM 420 bn. Industrial issues, however, have continued to play only a very minor role, having been largely ousted by credits and loans against borrower's note. On the other hand, the range of investment means on offer has been extended by the commercial banks issuing bonds to finance their longer-term lending.

There was a growing tendency in 1977 for the bulk of new issues to be bought by the banks, as private investors' interest seemed to have waned; the latter gave preference to Federal savings bonds, bank savings certificates, and shares of funds investing primarily or exclusively in bonds.

#### Interest rates down further

Despite the considerable recourse to the financial markets, the trend was for interest rates to continue their at times rapid fall, which was mainly due to the general weakness of the economy and to the gradual stabilization of prices. The average yield on bonds with a remaining life of more than three years declined from 7.2 per cent to 6 per cent as the year progressed, the first time that so low a level had been reached since the early sixties.

#### Fewer share issues

With trade and industry maintaining their reluctance to invest, the volume of new shares issued by listed companies showed an appreciable drop. Cash proceeds were only DM 1.6 bn, representing no more than just over two-thirds of the 1976 figure. In future, however, the implementation of the amended German corporation tax—which avoids double taxation of dividends paid but imposes a higher levy on profits re-

Public sector budget deficits or surpluses (in DM bn)					
	1973	1974	1975	1976	1977 <sup>e)</sup>
Federal Government <sup>1)</sup> )	-1.9	- 9.9	-34.7	-28.5	-23
Länder governments	-2.0	- 8.8	-19.7	-15.3	- 9
Municipal authorities	-4.9	- 9.6	-10.9	- 3.8	- 2
Total	-8.8	-28.3	-65.4	-47.6	-34
Public pension funds	+6.3	+ 5.4	+ 0.6	- 6.2	-10

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

tained and appropriated to reserves—should lead to companies declaring higher dividends in order to be able to call on their shareholders for more equity funds as and when needed.

The corporation tax reform, the effects of which first began to show in late 1977, may well mark the beginning of a new stock market era. Consideration should now be given, as a matter of urgency, to the restoration of equal treatment for non-resident shareholders while the tax disadvantage at which German foundations now find themselves should also be remedied, as should the double taxation of assets.

As we do every year, we have at the end of 1977 analyzed events on the German share and bond markets in our booklet "Stock Market Round-up". Commerzbank's own activities in the securities sector are described on pages 45 and 46 of this Report.

### **Fiscal policy debunked**

Neither in Federal Germany nor elsewhere has fiscal policy performed the wonders that had been hoped for. Although it remains true that monetary policy appears better suited to slowing down a boom while fiscal measures, whether through tax relief or higher public spending, seem more useful as an incentive, the latter, when primarily serving to bolster consumption, can only have a limited impact. Moreover, as recent experience has clearly shown, increased public investment takes a considerable time to be decided upon and then put into effect. In the case of West Germany, the situation has not been helped by the fact that many of the measures taken were largely mistimed, so that between 1969 and 1973 high public investment only lent further impetus to an already booming economy.

Since a more desirable result may be expected from stimulating investment by the private sector, the Federal Government's resistance to more generous depreciation rules being reintroduced was all the harder to understand. Not until September 1, 1977, were the former, more "normal" regulations restored.

### Tax relief also benefits trade and industry

The two wide-ranging tax packages introduced in West Germany in 1977, which together reduced the fiscal burden by more than DM 10 bn yearly, clearly represent a compromise between rather differing political pressures: although heavy direct taxation was somewhat relieved,

particularly as concerns taxes unrelated to earnings, it is in our view regrettable that the rise in value-added tax was not used to effect a greater reduction in the anachronistic trade tax as would have been in line with longer-term fiscal objectives. Thus, firms have to go on being penalized when opting for sound, long-term financing arrangements. Worse still, there are even places that go on levying payroll tax.

### Fiscal policy switching from deficit cutting to expansion

At the start of the year under review the public sector, while overestimating the cyclical forces, had pursued a policy primarily aimed at reducing its budget deficits. The result was that growth in total public spending did not quite keep pace with that in GNP, while tax revenue nevertheless increased at twice that rate and, expressed as a proportion of GNP, for the first time exceeded 25 per cent.

Concomitantly, the disproportion between public-sector spending on personnel and on investment had become even more pronounced. As already in 1976, public capital expenditure continued to follow a downward trend, chiefly because of the restraint exercised by local authorities. Since 1973, personnel costs at all government levels have risen seven times as quickly as has overall public investment spending, whose share in the sum total of all government budgets has thus declined from 15 to 11 per cent. Fiscal policy has, therefore, been markedly out of line with the business cycle, despite the high spending deficits which in only five years have caused public-sector indebtedness to double to more than DM 320 bn.

### 1978 public-sector budget deficit up by DM 20 bn

The late-1977 packages of spending measures and tax cuts will only have their full impact in the current year, when the overall budget deficit of the Federal, regional, and local governments will be up by more than DM 20 bn—almost 2 per cent of GNP, bringing public-sector borrowing close to constitutionally acceptable limits. Total recourse to the market by the public sector, including the social security authorities, will reach an estimated DM 65 bn, approximately as much as in the recession year 1975. Although the financial markets, which have in the meantime further expanded, should not experience undue problems in meeting the added demand, the Government will find it ever more difficult to restore health to its finances the longer the period of recession lasts.

### Pension funds shaky

In the social security field, there are plans for increases in public pensions to be adjusted to the changed demographic and economic situation from 1979 onwards, but even so another rise in premiums would seem to be on the cards. After having been forced to deplete their reserves by more than DM 10 bn in 1977, the public pension insurance funds will have to repeat the process by practically the same amount in the current year, which will mean cutting their reserves down to the equivalent of a mere two months' pension payments.

### **All eyes on the dollar**

If proof were still needed that floating exchange rates do not automatically bring calm to the foreign exchange markets, 1977 would have provided it. It has become more than clear that such a system by no means relieves governments of the need to work for financial stability.

The centre of the stage was held by the US dollar, which was hard hit both by the enormous US \$ 18 bn current account deficit and the high rate of inflation in the United States. Until the autumn, the weakness of the dollar was masked by the efforts of Italy and even more so of the United Kingdom to prevent their own currencies from appreciating. The thus delayed collapse of the dollar which then occurred with great suddenness in the fourth quarter of the year was especially marked vis-à-vis the hard-currency countries, but other currencies too, particularly the pound sterling, were noticeably affected.

Over the past year, the dollar depreciated by 18 per cent against the Swiss franc and the Japanese yen and by 11 per cent against sterling and the D-mark. This means that the latter's external value has practically doubled since early 1961, when the US dollar was still equivalent to DM 4.20.

### Sharp rise in currency reserves

Although in the eyes of the Americans the slide in the value of the dollar may seem of little importance, accompanied as it was by a strong appreciation against the currency of their country's chief trading partner, Canada, the view on this side of the Atlantic is that the situation is a very serious one—particularly since the decline took place despite massive interventions on the part of the monetary authorities concerned. The

amount of such measures in 1977 is estimated as having been in the region of US \$ 40 bn, and one of the effects of this action has been to boost world foreign currency reserves by more than US \$ 50 bn—a 20 per cent expansion in less than a year. The previous record was a growth of some US \$ 40 bn in 1971.

It was not until January of this year that the United States finally decided to take part in the efforts to support its sickly currency. Further to existing swap agreements the Bundesbank provided the funds needed for such action by opening an additional D-mark credit line. The idea behind this initiative was no doubt also to obviate the risk of the oil countries' deciding to switch from the dollar both for pricing purposes and as a reserve currency—a most dangerous step that would have shaken the foreign exchange markets even more. The United States will now have to attack the problem of its current account deficit more resolutely, especially through an efficient energy saving programme. At the same time, more thought will have to be given to slowing down the price spiral.

### America's special international responsibility

The fact that the dollar is a reserve currency gives the United States a particular responsibility on the international monetary scene. Whilst other countries with a deficit on current account are forced to make every effort to ensure at least that the latter is covered by capital imports, the Americans are able to rely on foreign central banks almost automatically investing their dollar purchases on the US money market and thus relieving the United States of the immediate need to pursue an economic policy with a firm eye to the balance of payments. Moreover, US deficits, as the sixties showed all too clearly, have been the source of a rise in international liquidity with dire inflationary results.

### The "snake" proving its worth

The joint European currency float survived the ups and downs of 1977 since its member countries valued the resultant disciplines and trade advantages high enough to disregard the inconveniences of their engagement. April, however, saw another devaluation of all the Scandinavian currencies, and in August there was a further downward adjustment of both the Danish and Norwegian kroner, while Sweden decided to leave the "snake". Thus today, only 24 per cent of West Germany's imports and 22 per cent of its exports are still conducted with other member countries of the joint float.

More demand for gold

In view of the storms that repeatedly shook the foreign exchange markets, it was hardly surprising to see private demand for gold increase. This raises the possibility that major central banks may take advantage of the February 1978 expiry of the voluntary restraint agreement of the Group of Ten to return to the market.

IMF stand-by facilities further enlarged, responsibilities not

The trend towards a build-up of international liquidity has continued, not least through additional IMF stand-by facilities, and we doubt if things here have not already been carried too far. We regret especially that the IMF has not at the same time been given greater powers to enable it the better to assure the orderly functioning of the world monetary system.

**European integration behind schedule**

1977 marked the end of the five-year transition period granted to the northern newcomers to the EEC, and the customs union between the United Kingdom, Ireland, Denmark, and the six original members of the Community has accordingly now become a reality. It was not, however, possible to make good the delay in the general harmonization of policies, and the Nine are in particular still lacking sustained coordination in their economic and financial strategies. Each new effort aimed at monetary union is doomed to failure as long as member countries are unwilling to bind themselves to observe common priorities in economic matters.

In the face of the—politically motivated—plans to extend the Community southward to take in Greece, Portugal, and Spain, the reform of the agricultural market is becoming a matter of even greater urgency, and much the same applies to structural measures. And if individual countries opt to pursue their industrial policies in isolation, even the customs union is bound to be set at risk. Still another very special problem is generated by the great importance of nationalized companies in certain member states, as the fact that in the end the tax-payer there will step in to make up for their losses has the effect of distorting competition.

Providing the EEC Regional Fund with more resources and extending the Commission's scope for lending are intended to even out differences in living standards within the Community. Here

recourse to the financial markets must be had in close collaboration with the European Investment Bank as the specialist in this field. The more diversified the Community's financing instruments in the form of specialized funds and stand-by credits become, the more important it gets that their use should be coordinated.

**Outlook for West Germany**Continued profit squeeze

As far as the West German economy is concerned, we do not see the price slowdown which continued into the new year despite the increase in VAT merely as a consequence of depressed business activity, but we also fully appreciate its importance as the basis for a general recovery. Yet it must be admitted that the risks with which companies have to cope have become even greater, since reduced earning power and declining equity ratios mean that undesirable macroeconomic trends make themselves felt more rapidly and hit harder than they used to.

Despite the threat to the country's exports resulting from the weakness of the US dollar and the French franc—which is particularly serious for an industry so dependent on exports as that of West Germany—the 1978 wage round got under way with a series of sometimes overly high settlements which further pressurized profits, and this at a time when the West German economy was already suffering from the slow rate of recovery internationally. The effect of all this might well be to again put a damper on private-sector investment just when it had at last begun to pick up.

Hopes shifted to 1979

The West German economy has generally been very slow to get moving so that hopes increasingly tend to relate to 1979. We are even sceptical as to the chances of achieving the 3½ per cent growth rate target officially anticipated for the current year. This figure is in any case more ambitious than might at first seem, requiring as it would a marked acceleration as the year progresses.

And despite the manifold growth incentives, we should not be too ambitious even for 1979, since this will be the first year when West Germany's foreign trade will feel the full impact of the appreciation of the D-mark. In our view,

therefore, the country's economic growth between 1978 and 1980 can hardly average more than 3 or 4 per cent.

#### Economic fuel—abundant but tardy

Even with expectations pitched this low, it would be unwise to try to boost the economy any further. Contrary to wide-spread opinion abroad, it must be feared that recent efforts to stoke the engine of the German economy with the fuel of public-sector deficits have, if anything, already been overdone, while the Bundesbank has smoothed the way by making cheap finance plentifully available.

It must be admitted, however, that for rather too long the Federal Republic allowed its economy to run only at half steam, and that such measures as were taken did not permit it to pick up sufficient speed. Initially, not enough was done to encourage investment by the private sector, and government deficit spending went mostly into consumption; thus it is only now that the massive public investment packages are beginning to bite.

The key to a sustained upswing is still to be found in company profits. Since the gratifying intensity of competition makes it almost impossible for trade and industry to pass on cost increases in prices, the improvement in earnings generally accepted as necessary can only come from wage settlements consistent with the overall performance of the economy. While it would certainly be too radical a solution to impose a complete wage freeze after several years of exaggerated pay rises, we do consider it of prime importance that for a number of years labour cost increases should be kept strictly in line with productivity gains. Only thus will the West German economy gradually find its way back to a more equitable distribution of income, thereby inspiring private enterprise with greater confidence and creating a more solid basis for new investment and employment.

#### More gradual tax progression desirable

The situation would be helped by early steps to lessen the disincentives provided by the sharp progression of tax rates, as also by a further reduction in taxation not dependent upon earnings. To bring the overall fiscal burden—which has of late reached more than 25 per cent of GNP—down to former levels would require cuts of at least a further DM 10 bn annually which, of course, would necessitate a severe pruning of government budgets.

#### Protectionism disastrous

Persistent high unemployment appears to be encouraging the adoption of pseudo-solutions. There is thus a growing tendency by many of our neighbour countries to implement protectionist import quotas and—to a certain extent also within Germany—to indulge in lame-duckery. We have only to cast our minds back to the twenties and thirties to realize the undesirability of such practices. On the other hand, in the fifties and sixties a consistent opening up of markets resulting in a growing international division of labour brought greater prosperity and lent much impetus to sustained economic activity. It was then that Federal Germany fully benefited from the advantages of liberalization and now that things have become more difficult, it should continue to pursue and support such an open trade policy.

(The German edition of this Report went to press on March 1, 1978.)



## NUREMBERG—AN IMPORTANT REGIONAL ECONOMIC CENTRE

Nuremberg perhaps more than any other German city has experienced the ups and downs of the nation's history. By the late Middle Ages it was already famed throughout Europe as a centre of learning and the

arts as well as for its rapidly burgeoning commerce and trade. The saying "no fair without Nuremberg" had gained currency at the time.

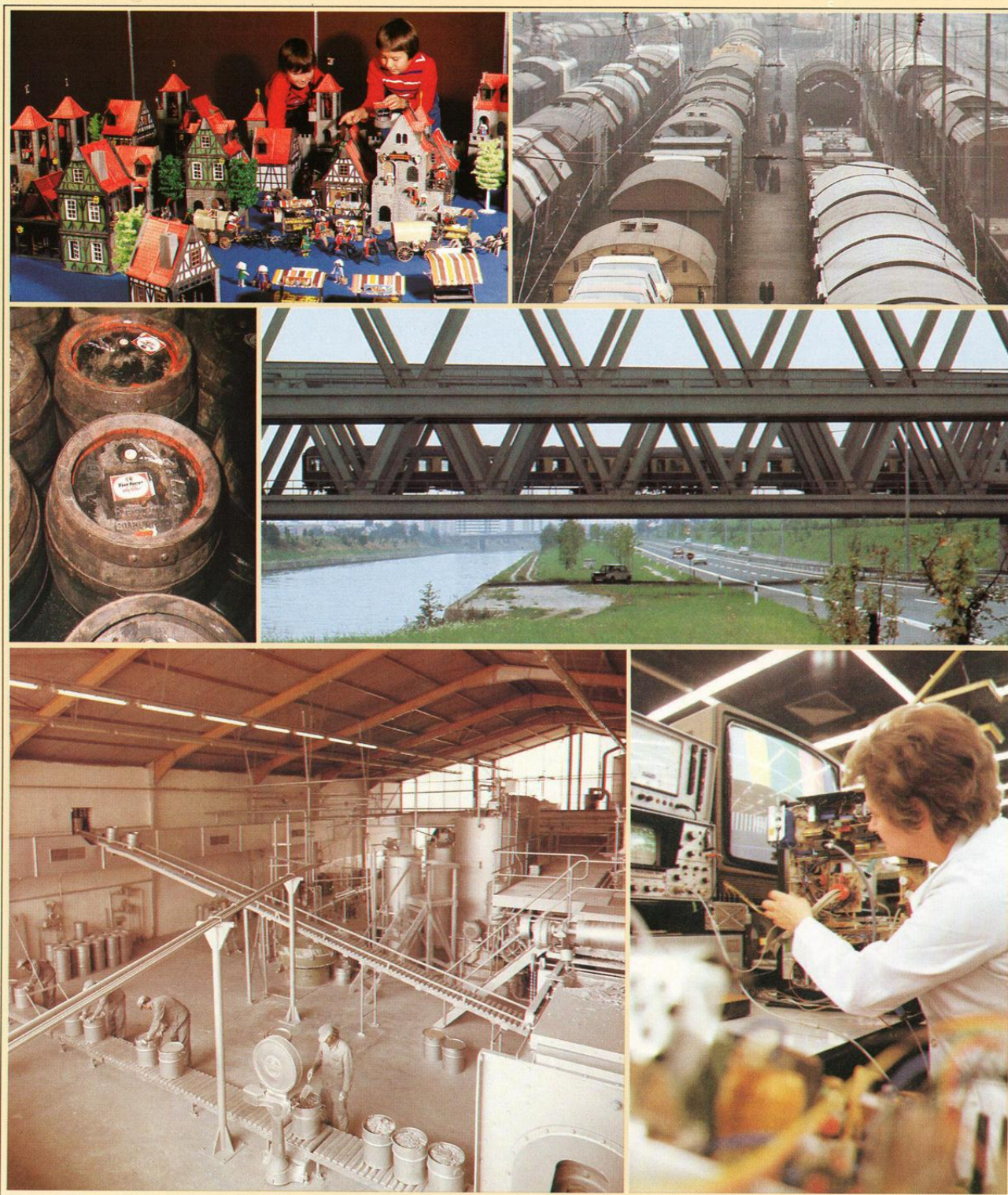
The massive fortifications which link the Imperial Castle to the old town, and several

fine gothic churches all date from this period of greatness, of which the city's Germanic National Museum also offers many impressive reminders.

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The city of Nuremberg

- 1 Imperial Castle
- 2 Commerzbank's new building in Kornmarkt square
- 3 Dürer's birthplace
- 4 Pedestrian precinct in Breite Gasse
- 5 Road junction
- 6 Airport
- 7 Farming in the outskirts



The stirrings of the industrial revolution in Central Franconia were marked by the building of the first German railway connecting Nuremberg to the neighbouring town of Fürth. This was the time when many small tradesmen began to expand their

businesses into the substantial industries we know now.

Today, more than one million inhabitants make the industrial area of Central Franconia—with Nuremberg as its centre—one of the most

densely populated of the Federal Republic.

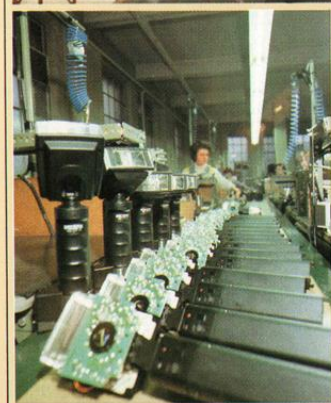
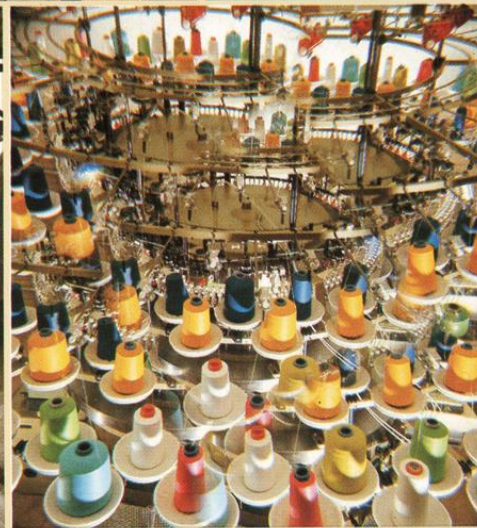
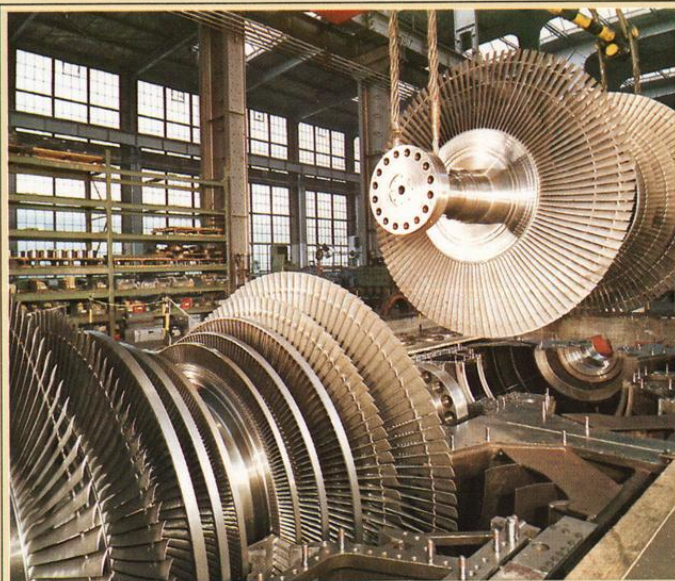
The last fifteen years have seen the number of people employed by the region's industry rise by 16 per cent to some 250,000, two-thirds of whom work in firms situated

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Industry and traffic

- 1 Toys
- 2 Transportation of goods
- 3 Brewing
- 4 Means of communication
- 5 Metal manufacturing
- 6 Consumer electronics





within the rough rectangle formed by the towns of Erlangen, Fürth, Nuremberg, and Schwabach.

Industry in the region is dominated by two branches, namely electrical and

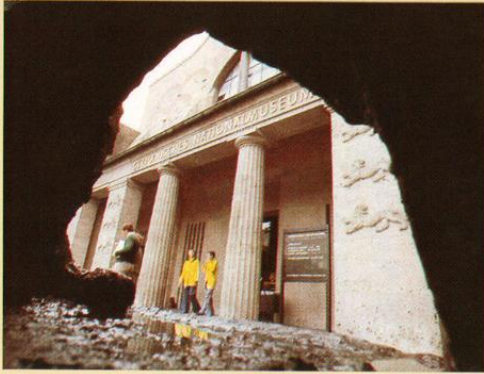
mechanical engineering, with the former clearly taking the lead. Employing more than one-third of the area's total industrial workforce, its interests range from power engineering through

consumer electronics to medical engineering.

The history of electrical engineering in Nuremberg goes back to the workshop of Siegmund Schuckert who in 1873 constructed a small

1	2
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- Industry and commerce
- 1 Mechanical engineering
  - 2 Mail order business
  - 3 Electrical engineering: development of new transportation systems
  - 4 Textile industry
  - 5 Pencil manufacturing
  - 6 Photoelectronics
  - 7 Checking of fuel elements
  - 8 Hop culture



electric generator to the design of Werner von Siemens. Out of this venture grew the firm of Siemens-Schuckert. Four years later, Erwin Moritz Reiniger, a mechanic at the university, opened his own

workshop to make batteries and induction machines which would enable electrical equipment to be used in medicine. This was the beginning of Siemens-Reiniger. The third sector,

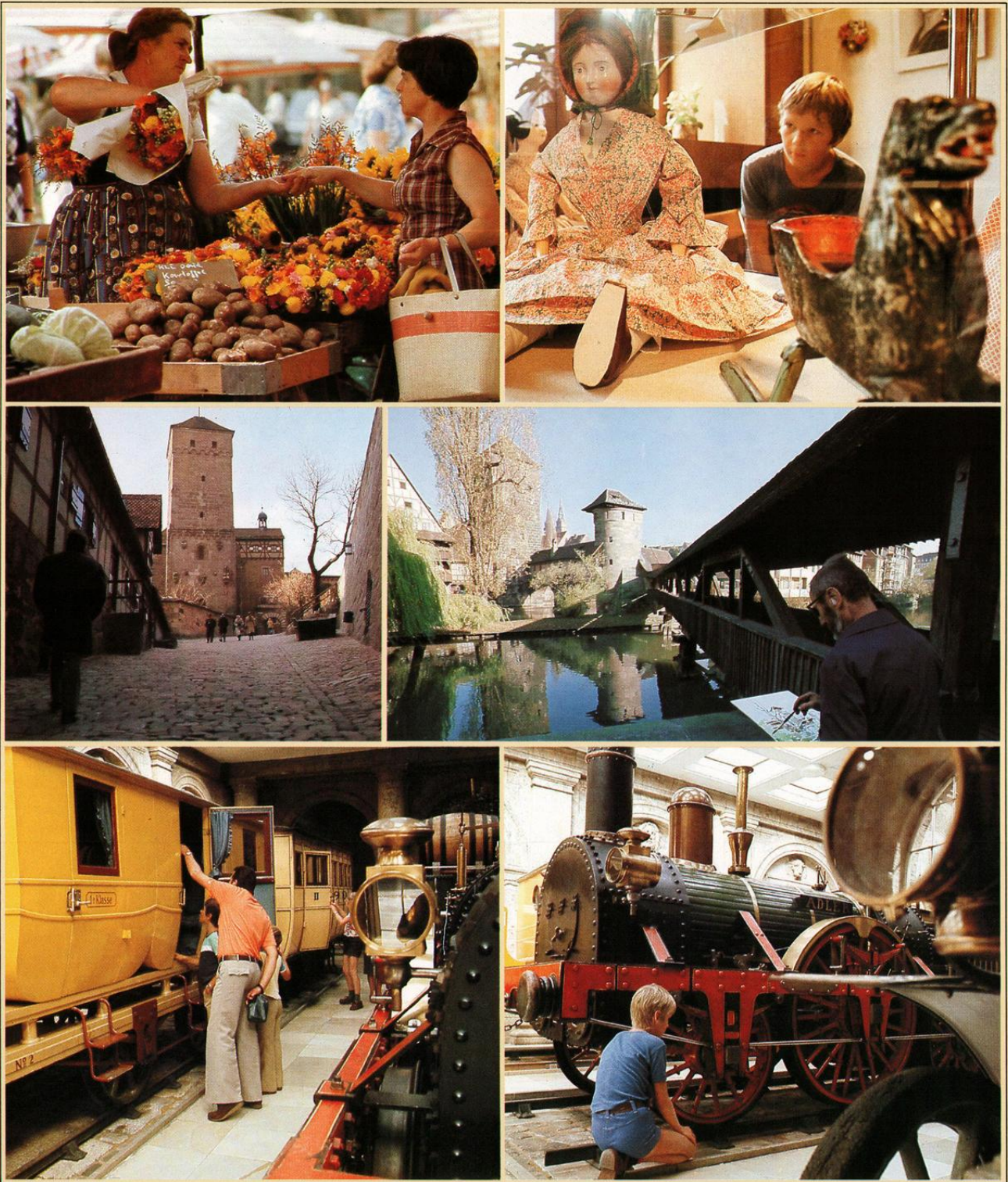
consumer electronics, has come into being only recently; here, Grundig has become the No. 1 in Europe.

Ranking second in importance, mechanical engineering employs about an eighth of the total

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Nuremberg sights

- 1 Christmas fair (Christkindlesmarkt)
- 2 Downtown street theatre
- 3, 4, 5 Germanic National Museum
- 6 Mechanical clock "Männleinlaufen" at Our Lady's Church (Frauenkirche)



industrial labour force. Here the emphasis is mainly on industrial plant, needle bearings, and special machinery, with the MAN concern being a case in point that is famous the world over. In addition many other significant industries are to

be found, including metal working and manufacturing as well as the production of food—here, gingerbread is a specialty which has been relished by many generations—and toys. Nuremberg, being the traditional location for the International Toy Fair, is also the place of origin of

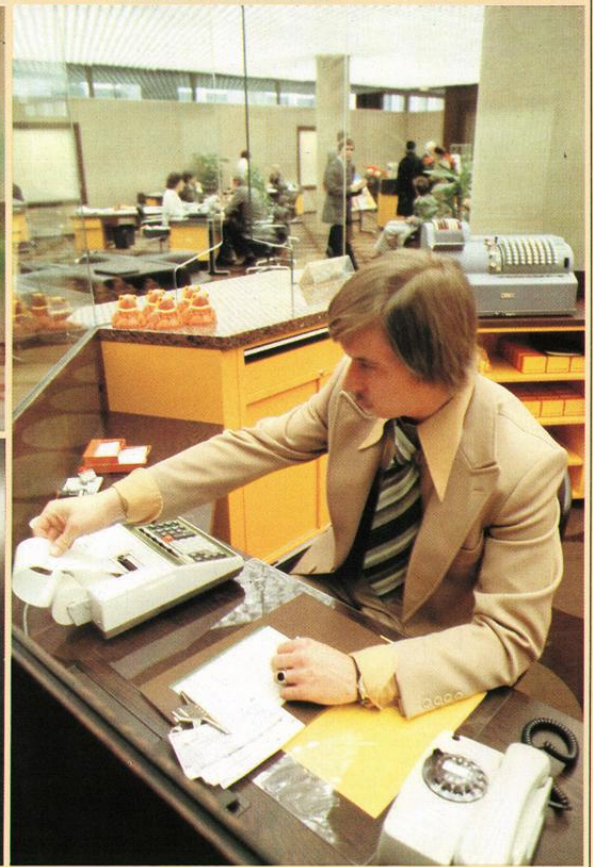
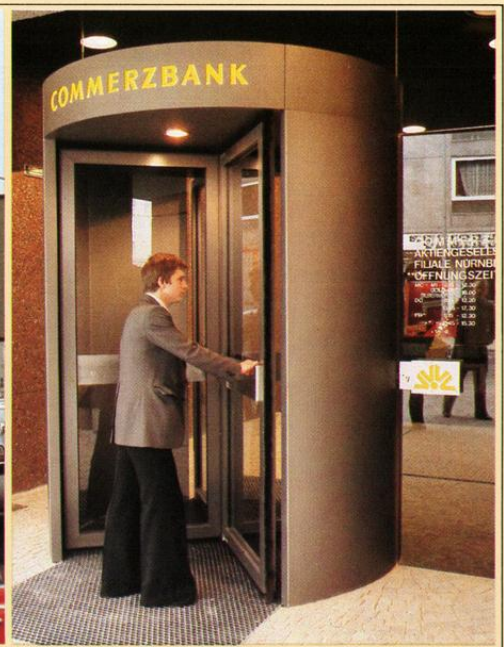
one-third of West Germany's toy exports.

Also of considerable weight for the economy of the region are the service industries, of which the large Quelle mail order firm is a prime example.

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Nuremberg sights

- 1 Weekly market
- 2 Toy Museum
- 3 Ascent to the castle
- 4 On the bank of the Pegnitz river
- 5, 6 Transport Museum



The area around Nuremberg's newly developed port is proving very attractive as a site for industrial companies. At present the city's harbour marks the end of the Rhine-Main-Danube or Europa Canal and thus the

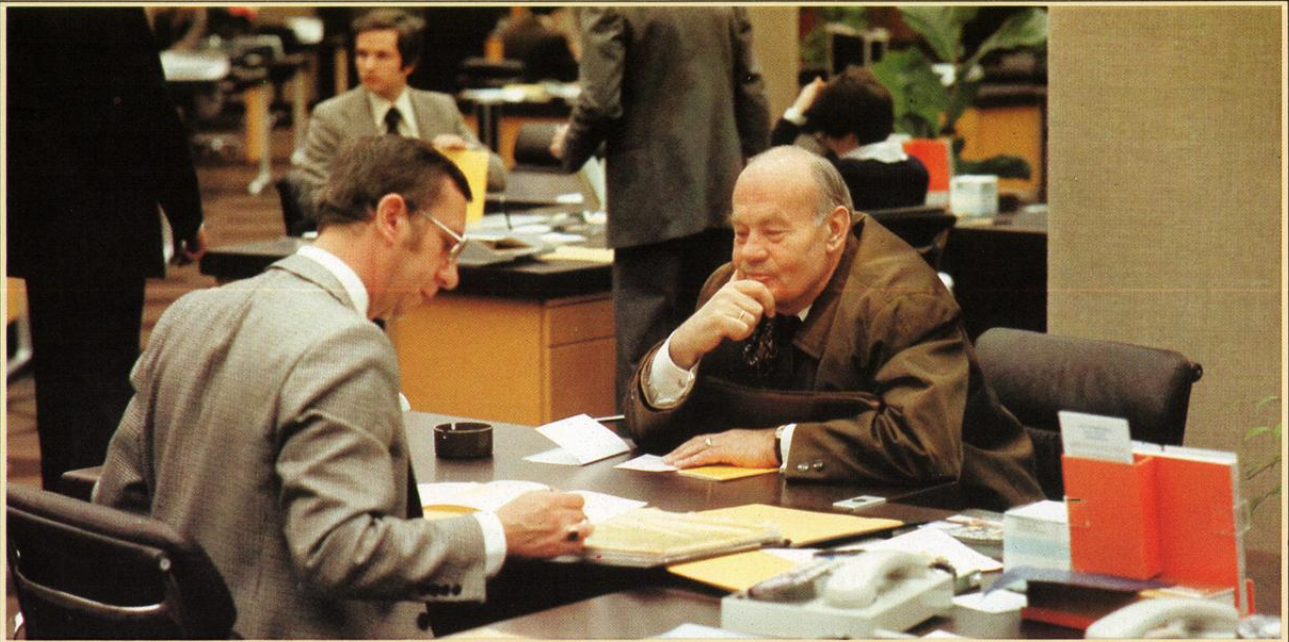
terminus for a two-way traffic of goods between ports overseas and the heart of Europe requiring only one single transshipment operation. The planned southward link to the Danube and on to the Black Sea may well be completed by the mid-eighties with the

construction of the final section of the canal between Nuremberg and Regensburg, where it will have a vital role to play as regards the further development of efficient communications in Central Franconia. There is already a network of motorways

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Commerzbank's new branch building at Nuremberg

- 1 View from Kornmarkt square
- 2 Entrance
- 3 Banking hall
- 4 Cashier's counter
- 5 Safe-deposit



COMMERZ BANK  
AKTIENGESELLSCHAFT  
FILIALE NÜRNBERG  
ÖFFNUNGSZEITEN

MO - MI 8.15 - 12.30  
13.45 - 16.00  
DO 8.15 - 12.30  
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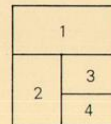


radiating outward from Nuremberg, connecting it to other West German industrial centres such as Berlin, Cologne, Frankfurt, Munich, Regensburg, and, in the very near future, Stuttgart. Nuremberg is also a nodal point of important railway routes.

To Commerzbank, Nuremberg is the focal point for its branch activity in Northern Bavaria. It has been doing business here for more than a hundred years and is thus closely involved both with all sectors of industry

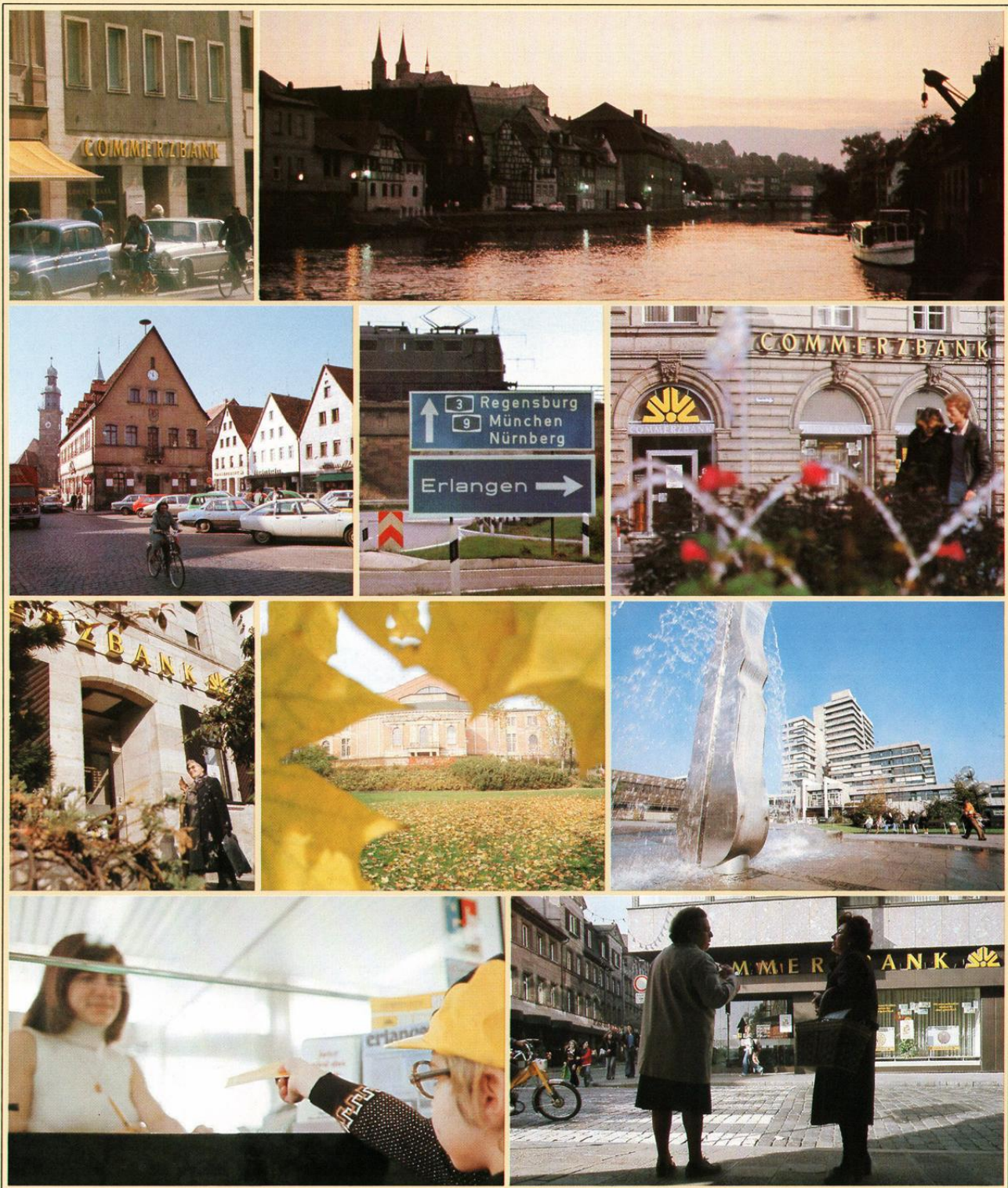
and commerce and with the local population. A few landmarks in the local history of our Bank may be recalled:

● 1918: Takeover of the private banking house of Hirschmann und Kitzinger (founded in 1872) which



Commerzbank's new branch building at Nuremberg

- 1 Advising customers
- 2 Entrance
- 3 Modern working facilities
- 4 Underground garage in Jakobstrasse



continued business as a branch of the Commerz- und Disconto-Bank.

- 1923–1926: Construction of bank premises close by the famous Church of St. Lawrence.
- 1977: Completion and occupation of a new bank building in Kornmarkt square.

not far from the Germanic National Museum.

But the presence of Commerzbank in Nuremberg does not stop short with these impressive downtown premises. It also operates seven other branches within

the city limits, backed by a further 15 offices throughout Franconia. All together, Commerzbank employs nearly 500 people in the Nuremberg regional main branch and the branches and sub-branches connected to it.

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6	7 8
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Neighbouring towns

- 1, 2 Bamberg
- 3, 6 Lauf
- 4 Road and rail junction
- 5, 7 Bayreuth
- 8, 9 Erlangen
- 10 Fürth

## The Bank's Progress

### General performance of Commerzbank

After a slow previous year, 1977 saw Commerzbank's balance sheet total grow more rapidly by DM 8.8 bn or 20.9 per cent against end-1976, the contributing factors being both a further increase in international activity and a more marked pick-up in domestic business from the summer onwards. The Bank's business volume—that is its balance sheet total plus endorsement liabilities—for the year as a whole showed another rise, this time of an average of 13.9 per cent.

The salient items of the 1977 accounts of the Parent Bank, Commerzbank AG, are as follows:

Balance sheet total	DM 50.9 bn
Borrowed funds	DM 47.8 bn
of which: savings funds*)	DM 10.1 bn
Total lending	DM 29.0 bn
Capital and reserves	DM 2.078 bn

\*) savings deposits and savings bonds

At end-1977, Commerzbank was operating 788 domestic and 6 foreign branch offices.

#### The Commerzbank Group: consolidated profit for the year DM 212 m

As at December 31, 1977, the balance sheet total of the Commerzbank Group was DM 75.3 bn, having almost doubled over a mere four years. The DM 12 bn rise on 1976 was, in contrast to the previous three years, largely attributable to the Parent Bank.

At the turn of 1977/78, the banks affiliated within the Commerzbank Group were

operating about 4 million accounts  
for some 2.4 million customers  
at 870 branches  
staffed by 20,429 employees.

Calculated on a full-time basis, the Group's personnel totalled 19,377 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 2.793 bn;

Commerzbank International S.A.,  
Luxembourg,  
balance sheet total equalling DM 9.543 bn;

#### Rheinische Hypothekbank, Frankfurt, balance sheet total DM 13.282 bn.

After DM 72.2 m had been allocated to reserves, the consolidated profit retained (before dividend) was DM 171.3 m; this compares with DM 71.9 m and DM 177.8 m, respectively, for 1976. Following the appropriate decisions of their annual general meetings, a further DM 29.8 m will be allocated to the reserves of consolidated subsidiaries, as against DM 39.5 m in 1976. Total consolidated profit for the year was DM 212.7 m, as against DM 225.2 m in 1976.

#### Consolidated liable funds to total DM 2.3 bn

Capital and reserves of the Commerzbank Group, including that part of the capital of Rheinische Hypothekbank not held by Commerzbank, amounted at year-end to DM 2.249 bn, or DM 347 m more than the previous year. Following implementation of the resolutions of the 1978 annual general meetings of the Group members, the consolidated liable funds will total DM 2.279 bn.

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

Parent Bank's improved earnings

Commerzbank AG achieved higher earnings than in 1976, the improvement stemming largely from an increase in net interest income and from own-account dealings, particularly in securities.

The expansion in the volume of the Parent Bank's business pushed up the figure for net interest received by a good 7 per cent, despite the slight narrowing of the interest margin. Commissions received for banking services were a little up on the already good results achieved in 1976.

The fact that there was only a small increase in staff was the main reason why the rise in personnel costs was kept to 8 per cent, while general operating expenses went up by 7 per cent.

Appropriation of profit and taxation

The appropriation of the profit retained before dividend, and thus also taxation, were largely influenced by the reform in German corporation tax which first became effective for 1977 earnings. Thus the sharp rise in tax expenditure is

not merely a reflection of the improved result for the year but also largely due to the new tax regulations. Simply to maintain the total dividend payment at approximately the previous year's level of just over DM 109 m will require an additional tax payment of DM 25 m, although it should be recalled that DM 61.5 m of the total corporation tax paid by the Bank for 1977 is earmarked to be passed on in the form of tax credits to its shareholders residing in West Germany. Since out of consideration for those of our shareholders who are domiciled abroad we are only reducing the cash dividend for 1977 by DM 0.50 per DM 50 nominal share, shareholders paying tax in the Federal Republic and thus entitled to the tax credit will see an amelioration of almost one half in their earnings per share: the grossed-up dividend on a DM 50 nominal Commerzbank share will total up to DM 13.28.

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

More long-term borrowing and lending

Throughout 1977 our borrowing policy was governed both by the growing interest of our

Utilization of new funds in 1977

Source of funds		Application of funds	
in DM m		in DM m	
Increase in liable funds	297	Increase in liquid or easily realizable funds	4,803
Increase in borrowed funds	8,436	a) cash on hand, cheques, and collection items	(493)
a) bank deposits	(3,814)	b) nostro balances	(4,310)
b) customers' deposits	(4,306)	Increase in loans	3,940
c) bonds issued	(316)	a) loans to banks	(102)
Provisions made	58	b) loans to customers, at agreed periods of	
Reduction of assets	578	ba) less than four years	(1,160)
a) Treasury bills	(346)	bb) four years or more	(2,678)
b) bills of exchange	(227)	Increase in holdings of bonds and other securities	480
c) other assets	(5)	Increase in fixed assets	177
Increase in other liabilities	22	a) investments	(61)
Depreciation of fixed assets	69	b) bank premises and other real estate	(63)
		c) furniture and equipment	(53)
		Increase in other assets	49
		Decrease in other liabilities	11
	9,460		9,460



customers in obtaining longer-term funds and by a greater demand on the part of our clients for longer-term and thus higher-yield investments.

Sales of savings certificates produced DM 952 m and those of the Bank's own bonds DM 405 m. We also bolstered the amount of long-term funds raised with other banks by DM 2.181 bn.

At the year-end, Commerzbank's total borrowed funds were up some DM 8.4 bn on 1976, over DM 3 bn of this being for terms of at least four years.

In line with market conditions, we again pursued a policy of great flexibility in accepting customers' time deposits over the year.

1977 saw us maintaining our activity in both the domestic and the international money markets. Once again, total nostro balances exceeded our overall interbank liabilities.

About two-fifths of the DM 8.5 bn growth in our business volume derived from increased lending, and almost half of the rise was attributable to an increase of some DM 4 bn in our money-market investments.

By far the greatest expansion in our loan business related to long-term credits, with public authorities once more enlarging their share of the total lending figure. New business with the latter was dominated by the granting of loans against the Federal Government's note. Lending to business, private, and foreign customers is reported on below.

#### Further expansion in liable funds

The DM 247 m equity funds raised at the turn of the year 1977/78 gave a powerful boost to Commerzbank's capital and reserves. The new shares, issued as part of an authorized capital increase, were offered to the holders of both our shares and convertible bonds at a price of DM 150 per DM 50 nominal share.

Following appropriation to reserves from the profit for the year, the Parent Bank's liable funds now stand at DM 2.078 bn.

The total book value of our investments in other banks stood at DM 622 m at the year-end, following the acquisition of a tax-privileged holding in Lübecker Hypothekbank and a capital increase by Berliner Commerzbank in late 1977.

For a chart listing all of Commerzbank's domestic and foreign holdings in affiliated and other companies, see pages 86 to 88.

#### Improved marketing structure: 40 main branches

The beginning of the current year saw a reorganization of Commerzbank's domestic branch network. Successful competition, whether for individual customers or whole markets, is only possible via an efficient and active, yet wide-ranging presence. Since, however, economic considerations impose necessary limits on the number of both branches and staff, available capacity must be exploited to the full by optimum organization. To this end we have set up, throughout the Federal Republic, 40 designated main branches generally responsible for marketing, administration, and the conduct of business of a subordinate network of branches covering their region. The geographical allocation of responsibilities was carried out bearing in mind the historical economic structure of each region as well as the need for easy and rapid communication with the customer, in order to provide him with qualified on-the-spot service. Our staff, too, should experience more involvement in the results achieved—and hence be spurred to greater efforts—when the latter are attributed to smaller groupings of branches than has so far been the case. One of the main effects of the new system will certainly be a more intensive cooperation than hitherto between Commerzbank's head office departments and the individual branches.

The reorganization should prove beneficial to both the Bank itself and its clients in making for greater efficiency and competitiveness.

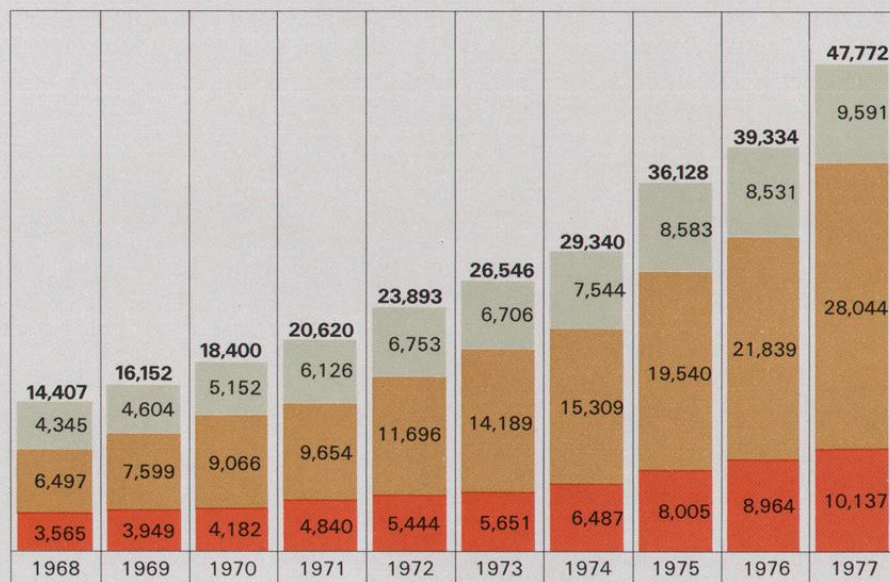
#### **Serving our business customers**

During the year under review we further intensified our collaboration with our business customers. Every effort was made to bring funds available for lending still better into line with their particular borrowing requirements, and this was made possible by largely involving our subsidiaries and associates at home and abroad when necessary. We also advised firms seeking trading partners and acted as intermediary for companies in want of additional equity funds.

#### Industrial borrowing continues weak

Three-quarters of the DM 3.5 bn increase in the Bank's total lending was to domestic customers

# Commerzbank: strong growth

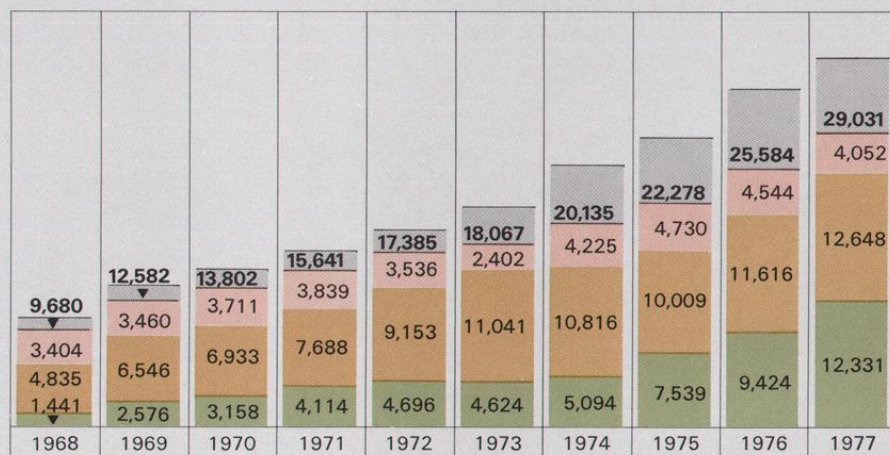


## Borrowed funds

More than DM 3 bn of the increase in borrowed funds was in longer-term deposits and bonds due within no less than 4 years, with savings bonds and the Bank's own bonds showing the strongest growth.

in DM m:

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

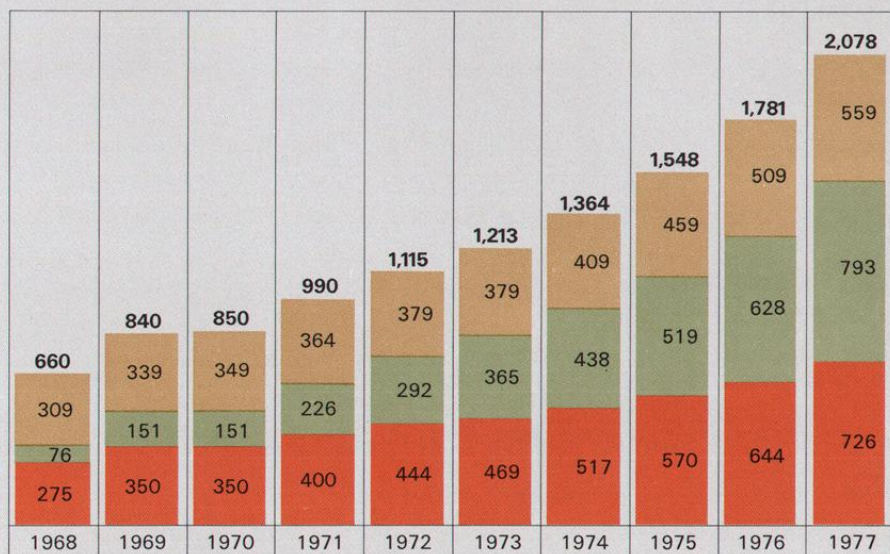


## Volume of lending

Lending was once more marked by keen demand for long-term funds by all three groups of clients – companies, private customers, and government bodies.

in DM m:

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



## Liabile funds

The Bank's capital and reserves were again markedly increased by issuing new shares and by allocating from profit to reserves.

in DM m:

- other reserves
- statutory reserve
- share capital

and derived especially from the sustained expansion of our retail business, while the call for funds from industry remained sluggish with, significantly, only few firms seeking finance for new investment projects. Once again we did all we could to satisfy the demand, especially by medium-sized trading and manufacturing companies, for longer-term funds to refinance shorter-term debts.

As a result, long-term lending took another marked upward turn and for the first time almost had the same volume as short and medium-term book credits. On the other hand, we allowed the volume of our discount business to ease slightly from the previous year's level, since margins here were hardly satisfactory.

There was another pronounced decline in the share of manufacturing industry in Commerzbank's total lending. However, total loans and advances to the service trades and to individual borrowers both showed above-average growth rates.

After the strong expansion of the last few years, the volume of guarantees and letters of credit issued by the Bank grew less rapidly in 1977. This was due mainly to the completion of a number of large projects which were not balanced out by new business, the latter's low level being mainly attributable to delays in power station construction.

#### Prudent wholesale lending

A stringent lending policy again enabled us to keep the volume of bad debts to a minimum, while the enhanced risks incurred in wholesale lending once more led us to be extremely prudent in making individual allowances for possible loan losses. We have noted with concern the substantial number of firms forced by the steady decline in their earnings to tackle growing financial problems. This is one reason why we concur with the stricter requirements of the amended German Banking Act of 1976 and consider the submitting of a recent balance sheet by a borrower to be so important.

#### Longer-term business loans at fixed interest

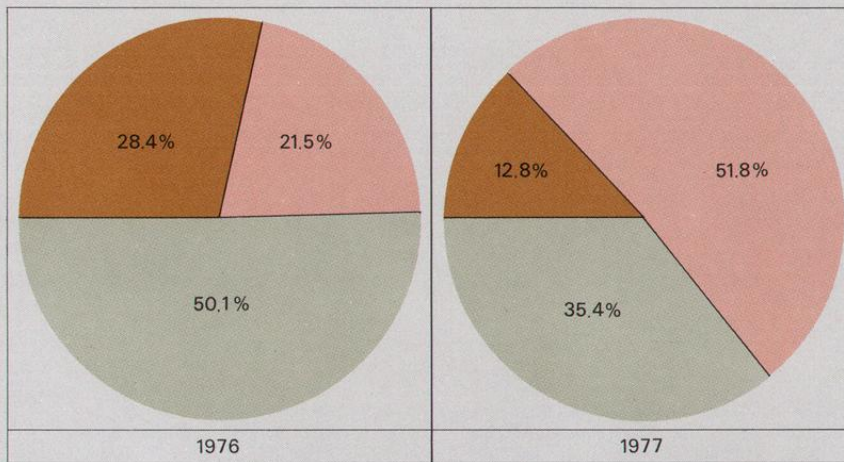
In collaboration with our mortgage subsidiary, Rheinische Hypothekbank, we have, by extending our jointly offered "package loan" facilities to medium-size manufacturers and small traders, filled a gap in the wide range of our services. Thus we are now able to also provide these business customers with two-phase long-term credits that have a fixed interest rate for the whole joint life, which is currently twelve years maximum.

Apart from providing this special long-term loan scheme we have continued to complement our own lending services by the arranging of long-term advances from third parties; in cooperation with Rheinische Hypothekbank

Lending to domestic business and private customers*)		
	31-12-1977	31-12-1976
Mining and public utilities	6.3%	7.2%
Chemical industry	7.3%	9.0%
Electrical and precision engineering, metals products, plastics processing	10.1%	10.9%
Production of iron, steel, and other metals; foundries	5.3%	5.4%
Steel construction, mechanical engineering, car industry, shipbuilding	10.6%	10.7%
Building and civil engineering	1.9%	1.9%
Food, drink, and tobacco; animal feeding stuffs	3.2%	3.7%
Textiles, clothing and footwear; leather	3.7%	4.1%
Wood, paper, and printing	2.8%	2.7%
Commerce	14.6%	14.3%
Other services; professions	9.9%	8.9%
Private persons without independent means	19.4%	16.8%
Other borrowers	4.9%	4.4%
	100.0%	100.0%

\*) excluding guarantees, but including "loans per contra".

# Commerzbank: serving its private customers



## Savings

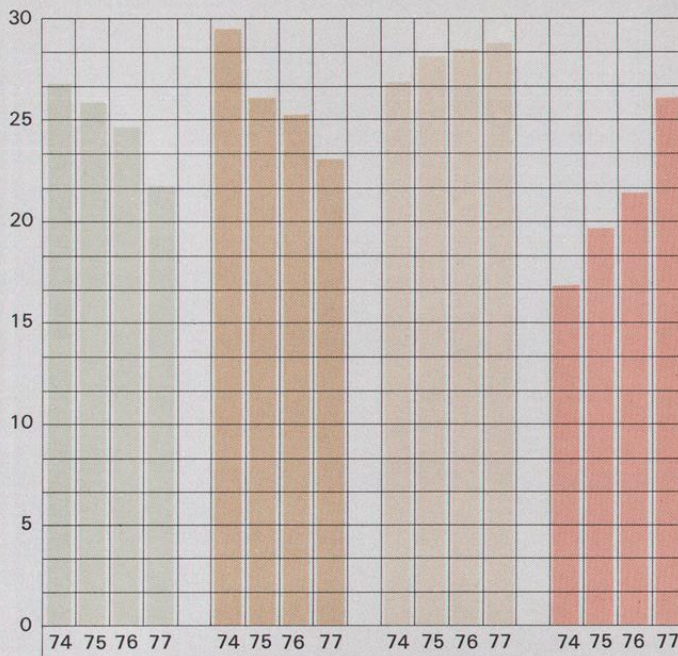
Preference for longer-term investments, especially through the purchase of savings bonds, became even stronger in 1977.

share of total:  
(in %)

growth in deposits on savings accounts

savings bonds purchased

securities purchased through withdrawals from savings accounts (net figures)



## Maturities of instalment credits

For instalment credits, too, maturities have grown longer.

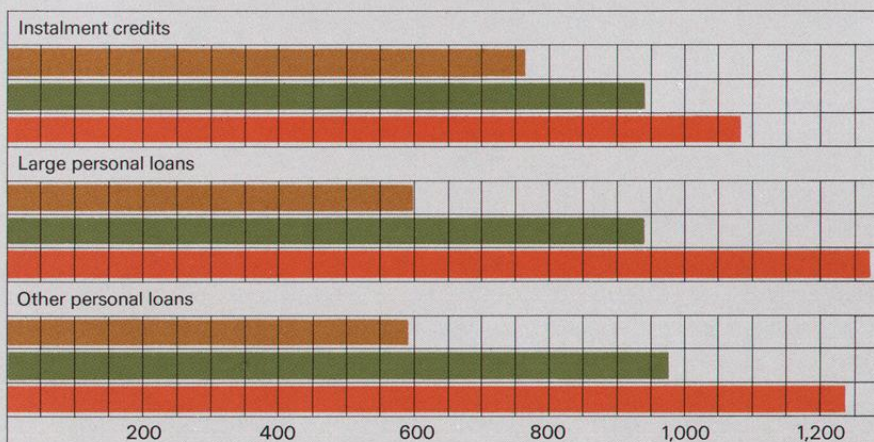
share of different loan periods  
in total amount of credit opened:  
(in %)

up to 24 months

25 to 36 months

37 to 48 months

49 to 60 months



## Personal loan schemes

(loans outstanding at year-end)

1975: DM 1,951 m

1976: DM 2,846 m

1977: DM 3,596 m

The volume of advances under personal loan schemes has grown to equal one-sixth of total book credits to non-bank customers.

in DM m:

1975

1976

1977

we obtained industrial mortgages for those of our clients requiring them whilst other investment finance was provided through cooperation with Industriekreditbank.

At the same time, we intensified our activity in the sphere of leasing. Our subsidiary, Commerz- und Industrie-Leasing, which handles the leasing of plant and machinery, succeeded in considerably expanding its business volume, and progress in property leasing, in which we are involved jointly with Deutsche Bank through Deutsche Gesellschaft für Immobilien- und Anlagen-Leasing, was also gratifying.

### **Serving our private customers**

We also continued to make every effort to offer our approximately two million private clients an even better service. Intensive further training programmes were conducted to assure the Bank of a hard core of qualified client counsellors. By systematically establishing specialized retail-banking sections in our branches we make sure that each customer is kept informed of the full range of Commerzbank services available for him and, if possible, gets all the information he may need for his borrowing and investment decisions from a single adviser.

Our standardized personal loans were again in particularly brisk demand—whether in the form of instalment credits used to buy cars, furniture, and the like, or of mortgage-secured advances for house purchase and improvement. The Bank's customers also made increased use of stand-by overdraft facilities.

#### Lively call for home-building loans

Total standardized personal loans outstanding rose by a quarter to reach DM 3.596 bn at end-1977, with more than half of these funds borrowed for house or flat purchase or improvement, or involving similar long-term financing secured by mortgage. In addition we are able, through Rheinische Hypothekenbank with which we cooperate in all matters of building finance, to negotiate a substantial number of mortgage loans for home building.

#### DM 5 bn lent to private customers

If we include loans other than standardized ones, Commerzbank's lending to its private clients reached a good DM 5 bn in the year under review—equivalent to about one-third of the Bank's total book credits to domestic borrowers.

#### Shifts in savings funds

In line with general trends, growth in savings deposits was somewhat restrained, with customers tending to look for higher-yield investments. While ordinary savings deposits at agreed and statutory periods of notice were still up by 6 per cent, the large volume of savings under bonus schemes reaching maturity (DM 510 m) made for a net one-fifth decline of such funds. On balance, total savings deposited with us increased by 2.7 per cent, so that the year-end found us holding savings deposits of altogether DM 8.491 bn in 1.89 m accounts.

Size of savings accounts in DM	Number of accounts	Total amount in DM m
up to 1,000	957,170	248.2
from 1,000 to 10,000	751,884	2,512.9
from 10,000 to 50,000	160,481	2,976.5
over 50,000	17,281	2,753.6
	1,886,816	8,491.2

The inflow of savings was stabilized by a further marked rise in funds deposited under standing order savings contracts, whereby customers can have fixed monthly instalments or balances remaining on their current accounts automatically deposited as savings, to produce higher interest. The total of such transfers was some DM 270 m in 1977.

Another success was scored by our savings scheme combined with a cash bonus—which may be entered into either in conjunction with or independently from one of the government-fostered bonus savings schemes—the amount contracted under which rose by 54 per cent to DM 786 m in the year under review.

Of the savings reaching maturity under bonus schemes in 1977, a good 40 per cent were withdrawn at short notice, the remaining funds being transferred to savings accounts or invested in savings certificates and other securities.

#### Savings bonds and deposits top DM 10 bn

Once again, there were brisk sales of Commerzbank savings bonds of which we offer three kinds: besides the normal type with regular interest payments and the certificate sold at a discount instead—both of which are issued for a fixed term at a fixed rate of interest—we have since early 1977 been selling savings bonds with an annually increasing coupon, but re-

# The Lords Commissioners of Her Majesty's Treasury

## U.S. \$1,500,000,000

### *Medium-term loan*

#### MANAGED BY:

COMMERZBANK  
AKTIENGESELLSCHAFT

DEUTSCHE BANK  
AKTIENGESELLSCHAFT

DRESDNER BANK  
AKTIENGESELLSCHAFT

WESTDEUTSCHE LANDESBANK  
GIROZENTRALE

BARCLAYS BANK  
INTERNATIONAL LIMITED

LLOYDS BANK LIMITED  
MIDLAND BANK LIMITED

NATIONAL WESTMINSTER  
BANK LIMITED

WILLIAMS & GLYN'S  
BANK LIMITED

BANKERS TRUST  
INTERNATIONAL LIMITED

CHEMICAL BANK

MORGAN GUARANTY TRUST  
COMPANY OF NEW YORK

THE ROYAL BANK  
OF CANADA

TORONTO DOMINION  
BANK

#### FUNDS PROVIDED BY:

COMMERZBANK AKTIENGESELLSCHAFT

DRESDNER BANK AKTIENGESELLSCHAFT (London Branch)

BANKERS TRUST COMPANY CHEMICAL BANK

THE ROYAL BANK OF CANADA

BARCLAYS BANK INTERNATIONAL LIMITED

INTERNATIONAL WESTMINSTER BANK LIMITED

DEUTSCHE BANK AKTIENGESELLSCHAFT (London Branch)

WESTDEUTSCHE LANDESBANK GIROZENTRALE

MORGAN GUARANTY TRUST COMPANY OF NEW YORK

TORONTO DOMINION BANK

MIDLAND BANK LIMITED

WILLIAMS & GLYN'S BANK LIMITED

ALGEMENE BANK NEDERLAND N.V.

BANK FUER GEMEINWIRTSCHAFT AKTIENGESELLSCHAFT

THE BANK OF TOKYO, LTD.

BAYERISCHE VEREINSBANK INTERNATIONAL S.A.

CLYDESDALE BANK LIMITED

DC BANK, DEUTSCHE GENOSSENSCHAFTSBANK

THE FIRST NATIONAL BANK OF CHICAGO

IRVING TRUST COMPANY

SOCIETE GENERALE DE BANQUE S.A.

CREDITANSTALT-BANKVEREIN

GRINDLAYS BANK LIMITED

THE ROYAL BANK OF SCOTLAND LIMITED

STANDARD CHARTERED BANK LIMITED

UNION BANK OF SWITZERLAND (London Branch)

AMSTERDAM-ROTTERDAM BANK N.V.

BANK OF MONTREAL

BANK OF SCOTLAND

BAYERISCHE LANDESBANK INTERNATIONAL S.A.

CANADIAN IMPERIAL BANK OF COMMERCE

CREDIT SUISSE

THE FIRST NATIONAL BANK OF BOSTON

HYPONANK INTERNATIONAL S.A.

SECURITY PACIFIC BANK

SWISS BANK CORPORATION

BANK OF ENGLAND

*Agent*

*This announcement appears as a matter of record only.*

*16th February, 1977*

The US \$ 1.5 billion syndicated Euro-loan for the United Kingdom was taken much notice of internationally.

deemable ahead of maturity. The total volume of our savings certificates outstanding far more than doubled in 1977 to DM 1.646 bn, which represents an expansion of 137 per cent.

At the end of the year, savings bonds and deposits together totalled DM 10.137 bn, a rise of 13 per cent over end-1976.

Although on a lesser scale than in the previous year, the amount of savings deposits withdrawn to buy marketable equities and investment fund shares was again high; more small savers were thus won over to securities.

#### Further growth in regular investment fund saving

An important constituent of our investment savings schemes are the build-up accounts run by our associate ADIG-Investment. Payments by Commerzbank customers into such accounts, where yields are automatically ploughed back, were up by 16 per cent to a total of more than DM 300 m.

#### **Issuing and stock exchange business**

Even more than in 1976, the Federal Government and the German Railways led domestic bond issuers, with only two new issues each by the Länder and by industry.

In addition, the Government had growing recourse to borrowing through medium-term notes, for the first time offering five-year paper, and also made much greater use than ever before of Federal savings bonds whose terms often outdid usual market conditions.

Commerzbank itself issued bonds altogether worth DM 400 m in eight tranches, maturing between 1982 and 1987.

Capital increases by listed companies failed to reach the previous years' levels, as did the total of domestic bond issues and net sales of bank bonds. Still, the overall volume of funds raised on the market was larger because of a sharp rise in the face value of both registered bonds issued and borrower's note loans obtained.

#### Eurobond issues reach new record

Growth in international issues was particularly marked in 1977. For the first time ever, the volume of foreign bond offerings denominated in D-mark in which Commerzbank participated exceeded the corresponding figure for domestic bond issues (see table below). The Bank was lead-manager for 12 D-mark bond offerings by foreign issuers and private placements totalling DM 1.190 bn, and in addition for three foreign currency bond issues worth US \$ 150 m. It also acted as co-manager for 55 international bond issues equivalent to over DM 8 bn, which included a further 28 foreign offerings denominated in D-mark. In many of these issue syndicates we cooperated with other members of the Europartners group of banks. In all, we took part in 1977 in a total of 200 foreign currency bond placements equivalent to nearly US \$ 10 bn, most of which were denominated in US dollars, 18 in Canadian dollars, 7 in sterling, 4 in Dutch guilders, and 3 in French francs.

We are most optimistic as to the further opportunities afforded by the Eurobond market since the flowback of interest and redemption pay-

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

\*) cash proceeds

In addition we participated in placing 945 foreign currency bond issues between 1970 and 1977.

ments notably strengthens self-financing capacity; this also applies to its D-mark component.

#### Brisk activity in syndicated loans

International syndicated loans, in which we participated, more often than not as members of the management group, also exceeded the previous year's level by reaching an equivalent of almost US \$ 8 bn. On three occasions we were instrumental in raising "jumbo credits" of between US \$ 1 bn and US \$ 1.5 bn each, for the United Kingdom, Mexico, and Sweden.

#### Listing of foreign shares

A consortium under Commerzbank's leadership managed the listing, on the Frankfurt and Düsseldorf stock exchanges, of the shares of Thorn Electrical Industries Limited of the United Kingdom. We also arranged for the shares of an American company, Tenneco Inc., to be officially quoted in Frankfurt.

#### Stock markets more confident

Shares chalked up more gains than losses during 1977. Measured in terms of the Commerzbank index of 60 leading German stocks, the average price rise was a good 8 per cent. The total market value of the more than 400 quoted companies covered by the Bank's stock exchange statistics was up from DM 125 bn to DM 138 bn.

Bond prices again recorded an especially strong increase. The average yield on public-sector bonds thus fell from 6.77 to 5.14 per cent during 1977, while yields on ten-year bonds of recurrent issuers eased from 7.50 to 6.15 per cent.

#### Active stock exchange trading

Stock exchange dealings on behalf of our customers in both shares and bonds were up again in the year under review, and the growth in this type of business is regarded by us as particularly noteworthy after the very lively bond trading in 1976. We also recorded a further rise in sales of investment fund shares. Favoured as it was by the rapid decline in interest rates, own-account dealings did much to improve our overall result here.

#### Lively trans-frontier securities dealings

Domestic investors looking beyond the home market tended to concentrate on foreign bonds, whereas foreign investors showed greater interest in German shares. Net purchases of foreign

bonds amounted to over DM 4 bn, and a good half of this represented foreign issuers' D-mark offerings. The attractiveness of foreign shares was impaired both by the sluggishness of stocks internationally and by the shakiness of the foreign exchange markets.

#### More progress in portfolio management and investment saving

The year under review saw a further substantial expansion of trust business in securities handled by Commerzbank itself and by its subsidiary investment company, Commerzbank Fonds-Verwaltungsgesellschaft mbH (Cofa), which acts mainly on behalf of insurance companies and pension funds. At end-1977, the portfolio managed by Cofa, invested in 36 different funds, was valued at DM 980 m—a rise of 60 per cent.

Commerzbank's efforts to place investment fund shares again centred on those offered by ADIG Allgemeine Deutsche Investment-Gesellschaft mbH. At the end of 1976, the eight funds operated by this company were managing total assets of DM 5.3 bn—an increase of 43 per cent over the previous year. This raised ADIG's market share to 21 per cent. We are depository bank for four of these funds with assets totalling DM 4 bn. ADIG fund shares placed through our branches exceeded DM 1 bn for the first time in 1977.

#### Property investment funds more attractive again

The assets administered by the open-end property fund Haus-Invest, for which we are also depository bank, had by the end of 1977 risen by DM 49 m to just on DM 200 m. Property owned varies widely as to size of estate, business of tenant, and regional importance. There are at present 31 sites, almost all industrial or commercial, located in 26 cities throughout West Germany. Further shares in the high-rise office building Pennzoil Place in Houston, Texas, were placed through Deutsche Gesellschaft für Immobilienanlagen "America" mbH, in which Commerzbank is a shareholder.

#### Fine performance of New York investment bank

EuroPartners Securities Corporation, a New York investment bank in which Commerzbank also holds a stake, again strengthened its position in the US capital market. During 1977, it participated in all underwriting syndicates for international bond issues floated in the United States and was in addition involved in the



launching of 170 American bond and share issues. Moreover, the bank acted as a co-manager for the syndicate financing the European Airbus on the US capital market. The year under review saw an expansion in the raising of funds for European companies seeking a foothold in the United States as well as in trust business and the arranging of acquisitions and takeovers.

### Foreign business and international activities

1977 was again a year of much activity for Commerzbank in all branches of its international business. The foreign network was further extended by the opening of branches in Brussels and Tokyo, to be followed by another one in Antwerp in the spring of 1978, the latter being Commerzbank's seventh foreign branch office. The Bank will then be operating directly abroad in the following ten cities:

Amsterdam*)	Luxembourg**)
Antwerp	New York
Brussels	Paris
Chicago	Rotterdam*)
London	Tokyo.

\*) branches of Europartners Bank (Nederland) N. V.;

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

The expansion of our foreign organization has proved of great benefit both to Commerzbank and to its customers and justifies our forging ahead with plans for establishing further bases abroad.

#### Foreign branches record strong growth

Our foreign branches managed to expand both lending and deposit business with trade and industry. Their major customers have been international concerns and the foreign subsidiaries of German companies, but also firms with interests in West Germany. At the same time, they have been endeavouring with success to build up their local business. Total lending to private firms and public authorities by our foreign branches was in the region of DM 3 bn and they are becoming increasingly involved in multilateral payment transactions. Their contribution to the Bank's good result was again a substantial one.

#### Representative offices and other foreign facilities

Commerzbank's international network includes 19 representative offices abroad (see pages 109 and 110), five of which are operated jointly by the Europartners group. In addition, Commerz-

bank customers can call upon their bank at the following places, where Commerzbank staff are on secondment—some of them in a managerial function—to foreign affiliated and associated institutions:

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

In all, our international organization employs some 550 people, a good third of whom are Commerzbank staff on secondment abroad.

The end of 1977 saw Commerzbank represented in 34 countries outside West Germany with some 65 branches, representative offices, and affiliates. An outline of the growth of the Bank's foreign organization since 1953 is given on pages 48 and 49.

#### 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 rising to the equivalent of DM 9.543 bn. Among our international affiliates mention must above all be made of Europartners Bank (Nederland) N.V. of Amsterdam, which is 60 per cent Commerzbank-owned, and whose total assets in 1977 were up from Dfl 697 m to Dfl 876 m, to a great degree due to the activity of its new Rotterdam branch.

The London-based International Commercial Bank Ltd. has enhanced its position as one of the leading Euromarket institutions; its balance sheet total is in the region of £ 500 m.

The good progress made by 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. bank group is mainly concerned with the financing of German-Arab trade, resulted in its balance sheet total rising from DM 771 m to DM 861 m. As before, several Commerzbank employees have been seconded to serve on this bank's management board. Commerzbank's involvement with the Arab countries also includes holdings in Rifbank at 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, got

## Milestones in our international business

One logical outcome of Commerzbank's growing international involvement was the creation and expansion of its foreign bases. This process, which began cautiously after the end of the Second World War, has in the meantime gathered considerable pace. The brief chronology which follows also reflects the marked shift in emphasis in the Bank's foreign strategy from being purely represented abroad to actually operating there.

In the list below, holdings in foreign banks are shown only when they exceed 5 per cent. Other minor investments in foreign financial institutions and other companies, of which there are 26 in 16 countries, are as always shown in a chart (see pages 86 to 88) listing all of Commerzbank's domestic and foreign investment holdings. The policies pursued in our international operations were outlined in a special chapter of our 1974 Annual Report entitled "Commerzbank: world-wide activity".

### Chronology, 1953 to 1970

1953:

Opening of representative office, Rio de Janeiro

Opening of representative office, Madrid\*)

1955:

Opening of representative office, Amsterdam\*)

1957:

Opening of representative office, Beirut\*)

1958:

Opening of representative office, Johannesburg\*) (also agency, Windhoek)

Opening of representative office, Buenos Aires

1961:

Opening of representative office, Tokyo\*)

1962:

Stock exchange listing, London\*)

1967:

Opening of representative office, New York (maintained until 1971)

Founding partner in International Commercial Bank Ltd., London\*); Commerzbank now holds 12 per cent in this Euromarket consortium bank.

1968:

Stake acquired in Rifbank S.A.L., Beirut\*);

Commerzbank now holds almost 32 per cent in this commercial bank.

Stake acquired in UNIBANCO—Banco de Investimento do Brasil S.A. (B.I.B.), Rio de Janeiro; Commerzbank now holds 5 per cent in this investment bank.

1969:

Opening of representative office, São Paulo

Establishment of subsidiary, Commerzbank International S.A., Luxembourg

Founding partner in The Commercial Bank of Dubai Ltd., Dubai\*); Commerzbank now holds 26 per cent.

1970:

Opening of representative offices, Caracas and Singapore

Stake acquired in EuroPartners Securities Corporation, New York\*); Commerzbank now holds 40 per cent in this investment bank.

### Commerzbank's international position in 1970, its centenary year

When Commerzbank celebrated its foundation centenary on February 26, 1970, it was once again able to count on a broadly based international organization. The losses in both physical assets and experience which had been suffered in the course of two world wars and during many years of foreign exchange controls had been made good and new links forged and strengthened. Eleven representative offices and investment holdings in 25 foreign financial institutions all over the world bore visible witness to the ambitious expansion of our activity outside West Germany. Our then newly established Luxembourg subsidiary contributed more than DM 100 m to the Group's overall business volume in 1970, while the London-based International Commercial Bank, of which we had been a founding partner, achieved a balance sheet total equivalent to roughly DM 2.5 bn. Commerzbank's foreign assets exceeded DM 2 bn at the time, and its intensive involvement in West German exports of capital goods resulted in guarantees worth DM 1.6 bn. The Bank had also become very active again in the international bond issue business: in the five years prior to its centenary it had participated in no less than 126 D-mark and 301 foreign currency bond issues, in many cases acting as manager or co-manager. In addition, international consortium lending began to gain importance as a new field of business.

Chronology, 1970 to 19781970/71:

Cooperation agreements signed with Crédit Lyonnais and Banco di Roma, thus creating Europartners group.

1971:

Opening of branch, New York\*)

Opening of representative offices, Mexico City and Sydney\*)

Stake acquired in Crédit Chimique S.A., Paris\*); Commerzbank since holds 10 per cent in this commercial bank.

Stake acquired in Australian United Corporation, Melbourne\*); Commerzbank now holds 6 per cent in this merchant bank (new name: AUC Holdings Ltd.).

Stock exchange listing, Paris\*)

1972:

Stock exchange listing, Vienna\*)

1973:

Opening of branch, London\*)

Opening of representative office, Lima

Founding partner in Europartners Bank (Nederland) N.V., Amsterdam\*); Commerzbank since holds 60 per cent.

Founding partner in U.B.A.E. Union de Banques Arabes et Européennes S.A., Luxembourg/Frankfurt (member of U.B.A.F. group of banks); Commerzbank since holds 14 per cent.

Stock exchange listings, Brussels\*) and Antwerp\*); Basel\*), Bern\*), Geneva\*), Lausanne\*), and Zurich\*)

Banco Hispano Americano joins Europartners group as fourth member.

Founding partner in Mithai Europartners Finance and Investment Ltd., Bangkok\*); Commerzbank since holds 10 per cent in this finance company.

Founding partner in P.T. Finconesia Financial Corporation of Indonesia, Jakarta\*); Commerzbank now holds 9 per cent.

1974:

Opening of branch, Chicago\*)

Stock exchange listings, Amsterdam\*) and Luxembourg\*)

Opening of representative offices, Copenhagen\*) and Tehran

1975:

Opening of representative office, Cairo

1976:

Opening of branch, Paris\*)

Opening of branch, Rotterdam\*), by Europartners Bank (Nederland) N.V.

Opening of representative offices, Moscow and Bahrain\*)

Founding partner in Nippon European Bank S.A., Brussels; Commerzbank since holds 10 per cent in this joint Euro-Japanese merchant bank.

Founding partner in The Saudi Investment Banking Corporation, Riyadh\*); Commerzbank since holds 5 per cent.

1977:

Opening of branches, Brussels\*) and Tokyo

Opening of representative office, Jakarta\*)

1978:

Opening of branch, Antwerp\*)

\*) first German bank to do so there.

off to a good start. The successful activities of EuroPartners Securities Corporation, New York, have been referred to on page 47.

Europartners:continued demand for TransCredit loans

Cooperation between the Europartners banks has so far probably benefited their customers most through the TransCredit loan scheme under which working funds can be obtained in the countries of the member banks. To date the latter have provided such funds to a total equivalent of US \$ 359 m.

The four Europartners banks pursued their policy of exchanging personnel in 1977, the chief purpose of this being to familiarize junior staff

with the banking business in one another's countries. In all, 467 people have so far been seconded to work at the partner banks, generally for a period of several months. Joint seminars are held three times a year to provide managerial staff with advanced courses, the emphasis being on international financing. The Europartners also operated joint stands at nine international trade fairs during the year under review.

Further growthin commercial transactions with abroad

The volume of foreign transactions handled by us on behalf of our customers was again expanded in 1977. The above-average upsurge in both German imports and exports of capital

goods increased the demand for financing made on us, although transactions based on letters of credit declined in favour of ordinary payments not involving documents. Growth in demand for export guarantees, which in previous years had been very rapid, calmed down somewhat during 1977.

The process of international transfers has recently been speeded up by means of the S.W.I.F.T. system. There are now 177 of the Bank's branches with computer terminals directly linked to the Frankfurt head office and through it, via S.W.I.F.T., to leading banks all over the world.

We continue to lay great stress on the efficient servicing of those of our customers attending international trade fairs and on ensuring that they are regularly furnished with such information as they may require.

Total foreign receivables of our domestic branches continued to exceed their foreign liabilities, making for another net credit balance in their overall external position.

#### Forward cover much sought

As before, our clients made great demand on the services offered by our foreign exchange dealers. With currency rates fluctuating at times very sharply, exporters were especially keen to assure themselves forward cover. Thanks to our highly integrated foreign exchange organization, in which all our operational bases abroad play a direct part, we were able to provide such cover, sometimes for long terms, even for less traded currencies. Results of dealing both on behalf of our customers and on our own account were entirely satisfactory.

#### Long-term export financing

German exporters of capital goods were more than ever determined, in the year under review, to avoid their balance sheet positions being worsened by deferred payments and thus, instead of permitting the long grace periods demanded by their foreign clients, to obtain for them buyer credits of concordant maturity. As in previous years, such funds, with the backing of a Federal guarantee, were made available either jointly or singly by AKA Ausfuhrkredit-Gesellschaft mbH, the commercial banks, and the state-owned Reconstruction Loan Corporation. There were increased calls for fixed interest rates for the whole life of a loan.

Commerzbank achieved a noticeable expansion in its share of such business. It was substantially involved in the granting of consortium loans to finance such large undertakings as the construction of conventional or nuclear power stations and also often acted as manager or co-manager in syndicating loans for the financing of other export projects.

However, the year saw a decline in the volume of AKA export credits provided under ceilings A and B. Since such funds had in recent years been used by exporters primarily to finance costs incurred during production, the fall was the result of both abundant liquidity at company level and the availability of sufficient funds from other sources at more favourable interest rates. Even so, we managed to boost our share of this type of AKA export financing, although the volume of business we handled was smaller than in 1976.

The growing industrialization of some developing countries has led them more and more to stipulate that part of the equipment needed for a project contracted to a foreign firm be produced in their own country. This has had the effect of cutting West German exports of both goods and services and in turn has given rise to additional demands for credit from German banks. Hence either the unwillingness or the inability of customers to pay for local supplies with funds raised at home augmented the need to finance such costs by loans obtained from West Germany or on third markets. With an eye to improving the position of the German exporter we have increasingly been prepared not merely to provide the funds required for on account and instalment payments as laid down in the contracts of supply, but also to cover the local costs arising abroad.

Through our foreign branches we gained greater access to such export finance as has been available in the countries where they operate and were thus in a position to also assist foreign firms, including German companies' subsidiaries abroad, in financing their long-term export deals.

Wherever obtaining more specialized forms of long-term export finance proved impractical or impossible for our clients, we have continued to offer them discounting without recourse of their medium and longer-term claims on their foreign customers, thus enabling them to improve their overall balance sheet position.

## Staff and welfare report

Notwithstanding continuing rationalization at all levels, staff are finding their duties constantly extended and at the same time becoming more and more sophisticated, owing to both the growth of domestic and foreign business and to the improvements being made to the Bank's range of services. On the other hand, the scope for further increases in the number of people employed seems rather limited for profitability reasons, all the more so since the fees charged for specific services only partly and to a diminishing degree make up for the respective labour costs.

### Our staff in 1977

Due to such considerations, it had been decided not to take on any more staff during 1977, and we were in fact able to keep the level of employees in our domestic branches and our central departments virtually unchanged. After thus having risen but marginally, the number of persons employed by us within West Germany now totals 18,530 or, in full-time terms, 17,530.

Owing to the sustained above-average expansion in the business of our foreign branches and to the opening of new offices in Brussels and Tokyo, the number of staff in our foreign branches rose by 115 to 304. Other German employees working abroad for the Bank mainly include those at its foreign representative offices, but also those on secondment to affiliated and partner banks.

The people employed by Commerzbank (Parent Bank only) both at home and abroad at end-1977 thus totalled 18,872, or 17,872 on a full-time basis.

The number of staff able in 1977 to commemorate long service was again large, with 190 celebrating 25 years and 18 as much as 40 years in the Bank's service.

In addition to those in active employment, we were at the year-end caring for 3,238 pensioners and widows. The number of employees and pensioners who died during the year was 21 and 101, respectively.

### Training important for staff follow-on

Even more school leavers than before have recently been showing an interest in banking as a career, as is reflected by the high number of applicants of both sexes. Some 30 requests were received for every apprenticeship offered by the Bank in 1977—although it is true that applicants would frequently be turning to more than one bank. There was another increase in the number of those applying after high school graduation. The total number of trainees with the Bank went up from the 1976 figure of 1,413 to 1,452 in the year under review, and once again we followed a policy of taking on more trainees than actually warranted by our requirements.

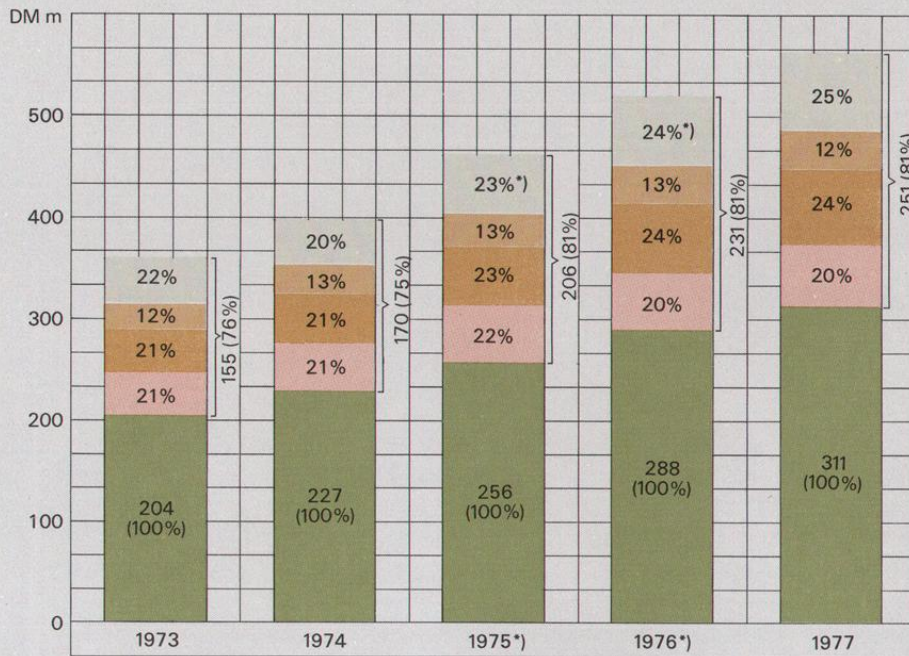
Supplementing their practical "on the job" training, junior staff are given a thorough theoretical grounding in the 30 training centres which have been established with our larger branches. This system has produced a marked improvement in the quality of training provided and borne visible fruit in examination results.

Once their apprenticeships have successfully been completed, the more competent among our younger employees were offered the opportunity of getting further training through internal courses, leading to qualifications in various specialist fields. We have also pursued our policy of taking on, as needed, a number of people fresh from university with degrees in economics or law with a view to preparing them by consistent training to take on positions of some responsibility in due course.

### Varied range of advanced training courses

The year under review again saw us laying great stress on advanced training for established employees. The marked expansion in our retail business has led us in particular further to increase the number of seminars run for those involved in customer counselling. Of the total of 316 seminars attended by 4,785 members of our staff, 134 were devoted to serving the private client without, of course, neglecting other aspects of the Bank's activity. Whether involved in lending, in foreign business, or in securities dealing, each of our employees is given the opportunity of taking part in a systematically planned series of seminars to extend the knowledge he has of his particular field and at the same time to prepare him for more responsible work.

# Statistical data on Commerzbank staff: personnel expenditure and net output



### Expenditure on fringe benefits (collectively agreed wages only)

Costs of both statutory and voluntary fringe benefits rose especially steeply from 1973 onwards.

voluntary fringe benefits such as company pension fund premiums and provisions, share options, Christmas, vacation, luncheon allowances

collectively agreed fringe benefits such as a 13th monthly salary p.a., savings promotion contributions, family allowances

statutory fringe benefits such as public pension fund, unemployment, health insurance premiums

paid-for leave periods such as vacations, sicknesses

wages and salaries (on the basis of actual working hours, i. e. excl. leave periods)

\*) excl. special provisions for pension funds

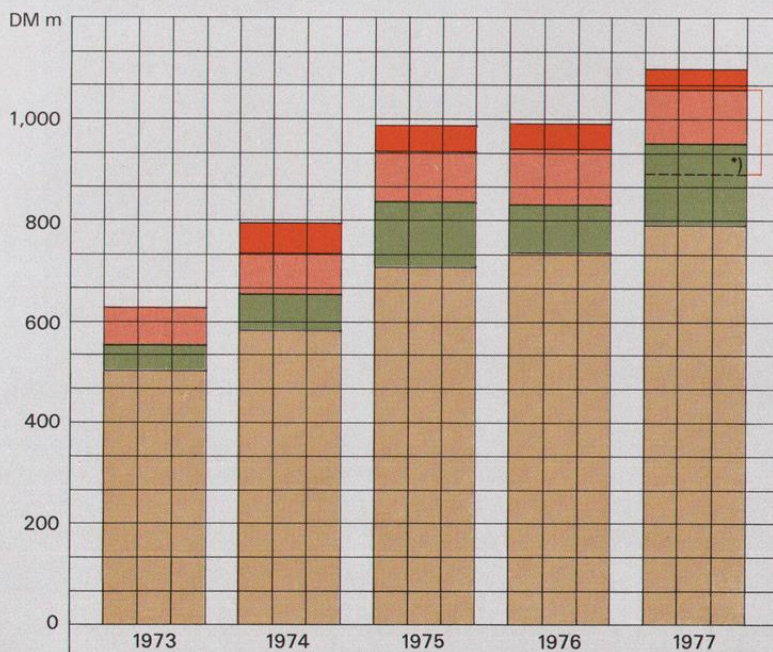


### Years of service with Commerzbank

Since more than 60% of Commerzbank's staff have been working with it for over 5 years, a great number of skilled experts are at the service of the Bank's customers.

female employees

male employees



### Breakdown of the Bank's net product

Commerzbank's share in West Germany's 1977 national income – or the Bank's net product – amounted to a good DM 1 bn. Nearly 72% of this – in the form of wages and salaries, social security contributions, and pension payments – was for the benefit of its employees and pensioners.

appropriations to reserves

payments to shareholders

taxes and other payments to government bodies

payments to employees

\*) dividend tax credit

The theoretical basis thus provided is supplemented by special courses concerning the psychological aspects of advising customers, such as salesmanship, methods of conducting a discussion, ways of putting over a point effectively, but also speaking in public or lecturing, for all of which the extensive technical facilities of our advanced training centre at Glashütten in the Taunus hills are called into service.

Moreover, the Bank in the course of the year under review again organized seminars on a wide range of subjects for its middle and senior management staff.

Mention should be made of the fact that our Glashütten training centre, although having been in operation for only quite two years, was in 1977 able to welcome its five-thousandth student.

#### Training costs

Commerzbank's spending on the basic and further training of staff totalled DM 36 m in 1977, DM 22 m of this being entirely devoted to basic training courses. In all this was quite 20 per cent more than in the previous year.

#### Personnel expenditure totalled DM 789 m

The Bank's overall pay-roll bill in the year under review rose to DM 789.3 m. Apart from the 6.5 per cent rise in scaled salaries agreed to from March 1977 onwards and from a similar increase in April for those staff whose remuneration is not collectively negotiated, factors contributing to the higher figure were the slight expansion of our total workforce and the further growth in expenditure on fringe benefits. In addition to the larger pension fund and health insurance premiums payable due to changed statutory regulations, we also improved our voluntary fringe benefits in 1977.

Another event deserving of mention is what has by now become our traditional staff share option scheme: employees and pensioners were once again offered two Commerzbank shares at a preferential price of DM 115 each, and some 43 per cent of those eligible took advantage of the offer.

#### Staff opt for direct Supervisory Board elections

Following the Annual General Meeting to be held on May 12, 1978, Commerzbank's Supervisory Board will for the first time be composed in compliance with the new German Codetermination Act, meaning that it will be made up

of 20 instead of 21 members. Half of them will be employee representatives, with the spokesmen for the general and office staff for the first time to be joined by one for senior and managerial staff. One important event marking the preliminary implementation of the new law was the decision by the employees of the Commerzbank Group in favour of direct election to the Supervisory Board. The vote was taken on November 14, 1977, and with a turnout of nearly 74 per cent almost 93 per cent of those voting preferred to choose their representatives directly rather than through a system of electors. The actual voting of staff representatives to the Supervisory Board took place on February 21, 1978.

#### Cooperation with staff councils

The year under review once more saw gratifyingly open and objective collaboration between management and the central staff council and with the local staff councils at branch level. The question of definition of senior and managerial staff for the purposes of Supervisory Board representation was, in particular, resolved in a spirit of good cooperation. Thorough-going discussions continued to be held on matters connected with financial welfare, economic questions, and with personnel in general.

#### Expression of thanks

Once again last year we were forced to make considerable demands on our staff and should like to give our thanks to all those whose willing commitment contributed substantially to the Bank's fine performance.





# Parent Bank's Annual Report for the Year 1977

## Notes on the Parent Bank's annual accounts

During the financial year 1977, the Bank's total assets increased by DM 8,806.2 m to DM 50,896.3 m, a rise which reflects a growth

rate of 20.9 per cent. The relevant changes in the financial position are set out below:

Assets		Liabilities	
in DM m		in DM m	
Cash on hand, cheques, and collection items	+ 492.6	Due to banks	+ 3,813.8
Bills of exchange	- 227.1	a) demand	(+ 136.5)
Due from banks	+4,412.0	b) time	(+3,677.3)
Treasury bills	- 345.4	Customers' deposits	+4,306.3
Bonds and other securities	+ 479.3	a) demand	(+ 923.3)
Loans and advances to customers	+3,837.5	b) time	(+3,161.6)
Investments	+ 49.6	c) savings deposits	(+ 221.4)
Bank premises and other real estate, furniture and equipment	+ 58.8	Bonds issued	+ 316.0
Sundries (including loans per contra)	+ 48.9	Accrued liabilities	+ 58.3
		Capital and reserves	+ 297.2
		Profit retained (before dividend)	+ 0.1
		Sundries (including loans per contra)	+ 14.5
	+8,806.2		+8,806.2

## 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 2,759.0 m, representing 5.8 per cent of the sum total of deposits by and borrowings from banks and other creditors and indebtedness under bonds and acceptances outstanding in the aggregate amount of DM 47,772.4 m. The Bank's liquid assets—cash reserves, cheques, maturing bonds, interest and dividend coupons, collection items, bills re-discountable at the Deutsche Bundesbank, balances due from banks at 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 14,373.4 m and covered 30.1 per cent (1976: 29.2 per cent) of the deposits, borrowings, and other indebtedness specified above.

### Due from banks

The total of DM 16,659.4 m for balances due from banks exceeds the figure for the preceding year by DM 4,412.0 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:

Balances due from banks		
in DM m	1977	1976
Interbank and clearing balances	14,200.1	9,890.1
of which: demand	(2,342.7)	(1,249.6)
time	(11,857.4)	(8,640.5)
Loans	2,459.3	2,357.3
including: long-term	(1,442.9)	(1,212.6)
Total	16,659.4	12,247.4

Securities portfolio

The Bank increased its portfolio of bonds by 26.5 per cent to DM 1,605.5 m, 67.0 per cent of this total being securities eligible as collateral for advances from the Deutsche Bundesbank.

The item "securities not included elsewhere" comprises the Bank's holdings of marketable equities, investment fund shares, and other

debt instruments. The portfolio of these securities was augmented by DM 142.7 m and is shown at DM 763.0 m.

At December 31, 1977, the Bank held more than 25 per cent 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
<u>Holdings of more than 25%</u>	
Karstadt Aktiengesellschaft, Essen	360.0
Kaufhof Aktiengesellschaft, Cologne	300.0
Brauerei Isenbeck AG, Hamm	6.0
Commerzbank Aktiengesellschaft von 1870, Hamburg	(RM* 100.0)
Hannoversche Papierfabriken Alfeld-Gronau vormals Gebr. Woge, Alfeld (Leine)	40.0
Hochtief Aktiengesellschaft für Hoch- und Tiefbauten vorm. Gebr. Helfmann, Essen	70.0
Kempinski Hotelbetriebs-Aktiengesellschaft, Berlin	13.8
<u>Holding of more than 50%</u>	
H. Maihak Aktiengesellschaft, Hamburg	5.0

\* Reichsmark

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

Lending

The volume of balances due from banks and non-bank customers (excluding loans per contra and guarantees) was expanded over the year by DM 3,447.2 m, or 13.5 per cent.

The loan portfolio is made up as follows:

Total lending	1977	1976
<u>Loans to</u>		
a) credit institutions	DM 2,459.3 m = 8.5%	DM 2,357.3 m = 9.2%
b) customers	DM 22,520.0 m = 77.5%	DM 18,682.5 m = 73.0%
Book and acceptance credits	DM 24,979.3 m = 86.0%	DM 21,039.8 m = 82.2%
Discounts	DM 4,052.0 m = 14.0%	DM 4,544.3 m = 17.8%
Total	DM 29,031.3 m = 100.0%	DM 25,584.1 m = 100.0%

Adequate provision was made for all identifiable risks attaching to individual loans. In addition, the required global allowance for possible loan losses was made at the extent permitted by tax regulations.

The combined volume of advances and acceptance credits outstanding at the end of 1977 comprised short and medium-term loans amounting to DM 12,648.0 m and long-term loans totalling DM 12,331.3 m. Accordingly, loans and advances at short and medium term rose DM 1,031.8 m, or 8.9 per cent, above the

corresponding figure as at December 31, 1976, whereas those at long term exceeded the volume outstanding at the end of the preceding year by DM 2,907.7 m, or 30.9 per cent.

Short and medium-term loans and advances consisted of credits to non-bank customers worth DM 11,631.6 m (up DM 1,160.1 m) and of balances due from banks at DM 1,016.4 m (down DM 128.3 m). The portfolio of long-term loans comprised DM 10,888.4 m advanced to customers other than banks (up DM 2,677.4 m) and DM 1,442.9 m to banks (up DM 230.3 m).

Funds extended at long term were, inter alia, financed by bonds with maturities of more than four years in the amount of DM 1,406.9 m

and by long-term borrowings, mainly from banks—among them Kreditanstalt für Wiederaufbau (Reconstruction Loan Corporation)—and from public authorities, totalling DM 5,716.8 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 1977 exceeded the preceding year-end figure by DM 3,939.5 m or 18.7 per cent, discounts declined by DM 492.3 m, or 10.8 per cent, to DM 4,052.0 m, including rediscounted bills of DM 239.3 m, or 5.9 per cent.

The Bank's loans and advances to some 449,000 borrowers break down as follows:

Size of loans	1977	1976
382,419 loans of up to DM 20,000	85.2%	86.6%
46,407 loans of more than DM 20,000, up to DM 100,000	10.3%	9.2%
	95.5%	95.8%
16,969 loans of more than DM 100,000, up to DM 1,000,000	3.8%	3.5%
2,966 loans of more than DM 1,000,000	0.7%	0.7%
	100.0%	100.0%

#### Equalization and recovery claims on public authorities

Equalization and recovery claims on public authorities—which originate from the post-war German monetary reform—were reduced by regular and extraordinary redemption payments totalling DM 5.0 m to DM 74.8 m.

#### Investments

In the year under review, the Bank increased its investments by DM 49.6 m. The change reflects acquisitions of new holdings, share capital increases, payments on account of subscriptions, and the build-up of existing holdings amounting to DM 61.8 m. Allowing for disposals of DM 0.4 m and write-downs of DM 11.8 m, investments are shown at a book value of DM 972.4 m, DM 258.8 m of which is accounted for by interests in foreign companies.

A noteworthy addition to the Bank's investments is the purchase of a holding in

Lübecker Hypothekenbank Aktiengesellschaft, Lübeck.

At the turn of 1977/78, the Bank acquired 25 per cent of the share capital of this mortgage bank.

One capital increase worthy of mention is the DM 7.5 m issue of new shares by the Bank's subsidiary Berliner Commerzbank Aktiengesellschaft subscribed to by the Parent Bank at a price of DM 15.0 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 1977. Income from investments, including income transferred under profit and loss pooling agreements, was DM 53.6 m, as against DM 48.5 m in the preceding year.

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

Bank premises and other real estate

Bank premises and other real estate are shown at DM 593.1 m, exceeding the comparable figure for the preceding year by DM 48.7 m. This increase represents the balance of additions of DM 63.0 m, disposals of DM 0.3 m, and depreciation of DM 14.0 m, the amount allowed under tax regulations.

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

Furniture and equipment

The net book value of furniture and equipment rose to DM 153.6 m. This was the result of additions of DM 54.6 m, disposals of DM 1.2 m and normal depreciation of DM 153.6 m. The cost of minor-value items acquired during the year at DM 7.1 m was written off in full.

Other assets

"Other assets" as shown in the balance sheet include bullion, coins, and medals, as well as sundry debtors unconnected to the banking business.

**Liabilities and shareholders' equity**Deposits

During the year, the total of funds due to banks and customers' deposits increased by 21.3 per cent to DM 46,320.7 m. Of the total advance of DM 8,120.1 m, balances due to banks accounted for DM 3,813.8 m and customers' deposits for DM 4,306.3 m.

A breakdown of total liabilities is given in the table below.

Balances due to banks at agreed terms, or at agreed periods of notice, of four years or more include two mortgage-secured loans from a mortgage bank totalling DM 0.6 m. These were acquired by the Bank upon purchase of the property concerned.

Bonds

The volume of outstanding bonds issued by the Bank went by a total of DM 316.0 m to DM 1,406.9 m.

Certificates of deposit issued by the Bank's foreign branch offices for final maturities of up to four years, which were included as an amount of DM 505.3 m under this heading in the balance sheet as at December 31, 1976, and as similar amounts in the interim reports published during 1977, have, at the instruction of the German Federal Banking Control Office, been reclassified and are now shown under balances due to banks and customers' deposits. The Bank's 5½ per cent convertible bonds issued in

Deposits	1977		1976	
Bank deposits				
a) demand	DM 2,595.0 m =	5.6%	DM 2,458.5 m =	6.4%
b) time	DM 12,740.8 m =	27.5%	DM 9,004.8 m =	23.6%
Liabilities for customers' drawings on other banks	DM 9.1 m =	.	DM 67.8 m =	0.2%
Sub-total	DM 15,344.9 m =	33.1%	DM 11,531.1 m =	30.2%
Customers' deposits				
a) demand	DM 6,996.4 m =	15.1%	DM 6,073.1 m =	15.9%
b) time	DM 15,488.2 m =	33.5%	DM 12,326.6 m =	32.3%
c) savings deposits	DM 8,491.2 m =	18.3%	DM 8,269.8 m =	21.6%
Sub-total	DM 30,975.8 m =	66.9%	DM 26,669.5 m =	69.8%
Total deposits	DM 46,320.7 m =	100.0%	DM 38,200.6 m =	100.0%

1972 with a life of more than four years are, as in the preceding year, shown at the amount of DM 62.0 m still outstanding. The Bank is authorized to increase its share capital by up to DM 15.5 m for the purpose of issuing shares to holders of these bonds wishing to exercise their conversion rights.

Also included here are bearer bonds worth DM 928.6 m, which serve to fund long-term loans, and a total of DM 416.3 m of savings bonds with annually increasing interest rates.

#### Acceptances and promissory notes outstanding

Bills accepted by the Bank to accommodate its customers and outstanding at the balance-sheet date amounted to DM 44.8 m.

#### Accrued liabilities

The actuarially computed liability for pensions increased by DM 35.8 m from DM 360.9 m at end-1976 to DM 396.7 m at December 31, 1977. Since end-1975, these liabilities have been determined by what is mostly referred to as the "normal entry-age method".

The accrued liabilities for other expenses, shown at DM 284.8 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.

#### Reserves subject to future taxation

These reserves, shown at DM 11.7 m (December 31, 1976: DM 23.3 m), represent deferred credits resulting from a reduction in the global allowance for possible loan losses required by a 1974 amendment to the relevant tax regulations. The amortization of this item during the year by DM 11.6 m represents the minimum amount to be returned to income by law.

#### Share capital and reserves

The Annual General Meeting of May 10, 1977, authorized the Bank's management to increase the share capital by another DM 100 m.

Following approval by the Supervisory Board, the Bank availed itself of this authority in December 1977 and raised the share capital by DM 82.4 m through the issue of new shares at a price of DM 150 per DM 50 nominal share (i. e. at 300 per cent of par). The premium of DM 100 per share, which altogether amounted to DM 164.8 m, was allocated to the statutory reserve. The shares were offered not only to Commerzbank's existing shareowners but also to the holders of its convertible bonds. The remaining balance of the Bank's unissued authorized capital is DM 94.3 m.

Other reserves were increased by DM 50 m, appropriated from the profit for the year.

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

<u>Capital and reserves</u>		
in DM m	1977	1976
Share capital	726.000	643.600
<u>Reserves</u>		
a) statutory reserve	793.202	628.402
b) other reserves	559.000	509.000
Total liable funds	2,078.202	1,781.002

#### Footnotes to the balance sheet and other information

Endorsement liabilities from rediscounted bills of exchange were DM 239.3 m, against DM 504.5 m as at December 31, 1976.

Commitments under guarantees, including guarantees for bills and cheques, and under indemnity agreements totalled DM 7,255.4 m, falling short of the commitments outstanding at the end of the preceding year by 7.5 per cent.

Commitments for uncalled payments on shares in joint-stock (AG) and private limited liability (GmbH) companies, issued but not fully paid, amounted to DM 4.6 m and similar liabilities for shares in cooperatives totalled DM 0.5 m. In addition, the Bank may, under Article 24 of the German Private Limited Liability Companies Act (GmbHG), be held responsible for possible defaults on such calls by other shareholders.

In respect of its holding in Liquiditäts-Konsortialbank GmbH, the "lifeboat" institution of the German banking industry formed in 1974, the Bank is responsible for the payment of assessments up to an amount of DM 27.375 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 197.625 m.

Pursuant to Article 5, paragraph 10, of the by-laws 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 113.3 m.

## Profit and loss account

*Interest and similar revenues from lending and from money-market transactions* totalled DM 2,516.2 m, as against DM 2,265.7 m in 1976, an increase of DM 250.2 m, or 11.1 per cent.

*Revenues from fixed-interest securities, Government-inscribed debt, other securities, and investments* rose by DM 8.9 m, or 5.3 per cent, on the corresponding figure for 1976 to DM 175.8 m. The item includes tax-exempt interest and dividends from certain tax-privileged foreign investments amounting to DM 21.2 m as compared to DM 19.3 m in 1976. Also included are dividends from German investments, which enjoy inter-company privileged status for property and trade tax purposes, totalling DM 66.0 m, as against DM 66.5 m in the preceding year.

The net interest balance obtained by deducting DM 1,668.2 m *interest and similar expenditure* from the DM 2,692.1 m of total interest earned is DM 1,023.9 m—DM 71.4 m, or 7.5 per cent, more than in 1976. When this percentage is compared with the growth of 13.9 per cent in the average business volume over 1976, it becomes clear that the interest margin has been tending to decline—a trend which has been accentuated by the continued expansion of the operations of the Bank's foreign branches.

*Commissions earned and other revenues from services rendered* rose by 3.5 per cent to DM 284.5 m. With *commissions paid and similar expenditure on services received* amounting to DM 11.5 m, net income from commissions was DM 273.0 m, and thus DM 8.8 m, or 3.3 per cent, more than in the preceding year. This increase, which cannot be considered really satisfactory, was generated more or less equally by the various service sectors.

*Other revenues, including downward adjustment of allowances for possible loan losses,* are shown at DM 140.1 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 the downward adjustment of allowances for loan losses no longer required, and bad debts subsequently recovered.

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

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

Personnel expenditure		
in DM m	1977	1976
<i>Wages and salaries</i>	623.7	580.2
<i>Statutory social security contributions</i>	84.8	76.7
<i>Expenditure on retirement pensions and other employee benefits</i>	80.8	74.4
<b>Total</b>	<b>789.3</b>	<b>731.3</b>

The actual rise was thus DM 58.0 m, or 7.9 per cent. However, if non-recurring items are eliminated from the 1976 accounts, the increase in personnel costs is as much as 9.2 per cent.

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 and the continued price climb, the Bank succeeded in limiting its *general operating expenses* to DM 258.6 m, as against DM 241.0 m in the preceding year. The rise of DM 17.6 m is equivalent to 7.3 per cent.

*Depreciation and other write-downs of bank premises and other real estate and of furniture and equipment* was charged at DM 57.1 m, the amount permitted for tax purposes. *Write-downs of investments* of DM 11.8 m reflect not only adjustments to the book values of foreign investments but also a write-down of the value of Commerzbank's interest in a German holding company.

*Taxes* totalled DM 163.8 m, against DM 95.8 m in the previous year. Owing to the fundamental changes in the German corporation tax regulations which applied for the first time to 1977 earnings, taxes paid on income and assets are not comparable with the amount reported for the preceding year. Total tax expenditure includes DM 12.0 m (1976: DM 10.5 m) for taxes other than those on income and assets.

*Other expenditure* at DM 17.1 m is DM 7.2 m less than the corresponding 1976 figure because the premium payable to the German bank's Deposit Insurance Fund was reduced to 0.3 per cent (1976: 0.6 per cent) of customers' deposits. Commerzbank's contribution was DM 8.0 m, as compared with DM 15.1 m in the year before.

The remuneration payable during the year under review to the Bank's Managing Directors amounted to DM 7,018,075.89; retired Managing Directors or their surviving depend-

ants received DM 3,462,267.51. Payments to members of the Supervisory Board totalled DM 991,221.00 and those to members of the Central Advisory Board DM 396,717.00. Members of the Regional Advisory Councils were paid DM 1,262,886.69.

#### Purchases and sales of the Bank's own shares

In 1977 the Bank purchased altogether 19,660 of its own shares, and its subsidiaries and associated companies acquired a total of 1,299 Commerzbank shares, at an average price of DM 195.50 per share, for resale to employees of the Bank, its subsidiaries, and associated companies at a price of DM 115.00.

The securities transactions coming under Article 71, paragraph 1, number 1, of the German Companies 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 753,567 Commerzbank shares (bearer shares at DM 50.00) at a total nominal value of DM 37,678,350.00

and by companies controlled or majority-owned by the Bank

of 13,147 Commerzbank shares at a total nominal value of DM 657,350.00.

The weighted average buying price of these shares was DM 198.38, while the similarly computed average resale price was DM 199.12.

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

195,852 Commerzbank shares at a total nominal value of DM 9,792,600.00,

and 10,199 Commerzbank shares at a total nominal value of DM 505,950.00, 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 profit retained of

DM 109,412,000.00.

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

After grossing up by the corporation tax credit of a maximum amount of DM 4.78 available under the new imputation system, the dividend payable to shareholders resident in West Germany for tax purposes will total up to DM 13.28 per DM 50 nominal share. This represents a yield of 25.56 per cent as against 18 per cent in 1976.

The new shares issued in December 1977 to effect a DM 82,400,000.00 increase of the Bank's capital stock rank for dividend as from January 1, 1978.

Düsseldorf, February 28, 1978

THE BOARD  
OF MANAGING DIRECTORS

*Handwritten signatures of the Board of Managing Directors:*

<i>[Signature]</i>	<i>[Signature]</i>	<i>[Signature]</i>
<i>[Signature]</i>	<i>[Signature]</i>	<i>[Signature]</i>
<i>[Signature]</i>	<i>[Signature]</i>	<i>[Signature]</i>
<i>[Signature]</i>	<i>[Signature]</i>	<i>[Signature]</i>



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# Report of the Supervisory Board

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During the year under review, the Supervisory Board discharged the duties incumbent upon it under the law and the Bank's By-laws and maintained continual supervision of the conduct of the Bank's affairs. It had the Board of Managing Directors report at regular intervals on the progress of business and discussed with it all matters and transactions of particular importance. This applied especially to the Bank's lending and its policy with regard to international business.

The Standing Committee of the Supervisory Board periodically checked such lending commitments as involved substantial sums or a greater than normal risk, while its Social Committee dealt with important staff matters.

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

Professor Dr. Otto Bayer, who had been a Member of the Supervisory Board since 1964 and given the Bank the benefit of his wide knowledge and experience, decided on grounds of age not to stand for re-election. At the Annual General Meeting of May 10, 1977, Professor Dr.-Ing. Kurt Hansen, Honorary Senator, was chosen to fill the vacancy thus created.

The Parent Bank's Annual Report and Accounts, together with the books of account for the period from January 1 to December 31, 1977, were examined by the Auditors, Treuarbeit Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Düsseldorf, and certified without qualification. The Supervisory Board has signified its agreement with the result of the audit. Having itself examined the Annual Accounts, the Report, and the proposal of the Board of Managing Directors with regard to the appropriation of the profit retained before dividend, 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 Auditors and the latter's certificate without qualification, were also submitted to the Supervisory Board for its approval.

Düsseldorf, March 29, 1978

THE SUPERVISORY BOARD



Chairman

# Business Progress 1952/1977

	Total assets	Total lending	Capital and reserves	Savings deposits and savings bonds	Dividends	Total amount of dividends paid	Appropriation to reserves from profit	Taxes paid	Staff <sup>1)</sup>	Branches
	DM bn	DM bn	DM m	DM m	per cent	DM m	DM m	DM m		
1-1-1952	1.6	1.3	55	75	–	–	–	–	4,812	108
31-12-1952	1.9	1.6	73	115	6	3.1	17.6	12.5	5,297	109
31-12-1953	2.5	2.1	89	178	8.5	4.9	4.0	22.7	5,935	114
31-12-1954	3.2	2.5	101	324	9	5.8	6.2	20.7	6,651	139
31-12-1955	3.7	3.0	152	387	10	8.1	15.7	32.9	7,160	149
31-12-1956	4.4	3.2	179	382	12	12.6	17.0	33.7	7,401	155
31-12-1957	5.3	3.4	226	458	12	15.9	17.0	39.0	7,537	168
31-12-1958	5.6	3.5	253	587	14	21.0	17.0	35.1	7,690	185
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 <sup>2)</sup>	55.3	12,760	550
31-12-1968	15.4	9.7	660	3,565	17	46.8	30.0 <sup>3)</sup>	59.8	13,409	636
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
<b>31-12-1977</b>	<b>50.9</b>	<b>29.0</b>	<b>2,078</b>	<b>10,137</b>	<b>17*)</b>	<b>109.4</b>	<b>50.0</b>	<b>163.8</b>	<b>17,872</b>	<b>794</b>

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

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

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

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

# Parent Bank's Annual Accounts as at December 31, 1977

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Balance Sheet pages 66/67

Profit and Loss Account pages 68/69

# Balance Sheet as at December 31, 1977

Assets	DM	DM	DM	Dec 31, 1976 DM 1,000
<b>Cash on hand</b>			142,319,031.40	141,529
<b>Balance with Deutsche Bundesbank</b>			2,588,603,916.78	2,209,407
<b>Balances on postal cheque accounts</b>			28,143,695.25	21,747
<b>Cheques, maturing bonds, interest and dividend coupons, and collection items</b>			265,288,538.75	159,141
<b>Bills of exchange</b>			3,812,690,395.29	4,039,767
including: a) rediscountable at Deutsche Bundesbank	3,094,793,733.19			
b) own drawings	122,377.17			
<b>Due from banks</b>				
a) on demand		2,676,173,863.48		1,571,276
b) at agreed periods, or at agreed periods of notice, of				
ba) less than three months		3,988,654,418.47		1,911,480
bb) no less than three months, but less than four years		7,611,763,294.40		6,833,268
bc) four years or more		2,382,772,910.32		1,931,371
			16,659,364,486.67	12,247,395
<b>Treasury bills and discountable Treasury notes</b>				
a) of Federal and state governments		469,593,000.00		858,750
b) of other issuers		43,770,000.00		—
			513,363,000.00	858,750
<b>Bonds</b>				
a) with maturities of up to four years				
aa) of Federal and state governments	232,322,342.08			
ab) of banks	79,986,320.46			
ac) of other issuers	—	312,308,662.54		237,248
including: eligible as collateral for Deutsche Bundesbank advances DM 241,280,634.31				
b) with maturities of more than four years				
ba) of Federal and state governments	277,608,359.88			
bb) of banks	729,746,621.37			
bc) of other issuers	285,858,767.00	1,293,213,748.25		1,031,630
			1,605,522,410.79	1,268,878
including: eligible as collateral for Deutsche Bundesbank advances DM 834,810,476.25				
<b>Securities not included elsewhere</b>				
a) marketable equities and investment fund shares		748,661,033.43		610,622
b) other securities		14,318,933.94		9,698
			762,979,967.37	620,320
including: holdings of more than one-tenth of the share capital of incorporated (including mining) companies, unless shown as "investments"	DM 620,005,493.42			
<b>Loans and advances to customers, at agreed periods, or at agreed periods of notice, of</b>				
a) less than four years		11,631,643,527.16		10,471,531
b) four years or more		10,888,363,516.49		8,211,013
			22,520,007,043.65	18,682,544
including: ba) secured by real-estate mortgages	1,744,616,878.70			
bb) municipal loans	2,120,604,332.84			
<b>Equalization and recovery claims on public authorities (from 1948 German monetary reform)</b>			74,822,569.96	79,798
<b>Loans per contra (fiduciary accounts only)</b>			83,904,337.39	79,812
<b>Investments</b>			972,422,000.00	922,782
including: in banks	622,078,000.00			
<b>Bank premises and other real estate</b>			593,130,000.00	544,362
<b>Furniture and equipment</b>			153,596,000.00	143,545
<b>Other assets</b>			31,906,801.29	29,597
<b>Prepaid expenses and deferred charges</b>				
a) unamortized debt discount (difference pursuant to Article 156, paragraph 3, of the German Companies Act-AktG)		85,852,839.67		40,133
b) other prepaid expenses and deferred charges		2,381,556.96		625
			88,234,396.63	40,758
			<b>Total Assets</b>	<b>50,896,298,591.22</b>
				<b>42,090,132</b>
<b>The above assets and the recourse claims for contingent liabilities and commitments shown on the liabilities side include</b>				
a) balances due from subsidiaries and associated companies			1,045,231,349.76	1,530,121
b) loans and advances to insiders falling under Article 15, paragraph 1, items 1 to 6, and paragraph 2, of the German Banking Act, unless included under (a) above			184,279,471.97	156,939



# Profit and Loss Account for the Year ended December 31, 1977

Expenditure	DM	DM	1976 DM 1,000
Interest and similar expenditure		1,668,229,078.20	1,480,108
Commissions and similar expenditure on services received		11,452,779.96	10,710
Salaries and wages		623,738,370.75	580,238
Statutory social security contributions		84,750,984.52	76,689
Pensions and other employee benefits		80,839,927.47	74,384
General operating expenses		258,642,740.31	240,999
Depreciation and other write-downs of bank premises and other real estate, furniture and equipment		57,135,555.85	57,930
Write-downs of and allowances for losses on investments		11,839,033.36	9,042
<b>Taxes</b>			
a) on income and assets	151,795,724.45		85,286
b) other	11,972,183.53		10,465
		163,767,907.98	95,751
Losses assumed under profit and loss pooling agreements		—	766
Other expenditure		17,130,428.32	24,320
<b>Profit for the year</b>		159,412,000.00	159,251
	<b>Total Expenditure</b>	3,136,938,806.72	2,810,188

	DM	DM	1976 DM 1,000
<b>Profit for the year</b>		159,412,000.00	159,251
<b>Appropriation to reserves</b>			
a) statutory reserve	—		—
b) other reserves	50,000,000.00		50,000
		50,000,000.00	50,000
<b>Profit retained (before dividend)</b>		109,412,000.00	109,251



Particulars	1977	1976
Assets		
Fixed Assets		
Land and Buildings		
Plant and Machinery		
Investments		
Current Assets		
Stocks		
Debtors		
Prepaid Expenses		
Other Assets		
Liabilities		
Capital		
Reserves		
Provision for Contingencies		
Other Liabilities		
Total		



# Consolidated Annual Report for the Year 1977

## Notes on the consolidated annual accounts

On December 31, 1977, the consolidated total assets of the Commerzbank Group exceeded DM 75 bn, reflecting a growth over the year of 19 per cent. However, the consolidated profit for the year of DM 212 m was slightly (6 per cent) down on the figure for the preceding year. None the less Group earnings did in fact improve, and at DM 450 m profit before taxes on income and assets was well up on the previous year's figure of DM 385 m. The increase of almost 50 per cent in tax expenditure is largely the result of the German Corporation Tax Amendment Act of 1977, and, as had never been the case before, taxes on income and assets exceeded the profit for the year.

Since the first consolidated balance sheet was drawn up as at December 31, 1967, the Group's total assets have increased more than fivefold. During these ten years the Group has firmly established itself on the international markets, setting up its Luxembourg subsidiary, Commerzbank International S.A., to start with and later opening branch offices of Commerzbank Aktiengesellschaft in foreign countries, numbering six today. The absorbing into the Group of one of the leading German mortgage banks, Rheinische Hypothekenbank, has provided new opportunities for long-term business on the domestic market.

Commerzbank Aktiengesellschaft has a direct or indirect involvement with the following subsidiaries and associated companies (Commerzbank's direct or indirect holding in each shown in per cent):

### 1) Companies included in the consolidation

Companies transferring their results to Commerzbank 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 1,000,000	100.00

### Property holding subsidiaries of C.I.L.\*):

Altinum Leasobjekt Gesellschaft mbH, Frankfurt	
Share capital DM 20,000	100.00
C.I.L. Mietkaufgesellschaft mbH, Frankfurt	
Share capital DM 20,000	100.00
Plavis Vermietungs-Gesellschaft mbH, Frankfurt	
Share capital DM 20,000	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	100.00

### Property holding subsidiaries of L.I.A.:

Actium Leasobjekt GmbH, Frankfurt	
Share capital DM 20,000	100.00
Actium Leasobjekt GmbH & Co. Grundstücksverwaltungsgesellschaft Weil KG, Düsseldorf	
Limited liability capital DM 20,000	100.00
Albus Leasobjekt GmbH, Düsseldorf	
Share capital DM 20,000	100.00

\*) Profit and loss transfer agreement effective as of January 1, 1978.

Collis Leasobjekt GmbH, Düsseldorf Share capital DM 20,000	100.00	RHB-Bau- und Verwaltungs- gesellschaft Mannheim mbH, Mannheim Share capital DM 20,000	94.90
Emesia Leasobjekt GmbH, Düsseldorf Share capital DM 20,000	100.00	Rheinische Hypothekenbank, Frankfurt Share capital DM 51,700,000	93.20
Mons Leasobjekt GmbH, Düsseldorf Share capital DM 20,000	100.00		
Rivus Leasobjekt GmbH, Düsseldorf Share capital DM 20,000	100.00	<u>2) Companies not included in the consolidation pursuant to Article 329 of the German Companies Act (AktG)</u>	
Tellus Leasobjekt GmbH, Düsseldorf Share capital DM 20,000	100.00	Foreign companies:	
Norddeutsche Immobilien- und Verwaltungs-GmbH, Hamburg Share capital DM 20,000	100.00	Atlas Participations-France S.A.R.L., Paris Share capital Ffrs 11,000,000	100.00
Companies with whom there were no profit and loss pooling agreements:		Companies of minor significance:	
Aussenhandel-Förderungs- gesellschaft mbH, Düsseldorf Share capital DM 100,000	100.00	Francommerz Vermögens- verwaltungsgesellschaft mbH, Frankfurt Share capital DM 20,000	100.00
Berliner Commerzbank Aktiengesellschaft, Berlin Share capital DM 42,500,000	100.00	<u>3) Associated companies not under the Group's sole managerial control</u>	
Commerzbank Fonds- Verwaltungsgesellschaft mit beschränkter Haftung (Cofa), Düsseldorf Share capital DM 1,000,000	100.00	Commerz-Credit-Bank Aktiengesellschaft Europartner, Saarbrücken Share capital DM 10,000,000	60.00
Commerzbank International S.A., Luxembourg Share capital Lfrs 1,570,000,000	100.00	Europartners Bank (Nederland) N.V., Amsterdam Share capital Dfl 40,000,000	60.00
Hera Beteiligungs- und Verwaltungsgesellschaft mbH, Berlin Share capital DM 1,000,000	100.00	Flender Werft Aktiengesellschaft, Lübeck Share capital DM 25,000,000	68.90
von der Heydt-Kersten & Söhne, Wuppertal-Elberfeld Limited liability capital DM 10,000,000	100.00	H. Maihak Aktiengesellschaft, Hamburg Share capital DM 5,000,000	50.60
Ilseder Bank, Sandow & Co., Peine Limited liability capital DM 2,000,000	100.00	<u>Re 1: Companies included in the consolidation</u>	
C. Portmann, Frankfurt Limited liability capital DM 1,500,000	100.00	The legal and business relations with consoli- dated companies are discussed below in the order of the latter's significance for the Group:	
		Rheinische Hypothekenbank, Frankfurt	
		This mortgage bank operates within Commerz- bank's sphere of interest and the Bank accord- ingly transfers a great deal of its longer-term lending business to this subsidiary. In addition,	

Rheinische Hypothekenbank is able to avail itself of the Parent Bank's bond placing power for the sale of its debt securities. In order to rationalize the bank's operations and facilitate cooperation with the Parent Bank, preparations are being made to transfer most of its administrative departments to Frankfurt.

During the year, the mortgage bank's total assets reached DM 13.3 bn. The annual general meeting of its shareholders will be asked to increase the share capital by a one-for-eight bonus issue, the new shares to rank for dividend *pari passu* with the old ones as from January 1, 1977. The dividend will be reduced from the previous DM 9.00 to DM 8.50 per share for the year under review. However, if the dividend is calculated in terms of the number of shares existing prior to the new issue, it effectively amounts to DM 9.56 per share, as is reflected by the rise in the total amount of dividend paid from DM 9.3 m to DM 9.9 m. Subject to the consent of the AGM, the reserves will be augmented by an appropriation of DM 25 m, as compared with DM 22.5 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.

1977 saw the bank's balance sheet total raised by 15.9 per cent to Lfrs 149 bn, although this could not be paralleled by earnings. The profit for the year, amounting to Lfrs 630 m, was one-fifth down on the previous year's figure, but Commerzbank is nevertheless satisfied with this result. The AGM will be asked to pay an unchanged 18 per cent dividend, and to transfer Lfrs 347 m to reserves, thereby bringing the bank's equity capital to Lfrs 3,817 m which—converted at the official Frankfurt middle rate on the day preceding the balance sheet date since the latter was a Saturday—equals DM 244 m.

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

#### Berliner Commerzbank Aktiengesellschaft, Berlin

In line with current business trends, Commerzbank increased the share capital of its Berlin subsidiary by DM 7.5 m to DM 42.5 m towards the end of the financial year. Allowing for the share issue premium of DM 7.5 m and an allocation to reserves of again DM 4.0 m, the bank's equity capital now stands at DM 101 m. In addition, the favourable earnings position permits payment of an unchanged dividend of 16 per cent, the total amount paid out thus being DM 5.6 m.

Details on this subsidiary's business development during the 1977 financial year are given on pages 80 and 81.

#### The operations of the limited partnerships

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

and

Ilseder Bank, Sandow & Co., Peine,

are fully integrated into the Commerzbank branch network.

In order to strengthen their capital bases, Bankhaus Friedrich W. Thomas, Hamburg, and Ilseder Bank, Sandow & Co. have been amalgamated.

#### The bank of

C. Portmann, Frankfurt,

confines its activities to the administration of its own assets.

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 per cent holding.

Commerz- und Industrie-Leasing GmbH,  
Frankfurt,

a company engaged in the leasing of movable property, was satisfactorily expanded. Three property holding companies formerly controlled by L.I.A. were—in one case after a change of name and conclusion of a profit and loss pooling agreement—as from January 1, 1978, brought under the aegis of Commerz- und Industrie-Leasing GmbH.

The Group's instalment credit business is entrusted to

Bank für Teilzahlungskredit Gesellschaft  
mit beschränkter Haftung, Düsseldorf,

whose earnings in the year under review did not quite come up to expectations.

The two last-mentioned companies specializing in leasing and instalment credit business 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 (Cofond), Düsseldorf.

This is an investment company which, in addition to administering "Cofonds", a publicly offered open-end fund, acts as a management company for 35 individual special-purpose investment funds.

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 Article 329 of the German Companies Act,

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

has, as a foreign company, not been included in the consolidation. The company's share capital, increased during the year by Ffrs 0.5 m to Ffrs 11 m, is jointly held by Commerzbank

Aktiengesellschaft and its subsidiary, Atlas-Vermögensverwaltungs-Gesellschaft m.b.H., Düsseldorf. The company continues to hold a 10 per cent interest in Crédit Chimique S.A., Paris. Owing to the slump of the French franc, the D-mark equivalent of the augmented dividend was slightly below the amount received in the preceding year.

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

Commerz-Credit-Bank Aktiengesellschaft  
Europapartner, Saarbrücken

By agreement with the other partner banks in Madrid and Rome, the business policy of this bank, which is chiefly operating in Saarland, is jointly determined by Crédit Lyonnais and Commerzbank in the spirit of the Europartners' cooperation concept. Commerzbank's working relationship with this bank is close and, together with Crédit Lyonnais, Commerzbank provides the funds necessary for the bank's operations, particularly its extensive lending activities, at prevailing market rates.

The bank can look back on a satisfactory financial year, at the end of which its total assets had reached DM 594 m. The result for the year permits payment of a 10 per cent dividend, down 2 percentage points, at a total amount of DM 1 m. The allocation to reserves of DM 0.9 m—as against DM 0.8 m in the preceding year—was decided upon partly in view of the difficulties being faced by Saarland's industry.

Europartners Bank (Nederland) N.V.,  
Amsterdam

This bank looks after the interests of the Euro-partners member banks in the Netherlands. Commerzbank shares its ownership in this bank with Banco di Roma and Crédit Lyonnais, each of which holds a 20 per cent interest in the share capital. Major policy decisions require agreement with the other shareholders which, together with Commerzbank, stand ready to meet the bank's fund raising requirements mainly from international sources at prevailing market rates.

The bank allowed its balance sheet total to rise during the year by 27 per cent to Dfl 876 m. For the first time, earnings permit the payment of a 6 per cent dividend on the unchanged share capital of Dfl 40 m and an allocation of Dfl 1.5 m to reserves, thus bringing the latter to Dfl 5.5 m.

These two Europartners subsidiary banks have access to Commerzbank's computer system which completely handles their accounting for an appropriate fee.

#### Flender Werft Aktiengesellschaft, Lübeck

The dividend paid in 1977 by this shipbuilding company was again 10 per cent. Shipyard facilities were used to full capacity during the year under review, so that the company may expect a satisfactory result. To ensure at least some work for the current and next financial years, new orders had to be booked at terms which reflected the severe competition. In view of the undoubted surplus capacity of the shipbuilding industry world-wide and the distorting effect which government subsidies have on competition, there is little to justify an optimistic view of the future.

#### H. Maihak Aktiengesellschaft, Hamburg

Although the company reports a 6.6 per cent increase in turnover to DM 33.4 m, the declining order intake means that sufficient work is only available for two more months. The slack demand for capital goods and the higher burden of corporation tax lead Commerzbank to expect the dividend of this company to be reduced.

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

#### Principles of consolidation

Commerzbank's consolidated annual accounts as at December 31, 1977, 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 on the day preceding the balance sheet date since the latter fell on a Saturday. Assets and liabilities throughout the Group have been valued on a uniform basis in accordance with the principles of the German Companies 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 associated 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 revenues and expenditures in the profit and loss account.

Investment income from consolidated companies received in 1977 in respect of 1976 has been included in the profit brought forward.

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

#### Consolidated balance sheet total

At DM 75,281 m, the consolidated balance sheet total was DM 12,006 m, or 19.0 per cent, up on the preceding year's figure, and exceeds the Parent Bank's total assets by DM 24,385 m (1976: DM 21,185 m). The following changes occurred in individual balance sheet items during the year:

Assets		Liabilities	
in DM m		in DM m	
Cash on hand, cheques, and collection items	+ 502	Due to banks	+ 5,188
Bills of exchange	- 229	a) demand	(+ 317)
Due from banks	+ 5,845	b) time	(+ 4,871)
Treasury bills	- 345	Customers' deposits	+ 4,457
Bonds and other securities	+ 516	a) demand	(+ 864)
Loans and advances to customers	+ 5,247	b) time	(+ 3,349)
Investments	+ 32	c) savings deposits	(+ 244)
Bank premises and other real estate, furniture and equipment	+ 66	Bonds issued	+ 1,942
Bonds issued and held by consolidated companies	+ 238	Accrued liabilities	+ 66
Sundries (including loans per contra)	+ 134	Capital and reserves	+ 297
		Consolidation "difference", pursuant to Article 331, paragraph 1, item 3, of the German Companies Act (AktG)	+ 52
		Consolidated profit retained (before dividend)	- 7
		Sundries (including loans per contra)	+ 11
	+ 12,006		+ 12,006

Since Commerzbank Aktiengesellschaft in balance sheet terms outperformed the other companies within the Group, the Parent Bank accounts for 66.1 per cent of the assets entering into the consolidated balance sheet total before elimination of inter-company balances, as compared with 64.9 per cent in the preceding year. A further 33.6 per cent relates to consolidated banks and 0.3 per cent 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 2,973 m, representing 5.7 per cent of the sum total, on a consolidated basis, of deposits by and borrowings from 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 52,442 m. The Group's liquid funds—cash reserves, cheques, maturing bonds, interest and dividend coupons, collection items, bills rediscountable at the Deutsche Bundesbank, balances due from banks at 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 16,801 m or 32.0 per cent (1976: 30.2 per cent) of the above-mentioned funds with a life of up to four years.

Total lending	1977	1976
Loans and advances to		
a) banks	DM 5,077 m = 10.8%	DM 4,658 m = 11.2%
b) customers	DM 37,496 m = 80.0%	DM 32,249 m = 77.3%
Book and acceptance credits	DM 42,573 m = 90.8%	DM 36,907 m = 88.5%
Discounts	DM 4,287 m = 9.2%	DM 4,789 m = 11.5%
Total	DM 46,860 m = 100.0%	DM 41,696 m = 100.0%

Lending

The volume of balances due from banks and other customers of the Group (excluding loans per contra and guarantees) was expanded over the year by DM 5,164 m. For the structure of our loan portfolio see page 76.

The share of advances and acceptance credits in total lending rose from 88.5 per cent to 90.8 per cent. Balances due from banks at alto-

gether DM 5,077 m account for only DM 419 m of this rise, whereas loans and advances to customers were up by DM 5,247 m to DM 37,496 m, representing additional short and medium-term lendings of DM 1,612 m and long-term credits of DM 3,635 m. Advances to customers at long term, which now make up 49.0 per cent of the total amount of loans outstanding, account for nearly one half of the entire volume of lending. They break down as follows:

Long-term lending

in DM m	1977	1976	Change
Sundry long-term loans	8,686	8,068	+ 618 = + 7.7%
Mortgage loans	6,700	5,893	+ 807 = + 13.7%
Municipal loans	7,568	5,358	+ 2,210 = + 41.2%
Total	22,954	19,319	+ 3,635 = + 18.8%

Fixed assets

After elimination of holdings in consolidated companies, the Group's fixed assets stand at DM 1,350 m (1976: DM 1,252 m). These comprise interests of DM 522 m in unconsolidated

companies, bank premises and other real estate at DM 665 m, and furniture and equipment at DM 163 m.

**Liabilities and shareholders' equity**Borrowed funds

The Group's total borrowings increased during the year by DM 11,588 m to DM 71,627 m and are made up as follows:

Borrowed funds

in DM m	1977	1976	Change
Due at short and medium-term (up to four years)			
a) to banks	19,696	17,067	+ 2,629 = + 15.4%
b) to other creditors	31,898	28,136	+ 3,762 = + 13.4%
c) bonds issued	803	1,143	- 340 = - 29.7%
d) acceptances outstanding	45	43	+ 2 = + 4.7%
Sub-total	52,442	46,389	+ 6,053 = + 13.0%
Due at long-term (four years or more)			
a) to banks	4,740	2,182	+ 2,558 = + 117.2%
b) to other creditors	1,935	1,239	+ 696 = + 56.2%
c) bonds issued	12,510	10,229	+ 2,281 = + 22.3%
Sub-total	19,185	13,650	+ 5,535 = + 40.5%
Total borrowed funds	71,627	60,039	+ 11,588 = + 19.3%

As the breakdown shows, the Group borrowed DM 24,436 m (34.1 per cent of total borrowings) from other banks, and customers' deposits and other creditors accounted for DM 33,833 m (47.2 per cent of the total), while outstanding bonds issued by Group members amounted to DM 13,313 m, thus contributing a further 18.6 per cent. Nostro liabilities rose by nearly 2 percentage points at the expense of borrowings from other creditors. Bond issues only just maintained their share in overall borrowing because certificates of deposit totalling DM 645 m (1976: DM 505 m) have, at the instruction of the German Federal Banking Control Office, been reclassified to deposits.

#### Share capital and reserves

Following the issue by Commerzbank AG of new shares at a total price of DM 247 m and the appropriation of DM 50 m to its reserves, the Parent Bank's share capital and reserves were up by DM 297 m to DM 2,078 m. The consolidation difference as defined in Article 331, paragraph 1, number 3, of the German Companies 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 52 m in the year under review to DM 151 m. The increase is almost entirely due to the allocation of earnings to the subsidiaries' reserves. This computation does not account for additional appropriations to the subsidiaries' reserves of a total amount of DM 30 m which are conditional on resolutions to be passed by the respective companies' AGM's. After inclusion of these additional reserves and minority shareholders' interests (the latter not including the attributable share of profits) of DM 20 m, the Group's equity capital at year-end was DM 2,279 m, as against DM 1,942 m in 1976.

#### Contingent liabilities and commitments

Commitments for uncalled payments on shares in joint-stock (AG) and private limited liability (GmbH) companies, issued but not fully paid, amounted to DM 6 m at the balance sheet date and similar liabilities for shares in cooperatives were DM 1 m. In addition, Group members may, under Article 24 of the German Private Limited Liability Companies Act (GmbHG), 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 ap-

propriate 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 Article 5, paragraph 10, of the by-laws of the German banks' Deposit Insurance Fund, Commerzbank undertook to relieve the Federation of German Banks of any losses incurred in respect of actions taken for the benefit of unconsolidated domestic banks in which Commerzbank holds a majority interest.

### **Consolidated profit and loss account**

#### Net revenues

Interest and similar revenues from lending and money-market transactions and revenues from securities, Government-inscribed debt, and investments rose by DM 433 m to DM 4,237 m. Allowing for the increase in interest expenditure by DM 352 m to DM 2,972 m, the Group's net interest earnings were DM 1,265 m, exceeding those for the previous year by DM 81 m, or 6.8 per cent, and covering the current personnel and general bank operating expenses with a surplus of DM 112 m (1976: DM 111 m).

The excess of commission income over commissions paid in respect of services rose a further DM 12 m, or 4.5 per cent, to DM 277 m.

The net credit balance of other revenues and write-downs of and allowances for possible losses on loans and securities, including investments, reached DM 156 m, as against DM 104 m in the preceding year.

#### Expenditure

The Group's overall personnel expenses were DM 863 m, while general operating expenses amounted to DM 290 m. After adjusting the prior year's figures to allow for non-recurring expenses of DM 9 m, the increase in costs in 1977 was DM 92 m, or 8.7 per cent, as compared with DM 107 m, or 11.2 per cent, in 1976.

Depreciation and other write-downs of bank premises and other real estate and of furniture and equipment were charged at DM 64 m.

Group taxation totalled DM 250 m, as against DM 171 m in the preceding year. This amount includes DM 237 m (1976: DM 159 m) for taxes on income and assets.



Consolidated profit for the year and  
consolidated profit retained (before dividend)

The Group's profit for the year declined from DM 225 m to DM 212 m. The profit of DM 32 m brought forward from the previous year represents profit distributed by the consolidated companies in 1977 in respect of 1976. Subject to the approval of the Annual General Meeting, the profit for the year will be used to allocate DM 50 m to the Parent Bank's reserves and DM 22 m to those of consolidated companies. The amount of the profit accruing to minority shareholders is DM 1 m. Consolidated profit retained before dividend is thus DM 171 m, from which, subject to approval by the shareholders in annual general meeting, a total of DM 30 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.

Düsseldorf, February 28, 1978

THE BOARD  
OF MANAGING DIRECTORS

*Handwritten signatures of the Board of Managing Directors:*

<i>[Signature]</i>	<i>[Signature]</i>	<i>[Signature]</i>
<i>[Signature]</i>	<i>[Signature]</i>	<i>[Signature]</i>
<i>[Signature]</i>	<i>[Signature]</i>	<i>[Signature]</i>
<i>[Signature]</i>	<i>[Signature]</i>	<i>[Signature]</i>

**Berliner Commerzbank Aktiengesellschaft,  
Berlin**

General performance

Our Berlin subsidiary again managed to expand almost all branches of its business in 1977, with the balance sheet total-up 23.4 per cent to DM 2.793 bn—showing another strong rise.

Share capital was increased by DM 7.5 m to DM 42.5 m, with shares offered at twice their nominal value. Following the allocation of the resulting premium and a further DM 4 m from the profit for the year to reserves, the bank's liable funds will total DM 101 m. Despite the heavier burden of taxation resulting from the German corporation tax reform, the dividend will remain unchanged at 16 per cent.

Serving the business customer

Owing to the general weakness of the economy, demand for funds from trade and industry continued to be slack. Most borrowing done was again directed at the shifting of short-term liabilities into longer-term commitments, as before reflecting the sharp decline in interest rates. Even so, there was a considerable rise in the bank's total lending, since it arranged more borrower's note loans for the public sector.

Their high level of liquidity led companies to place such funds on higher-yield time accounts. Consequently, the growth of sight deposits fell short of the overall expansion of the business volume.

Serving the private customer

Once again, retail banking followed a satisfactory trend, although it did not prove possible to repeat the preceding years' substantial growth rates in all areas of activity. Private savers, too, have become more interest-conscious, and the cut to 3 per cent in the standard interest rate on savings caused many to look for better yields, even if that meant putting up with longer terms. The result was that savings deposits went up by only 4.8 per cent, or no more than half the preceding year's figure. On the other hand, sales of savings bonds doubled, with the new type of certificate with rising interest rate well to the fore. The bank also scored gratifying success in selling its own bearer bonds.

Investment saving schemes likewise continued to attract the small saver, and through intensive counselling the number of ADIG investment accounts was boosted by more than 27 per cent and the sums invested by almost 40 per cent. Sales of shares in the open-end Haus-Invest property fund—to the promotion of which preference is given as a Commerzbank affiliate—rose to 3½ times their 1976 figure.

While the volume of outstanding instalment credits, although up by 17 per cent, failed to equal the previous year's growth, the lively buying interest shown in flats and one-family houses produced a sharp 50 per cent upsurge in low-interest personal loans on uncomplicated terms.

Service business

Stock market dealings on customers' account expanded, particularly in the case of bonds, and commission receipts were up. As a member of underwriting syndicates, Berliner Commerzbank participated in 24 capital increases and 3 bonus share issues, as also in D-mark bond offerings by domestic and foreign borrowers.

The course of the bank's international business was equally gratifying, with stronger involvement in lending and brisk activity in payment transactions and currency dealings all netting increased earnings. Results were not, however, fully satisfactory in foreign note and coin dealing and in documentary business.

Staff

Despite a further expansion of the business volume and the opening of three new branch offices in Reinickendorf, Schöneberg, and Wilmersdorf, the number of those employed by Berliner Commerzbank rose by a mere 10 people to 1,064 in 1977. This figure includes 122 apprentices, who thus account for no less than 11.5 per cent of the bank's total workforce.

## Annual Accounts 1977

Assets	DM 1,000
Cash on hand	185,538
Cheques and collection items	13,962
Bills of exchange	119,006
Due from banks	999,964
Bonds	30,147
Other securities	3,844
Loans and advances to customers, at agreed periods of	(1,393,041)
a) less than four years	791,121
b) four years or more	601,920
Equalization and recovery claims on public authorities (from 1948 German monetary reform)	15,026
Loans per contra	117
Investments	929
Bank premises and other real estate	20,461
Furniture and equipment	6,386
Other assets	1,697
Prepaid expenses and deferred charges	3,231
<b>Total Assets</b>	<b>2,793,349</b>

Expenditure	DM 1,000
Interest and similar expenditure	74,623
Commissions paid	206
Write-downs of and allowances for possible losses on loans and securities	546
Expenditure on personnel	44,791
General operating expenses	14,743
Depreciation of fixed assets	4,844
Taxes	9,622
Other expenditure	782
Profit for the year	9,600
<b>Total Expenditure</b>	<b>159,757</b>

Liabilities and Shareholders' Equity	DM 1,000
Due to banks	(846,555)
a) demand	164,001
b) time	682,554
Due to other creditors (customers' deposits)	(1,718,750)
a) demand	391,469
b) time	626,877
c) savings deposits	700,404
Bonds outstanding	69,632
Loans per contra	117
Accrued liabilities	42,611
Other liabilities	4,347
Deferred credits	4,737
Share capital	42,500
Reserves	58,500
Profit retained (before dividend)	5,600
<b>Total Liabilities and Shareholders' Equity</b>	<b>2,793,349</b>
Endorsement liabilities	6,265
Guarantees	129,114

Revenues	DM 1,000
Interest and similar revenues	140,067
Revenues from	
a) fixed-interest securities and Government-inscribed debt	1,328
b) other securities	604
c) investments	202
Commissions and other revenues from services rendered	13,240
Other revenues, including downward adjustment of allowances for possible loan losses	4,161
Downward adjustment of accrued liabilities, unless included in "other revenues"	155
<b>Total Revenues</b>	<b>159,757</b>

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

#### Objectives

Commerzbank International S.A., Luxembourg, which operates mainly at the short end of the Euromoney and Eurocredit markets, was constituted a joint stock company under Luxembourg law in 1969. Shareholders are Commerzbank Aktiengesellschaft (99.9 per cent) and six of its other subsidiaries.

The aim of Commerzbank International S.A. is to exploit the possibilities afforded by the Euromoney and Eurocapital markets on behalf of its customers world-wide—a task for which Luxembourg, with its liberal regulations as to the international movements of short and long-term funds, is eminently suited.

#### Capital and reserves

As at December 31, 1977, the bank had a share capital of Lfrs 1.570 bn (equivalent to DM 100.5 m) and reserves of more than Lfrs 1.900 bn (DM 121.6 m). After allocation from the 1977 earnings, reserves will total Lfrs 2.246 bn (DM 143.8 m).

Global allowances for possible loan and other losses were made at the maximum tax-permissible rate.

#### General performance

On the Euromarkets, 1977 was a year of abundant liquidity and thus of shrinking margins in lending business. The bank once more took advantage, with the appropriate care, of the opportunities offered by the different markets.

The bank's international financing operations were further extended in 1977, as before in close cooperation with the Parent Bank, its foreign branches, and also with the other member banks of the Europartners group.

A year-on-year comparison shows the balance sheet total of Commerzbank International up 15.9 per cent from Lfrs 128.6 bn (DM 8.5 bn) to Lfrs 149.1 bn (DM 9.5 bn).

A substantial proportion of the growth in the bank's overall activity was once more attributable to interbank money dealings and increased credit demand by customers. As in the past, lending was primarily financed from bank deposits, most of which have continued to come from foreign central banks.

#### Total lending

The bank's credit volume (advances to banks, finance companies, and customers, discounts on bills, and borrower's note loans) rose in the year under review to Lfrs 67 bn (DM 4.3 bn). The emphasis in lending was again on short and medium-term credits to governments, central banks, and multinational companies.

#### Service business

Money market and foreign exchange operations expanded further. Securities dealings both on behalf of customers and on the bank's own account were brisk.

#### Earnings

The earnings performance of Commerzbank International was fully satisfactory. A dividend of 18 per cent on the share capital of Lfrs 1.570 bn will be paid for 1977, the amount to be distributed thus being Lfrs 282.6 m (DM 18.1 m).

## Annual Accounts 1977

Assets	Lfrs 1,000	Liabilities and Shareholders' Equity	Lfrs 1,000
Due from banks at agreed periods of		Due to banks at agreed periods of	
a) up to 30 days	22,241,532	a) up to 30 days	50,252,592
b) more than 30 days	73,433,753	b) more than 30 days	80,881,363
Due from finance companies	933,644	Due to other creditors (customers' deposits) at agreed periods of	
Bills of exchange	1,106,313	a) up to 30 days	1,988,385
Loans and advances to customers	42,836,117	b) more than 30 days	7,637,845
Securities	4,853,349	Due to finance companies at agreed periods of	
Fiduciary accounts	134,822	a) up to 30 days	452,928
Investments	262,263	b) more than 30 days	648,726
Bank premises and other real estate	419,858	Fiduciary accounts	134,822
Furniture and equipment	11,212	Share capital	1,570,000
Prepaid expenses and deferred charges	2,832,157	Reserves	
Other assets	16,858	a) statutory reserve	157,000
		b) free reserves	712,500
		c) from capital increase	1,030,500
		Accrued liabilities, write-downs and allowances	1,104,326
		Deferred credits	1,869,872
		Other liabilities	11,409
		Profit retained (before dividend)	629,610
		Total Liabilities and Shareholders' Equity	149,081,878
<b>Total Assets</b>	<b>149,081,878</b>		
	= DM 9,543 m		

Expenditure	Lfrs 1,000	Revenues	Lfrs 1,000
Interest and commissions paid	6,652,004	Interest and commissions received	7,850,169
Personnel expenditure and general operating expenses	145,936	Other revenues	977,138
Taxes	598,499		
Write-downs and allowances	157,870		
Depreciation	4,985		
Other expenditure	638,403		
Profit retained (before dividend)	629,610		
<b>Total Expenditure</b>	<b>8,827,307</b>	<b>Total Revenues</b>	<b>8,827,307</b>

Lfrs 100 = DM 6.401

### **Rheinische Hypothekenbank, Frankfurt**

#### General performance

Commerzbank's mortgage bank subsidiary, Rheinische Hypothekenbank, continued to pursue an upward course in 1977, taking advantage of both bond market buoyancy and a brisk demand for funds, to generate another above-average expansion of its operations. While long-term loan business was once again mainly with public authorities, there was a gratifying rise in the share of mortgage credits for home purchase or modernization in the bank's aggregate lending.

Growth in the balance sheet total, at 14.7 per cent, was maintained at the previous year's high level.

A proposal for a one-for-eight bonus share issue will be put to the bank's 1978 annual general meeting, to effect a capital increase by DM 6,462,500 to DM 58,162,500. In addition to the planned appropriation of a total of DM 25 m (1976: DM 22.5 m) to reserves, the profit for the year will permit the payment of a dividend of DM 8.50 on each DM 50 nominal share of the augmented capital. This will raise the amount distributed from DM 9.3 m to DM 9.9 m.

Following the resolution of the AGM, the bank's reserves will amount to DM 244,337,500 and liable funds to DM 302.5 m, which together leaves scope for a further DM 2.743 bn worth of bonds to be sold in due course.

#### Lending

If DM 107 m of extensions are included, new lending commitments totalled DM 2.329 bn, as against DM 2.247 bn in the previous year. Of this, DM 1.357 bn were for advances to local authorities, DM 341 m for loans for new house building, DM 356 m for financing the modernization and improvement of older dwellings, and DM 275 m for credits to trade and industry.

Funds actually granted in the form of mortgage loans and advances to local authorities, including short and medium-term credits, amounted to DM 2.235 bn, bringing total funds outstanding to DM 12.234 bn (1976: DM 10.678 bn), 49.6 per cent of this being mortgage loans and the rest advances to domestic (41.7 per cent) and foreign (8.7 per cent) local authorities.

#### Borrowing

The bank raised DM 1.922 bn by the sale of its own bonds, with municipal bonds accounting for 63 per cent of the total. 84 per cent of the bonds had a maturity of at least 5 years, although rarely of more than 10 years.

Bonds outstanding, including those not requiring cover or awaiting delivery, totalled DM 12.117 bn at the year-end, 42 per cent of this being mortgage bonds, 55 per cent municipal bonds, and 3 per cent bonds not requiring cover.

#### Outlook

Rheinische Hypothekenbank expects to see the emphasis in the current year again on extensive municipal borrowing, while credit demand by house building companies and by trade and industry generally is unlikely to expand to any great extent. With the present favourable conditions for raising funds persisting—and fixed-interest mortgage loans thus becoming increasingly attractive—the bank counts on a further rise in its commitments to provide home-building finance, especially for owner-occupied one and two-family houses. At the same time, debt consolidation credits and loans for modernizing older property should continue to account for their fair share in the bank's total lending.

## Annual Accounts 1977

Assets	DM 1,000
Loans at agreed periods of four years or more	
a) mortgage loans	4,994,244
b) municipal loans	6,347,279
c) other	18,456
Equalization and recovery claims on public authorities (from 1948 German monetary reform)	17,865
Bonds	86,622
Other securities	2,726
Cash on hand and collection items	682
Due from banks and from other debtors	1,467,397
Own bonds (nominal value DM 251,086,000)	241,196
Loans per contra	82,029
Investments	1,298
Bank premises and other real estate	20,273
Furniture and equipment	1,125
Other assets	727
<b>Total Assets</b>	<b>13,281,919</b>

Expenditure	DM 1,000
Interest and similar expenditure	834,976
Non-recurrent expenditure on bonds issued and on loans granted	51,039
Expenditure on personnel	17,093
General operating expenses	7,832
Depreciation and other write-downs of fixed assets	1,172
Taxes	38,011
Other expenditure	569
Profit for the year	34,888
<b>Total Expenditure</b>	<b>985,580</b>

Liabilities and Shareholders' Equity	DM 1,000
Bonds issued	
a) mortgage bonds	4,803,749
b) municipal bonds	6,346,584
c) other bearer bonds	345,271
d) bonds drawn by lot and called for redemption	3,157
Bonds to be delivered	118,644
Loans taken up at long term	417,466
Due to banks and to other creditors	412,885
Accrued interest on bonds issued and on loans taken up	347,651
Loans per contra	82,029
Accrued liabilities, write-downs and allowances	59,648
Foundation	1,212
Share capital	51,700
Reserves	
a) statutory reserve	79,311
b) other reserves (pursuant to Article 7 of the German Mortgage Bank Law-HBG)	163,889
Other liabilities	31,235
Profit retained (before dividend)	17,488
<b>Total Liabilities and Shareholders' Equity</b>	<b>13,281,919</b>

Revenues	DM 1,000
Interest and similar revenues	932,040
Non-recurrent revenues from bonds issued and from loans granted	45,784
Revenues from investments	36
Other revenues, including downward adjustment of allowances for possible loan losses	6,128
Downward adjustment of accrued liabilities, unless included in "other revenues"	1,592
<b>Total Revenues</b>	<b>985,580</b>

# Holdings by Commerzbank Aktiengesellschaft in Affiliated and Other Companies

## Consolidated companies

Berliner Commerzbank Aktiengesellschaft, Berlin C DM 42.50 m	100.0%	Commerzbank International S.A., Luxembourg C Lfrs 1,570.00 m	100.0%*)	Rheinische Hypothekbank, Frankfurt C DM 51.70 m	93.2%
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 10.50 m	32.5%	ADIG Allgemeine Deutsche Investment-Gesellschaft mbH, Munich/Frankfurt C DM 4.80 m	25.0%
Liquiditäts-Konsortialbank GmbH, Frankfurt C DM 250.00 m	3.7%	Lombardkasse AG, Berlin/Frankfurt C DM 4.50 m	9.4%	Lübecker Hypothekbank Aktiengesellschaft, Lübeck C DM 15.00 m	25.0%

## Other holdings in German companies

Almüco Vermögensverwaltungs-gesellschaft mbH, Munich C DM 39.00 m a)	25.0%	Beteiligungsgesellschaft für Industrieansiedlungsunternehmen mit beschränkter Haftung, Hamburg C DM 3.00 m	25.0%	Beteiligungsgesellschaft für Industrie und Handel mbH, Frankfurt C DM 0.25 m	50.0%
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 0.04 m	25.0%	Deutsche Wagnisfinanzierungs-Gesellschaft mbH, Frankfurt C DM 15.00 m	10.0%
Rossmas Beteiligungsgesellschaft mbH, Frankfurt C DM 20.00 m f)	40.0%	STELLA Automobil-Beteiligungsgesellschaft mbH, Frankfurt C DM 85.71 m g)	25.0%	Treuhand- und Holdinggesellschaft mbH, Frankfurt C DM 0.14 m	50.0%

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

EuroPartners Bank (Nederland) N.V., Amsterdam C Dfl 40.00 m	60.0%	EuroPartners Securities Corporation, New York C US\$ 4.53 m	40.0%	International Commercial Bank Ltd., London C £ 7.00 m	12.0%
The Commercial Bank of Dubai Ltd., Dubai C DH 14.78 m	25.7%	Crédit Chimique S.A., Paris C Ffrs 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 Sfrs 0.90 m	25.0%	Misr International Bank S.A.E., Cairo C US\$ 2.50 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 Lfrs 40.00 m	10.0%	Société Européenne d'Édition et de Diffusion S.A., Luxembourg C Ffrs 0.82 m	6.1%	Société Financière de Développement – SOFIDE –, Kinshasa C zaires 4.00 m	1.9%

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

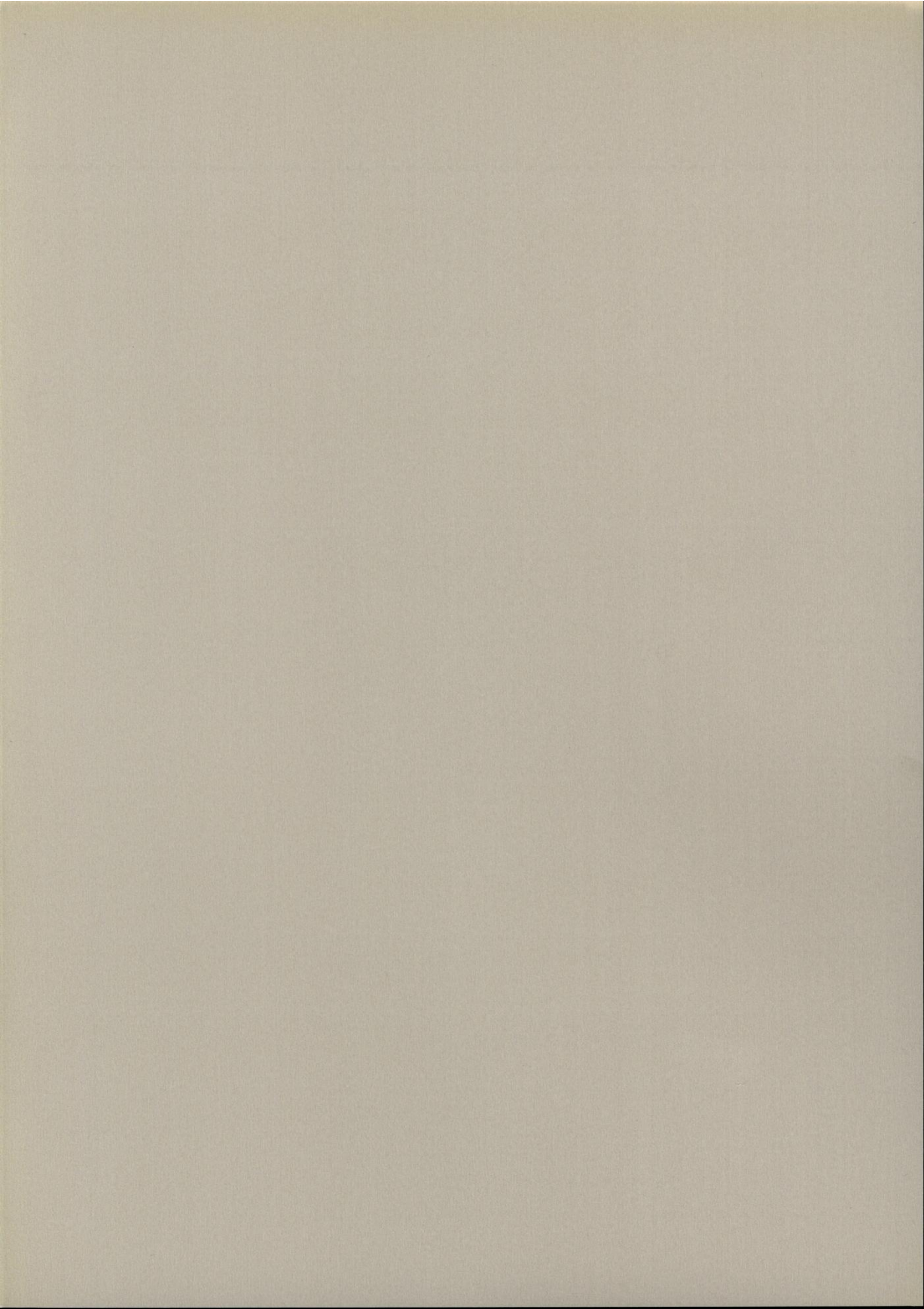
Besides, the Bank holds interests in regional security depository banks, credit guarantee associations, and housing companies, and in addition there are further holdings of minor importance.

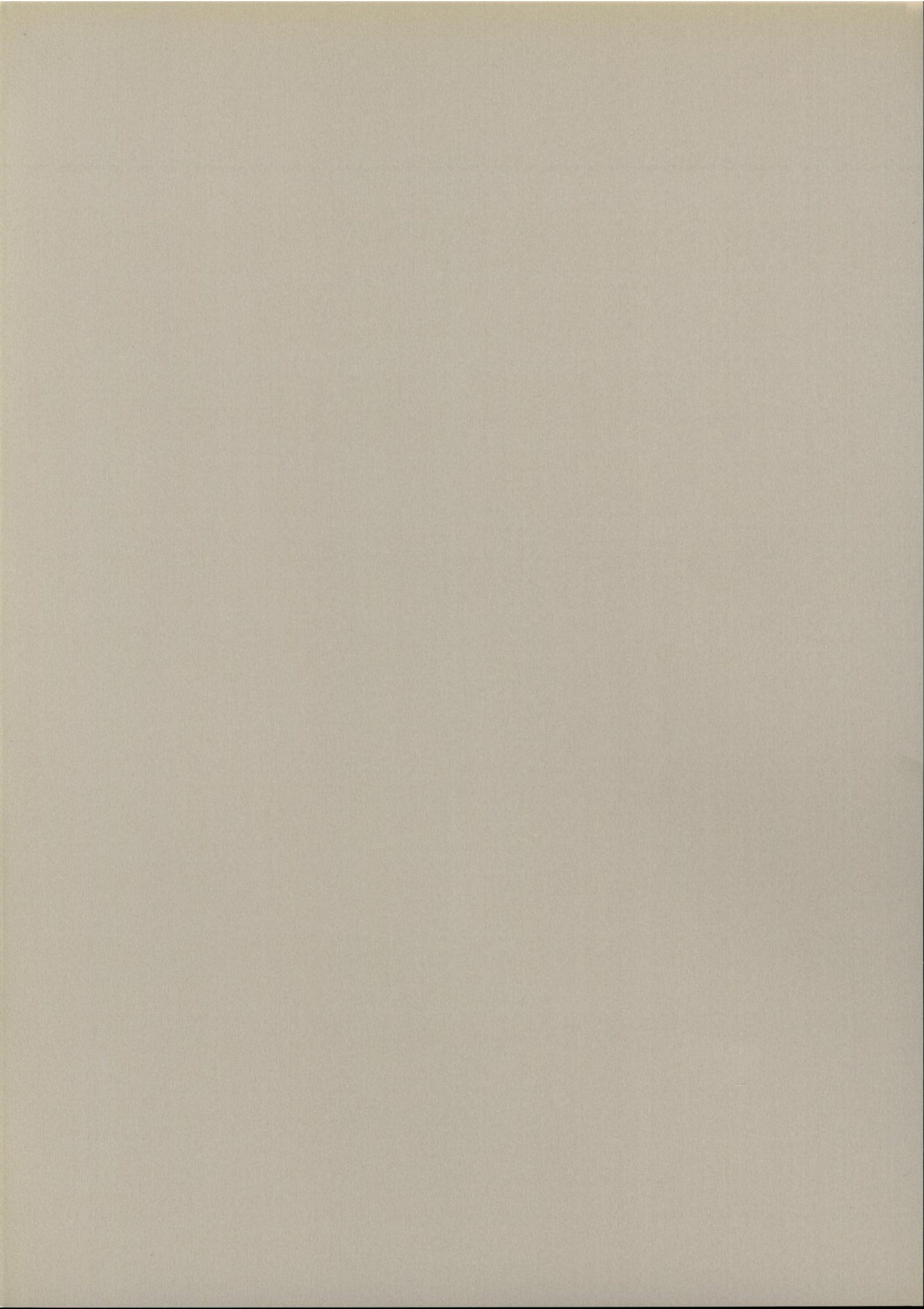


Bank für Teilzahlungskredit Gesellschaft mit beschränkter Haftung, Düsseldorf C DM 3.50 m 100.0%	Commerz- und Industrie-Leasing GmbH, Frankfurt C DM 1.00 m 100.0%**) )	Atlas-Vermögensverwaltungs- Gesellschaft m.b.H., Düsseldorf C DM 0.10 m 100.0%	Aussenhandel- Förderungsgesellschaft mbH, Düsseldorf C 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 3.00 m 25.0%	Deutsche Schiffahrtsbank Aktiengesellschaft, Bremen C DM 35.00 m 9.1%	Deutsche Schiffsbeleihungs-Bank Aktien-Gesellschaft, Hamburg C DM 30.00 m 28.5%
Münchener Hypothekenbank eG, Munich C DM 2.86 m 1.8%	Privatdiskont-Aktiengesellschaft, Frankfurt C DM 5.00 m 9.0%		
Canada-Anlagen-Gesellschaft mbH, Hamburg C DM 0.06 m 40.0%	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 30.00 m 33.3%
Adela Investment Company S.A., Luxembourg/Lima C US\$ 61.79 m 1.4%	Atlas Participations – France S.A.R.L., Paris C Ffrs 11.00 m 100.0%*) )	AUC Holdings Ltd., Melbourne C A\$ 6.23 m 6.4%*) )	Banco Urquijo S.A., Madrid C Ptas 7,577.91 m 0.8%**) )
Europartenaires Leasing S.A., Paris C Ffrs 0.10 m 33.3%	Europartners Holding S.A., Luxembourg C Lfrs 6.00 m 25.0%*) )	Finance Company VIKING, Zurich C Sfrs 60.00 m 6.7%**) )	Finatourinvest S.A., Luxembourg C Lfrs 194.60 m 0.6%
Nippon Europartners Consulting Company, Tokyo C ¥ 100.00 m 25.0%	Nippon European Bank S.A., Brussels C Bfrs 400.00 m 10.0%	The Pakistan Industrial Credit & Investment Corporation Limited, Karachi C PR 70.00 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%	Teollistamisrahasto Oy – Industrialization Fund of Finland Ltd., Helsinki C Fmk 71.00 m 0.6%	U.B.A.E. Union de Banques Arabes et Européennes S.A., Luxembourg/Frankfurt C DM 30.00 m 13.7%	UNIBANCO – Banco de Investimento do Brasil S.A. (B.I.B.), Rio de Janeiro C Cr\$ 429.29 m 5.0%

C = Capital

<p>Commercium Vermögensverwaltungs-GmbH, Hamburg C DM 0.05 m 100.0%</p>	<p>Commerzbank Fonds-Verwaltungsgesellschaft mit beschränkter Haftung (Cofa), Düsseldorf C DM 1.00 m 100.0%</p>	<p>GERAP Grundbesitz- und Verwaltungsgesellschaft mbH, Frankfurt C DM 0.02 m 95.0%</p>
<p>C. Portmann, Frankfurt C DM 1.50 m 100.0%</p>	<p>RHB-Bau- und Verwaltungsgesellschaft Mannheim mbH, Mannheim C DM 0.02 m 94.9%*)</p>	
<p>Gesellschaft zur Finanzierung von Industrieanlagen mbH, Frankfurt C DM 1.00 m 12.7%</p>	<p>Liquidations-Casse in Hamburg Aktiengesellschaft, Hamburg C DM 1.15 m 25.0%</p>	<p>Liquidationskasse für Zeitgeschäfte AG, Munich C DM 0.50 m 10.0%</p>
<p>Deutsche Gesellschaft für Anlageverwaltung mit beschränkter Haftung, Frankfurt b) C DM 50.00 m 25.0%</p>	<p>Deutsche Gesellschaft für Immobilienanlagen „America“ mbH, Bad Homburg v. d. H. C DM 0.10 m 25.0%</p>	<p>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</p>
<p>Kistra Beteiligungsgesellschaft mbH, Frankfurt d) C DM 7.20 m 25.0%</p>	<p>REGINA Verwaltungsgesellschaft mbH, Munich e) C DM 37.50 m 25.0%</p>	
<p>Banque Marocaine du Commerce Extérieur, Casablanca C dirham 50.00 m 2.2%</p>	<p>Banque Nationale pour le Développement Economique, Rabat C dirham 140.00 m 0.4%</p>	<p>Bondtrade, Brussels/New York C US\$ 5.00 m 9.2%</p>
<p>P.T. Finconesia Financial Corporation of Indonesia, Jakarta C IRp 680.00 m 9.0%</p>	<p>The Industrial Finance Corporation of Thailand (IFCT), Bangkok C baht 250.00 m 2.0%</p>	<p>The International Investment Corporation for Yugoslavia S.A., Luxembourg C US\$ 13.50 m 1.2%</p>
<p>Rifbank S.A.L., Beirut C L£ 4.00 m 31.8%</p>	<p>The Saudi Investment Banking Corporation, Riyadh C SR 30.00 m 5.0%</p>	<p>Sifida Société Internationale Financière pour les Investissements et le Développement en Afrique, Luxembourg C US\$ 15.82 m 0.6%</p>
<p>Union Internationale de Banques S.A., Tunis C TD 4.00 m 4.0%</p>	<p>Wobaco Holding Company S.A., Luxembourg C US\$ 21.60 m 2.7%</p>	





# Consolidated Annual Accounts as at December 31, 1977

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Consolidated Balance Sheet pages 92/93

Consolidated Profit and Loss Account pages 94/95

# Consolidated Balance Sheet as at December 31, 1977

Assets	DM	DM	DM	Dec 31, 1976 DM 1,000
Cash on hand			159,062,279.57	163,371
Balance with Deutsche Bundesbank			2,783,954,265.41	2,393,187
Balances on postal cheque accounts			30,348,877.01	23,839
Cheques, maturing bonds, interest and dividend coupons, and collection items			282,401,617.72	173,109
Bills of exchange			4,040,881,388.81	4,270,160
including: a) rediscountable at Deutsche Bundesbank	3,192,116,059.36			
b) own drawings	1,381,326.69			
<b>Due from banks</b>				
a) on demand		2,997,836,415.87		1,583,645
b) at agreed periods, or at agreed periods of notice, of				
ba) less than three months		5,380,856,206.45		3,800,084
bb) no less than three months, but less than four years		11,861,390,838.99		9,503,959
bc) four years or more		4,703,886,941.77		4,211,236
			24,943,970,403.08	19,098,924
<b>Treasury bills and discountable Treasury notes</b>				
a) of Federal and state governments		469,593,000.00		858,750
b) of other issuers		43,770,000.00		—
			513,363,000.00	858,750
<b>Bonds</b>				
a) with maturities of up to four years				
aa) of Federal and state governments	283,966,667.08			
ab) of banks	80,487,446.33			
ac) of other issuers	—	364,454,113.41		301,634
including: eligible as collateral for Deutsche Bundesbank advances DM 291,514,281.81				
b) with maturities of more than four years				
ba) of Federal and state governments	334,585,786.02			
bb) of banks	726,809,439.76			
bc) of other issuers	424,609,841.63	1,486,005,067.41		1,174,253
including: eligible as collateral for Deutsche Bundesbank advances DM 785,592,190.27			1,850,459,180.82	1,475,887
<b>Securities not included elsewhere</b>				
a) marketable equities and investment fund shares		768,993,733.02		631,275
b) other securities		14,360,189.94		10,512
including: holdings of more than one-tenth of the share capital of incorporated (including mining) companies, unless shown as "investments"	620,005,493.42		783,353,922.96	641,787
<b>Loans and advances to customers, at agreed periods, or at agreed periods of notice, of</b>				
a) less than four years		14,542,585,949.23		12,930,200
b) four years or more		22,953,562,575.95		19,318,599
			37,496,148,525.18	32,248,799
including: ba) secured by real-estate mortgages	6,699,892,063.80			
bb) municipal loans	7,568,148,035.06			
<b>Equalization and recovery claims on public authorities (from 1948 German monetary reform)</b>			108,947,086.10	115,808
<b>Loans per contra (fiduciary accounts only)</b>			181,089,161.03	179,021
<b>Investments</b>			522,031,942.80	490,146
including: in banks	156,020,866.94			
<b>Bank premises and other real estate</b>			665,210,256.33	609,972
<b>Furniture and equipment</b>			162,644,084.55	151,397
<b>Bonds issued and held by consolidated companies</b>			415,169,195.24	177,458
par value	438,486,100.00			
including: eligible as collateral for Deutsche Bundesbank advances	383,988,649.96			
<b>Other assets</b>			250,285,614.19	158,072
<b>Prepaid expenses and deferred charges</b>				
a) unamortized debt discount (difference pursuant to Article 156, paragraph 3, of the German Companies Act—AktG)		88,998,537.48		41,547
b) other prepaid expenses and deferred charges		2,963,793.38		3,503
			91,962,330.86	45,050
<b>Total Assets</b>			<b>75,281,283,131.66</b>	<b>63,274,737</b>
<b>The above assets and the recourse claims for contingent liabilities and commitments shown on the liabilities side include</b>				
a) balances due from subsidiaries and associated companies			193,765,371.60	286,215
b) loans and advances to insiders falling under Article 15, paragraph 1, items 1 to 6, and paragraph 2, of the German Banking Act, unless included under (a) above			213,844,515.59	180,770

Liabilities and Shareholders' Equity	DM	DM	DM	Dec 31, 1976 DM 1,000
<b>Due to banks</b>				
a) on demand		2,861,334,326.95		2,544,802
b) at agreed periods, or at agreed periods of notice, of				
ba) less than three months	4,685,289,457.66			
bb) no less than three months, but less than four years	12,148,392,685.94			
bc) four years or more	4,740,388,601.92	21,574,070,745.52		16,700,743
including: maturing within less than four years	DM 3,268,433,569.70			
c) for customers' drawings on other banks		948,337.92		2,855
			24,436,353,410.39	19,248,400
<b>Due to other creditors (customers' deposits)</b>				
a) on demand		7,482,523,282.08		6,618,646
b) at agreed periods, or at agreed periods of notice, of				
ba) less than three months	8,270,955,674.76			
bb) no less than three months, but less than four years	6,867,662,162.05			
bc) four years or more	1,934,965,623.64	17,073,583,460.45		13,724,191
including: maturing within less than four years	DM 1,359,971,948.07			
c) savings deposits				
ca) subject to statutory period of notice	4,774,751,585.76			9,032,781
cb) other	4,501,948,837.42	9,276,700,423.18		29,375,618
			33,832,807,165.71	
<b>Bonds issued for maturities of</b>				
a) up to four years		802,875,147.75		1,142,974
b) more than four years		12,510,445,725.10		10,228,694
including: maturing within less than four years	DM 4,267,761,780.80			
			13,313,320,872.85	11,371,668
<b>Acceptances and promissory notes outstanding</b>			44,792,725.90	43,021
<b>Loans per contra (fiduciary accounts only)</b>			181,089,161.03	179,021
<b>Accrued liabilities</b>				
a) for pensions		451,989,084.52		411,021
b) for other expenses		376,488,527.35		351,384
			828,477,611.87	762,405
<b>Other liabilities</b>			54,776,786.46	40,930
<b>Deferred credits</b>				
a) pursuant to Article 25 of the German Mortgage Bank Act (HBG)		25,282,526.44		31,147
b) other		124,657,881.12		111,040
			149,940,407.56	142,187
<b>Reserves subject to future taxation</b> (pursuant to the fiscal regulation governing global valuation reserves)			11,889,830.00	23,791
<b>Share capital</b> (contingent capital, additionally authorized for conversion rights: DM 15,500,000.00)			726,000,000.00	643,600
<b>Reserves</b>				
a) statutory reserve		793,201,500.00		628,402
b) other reserves		559,000,000.00		509,000
			1,352,201,500.00	1,137,402
<b>Excess of book value of consolidated subsidiaries' equity over book value in corresponding investments in Parent Bank's accounts</b> (pursuant to Article 331, paragraph 1, item 3, of the German Companies Act-AktG)			150,523,412.92	99,248
<b>Minority interests</b> including: in profit DM 1,189,158.50			21,244,378.50	22,882
<b>Foundations</b>			6,604,682.29	6,732
<b>Consolidated profit retained (before dividend)</b>			171,261,186.18	177,832
<b>Total Liabilities and Shareholders' Equity</b>			75,281,283,131.66	63,274,737
<b>Endorsement liabilities from bills of exchange rediscounted</b>			246,184,414.55	518,315
<b>Commitments under guarantees, including guarantees for bills and cheques, and under indemnity agreements</b>			7,329,156,848.02	7,482,071
<b>Commitments under repurchase agreements, not included in liabilities</b>			97,000,000.00	70,000
<b>Savings bonuses under the German Savings Bonus Act</b>			124,624,368.29	187,570
<b>The above liabilities and commitments include balances due to subsidiaries and associated companies in the amount of</b>			159,665,308.13	134,323

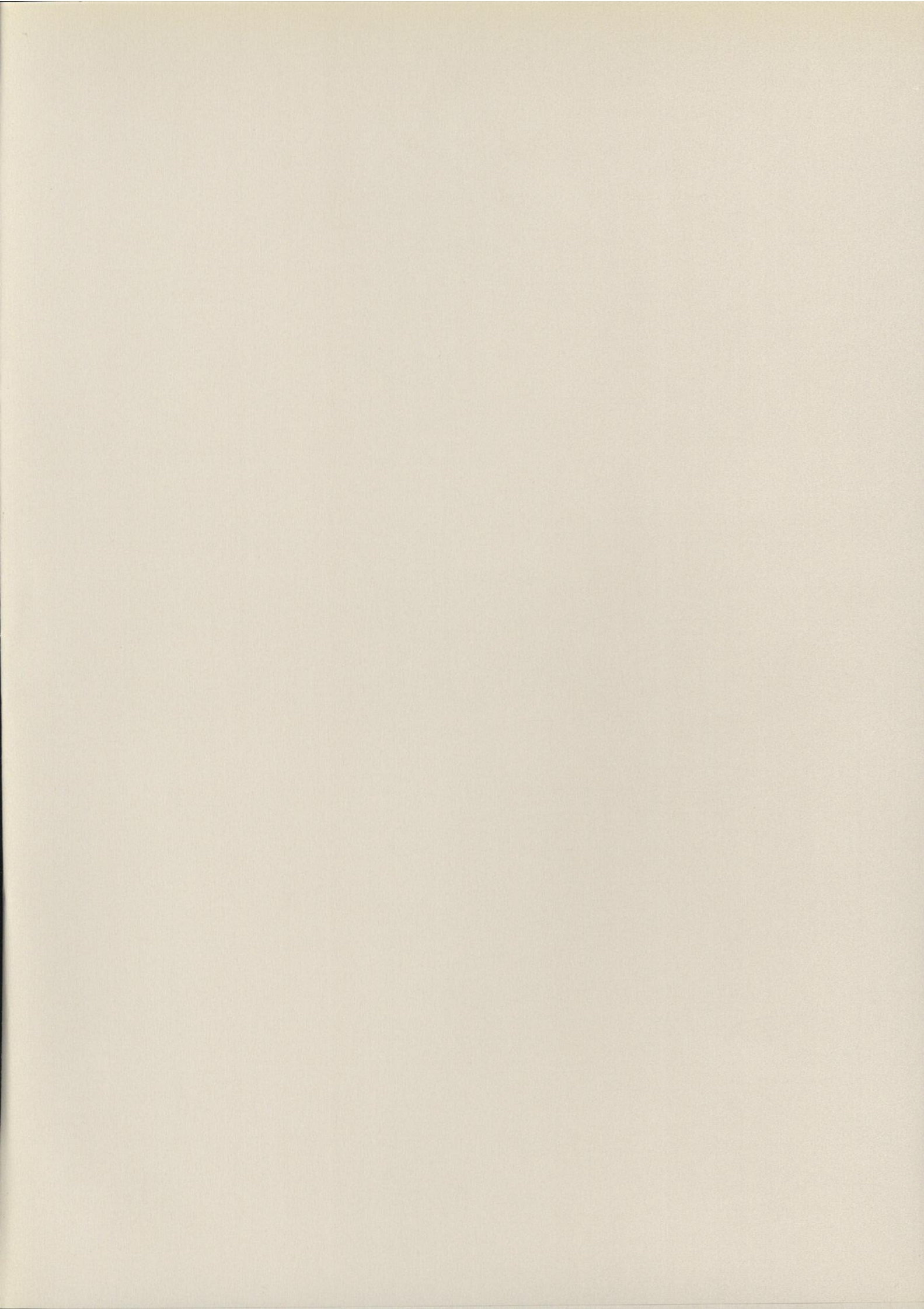
# Consolidated Profit and Loss Account for the Year ended December

Expenditure	DM	DM	1976 DM 1,000
Interest and similar expenditure		2,971,775,256.46	2,619,965
Commissions and similar expenditure on services received		16,946,457.53	12,853
Write-downs of and allowances for possible losses on loans and securities		16,854,840.60	11,678
Salaries and wages		679,523,757.51	632,026
Statutory social security contributions		92,083,736.64	83,201
Pensions and other employee benefits		90,965,740.47	83,722
General operating expenses		290,290,802.12	271,157
Depreciation and other write-downs of bank premises and other real estate, furniture and equipment		63,988,399.66	70,781
Write-downs of and allowances for losses on investments		14,706,475.96	9,143
<b>Taxes</b>			
a) on income and assets	237,486,417.51		159,436
b) other	12,896,768.29		11,716
		250,383,185.80	171,152
Losses assumed under profit and loss pooling agreements		—	310
Other expenditure		39,514,307.33	37,344
Consolidated profit for the year		212,710,580.25	225,209
	<b>Total Expenditure</b>	4,739,743,540.33	4,228,541

	DM	DM	1976 DM 1,000
Consolidated profit for the year		212,710,580.25	225,209
Profit brought forward from the previous year		31,944,764.43	25,868
		244,655,344.68	251,077
<b>Appropriation to reserves to "other reserves"</b>			
a) Parent Bank	50,000,000.00		50,000
b) consolidated subsidiaries	22,205,000.00		21,880
		72,205,000.00	71,880
Profit to be distributed to minority interests		172,450,344.68	179,197
		1,189,158.50	1,365
Consolidated profit retained (before dividend)		171,261,186.18	177,832







# Appendices

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

### Domestic public entities' bonds

Land Berlin  
Equalization of Burdens Bank  
German Federal Railways<sup>1)</sup>  
Federal Republic of Germany<sup>1)</sup>  
The Free and Hanseatic City of Hamburg

<sup>1)</sup> several issues

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

AKA Ausfuhrkredit-Gesellschaft mbH  
Deutsche Genossenschaftsbank<sup>1)</sup>  
Deutsche Hypothekbank  
(Actien-Gesellschaft)  
Deutsche Schiffsbeleihungs-Bank  
Aktien-Gesellschaft<sup>1)</sup>  
Thyssen AG vorm. August Thyssen-Hütte  
Vereinigte Elektrizitätswerke Westfalen AG

<sup>1)</sup> several issues

### Foreign issuers' DM bonds

ARBED Finance S.A.  
Argentine Republic  
Asian Development Bank  
Commonwealth of Australia  
Republic of Austria<sup>1) 3)</sup>  
Autopistas del Mare Nostrum S.A.  
Concesionaria del Estado (AUMAR)  
Banco Nacional de Obras  
y Servicios Públicos S.A.  
Banco Nacional  
do Desenvolvimento Econômico (BNDE)  
Banque Extérieure d'Algérie  
Banque Française  
du Commerce Extérieur (BFCE)  
City of Bergen  
Federative Republic of Brazil  
Caisse Centrale  
de Coopération Economique C.C.C.E.  
Canon Inc. (Canon Kabushiki Kaisha)<sup>2)</sup>  
Centrais Elétricas Brasileiras S.A. – Eletrobrás  
CESP – Companhia Energética de São Paulo  
Comisión Federal de Electricidad (CFE)<sup>1)</sup>  
Compagnie Française des Pétroles (CFP)  
The Council of Europe Resettlement Fund  
for National Refugees and Over-Population  
in Europe  
Crédit National  
Dansk Eksportfinansieringsfond  
(Danish Export Finance Corporation)<sup>3)</sup>

Kingdom of Denmark<sup>1)</sup>  
Electricity Supply Commission (ESCOM)<sup>3)</sup>  
Elf Norge A/S<sup>3)</sup>  
European Atomic Energy Commission  
(EURATOM)  
European Investment Bank (EIB)  
Genossenschaftliche Zentralbank AG (GZB)  
Girozentrale und Bank  
der österreichischen Sparkassen AG  
Grand Metropolitan (Finance) Limited  
The Hungarian National Bank  
Hydro Quebec<sup>1)</sup>  
Republic of Iceland  
ICI International Finance Limited  
Industrial and Mining  
Development Bank of Iran (IMDBI)  
Inter-American Development Bank  
International Bank for Reconstruction  
and Development (World Bank)<sup>1)</sup>  
Jujo Paper Co., Ltd.<sup>2)</sup>  
City of Kobe  
The Korea Development Bank Limited  
Kubota International N.V.<sup>3)</sup>  
Light-Serviços de Eletricidade S.A.  
Malaysia  
Province of Manitoba  
MEGAL Finance Co. Ltd.  
Minolta Camera Co., Ltd.<sup>2)</sup>  
City of Montreal  
Nacional Financiera, S.A. (NAFINSA)  
New Zealand  
Norges Hypotekforening for Naeringslivet  
(The Norwegian Mortgage Association  
for Industry and Trade)<sup>1)</sup>  
Norges Kommunalbank  
Norpipe a.s  
Norsea Gas A/S  
Aktieselskapet Den Norske Industribank  
Norsk Hydro a.s  
Kingdom of Norway<sup>1)</sup>  
Österreichische Kontrollbank AG<sup>1) 3)</sup>  
Österreichische Länderbank  
Petróleo Brasileiro S.A. (Petrobras)  
Petróleos Mexicanos (Pemex)<sup>1)</sup>  
Republic of the Philippines  
Privatbanken Aktieselskab<sup>3)</sup>  
Pyhrn Autobahn AG  
Province of Quebec<sup>1)</sup>  
Red Nacional de los Ferrocarriles  
Españoles (Renfe)  
Saga Petrokjemi a.s & Co.<sup>3)</sup>  
The Sanko Steamship Co., Ltd.  
Shell International Finance N.V.  
Republic of Singapore  
Kingdom of Spain  
Statsföretag Aktiebolag  
Kingdom of Sweden<sup>1)</sup>  
Tokyo Sanyo Electric Co., Ltd.<sup>2)</sup>

United Mexican States  
 Vereinigte Österreichische  
 Eisen- und Stahlwerke Alpine Montan AG  
 (Vöest-Alpine AG)

- <sup>1)</sup> several issues  
<sup>2)</sup> convertible bonds  
<sup>3)</sup> private placement

Foreign issuers' foreign currency bonds

Alcan Australia Limited  
 Allied Irish Banks Limited  
 American Hospital Supply  
 International Finance N.V.  
 N.V. AMEV  
 Andelsbanken A/S  
 Commonwealth of Australia<sup>1)</sup>  
 Australian Mining & Smelting Ltd.  
 Australian Resources  
 Development Bank Limited  
 Avco Financial Services Canada Limited  
 Babcock Nederland B.V.  
 Banco do Brasil S.A.  
 Banco Nacional  
 do Desenvolvimento Econômico (BNDE)  
 Bank of Tokyo (Curaçao) Holding N.V.<sup>1)</sup>  
 Banque Canadienne Nationale  
 Banque Extérieure d'Algérie  
 Banque Française  
 du Commerce Extérieur (BFCE)  
 Banque Nationale de Paris  
 Barclays Overseas Investment Co. B.V.  
 Beecham Financiering B.V.<sup>2)</sup>  
 Bell Canada  
 Beneficial Finance International Corporation  
 City of Birmingham  
 BM-RT Ltd.  
 Bougainville Copper Finance N.V.  
 The Bowater Corporation Limited  
 Federative Republic of Brazil  
 British Columbia Hydro and Power Authority  
 The Broken Hill  
 Proprietary Company Limited<sup>1)</sup><sup>3)</sup>  
 Caisse Nationale de Crédit Agricole  
 Caisse Nationale des Télécommunications  
 Canadian National Railways Company  
 Canadian Pacific (Bermuda) Ltd.  
 Cavenham International B.V.  
 CGMF – Compagnie Générale  
 Maritime et Financière  
 Citicorp Overseas Finance Corp. N.V.  
 Compagnie Financière  
 de la Deutsche Bank AG  
 Consolidated-Bathurst Limited  
 Courtaulds International Finance N.V.  
 Creditanstalt-Bankverein  
 Crédit Commercial de France  
 Crédit Foncier Franco-Canadien  
 Crédit Lyonnais<sup>1)</sup>

Den Danske Provinsbank A/S  
 Denki Kagaku Kogyo Kabushiki Kaisha  
 Development Finance Corporation  
 of New Zealand  
 DSM (Naamloze Vennootschap DSM)  
 EMI Finance B.V.  
 Ennia N.V.<sup>2)</sup>  
 Enso-Gutzeit Osakeyhtiö  
 Esselte Aktiebolag  
 Eurofima European Company  
 for the Financing of Railway Rolling Stock  
 European Coal and Steel Community (ECSC)<sup>1)</sup>  
 European Economic Community (EEC)<sup>1)</sup>  
 European Investment Bank (EIB)<sup>1)</sup>  
 Faellesforeningen for Danmarks  
 Brugsforeninger CO-OP DENMARK<sup>3)</sup>  
 Fiat Finance Corporation B.V.  
 Finance for Industry Limited  
 Fisons International Finance N.V.<sup>1)</sup>  
 Ford Motor  
 Credit Company of Canada, Limited  
 General Foods Limited  
 Genossenschaftliche Zentralbank AG (GZB)  
 Gist-Brocades International N.V.  
 Aktiebolaget Götaverken<sup>1)</sup>  
 City of Gothenburg  
 Groupement de l'Industrie  
 Sidérurgique (G.I.S.)<sup>1)</sup><sup>3)</sup>  
 Gulf & Western International N.V.  
 Hamersley Holdings Limited<sup>1)</sup>  
 Henkel International Finance N.V.<sup>3)</sup>  
 Hitachi Shipbuilding and Engineering Co., Ltd.  
 Hydrocarbons Bank Limited  
 Hydro-Quebec  
 ICI International Finance Limited<sup>2)</sup>  
 IC Industries Finance Corporation N.V.  
 Imatran Voima Osakeyhtiö  
 INA Overseas Finance N.V.<sup>2)</sup>  
 Inchcape (Bermuda) Limited<sup>2)</sup>  
 Industrial and Mining  
 Development Bank of Iran (IMDBI)  
 The Industrial Bank of Japan  
 Finance Company N.V.<sup>1)</sup>  
 International Bank for Reconstruction  
 and Development (World Bank)  
 International Harvester  
 Credit Corporation of Canada Ltd.  
 International Nickel Company of Canada  
 (INCO) Ltd.  
 International Westminster Bank Limited  
 Ishikawajima-Harima  
 Heavy Industries Co., Ltd. (IHI)  
 I.U. Overseas Finance N.V.  
 The Japan Steel Works Ltd.<sup>2)</sup>  
 Kajima Overseas (Curaçao) N.V.  
 Kansallis-Osake-Pankki  
 Kao Soap Company Ltd.<sup>2)</sup>  
 Walter Kidde Overseas Finance N.V.  
 The Korea Development Bank Limited  
 Light-Serviços de Eletricidade S.A.

The Long-Term Credit Bank of Japan  
Finance N.V.  
MacMillan Bloedel Ltd.  
Manufacturers Hanover  
Leasing Canada Limited  
Midland International Financial Services B.V.<sup>1)</sup>  
Mitsubishi Gas Chemical Comp., Inc.<sup>2)</sup>  
Mitsui Petrochemical Industries Ltd.  
Mitsui Real Estate Development Co., Ltd.<sup>2)</sup>  
MOL International S.A.  
Municipal Finance Authority  
of British Columbia  
Nacional Financiera, S.A. (NAFINSA)  
National Coal Board  
Natomas International Corporation  
N.V. Nederlandse Gasunie<sup>1)</sup>  
Province of New Brunswick  
Province of Newfoundland  
New Zealand<sup>3)</sup>  
The Nippon Fudosan Bank Limited  
Nippon Mining Company Limited  
Nitto Electric Industrial Co., Ltd.<sup>2)</sup>  
Nordiska Investeringsbanken  
(Nordic Investment Bank)  
Norges Kommunalbank  
Norpipe a.s  
Norsk Hydro a.s.<sup>1)</sup>  
Kingdom of Norway  
Occidental Overseas Finance N.V.  
Österreichische Kontrollbank AG<sup>1)</sup>  
Olivetti International S.A.  
Ontario Hydro  
Orient Leasing (Caribbean) N.V.  
Republic of Panama  
Petróleos Mexicanos (Pemex)  
Privatbanken Aktieselskab  
Province of Quebec  
Quebec Urban Community<sup>3)</sup>  
Rank Overseas Holdings Limited  
Redpath Industries Limited  
Reed International Limited  
RHM Overseas Finance B.V.  
The Royal Bank of Canada  
Saab-Scania  
Sandvik Aktiebolag<sup>2)</sup>  
Selection Trust Limited  
Shell International Finance N.V.  
Aktiebolaget SKF  
Société Générale  
Société Nationale  
des Chemins de fer Français, S.N.C.F.<sup>1)</sup>  
Société Nationale Elf Aquitaine (SNEA)  
Sparbankernas Bank  
Standard Chartered Bank Limited  
Statsföretag Aktiebolag  
Sumitomo Electric Industries, Ltd.<sup>2)</sup>  
Sumitomo Heavy Industries, Ltd.  
Sundstrand Finance International N.V.  
Kingdom of Sweden<sup>1)</sup>  
Tauernautobahn AG

Telefonaktiebolaget L.M. Ericsson  
Teléfonos de México S.A.  
Tenneco International N.V.  
Teollistamisrahasto Oy  
– Industrialization Fund of Finland Ltd.  
Thomson-CSF<sup>2)</sup>  
TNT Overseas Finance N.V.  
Tokyu Department Store Co., Ltd.<sup>2)</sup>  
Toray Industries, Inc.  
Toshiba (Tokyo Shibaura Electric Co., Ltd.)<sup>2)</sup>  
Total Oil Marine Limited  
Toyo Kanetsu K.K.  
Toyo Menka Kaisha Limited  
Union Bank of Finland Ltd.  
Union Bank of Switzerland (Luxembourg)<sup>2)</sup>  
Union de Banques Arabes  
et Françaises – U.B.A.F.<sup>1)</sup>  
United Biscuits (UK) Limited  
Republic of Venezuela  
Volkswagen Overseas Finance N.V.  
Aktiebolaget Volvo  
Western Mining Corporation Limited  
Williams & Glyn's Bank Limited  
City of Winnipeg  
Y.S. Line (Cayman) Ltd.

<sup>1)</sup> several issues

<sup>2)</sup> convertible bonds

<sup>3)</sup> private placement

#### German shares

Aachener Rückversicherungs-Gesellschaft  
ALTANA Industrie-Aktien und Anlagen AG  
BASF AG  
Bayerische Hypotheken- und Wechsel-Bank  
Bayerische Motoren Werke AG  
Bilfinger + Berger Bauaktiengesellschaft  
Bremer Vulkan Schiffbau und Maschinenfabrik  
Brown, Boveri & Cie. AG  
Buderus AG  
CEAG Industrie-Aktien und Anlagen AG  
Concordia-Chemie AG  
Daimler-Benz AG  
Deutsche Balamundi AG  
Frankona Rück- und Mitversicherungs-AG  
Girmes-Werke AG  
Gutehoffnungshütte Aktienverein  
Hamborner Bergbau AG  
Hamburgische Electricitäts-Werke  
Hochtief AG für Hoch- und Tiefbauten  
vorm. Gebr. Helfmann  
Philipp Holzmann AG  
Kabel- und Metallwerke  
Gutehoffnungshütte AG  
Kempinski AG  
Aktiengesellschaft Kühnle, Kopp & Kausch  
KWS Kleinwanzlebener Saatzucht AG  
vorm. Rabbethge & Giesecke  
Maschinenfabrik Augsburg-Nürnberg AG  
Mercedes-Automobil-Holding AG

Orenstein & Koppel AG  
F. Reichelt AG  
Schering AG  
Standard Elektrik Lorenz AG  
Strabag Bau-AG  
Südwestdeutsche Salzwerke AG  
VARTA AG  
Zahnradfabrik Renk AG

Foreign shares

Allied Irish Banks Limited  
Amsterdam-Rotterdam Bank N.V.  
J.L. de Ball Canada Ltd./Ltée.  
Beatrice Foods Co.  
The British Petroleum Company Limited  
Canon Inc. (Canon Kabushiki Kaisha)  
Commercial Union  
Assurance Company Limited  
Guest, Keen and Nettlefolds Ltd.  
Imperial Chemical Industries Limited  
Imperial Metal Industries Limited  
Konishiroku Photo Industry Co., Ltd.  
Kubota, Ltd.  
The Long-Term Credit Bank  
of Japan Limited  
Minolta Camera Co., Ltd.

National Westminster Bank Ltd.  
Nippon Chemical Condenser Co., Ltd.  
Rhythm Watch Co., Ltd.  
Rorento N.V.  
Sekisui Prefab Homes  
Tenneco Inc.  
Thorn Electrical Industries Limited  
Tokyo Sanyo Electric Co., Ltd.  
Tube Investments Limited  
United Biscuits (Holdings) Limited

Other syndicate transactions

ALTANA Industrie-Aktien und Anlagen AG  
Bayerische Elektrizitäts-Werke  
Berliner Handels- und Frankfurter Bank  
Bilfinger + Berger Bauaktiengesellschaft  
Bill-Brauerei AG  
CEAG Industrie-Aktien und Anlagen AG  
Concordia-Chemie AG  
Deutsche Balamundi AG  
Holsten-Brauerei  
Kaiser-Brauerei AG  
Lech-Elektrizitätswerke AG  
F. Reichelt AG  
Stahlwerke Peine-Salzgitter AG  
VARTA AG

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**Head Offices**

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

All International Departments are in Frankfurt

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**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).

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

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Aachen 1920 (1874) with sub-branches Adalbertstrasse Burtscheid Markt and paying office Vetschau	Augsburg 1919 with sub-branches Donauwörther Strasse Göggingen	Bad Salzufflen 1963 Bad Soden (Taunus) 1968 Bad Vilbel 1968 Balingen (Württ.) 1958 Bamberg 1968 Bayreuth 1967 Beckum (Münster district) 1960 Bensheim 1969 Bergheim (Erft) 1975 Bergisch Gladbach 1968 Bergneustadt 1959 Biberach (Riss) 1968 Bielefeld 1905 (1867) with sub-branches Betheleck Brackwede Heeper Strasse Herforder Strasse Jöllenbecker Strasse Sennestadt Sieker Stapenhorststrasse Wellensiek	Bietigheim-Bissingen 1975 Bingen 1968 Bocholt 1920 Bochum 1920 with sub-branches Ehrenfeld Hamme Laer Linden Stiepel Weitmar Bochum-Wattenscheid 1918 (1906) with sub-branch Höntrop Böblingen 1968 Bonn 1908 (1885) with sub-branches Bundeskanzlerplatz Markt Tannenbusch Bonn-Bad Godesberg 1959 with sub-branch Römerplatz Bonn-Beuel 1961 Bonn-Duisdorf 1960 Borken (Westphalia) 1960
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	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 Oeynhausien 1965 Bad Oldesloe 1961		

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## Many Commerzbank branch offices occupying new premises



Business growth constantly requires the modernization and extension of existing facilities, especially as a result of the introduction of integrated customer advisory services. Frequently, a move to more spacious offices becomes necessary.

A few examples of branch offices that have moved to new premises:

top left:  
Bad Salzuflen  
(North Rhine-Westphalia)

top right:  
Schorndorf  
(Baden-Württemberg)

bottom left:  
Delmenhorst  
(Lower Saxony)



Botrop 1959	Coesfeld 1961	Am Hauptbahnhof Brehmplatz	Emsdetten 1970
Brake 1976	Cologne: see under Köln	Dorotheenplatz Eller	Enger 1967
Braunschweig 1929 (1853) with sub-branches Am Hauptbahnhof Celler Strasse Dankwardstrasse Jasperallee Radeklint	Cuxhaven 1921	Friedrichstrasse Garath Gerresheim Golzheim Grafenberger Allee Heerd	Ennepetal 1965
Bremen 1920 with sub-branches Dobben Findorff Gröpelingen Hemelingen Huchting Neustadt Schwachhausen Steintor West Woltmershausen	Dachau 1968 with paying office MAN-Allach	Heinrichstrasse Holthausen Kaiserswerth Karolingerplatz Königsallee Nordstrasse Oberbilk Oberkassel Rath	Erkelenz 1967
Bremen-Vegesack 1954	Darmstadt 1957 with sub-branches Arheilgen Karlstrasse	Reisholzer Strasse Schadowstrasse Unterrath Wersten Worringer Platz	Erlangen 1972
Bremerhaven 1956 with sub-branches Geestemünde Lehe	Delmenhorst 1954	Düsseldorf-Benrath 1968	Eschborn 1975
Bremervörde 1961	Detmold 1961	Duisburg 1909 (1883) with sub-branches Hochfeld Lutherplatz Marxloh Meiderich Wanheimerort	Eschwege 1908 (1830)
Bruchsal 1968	Diepholz 1968	Duisburg-Hamborn 1958	Eschweiler 1968
Brühl (Cologne district) 1969	Diez (Lahn) 1967	Duisburg-Homberg 1969	Essen 1907 (1898) with sub-branches Altenessen Borbeck Bredeney Essen-Süd Essen-West Holsterhausen Kupferdreh Rüttenscheid Steele Viehofer Platz Wasserturm
Brunsbüttel 1962	Dillenburg 1961	Duisburg-Rheinhausen 1961	Esslingen 1965
Bückeberg 1954 (1856)	Dinslaken 1965 (1921)	Duisburg-Ruhrort 1960	Ettlingen 1967
Bünde 1961	Dissen (Teutob. Forest) 1975	Duisburg-Walsum 1965 (1954)	Euskirchen 1960
Burgdorf 1970	Dormagen 1967	Eckernförde 1960	Fellbach (Württ.) 1960
Butzbach 1967	Dorsten 1964	Einbeck 1969	Flensburg 1955 with sub-branches Industriegebiet <i>(industrial estate)</i> Mürwik Norderstrasse Südermarkt
Buxtehude 1972	Dortmund 1904 (1878) with sub-branches Aplerbeck Brackel Hörde Hohe Strasse Hombuch Kaiserstrasse Königswall Mengede Münsterstrasse Ruhrallee	Eislingen 1975	Frankenthal (Palatinate) 1963
Celle 1961	Dreieich 1968	Elmshorn 1953	Frankfurt 1856 with sub-branches Adickesallee Alt-Bornheim Am Eschenheimer Tor Am Opernplatz Berliner Strasse Bockenheim
Cloppenburg 1961	Dülmen 1968	Emden 1920 with sub-branch Rathausplatz	
Coburg 1971	Düren 1959	Emmerich 1965 (1951) with paying-office Elten	
	Düsseldorf 1903 (1889) with sub-branches Am Hafen		

Bornheim	Gladbeck	Fuhlsbüttel	Heide (Holstein)
Dornbusch	1960	Gänsemarkt	1961
Flughafen ( <i>airport</i> )	Glinde	Geschäftsstadt Nord	Heidelberg
Galluswarte	1970	Grindelberg	1963
Hanauer Landstrasse	Glückstadt	Grossneumarkt	with sub-branches
Hauptwache	1968	Hamm	Innenstadt
Kaiserstrasse	Goch	Hammerbrook	Neuenheim
Oederweg	1967	Hoheluft	Heidenheim (Brenz)
Platz der Republik	Göppingen	Lokstedt	1954
Rödelheim	1959	Lurup	Heilbronn
Sachsenhausen	Göttingen	Messberg	1965
Schwanheim	1923 (1850)	Mittelweg	Heiligenhaus
Wächtersbacher	with sub-branches	Mundsburg	1959
Strasse	Eichendorffplatz	Neugraben	
Zeil	Weende	Osdorf	Helmstedt
Frankfurt-Höchst	Goslar	Osterstrasse	1951
1899	1929 (1907)	Othmarschen	with sub-branch
Frechen	Greven (Westphalia)	Rahlstedt	Gröpern
1960	1961	Rothenburgsort	
Freiburg (Breisgau)	Grevenbroich	St. Georg	Hemer
1960	1960	St. Pauli	1968
with sub-branch	Gross Gerau	Schnelsen	Hemmingen
Rathausgasse	1968	Uhlenhorst	1965
Friedberg (Hesse)	Gütersloh	Volksdorf	Hennef (Sieg)
1929	1965	Wandsbek	1966
Friedrichshafen	Gummersbach	Wilhelmsburg	Herford
1967	1919 (1870)	Winterhude	1920 (1873)
Fürth (Bavaria)	with sub-branch	and paying office	with sub-branches
1899 (1872)	Hindenburgstrasse	Grossmarkthalle	Alter Markt
with sub-branches		Hamburg-Altona	Mindener Strasse
Komotauer Strasse		1910 (1872)	
Waldstrasse		Hamburg-Bergedorf	Herne
Fulda	Haan (Rhineland)	1953	1958
1954	1967	Hamburg-Harburg	Herne-Wanne
Garbsen	Hagen	1922	1918 (1906)
1965	1900 (1858)	Hameln	with sub-branch
Garmisch-	with sub-branches	1960	Eickel
Partenkirchen	Haspe	Hamm (Westphalia)	Herten
1969	Mittelstrasse	1904	1961
Geesthacht	Wehringhausen	with sub-branch	Herten-Westerholt
1974	Haltern (Westphalia)	Marktplatz	1968
Geislingen (Steige)	1974	Hanau	Herzberg
1974	Halver	1909	1965
Gelsenkirchen	1959	with sub-branch	Herzogenrath
1918 (1906)	Hamburg	Grossauheim	1975
with sub-branches	1870	Hanover	Hilden
Am Stern	with sub-branches	1907 (1826)	1919
Erle	Altstadt	with sub-branches	Hildesheim
Horst	Am Hafen	Am Klagesmarkt	1929
Neustadt	Am Hafen	Am Kröpcke	with sub-branches
Gelsenkirchen-Buer	Barmbek	Am Küchengarten	Dammstrasse
1920	Billstedt	Am Steintor	Marienburger Platz
Gevelsberg	Blankenese	Buchholz	Zingel
1912	Bramfeld	Herrenhausen	Hockenheim
Giessen	Dehnhaide	Hildesheimer Strasse	1973
1906	Dehnhaide	Lister Meile	Hof (Saale)
Gifhorn	Eidelstedt	Misburg	1968
1961	Eilbek	Sallstrasse	Hofheim (Taunus)
	Eimsbüttel	Südstadt	1967
	Eppendorf	Vahrenheide	
	Esplanade	Vahrenwald	
	Freihafen ( <i>free port</i> )	Wülfel	

Hohenlimburg 1954 with sub-branch Elsey	Kaufbeuren 1967 with sub-branch Neugablonz	Korbach 1967	Löhne 1966
Holzminden 1923 (1884)	Kelkheim (Taunus) 1968	Krefeld 1905 (1859) with sub-branches Hochstrasse Ostwall Zentrum ( <i>downtown</i> )	Lörrach (Baden) 1962
Hoya (Weser) 1954 (1927)	Kempen (Lower Rhine) 1961	Krefeld-Hüls 1968	Lohne 1973
Husum 1959	Kempten 1973	Krefeld-Uerdingen 1959	Ludwigsburg 1958
Ibbenbüren 1971	Kettwig 1974	Kreuztal 1959	Ludwigshafen (Rhine) 1960
Idar-Oberstein 1963 with sub-branch Edelsteinbörse ( <i>jewelry exchange</i> )	Kiel 1905 with sub-branches Arndtplatz Exerzierplatz Gaarden Holtener Strasse Nord Holtener Strasse Süd Kirchhofallee Wellingdorf and paying office Schlachthof ( <i>slaughter-house</i> )	Kulmbach 1974	Lübbecke 1966
Idstein (Taunus) 1975	Kirchheim (Teck) 1968	Laatzen (Han.) 1965	Lübeck 1918 (1862) with sub-branches Am Schlachthof Buntekuh Fackenburger Allee Geniner Strasse Marli Travemünde and paying office Skandinavienkai
Ingelheim 1973	Kirn (Nahe) 1968	Lahn see Giessen and Wetzlar	Lüchow 1968 (1870)
Ingolstadt 1963 with sub-branch Hindenburgstrasse	Kleve 1918 (1889)	Lahr 1968	Lüdenscheid 1905 (1869) with paying office Brüninghausen
Iserlohn 1905 (1838) with sub-branch Schillerplatz	Koblenz 1961 with sub-branch Bahnhofsplatz	Landau (Palatinate) 1968	Lüdinghausen 1968
Iserlohn-Letmathe 1969	Köln ( <i>Cologne</i> ) 1907 (1869) with sub-branches Barbarossaplatz Braunfeld Chlodwigplatz Ehrenfeld Hohenzollernring Hohe Strasse Kalk Lindenthal Neumarkt Neusser Strasse Sülz Weidenpesch Zollstock	Landshut 1967	Lüneburg 1959
Itzehoe 1966	Köln-Mülheim 1962	Langen (Hesse) 1967	Lünen 1958
Jülich 1971	Königstein (Taunus) 1974	Langenfeld (Rhineland) 1962	Maintal-Dörnigheim 1973
Kaiserslautern 1961	Konstanz 1961 with sub-branch Petershausen	Langenhagen 1965	Mainz 1914 (1890) with sub-branches Am Dom Rheinallee
Kaltenkirchen 1970		Lauf 1976	Mainz-Kastel 1929 (1920)
Kamen 1962		Leer (East Friesland) 1962	Mannheim 1921 with sub-branches Käfertal Kaiserring Lindenhof Neckarau Neckarstadt Sandhofen Waldhof
Kamp-Lintfort 1967		Lehrte (Han.) 1961	Marburg (Lahn) 1906
Karlsruhe 1953 with sub-branches Am Mühlburger Tor Durlach Mühlburg		Leichlingen 1969	Marl-Hüls 1955
Kassel 1908 (1881) with sub-branches Bettenhausen Friedrich-Ebert-Strasse		Lemgo 1954	
		Lennestadt 1960	
		Leonberg 1965	
		Leverkusen 1958	
		Limburg (Lahn) 1957	
		Lingen (Ems) 1960	
		Lippstadt 1961	

Mayen 1954	Moosach Müllerstrasse	Northeim (Han.) 1960	Paderborn 1909 (1881)
Meerbusch-Büderich 1968	Nymphenburger Strasse	Nürnberg ( <i>Nuremberg</i> ) 1899 (1872)	Papenburg 1967
Meerbusch-Osterath 1969	Pasing Reichenbachplatz Riesenfeldstrasse	with sub-branches Friedrich-Ebert-Platz Gibitzenhof	Passau 1968
Memmingen 1969	Rosenheimer Platz Rotkreuzplatz	Königstrasse Landgrabenstrasse	Peine 1921 (1900)
Menden 1972	Schleissheimer Strasse Schwanthalerstrasse	Plärrer Schweinau	Pforzheim 1960
Meppen 1961	Sendlinger Strasse Thalkirchner Strasse Thomasiusplatz	Stresemannplatz	Pfungstadt 1969
Meschede 1971	Münster (Westphalia) 1919	Oberhausen 1918 (1896)	Pinneberg 1957
Mettmann 1962	with sub-branches Hammer Strasse Hansaring	with sub-branches Buschhausen Osterfeld	Pirmasens 1955 (1908)
Metzingen 1974	Warendorfer Strasse	Oberhausen-Sterkrade 1960	Plettenberg 1921
Minden 1968	Nettetal-Lobberich 1960	Obertshausen 1967	Pullach 1969
Mönchengladbach 1898 (1871)	Neuburg (Donau) 1976	Oberursel (Taunus) 1968	Quickborn (Holstein) 1975
with sub-branches Am Hauptbahnhof Headquarters Rheindahlen	Neuenkirchen (near Rheine) 1968	Oelde 1976	
Mönchengladbach-Rheydt 1905	Neuenrade 1967	Oer-Erkenschwick 1969	Radevormwald 1965
with sub-branches Friedrich-Ebert-Strasse Odenkirchen	Neu-Isenburg 1919	Offenbach (Main) 1904	Rastatt 1962
Moers 1959	Neumünster 1907	with sub-branches Sprendlinger Landstrasse Waldstrasse	Ratingen 1967
Monschau 1969	Neuss 1952	Offenburg 1968	Ratingen-Lintorf 1974
Mühdorf (Inn) 1968	with sub-branch Dreikönigenstrasse	Oldenburg (Oldb.) 1920	Ravensburg 1971
Mühlheim (Main) 1967	Neustadt (Holstein) 1974	with sub-branch Grossmarkt	Recklinghausen 1919 (1904)
Mülheim (Ruhr) 1918 (1889)	Neustadt (Weinstrasse) 1961	Olpe 1968	with sub-branch Recklinghausen-Süd
with sub-branch Speldorf	Neu-Ulm 1967	Olsberg-Bigge 1965	Rees 1965 (1962)
München ( <i>Munich</i> ) 1910 (1876)	Neuwied 1960	Opladen 1961	Regensburg 1965
with sub-branches Baldeplatz Berg-am-Laim Grosshadern Hauptbahnhof/ Marsstrasse Herkomerplatz Hohenzollernstrasse Ingolstädter Strasse Laim Leopoldstrasse Lerchenauer Strasse Lindwurmstrasse	Niebüll 1966	Osnabrück 1906	Reinbek (near Hamburg) 1959
	Nienburg (Weser) 1954 (1938)	with sub-branches Bramscher Strasse Johannisstrasse Lotter Strasse Schützenstrasse	Remscheid 1903 (1898)
	Norden 1966		with sub-branches Alleestrasse Handweiser Hasten
	Nordenham 1921 (1907)	Osterholz-Scharmbeck 1966	Remscheid-Lennep 1961
	Norderstedt 1962	Osterode (Harz) 1929 (1872)	Remscheid- Lüttringhausen 1961
	Nordhorn 1953		

Rendsburg 1960	Schwerte (Ruhr) 1959 (1928)	Trier 1959	Waldkraiburg 1971
Reutlingen 1954 (1930)	Schwetzingen 1969	Troisdorf 1965	Walsrode 1961
Rheda-Wiedenbrück 1959 with sub-branch Berliner Strasse	Siegburg 1960	Tübingen 1958	Wanne see Herne-Wanne
Rhede (near Bocholt) 1968	Siegen 1919	Tuttlingen 1975	Warburg 1917 (1896)
Rheine 1921	with sub-branches Eiserfeld Kaan-Marienborn Weidenau	Uelzen 1919	Wedel (Holstein) 1955
Rheinfelden 1975	Sindelfingen 1962	Uetersen (Holstein) 1961	Wegberg 1974
Rheydt see Mönchengladbach-Rheydt	Singen (Hohentwiel) 1967	Ulm (Danube) 1963	Weiden (Upp. Palat.) 1969
Rietberg 1968	Sinsheim 1969	Unna 1959	Weil (Rhine) 1970
Rosenheim 1972	Soest 1961	Unterföhring (near Munich) 1967	Weinheim (Bergstrasse) 1961
Rotenburg (Wümme) 1976	Solingen 1903 (1900) with sub-branch Höhscheid	Varel (Oldenburg) 1961	Werdohl 1923
Rottweil 1974	Solingen-Ohligs 1903 (1899)	Vechta 1961	Wermelskirchen 1909 (1893)
Rüdesheim 1968	Solingen-Wald 1960	Velbert 1919 (1880)	Wesel 1965 (1920)
Rüsselsheim 1965	Speyer 1975	Velbert-Langenberg 1953	Wesseling 1967
Saarburg (near Trier) 1967	Sprockhövel 1967	Verden (Aller) 1970	Westerland (Sylt) 1961
Salzgitter-Lebenstedt 1958	Stade 1954 (1920)	Versmold 1962	Wetter (Ruhr) 1970
St. Georgen 1976	Stadtallendorf 1967	Viernheim 1973	Wetter-Wengern (Ruhr) 1970
Sarstedt 1962	Steinhagen 1965	Viersen 1954	Wetzlar 1906
Schleswig 1962	Stolberg 1920	Viersen-Dülken 1968	Weyhe-Kirchweyhe 1954 (1923)
Schneverdingen 1970	Straubing 1966	VS-Schwenningen 1969	Weyhe-Leeste 1954 (1928)
Schöningen 1960	Stuttgart 1919 (1885) with sub-branches	VS-Villingen 1969	Wiehl (Cologne district) 1962
Schorndorf 1977	Degerloch Feuerbach	Vlotho 1969	Wiesbaden 1898 (1860) with sub-branches
Schwabach 1967	Hauptstätterstrasse Marienplatz	Voerde (Lower Rhine) 1965	Biebrich Bismarckring Bleichstrasse
Schwäbisch Gmünd 1968	Ostendplatz Rosenbergplatz Rotebühlplatz	Voerde-Friedrichsfeld 1965 (1959)	Kirchgasse Rheinstrasse Wilhelmstrasse
Schwalbach (Taunus) 1974	Schloss-Strasse Vaihingen a. F.	Wahlstedt 1973	Wildeshausen 1974
Schweinfurt 1963	Wangen Weilimdorf	Waldröhl 1968	Wilhelmshaven 1954 with sub-branch Gökerstrasse
Schwelm 1951	Zuffenhausen Stuttgart-Bad Cannstatt 1956		

Winsen (Luhe) 1970	Wuppertal 1911 (1754) with sub-branches
Wipperfürth 1975	Cronenberg Friedrich-Ebert-Strasse
Wissen (Sieg) 1967	Langerfeld Leimbach
Witten 1921 with sub-branches	Oberbarmen Ronsdorf Unterbarmen
Annen Herbede	Vohwinkel Wichlinghausen
Wolfenbüttel 1967	Wuppertal-Barmen 1867 (1810) with sub-branch
Wolfsburg 1958 with sub-branches	Werth
Detmerode Kästorf Tiergartenbreite	Xanten 1965
Worms 1928	Zirndorf 1970
Würselen 1969	
Würzburg 1961	Bonn Liaison Office: 124-132 Reuterstrasse (Bonn Centre) D-5300 Bonn
Wunstorf 1961	

## Foreign Branches

### Antwerp

Commerzbank Aktiengesellschaft  
Filiaal Antwerpen  
65 Frankrijklei  
B-2000 Antwerp (Belgium)  
(to be opened later in 1978)

### 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)

### 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**

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

with sub-branches:

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

**COMMERZBANK INTERNATIONAL S.A.**

11 Rue Notre-Dame, Luxembourg

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

**Associated Banks**

(Majority holdings)

**RHEINISCHE HYPOTHEKENBANK**

Frankfurt · Cologne · Mannheim

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  
IAC Building, 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: Arno Noellenburg  
123 Av. Rio Branco, conj. 706/707  
Caixa Postal 910-ZC-00  
20000 Rio de Janeiro-RJ (Brazil)

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, P.O. Box 325  
DK-1550 Copenhagen V (Denmark)

East Asia

Horst G. Ahrens  
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 Karimkhan 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)

Mexico, Central America

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)

South East Asia

Joint Representative Office Banco di Roma/  
Commerzbank AG/Crédit Lyonnais  
Commerzbank Repr.: Günter F. Strauch  
Tower 3902, DBS Building, 6 Shenton Way  
P.O. Box 3333  
Singapore 1 (Singapore)

Southern Africa

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

Hans-Gerd Göhmann  
Hotel Ukraina, Komn. 472  
Moscow (USSR)

Venezuela, Colombia, Caribbean Islands

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

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  
Europartenaies 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  
Sífida Société Internationale Financière  
pour les Investissements  
et le Développement en Afrique, Luxembourg  
Société de Gestion du Rominvest  
International Fund S.A., Luxembourg  
Société Européenne d'Édition  
et de Diffusion S.A., Luxembourg  
U.B.A.E. Union de Banques Arabes  
et Européennes S.A., Luxembourg/Frankfurt  
Wobaco Holding Company S.A., Luxembourg

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

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

Zaire

Société Financière de Développement  
–SOFIDE–, Kinshasa

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## The International Presence of the Europartners

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	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 in Europe

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The Europartners Overseas

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# The Europartners Overseas



Europartners in Europe" see overleaf



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# The Europartners in Europe

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

## BANCO DI ROMA

	Year-end, 1977 <sup>2)</sup>		Year-end, 1976		Change
Balance Sheet Total	Lire	15,353 billion	Lire	13,677 billion	12.3%
Deposits	Lire	11,133 billion	Lire	9,591 billion	16.1%
Capital and Reserves	Lire	277 billion	Lire	246 billion	12.6%
Branches		288		285	1.1%
Number of accounts		1,175,000		1,212,600	*)
Staff		13,044		12,960	0.6%

\*) not comparable

## BANCO HISPANO AMERICANO

	Year-end, 1977 <sup>2)</sup>		Year-end, 1976		Change
Balance Sheet Total	Ptas	731,884 million	Ptas	567,017 million	29.1%
Deposits	Ptas	657,956 million	Ptas	513,696 million	28.1%
Capital and Reserves	Ptas	40,831 million	Ptas	35,860 million	13.9%
Branches		1,086		877	23.8%
Number of accounts		2,766,000		2,420,000	14.3%
Staff		19,330		17,027	13.5%

## COMMERZBANK

	Year-end, 1977		Year-end, 1976		Change
Balance Sheet Total	DM	50,896 million	DM	42,090 million	20.9%
Deposits	DM	47,772 million	DM	39,334 million	21.5%
Capital and Reserves	DM	2,078 million	DM	1,781 million	16.7%
Branches		794		790	0.5%
Clients		2,107,000		2,074,000	1.6%
Staff		17,872		17,729	0.8%

## CREDIT LYONNAIS

	Year-end, 1977 <sup>2)</sup>		Year-end, 1976		Change
Balance Sheet Total	Ffrs	211,322 million	Ffrs	181,023 million	16.7%
Deposits	Ffrs	183,646 million	Ffrs	157,639 million	16.5%
Capital and Reserves	Ffrs	1,472 million <sup>3)</sup>	Ffrs	1,472 million	0.0%
Branches		2,424		2,440	-0.7%
Clients		3,660,000		3,638,000	0.6%
Staff		48,095		48,768	-1.4%

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

	Year-end, 1977		Year-end, 1976		Change
Balance Sheets Sum Total	DM	201,953 million	DM	171,195 million	18.0%
Deposits	DM	174,279 million	DM	146,678 million	18.8%
Capital and Reserves	DM	4,472 million	DM	3,971 million	12.6%
Branches		4,592		4,392	4.6%
Staff		98,341		96,484	1.9%

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

<sup>2)</sup> provisional figures;

<sup>3)</sup> before appropriation of profit;

<sup>4)</sup> conversion made according to the official Frankfurt middle rates of Dec 30, 1977:  
Ffr 1 = DM 0.449; Lire 100 = 0.2416; Ptas 100 = DM 2.607.

