

ZENTRALE ANLEIHEKASSE
VOLKSWIRTSCHAFT UND ÜBERSEAS-ARBEIT
HAUPTSTELLE BERLIN

Annual Report
1980



EUROPARTNERS

BANCO DI ROMA
BANCO HISPANO AMERICANO
COMMERZBANK
CREDIT LYONNAIS

COMMERZBANK

COMMERZBANK Highlights

Parent Bank

at year-end	1980	1979
Total assets	DM 64,701.9 m	DM 67,090.3 m
Total lending	DM 45,469.9 m	DM 44,660.1 m
Capital and reserves	DM 2,477.6 m	DM 2,477.6 m
Dividend paid per DM 50 nominal share	DM –	DM 8.50
Tax credit (in addition to cash dividend)	DM –	DM 4.78

Group¹⁾

in DM m. at year-end			in DM m. at year-end		
Assets	1980	1979	Liabilities and Shareholders' Equity	1980	1979
Cash reserves	3,157	3,549	Liabilities to banks	34,550	36,804
Cheques, collection items	313	307	Customers' deposits	39,767	39,941
Bills of exchange	1,618	1,621	a) demand deposits	(8,191)	(8,586)
Claims on banks	27,400	30,530	b) time deposits	(21,738)	(21,575)
Treasury bills	47	1,433	c) savings deposits	(9,838)	(9,780)
Bonds and notes	3,607	3,006	Bonds outstanding	20,820	18,658
Shares	659	692	Other liabilities	2,100	2,015
Loans and advances to customers	59,089	55,929	Capital and reserves ²⁾	2,774	2,726
a) at agreed periods of less than four years	(21,221)	(20,843)	a) share capital	(844)	(844)
b) at agreed periods of four years or more	(37,868)	(35,086)	b) reserves	(1,634)	(1,634)
Investments	803	738	c) reserve arising from consolidation ³⁾	(273)	(225)
Land and buildings	804	741	d) minority interests ⁴⁾	(23)	(23)
Other assets	2,532	1,753	Consolidated profit	18	155
Total Assets	100,029	100,299	Total Liabilities and Shareholders' Equity	100,029	100,299
Branches	880	885	Endorsement liabilities	2,367	1,849
Customers	2,523,400	2,489,200	Business volume	102,396	102,148
Staff	21,505	21,656	Guarantees	8,518	7,997

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

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

¹⁾ for complete Consolidated Annual Accounts see pages 88-91;

²⁾ 1980: DM 2,784 m (1979: DM 2,744 m) after allocation of funds decided upon at AGMs of consolidated companies;

³⁾ in accordance with Section 331 (1) 3 of the German Stock Corporation Act-AktG (cf. page 89);

⁴⁾ excluding attributable share of profits.

Annual Accounts and Report
for the Year 1980

COMMERZBANK 
A K T I E N G E S E L L S C H A F T

Head Offices

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Frankfurt 32-36 Neue Mainzer Strasse, D-6000 Frankfurt, Telephone (0611) 13621, Telex 4 152530
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All International Departments are in Frankfurt

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



STUTT GART

Commerzbank's 1981 Annual General Meeting has been convened to take place on May 6 at the Beethoven Hall of the Liederhalle in Stuttgart.

where shareholders will be informed of the Bank's performance in 1980 and of the prospects for 1981.

Among West Germany's larger cities, Stuttgart ranks high in terms of the number of branch offices operated there by Commerzbank.

Serving at the same time as the Bank's main branch for much of Württemberg, the Stuttgart branch attends to its customers through 14 offices in the city area.

To our shareholders

1980 was for Commerzbank the most difficult year of the whole post-war period. The many factors contributing to make it so are discussed in this Report. The most serious problem with regard to earnings lies in that part of our loan portfolio consisting of long-term loans against borrower's note to the public sector which, although of the finest possible credit ranking, are at comparatively low rates and thus do not yield any profit with interest rates at their present high levels.

We are the first to regret the indispensable step of a dividend omission and our every effort will be directed to restoring the Bank to a position in which it can resume an appropriate payment to its shareholders. This, however, does not depend on ourselves alone. The high interest rates, which already took their toll of our profits in 1980, rose even further during the first few months of the current year, accompanied by erratic fluctuations on all financial markets. The general conditions within which we operate have rarely been so difficult before—and this at a time when the economic outlook is one of problems scarcely precedented (see pages 11 to 32 of this Report).

Despite the adverse business context, we have since last autumn managed to improve our net interest position. Other positive factors are in our view both the continuing rise in net commission income and the success of our rationalization measures, which are at long last beginning to have their effect upon staffing costs. As a result, the Bank may be said to have turned the profitability corner—although it still has some considerable way to go. And even with interest rates persistently high, our earnings position will become gradually better in the medium term thanks to the maturing of low-yielding loans and securities.

Of our consolidated subsidiaries, Rheinische Hypothekenbank achieved a further increase in earnings in the year under review. Its profitability and a business volume of some DM 20 bn put it among the leading German mortgage banks.

The aims we have set out for the current decade are outlined in the chapter entitled "Our strategy for the eighties" on page 47 of this Report.

1981 will see a new chief executive take over at Commerzbank: we are most gratified to have persuaded Dr. Walter Seipp, a figure of strength with wide banking experience, to take the helm and become Chairman of our Board of Managing Directors.

The 1981 Annual General Meeting will take place in Stuttgart. This is in keeping with our tradition of each year holding it in another of the more important financial centres of West Germany so as to take account of the wide geographical distribution of our shareholders. The next two such meetings will be in Frankfurt (May 7, 1982) and Düsseldorf (May 10, 1983).

As is our custom we shall, as of June 30 and October 31, be publishing interim reports on our progress in the current year. It is our hope that in both we shall be able to confirm a further recovery in net interest income.

March 1981



Chairman
of the Supervisory Board



Spokesman
of the Board of Managing Directors

29th Annual General Meeting

29th Annual General Meeting

Notice is hereby given that the 29th Annual General Meeting of shareholders of Commerzbank AG will be held in the Beethoven-Saal of the Liederhalle, 1 Berliner Platz, Stuttgart,

**at 10.30 a.m.
on Wednesday, May 6, 1981.**

Agenda

**1
To consider
the Bank's established Annual Accounts,
the Report of its Board of Managing Directors,
and the Report of its Supervisory Board,
together with the
Consolidated Annual Accounts
and the Group Report
for the year ended December 31, 1980.**

**2
To approve the actions
of the Board of Managing Directors
during the financial year 1980.**

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

**3
To approve the actions
of the Supervisory Board
during the financial year 1980.**

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

**4
To elect Supplementary Members
to the Supervisory Board.**

The Supervisory Board proposes that Dr.-Ing. Hanns Arnt Vogels of Düsseldorf, Managing General Partner of Friedrich Flick Industrierwaltung KGaA, be elected to the Supervisory Board for its remaining term of office. Dr. Vogels was appointed to the Supervisory Board by the registry court on Sept. 1, 1980, to replace Mr. Paefgen.

The General Meeting is not bound to comply with election proposals. The Supervisory Board is constituted in accordance with Section 96 (1) and Section 101 (1) of the German Stock Corporation Act and Section 7 (1) 1, 3 of the German Codetermination Act.

**5
To appoint the Auditors
for the financial year 1981.**

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

Supervisory Board (Aufsichtsrat)

PAUL LICHTENBERG

Frankfurt/Düsseldorf

Chairman

until December 31, 1980

PROFESSOR

DR.-ING. DR. h. c. KURT HANSEN

Leverkusen

Chairman of the Supervisory Board

of Bayer AG

Chairman

since January 1, 1981

EWALD FAJKUS

Frankfurt

Commerzbank AG

Deputy Chairman

ARNO PAUL BÄUMER

Stuttgart

Chairman

of the Board of Managing Directors

of Allianz Lebensversicherungs-AG, and

Member of the Board of Managing Directors

of Allianz Versicherungs-AG

ROLF BECKMANN

Düsseldorf

Commerzbank AG

KARIN BEHRENS

Berlin

Berliner Commerzbank AG

MARIANNE BONCOURT

Hanover

Commerzbank AG

HEINZ-WERNER BUSCH

Oberhausen

Commerzbank AG

DR. ROLF DARMSTADT

Frankfurt

Commerzbank AG

JÜRGEN HAKER

Hamburg

Head of Sub-section

of Bank and Savings Bank Clerks

within German Union

of Salaried Employees (DAG)

HANS-GEORG JURKAT

Cologne

Commerzbank AG

DR. KARL-HEINZ KÜRTE

Oberhausen

Member of the Board of Managing Directors

of Thyssen AG

vorm. August Thyssen-Hütte, and

Chairman of the Board of Managing Directors

of Thyssen Niederrhein AG

Hütten- und Walzwerke

FRITZ LOSUKOW

Frankfurt

Commerzbank AG

GÜNTER MAX PAEFGEN

Düsseldorf

General Partner in Friedrich Flick KG

until August 31, 1980

HANS REINTGES

Frankfurt-Höchst

Member of the Board of Managing Directors

of Hoechst AG

WERNER RINKE

Essen

Barrister

Member of the Board of Managing Directors

of Rheinisch-Westfälisches Elektrizitätswerk AG

HONORARY SENATOR HUGO RUPF

Heidenheim (Brenz)

Chairman of the Supervisory Board

of J. M. Voith GmbH

TONI SCHMÜCKER

Wolfsburg

Chairman of the Board of Managing Directors

of Volkswagenwerk AG

DR.-ING. HANNS ARNT VOGELS

Düsseldorf

General Partner

in Friedrich Flick Industrieverwaltung KGaA

since September 1, 1980

HELMUT WEINERT

Frankfurt

Commerzbank AG

DR. GERD WOLLBURG

Augsburg

Deputy Chairman

of the Board of Managing Directors

of M.A.N. Maschinenfabrik

Augsburg-Nürnberg AG

Advisory Board (Verwaltungsbeirat)

- DR. HANS ALBERS
Ludwigshafen
Member of the Board of Managing Directors
of BASF AG
- KURT ALBERTS
Essen
Member of the Board of Managing Directors
of Karstadt AG
- DR. BURCKHARD BERGMANN
Essen
Deputy Member
of the Board of Managing Directors
of Ruhrgas AG
since January 1, 1981
- PROFESSOR
DIPL.-ING. WERNER BREITSCHWERDT
Stuttgart
Member of the Board of Managing Directors
of Daimler-Benz AG
- DR. FRIEDWART BRUCKHAUS
Wetzlar
Deputy Chairman
of the Board of Managing Directors
of Buderus AG
deceased on December 16, 1980
- DR.-ING. DR. RER. POL. KARLHEINZ BUND
Essen
Chairman of the Board of Managing Directors
of Ruhrkohle AG
- ROBERT DHOM
Königstein (Taunus)
since January 1, 1981
- MARTIN DIMPFLMAIER
Munich
Chairman of the Central Staff Council
of Commerzbank AG
- DR. MAX GÜNTHER
Munich
Member of the Board of Managing Directors
of Siemens AG
- DR. OSKAR JANSON
Oberhausen
Member of the Board of Managing Directors
of Thyssen Niederrhein AG
Hütten- und Walzwerke
- PROFESSOR DR. CARL HEINRICH KRAUCH
Marl
Chairman of the Board of Managing Directors
of Chemische Werke Hüls AG
since October 30, 1980
- HELMUT LORENZ-MEYER
Hamburg
General Partner in Theodor Wille
- DR. DIETRICH WILHELM von MENGES
Essen
Barrister
- DR. JÖRG MITTELSTEN SCHEID
Wuppertal
Lawyer
General Partner in Vorwerk + Co.
- PROFESSOR DR. KARL MÖNKEMEYER
Marl
Chairman of the Board of Managing Directors
of Chemische Werke Hüls AG, and
Member of the Board of Managing Directors
of VEBA AG
until June 30, 1980
- RUDOLF AUGUST OETKER
Bielefeld
Owner, Dr. August Oetker
- ERNST RIECHE
Königstein (Taunus)
- FRIEDRICH ROESCH
Cologne
Member of the Board of Managing Directors
of Kaufhof AG
- HONORARY SENATOR PROFESSOR
DR. h. c. HERBERT SCHELBERGER
Essen
Member of the Supervisory Board
of Ruhrgas AG
deceased on October 31, 1980
- DR.-ING. ALBRECHT SCHUMANN
Frankfurt
Chairman of the Board
of Managing Directors (retired)
of Hochtief AG vorm. Gebr. Helfmann
- HERIBERT WERHAHN
Neuss
Partner in Wilh. Werhahn
- DR. GÜNTER WINKELMANN
Mülheim (Ruhr)
Chairman of the Board of Managing Directors
of Stinnes AG, and
Member of the Board of Managing Directors
of VEBA AG

Board of Managing Directors (Vorstand)

DR. RUDOLF BEHRENBECK
Frankfurt
until May 31, 1980

DR. PETER DEUSS
Hamburg

ROBERT DHOM
Frankfurt
until December 31, 1980

ENGELBERT DICKEN
Frankfurt

DIETRICH-KURT FROWEIN
Frankfurt

DR. FRIEDRICH GRUNDMANN
Hamburg

DR. WOLFGANG JAHN
Düsseldorf

GÖTZ KNAPPERTSBUSCH
Düsseldorf

PAUL LICHTENBERG
Frankfurt/Düsseldorf
since January 1, 1981
(acting as interim member
according to Section 105 (2)
of the German Stock Corporation Act–AktG)

HEINZ NIEDERSTE-OSTHOLT
Düsseldorf

ARMIN RECKEL
Düsseldorf
until December 31, 1980

JÜRGEN REIMNITZ
Frankfurt

DR. WALTER SEIPP
Frankfurt
since March 1, 1981

DR. RABAN FREIHERR von SPIEGEL
Frankfurt

DR. JÜRGEN TERRAHE
Frankfurt

DR. ERICH COENEN
Düsseldorf
Deputy Member
since November 1, 1980

DR. KURT HOCHHEUSER
Frankfurt
Deputy Member

General Managers (Generalbevollmächtigte)
Chief Legal Adviser (Chefjustitiar)

General Managers

KLAAS-PETER JACOBS
New York

FRIEDHELM JOST
Frankfurt

KARL-HEINZ KINDT
Düsseldorf

ALFRED KNÖR
Frankfurt
since January 1, 1981

DR. HANS-VIKTOR KURZROCK
Düsseldorf

WOLFGANG OTTO
Frankfurt

HERBERT WOLF
Frankfurt

Chief Legal Adviser

DR. HELMUT BECKER
Frankfurt

Report of the Board of Managing Directors

World economy in throes of adjustment

The world economy is passing through a difficult phase. The dramatic leap in energy prices coupled with the painful redistribution of wealth this has entailed are delaying a return to adequate growth. At least, however, the conviction is steadily gaining ground in many countries that the solution to urgent structural problems lies in allowing market forces greater freedom to act rather than in more state intervention.

Political tensions

Even more than in previous years, the world was in 1980 overshadowed by political and social tensions. New discords developed while old ones stayed unresolved, and East-West relations became even cooler. The situation was further aggravated by bilateral disputes, and the war between Iran and Iraq brought the first armed clash in the immediate vicinity of the large oilfields.

Conflict of interests intensified

Against this background of a second oil price explosion, world economic growth in 1980 slowed down noticeably to a mere one per cent or so in real terms. At the same time, unemployment began to rise more quickly almost everywhere. And yet, the weighted average inflation rate for the industrialized countries accelerated to 13 per cent. Another effect of the soaring cost of energy was to accentuate the international trade and payments imbalances even further.

The conflict of aims at national level inherent in a simultaneous demand for price stability, full employment, and a balance of payments equilibrium were thus enhanced world-wide. Everywhere, excessive public-sector budget deficits inhibited a policy of steady expansion.

Less government—more free enterprise

In the Western industrialized countries, recent years have seen individual initiative repressed in a trend towards the welfare state. Now it would seem that the swing is in the other direction. It is in our view also gratifying that more importance is again being given to restoring price stability.

With intrepid vigour worthy of respect the British government has been the one most consistently to take arms against the deep-rooted inflation mentality.

The United States, too, has stepped up its fight against rising prices, following a period of zig-zagging in both its economic and, especially, its monetary policies. It is encouraging that President Reagan won the elections on his pledge—confirming a new trend—to remove the weight of government interference and once more to allow private enterprise a freer rein.

Interest rates hit new peaks

Particularly in the United States, tight money policies gave a further hefty boost to interest levels, which was reflected in the Euromarkets. The US prime rate reached new historical highs, at times topping 20 per cent. Western European countries could not fail to be affected by these sharp upward movements, with investors in some cases obtaining healthy real returns even at the longer end of the market.

East Asia and Pacific Basin gain weight internationally

The industrialized country with the best economic performance was Japan. A purposeful approach to energy problems coupled with a high capacity and willingness for innovation, as also a tradition of hard work and an excellent workforce morale, all played an important part in ensuring that the country's economic base remained sound despite its heavy dependence on imports. The yen's attractiveness to foreign capital consequently grew substantially, without the need for unduly high interest rates.

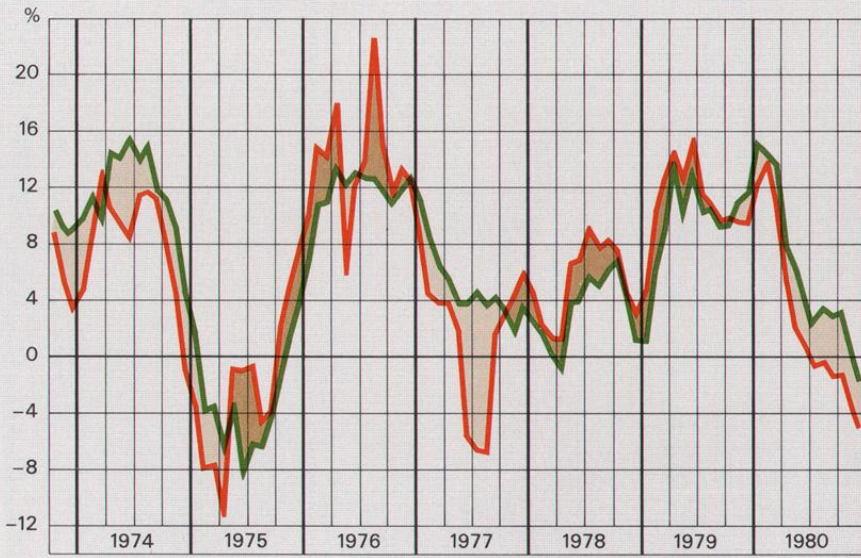
The increasing economic strength of the People's Republic of China as well as that of the newly industrialized countries around Japan have steadily enhanced East Asia's international importance, while the fact that both the US West Coast and Australia are currently enjoying favourable conditions for growth have boosted the economic potential of the Pacific Basin.

East Asia is therefore increasingly emerging as a third centre of world trade alongside North America and Western Europe. The role of the Comecon bloc, on the other hand, has to date been rather insignificant and all too often based on barter deals.

World problem No. 1 still energy supply

Partly due to slackening economic activity, there were no serious shortages in the world energy markets, yet once again the price of crude oil was on an annual average raised by a good two-thirds last year. This makes the ques-

West German economy: slowing down

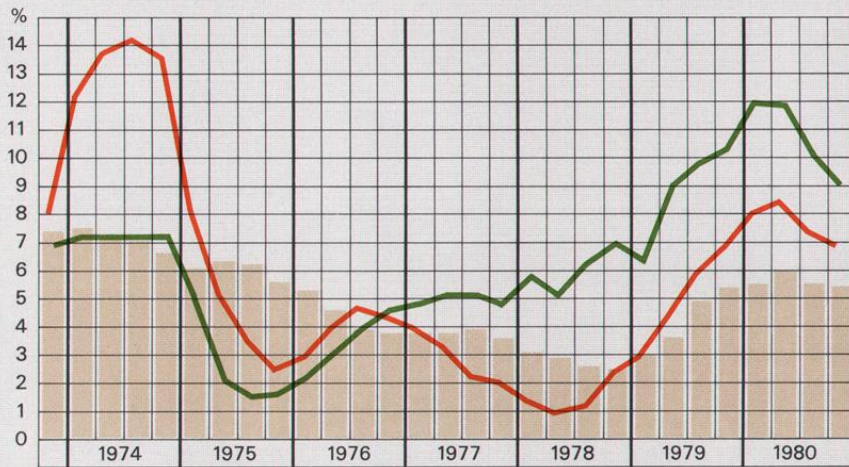


New orders and sales

Spring 1980 marked the start of a sharp fall-off in demand for industrial goods, with sales soon following suit. Exports, which had begun the year with a steep upturn, were especially hard hit. For a time, output was still bolstered by a healthy order backlog.

manufacturing industry:
(change on year)

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

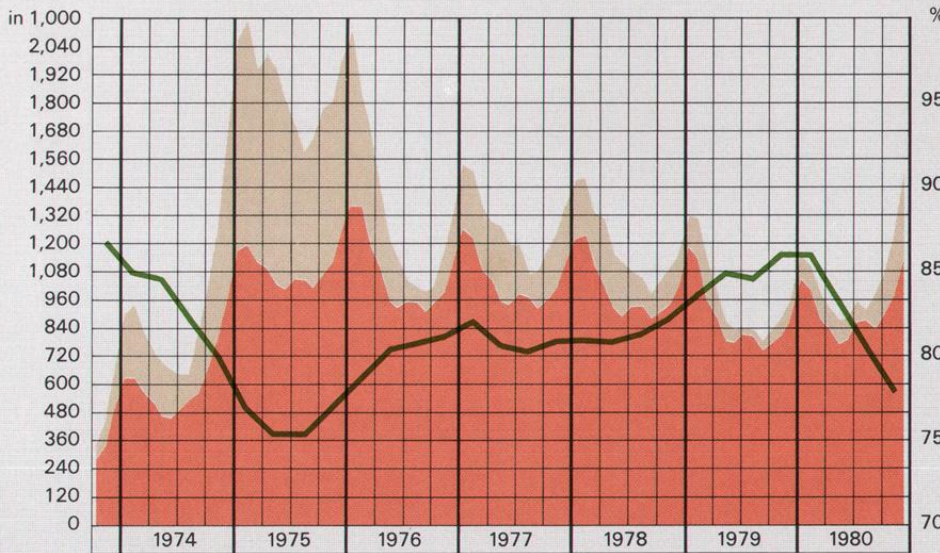


Price trends

Overall price performance took a turn for the worse in late autumn: reinforced by a weakening D-mark, rising import costs for a broad range of products, particularly oil, ended a mere six months of price stability. The increase in construction prices—well above the average—was the result of both excessive demand on contractors and the higher cost of land and building finance.

change on year:

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



Labour market

The economic slowdown once again quickly raised unemployment and short-time working during the second half of 1980. In terms of jobs, the pay-off of West Germany's five years of economic recovery from the 1974/75 recession had in any case been late in coming and, hence, rather brief: employment generally did not pick up until 1977 and in industry only in 1979.

- persons working short-time, in 1,000
- persons unemployed, in 1,000

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

tion of energy supplies the number one world problem not merely in terms of availability but also and just as much because of its repercussions on the international financial markets.

Less developed countries: hit twice
by higher oil price and borrowing costs

The current situation differs from the first oil crisis of 1973/74 in that the recent wave of price hikes hit many states at a time when they were already heavily in debt, and with much of it in the form of roll-over credits which have become extremely costly to service. The simultaneous increase in the price of energy and in borrowing costs puts a double handicap on the payments balances of those countries forced to meet their energy requirements through imports.

One consequence of this has been to render the North-South wealth differential an even more explosive issue. The burden placed on the Third World by the extra cost of oil in 1980 alone has been such as to eat up much of the development aid channelled there.

Moreover, as the current recession tightens its grip world-wide there is an ever-greater temptation to counter foreign competition with protectionist measures. These would above all hit the nearly industrialized countries which, in order to support their rapidly expanding populations, must keep stepping up exports.

A one-way redistribution process

The weakness of the economy which left its mark on either side of the Atlantic both last year and this can unquestionably be traced at least in part to previous bouts of excessive and hence inflationary demand. To a very great extent, however, it is also bound up with the massive shift of wealth and income in favour of the OPEC states, the less populous of which can only absorb these funds to a limited degree. The remaining unused purchasing power

makes for the accumulation of further, extremely high currency holdings by these countries.

In 1980 for the first time, OPEC's overall current account was in surplus by over US \$ 100 bn, and this year's figure should again be more or less of the same order, leaving the oil-importing countries as vulnerable as before. Some comfort may be derived from the fact that Saudi Arabia and a number of other influential oil-exporting countries are conscious of the risks to the world economy inherent in this situation and of their consequent responsibility.

**West Germany:
early alarms disregarded**

West Germany, too, is in the throes of a thorough-going adjustment. For too long the importance of energy problems was played down and the warning signs of the swiftly growing public-sector and current account deficits ignored. Even official bodies at first took these omens lightly.

In addition, broad sections of the general public refused to grasp the fact that a decision not to utilize nuclear power will necessarily mean noticeable sacrifices as regards the standard of living. And our political leaders must accept the reproach of having failed to put this inescapable alternative before the electorate either early enough or with sufficient clarity. Indeed, the trade unions often acted more consistently here. It is also regrettable that for years politicians baulked at facing the seriousness of the consequences for both the exchange rate and interest levels that so marked a deterioration in a country's external balance can have.

Their misjudgement has raised the price we now have to pay in terms of persistent inflation combined with a weaker D-mark. Thus German industry must today cope with excessive inter-

Performance of the German economy (change on year, in %)					
	1976	1977	1978	1979	1980 ¹⁾
Gross national product, nominal	+8.7	+6.7	+ 7.7	+ 8.5	+ 6.9
Gross national product, real	+5.3	+2.8	+ 3.6	+ 4.5	+ 1.8
Capital spending, nominal	+8.1	+7.4	+10.5	+15.6	+12.0
Disposable income, nominal	+5.8	+6.2	+ 6.6	+ 7.9	+ 7.3
Cost of living ²⁾	+4.3	+3.7	+ 2.7	+ 4.1	+ 5.5

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

est rate levels and sudden structural changes while the population at large, spoilt by years of growing prosperity, is forced to cut back on household budgets. And all this against the background of a slowing economy.

Sharp economic downturn

The slowdown of the German economy in 1980 set in sooner and was more pronounced than had been expected. As in most other countries, the main triggering factor was the renewed oil price hike which had the additional effect of damping export demand. The seventh post-war business cycle thus slumped without ever reaching its peak.

The chief depressant was consumer spending which took the full force of higher energy prices, without in 1980 any anodyne in the form of tax cuts to cushion the impact of progressive taxation. In all, private households' energy bills added up to some DM 77 bn, a fifth more than in 1979 and almost one-tenth of total private consumption, as against a mere 6 per cent or so in 1973.

Investment the mainstay

On the other hand capital spending, especially as regards the private sector, continued to run at a comparatively high level. The demand for capital goods was bolstered by comprehensive rationalization plans and measures intended to boost competitiveness, by the need to switch either to new forms of energy or to more sophisticated equipment, and by the relatively healthy financial position of many firms. Not until the final quarter of the year did the general economic slowdown impair industry's willingness to invest as well—a situation that contrasted sharply with inventories, where a very strong build-up during the first quarter soon gave way to de-stocking.

Exports continued to hold up better than might have been expected in view of the flagging business activity abroad.

GNP reaches DM 1,500 bn

Overall, the German economy marked time from the spring of 1980 onwards and later even slipped into recession. While gross national product still expanded from DM 1,404 bn to DM 1,502 bn in nominal terms, real growth was only 1.8 per cent, with the figures for the final quarter actually showing a year-on-year drop.

Differences between the various branches of industry became increasingly pronounced. Hardest hit were car manufacturers who, after several years of boom, had seen their sales fall off as early as 1979. The basic industries, too, soon had to cut back on output, while producers of consumer goods, who in any case had gained little from the upswing, were not long in sensing a noticeable worsening of the business climate. On the other hand, makers of capital goods, especially in the mechanical and electrical engineering sectors, have been benefiting from the fact that, unlike the 1974/75 recession, the current slowdown has not caught them with substantial surplus production capacities created during the preceding upturn and have consequently succeeded in maintaining satisfactorily working levels.

Industry faced with rapid adaptation

German industry today is faced with an even more urgent need for structural adaptation than in recent years. The high price of oil demands its more economical use, as also more intensive recourse to alternative energy sources, and the decline in its share of industry's total fuel consumption from a good 39 per cent in 1970 to about 30 per cent in 1980 may be regarded a notable, though by no means sufficient achievement. To further reduce the economy's dependence on oil will require above all a greater supply of nuclear and coal-generated power, which at current prices would involve the electricity companies in capital spending of DM 120 bn to DM 150 bn between now and 1990—an amount equivalent to about one-tenth of all new investment in equipment by the economy generally.

Opportunities for smaller companies

This offers small and medium-size companies the chance to use both their wealth of ideas and their innovative potential in the wide field of energy technology, and thus to keep abreast of changing market conditions and to develop new sales outlets. While a similar high degree of technological flexibility is also to be observed in other fields of manufacturing, it is all too often not yet matched by the necessary know-how in marketing and financial planning.

We view as positive the Federal Government's admission, in its 1981 annual report on the economy, that it is particularly the small and medium-size companies and professional firms who tend to be discouraged by administrative burdens and bureaucratic hindrances and that official regulations must take this into account.

Sustained capital erosion

A persisting cause of particular anxiety is the gradual erosion of the capital base of German companies. The fact that most of them still have sufficient liquid funds available must not be allowed to conceal that their capital backing in general is no longer adequate. Increased interest rates translating into high borrowing costs that have to be accorded a greater weight in overall financial planning have curbed the propensity to invest. In addition, corporate self-financing has been inhibited by the full taxation of fictitious profits resulting from inflation.

Even when there was an investment gap between 1974 and 1976, equity ratios continued to recede. While the average share of capital and reserves in German companies' total assets still amounted to 30 per cent in the second half of the sixties, this figure has now shrunk to 21 per cent. It is, therefore, hardly surprising that there was a marked rise in business failures even in the early stages of the current slowdown.

Labour market reversal

The labour market took a more pronounced turn for the worse in 1980 than would at first appear from the insignificant changes in statistical averages year-on-year. In fact, the second half of 1980 was marked by a resumption in the upward trend of both joblessness and short-time working, as also by a shrinking number of vacancies. None the less, skilled workers remained in demand.

For the first time since 1975, the number of foreigners employed in West Germany again topped the two million mark, and since more and more of their relatives joining them here are looking for jobs in this country, the stop on recruitment abroad implemented since 1973 did not really serve its purpose. The difficulties faced by the so-called "problem groups" have become even greater, with youth unemployment—which is growing particularly fast and being boosted by the rising number of school-leavers—giving especial cause for concern.

Meanwhile doubts are gathering as to the validity of the official statistics, since these also include jobless part-timers and those with either little hope of placement or actually unwilling to work. On the other hand, it must be admitted that the labour market's "hidden reserve" is frequently underestimated: 1980 after all saw just on half a million women who had temporarily given up their jobs returning to work.

Failure to grasp the energy nettle

Because the German economy had fairly soon recovered its equilibrium after the shock of the first oil price explosion, there was a general failure to appreciate the seriousness of the energy crisis—with disastrous results. Instead of rapidly developing domestic energy-generating potential, the authorities held up the building even of coal-fired power stations by dragging out approval procedures. No solution has so far been found to the question of nuclear waste disposal. Not until the second oil price hike of 1979/80 were steps taken to speed up the decision-making process, and convincing and feasible plans for meeting West Germany's future energy needs have still to be produced.

Instead, too, of thinking seriously of the morrow, politicians have often allowed themselves to be carried along on a wave of myopic objections to the use of nuclear energy. At home as well as abroad, many people have viewed the arguments surrounding the construction of a nuclear power station at Brokdorf near Hamburg somewhat askance.

Home-grown inflation of building costs

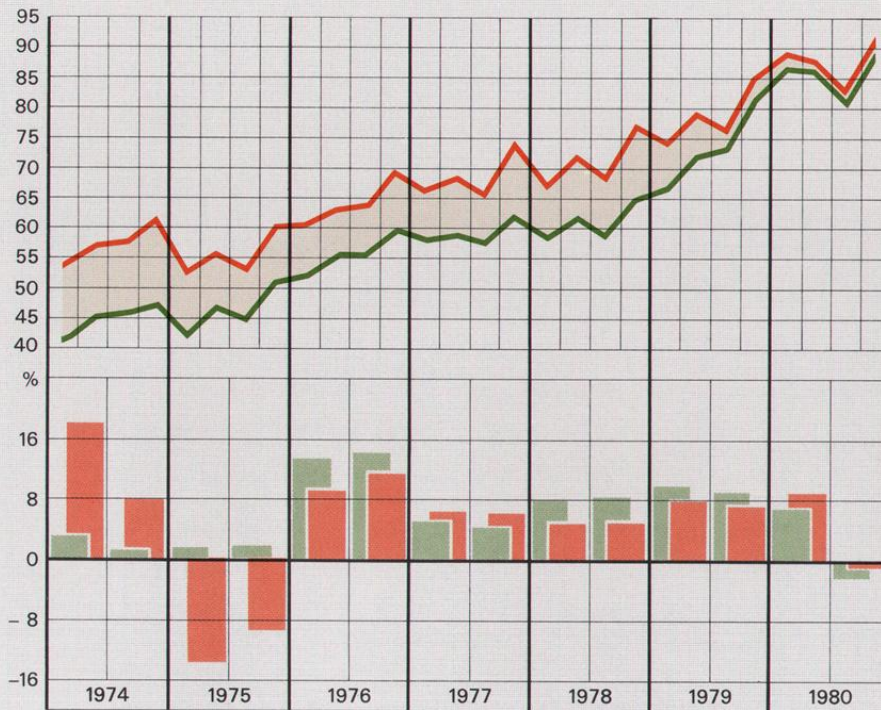
Although the progressive slowing down of the economy initially brought with it some slackening in the upward cost of living trend, the aim of greater price stability was again not achieved—the over 60 per cent hike in the 1979 D-mark price of crude oil, as well as the increased cost of other imports, eroded the value of money.

But inflated prices are not always the result of external factors and in the construction sector,

Performance of German industry (change on year, in %)					
	1976	1977	1978	1979	1980 ¹⁾
Output	+6.9	+2.7	+2.6	+5.4	-0.2
Employees	-2.6	-0.8	-0.7	+0.2	+0.7
Wages and salaries, per capita	+8.3	+6.7	+5.5	+6.5	+7.1
Productivity ²⁾	+8.6	+4.7	+3.3	+4.8	+0.5

¹⁾ provisional; ²⁾ output per man-hour, seasonally adjusted.

West German foreign trade: further deterioration of terms of trade



Exports and imports

Price increases made for a quick rise of the import bill.

quarterly figures:
(in DM bn)

- exports
- imports
- export surplus

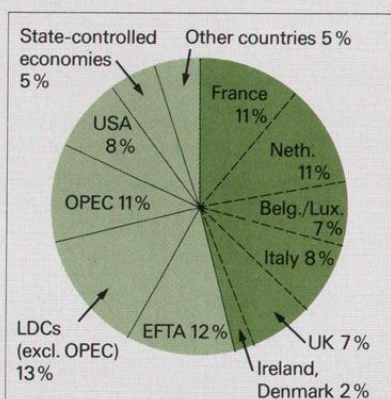
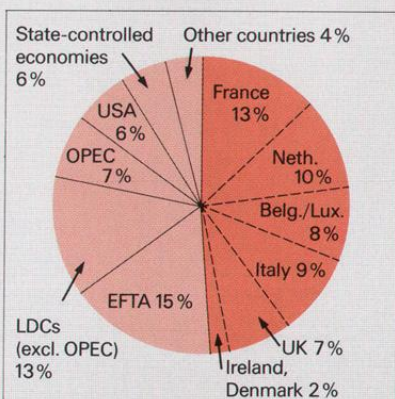
change on year, in real terms:
(half-yearly figures, in %)

- volume of exports
- volume of imports

Exports to	
EFTA	+ 19 %
OPEC	+ 19 %
Other EEC countries	+ 11 %
Less developed countries (excl. OPEC)	+ 9 %
USA	+ 3 %
State-controlled economies	+ 3 %
Other countries	+ 10 %

Imports from	
OPEC	+ 39 %
USA	+ 27 %
EFTA	+ 21 %
Less developed countries (excl. OPEC)	+ 17 %
Other EEC countries	+ 11 %
State-controlled economies	+ 9 %
Other countries	+ 20 %

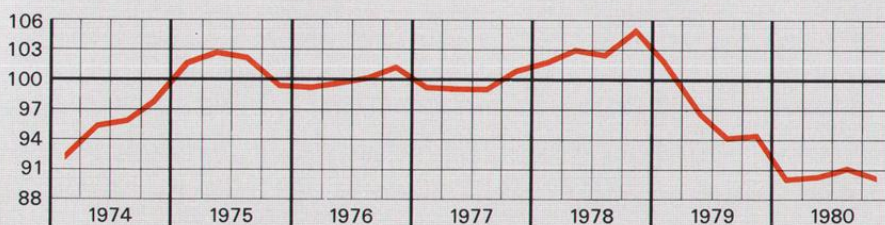
Changes in foreign trade, by region (1980 on 1979)



Regional breakdown of West Germany's foreign trade in 1980

Almost half of West Germany's overall foreign trade was with its EEC partners.

- exports to other EEC countries
- imports from other EEC countries



Terms of trade

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

in particular, the sharp rise in costs was purely home-made. Here soaring building and finance costs were accompanied by a jump in the price of land, the supply of which—especially for dwellings and in large conurbation areas—became too scarce to meet growing demand. Since after the severe slump in activity in the seventies contractors have tended to keep their workforces down, capacity shortages have intensified the cost push. This combined with high interest rates has made building or buying a home a more and more burdensome proposition and, in a growing number of cases, an unacceptable strain on the family budget.

New formulas for wage policies needed

The large-scale shift of wealth towards the OPEC countries has considerably reduced the scope for a redistribution of the national cake, and the previous rule of thumb that annual pay settlements should take account of inflation as well as of higher productivity must therefore be discarded. To date, however, German workers have always managed to boost their income in real terms, with the consequence that company profits never recovered sufficiently, even when business was prospering.

A revision of the theoretical basis for wage policies is more than overdue. With the country running a current account deficit, the best that wage and salary earners should hope for is to maintain their real income. Moreover, everyone should recognize that from now on pay settlements will have an even stronger bearing than before on overall employment levels since, with a smaller amount available for redistribution, the link between individual earnings and joblessness has become even closer.

No acceleration in merger rate

Thanks partly to the ever harder line being taken by the Federal Cartel Office, last year brought no further rise in the rate of corporate mergers. On the other hand, assistance from public funds ensured that the spate of company formations continued unabated.

1980 saw banks divesting themselves of some of their industrial holdings. Such transactions were effected with an eye to both the threat of legal restrictions and the obvious need for major profit realizations on securities in so difficult a banking year. The most spectacular event was the change in shareholders of Kaufhof AG affecting just on 50 per cent of its capital. Additional investment in German industry by the OPEC states was limited to isolated cases.

Need to reinforce industrial strength

The traditional recipe of demand steering is no longer a satisfactory answer to the structural problems facing West Germany. The deficit on current account indicates an imbalance between the demands made on the economy and the output actually achieved. This fundamental change in the overall situation calls for a radical reappraisal that places the emphasis on a lasting strengthening of industry's productive potential at the expense of both excessive government interference and exaggerated consumption levels.

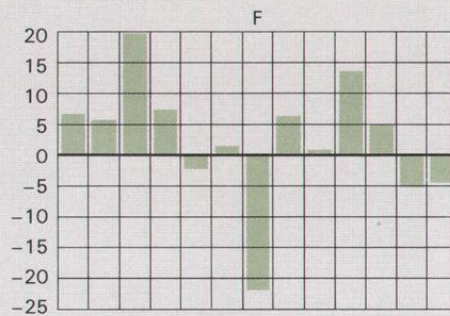
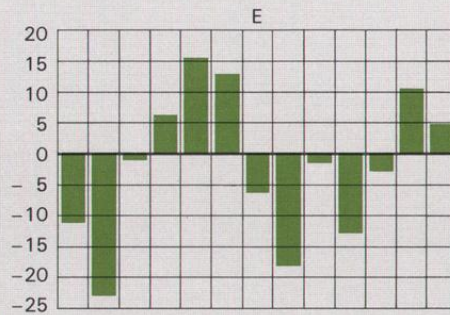
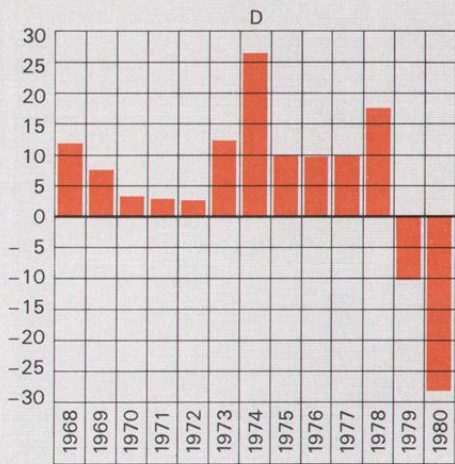
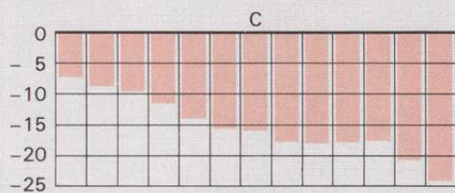
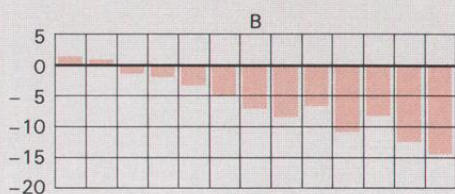
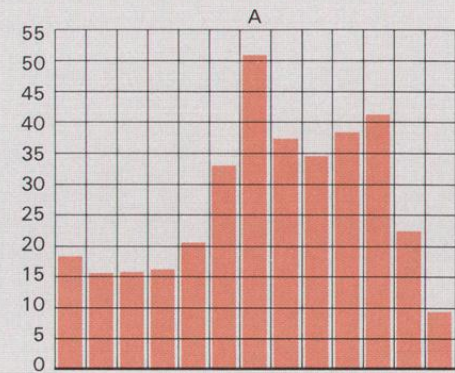
The global investment ratio—defined as gross fixed capital formation as a percentage of GNP—has in recent years staged a slight recovery from 21 to 23 per cent, but is still some two points below the level that accompanied the healthy economic performance of the sixties. In our view it is only through rationalized production methods and industrial innovation that West Germany will be able to work itself out of the vicious circle of a deficit both on current account and in the public-sector budget.

Further deterioration in external position

Both psychologically and because of its practical implications, the deficit on West Germany's overall external balance has become the central problem of economic policy. In 1980 for the second consecutive year, the country's traditional deficits on services and transfers were no longer covered by the visible trade surplus which shrank to a mere DM 9 bn. So low a level was last reached in 1966 when, however, the aggregate volume of German foreign trade was not even a quarter of today's figure.

Although the current account deficit, which in one short year almost tripled to reach DM 28 bn, can to some small extent also be explained by the economic downturn, it was none the less chiefly the result of a marked deterioration in the terms of trade. And no more than a gradual reduction may be hoped for as long as oil prices, the main factor in this structural shift, continue their upward trend. In fact, a temporary slight improvement in the terms of trade last year was rapidly wiped out by new oil price increases. The situation was further aggravated by the sustained keen competition from imports of semi-finished and finished products which came as a delayed effect of the D-mark's prolonged period of appreciation that lasted throughout the seventies.

West Germany's balance of payments in 1980: record deficit on current account



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)

The trade surplus was far from sufficient to cover the increasingly large customary deficits on services and transfers, resulting in an almost tripled deficit on current account.

The latter was financed almost entirely by drawing on the Bundesbank's monetary reserves. Outflows of private capital exceeded inflows.

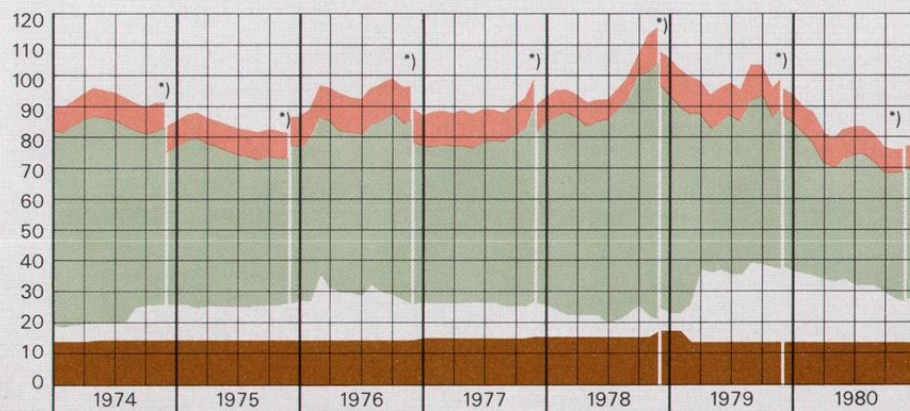
Travel expenditure (in DM bn)

	1970	1980
German expenditure abroad	10.2	37.8
Foreign expenditure in West Germany	4.9	11.9

Direct investments (in DM bn)

	end-1970	mid-1980
aggregate German investments abroad	21.1	70.8
incl.: in USA	1.8	14.5
aggregate foreign investments in West Germany	21.6	56.4
incl.: by USA	9.9	20.1

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)

- special drawing rights and reserve position with IMF
- US dollar reserves
- other monetary reserves**)
- gold

*) reassessment of monetary reserves

** as of March 1979, incl. claims of Bundesbank on European Monetary Cooperation Fund, resulting from transfers of gold and US dollar reserves.

Oil price only half to blame

Put simply, the serious worsening of the current account position may be reduced to three factors. Thus about half the negative swing of DM 46 bn in only two years—from a DM 18 bn surplus to a DM 28 bn deficit—is attributable to the oil price climb, the responsibility for the remainder lying more or less equally with higher industrial imports and with the invisible balance—i. e. increased expenditure on foreign services and a rise in unrequited transfer payments resulting from political commitments. We draw small comfort from the fact that the 1980 current account deficit did not represent quite so pronounced a slump as in 1979.

Soaring import costs

In line with the cooling down of the domestic economy, the rise in the volume of imports at 2.2 per cent was somewhat slower than that of exports at 4 per cent. In terms of their overall value, however, imports once again showed a much faster growth rate, despite the fact that the D-mark over the whole of 1980 still appreciated by an average of almost 2 per cent.

It must, however, be asked to what extent the declining export surpluses reflect the lessened competitiveness of German industry, since foreign producers were able to offer highly sophisticated goods—the traditional preserve of German manufacturers—at prices which undercut the latter even on the domestic market.

Exports to OPEC recover

As oil prices went up, so did the share of the OPEC states in total German imports—from 9 to

11 per cent. At the same time, there was a growing demand for German industrial products by these countries, raising their share of total German exports slightly to 6.5 per cent. Even so, this was not sufficient to make up for the lower demand from Western industrialized countries.

Over the past two years, West Germany's balance of trade with OPEC swung from surplus into deficit by an overall amount of close on DM 20 bn. A similar marked deterioration occurred in the exchange of goods with the Eastern bloc countries and the United States, though in the latter case partly due to the expansion of German production facilities there. The trade gap with both Japan and the non-European LDCs also widened drastically.

One ray of light in this rather gloomy picture stems from trade with both Italy and France, where higher export surpluses were achieved. It must be admitted, though, that the weakness of the D-mark was also a contributing factor.

Changes over past decade

In a mere ten years—from 1970 to 1980—West Germany's foreign trade deficit in the field of energy multiplied more than ten times to reach DM 63 bn. In the case of food, a remarkably rapid acceleration in exports meant that the import surplus only increased from DM 17 bn to DM 25 bn. Although the export surplus on finished products went up from DM 53 bn to DM 116 bn, the extra was not enough to cover the considerable shortfalls elsewhere. Consequently, West Germany's overall trade surplus slipped over the ten-year period to DM 9 bn from DM 16 bn, after having leapt to an all-time

Breakdown of West Germany's balance of payments (in DM m)				
	1977	1978	1979	1980
Current account ¹⁾	+ 9,800	+ 17,524	- 10,142	- 28,145
Long-term capital transactions	- 12,931	- 2,726	+ 10,447	+ 4,893
Basic balance	- 3,131	+ 14,798	+ 305	- 23,252
Short-term capital transactions of banking sector ²⁾	+ 8,120	+ 10,089	+ 4,328	- 9,691
Other short-term capital transactions ³⁾	+ 5,461	- 5,115	- 9,587	+ 5,049
Special factors ⁴⁾	- 7,880	- 7,586	- 2,334	+ 2,164
Official foreign exchange balance ⁵⁾	+ 2,570	+ 12,185	- 7,288	- 25,730

¹⁾ balances of trade, services, and transfer payments taken together; ²⁾ plus signs symbolize increases in net short-term foreign liabilities; ³⁾ including unclassifiable transactions; ⁴⁾ compensatory amounts for profits (+) and losses (-) resulting from reassessment of monetary reserves and allocation of IMF special drawing rights in 1979 and 1980; ⁵⁾ changes in Bundesbank's net external assets.

high of DM 51 bn in 1974. At the same time, however, the invisible balance sank even faster into deficit from DM 11 bn to DM 38.5 bn.

International division of labour
must include invisibles

Even so, the only possible path to recovery for the German current account is through visible trade. Export earnings, therefore, must regain their lead on import costs, which in the context of the present world economic scenario means stemming the growth of domestic purchasing power.

Protectionism, in any case, is not the answer in that it tends to be self-defeating. Nor can we accept—in principle or in practice—the occasionally mooted restrictions on services and transfers; the monitoring of such transactions alone would be absurd in its effects. But the main objection is that in order to safeguard the worldwide division of labour we feel obliged not to place any obstacles in the way of invisible transactions. The German deficit in this sector was swollen considerably in 1980 by yet another increase in tourist expenditure: Germans spent a total of DM 38 bn, more than any other nation, on travel abroad whilst foreign tourists visiting the Federal Republic brought in only DM 12 bn.

A decline in net capital earnings and higher unrequited transfers to international institutions were a further drain on the current account.

Heavy public-sector borrowing abroad ...

Ideally, the deficit on current account should have been covered by capital imports, but in 1980 both German interest rates and the D-mark proved too unattractive for this to be so. Neither could the traditional recipe of a devaluation be applied—partly with an eye to the European Monetary System but mainly for fear of a further rise in import costs which would not only fuel inflation but was likely, by worsening the terms of trade, to aggravate even more the already serious external trade predicament. At the same time, the D-mark's special role as an investment and reserve currency had to be given due consideration.

The Bundesbank did in fact try to keep interest rates high enough to provide German investors with a respectable return in real terms. But since foreign investors tend to be guided only

by nominal rates and exchange rate factors, they found far more promising prospects elsewhere, particularly in dollar or sterling bonds. The end result was a substantial (DM 14 bn) net outflow of private long-term capital. Foreign borrowing by the public sector, on the other hand, increased to an overall DM 21 bn, due both to Bonn's directly raising funds in the oil-exporting countries and to the placing abroad of official borrower's notes by the German banks. However, about DM 1.5 bn of the sum shown as imported capital is statistically accounted for by remissions of LDC debts.

... but reversal in flow of private capital

The three main components of private long-term capital exports are direct and portfolio investment and bank lending. At almost DM 6 bn, capital spending abroad by German firms in 1980 once again outstripped that by foreign companies in the Federal Republic, thus confirming a six-year trend. Portfolio investment, by contrast, which had generated net imports in 1979, underwent a sharp reversal to register the highest net outflow in eleven years. Moreover, whereas in 1979 longer-term bank lending had brought in a net DM 17 bn, the relevant figures for last year were more or less even.

On the short-term capital front, corporate borrowing abroad in the form of DM 13 bn worth of financial credits made for a substantial inflow. But this was more than offset by a DM 5 bn net increase in trade finance granted by German companies plus approximately DM 10 bn of short-term capital exports by banks.

When unclassifiable transactions are allowed for, the overall capital account merely balanced out. The funds that—often unwanted—had moved into West Germany while the country was enjoying payments surpluses were now, when they could usefully have covered the current account deficit, largely absent. To redress the balance, the Bundesbank was thus forced to draw on its currency reserves by intervening in the market.

Reserves show steep fall

The effect of this was to eat away DM 26 bn of the nation's foreign exchange reserves, reducing the figure shown by the Bundesbank at the start of 1980 by more than a quarter. However, substantial hidden reserves are incorporated in the Bundesbank's gold holdings in that these,

on the basis of an average price of DM 144/oz and excluding the gold temporarily deposited with the European Monetary Cooperation Fund, have for years been shown at a book value of just on DM 14 bn. The same applies to the official dollar reserves which are put at a mere DM 42 bn, having been assessed at the lower of cost or market and converted at the end-1979 rate of DM 1.73 to the dollar, the lowest-ever per end of year.

Public-sector indebtedness an urgent problem

West Germany's external deficit is obviously at least in part connected with the debilitated state of public-sector finances which in 1980 plunged even deeper into the red. Once again there was a yawning gap between what was desirable and what was feasible in fiscal policy, making impossible those first steps towards restoring public financial health that should have been taken when the economy was still in better shape. In the event, the overall public-sector budget deficit overshoot the initial figure by a good 10 per cent, mainly as a result of over-spending at both regional and local level.

This year, too, any plans to set public-sector finances on the road to recovery will have to be further postponed because of flagging business activity. As a result, government indebtedness will by the summer top DM 500 bn—or more than DM 8,000 per head of the population, as against only DM 3,000 at end-1974.

High capital imports by Federal Government

In 1980, the Federal Government borrowed a net amount of about DM 20 bn abroad, thus covering over two-thirds of its total requirements (cf. page 20). Whilst such recourse to foreign sources has been an essential factor in

balancing the country's capital account, it must not be allowed to become a permanent feature, if only because of the less developed countries' need for longer-term funds.

Past omissions

Excessive borrowing over the last few years has increasingly limited the room for fiscal manoeuvre, so that even with the high amount of new debt, the potential stimulating effects of budgetary policies are being more and more curtailed. Already this year, some 60 per cent of overall net borrowing by the Federal Government will be eaten up by interest payments.

Our country is today paying the price for the fact that even during boom periods the public authorities ran deeper and deeper into debt and are now finding that the powder in their financial kegs is running dry just when it is needed.

The dejection this causes is not lessened when we come to weigh up the success of pump priming to date: 17 such programmes implemented since 1974 and involving a total expenditure of more than DM 60 bn have failed to attain the desired results.

Now more than ever do we consider the old remedy of deficit spending to be inappropriate and even dangerous, as what we are seeing today is not the customary periodic fall-off in economic activity. Instead we are witnessing radical changes in the international division of labour that demand government restraint in both taxation and borrowing, so as to leave industry greater scope for capital spending.

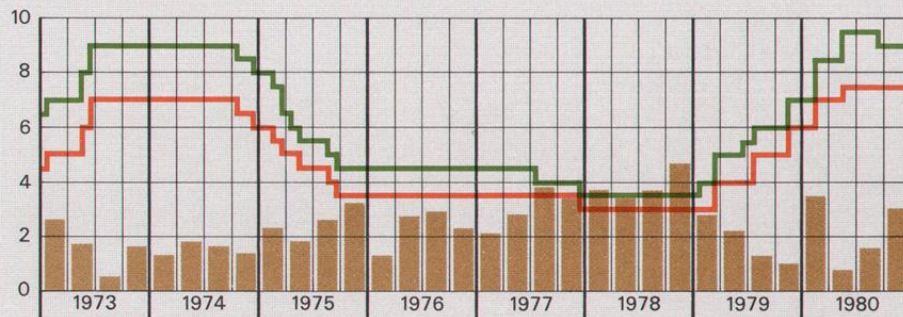
Fiscal policy needs revamping

The need to adjust to this new situation calls for a basic reappraisal of government financial policy. The Federal Republic has already reached a stage where 60 per cent of its national income

Public-sector budget deficits or surpluses (in DM bn)					
	1976	1977	1978	1979	1980 ^{e)}
Federal Government ¹⁾	-28.5	-21.7	-25.6	-26.7	-29
Länder governments	-15.3	-9.1	-12.3	-14.7	-22
Municipal authorities	-3.8	-2.2	-2.0	-4.7	-4
Total ²⁾	-47.6	-33.0	-39.9	-46.1	-55
Public pension funds	-6.0	-9.6	-5.8	-1.5	+2

¹⁾ including Equalization of Burdens Fund and ERP Special Fund; ²⁾ official financial statistics; ^{e)} estimated.

German financial markets: external factors have strong impact



Short-term monetary policies

In early May, the Bundesbank raised the discount and lombard rates, which thus again reached their record levels of spring 1970.

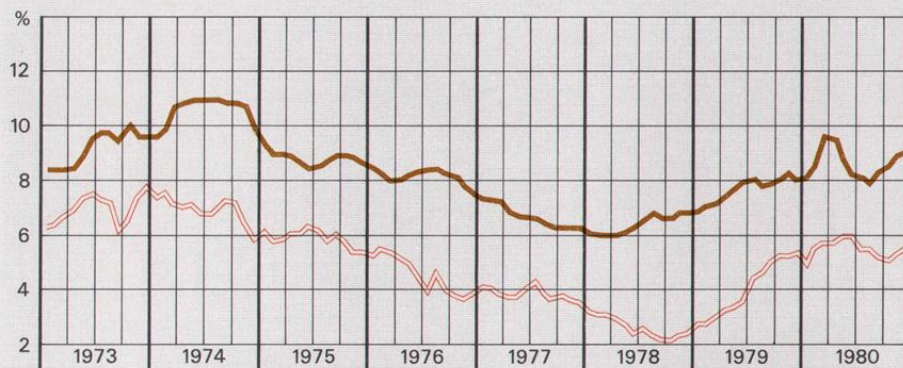
— discount rate (in %)
— lombard rate (in %)
■ growth in central bank money stock (seasonally adjusted, in DM bn)



Money markets

The higher cost of central bank borrowing and the massive drain on liquidity through currency outflows at times pushed money market interest rates up into two figures.

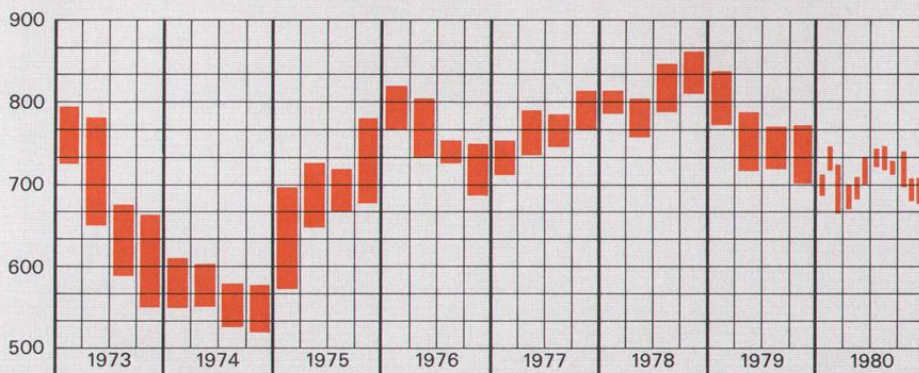
quarterly averages:
■ call money (in %)
■ three-month deposits (in %)
— free liquidity reserves (in DM bn)



Long-term bond yields and cost of living

Both the current account deficit and capital outflows resulted in German bond yields closely following the ups and downs of interest on dollar bonds. With the temporary slowdown in German inflation, investors for a time were left with a nearly 4 per cent real return.

— average current yield of domestic bonds
— increase in cost of living



Stock market

With German financial markets under monetary strain, prospects for holders of domestic shares remained dim, while most of the leading stock exchanges abroad offered excellent chances for price gains.

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

is channelled through government and social security coffers. While the planned limitation to prodigal spending, mostly to be achieved by reducing subsidies, will indeed tackle the problem on the expense side, it will unfortunately mainly curb such investments as are on principle desired, whilst leaving bloated public consumption unaffected.

Even in the medium-term, the Federal Government's financial planning provides for cutbacks in expenditure designed to promote growth and secure energy supplies. This is the negative side of the high outgoings on welfare and public-sector staffing that already swallow half the Federal budget. It should not be forgotten that, in contrast to the situation in the private sector, the number of public-sector employees has grown by a full million over the last decade.

But state capitalism kept at bay

There is still one bright spot in this rather gloomy picture, namely that state capitalism such as exists in neighbouring countries has failed to gain a foothold in the Federal Republic. Apart from the special case of the German railways, no enterprise is kept alive artificially on taxpayers' money—as is, against all economic reason, often enough the case abroad.

Heavy burden of social security

It is not merely the present weakness of the German economy that is detrimentally affecting the financial situation of the public pension insurance funds. Even greater is the long-term burden imposed by a growing life expectancy combined with a shortening working life. To this must be added the problems presented by the reform of the statutory pension scheme as regards payments to surviving spouses, which the Federal German Constitutional Court has stipulated must be completed by 1984, and which cannot but involve either further increases in contributions or a drastic pruning of benefits.

Walking a monetary tightrope

Once again left in the lurch by the Government while at the same time faced with the possibility of further excessive pay awards, the Bundesbank found itself compelled to shoulder the entire burden of combating undesired economic trends. This it did with due allowance for West Germany's changed external position which demanded that interest rates be kept as high as possible so as to stem currency outflows. To date this aspect has had to be accorded first priority in monetary policy, regardless of protests that the high cost of money could generate severe stagflation.

The Bundesbank was confronted with three main tasks in 1980, namely to keep down domestic price rises and to finance the current account deficit by attracting foreign capital with high interest rates, while simultaneously, so as not to jeopardize these two aims, maintaining foreign confidence in the D-mark.

Despite the central bank's tight money policy, which kept short-term interest rates almost constantly above lombard level, its efforts were only moderately successful. Hence although the German inflation rate remained low by international standards, the D-mark came repeatedly under pressure on the foreign exchange markets and, measured in terms of living costs, suffered a "real depreciation" of about 10 per cent over the year, while the current account deficit had to be funded almost entirely by drawing on the country's monetary reserves (cf. page 21).

Compensating injections of liquidity

In view of the drain on liquidity caused by the large currency outflows in 1980, the Bundesbank on several occasions saw fit to provide the banks with additional funds in compensation. Thus the rediscount quotas were increased in three stages by a total of DM 10 bn while the minimum reserve ratios were lowered in two steps by about the same amount, a policy which the central bank resumed in early 1981. Moreover, having closed the lombard window to a mere chink in September 1979, it threw it wide open again only six months later—although with the reservation that this means of recourse should not be misused by constant borrowing. And indeed, in February 1981, the regular lombard facility was suspended "for the time being". Instead, the Bundesbank at its own discretion has since several times offered the banks special lombard funds in order to avoid extreme fluctuations in the money market.

The central bank, whose intentions in previous years had often been thwarted by currency inflows fuelling most of the expansion in the money supply, managed to keep monetary growth almost fully under control in 1980.

Interest policy lags behind

Yet again, this firm hand on the liquidity tiller contrasted with an irresolute attitude as regards key interest rates which tended merely to confirm the existing market situation. True the pressure generated by the international interest race did lead the Bundesbank finally to raise the discount and lombard rates in two stages to a peak of 7.5 and 9.5 per cent, respectively, thereby matching the postwar record level of spring 1970 which was, however, maintained for only four months. This time the unusually wide two-point differential between both central bank rates was maintained for nearly five months.

Costly minimum reserves

The commercial banks were in 1980 obliged to have considerable recourse to the Bundesbank in order to fulfil their minimum reserve requirements. This meant that on average over the year, DM 50 bn had to be kept interest-free with the central bank while an almost equivalent sum had to be borrowed at high cost—a direct loss in interest earned of some DM 4 bn for the banking system. Since this may well be regarded as a special impost on the industry, a further cut in the minimum reserve ratios would seem to be called for.

Pragmatic control of money supply

The Bundesbank succeeded in keeping monetary growth on target for the second year running and, at 5 per cent, it was even close to the floor line of the adopted band during the fourth quarter.

For 1981 for the third time, a target range—between 4 and 7 per cent against last year's 5 to 8 per cent—has been chosen, with the reduction not to be seen as pointing to a more restrictive course. In our view such a band, which permits the central bank to utilize its monetary instruments flexibly in line with economic trends, is a sensible and pragmatic approach able to cope more adequately with the realities of the situation than the fixed-point goal advocated by orthodox monetarists.

After all, each of the past six years for which money supply growth targets were adopted as guidelines within the overall monetary concept have gone to show how difficult it is to forecast trends for the different money aggregates. External factors, variations in the velocity of funds in circulation—to no small extent reflecting fluctuations in interest rates—and sudden changes in cash holdings can all have a disturbing effect. The Bundesbank, incidentally, may find justification for its longer-term approach to steering monetary growth in the disheartening experience of the USA, where the attempt to keep a tight rein on the money supply over the short term has led to frustratingly sharp interest rate fluctuations.

New instruments prove their worth

The Bundesbank began to refine the tools at its disposal as far back as 1979, with the result that it can now react very quickly to counter undesired situations of excessive strain or ease on the money market, either by channelling central bank funds to it or by siphoning them off over a period that may vary from a few days to several months. With the sometimes massive scale of currency intervention needed and the rapidity with which changes occur on the international financial markets, foreign exchange operations under swap and repurchase agreements have proved the most effective way of compensating transfrontier movements of funds. The buying of securities under repurchase agreements by the central bank, which last year furnished the German banks with an additional DM 6 bn of liquidity, has also become an established practice which, given the banks' high securities holdings, could be put to even greater use.

Short-term cost more than long-term funds

In contrast to former years, when comprehensive open-market transactions were also effected in longer-term securities, the Bundesbank now largely confines its measures of liquidity policy to the money market: it is only the shorter end of the latter that is directly influenced by repurchase deals, since the customary period for them is thirty days, fifty days being the longest offered—in February 1981—to date. Although this may have reinforced the impression of a market split according to length of maturity, it was certainly not the central bank's intention to make the short-term funds the banks had to obtain so much dearer than the long-term deposits placed with them at interest rates closely following those of the capital market.

Money market rates tripled

The facts speak for themselves: the average cost of call money in 1980 was more than 9 per cent, as against 3 per cent at the beginning of 1979 when the last period of low interest rates was drawing to an end. Rates for time deposits soared almost in parallel. On the other hand, interest on savings deposits at statutory notice did not even double over the same span. This meant that the traditionally more savings-oriented thrift institutions were at a definite advantage in funding their lending over the commercial banks who are forced to have more recourse to the money market.

Although this was not the first time such a situation had developed—the last being in 1973—so long a period of high rates with an inverted interest structure was unprecedented. Since September 1979, short-term money has almost continuously been more expensive than long-term capital, depressing the interest margins of all those institutions involved in the traditional task of a commercial bank of making available for longer-term loans funds borrowed at rather shorter terms.

Lending loses impetus

These distortions of the competitive structure of the banking industry could not fail to affect lending business in that they enabled the thrift institutions aggressively to undercut the banks on their loan terms. This is one reason why the interest charged on current-account overdrafts of less than DM 1 million could "only" be raised to 12 per cent or so on annual average, compared with slightly over 7 per cent in early 1979. It would undoubtedly have been more in line with overall monetary strategies had the squeeze been reflected in credit costs to a greater degree.

Overall, advances to domestic non-banks were up by DM 126.5 bn to DM 1,409 bn during 1980, as against DM 145 bn in 1979, the highest annual growth figure to date. However, with the economy moving into ever lower gear, demand for funds became noticeably more inhibited. Whereas the first half of the year still saw some acceleration in non-bank borrowing despite the rise in interest rates and the fact that substantial amounts were taken up in the Euromarkets, there was a marked slackening during the summer, followed by a recovery towards the end of the year.

Commercial banks handicapped

As already in 1979, the share in overall credit expansion varied from one category of bank to another. Once again savings banks and credit cooperatives, favoured by the lower interest rates they could afford to offer, managed to boost their lending considerably. The commercial banks, on the other hand, had to exercise more restraint, as money market rates at times moved into double digits with costs for raising funds at longer terms not far behind. Accordingly, their share of the domestic credit volume has slipped to below 21 per cent, compared with 22 per cent only two years ago; these figures do, of course, not allow for the sharp rise in their customers' Euromarket borrowing.

High corporate borrowing on Euromarkets

With Euro-D-mark loans available at as much as two percentage points below German domestic rates, many companies rushed to raise short-term funds abroad, thus pushing the total amount of such indebtedness up by a good 60 per cent within a mere twelve months. While most of this business was channelled through the Luxembourg subsidiaries of the German banks, some of it was also handled by their foreign branches.

German domestic bank lending						
	at short and medium term			at long term (4 years or more)		
	1979 on 1978 in DM bn	1980 on 1979 in DM bn	1980 on 1979 in %	1979 on 1978 in DM bn	1980 on 1979 in DM bn	1980 on 1979 in %
Bank lending ¹⁾ to:						
Trade and industry, private individuals ²⁾	+42.0	+38.2	+11	+71.7	+61.7	+9
Public authorities	+4.4	+4.2	+12	+27.1	+22.3	+10
Domestic non-banks, total	+46.4	+42.4	+11	+98.8	+84.0	+9

¹⁾ excluding purchases of Treasury bills and other securities; ²⁾ including the professions as well as Federal Railways, Federal Post Office, and other public enterprises.

These Euro-credits were at the expense of domestic loans to corporate customers, curbing the growth of such lending by a quarter to some DM 40 bn. Industry especially was able largely to disregard the market at home, particularly since it was cushioned by substantial time deposits built up in previous years on which it now drew appreciably for the first time.

Consumer borrowing slowed down in line with flagging car sales. Although brisk private consumption at the beginning of the year had given another brief boost to instalment credits, their total growth last year fell short of the 1979 figure by about a third.

Even the public sector had to rely less on the domestic market despite increased budget deficits, as it benefited from being able to raise funds through more attractive, additional forms of finance, while at the same time borrowing heavily abroad.

Only home loans show upward trend

House-building, therefore, was the only significant sector to record slightly higher net borrowing than in the previous year. Although the overall volume of new loans agreed for this purpose by the commercial and savings banks fell in the second quarter to its lowest level since

1977 as potential borrowers held back in the expectation of a further decline in interest rates, frustration of these hopes caused the amount of funds committed to take a sharp upturn. Many people clearly found the deterrent effect of double-figure interest rates outweighed by their fear that a longer wait could lead to even steeper rises in the cost of land and building.

Capital market turbulence

The German capital market has probably seldom had to cope with so difficult a set of circumstances as in 1980, and hectic fluctuations in interest rates and prices were the result. Yet, this occurred at a time when in terms of funds available the market was soundly based. In contrast to initial forecasts, saving by private households went up by a tenth, well ahead of disposable income and in spite of the higher energy costs that had to be faced. The overall savings ratio as calculated by the Bundesbank was at 14.5 per cent back on a par with the high levels of the early seventies, thus confirming the theory that the general public in times of economic uncertainty accords great priority to contingency saving. The increase in aggregate savings also indicates the absence of the inflation mentality seen in 1974, and the even by in-

Formation of monetary assets in the Federal Republic of Germany, selected data					
	1978	1979	1980	1979	1980
	in DM bn	in DM bn	in DM bn	on 1978	on 1979
Net change in financial assets					
Savings deposits ¹⁾	29.0	11.6	6.9	-60%	-40%
Federal and other savings bonds	13.1	16.7	15.4	+28%	-8%
Deposits with building and loan associations	7.3	7.8	6.2	+7%	-20%
Life assurances ²⁾	17.8	19.4	16.5 ^{a)}	+9%	+4% ^{a)}
Bonds (net purchases) ³⁾					
a) domestic bonds	32.9	37.4	45.7	+14%	+22%
b) foreign bonds	3.6	3.7	7.3	+5%	+97%
Shares ⁴⁾					
a) domestic shares ⁵⁾	0.1	1.0	2.5	—	+142%
b) foreign shares ⁶⁾	0.7	-0.7	0.4	—	—
Investment saving					
a) securities funds ⁷⁾	5.8	2.1	-1.4	-64%	—
b) open-ended property funds	0.5	0.2	0.2	-63%	+2%

¹⁾ institutions reporting monthly; including interest credited; ²⁾ increase in assets of life assurance companies and pension funds; ³⁾ at market prices; excluding Bundesbank open-market transactions; ⁴⁾ stock exchange transactions only; ⁵⁾ cash proceeds, according to Commerzbank's issue statistics, less portfolio investments by foreigners; ⁶⁾ portfolio investments only; ⁷⁾ investment funds for small investors only; ⁸⁾ Jan 1 to Sept 30, 1980; ⁹⁾ end-Sept, 12-month comparison.

ternational standards healthy real return on capital which—particularly on fixed-interest securities, but also on time deposits—at times reached a very respectable 4 per cent no doubt acted as an additional spur to savers.

World interest rates closely intermeshed

From the very beginning of the year, the German financial markets generally had been caught up in the maelstrom of world interest trends and only managed to regain a measure of autonomy towards the year-end, when the US dollar/D-mark interest differential at times reached more than 10 percentage points on the money market and, even more remarkable, 4 percentage points for long-term bonds. For most of 1980, however, German interest rates bore witness to the fact that the D-mark, as the alternative number two reserve currency, was heavily dominated by the US dollar.

The German capital market was, moreover, under added pressure because of the need to re-finance the earlier borrowings not only of industry and the public sector, but also of individual house-builders. The latter phenomenon stood in sharp contrast to the former practice of all-out home-loan financing, whereas nowadays much of the latter is done on a roll-over basis.

Long-term interest rates at times top 10 per cent

On the German capital market, the year's high was already reached in early April with long-term interest rates of 10 per cent. Thus in only two years, long-term bond yields had shot up a full 4 percentage points from their low of spring 1978—a startling rise that was previously unmatched even during long-running business cycles. Following an over-reaction—again in line with dollar rates—that brought long-term yields down to below 8 per cent by early August, the steep upward trend was resumed, with rates back at 9 per cent in December and even briefly exceeding 10 per cent in February 1981.

Large-scale purchases of foreign bonds

Despite the pressures on the German bond market that, as one effect, further shortened maturities, net sales in 1980 at DM 45 bn were in fact up on the previous year. With foreign investors conspicuous by their absence, however, new issues went almost exclusively to domestic buyers who, in addition, purchased foreign bonds to the tune of DM 7 bn, an amount previously not even approached. Most of this was in

the form of foreign issuers' D-mark bonds, but some also in paper denominated in other currencies which last year not only offered higher yields but exchange-rate gains as well.

Shareholders disappointed again

Given the severe monetary pressures that characterized 1980, German share prices may be fairly said to have displayed astonishing powers of resistance, although it remains true that on balance, shareholders had to put up with losses for the second consecutive year.

Once again—and even more so than in 1979—shares did badly in the very countries whose inflation rates were lowest, but where investors in fixed-interest paper were thus still left with a real return on their money—which obviously explains their preference for bonds. In the event of run-away inflation, however, greater store seems to be set by the alleged ability of shares to give protection against monetary erosion.

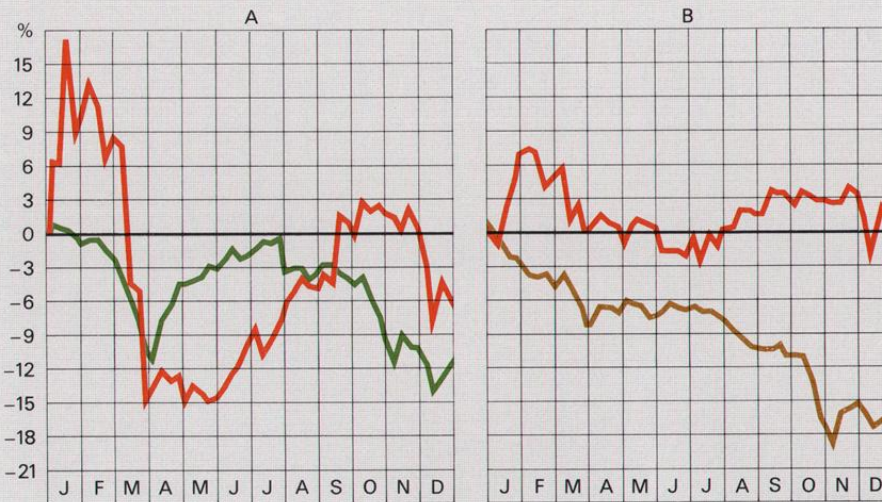
More risk capital needed

Whilst in 1980 again, a fairly large number of German companies were able to broaden their equity base by issuing shares, we are likely over the next few years to see a much greater demand for capital if the hoped-for growth in investment is to take place without a further worsening of corporate equity ratios. To ensure as wide a catchment area as possible for such funds, shares will continue to require sympathetic treatment from legislators. Thus the corporation tax reform that presented domestic shareholders with tax credits on their dividend earnings should now be followed by the removal of the double impost on net worth currently resulting from German taxation.

We welcome the abolition of Section 39 of the German Corporation Tax Act, which impeded the return to German companies of blocks of shares held by foreigners. On the other hand, we regret that no noteworthy steps have yet been taken to eliminate those provisions of the same Act that discriminate against foreign shareholders and, incidentally, against German public and private foundations by continuing to deny them the tax credit referred to above, although the revision of a number of double taxation agreements has at least achieved partial reductions in the levy on invested capital.

As usual we have reported events on the German share and bond markets in detail in our publication "Stock Market Round-up". The 1980

International markets: D-mark suffering from high interest rates abroad

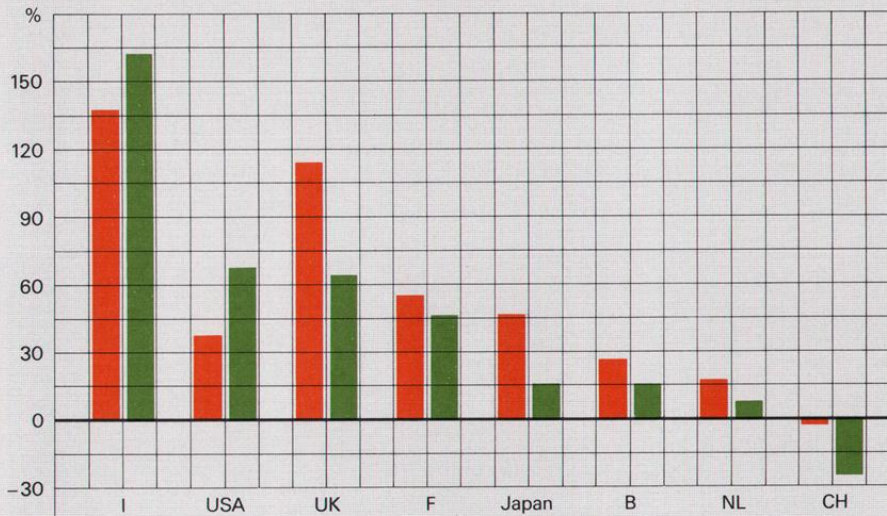


Commodity prices and DM exchanges rates in 1980
(changes since end-1979)

A: Moody's Index, New York
depreciation of DM against US \$

B: Reuter's Index, London
depreciation of DM against £

Development of gold price since 1971 (US \$/oz)	
end-1971	43.63
Dec 30, 1974	197.50
Aug 31, 1976	103.05
Jan 21, 1980	850.00
Mar 18, 1980	474.00

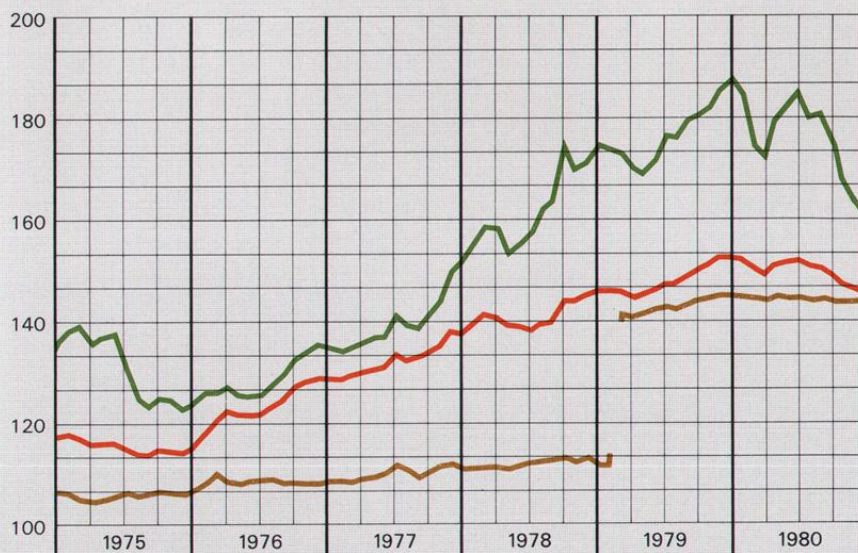


Selected countries' inflation and foreign exchange rates
(as compared with West Germany)

Despite a lasting inflation differential in its favour, the D-mark suffered a decline in its external value: in real terms, its appreciation between 1973 and 1978 was thus almost offset by its depreciation over the last two years.

changes, end-1980 on end-1972:

■ increase in cost of living as compared with West Germany
■ revaluation /devaluation of D-mark against national currency



Performance of the D-mark from 1975 to 1980

DM exchange rate (end-1972=100):

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

highs (h) and lows (l) against US \$ since Dec 1971: (DM per US \$ 1)	
Dec 21, 1971	3.2225
July 9, 1973	2.2835 (h)
Jan 8, 1974	2.8790 (l)
Oct 30, 1978	1.7285 (h)
Dec 1, 1978	1.9358 (l)
Jan 3, 1980	1.7062 (h)
Dec 11, 1980	2.0274 (l)

edition contains a special chapter analyzing the structural changes undergone by the bond market. Commerzbank's own activities in the domestic and international security markets are dealt with on pages 41 to 43 of this Report.

Foreign exchange markets dominated by interest differentials

With governments everywhere using monetary policy as the chief means of combating rising prices, events on the foreign exchange markets tend more than ever to be determined by the differences in interest rates which, in turn, reflect the substantial divergences in the pace of inflation. In addition, the authorities increasingly took to using interest rates as a weapon to defend their currencies.

The United States has assumed the dominant role in determining international interest patterns and trends. Its tight money policy bolstered the dollar, which also benefited from the progressive recovery of the country's balance of payments position and its gradually regained pre-eminence on the world political scene.

Similarly, high interest rates were a prime factor in the remarkable revival of sterling which, however, was also strongly backed by Britain's healthy current account position brought about by North Sea oil. On the other hand, the dramatic rise of the yen, which far outdid that of any other currency, took the markets unawares, unheralded as it was by either interest rate or balance of payments shifts.

Japan is quite evidently reaping the fruits of world-wide confidence in the underlying strength of its economy. In addition, with foreign exchange controls increasingly relaxed, the yen is apparently becoming more and more interesting as an investment alternative.

German inflation edge ignored

Meanwhile, West Germany's comparatively low interest rates and high current account deficit in 1980 marred the attraction of the D-mark, which was also adversely influenced by tensions on the world political scene. As a result, the German currency depreciated by nearly 12 per cent against the US dollar over the year, while within the European Monetary System repeated interventions proved necessary in its support. Even the fact that West Germany in terms of inflation has the edge on its main trading partners, and that this differential is expected to widen by a

further 5 percentage points this year, is unlikely to cause any immediate reversal in the trend.

Changeable precious metal markets

As is often the case, the upward movement of the dollar went hand in hand with a decline in the price of gold which, however, had been catapulted to unprecedented heights at the beginning of the year by fears of a world political crisis (London gold fixing US \$ 850/oz on January 21, 1980). Silver came plummeting down to about a quarter of its previous, historical peak upon the collapse of an unrivalled wave of speculative bidding. More and more as the year progressed, the greater attractiveness of alternative investments offering a high, steady return curbed precious metal dealing.

Industrial countries step up Euro-borrowing

Increased uncertainty as to interest rate trends was also a major feature of the Euromarkets. In the case of Eurobonds, the necessary effect was to trigger wild price fluctuations that caused investors to shy away and sales at times to become extremely dull. Even so, the gross volume of new issues was a quarter up on 1979, whereas fresh business in syndicated Euroloans was down. Here the high level of interest rates meant that the industrialized countries stepped up their borrowing at the expense of the Third World, despite the latter's faster increasing need for funds.

Growing international risks

The ever more marked imbalances in the network of world payments and finances considerably enhanced the risks of international lending, with the persisting lack of correspondence between the terms of loan funds available and sought after an additional impediment. The notable disharmony between the increasing credit risks and the pressure on interest spreads has temporarily discouraged many banks from further Euroloan involvement. The slowdown in Euromarket expansion already observable in 1980 is therefore likely to become even more pronounced.

The practice of using specifically designed rating systems to assess the creditworthiness of international borrowers has thus become even more important; and government efforts to ensure that the gradual internationalization of banking is matched by a similar internationalization of banking supervision must be seen in the same context. One concrete step in this direction is the German intention to amend the

country's banking law so as to impose stricter limits on foreign lending through the extension of the statutory equity/loan ratios the banks must meet by including the credit business of their foreign subsidiaries. It is vital, though, that West Germany should not be the only industrialized country to introduce such overall consolidation, but that others devise similar procedures. In doing so, however, steps must be taken to prevent the international financial markets from suddenly drying up, since otherwise the task of recycling funds from creditor to debtor nations will become almost insoluble.

Problems with risk transferral and matching of terms

The critical attitude adopted by the various banking supervisory and monetary authorities towards the Euromarkets is understandable, given the latter's extremely rapid expansion to date. One of the main grounds for unease is in our view the general preference of most OPEC states for investing their surplus funds only with first-class international banks who are thus left to carry a previously inconceivable measure of risk in relending and, in addition, have to cope with the burden of the matching of terms.

Initially at least, the recycling of funds in the wake of the second oil price explosion has passed off more smoothly than had been feared. This is, however, chiefly explained for by the fact that by far the largest payments deficits were incurred by countries ranking highest as borrowers, namely West Germany and Japan. To the extent that the latter succeed in balancing their current accounts, bigger deficits will build up with those oil importing countries whose existing level of debt causes difficulties in attracting private capital.

Greater involvement of international bodies?

To a certain degree, a shortfall in private bank lending could be made up for by additional IMF and World Bank funds. In many cases, co-financing such as hitherto only—although of late increasingly—provided by the World Bank would seem to be a useful complement.

Furthermore, the commercial banking community also expects the international financial bodies to cooperate with them in assessing and monitoring individual countries' creditworthiness. Just because of their nature as international institutions, both the IMF and the World Bank can—each in its own sphere of responsibility—exercise control without being suspected of acting in the interests of any one country.

One distinct advantage of lending by the IMF, in particular, lies in its ability to tie its loans to the implementing of specific financial and economic measures by the borrower country, thus in the longer run improving the latter's credit rating. It is, therefore, with concern that we view both a tendency towards lesser stringency as regards such obligations and attempts to modify the apolitical character of the world's two leading financial organizations.

The Europe of Ten

When Greece joined the European Community as a full member it became the first less developed country to do so. The problems to be faced by the Europe of Ten are thus even greater than before.

Last year already saw the strength of the Community severely tested. Again and again, the Common Agricultural Policy has proved an explosive issue, firstly because of the massive volume of funds it consumes and secondly because of the protectionism it engenders. The industrial policy coming out of Brussels, too, bears little of a market economy stamp, and trade policy, under pressure from member states in the throes of structural crises, threatens to degenerate into a series of merely defensive measures as well. Yet from a German point of view, the European Community has to accept a very special responsibility for defending the principles and practices of free world trade.

Even more do we regret, however, that the various EEC bodies have been following the pattern of national administrations and becoming more and more of a perfectionist bureaucracy in which the ideals of European cooperation get short shrift.

At least in the monetary field, the sense of common cause is strengthened by the EMS, even though the latter is now developed on somewhat more cautious lines than originally conceived. But any extension of the scheme with the view of ultimately creating a monetary union should not be considered until Britain agrees to take part.

Outlook

The world economy began the year 1981 weak and weighed down with troubles. Even West Germany, which in the past has mostly done better than other industrialized countries, is confronted with a variety of difficult problems today, the one advantage still left being its lower level of inflation. The pronounced downturn of the German economy caused the rate of capacity utilization to fall from an 86 per cent peak during the boom phase in spring 1980 to just on 80 per cent at the start of the current year.

Energy the key issue

The problem of sufficient energy supplies remains the determinant for world economic prosperity, its solution being crucial for achieving price stability, steady growth, full employment, and balance of payments equilibrium, but also for any progress in closing the wealth gap between North and South. The energy shortages which affect the industrialized and less developed countries alike can only be overcome by more rapid adjustment to structural change in every sector of the economy, which in turn calls for a climate favouring private investment.

Once again in 1981, marked as it is by recession, energy prices seem to be rising too quickly, making it difficult to damp down inflation. At the same time, many countries are having to rely on ever higher amounts of imported funds to finance their soaring oil bills. Both these trends demand record interest rates, regardless of the generally unsatisfactory level of business activity.

A time for renewal

Virtually throughout the Western world there is a welcome return to the principles of the market economy. For too long have we been seduced into accepting the favours of an all-providing state whose excessive subsidies have attacked the roots of financial stability. And for too long have governments concerned themselves overmuch with detailed intervention at the expense of the individual spirit of enterprise.

It was against this background that economic growth of the EEC member countries dropped from an annual average of just on 5 per cent during the sixties to only 3.3 per cent in the last ten years. Simultaneously, the public-sector budget deficit expressed as a proportion of GNP climbed from an annual average of 0.3 to 2.4 per cent.

The concept of revitalization the new President of the United States has made his own accurately expresses that of which all Western economies stand in need—a greater incentive for market forces and private initiative combined with less perfectionism in attempts at steering the economy and in welfare provision.

West Germany: Austerity promises success...

More than hitherto, all this now applies to the Federal Republic as well. As the persistent current account deficit—the highest ever recorded by any one country—shows, the German economy has fallen out of step, and not just due to higher oil prices. In its current state, it can be compared to a person whose body has become soft from long years of over-indulgence, with a consequent decline in efficiency and competitive ability.

But with the "patient" so far not yet willing to give up comfortable habits, first reserves and then also credit lines are drawn upon more and more. As the worsening of the country's overall external position clearly reveals, this resulted in a weaker D-mark. If confidence in the German currency is to be rapidly restored, good news from the energy and wage fronts are a pressing need.

...as basic strength is still unimpaired

Although the distortions have not yet become too pronounced, cutting back the exaggerated demand on available resources is now a matter of urgency. The longer the period of austerity is put off, the more painful it will be. Moreover, such treatment carries no undue risk if the disease is caught at an early stage.

And indeed, the German economy still has much in its favour: Trade and industry were toughened by exposure to keen foreign competition during the long years of steady D-mark appreciation. Furthermore, productivity remains high in almost every sector, and systematic research and development has provided many firms with a solid base for further innovation. In addition, the trade unions—whose sense of overall economic responsibility has been enhanced through their being given a greater say by codetermination—are ready to go along with technical progress. Last but not least, the infrastructure is efficient throughout the country.

Moreover, people generally are beginning to realize how vital it is that the powers which have brought us such a measure of prosperity over the past thirty years should again be regarded as they deserve.

It is now up to our politicians to encourage this process of rethinking so as to ensure that the Federal Republic stands ready to meet the challenges the eighties will bring and that, more specifically, the right investment is made at the right time. For this to be so, companies need both clear-cut guidelines as regards the general concept of policy and sufficient scope for entrepreneurial initiatives in the market economy. The shilly-shallying that has marked German energy policy must come to an end.

Removal of obstacles to investment an early requirement

For the economy to overcome its present weakness, no further pump priming that would merely delay the indispensable process of adjustment is called for. Instead, such obstacles as stand in the way of investment must be removed. Tax relief through liberalized corporate depreciation allowances could take account of both the faster rate of technological progress and the higher cost of replacing plant and machinery. But even more important is that the Government should give the go-ahead for the necessary capital spending on energy, transport and communications, including new forms of telecommunication. The volume of investment being held up by objections, court hearings, and bureaucratic red tape is estimated to total DM 50 bn to DM 60 bn. At the same time, the disincentive to housebuilding of too much tenant protection must be done away with, and more effort be put into the modernization of older residential areas as a potential source of social conflict.

In addition, industry generally is asking for a climate in which a sustained return on investment is assured.

Need for lower wage claims to ease cost pressures

German companies at present are suffering from wide-ranging cost pressures which limit their ability to invest. Increases in the price of raw materials and energy have been particularly steep, as has the climb in interest rates. Indeed, over the two-year period from early 1979 to early 1981, the cost of imported raw materials doubled and industry's energy bill went up by

nearly 50 per cent while, in terms of interest charged on overdrafts, borrowing funds for investment became about 75 per cent more expensive. It is all the more important, therefore, that a brake be put on rising wages, given that personnel-related expenses now represent approximately half the total expenditure figure on corporate profit and loss accounts, compared with no more than 2 to 3 per cent in the case of net interest payments.

It is, of course, desirable that interest rates should come down in the longer term. This, however, is much more dependent upon a better overall performance by the German economy than is as yet generally realized. For only with visible progress being made in reducing the current account deficit will the lessening need for capital imports permit a lowering of interest levels.

(The German edition of this Report went to press on March 2, 1981.)

General performance of Commerzbank

Our discussion—on pages 11 to 30 of this Report—of the general economic scenario in 1980 has already highlighted the serious deterioration in the conditions governing banking business. So unfavourable were they, in particular, to a bank with a fund raising structure such as ours as to force us to curtail growth, mainly by cutting back on inter-bank transactions.

Earnings generally disappointing but new business satisfactory

Although new business yielded a satisfactory return in all sectors, our interest margin narrowed markedly due to a steep rise in the cost of borrowing effected to cover earlier fixed-rate commitments. These were mainly in the form of borrower's note loans to public authorities, made mostly between 1977 and 1979 and thus at a time when few could have foreseen that West Germany would be running a large and persistent deficit on current account, with the consequence of sustained high interest levels.

The fact that the Bundesbank initially held back with its interest signals meant that monetary

restrictions took some time to work through to borrowers who even then did not have to bear the full brunt. Basically, it was largely the banks who were hit, and their earnings positions worsened correspondingly.

Total assets down

Our policy of curbing growth is reflected especially in a lower level of money market arbitrage, particularly by our foreign branches. This reduced the Parent Bank's balance sheet total by DM 2.4 bn in the course of 1980, while its business volume, which also includes endorsement liabilities, was down DM 1.9 bn at the end of the year.

The salient figures for the 1980 accounts of the Parent Bank are as follows:

Balance sheet total	DM 64.7	bn
Total deposits and borrowed funds	DM 61.0	bn
Total lending	DM 45.5	bn
Capital and reserves	DM 2.478	bn

Commerzbank Group

The balance sheet total of the Commerzbank Group as at December 31, 1980, amounted to DM 100 bn, 64.7 per cent of which falls to the Parent Bank.

At end-1980, the banks affiliated within the Commerzbank Group were

handling some 4.4 million accounts
for approximately 2½ million customers
at 880 branches
staffed by 21,505 people.

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

Berliner Commerzbank AG, Berlin,
balance sheet total DM 3,579 m;

Commerzbank International S.A.,
Luxembourg,
balance sheet total equalling DM 14,702 m;

Rheinische Hypothekenbank AG, Frankfurt,
balance sheet total DM 19,742 m.

Capital and reserves of the Commerzbank Group, including that part of the equity of Rheinische Hypothekenbank not held by Commerzbank, amounted to DM 2,774 m at year-end, or DM 48 m more than at end-1979. Following implementation of the resolutions of the 1981 annual general meetings of the Group member banks, consolidated liable equity will total DM 2,784 m.

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

Little further expansion in branch network

We continued to exercise prudence in extending our domestic presence, with the result that the opening of eleven new branches went hand in hand with the closing of nine smaller ones whose earnings had been consistently unsatisfactory. At the beginning of 1981, Commerzbank had 795 branch offices in the Federal Republic, to which must be added the 58 branches of Berliner Commerzbank and the eight of Commerz-Credit-Bank AG Europartner, the bank operated jointly in the Saarland by the members of the Europartners group.

Business abroad is carried out through two subsidiaries, ten branches, and 17 representative offices. Commerzbank also enjoys desk facilities, operated by members of its own staff on secondment, at ten banks in which it has an interest or with whom it cooperates (see also page 44).

Increased pressure on interest margin impairs earnings position of Parent Bank

Our interest margin—already under pressure in the second half of 1979—suffered particularly during the first nine months of 1980, an im-

provement being noticeable only from autumn onwards. Overall, net interest and dividend income dropped 13.7 per cent in the year under review, while the 16.6 per cent rise in net commission income represented a substantial boost in earnings.

Personnel costs continued to rise steeply at almost 9 per cent due to higher salaries and an increase—on an annual average as distinct from the change per year-end—of 2.5 per cent in staff. We were, however, able to keep other operating expenses—up 11 per cent in 1979—at a stable level. Investment in land and buildings as also in technical equipment was continued, though for the time being at a somewhat slower pace.

Full provision for possible risks, but no dividend to be paid

Owing to the slump in prices on the German share and bond markets, we were again forced to make substantial write-downs on our securities portfolio. As always, valuation was effected strictly at the lower of cost or market and once more in the year under review, no individual securities holdings have been shown as part of our fixed assets. We continued to apply our customary degree of prudence in assessing

Utilization of new funds in 1980			
Source of funds	in DM m	Application of funds	in DM m
Reduction of assets	5,030	Increase in assets	2,715
a) cash reserves	(387)	a) bills of exchange	(72)
b) nostro balances	(2,857)	b) loans to banks	(561)
c) Treasury bills	(1,174)	c) bonds	(1,367)
d) shares	(20)	d) loans to customers at agreed periods of less than four years	(263)
e) loans to customers, at agreed periods of four years or more	(585)	e) increase in fixed assets	(296)
f) other assets	(7)	f) other assets	(156)
Increase in liabilities	180	Reduction of liabilities	2,568
a) savings deposits	(43)	a) bank deposits	(1,403)
b) provisions	(10)	b) customers' deposits	
c) special items with partial reserve character	(50)	ba) demand deposits	(449)
d) other liabilities	(77)	bb) time deposits	(453)
Depreciation on fixed assets	73	c) own bonds	(55)
		d) own acceptances	(82)
		e) distributed profit	(126)
	5,283		5,283

risks possibly attaching to individual loans when making the necessary provisions for lending business.

Sufficient scope for this policy of full risk coverage was obtained by falling back on our hidden reserves and divesting ourselves of part of our tax-privileged non-financial holdings. Yet, we are obliged to ask our shareholders to approve non-payment of a dividend in respect of 1980.

Lending restructured

Disposals of long-term borrower's notes of an overall amount of DM 1.2 bn and their replacement with fixed-interest paper with a short residual life reduced total "claims on customers"—which cover all forms of lending to non-banks, i.e. to public authorities, companies, and private clients—by DM 0.3 bn during the year under review, only longer-term loans being affected.

Competition in credit terms was this time far more aggressive than in earlier high-interest periods. With interest trends so unpredictable, fixed-rate loans lost more and more of their appeal to both borrowers and the Bank as the year progressed.

We report in detail on our lending to business, private, and foreign customers below.

Changes in securities and investment portfolios

The sharp rise in the Bank's bond holdings derives from the shift referred to above. Considerable changes also took place in our share portfolio, although most of these fail to show up in the balance sheet. Thus disposal of a 34 per cent interest in the Kaufhof department store group was paralleled by two important acquisitions: as one of the members of the consortium underwriting the AEG capital increase in early 1980, we acquired new shares at an actual cost of DM 74 m which, however, were written down to their year-end market value of DM 36 m. And an amendment to Section 39 of the German Corporation Tax Act enabled us to transfer to the Parent Bank the shares of Sachs AG previously held by the Luxembourg subsidiary.

The most important change in investments as shown in the balance sheet concerns the capital increase of Francommerz GmbH which acquired our former tax-privileged holding of over 25 per cent in the Hochtief construction concern. More than half the total amount of additions results from capital increases of other companies within the Commerzbank Group.

A chart showing all Commerzbank's holdings in affiliated and other companies is to be found on pages 82 to 84.

Serving our business customers

Corporate demand for domestic bank credit was less brisk in 1980 than might have been expected given the still buoyant investment climate in West Germany—chiefly because firms preferred to draw on accumulated liquidity reserves, especially time deposits, or to utilize other, more competitive sources of finance. The Euromarket was thus particularly attractive to German borrowers in 1980 (cf. page 25) and, at the same time, leasing played an enhanced role as a complement to direct borrowing. These trends, however, did not just affect our lending, as there was a simultaneous sharp decline in time deposits of business customers. On the other hand, we helped to meet the latter's demand for Eurofunds through our operative bases abroad and were involved, through affiliated companies, in the rapidly expanding leasing business (cf. page 37).

Steel and non-ferrous metal producers made greater use of our loan facilities during the year, whilst oil and chemical concerns were less in evidence. Demand from electricity companies showed a further fall-off because large investment projects were blocked for political reasons. Lending to the trade and services sector, on the other hand, expanded.

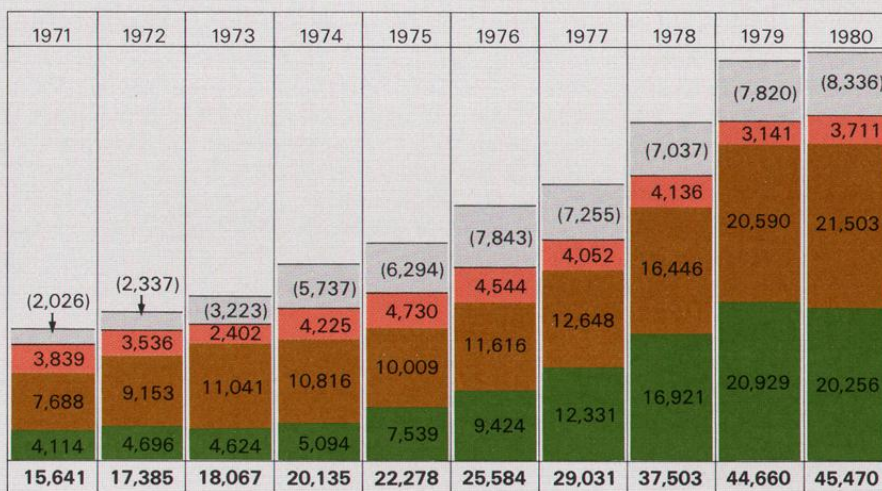
The total figure for book and acceptance credits to domestic firms and the self-employed was more or less on a par with the previous year, though with a slight shift towards short and medium-term commitments.

After falling to a very low level during the second and third quarters of 1980, customers' utilization of short-term credit-lines picked up again in the fourth.

Loans to smaller companies take precedence

Commerzbank's marketing of its lending services is carried out with the emphasis on small businesses, and our standardized loan scheme aimed at this sector has so far encountered a good response. With a view to encouraging more frequent approaches from this large potential market, we have published a brief description of the many relevant services we offer in a booklet entitled "Finanzieren – aber richtig"

Commerzbank: prudent steering of business volume

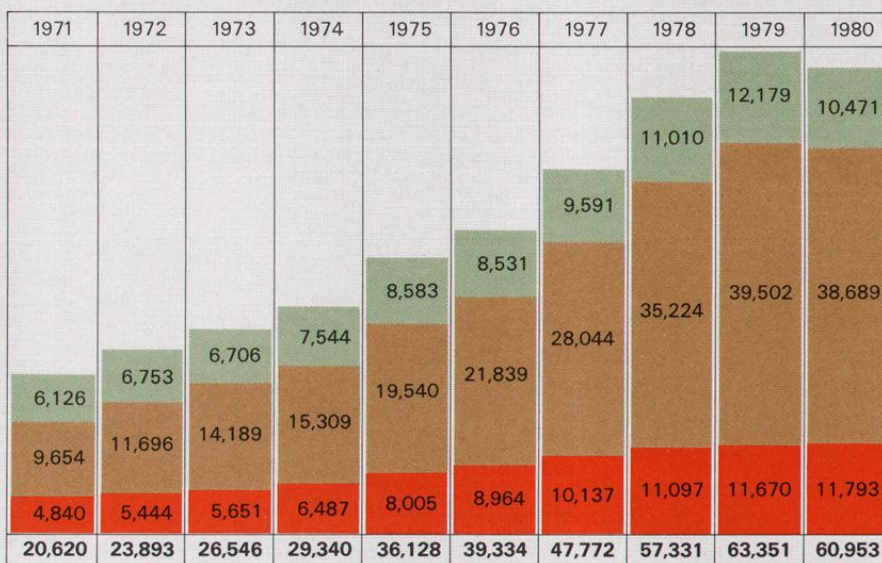


Volume of lending

With a reduction in the volume of loans outstanding to the public sector, overall lending was up but slightly.

in DM m:

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

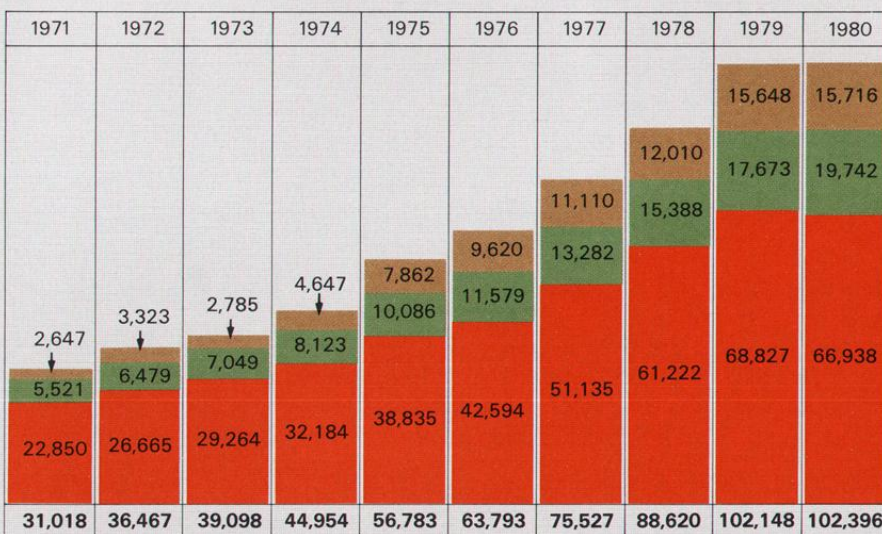


Total deposits and borrowed funds

Our borrowing strategy reflected a particularly high degree of cost consciousness.

in DM m:

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



Business volume of the Group

Given the difficult overall situation, we saw fit to curtail the business volume of the Parent Bank.

in DM m:

- other consolidated companies (after offsetting inter-company claims and liabilities)
- Rheinische Hypothekbank AG
- Commerzbank AG

(Financing your business the right way), in which we stress the facilities available for financing foreign trade.

Bill discounting activity continued in line with our possibilities for rediscounting, which at last permitted us greater scope. As in previous years, we gave priority to sound medium-sized companies, thereby affording them access to relatively inexpensive funds and reducing their overall borrowing costs. The volume of guarantee and documentary credit business recorded only a small rise.

Individual advice needed

It is our experience that after two years of high interest rates many smaller firms are finding the cost of procuring finance more and more of a crucial problem, requiring the specific advice of their bank. We also assisted companies seeking various forms of cooperation or in need of equity capital, in the latter case acting as an intermediary. In both instances our branches and their business customers benefited from the support provided by the Mergers and Acquisitions Unit of our International Corporate Finance Department.

Special financing facilities

As formerly, collaboration with our mortgage bank subsidiary, Rheinische Hypothekenbank,

enabled us both to offer companies our standardized business loans and to negotiate industrial mortgages on their behalf. Further funds for investment continued to be raised through Industriekreditbank – Deutsche Industriebank.

The performance of Commerz- und Industrie-Leasing GmbH (CIL), our subsidiary specializing in the leasing of moveable goods, was once again satisfactory in 1980, while Deutsche Gesellschaft für Immobilien- und Anlagen-Leasing, which is engaged in the leasing of buildings and industrial plant and which we own jointly with Deutsche Bank, even saw its business volume expand substantially.

More EDP facilities for customers

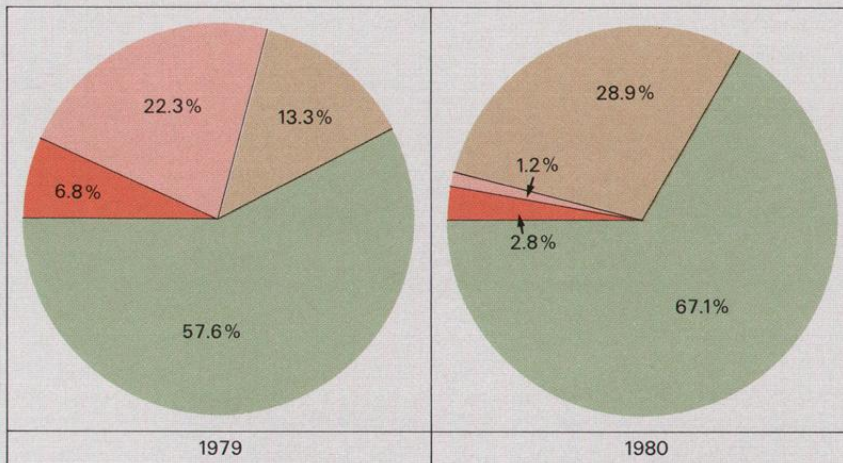
1980 brought a further expansion in the range of payments transactions we offer to handle on behalf of business clients using our own EDP facilities, and firms made greater use of the wage and salary accounting services available.

One additional such scheme we are preparing involves computerized book-keeping. This is aimed at businesses, federations, and similar organizations and should be especially welcomed by small and medium-size companies. For some years now we have offered these customers the possibility of having the basic data relating to their payments transactions stored in our central processing unit and thus of enjoying

Lending to domestic business and private customers*)		
	31-12-1980	31-12-1979
Mining and public utilities	4.2%	5.1%
Chemical industry	3.2%	4.7%
Electrical and precision engineering, metal products, plastics processing	7.6%	9.0%
Production of iron, steel, and other metals; foundries	5.4%	4.6%
Steel construction, mechanical engineering, car industry, shipbuilding	8.8%	8.9%
Building and civil engineering	1.9%	1.5%
Food, drink, and tobacco; animal feeding stuff	2.8%	2.9%
Textile, clothing, shoe and leather industries	3.0%	3.0%
Wood, paper, and printing	2.7%	2.4%
Commerce	12.1%	11.9%
Other services; professions	12.2%	10.8%
Persons other than self-employed	30.5%	29.5%
Other borrowers	5.6%	5.7%
	100.0%	100.0%

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

Commerzbank: private customers' shares in both loans and deposits further up

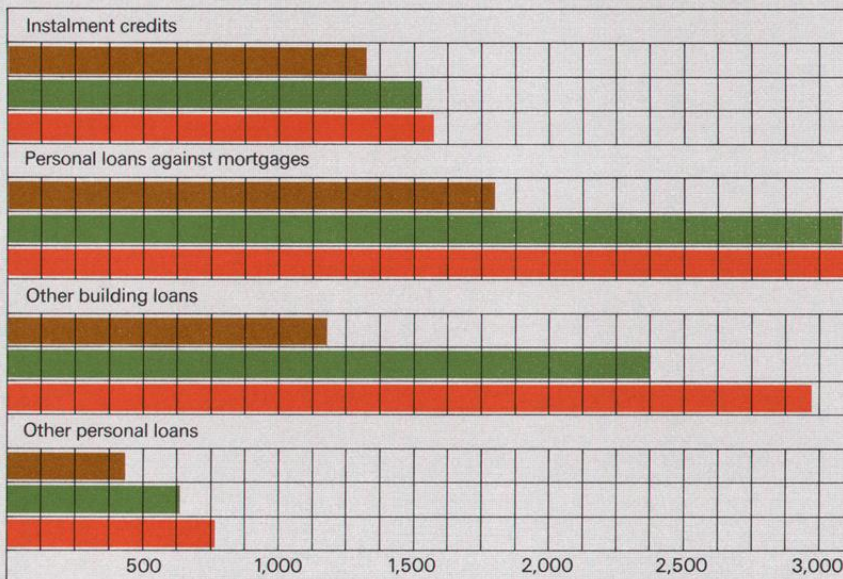


Savings

In 1980, our private customers again stepped up their purchases of securities and also gave preference to time deposits. Hence, the share of both savings deposits and savings bonds in overall savings further declined.

percentage shares in total:

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

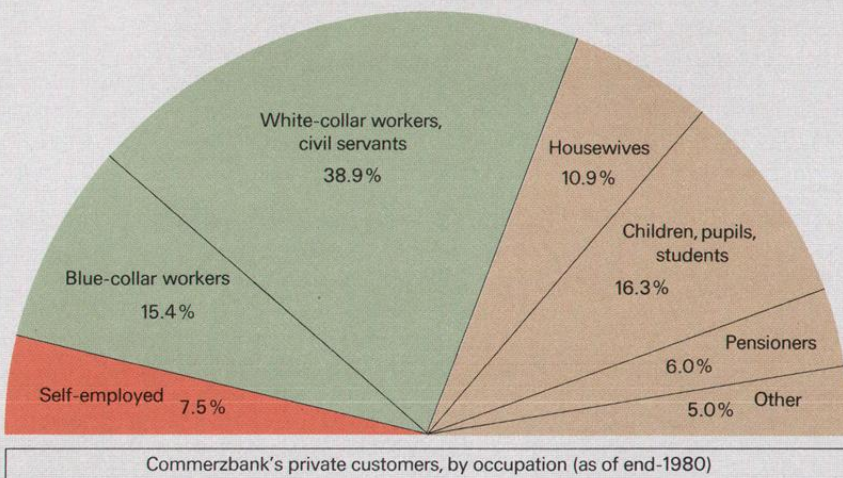


Personal loan schemes

Although demand for credit offered under our personal loan schemes slowed markedly during the course of the year, the overall volume of such loans still rose by one-tenth.

loans outstanding at year-end:

- 1978: DM 4,722 m
- 1979: DM 7,621 m
- 1980: DM 8,418 m



Private customers by occupation

1980 saw a continued increase in the number of our private customers to 2.15 million, their share in all our clients thus reaching 94.5%.

percentage shares in total number of private customers

the benefits of computerization even without a system of their own.

Serving our private customers

The year under review saw further growth in business with our private clients who now represent 94.5 per cent of all our customers.

Interest in various investment media was lively, contrasting with a gradually slackening demand for credit. With long-term interest rates high and savers increasingly aware of the opportunities available, more money was moved out of savings deposits into investment of higher yield potential. The net volume of securities bought (purchases less sales and redemptions) with funds withdrawn from savings accounts alone was a good DM 1 bn. Private funds placed with us for fixed but rather short periods were up 18 per cent to DM 2,917 m.

Savings deposits and savings bonds

On the other hand, we registered a net withdrawal from savings accounts, although this was more than offset by the sharply increased total of interest accruing, so that in the end, aggregate savings deposits were still up slightly (0.5 per cent) at DM 9,013 m.

The overall change in fact masks remarkable structural shifts. Thus whilst savings deposits at statutory notice went up further by 7 per cent and those under bonus schemes by as much as 13 per cent—and this despite the high volume of repayments falling due—savings at agreed periods of notice fell by 12.5 per cent. Thus, a good 57 per cent of total savings deposited with Commerzbank are now at statutory notice.

Although our savings bonds continued to sell briskly right into the summer, we slowed down our marketing efforts during the latter months of the year. Even so, gross sales were up on 1979. Since, however, redemptions—mostly on expiry—were also high, the rise in the volume of savings bonds outstanding was a mere 3 per cent, bringing the figure to DM 2,780 m.

New regular savings scheme with Commerzbank bonus

Since January 1981, we have been running a new regular savings scheme which yields a bonus and is already proving quite popular. Payment of a minimum of DM 50 per month for six years, after which the money remains blocked

for a further 12 months, will earn savers the normal current interest over the seven-year period, plus a special 14 per cent bonus on the total amount saved.

Close cooperation with other sources of home loans

Despite the slowdown in credit demand that was partly the consequence of higher interest rates, we were once again able to step up our lending to private customers by over 6 per cent to a total of more than DM 10 bn, or a little over one-third of our overall book credits to domestic non-banks.

Home loans represented the greater part of this sum. At a good DM 6 bn, they recorded a further 11 per cent increase which, thanks to our good cooperation with building and loan associations, was mainly related to the provision of bridging finance that allowed borrowers to forge ahead with their projects without delay.

Collaboration with our mortgage bank subsidiary, Rheinische Hypothekbank AG, was most successful, the volume of mortgages negotiated being almost four times that of last year. This substantial rise also reflects the fact that working relations with other sources of building finance have been intensified in recent years.

Another factor helping greatly to boost this broadly-based business was the arrangement, dating back to 1979, whereby our branches have been authorized to approve mortgages on behalf of Rheinische Hypothekbank. This means that when interest rates so justify we can switch flexibly to loans from our subsidiary, making them as easy and quick to obtain as our own credits. We intend to develop this system with a view to further strengthening our position in the market for private building finance.

Mainly because of the fall-off in demand for new cars, instalment loans were noticeably less sought after in the year under review. The total figure for consumer credits—which includes both instalment loans and overdrafts—rose by 7 per cent to DM 1,968 m.

Low-cost eurocheque makes more headway

On May 1, 1980, we introduced a new system of charging for private accounts and payments. This operates on the basis of a monthly standing charge to cover account-keeping and administration expenses as such, plus a cost-oriented scale of charges for the various transactions involved. Generally speaking, our cus-

Commerz- und Disconto-Bank.

PROSPECT.

3½ % Anleihe der Stadt Gothenburg von 1902

im Nennwerthe von

Kronen 7,500,000.— Skand. Währung = Mark 8,437,500— Deutsche Reichswährung.

Tilgung innerhalb 40 Jahren.

Verstärkte Tilgung oder Gesamtkündigung innerhalb der ersten zehn Jahre ausgeschlossen.

Commerz- und Disconto-Bank, Vereinsbank in Hamburg.
Hannoversche Bank.
Kjøbenhavns Handelsbank. Industri Kredit Aktie Bolaget i Stockholm.



FORSMARKS KRAFTGRUPP AKTIEBOLAG

Stockholm, Schweden

DM 125.000.000

8⅞ % Inhaber-Teilschuldverschreibungen von 1980/1987

— Wertpapier-Kenn-Nr. 466 870 —

unwiderruflich und unbedingt garantiert durch das

KÖNIGREICH SCHWEDEN

Verkaufskurs: 100 ¼ %

COMMERZBANK
Aktiengesellschaft

PKBANKEN

DEUTSCHE BANK
Aktiengesellschaft

CREDIT SUISSE FIRST BOSTON LIMITED

SKANDINAVISKA ENSKILDA BANKEN

WESTDEUTSCHE LANDESBANK
GIROZENTRALE

SVENSKA HANDELSBANKEN

DRESDNER BANK
Aktiengesellschaft

KREDIETBANK INTERNATIONAL GROUP

S. G. WARBURG & CO. LTD.

Two Swedish bond issues, floated on the German capital market in 1902 and 1980, respectively, illustrate the fundamental change that has occurred since the beginning of the century: while investors would be attracted by a 3½ per cent coupon then, with the bonds running for 40 years or longer, they now have to be offered interest rates of 8⅞ per cent or more, at maturities that have dramatically shortened.

Commerzbank acted as lead manager for both of these issues, the earlier one launched by the City of Gothenburg, the more recent one by Forsmarks Kraftgrupp AB.

tomers have seen the arguments in favour of the new system and accepted it. But even though it helps somewhat to close the cost/charge gap for private payments, these are on the whole still carried out at a loss.

It is gratifying to see that the eurocheque with its low processing cost continues to gain in popularity as a method of payment, side by side with such efficient means as standing orders and direct debits. More and more customers are using the practical eurocheque guarantee card for purchases and travel at home and abroad. We have now issued such cards to almost half our private current-account clients. In addition, we have provided those who are frequent travellers with the Eurocard, the T & E credit card issued jointly by the German banks.

Commerzbank has also become a shareholder of Euro Travellers Cheque Deutschland GmbH, Frankfurt. This company, founded in 1980 by the German commercial banks and credit cooperatives, is working with similar banking groups in other European countries on a single European traveller's cheque which it hopes to put on sale for a number of currencies in the second half of 1981.

Cash dispensers and viewdata system

To enable customers to draw cash easily as and when they need it, we shall, from the end of 1981 onwards, be installing automatic cash dispensers at selected major branches. This will be done under a joint agreement with the other German banks whose clients will, like ours, be able to use their specially designed eurocheque cards to operate any of the machines involved.

We have continued to participate as providers of information in the field tests being conducted by the German Post Office in connection with its viewdata system.

Syndicate and stock exchange business

Commerzbank was once again substantially involved in domestic and foreign securities business, the main trends of which are outlined on pages 26 and 27 of this Report.

The volume of bonds launched in West Germany in 1980 expanded by DM 31.0 bn to DM 137.5 bn. Because of the tendency towards much shorter maturities in recent years, redemptions were again higher at DM 92.5 bn, with the result that net sales were a mere 33 per cent (1979: 40 per cent) of new issues.

Public-sector borrowing two-thirds of total

Despite a further increase in private demand for house building finance, sales of mortgage bonds were very slow to recover from the previous year's sharp fall-off. On the other hand, with yet another rise in the public-sector budget deficit, sales of communal bonds were up from a net DM 16 bn to DM 25 bn and their share of all bonds in circulation to 37 per cent, as against 32 per cent at end-1970. If bonds issued directly by public entities are included, government borrowing once again accounted for two-thirds of total market volume.

In 1980 again, private industry shunned bonds as a source of capital, but did raise funds through borrower's notes and new shares.

Eurobonds:

D-mark issues reach high volume again

Excluding the "Carter bonds" which are contained in the official statistics, the volume of foreign D-mark bond offerings was up by a good quarter to DM 12.5 bn in the year under review. Their yields fluctuated much more strongly than did those of domestic paper.

The Bank acted as lead manager for five public bond offerings and two private placements to a total nominal value of DM 845 m, and as co-manager for 33 D-mark bond issues by foreign borrowers worth DM 5.9 bn. In all we were involved in 66 foreign bond offerings denominated in D-mark amounting to DM 10 bn and, on 14 occasions as co-manager, in 94 foreign-currency issues equivalent to more than US \$ 6 bn.

New foreign share listings

As before we were actively concerned in the introduction of interesting foreign shares for quotation on the German stock exchanges. As a result of our efforts, the shares of two further US companies—The Black & Decker Manufacturing Company and Union Carbide Corporation—are now listed in Frankfurt, as are those of a third South African company, Barlow Rand Limited.

Restricted Euroloan activity

Inadequate spreads again caused us to practise restraint with regard to Euroloans, and our activity was largely confined to the more profitable function of lead bank. Commerzbank was thus involved in the syndication of 17 loans totalling US \$ 6.9 bn.—Full details of our international lending business are given on the following pages.

Share and bond prices fall

Events on the West German share and bond markets were in large part determined by the Bundesbank's tight-money policy. Although varying markedly according to industry, share prices as measured by the Commerzbank Index of 60 leading German shares fell by an average 4.5 per cent during 1980.

On the domestic bond market, the price of a Federal Government bond with an 8 per cent coupon fluctuated from 100 in early January

through 93 in April and 101 in August to reach 95.5 by end-December.

Turnover and earnings up
in stock exchange dealings

Both share and bond market dealings produced an appreciably higher turnover in 1980, the rise in the case of shares being almost 10 per cent to DM 28 bn for the four leading German stock exchanges, whilst that in the case of bonds was by over one-third to DM 40 bn. In addition, domestic customers displayed greater interest in high-yielding foreign bonds (cf. page 27).

We succeeded in raising commission income on securities by 15 per cent. The value of paper deposited with us was up by 8 per cent in the year under review, and our portfolio management business saw further expansion.

The Bank also achieved higher earnings on own-account securities dealings.

Investment saving
—accent on build-up accounts

The assets of our investment fund subsidiary, Commerzbank Fonds-Verwaltungsgesellschaft mbH (Cofa), grew further in 1980 and at year-end the company, which acts mainly on behalf of institutional investors, was managing a total of DM 1.6 bn invested in 56 different funds.

We continued our efforts to encourage investment saving by the public at large, once again

Cooperation in underwriting syndicates

Year	Capital increases through rights issues*)	Domestic bond issues (incl. convertible bonds)	Foreign DM bond issues (incl. convertible bonds)
1970	37 totalling DM 1.8 bn	19 totalling DM 4.6 bn	29 totalling DM 2.7 bn
1971	28 totalling DM 1.8 bn	40 totalling DM 6.8 bn	36 totalling DM 3.6 bn
1972	35 totalling DM 1.0 bn	32 totalling DM 7.4 bn	53 totalling DM 5.4 bn
1973	25 totalling DM 1.2 bn	18 totalling DM 8.2 bn	39 totalling DM 3.7 bn
1974	20 totalling DM 0.5 bn	18 totalling DM 7.3 bn	8 totalling DM 0.8 bn
1975	27 totalling DM 2.5 bn	20 totalling DM 8.8 bn	60 totalling DM 5.6 bn
1976	20 totalling DM 1.4 bn	23 totalling DM 10.8 bn	70 totalling DM 7.2 bn
1977	20 totalling DM 1.0 bn	15 totalling DM 8.5 bn	87 totalling DM 10.9 bn
1978	22 totalling DM 2.5 bn	23 totalling DM 11.5 bn	98 totalling DM 12.0 bn
1979	19 totalling DM 2.0 bn	15 totalling DM 12.9 bn	55 totalling DM 6.8 bn
1980	16 totalling DM 2.7 bn	11 totalling DM 9.2 bn	66 totalling DM 10.0 bn

*) cash proceeds.

In addition we participated in placing 1,226 foreign currency bond issues between 1970 and 1980.

concentrating on the funds administered by ADIG Allgemeine Deutsche Investment-Gesellschaft mbH and stressing the advantages to be gained from long-term investment through build-up accounts. The company's market share at end-1980 stood at 21.4 per cent, while the difficult capital market conditions caused a fall from DM 6.4 bn to DM 6.1 bn in the amount managed by all nine ADIG funds. Commerzbank acted as depository bank for five of the latter with total assets of DM 4.8 bn.

Open-ended and closed-end property funds

Haus-Invest, the open-ended property fund for which we also act as depository bank, recorded a net inflow of DM 40 m in the year under review. Allowing for increases in property values, assets administered by the fund rose 18 per cent to DM 335 m. Currently, 94 per cent of the fund's real estate holdings, which have a wide spread in terms of size, business of tenant, and regional location, is made up of commercial property. The price of its shares rose 8.4 per cent during the year.

Deutsche Grundbesitz-Anlagegesellschaft mbH, of which Commerzbank is a shareholder, set up during 1980 a closed-end property fund investing in buildings housing the vehicle fleet and related services of the Hanseatic City of Lübeck.

New York investment bank

Despite the difficult situation on the American bond market, EuroPartners Securities Corporation, the New York investment bank in which we have a 40 per cent interest, had a particularly good year with expansion on the securities side especially marked. Also contributing to its fine performance were in the main corporate finance, trust business, and activities in the field of mergers and acquisitions.

Following its admission as a member of the New York Stock Exchange in 1979, the bank obtained a seat on the New York Futures Exchange in the year under review.

International activities

The opening of branches in Madrid and Barcelona brings the current expansion of our foreign organization to a temporary conclusion and the number of Commerzbank's operative bases abroad to fifteen, viz.

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

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

***) Commerzbank International S.A.;

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

Foreign lending: emphasis on project financing

The year under review saw us continuing to shift to our foreign branches the weight of such of our international lending as did not involve German deliveries or services; they now handle almost the same loan volume as ourselves. In view of the difficulties posed by the political background, even greater attention was paid to the spreading of risks and to creditworthiness.

Project financing continued to play a major role in our new lending, with the accent on German exports of plant and heavy machinery. As before, we refrained from granting purely financial loans to cover balance of payments deficits. In 1980, business customers made greater use of interbank credit lines opened for commercial transactions.

Gross foreign receivables (which here must be taken to include letters of credit and guarantees) of Commerzbank AG and its two subsidiaries abroad, Commerzbank International S.A. and Commerzbank (South East Asia) Ltd., break down as follows: 71 per cent (1979: 76 per cent) lending to industrialized countries, 6 (7) per cent to state-trading countries, 7 (5) per cent to OPEC states, and 16 (12) per cent to other LDCs in Europe and overseas.

Foreign branches step up lending activity

Our foreign branches again stepped up their deposit and lending business with trade and industry. Chief customers continued to be multinational concerns, foreign subsidiaries of German companies, and firms with interests in West Germany, but local business was also further expanded.

In all, our foreign branches lent DM 5.9 bn to private firms and public authorities in 1980, compared with DM 4.8 bn the previous year. At the same time, they have been increasingly involved in international payment transactions, for which they can take advantage of Commerzbank's world-wide system of dedicated lines.

Representative offices and other facilities abroad

In addition to its branches, Commerzbank's international network comprises seventeen representative offices. We also maintain for our customers' convenience special Commerzbank desks manned by staff on secondment to banks with whom we cooperate or in which we hold an interest, in the latter case sometimes involving managerial functions. Such facilities are at present to be found in

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

Our international organization now employs a total of some 780 people, almost one-third of whom are Commerzbank staff seconded from the Frankfurt head office for a period of service abroad.

The Bank's foreign presence thus extends to 34 countries with some 70 branches, subsidiaries, and affiliates. Our representative offices and holdings abroad are listed on pages 103 to 105.

Foreign subsidiaries and affiliates

Just like the Parent Bank, our subsidiary in Luxembourg, Commerzbank International S.A., (whose activities are discussed in more detail in the Consolidated Annual Report on pages 78 and 79), opted to curtail its growth in the year under review. Its balance sheet total thus equalled an unchanged DM 15 bn, backed by a liable capital equivalent to DM 479 m and including a subordinated loan. Our merchant bank subsidiary in Singapore, Commerzbank (South East Asia) Ltd., ended its second financial year with total assets equivalent to DM 1.1 bn.

Of our international affiliates, mention must first be made of Europartners Bank (Nederland) N.V. with branches in Amsterdam and Rotterdam. This bank, which is 60 per cent Commerzbank-owned, saw its total assets rise from Dfl 949 m to Dfl 1,120 m during 1980, despite the continuation of the official credit restrictions which increasingly impeded business expansion.

Based in London as a specialist Euromarket institution, International Commercial Bank Ltd. raised its balance sheet total from £ 521 m to £ 556 m.

UBAE Arab German Bank, Luxembourg/Frankfurt, whose total assets rose from DM 939 m to DM 1,105 m, saw its commercial foreign business prosper, while its Eurocredit activities suffered from both tight loan spreads and hectic fluctuations in the market.

Nippon European Bank in Brussels—in which all four Europartners banks are shareholders together with The Long Term Credit Bank and Mitsui Bank, both of Japan—continued to make good progress. Korea International Merchant Bank, Seoul, which was founded in 1979 with Commerzbank as the only European shareholder, got off to a good start.

Europartners enter their second decade

The Europartners banks can now look back on their first ten years of cooperation. Customers continue to benefit from the TransCredit system, under which firms are able without difficulty to raise working funds in the home countries of the group.

As before, the four Europartners pursued their policy of staff exchanges, the main purpose of which is to familiarize junior staff with the banking business in the other countries.

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

Further growth in commercial transactions with abroad

The volume of transactions with foreign banks handled by us on behalf of our clients again expanded in 1980. Commission earnings, although up too, did not quite match this growth.

The unusually sharp rise in short-term export-financing by letter of credit reflects the sustained preference of our customers for documentary-

based payments as a means of minimizing risk. Overall, cheques and other payment orders accounted for about 92 per cent of these operations and documentary transactions for the remaining 8 per cent.

Forward cover still much in demand

Frequent calls were made on the services of our foreign exchange staff, but this year it was mainly importers who required forward cover. With market rates at times fluctuating in the extreme and often following no discernible trend, dealers had to work especially hard to keep abreast of events and act rapidly in our customers' interests. Once again our world-wide foreign exchange organization, which provides a round-the-clock service by taking advantage of all our bases abroad, stood up well to the demands made on it.

In the sphere of precious metals, the offer of our Luxembourg subsidiary to keep gold and silver accounts on behalf of private clients met with a gratifying response. A sum of DM 20,000 was set as the minimum for any one contract.

Long-term export financing

The call for medium and long-term export finance was slacker than the previous year. As many countries run into growing balance of payments deficits, there is a noticeable tendency for them to put off or cut back on certain major projects. At the same time—and not least to help their foreign exchange reserves—they stepped up demand for credits to cover initial and interim payments as well as local costs involving both the provision of infrastructure and deliveries from their own industry. As a result, judgment of competing tenders was increasingly also based on the accompanying finance packages in terms of amounts available, maturities, and other loan conditions. And while foreign project sponsors have at least for the time being lost much of their former reluctance to borrow in D-mark—still the prerequisite for obtaining Hermes export credit insurance cover on buyer credits—high German interest levels have placed competitors from countries offering subsidized export finance at a considerable advantage.

Despite these obstacles, the year under review saw the volume of our export loans rise, firstly because a number of projects long on the stocks finally approached the contract stage, but secondly also thanks to our greater readiness to back offers by German exporters with credits covering initial and interim payments as

well as local costs, none of which can be secured by government guarantee. We were also involved to a growing extent in financing deliveries by foreign suppliers, as for example in the case of German companies subcontracting parts of a large order abroad, often with the aim of offering a more competitive financing package through recourse to the export loans obtainable there on better terms.

Automation and Rationalization

Commerzbank uses the most modern EDP systems available to ensure a rationalized handling of current business transactions and of the accounting procedures involved. The needs of our country-wide and international activity have led us to establish computer centres in 17 cities at home and abroad, some of which are equipped with optical character-reading facilities and all of which are linked to the host processor by efficient data transmission lines that ensure minimum delay in the processing and transfer of all accounting and payments data.

In the last ten years, the number of processing and booking items has increased by about 50 per cent. Moreover, when the EDP equipment was installed, account had to be taken of the fact that peak load was almost three times the average daily load.

The fact that our input and output facilities are so decentralized has the twofold advantage of affording the necessary degree of technical security while reducing the distance subsequently to be covered by postal deliveries—which is important given the public's interest in rapid bank transfers.

Counselling improved by data availability

Besides automatically handling daily routine operations, the Bank has increasingly put its computer system to use in the field of customer service and counselling, with resultant improvements in almost every sphere of activity. Those of our staff advising clients on investment, borrowing, and foreign business or on money market and foreign exchange dealings have direct access to the computer. Thus even while talking to a customer they are able to call up and then act upon the latest data regarding his accounts and securities holdings, as also market movements and trends.

1,600 terminals

Just within West Germany, our EDP network covers a total distance of over 18,000 kilometres and includes close on 1,600 data terminals equipped to handle both data input and output. Our foreign branches and subsidiaries are also fully incorporated in the system, the basis for which was laid in 1971 when our first point-to-point circuit across the Atlantic was set up.

In addition, Commerzbank's EDP facilities are linked to the SWIFT world-wide interbank telecommunications system in Brussels and to the local CHIPS clearing system in New York so that in our international business, payments transactions can already largely be effected on a fully automated basis.

Voucherless payments

We have now reached a stage where approximately a third of all payments made through the Bank are carried out directly by computer using data media provided by or supplied to the customer. This has done much to speed up bulk operations, especially companies' salary transfers, but also all forms of collection.

Counter terminals on the way

Rapid progress in computer technology has opened the way to a greater use of EDP systems in such areas as securities transactions, foreign business, and automated payments, and we are working intensively to devise applications best suited to the market and to our clients' requirements.

Whereas in the past most of our efforts were directed to improving the efficiency of daily banking business by remote data processing, we are now turning more to the potential offered by counter terminals. The gradual introduction of the latter in conjunction with cash dispensing machines will mean that already in the course of the next few months, part of the counter staff's work will be automated.

Moreover, a great deal of the groundwork has by now been done to permit a combined use of viewdata and our data-processing facilities, one advantage of which would be to provide our major business customers with an even more rapid and efficient means of communication.

Our strategy for the eighties

With the eighties a period of only moderate economic expansion, competition in the banking sector will in our view be even more aggressive than hitherto. At the same time, the pattern of sharp fluctuations in both interest and exchange rates is likely to be maintained, leading investors to exercise greater caution. If only for this reason, the trend towards longer-term borrowing that marked the seventies cannot continue—indeed, a reverse tendency is currently to be observed. Moreover, the German banks have to anticipate far-reaching structural changes in their business in the decade ahead, at both administrative and technical levels, and will have to shape their policies accordingly.

For Commerzbank the chief goal must be a return to profitability that permits both payment of an appropriate dividend and the indispensable accumulation of reserves. Since the main prerequisite for this is a further, sustained improvement in net interest income, our business strategy must put earnings before growth. In our view this makes the following essential:

- to amend the structure of our borrowing by attracting funds through flexible marketing,
- to revise our lending policy by laying greater emphasis on profit potential,
- and to achieve both these targets while continuing to curb business expansion.

By practising such restraint, we intend to retain the necessary scope for financing the major investment projects facing the German economy.

Our second goal is further to step up commission-earning activity with the emphasis on securities and foreign business. At the same time, great flexibility will be required in own-account dealing, so as to take maximum advantage of market fluctuations without running the risk of excessive holdings.

Boosting earnings with fewer staff

In our personnel policy we stress the aspect of quality, which not least implies a higher degree of motivation. The aim here is to achieve greater efficiency with fewer people, which in turn means more rationalization.

As long as we seek to provide a broad range of services and counselling facilities at all our branch offices, cost-cutting must concentrate on further automation of technical operations.

Even though our staff turnover is fortunately below the average for German private commercial banks generally, streamlining in this sphere is made easier by a certain natural wastage.

Keeping other operating costs down

The return to a satisfactory level of profitability is also to be secured by a number of organizational measures ensuring that the rise in operating costs unrelated to personnel remains within tight limits. Such investment as is necessary will, however, proceed according to plan, including several building projects.

Since growth prospects for the German economy are decidedly less promising over the next few years, it has become urgently necessary for us to review the structure of our branch network and to exercise self-control in its regard.

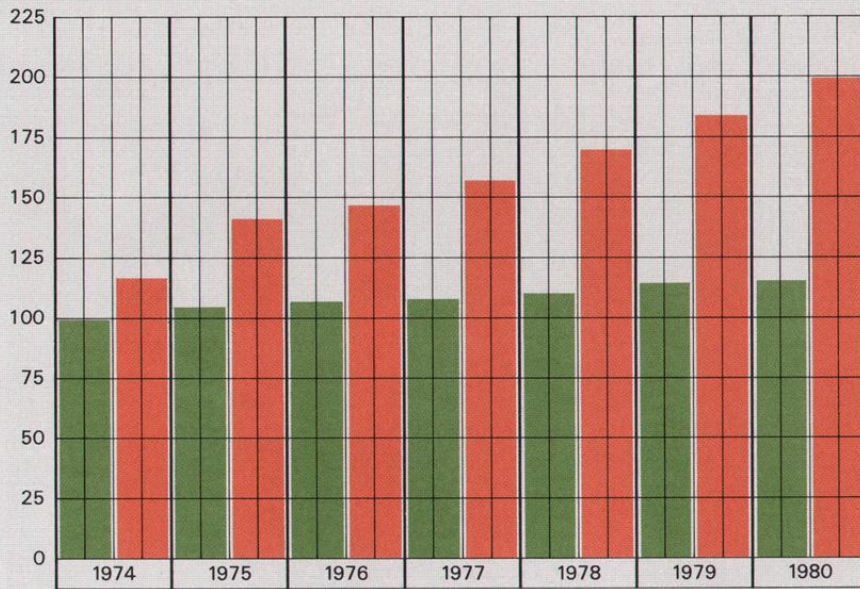
Two groups of ideal customers

Commerzbank will in future continue to cast its customer net widely. There would appear to be two ideal groups of customers at whom our domestic marketing efforts should be directed. The first covers companies wishing to utilize the expertise in international business that is our particular strength and the second those more demanding private customers not merely involving us in payments transactions but taking advantage of our services in such other fields as larger-scale investment or finance.

Decentralized marketing as spur to initiative

At the core of our revised policy is decentralized marketing carried out along uniform lines. The more accurately the profit and loss accounts of the individual branches can be established, the wider the operational scope they can be allowed—which should provide them with greater leeway to determine their conditions of business with an eye to earnings. It is also planned to enhance initiative and responsibility of both branch management and staff by allowing a larger measure of decision-making at local level.

Commerzbank personnel statistics: structure and trends, advanced training

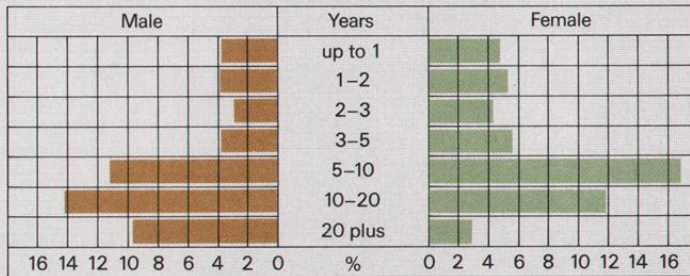


Number of employees and personnel expenditure

Personnel expenditure doubled over the past seven years, whilst the number of staff rose by just on one-seventh.

1973 = 100

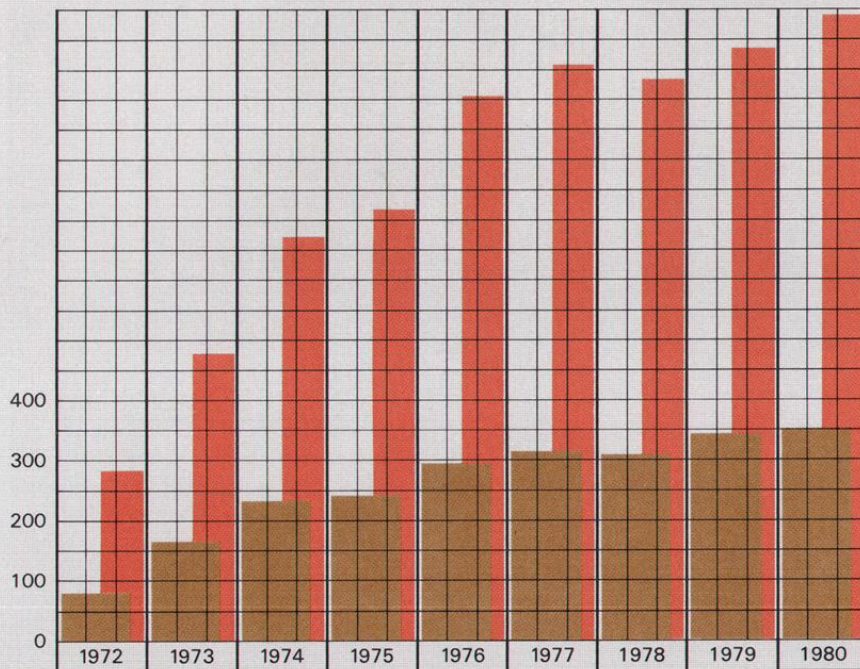
- number of employees
- personnel expenditure (wages and salaries, social security and pension fund contributions, other benefits)



Years of service with Commerzbank

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

- female employees
- male employees



Seminars for advanced training

Since 1972, the number of both courses held and persons attending has about quadrupled.

- number of seminars
- number of participants

Staff and Welfare Report

The eighties will be a more difficult period for banking than the decade just past, and Commerzbank will in future depend even more heavily on the experience and dedication of its staff for its success. Our personnel policy is consequently centred on promoting higher qualifications and motivation.

In practice this policy will mean above all a constant effort to provide specialized further training to enable our staff to keep pace with the ever-changing demands made upon them and their knowledge. At the same time, it is important to ensure that each of them is able to achieve the position for which he or she is best suited.

Most of all this will require realistic personnel planning and a balanced system of performance assessment, the validity of which is accepted by staff and management alike. We therefore place great emphasis on both these aspects of personnel policy.

No further increase in staff

Whereas the preceding reorganization of our branch network had required additional personnel in 1979, we succeeded in 1980, for the first time in several years, in avoiding a further increase. To make this possible despite yet another sharp rise in the number of new apprentices taken on, we decided early in the second half of the year to recruit a minimum of new staff whilst allowing natural wastage to take its course.

At the end of the year under review, the Bank was in full-time terms employing 19,023 people, a drop of 0.1 per cent from the end-1979 figure of 19,040. The actual number was 19,995, as against 20,052 the year before.

An unwavering tradition of long service

The average age of our employees is 36. At the close of 1980 two out of every three had been with us for more than five years, and slightly more than one in three for more than ten. In fact, every eighth member of our staff is able to look back on over twenty years with the Bank – a pattern of loyalty maintaining the standards of previous years.

This same tradition is reflected in the number of long-service anniversaries. No fewer than 221 people celebrated 25 years with Commerzbank

and another 22 marked 40 years in our employ. Mr. Josef Bönner, for many years in charge of data collection at our Mönchengladbach branch, completed his fiftieth year with us. To all these we should like once again to express our gratitude for their commitment and hard work.

In addition to those on our payroll, we were at year-end responsible for 3,686 pensioners and widows. We lost 19 employees and 116 pensioners in the course of the year.

Results confirm effectiveness of training

Even at a time of modest growth prospects, it is important for the Bank to assure itself an adequate inflow of junior employees. In 1980, we opened our doors to 736 young people seeking a future career in banking, thereby raising the total number of apprenticeships at our Bank by almost 100.

In all 606 people completed their 2 or 2½-year terms of basic training during the year under review, 63 per cent of them passing their final examination with the grades "very good" and "good". These results, coupled with the eagerness to learn displayed by apprentices individually, are for us proof of the quality of the basic professional training we provide. Here we continue to insist upon an appropriate balance of theory and practice, considering the experience gained during day-to-day work at our branches just as important as the theoretical knowledge obtained at our 31 training centres.

Special trainee schemes reorganized

Last year saw a restructuring of our special schemes designed to prepare highly suitable candidates with the desired degree of mobility but still lacking a profound background in banking for responsible positions within the Bank. Under the improved concept, all these trainees must first complete a 14-month preparatory programme of job rotation covering the basics of banking and then, in subsequent training programmes lasting between eight and thirteen months, acquire the specialized knowledge they may need.

These trainee schemes are thus mainly intended for those with a university degree or equivalent, but are also open to younger members of our staff who have already completed their apprenticeships and given proof of their ability during at least one year of banking practice. In addition, employees of longer standing

are of course also encouraged to take part in order to prepare themselves for new areas of responsibility.

Broad range of advanced training

Our internal advanced training facilities are designed continually to improve the expertise of our staff and to maintain as high a level of qualification as possible. Moreover, courses in banking or closely related fields go hand in hand with seminars of a more general, ancillary nature, the coverage of both being constantly revised to adjust them to changes in emphasis in our business policy. Case studies and the playing out of typical events serve to give participants a better grasp of the subject-matter.

Over 5,000 people attended the 350 further training courses offered during 1980.

Career opportunities as an incentive

Working efficiency is not merely the result of possessing specialist knowledge, but also implies each person's willingness to put it to full use. Here, it is important that individual effort be stimulated by appreciation and by good possibilities of promotion.

A sound system of assessment, properly applied, is a valuable means of placing staff objectively where they can give of their best. Our aim in utilizing such a system is both to permit the appraisal of past performance and to assist by smoothing the path for an employee's future career, which is also the purpose of the assessment and career counselling interviews that have become a regular feature of the Bank's personnel management. To increase the effective use of such interviews, we in 1979 introduced a new series of seminars on the subject which were further developed during the year under review. Over the past two years, these have been attended by some 1,500 members of our middle and senior management.

Another sharp rise in personnel expenditure

Staff costs rose last year by DM 83 m or 9 per cent to DM 1,002 m, chiefly due to a negotiated pay settlement of 6.8 per cent—or 7.1 per cent taking into account the inclusion in the collective wage scale of the Bank's own house-keeping allowance—which came into effect in March, followed by a rise in non-negotiated salaries a month later.

Other factors contributing to the increase in costs were improved holiday arrangements for employees covered by collective wage agreements and higher statutory social security contributions for most people on our pay-roll. Some DM 77 m was allocated to cover current pension payments and future pension claims.

Need to brake rising staff costs

The steady rise in personnel costs has been a source of worry to us and every effort is being made to contain them. Those in charge of the Bank's business administration will therefore be devoting even more attention to the whole question of staffing as their primary responsibility.

As far as our domestic branch network is concerned, the analysis of manpower requirements will inter alia be based upon the number and relative importance of the transactions handled by individual offices in the more significant fields of business.

Objective cooperation with staff councils ...

Once again in the year under review, collaboration between management and both the central and branch staff councils was fairly and objectively based, thanks particularly to the increased degree of consultation at all levels.

... and senior staff spokesmen's committee

The committee of spokesmen which represents the interests of managerial staff met several times with the Board of Managing Directors to discuss the Bank's performance and matters of importance to those electing them. Here again, conversations took place in an atmosphere of fairness and frankness.

Tribute to staff

The past year brought us face to face with many problems and made severe demands upon our staff. We should like to thank each one for the energy, devotion, and personal responsibility applied to the Bank's interests even under difficult circumstances. A particular word of gratitude must go to those who, often after many years in our service, left the Bank for a well-earned retirement.

Career Opportunities for Female Employees

Although women account for slightly over half our staff, they are clearly under-represented at managerial level. That this is so is a reproach repeatedly levelled at employers—and not just Commerzbank—in the general debate on sex discrimination. We once again devoted considerable thought to this subject in the year under review and below set out the results of our analysis, whilst being fully aware that our few comments are little more than a stimulus to further reflection as to how the chances of promotion for female employees can be improved.

Women generally less mobile ...

As a rule, the higher the level of schooling or academic training involved, the more our male employees tend to outnumber their female counterparts. Thus while 55 per cent of our salaried women staff hold a formal qualification, the proportion of men who do so exceeds two-thirds.

The sexes differ substantially, too, in the matter of mobility. We find that our female employees are often less willing than men to go from one town to another in the interests of promotion, largely because the question of whether or not to move is generally dependent upon the main earner in the family—the husband in most cases.

... and less attached to a job, but ...

Another criterion of importance is the degree of commitment to the Bank. The longer a person is prepared to stay with us, the better his or her earnings prospects tend to be.

However, the average length of service of our women employees is no more than eight years, as compared with twelve years in the case of men.

... with growing interest in further training

Even though women have in recent years increasingly participated in the Bank's advanced training seminars, a comparison of salaried staff from a given level of responsibility upwards still falls out in favour of men. Whereas only just over a third of our female employees attended at least one further training course, approximately half of their male colleagues have done so.

Conclusion: some obstacles to promotion remain

Career opportunities, and hence the chances for reaching managerial position, depend upon a number of factors, only some of which can be influenced by the Bank. Moreover, suitable qualifications must be accompanied by a willingness to take on senior responsibility.

A review of the past ten years does, however, reveal at least a tendency for women to get further up the promotional scale: they now represent 3 per cent of all employees on non-negotiated—and thus higher—salaries, as against only 1 per cent or so in 1970.

None the less, it can hardly be denied that women moving up the corporate ladder still meet with much prejudice. We are keeping the matter very much in mind, especially since the problem is a general one by no means confined to Commerzbank.

Parent Bank's Annual Report for the Year 1980

Notes on the Parent Bank's annual accounts

During 1980, the Bank's total assets decreased by DM 2,388.4 m to DM 64,701.9 m, or 3.6%.

The relevant changes in the financial position are set out below:

Assets		Liabilities	
in DM m		in DM m	
Cash reserves, cheques, and collection items	- 386.5	Liabilities to banks	- 1,403.1
Bills of exchange	+ 71.5	a) demand	(- 1,259.5)
Claims on banks	- 2,296.1	b) time	(- 143.6)
Treasury bills	- 1,174.2	Customers' deposits	- 858.7
Bonds and notes	+ 1,367.3	a) demand	(- 448.9)
Other securities	- 19.9	b) time	(- 453.1)
Loans and advances to customers	- 321.6	c) savings deposits	(+ 43.3)
Investments	+ 177.5	Bonds outstanding	- 54.5
Land and buildings, office furniture and equipment	+ 45.9	Acceptances outstanding	- 82.2
Sundries (including Loans on a trust basis)	+ 147.7	Provisions	+ 9.9
		Special items with partial reserve character	+ 50.0
		Distributable profit	- 126.3
		Sundries (including Loans on a trust basis)	+ 76.5
	- 2,388.4		- 2,388.4

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 2,942.9 m, representing 4.8% of our total liabilities to banks and other creditors including indebtedness under bonds and acceptances outstanding in the aggregate amount of DM 60,952.9 m. The Bank's liquid assets—cash reserves, cheques, matured bonds, interest and dividend coupons, collection items, bills rediscountable at the Deutsche Bundes-

bank, claims on banks with periods of less than three months, Treasury bills and discountable Treasury notes as well as fixed-interest securities eligible as collateral for Deutsche Bundesbank advances—totalled DM 12,567.7 m and covered 20.6% of the deposits, borrowings, and other indebtedness specified above.

Claims on banks

Claims on banks were up by DM 2,296.1 m to DM 16,395.5 m. This item reflects debit balances on current accounts, money-market investments, and loans to German and foreign banks and is broken down as follows:

Claims on banks		
in DM m	1980	1979
Interbank and clearing balances	10,843.3	13,700.7
of which: demand	(1,650.2)	(1,432.6)
time	(9,193.1)	(12,268.1)
Loans	5,552.2	4,990.9
including: long-term	(2,616.3)	(2,705.3)
Total	16,395.5	18,691.6

Securities portfolio

The Bank increased its portfolio of bonds and notes by 54.9% to DM 3,856.2 m, 85.2% of this total being securities eligible as collateral for advances from the Deutsche Bundesbank. The addition consists of high-interest securities acquired in the context of selling long-term borrower's notes under repurchase agreements.

The securities portfolio comprises such of the Bank's holdings of marketable equities, investment fund shares, and other securities not to be shown elsewhere; its total of DM 666.8 m was down by DM 19.9 m on the year-ago figure.

At December 31, 1980, the Bank held more than 25% of the share capital of the following companies (other than those listed as "holdings by Commerzbank in affiliated and other companies" on pages 82 to 84):

Tax-privileged holdings (of more than 25%)	
in DM m	Share capital
Commerzbank Aktiengesellschaft von 1870, Hamburg	(100.0 RM*)
Hannoversche Papierfabriken Alfeld-Gronau Aktiengesellschaft, Alfeld (Leine)	40.0
Karstadt Aktiengesellschaft, Essen	360.0
Kempinski Aktiengesellschaft, Berlin	13.8
Sachs Aktiengesellschaft, Munich	15.1

*) Reichsmark

The over 25% holding in Sachs AG, Munich, which qualifies for privileged inter-company tax treatment as franked investment income, was transferred back to the Parent Bank from the Luxembourg subsidiary in 1980. Holdings of over 25% in the share capital of Kaufhof AG, Cologne, and of over 50% in that of Maihak AG, Hamburg, were disposed of.

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

Lending

Total lending to banks and non-banks (excluding loans on a trust basis and guarantees) was up on the year by DM 809.8 m, or 1.8%, as against 19.1% the previous year.

The loan portfolio breaks down as follows:

Lending		
	1980	1979
Loans to		
a) banks	DM 5,552.2 m = 12.2%	DM 4,990.9 m = 11.2%
b) customers	DM 36,206.7 m = 79.6%	DM 36,528.3 m = 81.8%
Book and acceptance credits	DM 41,758.9 m = 91.8%	DM 41,519.2 m = 93.0%
Discounts	DM 3,711.0 m = 8.2%	DM 3,140.9 m = 7.0%
Total lending	DM 45,469.9 m = 100.0%	DM 44,660.1 m = 100.0%

The combined volume of advances and acceptance credits outstanding at the end of 1980 comprised short and medium-term credits amounting to DM 21,503.2 m and long-term loans totalling DM 20,255.7 m. Advances at short and medium term rose DM 913.5 m, or 4.4%, on the corresponding figure as at Decem-

ber 31, 1979, while those at long term declined by DM 673.8 m, or 3.2%.

Short and medium-term book credits consisted of loans to non-bank customers worth DM 18,567.3 m (up DM 263.2 m) and of lendings to banks amounting to DM 2,935.9 m (up

DM 650.3 m). The portfolio of long-term loans comprised DM 17,639.4 m advanced to customers other than banks (down DM 584.8 m) and DM 2,616.3 m to banks (down DM 89.0 m).

Funds extended at long term were, inter alia, financed by bonds with maturities of more than four years in the amount of DM 2,327.1 m and by long-term borrowings, mainly from banks—among them Kreditanstalt für Wiederaufbau (Reconstruction Loan Corporation)—and from public authorities, totalling DM 11,761.8 m. Where so provided for in the underlying agree-

ments 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 1980 exceeded the preceding year-end figure by DM 239.7 m, or 0.6%, discounts were up by DM 570.1 m, or 18.2%, to DM 3,711.0 m, including rediscounted bills of DM 2,235.6 m, or 60.2%.

The Bank's loans and advances to some 496,000 borrowers break down as follows:

Size of loans	1980	1979
375,060 loans of up to DM 20,000	75.6%	75.9%
81,050 loans of more than DM 20,000, up to DM 100,000	16.3%	16.2%
	91.9%	92.1%
36,266 loans of more than DM 100,000, up to DM 1,000,000	7.3%	7.1%
4,078 loans of more than DM 1,000,000	0.8%	0.8%
	100.0%	100.0%

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

Recovery claims

Recovery claims on Federal and Länder authorities—which originate from post-war German monetary reform acts—were reduced by regular and extraordinary redemption payments totalling DM 4.0 m to DM 61.1 m.

Investments as shown in the balance sheet

Of the investments as shown in the balance sheet, DM 962.5 m falls to interests in credit institutions and DM 517.1 m to non-bank holdings. They are set out in detail on pages 82 to 84, showing Commerzbank's share in the capital of each.

The Bank raised these holdings in subsidiaries and associated companies and its trade investments by DM 177.5 m in 1980. Besides representing new purchases, the change—amounting to DM 185.3 m—reflects mainly share capital increases, obligatory payments on account of subscriptions, and the build-up of existing holdings. Allowing for disposals of DM 4.0 m and write-downs of DM 3.8 m, investments are shown at a book value of DM 1,479.6 m,

DM 540.6 m of which is made up by interests held in foreign companies.

Among new purchases, particular mention should be made of three holding companies formed in Luxembourg as members of the Group.

Major capital increases involved one by Francommerz Vermögensverwaltungsgesellschaft mbH, Frankfurt, a company hitherto fully-owned by the Bank but not actively pursuing business. In the process of acquiring an over 25% holding in Hochtief AG, which qualifies for privileged inter-company tax treatment as franked investment income, Francommerz augmented its capital to DM 50 m, allowing in other shareholders as well. This had the effect of reducing Commerzbank's direct interest to 40%. In another move, the equity of the Berlin subsidiary, Berliner Commerzbank Aktiengesellschaft, was raised by DM 10.0 m nominal through the issue of shares at a premium of 150%.

Moreover, a subordinated loan was extended to Europartners Bank (Nederland) N.V., Amsterdam, in order to broaden its scope for lending. Commerzbank also subscribed to new shares issued by Deutsche Gesellschaft für Immobilien- und Anlagen-Leasing mbH, Düsseldorf, in line with its 50% interest in this company. In connection with the amalgamation of Absatz-

kreditbank Aktiengesellschaft, Hamburg, with the Bank's former subsidiary Bank für Teilzahlungskredit Gesellschaft mit beschränkter Haftung, Düsseldorf, Commerzbank increased to 40% its holding in the share capital of Absatzkreditbank now stated at DM 18.0 m.

Commerzbank's subsidiaries and affiliates performed differently during 1980, with the earnings position of some of the commercial banks among them severely impaired by the sustained narrowing of their interest margins. Total income from these investments, including income transferred under profit and loss pooling agreements, came to DM 78.5 m after DM 80.2 m in the previous year.

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

Land and buildings

Land and buildings are shown at DM 705.2 m, exceeding the comparable figure for the preceding year by DM 37.8 m. This increase represents the balance of additions of DM 55.2 m, disposals of DM 0.7 m, and depreciation of DM 16.7 m, the amount allowed under tax rules.

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

Office furniture and equipment

The net book value of office furniture and equipment rose to DM 204.8 m. This was the result of additions of DM 59.5 m, reclassifica-

tions of DM 1.3 m, disposals of DM 0.7 m and normal depreciation of DM 52.0 m. The cost of minor-value items acquired during the year at DM 6.0 m was written off in full.

Other assets

"Other assets" as shown in the balance sheet are made up of such claims and assets as cannot be shown under other headings.

Deferred items

The deferred asset items not only represent prepaid expenses, interest, and commissions, but also debt discounts at DM 163.4 m. This amount includes DM 162.3 m of unamortized discounts on savings certificates and DM 1.1 m of bonds issued by the Bank.

Liabilities and shareholders' equity

Liabilities

During the year, liabilities to banks and customers decreased by 3.8% to DM 58,104.4 m. Of the overall reduction of DM 2,261.8 m, liabilities to banks accounted for DM 1,403.1 m and customers' deposits for DM 858.7 m.

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

Liabilities to banks with original periods or agreed periods of notice of four years or more include two mortgage-secured loans from a mortgage bank totalling DM 0.4 m, assumed on purchases of the property concerned.

Deposits	1980	1979
Liabilities to banks		
a) demand	DM 2,829.0 m = 4.9%	DM 4,088.5 m = 6.8%
b) time	DM 18,707.7 m = 32.1%	DM 18,880.5 m = 31.3%
Liabilities for customers' drawings on other banks		
	DM 46.4 m = 0.1%	DM 17.2 m =
Sub-total	DM 21,583.1 m = 37.1%	DM 22,986.2 m = 38.1%
Customers' deposits		
a) demand	DM 7,642.0 m = 13.2%	DM 8,090.9 m = 13.4%
b) time	DM 19,866.0 m = 34.2%	DM 20,319.1 m = 33.6%
c) savings deposits	DM 9,013.3 m = 15.5%	DM 8,970.0 m = 14.9%
Sub-total	DM 36,521.3 m = 62.9%	DM 37,380.0 m = 61.9%
Total deposits	DM 58,104.4 m = 100.0%	DM 60,366.2 m = 100.0%

Bonds

The volume of the Bank's own bonds outstanding shrank by DM 54.5 m to DM 2,378.8 m, DM 5.2 m of which was temporarily held by the Bank itself.

Included in this item are DM 51.7 m bearer bonds with a life of up to four years issued in 1980. Of the paper with an original maturity of more than four years, DM 1,218.5 m were bearer bonds which served to fund long-term loans to customers, DM 853.3 m savings certificates with an annually rising coupon, and DM 1.8 m discounted bearer savings bonds. Also shown here are DM 253.5 m of convertible bonds issued by Commerzbank and consisting of 5½% paper launched in 1972 which are, as in the previous year, shown at the amount still outstanding of DM 62.0 m nominal. In addition, the item includes DM 182.4 m nominal of the 4½% convertible bonds that were issued in 1978 to a total of DM 250.0 m.

Provisions

The actuarially computed liability for pensions increased by DM 55.0 m from DM 468.5 m at end-1979 to DM 523.5 m at December 31, 1980 (since end-1975, these liabilities have been determined by what is mostly referred to as the "normal entry-age method").

The provisions for other expenses, shown at DM 297.8 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.

Deferred items

The deferred liability items of DM 285.9 m mainly reflect unearned interest and service charges on credits extended under personal loan schemes.

Share capital and reserves

At DM 843.4 m, the share capital remained unchanged in the year under review. Proceeds of DM 9,000 in excess of par value from the over-the-counter sale of our 1978 convertible bonds were allocated to the legal reserve. Other reserves showed no change in 1980. At the balance sheet date, the Bank's unissued authorized capital was DM 143.8 m, with conditional authority for the issue of a further DM 15.5 m and DM 45.6 m of new shares to be offered respectively to such holders of our 1972 and 1978 convertible bonds as may wish to exercise their conversion rights. Another conditionally authorized capital increase of DM 25 m is available for the issue of shares to the holders of bonds with warrants launched in 1978 by the Luxembourg subsidiary, Commerzbank International S.A., at a total par value of DM 100 m.

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

Capital and reserves		
in DM m	1980	1979
Share capital	843.400	843.400
Disclosed reserves		
a) legal reserve	1,025.190	1,025.181
b) other reserves, voluntary	609.000	609.000
Total liable funds	2,477.590	2,477.581

Footnotes to the balance sheet and other information

Endorsement liabilities from rediscounted bills of exchange amounted to DM 2,235.6 m, against DM 1,737.0 m as at December 31, 1979.

Commitments under guarantees, including guarantees for bills and cheques, and under indemnity agreements totalled DM 8,336.3 m, exceed-

ing the commitments outstanding at the end of the preceding year by 6.6%.

Commitments for uncalled payments on shares in stock corporations (AG) and private limited liability companies (GmbH) issued but not fully paid, amounted to DM 6.2 m, and similar liabilities for shares in cooperatives were DM 0.5 m. In addition the Bank may under Section 24 of the German Private Limited Liability Companies

Act (GmbHG), be held responsible for possible defaults on such calls by other shareholders.

In respect of its holding in Liquiditäts-Konsortialbank GmbH, the "lifeboat" institution of the German banking industry, the Bank is responsible for the payment of assessments of up to DM 27.4 m. Moreover, the Bank is jointly and severally liable under a guarantee for any assessments payable by the member banks of Bundesverband deutscher Banken e.V. (Federation of German Banks) up to a total of DM 197.6 m.

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

The Bank's foreign operations make it necessary under the laws of certain countries to furnish government bodies with security. The amount of the Bank's assets on which such organizations hold a lien is DM 174.9 m.

Profit and loss account

Interest and similar income from lending and money-market transactions was DM 5,314.2 m, as against DM 3,856.3 m in 1979, an increase of DM 1,457.9 m, or 37.8%.

Current income from fixed-interest securities, Government-inscribed debt, other securities, and investments as shown in the balance sheet rose by DM 78.8 m, or 27.2%, on the corresponding figure for 1979 to DM 369.0 m.

The net balance obtained by the deduction of DM 4,745.2 m *interest and similar expenses* from the DM 5,683.2 m of total interest and dividends earned is DM 938.0 m. This is a decline of DM 149.2 m or 13.7% on 1979, compared with a gain of 7.2% in the average business volume over 1979.

Commissions and other service charges received were up by 16.4%, from DM 354.9 m to DM 413.1 m. With *commissions and similar service charges paid* amounting to DM 14.7 m, net income from commissions was DM 398.4 m, compared with DM 341.8 m in the preceding year. This is an advance of DM 56.6 m, or 16.6%.

Other income, including income from the writing back of provisions for possible loan losses, is shown at a net amount of DM 143.6 m. This reflects gains from own-account transactions, rentals from real estate, profits realized on large-lot share sales, and other ordinary and extraordinary income, after allowing for *write-downs of and adjustments for possible losses on loans and securities, as well as for transfers to provisions for possible loan losses*.

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

Personnel expenditure		
in DM m	1980	1979
<i>Salaries and wages</i>	786.3	729.7
<i>Compulsory social security contributions</i>	106.5	98.7
<i>Expenses for retirement pensions and other employee benefits</i>	108.8	90.9
Total	1,001.6	919.3

The addition was thus DM 82.3 m, or 9.0%. The higher costs mirror improvements in wages and salaries and a slight expansion in the average number of staff employed during the year.

Thanks to strict economies, *other operating expenses* only increased to DM 310.1 m from DM 309.6 m, representing a rise of DM 0.5 m or 0.2%.

Depreciation on and adjustments to land and buildings, office furniture and equipment was charged at DM 68.7 m, the amount permitted

under tax regulations. *Write-downs of investments* reflect almost exclusively adjustments to the book value of one foreign investment.

Taxes totalled DM 38.3 m, against DM 126.9 m in the previous year. Total tax expenditure includes DM 1.4 m (1979 DM 14.5 m) for taxes other than those on income and assets.

Special items with partial reserve character subject to future taxation have been augmented by an amount of DM 50.0 m, representing gains realized on large-lot share sales which qualify

for deferred taxation under section 6b of the German Income Tax Act (ESTG).

Other expenditure, down by DM 0.7 m, totalled DM 18.3 m; of this amount, DM 7.5 m (1979: DM 10.9 m) is accounted for by Commerzbank's contribution to the German banks' Deposit Insurance Fund.

The remuneration payable during the year under review to the Bank's Managing Directors amounted to DM 5,739,672.83, and retired Managing Directors or their surviving dependants received DM 2,958,172.94. Payments to members of the Supervisory Board totalled DM 146,082.51, and those to members of the Central Advisory Board DM 124,650.00. Members of the Regional Advisory Councils were paid DM 1,398,590.00.

Purchases and sales of the Bank's own shares

In 1980 the Bank purchased altogether 28,552 of its own shares, and its subsidiaries and associated companies acquired a total of 1,834 Commerzbank shares, at an average price of DM 168.31 per share, for resale to employees of the Bank, its subsidiaries, and associated companies at a price of DM 120.00 per share.

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

by the Bank

of 855,831 Commerzbank shares (bearer shares at a face value of DM 50.00) at a total nominal value of DM 42,791,550.00

and by companies controlled or majority-owned by the Bank

of 13,205 Commerzbank shares at a total nominal value of DM 660,250.00.

The weighted average buying price of these shares was DM 164.42, while the similarly computed average resale price was DM 165.09.

The proceeds from these transactions were re-allocated to working funds. On one day during the first half-year, we held 19,762 Commerzbank shares to a total face value of DM 988,100, the largest such volume in our possession during the year under review, corresponding to 0.1% of our share capital as at that same date. Neither the Bank itself nor companies controlled or majority-owned by it held any Commerzbank shares at the balance sheet date.

The collateral furnished by borrowing customers as security included

135,172 Commerzbank shares at a total nominal value of DM 6,758,600.00

and 7,423 Commerzbank shares at a total nominal value of DM 371,150.00, which were pledged to companies controlled or majority-owned by the Bank.

THE BOARD OF MANAGING DIRECTORS

Düsseldorf, February 27, 1981

The image shows a grid of handwritten signatures in cursive script. There are four columns and four rows of signatures. The signatures are:

- Row 1: A large stylized 'D', 'A. ...', 'J. ...', 'H. ...'
- Row 2: 'J. ...', 'W. ...', 'K. ...', 'L. ...'
- Row 3: 'M. ...', 'G. ...', 'H. ...', 'H. ...'
- Row 4: 'E. ...', 'A. ...', 'H. ...', 'H. ...'

Report of the Supervisory Board

Throughout the year under review, the Supervisory Board discharged its duties under the law and the Bank's Statutes and continually supervised the conduct of the Bank's affairs. In particular it discussed with the Board of Managing Directors, on the basis of the latter's reports, the Bank's overall position and the steps to be taken to restore profitability. The Chairman and other members of the Supervisory Board assisted the Board of Managing Directors in an advisory capacity.

The Presiding Committee of the Supervisory Board received periodic reports on the progress of the Bank's business and regularly reviewed both its assets and earnings performance as also all matters of note. Its Loans Committee studied major lending commitments, as also those involving a greater than normal risk. The Social Welfare Committee considered questions of importance affecting the Bank's staff.

May 31, 1980, saw Dr. Rudolf Behrenbeck retire from the Board of Managing Directors upon reaching the age of 65.

Dr. Erich Coenen, formerly joint manager of the Frankfurt main branch, was appointed a Deputy Member of the Board of Managing Directors, based in Düsseldorf, with effect from November 1, 1980.

It is with regret that the Supervisory Board records the premature retirement from the Board of Managing Directors, on December 31, 1980, of Mr. Armin Reckel after a long illness.

Also forced by serious illness to resign from the Board of Managing Directors as of December 31, 1980, was its spokesman Mr. Robert Dhom. The Supervisory Board therefore decided, at its meeting of December 15, 1980, to use its authority under Section 105 (2) of the German Stock Corporation Act to second its chairman, Mr. Paul Lichtenberg, to the Board of Managing Directors to act as its spokesman for a maximum period of one year as from January 1, 1981, while at the same time electing another Supervisory Board member, Prof. Dr.-Ing. Kurt Hansen, to take Mr. Lichtenberg's place.

The Supervisory Board is pleased to announce that at its meeting of February 13, 1981, Dr. Walter Seipp, then Deputy Chairman of the Board of Managing Directors of Westdeutsche Landesbank Girozentrale, was appointed a full member of Commerzbank's Board of Managing Directors as from March 1, 1981. Based in

Frankfurt, Dr. Seipp will after a brief introductory period take over as Chairman of the Board of Managing Directors on the day following the Annual General Meeting. As of the same date, Mr. Lichtenberg will resume the chairmanship of the Supervisory Board on which Prof. Hansen will as before serve as a regular member.

Mr. Günter Max Paefgen asked to be released from office as a Supervisory Board member and duly relinquished his post on September 1, 1980, as did Dr. Trouet as supplementary member. As of the same date, Dr.-Ing. Hanns Arnt Vogels, Managing General Partner of Friedrich Flick Industrierwaltung KGaA, was under Section 104 (2) and (3) of the German Stock Corporation Act appointed a member of the Supervisory Board by the registry court.

The Parent Bank's Annual Report and Accounts, together with the books of account for the period from January 1 to December 31, 1980, 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. It has examined the Bank's Annual Accounts and Report and has found no cause for objection.

The Supervisory Board has approved the Annual Accounts which may accordingly be regarded as adopted.

The Consolidated Report and Accounts, as also the report of the Group's auditors and the latter's certificate without qualification were also submitted to the Supervisory Board.

Düsseldorf, March 24, 1981

THE SUPERVISORY BOARD



Chairman

Business Progress of Parent Bank, 1952-1980

	Total assets	Total lending	Capital and reserves	Savings deposits and savings bonds	Annual dividend	Total amount of dividends paid	Allocation to reserves from profit	Taxes paid	Staff ¹⁾	Branches
	DM bn	DM bn	DM m	DM m	%	DM m	DM m	DM m		
1-1-1952	1.6	1.3	55	75	–	–	–	–	4,812	108
31-12-1952	1.9	1.6	73	115	6	3.1	17.6	12.5	5,297	109
31-12-1953	2.5	2.1	89	178	8.5	4.9	4.0	22.7	5,935	114
31-12-1954	3.2	2.5	101	324	9	5.8	6.2	20.7	6,651	139
31-12-1955	3.7	3.0	152	387	10	8.1	15.7	32.9	7,160	149
31-12-1956	4.4	3.2	179	382	12	12.6	17.0	33.7	7,401	155
31-12-1957	5.3	3.4	226	458	12	15.9	17.0	39.0	7,537	168
31-12-1958	5.6	3.5	253	587	14	21.0	17.0	35.1	7,690	185
31-12-1959	6.4	4.0	338	789	14+2	25.2	25.0	57.9	8,371	217
31-12-1960	6.9	4.5	360	930	16	28.8	22.0	62.1	9,465	266
31-12-1961	7.8	5.5	410	1,053	16	32.0	19.0	57.3	10,507	332
31-12-1962	8.7	5.6	420	1,257	16	32.0	10.0	48.1	10,657	372
31-12-1963	9.3	6.0	435	1,477	16	32.0	15.0	51.6	10,740	392
31-12-1964	9.8	6.6	500	1,720	16	36.0	20.0	54.8	11,021	402
31-12-1965	10.3	6.9	520	2,154	16	36.0	20.0	54.0	11,402	436
31-12-1966	11.0	7.4	540	2,649	16	36.0	20.0	55.2	12,076	461
31-12-1967	12.9	8.4	605	3,040	16	40.0	40.0 ²⁾	55.3	12,760	550
31-12-1968	15.4	9.7	660	3,565	17	46.8	30.0 ³⁾	59.8	13,409	636
31-12-1969	17.4	12.6	840	3,949	17+3	62.5	30.0	77.5	14,350	688
31-12-1970	19.7	13.8	850	4,182	17	59.5	10.0	47.1	15,441	719
31-12-1971	22.1	15.6	990	4,840	17	61.6	15.0	57.1	15,952	731
31-12-1972	25.6	17.4	1,115	5,444	17	68.0	15.0	58.9	16,161	737
31-12-1973	28.4	18.1	1,213	5,651	17	79.6	–	45.2	16,622	755
31-12-1974	31.4	20.1	1,364	6,487	17	79.6	30.0	71.9	16,585	765
31-12-1975	38.5	22.3	1,548	8,005	18	95.5	50.0	129.6	17,328	782
31-12-1976	42.1	25.6	1,781	8,964	18	109.3	50.0	95.8	17,729	790
31-12-1977	50.9	29.0	2,078	10,137	17*)	109.4	50.0	163.8	17,872	794
31-12-1978	60.6	37.5	2,129	11,097	17*)	123.4	50.0	164.0	18,404	795
31-12-1979	67.1	44.7	2,478	11,670	17*)	126.3	–	126.9	19,040	802
31-12-1980	64.7	45.5	2,478	11,793	–	–	–	38.3	19,023	805

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

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

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

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

Parent Bank's Annual Accounts as at December 31, 1980

Balance Sheet pages 62/63

Profit and Loss Account pages 64/65

	DM	DM	DM	DM
Assets				
Intangible assets (goodwill, patents, etc.)				
Real estate	2,281,387,251.95			
Loans and advances		8,124,196,024.16		
Loans and advances		2,328,220,226.21	16,777,693,982.35	
including: due to				
less than four years	DM 2,328,220,226.21			
more than four years			48,347,546.95	
Investments (including on other banks)				2,328,220,226.21
Liabilities to customers (customers' deposits)			7,592,097,324.50	
a) payable on demand				1,828,000,000.00
b) with original periods or periods of notice of				
not less than three months	12,312,917,293.12			
not less than three months		5,179,034,468.02		
not less than four years		2,273,574,595.70	13,986,026,346.34	
including: due to				
less than four years	DM 2,328,220,226.21			
more than four years				1,828,000,000.00
Savings deposits				
a) subject to legal period of notice	5,188,170,428.71			
b) other	2,617,967,860.25	5,013,257,420.15		
Bonds and notes with a life of				
not up to four years			51,897,000.00	
more than four years			2,327,575,000.00	
including: including in				
less than four years	DM 2,327,575,000.00			
Acceptances and promissory notes outstanding				
Loans on a trust basis at third party risk				
Provisions			100,530,000.00	
a) for persons			257,216,000.00	
b) other				
Other liabilities				
Deferred items				
Special items with partial reserve character				
subject to future taxation in accordance with				
Section 10b of the German Income Tax Act of 1954				
Special capital (uncalled shares, etc.) Capital, additionally				
authorized for conversion rights: DM 25,100,000.00				
Disclosed reserves				
a) legal reserve			1,025,190,000.00	
b) other reserves (Vollwert)			905,820,000.00	
Other				
Comptobank Foundation				
Distributable profit				
Total Assets				25,100,000.00
Liabilities				
Own drawings in circulation (of which disclosed in separate account: DM 10,100,000.00)				10,100,000.00
Endorsement liabilities (e.g. rediscounted bills, etc.)				
Contingent liabilities from guarantees, including guarantees				
for bills and checks, and from indemnity agreements				
Commitments under repurchase agreements, not covered in the notes				
Savings premiums under the Savings Premium Act				
Total Liabilities, together with contingent liabilities and other commitments				25,100,000.00
shown below the line, include liabilities to request connections in the amount of				

Balance Sheet as at December 31, 1980

Assets	DM	DM	DM	Dec 31, 1979 DM 1,000
Cash on hand			186,441,780.92	183,990
Balance with Deutsche Bundesbank			2,742,715,286.69	3,116,681
Balances on postal cheque accounts			13,800,598.25	29,263
Cheques, matured bonds, interest and dividend coupons, items received for collection			286,019,180.25	285,419
Bills of exchange			1,475,397,650.12	1,403,892
including: a) rediscountable at Deutsche Bundesbank	639,626,215.41			
b) own drawings	101,348,084.70			
Claims on banks				
a) payable on demand		1,956,372,994.92		1,766,372
b) with original periods or periods of notice of				
ba) less than three months		3,409,879,710.38		3,826,129
bb) at least three months, but less than four years		7,388,884,521.67		9,422,361
bc) four years or more		3,640,247,221.41		3,676,704
			16,395,384,448.38	18,691,566
Treasury bills and discountable Treasury notes				
a) of the Federal and Länder Governments		—		1,202,504
b) of other issuers		47,245,000.00		18,910
			47,245,000.00	1,221,414
Bonds and notes				
a) with a life of up to four years				
aa) of the Federal and Länder Governments	961,698,007.52			
ab) of banks	191,935,957.46			
ac) of other issuers	1,485,000.00	1,155,118,964.98		1,054,531
including: eligible as collateral for Deutsche Bundesbank advances	DM 1,032,802,591.67			
b) with a life of more than four years				
ba) of the Federal and Länder Governments	432,386,804.88			
bb) of banks	1,911,545,905.78			
bc) of other issuers	357,123,807.83	2,701,056,518.49		1,434,393
including: eligible as collateral for Deutsche Bundesbank advances	DM 2,252,786,169.06		3,856,175,483.47	2,488,924
Securities not to be shown elsewhere				
a) shares marketable on a stock exchange and investment fund certificates		527,642,359.72		678,580
b) other		139,137,162.45		8,123
including: holdings of more than one-tenth of the shares of a joint stock or mining company, unless shown as Investments	487,583,154.02		666,779,522.17	686,703
Claims on customers, with original periods or periods of notice of				
a) less than four years		18,567,368,565.43		18,304,122
b) four years or more		17,639,376,931.27		18,224,139
including: ba) secured by mortgages on real estate	3,425,218,343.74		36,206,745,496.70	36,528,261
bb) communal loans	3,043,242,302.50			
Recovery claims on Federal and Länder authorities under post-war currency reform acts			61,088,896.82	65,071
Loans on a trust basis at third party risk			48,984,976.10	50,077
Subsidiaries, associated companies, and trade investments (Investments)			1,479,567,000.00	1,302,068
including: investments in banks	962,496,000.00			
Land and buildings			705,183,000.00	667,463
Office furniture and equipment			204,841,000.00	196,733
Bonds and notes issued by Commerzbank			4,908,384.80	7,603
nominal amount	5,130,750.00			
Other assets			152,368,444.45	45,288
Deferred items				
a) unamortized debt discount (difference according to Section 156 (3) of the German Stock Corporation Act—AktG)		163,380,697.93		118,497
b) other		4,852,954.86		1,350
			168,233,652.79	119,847
		Total Assets	64,701,879,801.91	67,090,263
Total Assets and the recourse claims from the contingent liabilities shown below the line on the liabilities side include				
a) claims on related companies			3,800,298,003.34	2,803,958
b) claims arising from loans falling under Section 15 (1) 1-6 and (2) of the German Banking Act, unless included under a)			330,052,610.26	264,450

Profit and Loss Account for the Year ended December 31, 1980

Expenses	DM	DM	1979 DM 1,000
Interest and similar expenses		4,745,209,138.83	3,059,278
Commissions and similar service charges paid		14,680,806.78	13,116
Salaries and wages		786,299,762.47	729,732
Compulsory social security contributions		106,541,864.76	98,728
Expenses for pensions and other employee benefits		108,823,696.78	90,841
Other operating expenses		310,108,372.14	309,602
Depreciation on and adjustments to land and buildings, office furniture and equipment		68,687,841.26	65,931
Write-downs of and adjustments to Investments (subsidiaries, associated companies, and trade investments)		3,769,385.71	1,049
Taxes			
a) on income and assets	36,935,927.93		112,426
b) other	1,388,111.01		14,437
		38,324,038.94	126,863
Allocations to special items with partial reserve character		50,000,000.00	—
Other expenses		18,306,097.03	19,000
Net income for the year		—	126,293
	Total Expenses	6,250,751,004.70	4,640,433

Consolidated Annual Report for the Year 1980

Notes on the consolidated annual accounts

Thanks to the continued growth of the mortgage bank subsidiary, Rheinische Hypothekbank AG, consolidated total assets of the Commerzbank Group remained nearly unchanged in 1980 at just over DM 100 bn, despite the reduction in low-earning business effected especially in short-term interbank transactions. The Group's business volume—balance sheet total plus endorsement liabilities—increased only slightly from DM 102.2 bn to DM 102.4 bn. Its earnings performance, however, was unsatisfactory primarily due to a narrowing of the interest margins of the member commercial banks. Consolidated net income for the year was thus a mere DM 34 m, as against DM 143 m in the previous year.

Commerzbank Aktiengesellschaft has the status of a related enterprise under Section 15 of the German Stock Corporation Act-AktG in respect of the following subsidiaries and holdings (direct or indirect interest shown below in per cent). Bank für Teilzahlungskredit GmbH, Düsseldorf, was no longer included in the consolidation following its merger with another affiliate, Absatzkreditbank AG of Hamburg.

1) Companies included in the consolidation

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

Atlas-Vermögensverwaltungs-Gesellschaft m.b.H., Düsseldorf		
Share capital DM 100,000	100.00	
Commercium Vermögensverwaltungs-GmbH, Hamburg		
Share capital DM 50,000	100.00	
Commerz- und Industrie-Leasing GmbH, Frankfurt		
Share capital DM 2,000,000	100.00	
including three holding subsidiaries with a capital of DM 20,000 each		
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	
including ten property holding subsidiaries with a capital of DM 20,000 each		
Norddeutsche Immobilien- und Verwaltungs-GmbH, Hamburg		
Share capital DM 20,000	100.00	

Companies with whom there were no profit and loss pooling agreements:

Außenhandel-Förderungs- gesellschaft mbH Düsseldorf		
Share capital DM 100,000	100.00	
Berliner Commerzbank Aktiengesellschaft, Berlin		
Share capital DM 52,500,000	100.00	
Commerzbank Fonds- Verwaltungsgesellschaft mit beschränkter Haftung (Cofa), Düsseldorf		
Share capital DM 2,000,000	100.00	
Commerzbank International S.A., Luxembourg		
Share capital Lfr 2,500,000,000	100.00	
Commerzbank (South East Asia) Ltd., Singapore		
Share capital S\$ 20,000,000	100.00	
von der Heydt-Kersten & Söhne, Wuppertal-Elberfeld		
Limited liability capital DM 10,000,000	100.00	
Ilseder Bank, Sandow & Co., Peine		
Limited liability capital DM 2,000,000	100.00	
C. Portmann, Frankfurt		
Limited liability capital DM 1,500,000	100.00	
RHB-Bau- und Verwaltungs- gesellschaft Mannheim mbH, Mannheim		
Share capital DM 20,000	95.35	
Rheinische Hypothekbank Aktiengesellschaft, Frankfurt		
Share capital DM 77,550,000	93.80	

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

Foreign companies:

Atlas Participations-France S.A.R.L., Paris	
Share capital Ffr 12,200,000	100.00
Cisalgest S.A.R.L., Luxembourg	
Share capital DM 35,000,000	100.00
Europartners Bank (Nederland) N.V., Amsterdam	
Share capital Dfl 40,000,000	60.00
Handelsgest S.A.R.L., Luxembourg	
Share capital DM 10,000,000	100.00
Indugest S.A.R.L., Luxembourg	
Share capital DM 25,000,000	100.00

Companies of minor significance:

Gallus Vermögens- verwaltungsgesellschaft mbH, Frankfurt	
Share capital DM 20,000	100.00
Neuma Vermögensverwaltungs- gesellschaft mbH, Frankfurt	
Share capital DM 20,000	100.00

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

Commerz-Credit-Bank Aktiengesellschaft Europartner, Saarbrücken	
Share capital DM 10,000,000	60.00
Flender Werft Aktiengesellschaft, Lübeck	
Share capital DM 25,000,000	68.90

Re 1): Companies included in the consolidation

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

Rheinische Hypothekenbank,
Aktiengesellschaft, Frankfurt

This leading German mortgage bank, which is 90% owned by Commerzbank, is involved in the provision of mortgage loans and in lending to local authorities, as also in borrowing to fund these operations. In all aspects of the bank's business, cooperation with Commerzbank is close, and in order to rationalize and facilitate work within the Group, the administrative offices of this subsidiary were transferred to Frankfurt in 1980.

During the year under review, the bank's total assets reached DM 19.7 bn, after DM 17.7 bn in the preceding year. With the dividend to remain unchanged at DM 9, the total amount of dividend to be paid will once more be DM 14 m. Subject to the consent of the AGM, the reserves will be raised by an allocation of DM 32.5 m, as compared with DM 30 m the year before.

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

Commerzbank International S.A., Luxembourg

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

This subsidiary restrained its growth and curtailed its money-market business during the year under review, thus experiencing a slight decline in total assets. The bank's liable equity remained unchanged at Lfr 6,124 m, equivalent to DM 379 m. Owing, however, to the depreciation of the D-mark in 1980, the latter sum was up from the 1979 figure of DM 365 m. This subsidiary's liable capital basis is strengthened by a DM 100 m subordinated loan extended by the Parent Bank in 1979. The earnings position of the bank has worsened markedly.

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

Berliner Commerzbank Aktiengesellschaft,
Berlin

For the second consecutive year, the Berlin subsidiary suffered a decline in earnings. It was thus obliged to cut its dividend to 10%, the total amount to be distributed thus being reduced to

DM 5 m. An allocation to reserves was not deemed necessary as the bank had obtained a DM 15 m premium on a DM 10 m capital increase effected in early 1980 and had also strongly curbed its growth.

Further details of the bank's performance are given on pages 76 and 77.

During its first full business year, the total assets of

Commerzbank (South East Asia) Ltd., Singapore,

reached the equivalent of over DM 1,110 m. The bank reported a small profit, although the running-in period was still reflected by its profit and loss account. This subsidiary is licensed to do business as a merchant bank and operates on a limited scale in the Singapore dollar market. While it is also engaged in all kinds of off-shore banking business, the emphasis is still on money market dealings.

The operations of the limited partnerships

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

and

Illseder Bank, Sandow & Co., Peine,

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

The bank of

C. Portmann, Frankfurt,

confines its activities to the administration of its own assets.

The development of

Commerz- und Industrie-Leasing GmbH, Frankfurt,

which is engaged in the leasing of movable goods, experienced satisfactory growth reflected in a higher profit, all of which was transferred to the Parent Bank.

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

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

The two leasing companies last mentioned and their property holding subsidiaries 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 (Cofö), Düsseldorf.

This is an investment company which, in addition to administering "Cofonds", a publicly offered open-ended fund, acts as a management company for 55 individual special-purpose investment funds with total assets of DM 1.6 bn.

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

Re 2): Companies not included in the consolidation

In accordance with Section 329 of the German Stock Corporation Act

Atlas Participations-France S.A.R.L., Paris, and

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

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

The share capital of Atlas Participations-France S.A.R.L., increased to Ffr 12 m in 1980, is jointly held by Commerzbank Aktiengesellschaft and its subsidiary, Atlas-Vermögensverwaltungs-Gesellschaft m.b.H., Düsseldorf.

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

The interests of the Europartners member banks in the Netherlands are looked after by Europartners Bank (Nederland) N.V., with offices in Amsterdam and Rotterdam. Commerzbank, which has a 60% holding in this bank, appoints its management and controls its operations. Cooperation with the international banking partners, Banco di Roma and Crédit Lyonnais, holding 20% each, is based on mutual trust.

The bank's accounting is integrated with the EDP system of Commerzbank who together with the two minor shareholders stands ready to finance the bank's lending when required.

The year under review saw the bank's balance sheet total expand 17.7% to Dfl 1,120 m, with the continued credit restrictions in the Netherlands again preventing a greater expansion of local business. The bank duefully pursued its involvement in international lending to the extent permitted by market conditions.

Any significant improvement of its interest margin was impeded by sustained high interest rates prevailing in all markets of importance to the bank, so that once again it closed the year on a break-even basis only.

To provide for the planned future growth of the business volume of Europartners Bank (Nederland) N.V., its shareholders towards the end of last year granted it a Dfl 20 m subordinated loan, each contributing in proportion to the interest held. With this loan included, the bank's total liable equity amounted to Dfl 66.5 m, the remainder being made up of a share capital of Dfl 40 m and reserves of Dfl 65 m.

Commerzbank and its Luxembourg subsidiary, Commerzbank International S.A., are sole shareholders in Cisalgest S.A.R.L., Handelsgest S.A.R.L., and Indugest S.A.R.L., three companies set up in Luxembourg at the end of 1980. Commerzbank has an interest of 25% in the first and of 75% in the latter two companies which, as foreign enterprises, have been excluded from the consolidation according to Section 329 of the German Stock Corporation Act (AktG).

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

Commerz-Credit-Bank
Aktiengesellschaft Europartner, Saarbrücken

This bank, which operates mainly in the Saarland, succeeded in further expanding its business in 1980; its total assets rose to DM 861 m.

The operating result achieved once again permits payment of a 10% dividend on the unchanged share capital of DM 10 m. DM 0.1 m was allocated to reserves so as to raise them to a full DM 20 m.

Although we expect general business activity in the Saarland to remain rather flat during the months ahead, capital spending in the region is likely to be boosted by both the reorganization of its steel industry and the overall restructuring begun some time ago. The bank thus hopes that its industrial lending will develop satisfactorily and at the same time anticipates continuing steady progress in its retail operations. However, as became already apparent during 1980, the demand for home loans will decline.

In the spirit of the Europartners' cooperation concept, and by agreement with the other partners in Madrid and Rome, the business policy of Commerz-Credit-Bank AG Europartner is jointly determined by Crédit Lyonnais and Commerzbank without reference to the size of interest held. We maintain close business relations with this bank and where necessary, together with Crédit Lyonnais, provide the funds it requires at market rates, thus in particular financing its extensive lending activities. For an appropriate fee, Commerzbank also permits the bank to use its EDP facilities for accounting purposes.

Flender Werft Aktiengesellschaft, Lübeck

The company's shipyards were fully employed throughout 1980 and overall, sufficient capacity utilization appears to be assured for the current year as well. Despite a slight pick-up in the demand for newbuildings, the industry's price situation still leaves much to be desired. For this reason, the company has concentrated on the construction of sophisticated vessels calling for

considerable technological know-how. At the same time, it has endeavoured to widen the scope of its activities by the introduction of new products. We expect the company to report a break-even result for 1980.

Normal banking relations are maintained with Flender Werft. Those of the Bank's managing directors who serve on the company's supervisory board confine their activities to watching over Commerzbank's financial interest without seeking to influence the conduct of business.

H. Maihak Aktiengesellschaft of Hamburg ceased to be a related company at the end of September 1980, following the sale of our majority holding.

Principles of consolidation

Commerzbank's consolidated annual accounts as at December 31, 1980, were drawn up in accordance with the format for the presentation of annual accounts of German banks as laid down by a regulation of December 20, 1967. The inclusion of a mortgage bank in the consolidation made it necessary to adjust the standard format for the balance sheet so as to allow for the special nature of its business.

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

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

Inter-company balances included in any of the asset and liability items have been eliminated in the consolidated balance sheet, as have similar

income and expenses as well as inter-company book gains in the Group's profit and loss account.

Investment income from consolidated companies received in 1980 in respect of 1979 as well as profits carried forward by group members have been included in the profit brought forward. The latter was reduced due to the elimination of inter-company profits from the consolidation in previous years.

Consolidated balance sheet total

At DM 100.029 bn, the consolidated balance sheet total was DM 270 m down on the preceding year's figure; it exceeds the total assets of the Parent Bank, Commerzbank AG, by DM 35.327 bn (1978: DM 33.209 bn). The following changes occurred in individual balance sheet items during the year under review (see table overleaf).

Commerzbank Aktiengesellschaft accounts for 61.9% of the assets entering into the Group's balance sheet total before elimination of inter-company balances, as compared with 63.6% in the previous year. A further 37.5% relates to consolidated banks and 0.6% to other firms.

Assets

Liquidity

At year-end, the Group's cash reserves—consisting of cash on hand and balances with the Deutsche Bundesbank and on postal cheque accounts—stood at DM 3,157 m, representing 4.9% of the sum total, on a consolidated basis, of liabilities to banks and other creditors at periods of less than four years and indebtedness under bonds and acceptances outstanding at similar maturities in the aggregate amount of DM 64,507 m. The Group's liquid funds—cash reserves, cheques, matured bonds, interest and dividend coupons, collection items, bills rediscountable at the Deutsche Bundesbank, claims on banks with periods of less than three months, Treasury bills, discountable Treasury notes, and fixed-interest securities issued by Group members and others eligible as collateral for Deutsche Bundesbank advances—totalled DM 13,105 m, or 20.3% of the above-mentioned funds with a life of up to four years.

Assets		Liabilities	
in DM m		in DM m	
Cash reserves, cheques, and collection items	- 387	Liabilities to banks	-2,254
Bills of exchange	- 3	a) demand	(- 873)
Claims on banks	-3,130	b) time	(-1,381)
Treasury bills	-1,386	Customers' deposits	- 175
Bonds, notes, other securities	+ 568	a) demand	(- 396)
Loans and advances to customers	+3,160	b) time	(+ 163)
Investments	+ 66	c) savings deposits	(+ 58)
Land and buildings, office furniture and equipment	+ 131	Bonds outstanding	+2,162
Bonds and notes issued by consolidated companies	+ 481	Acceptances outstanding	- 71
Sundries (including Loans on a trust basis)	+ 230	Provisions	+ 18
		Special items with partial reserve character	+ 49
		Reserve arising from consolidation, in accordance with section 331 (1) 3 of the German Stock Corporation Act-AktG	+ 48
		Consolidated profit	- 138
		Sundries (including Loans on a trust basis)	+ 91
	- 270		- 270

Lending

The Group expanded its lending to other banks and to customers by DM 4,985 m (excluding loans on a trust basis and guarantees) in 1980.

The structure of our loan portfolio is illustrated below:

Lending		
	1980	1979
Loans and advances to		
a) banks	DM 10,004 m = 13.7%	DM 8,694 m = 12.8%
b) customers	DM 59,089 m = 80.8%	DM 55,929 m = 82.1%
Book and acceptance credits	DM 69,093 m = 94.5%	DM 64,623 m = 94.9%
Discounts	DM 3,985 m = 5.5%	DM 3,470 m = 5.1%
Total lending	DM 73,078 m = 100.0%	DM 68,093 m = 100.0%

The combined share of advances and acceptance credits in total lending was hardly changed at 94.5%. Claims on banks were up DM 1,310 m to DM 10,004 m. Loans to customers increased by DM 3,160 m to DM 59,089 m,

representing additional short and medium-term lendings of DM 378 m and long-term credits of DM 2,782 m. Advances to customers at long term now account for 51.8% of the entire volume of lending; they break down as follows:

Long-term lending			
in DM m	1980	1979	change
Mortgage loans	10,182	9,365	+ 817 = + 8.7%
Communal loans	13,644	13,212	+ 432 = + 3.3%
Sundry long-term loans	14,042	12,509	+1,533 = +12.3%
Total	37,868	35,086	+2,782 = + 7.9%

Fixed assets

After elimination of holdings in consolidated companies, the Group's fixed assets stand at DM 2,360 m (1979: DM 2,163 m). These comprise: holdings in unconsolidated companies of DM 803 m (investments), land and buildings at DM 804 m, office furniture and equipment at DM 221 m, leasing equipment at DM 532 m.

Liabilities and shareholders' equityTotal deposits and borrowed funds

In 1980, the Group's total deposits and borrowed funds almost stood still for the first time ever since Commerzbank began publishing its accounts on a consolidated basis. Slightly down by DM 338 m to DM 95,617 m, they were made up as follows at year-end:

Borrowed funds			
in DM m	1980	1979	change
Due at short and medium-term (less than four years) and savings deposits			
a) to banks	25,142	28,692	-3,550 = -12.4%
b) to other creditors	36,936	37,157	- 221 = - 0.6%
c) bonds outstanding	1,948	1,032	+ 916 = +88.8%
d) acceptances outstanding	481	552	- 71 = -12.9%
Sub-total	64,507	67,433	-2,926 = - 4.3%
Due at long-term (four years or more)			
a) to banks	9,408	8,112	+1,296 = +16.0%
b) to other creditors	2,830	2,784	+ 46 = + 1.7%
c) bonds outstanding	18,872	17,626	+1,246 = + 7.1%
Sub-total	31,110	28,522	+2,588 = + 9.1%
Total deposits and borrowed funds	95,617	95,955	- 338 = - 0.4%

As the breakdown shows, the Group borrowed DM 34,550 m (36.1% of the total, down from 38.4%) from other banks, while customers deposits and other creditors combined accounted for DM 39,766 m (an unchanged 41.6% of the total), and outstanding bonds issued by Group members amounted to DM 20,820 m, thus contributing a further 21.8%, up from 19.4% in the preceding year.

Share capital and reserves

The Parent Bank's total equity capital remained unchanged at DM 2,478 m. The consolidation difference as defined in Section 331(1)3 of the German Stock Corporation Act (AktG)—i.e. the excess of the book value of the consolidated subsidiaries' equity over the book value of the Parent Bank's investments therein—which is re-

garded as quasi-equity, rose DM 48 m in the year under review to DM 273 m. The increase is the result of a shortfall owing to the elimination of one company from the consolidation, on the one hand, and of both the allocation of earnings to the subsidiaries' reserves and gains, deriving from the weak performance of the German currency, in the D-mark book value of the share capital of two foreign subsidiaries whose balance sheets are drawn up in local currency, on the other. This computation does not take into account an additional allocation of DM 9 m to the mortgage banking subsidiary's reserves which is conditional on a resolution to be passed by the AGM. After inclusion of these additional reserves and minority shareholders' interests (the latter not including the attributable share of profits) of DM 24 m, the Group's equity capital at year-end was DM 2,784 m, as against DM 2,744 m in 1979.

Contingent liabilities and commitments

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

Consolidated profit and loss account

Net income

Interest and similar income from lending and from money-market transactions and current income from securities, Government-inscribed debt, and investments as shown in the consolidated balance sheet rose by DM 2,134 m to DM 8,568 m.

Allowing for the higher increase in interest expenditure by DM 2,326 m to DM 7,506 m, the Group's net interest and dividend earnings were DM 1,062 m, falling short of those for the previous year by DM 193 m, or 15.4%, and covering the current personnel and other operating expenses to 74.6%.

The excess of commission income over commissions paid in respect of services went up by DM 55 m, or 15.4%, to DM 413 m.

The net credit balance of other income and write-downs of and adjustments to claims and securities, including investments as shown in the Group's balance sheet, rose from DM 235 m to DM 361 m. This includes DM 132 m (1979: DM 96 m) of the income earned by consolidated leasing companies.

Expenditure

The Group's overall personnel expenses were DM 1,089 m, while other operating expenses totalled DM 335 m; the increase in these costs thus amounted to DM 70 m, or 5.2%, as against DM 116 m, or 9.4%, in 1979.

Depreciation on and adjustments to land and buildings, office furniture and equipment were charged at DM 84 m (1979: DM 73 m), DM 6 m of which is accounted for by special depreciation in accordance with Section 6b of the German Income Tax Act (EStG).

Group taxation totalled DM 105 m, as against DM 190 m in the preceding year. This amount includes DM 101 m (1979: DM 173 m) for taxes on income and assets.

Special items with partial reserve character subject to possible future taxation were augmented by DM 50.0 m, representing profits realized on security sales qualifying for deferred taxation in accordance with Section 6b of the German Income Tax Act (EStG).

Consolidated net income for the year
and consolidated profit


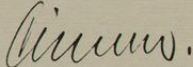
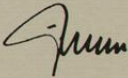
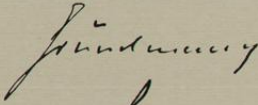
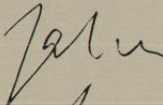
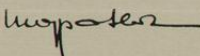
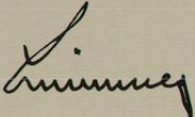
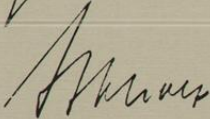
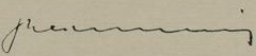
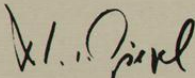

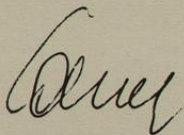
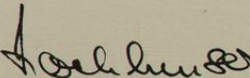
The Group's net income for the year fell from DM 142 m to DM 34 m. The profit brought forward from the previous year was DM 8 m. Subject to approval by the Annual General Meeting, the net income for the year will be used to allocate DM 23 m to the reserves of consolidated companies. The amount of the profit accruing to minority shareholders is DM 1 m. The remaining consolidated profit thus amounts to

DM 18 m from which, subject to approval by the shareholders in annual general meeting, a total of DM 9 m will be allocated to consolidated companies' reserves.

The Group's earnings performance has been improving since the autumn of 1980. However, given the rather large share of fixed-rate loans in our total lending, the effect on profits of the cost of funding, which started increasing again last February, remains to be seen.

THE BOARD
OF MANAGING DIRECTORS

Düsseldorf, February 27, 1981

Berliner Commerzbank AG, Berlin

General performance

After several years of strong growth, 1980 saw the total assets of our Berlin subsidiary decline by 3.7%. While customer business remained lively, the bank reduced its liabilities to other financial institutions as well as its securities holdings and also restricted its lending to public authorities.

This had the effect of markedly improving its interest margin which at the year's outset had still been under heavy pressure, with the result that on average it was slightly higher than in 1979. Net income for the year permits payment of a 10% dividend (down from 16% the previous year) on the share capital raised by DM 10 m in spring of that year.

Serving the business customer

Against the background of Berlin's rather satisfactory economic performance, the mainstay of which was continued strong investment activity, corporate lending showed a slight further increase. Because of an underlying hope for interest rates to come down soon, the call was mainly for short and medium-term funds.

At the same time, high interest levels encouraged companies to restrict their liquid funds to a minimum, with a consequent rundown of sight deposits. Earnings considerations led the bank to exercise restraint in accepting time deposits, rates for which were extremely high, especially towards year-end.

Serving the private customer

Standardized personal loans were again in brisk demand which, however, slackened somewhat as the year progressed due to the weakening of the economy and the relatively high level of interest charged. Instalment credits nevertheless rose again, this time by 12%. The bank's greater involvement in bridging credits for both the interim financing of mortgages and downpayments on land purchases led to similar growth in the case of home loans. Overdrafts, which give customers uncomplicated access to short-term funds, were also more sought after than in former years.

In Berlin as elsewhere, private savers displayed an even greater consciousness of interest levels as before, giving preference to time deposits, savings certificates, bank bonds, and other fixed-interest paper offering a better yield.

The result was that savings deposits including interest credited rose by a mere 2%, whilst sales of savings certificates and the bank's own bonds doubled. Total savings under all three headings went up 11% to DM 1.1 bn.

Service business

The disappointing performance of German shares led investors to turn increasingly to fixed-interest securities. Consequently, the overall volume of share transactions on behalf of clients was hardly up on 1979, whereas that in bonds was nearly a quarter higher.

The bank's foreign business continued to record gratifying growth, and the volume of customer transactions again expanded. Persisting uncertainty on the currency front meant that frequent calls were made on the services of foreign exchange dealers, particularly to provide forward cover. Foreign note and coin dealings also produced higher earnings.

Staff and organization

A more cautious personnel policy resulted in a slight reduction in staff to 1,047, the number of apprenticeships remaining close to training capacity limits at an almost unchanged 122. Once more, considerable attention was devoted to further training, and younger employees especially took advantage of the wide range of –largely customer-oriented–courses and seminars available.

On the organizational side, the modernization of payments procedures at branch level progressed according to schedule. The year under review saw work begin on installing 12 automatic cash dispensers under the joint arrangement formalized by the Berlin banks in April 1980. The machines will be operated by means of the eurocheque card and be accessible to customers of all banks participating in the scheme, thereby substantially improving their service from spring 1981 onwards.

Annual Accounts 1980

Assets	DM 1,000
Cash reserves	195,241
Cheques and collection items	25,845
Bills of exchange	75,886
Claims on banks	1,223,086
Bonds and notes	77,103
Other securities	2,797
Loans and advances to customers at agreed periods of	1,917,893
a) less than four years	(988,096)
b) four years or more	(929,797)
Recovery claims on Federal and Länder authorities under post-war currency reform acts	12,411
Loans on a trust basis at third party risk	7,767
Investments (associated companies and trade investments)	929
Land and buildings	21,132
Office furniture and equipment	8,601
Own bonds	919
Other assets	3,008
Deferred items	6,560
Total Assets	3,579,178

Expenses	DM 1,000
Interest and similar expenses	197,398
Commissions paid	375
Write-downs of and adjustments to claims and securities; transfers to provisions for possible loan losses	3,337
Personnel expenditure	53,785
Other operating expenses	17,468
Depreciation on fixed assets	3,491
Taxes	5,415
Other expenses	762
Net income for the year	5,000
Total Expenses	287,031

Liabilities and Shareholders' Equity	DM 1,000
Liabilities to banks	1,094,609
a) demand	(309,595)
b) time	(785,014)
Liabilities to customers (customers' deposits)	1,998,437
a) demand	(420,596)
b) time	(835,948)
c) savings deposits	(741,893)
Bonds outstanding	265,422
Acceptances outstanding	9,815
Loans on a trust basis at third party risk	7,767
Provisions	50,907
Other liabilities	2,179
Deferred items	15,042
Share capital	52,500
Disclosed reserves	77,500
Distributable profit	5,000

Total Liabilities and Shareholders' Equity	3,579,178
Endorsement liabilities	114,436
Guarantees	204,258

Income	DM 1,000
Interest and similar income	252,861
Current income from	
a) fixed-interest securities and Government-inscribed debt	12,280
b) other securities	111
c) Investments	277
Commissions and other service charges received	19,010
Other income, including income from the writing back of provisions for possible loan losses	2,270
Income from the writing back of provisions, unless it has to be shown under Other income	222
Total Income	287,031

Commerzbank International S.A., Luxembourg

Business objectives

Commerzbank International S.A., Luxembourg, which is chiefly engaged in short and medium-term money and credit transactions on the Euromarkets, was set up as a Luxembourg law stock corporation in 1969, its main purpose being to take full advantage of the possibilities offered by the Euromarkets in the interests of its customers the world over. Its activities are facilitated by the Luxembourg authorities which continued in 1980 to promote the development of Luxembourg as a financial centre with liberal regulations in what concerns the international movement of short and long-term funds.

General performance

For banks involved in the Euromarkets, 1980 was another year of abundant liquidity and of persistently depressed loan spreads. The main currencies were marked by seesawing interest rates that went hand in hand with sharp exchange rate fluctuations. The ever worsening underlying conditions on the Euromarkets precluded any meaningful expansion of the bank's operations, leading it to exercise appropriate restraint in taking on new business and thus to forego any increase in total assets.

Mainly due to a fall of Lfr 10.1 bn (DM 625 m) in claims on banks, and in particular from money market transactions, Commerzbank International's balance sheet total declined by an overall Lfr 12.4 bn (DM 769 m) over the year and stood at Lfr 237.7 bn (DM 14.7 bn) at end-1980.

Total lending

Overall lending business (credits to banks and against borrower's notes, advances to customers, and bills discounted) rose in the year under review by 6.3% to Lfr 101.9 bn (DM 6.3 bn). As always, new borrowers were the subject of careful scrutiny as to creditworthiness. Public and private-sector borrowers of international standing had the biggest share in the bank's loan portfolio, with a growing proportion falling to tied project finance. Geographically, the emphasis was on industrialized European countries, which account for about 72% of the total.

Serving the private customer

In line with the general trend in Luxembourg banking, retail business continued to show healthy expansion. Much of this was attributable to dealings in precious metals, which the bank since January 1980 has been engaged in as an additional service to customers. Dealing and investment in precious metals is mostly conducted through specific accounts the advantages of which are already being used by many private customers.

Capital and reserves

At end-1980, the bank's capital and reserves—which include a profit of Lfr 129 m (DM 8 m) brought forward from 1979—stood at Lfr 6,253 m (DM 386.7 m). If account is taken of a Lfr 1,617 m (DM 100 m) subordinated loan granted by Commerzbank AG and ranking after all other liabilities, the ratio of equity to borrowed funds is well above the required minimum of 3%.

Earnings

With all identifiable risks provided for and the global allowance for possible loan losses permitted by tax regulations made, extraordinary items of income enabled the bank to show a break-even result for the year. The unsatisfactory profit situation may be attributed both to the progressive narrowing of spreads in the Euro-credit business and, even more, to the high interest applying to the three main currencies—the D-mark, the US dollar, and sterling. Earnings were also affected by the—similarly interest-induced—fall in bond prices which resulted in substantial value adjustments, particularly to dollar bonds.

Annual Accounts 1980

Assets	Lfr 1,000
Claims on banks with agreed periods of	161,636,741
a) up to 30 days	(34,233,686)
b) more than 30 days	(127,403,055)
Bills of exchange	1,011,292
Loans and advances to customers	59,195,952
Securities	5,492,094
Fiduciary accounts	133,063
Investments (associated companies and trade investments)	1,083,304
Land and buildings	449,403
Office furniture and equipment	10,263
Deferred items	8,158,950
Other assets	537,562

Total Assets 237,708,624

= DM 14,702 m

Expenses	Lfr 1,000
Interest and commissions paid	24,821,260
Personnel and other operating expenses	191,923
Taxes	135,622
Write-downs and adjustments	384,947
Depreciation	8,541
Other expenses	424,848
Net income for the year	-
Total Expenses	25,967,141

Liabilities and Shareholders' Equity	Lfr 1,000
Liabilities to banks with agreed periods of	208,915,738
a) up to 30 days	(86,415,243)
b) more than 30 days	(122,500,495)
Liabilities to customers (customers' deposits) with agreed periods of	10,957,369
a) up to 30 days	(5,927,132)
b) more than 30 days	(5,030,237)
Bonds outstanding	3,233,620
Fiduciary accounts	133,063
Subordinated loan	1,616,810
Share capital	2,500,000
Reserves	3,624,000
a) legal reserves	(250,000)
b) free reserves	(1,506,500)
c) premia from capital increases	(1,867,500)
Provisions, write-downs and adjustments	1,429,997
Deferred items	5,162,594
Other liabilities	6,860
Profit brought forward	128,573
Net income for the year	-
Distributable profit	128,573
Total Liabilities and Shareholders' Equity	237,708,624

Income	Lfr 1,000
Interest and commissions received	23,864,236
Other income	2,102,905
Total Income	25,967,141

Lfr 100 = 6.185 DM

The bank's 1980 annual accounts will be officially published in Mémorial, Journal officiel du Grand-Duché de Luxembourg, Recueil Spécial des sociétés et associations.

Rheinische Hypothekenbank AG, Frankfurt

General performance

Our mortgage bank subsidiary recorded further expansion in 1980, with total assets up 11.7% from DM 17,673 m to DM 19,742 m. Despite the keen competition for mortgage business and the sharp fluctuations on the German bond market, overall growth was accompanied by a gratifying rise in earnings.

Mid-year saw the bank moving into its new head office building in Frankfurt which now houses all its central departments.

New business

New lending commitments by Rheinische Hypothekenbank reached DM 3,590 m in 1980 (1979: DM 3,438 m). This includes a total of DM 135 m (DM 186 m) of renegotiated earlier credit lines, involving changes in both interest charged and maturities.

The trend towards less mortgage and more local-authority lending (communal loans) that had set the pattern of Rheinische Hypothekenbank's new business for some years was broken in 1980. For the first time since 1977, the volume of new communal loans dropped while new mortgages rose sharply. Of the total figure for new and renegotiated loans, DM 1,487 m (DM 779 m) was mortgages—including what are being referred to as type Ib mortgages—while DM 2,103 m (DM 2,659 m) was communal loans. Mortgages for new home building were DM 513 m (DM 337 m) and those for work on older properties—mainly modernization—totalled DM 738 m (DM 304 m). DM 236 m (DM 138 m) was lent to industry and commerce.

Funds paid out as mortgage loans and as advances to local authorities were also higher than in 1979 at DM 3,551 m as opposed to DM 3,431 m. This brought total credits outstanding to DM 18,538 m (DM 16,243 m), 41.6% (41.9%) of which was secured by mortgage.

To fund its lending, Rheinische Hypothekenbank in 1980 raised an overall amount of DM 3,348 m (DM 3,427 m) by the sale of its own bonds, 70.9% (13.3%) of which had a life of less than 5 years and 28.6% (76.2%) one of between 5 and less than 10 years, while only 0.5% (10.5%) were of still longer maturity. This reflects the fact that borrowers, confronted with high interest rates and unsure as to future trends, preferred shorter-term loans. En-bloc borrowing came to DM 96 m (DM 109 m).

The total of bonds outstanding, including those not requiring cover, amounted to DM 18,043 m (DM 16,022 m) at year-end. Of this figure, 32.6% (34.4%) were mortgage bonds, 65.3% (64.3%) communal bonds, and 2.1% (1.3%) bonds not requiring cover.

Result and liable capital

The annual general meeting on April 24, 1981, will be asked to approve a total dividend payment of DM 13.96 m on the share capital of DM 77.55 m, increased in 1979 through a bonus issue, and thus to permit that a dividend of DM 9 be paid per share of DM 50 nominal. It is also proposed that, further to the DM 23.2 m (DM 21.9 m) already allocated from net income for the year, DM 9.3 m (DM 8.1 m) be appropriated to reserves, altogether raising them by DM 32.5 m (DM 30.0 m). This in turn will bring the bank's total liable equity (share capital plus reserves) to DM 392.5 m (DM 360.0 m).

Outlook

With the overall conditions for a continued policy of profit-yielding growth impaired by the economic slowdown and the uncertain bond market situation, Rheinische Hypothekenbank views its 1981 business prospects with rather less optimism.

All sectors of construction activity are suffering under the combined pressure of growing costs for both land and building and for borrowing. While for most people home ownership is still the main goal, stagnation in real income makes it more and more difficult to achieve. Some of the resultant fall-off in lending for house building or purchase will no doubt be offset by a rise in loans for modernizing older property. And while it is not quite clear yet whether commercial and industrial construction activity will maintain its relatively high level in 1981, lending to local authorities can be expected to grow substantially, given the need for further increased borrowing at all levels of government. To judge by past experience, however, the interest the public sector is prepared to pay will leave little earnings scope for a bank forced to raise its funds on the market.

Annual Accounts 1980

Assets	DM 1,000
Loans at agreed periods of four years or more	18,109,770
a) mortgage loans	(6,681,932)
b) communal loans	(11,412,957)
c) other	(14,881)
Recovery claims on Federal and Länder authorities under post-war currency reform acts	15,088
Bonds and notes	140,412
Other securities	11,539
Cash reserves and collection items	503
Claims on banks and on other debtors	1,133,450
Own bonds (nominal value DM 228,671,000)	208,104
Loans on a trust basis at third party risk	73,713
Investments (associated companies and trade investments)	1,489
Land and buildings	43,053
Office furniture and equipment	3,727
Other assets	1,434
Total Assets	19,742,282

Expenses	DM 1,000
Interest and similar expenses	1,256,998
Non-recurrent expenses on bonds issued and on loans granted	37,649
Personnel expenditure	23,017
Other operating expenses	10,708
Depreciation and other write-downs on fixed assets	8,299
Taxes	63,420
Other expenses	1,145
Net income for the year	46,459
Total Expenses	1,447,695

Liabilities and Shareholders' Equity	DM 1,000
Bonds issued	17,376,772
a) mortgage bonds	(5,734,150)
b) communal bonds	(11,235,905)
c) other bearer bonds	(376,563)
d) bonds drawn by lot and called for redemption	(30,154)
Bonds to be delivered	236,836
Loans taken up at long term	621,277
Liabilities to banks and other creditors	279,242
Accrued interest on bonds issued and on loans taken up	614,939
Loans on a trust basis at third party risk	73,713
Provisions	64,383
Foundation	1,128
Share capital	77,550
Disclosed reserves	305,650
a) legal reserve	(53,461)
b) other reserves (in accordance with Section 7 of the German Mortgage Bank Act-HBG)	(252,189)
Other liabilities	67,533
Distributable profit	23,259
Total Liabilities and Shareholders' Equity	19,742,282

Income	DM 1,000
Interest and similar income	1,395,260
Non-recurrent income from bonds issued and from loans granted	37,676
Income from Investments	69
Other income, including income from the writing back of provisions for possible loan losses	13,235
Income from the writing back of provisions, unless it has to be shown under Other income	449
Income from the writing back of special items with partial reserve character	1,006
Total Income	1,447,695

Holdings by Commerzbank Aktiengesellschaft in Affiliated and Other Companies

Consolidated companies

Berliner Commerzbank Aktiengesellschaft, Berlin C DM 52.50 m	100.0%	Commerzbank International S.A., Luxembourg C Lfr 2,500.00 m	100.0%*)	Commerzbank (South East Asia) Ltd., Singapore C S\$ 20.00 m	100.0%
Hamburgische Grundstücks Gesellschaft m.b.H., Hamburg C DM 0.02 m	100.0%	von der Heydt-Kersten & Söhne, Wuppertal-Elberfeld C DM 10.00 m	100.0%	Ilseder Bank, Sandow & Co., Peine C DM 2.00 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 18.00 m	40.0%	ADIG Allgemeine Deutsche Investment-Gesellschaft mbH, Munich/Frankfurt C DM 4.80 m	27.1%
Liquidationskasse für Zeitgeschäfte AG, Munich C DM 0.75 m	10.0%	Liquiditäts-Konsortialbank GmbH, Frankfurt C DM 250.00 m	3.7%	Lombardkasse AG, Berlin/Frankfurt C DM 6.00 m	9.4%

Other holdings in German companies

Almüco Vermögensverwaltungsgesellschaft mbH, Munich C DM 39.00 m	a) 25.0%	AV America Grundbesitzverwaltungsgesellschaft mbH, Frankfurt C DM 0.10 m	25.0%	Beteiligungsgesellschaft für Industrieansiedlungsunternehmen mit beschränkter Haftung, Hamburg C DM 3.00 m	25.0%
Deutsche Gesellschaft für Immobilien- und Anlagen-Leasing mbH, Düsseldorf C DM 20.00 m	50.0%	Deutsche Grundbesitz-Anlagegesellschaft m.b.H., Cologne C DM 0.50 m	25.0%	Deutsche Wagnisfinanzierungs-Gesellschaft mbH, Frankfurt C DM 50.00 m	10.0%
Kistra Beteiligungsgesellschaft mbH, Frankfurt C DM 24.20 m	e) 25.0%	Regina Verwaltungsgesellschaft mbH, Munich C DM 37.50 m	f) 25.0%	Rossmas Beteiligungsgesellschaft mbH, Frankfurt C DM 33.00 m	g) 40.0%

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\$ 5.15 m	40.0%	International Commercial Bank Ltd., London C £ 7.00 m	12.0%
The Development Bank of Singapore Ltd., Singapore C S\$ 228.52 m	0.5%	Europartenaies Leasing S.A., Paris C Ffr 0.10 m	33.3%	Europartners Holding S.A., Luxembourg C Lfr 10.00 m	25.0%*)
Korea International Merchant Bank, Seoul C won 6,000.00 m	20.0%	Misr International Bank S.A.E., Cairo C US\$ 10.00 m	2.6%**)	Mithai Europartners Finance and Securities Company Ltd., Bangkok C baht 40.00 m	9.8%
Société Européenne d'Édition et de Diffusion S.A., Luxembourg C Ffr 0.82 m	6.1%	Société Financière de Développement – SOFIDE –, Kinshasa C zaires 12.00 m	0.9%	S.W.I.F.T. Society for Worldwide Interbank Financial Telecommunication s.c., Brussels C Bfr 113.88 m	1.8%

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

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

Rheinische Hypothekenbank Aktiengesellschaft, Frankfurt C DM 77.55 m	93.8%	Commerz- und Industrie-Leasing GmbH, Frankfurt C DM 2.00 m	100.0%	Atlas-Vermögensverwaltungs- Gesellschaft m.b.H., Düsseldorf C DM 0.10 m	100.0%	Aussenhandel- Förderungsgesellschaft mbH, Düsseldorf C DM 0.10 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%**)	C. Portmann, Frankfurt C DM 1.50 m	100.0%
AKA Ausfuhrkredit- Gesellschaft mbH, Frankfurt C DM 40.00 m	12.7%	Deutsche Grundbesitz- Investmentgesellschaft mbH, Cologne C DM 4.00 m	25.0%	Deutsche Schiffahrtbank Aktiengesellschaft, Bremen C DM 35.00 m	9.1%	Deutsche Schiffsbeleihungs-Bank Aktien-Gesellschaft, Hamburg C DM 30.00 m	28.5%
Lübecker Hypothekenbank Aktiengesellschaft, Lübeck C DM 22.00 m	25.0%	Münchener Hypothekenbank eG, Munich C DM 6.52 m	1.5%	Privatdiskont-Aktiengesellschaft, Frankfurt C DM 5.00 m	9.0%		
Beteiligungsgesellschaft für Industrie und Handel mbH, Frankfurt C DM 0.25 m	50.0%	CGT Canada Grundbesitz Treuhand GmbH, Frankfurt C DM 0.10 m	20.0%	Deutsche Canada-Grundbesitz- verwaltungsgesellschaft mbH, Frankfurt C DM 0.10 m	20.0%	Deutsche eurocheque-Zentrale GmbH, Frankfurt C DM 0.02 m	5.0%
Eurocard Deutschland Internationale Kreditkarten- Organisation GmbH, Frankfurt C DM 0.03 m	4.6%	Euro Travellers Cheque Deutschland GmbH, Frankfurt C DM 0.03 m	16.6%	Flender Werft Aktiengesellschaft, Lübeck C DM 25.00 m	68.9%	Francommerz Vermögensverwaltungs- gesellschaft mbH, Frankfurt C DM 50.00 m	c) 40.0%
Stella Automobil- Beteiligungsgesellschaft mbH, Frankfurt C DM 85.71 m	h) 25.0%	Treuhand- und Holdinggesellschaft mbH, Frankfurt C DM 0.14 m	50.0%				
Adela Investment Company S. A., Luxembourg/Lima C US\$ 61.80 m	1.4%	Atlas Participations - France S. A. R. L., Paris C Ffr 12.20 m	100.0%*)	Banco Urquijo S.A., Madrid C Ptas 9,741.73 m	0.9%**)	Banque Marocaine du Commerce Extérieur, Casablanca C dirham 80.00 m	2.2%
Finance Company VIKING, Zurich C Sfr 30.00 m	12.0%**)	Finatourinvest S.A., Luxembourg C Lfr 130.00 m	0.6%	P.T. Finconesia Financial Corporation of Indonesia, Jakarta C IRp 1,686.80 m	7.0%	Handelsgest S. A. R. L., Luxembourg C DM 10.00 m	100.0%*)
Nippon European Bank S.A., Brussels C Bfr 400.00 m	10.0%	The Pakistan Industrial Credit & Investment Corporation Limited, Karachi C PR 91.63 m	0.4%	Private Investment Company for Asia (PICA) S.A., Panama City / Singapore C US\$ 39.12 m	0.6%	Rifbank S.A.L., Beirut C LE 5.00 m	31.8%
Teollistamisrahasto Oy - Industrialization Fund of Finland Ltd., Helsinki C Fmk 100.00 m	0.7%	UBAE Arab German Bank S. A., Luxembourg/Frankfurt C DM 30.00 m	25.1%	Unibanco - Banco de Investimento do Brasil S.A. (B.I.B.), Rio de Janeiro C Cr\$ 1,500.00 m	5.0%	Union Internationale de Banques S.A., Tunis C TD 4.00 m	4.0%

C = Capital

Commercium Vermögensverwaltungs-GmbH, Hamburg C DM 0.05 m 100.0%	Commerzbank Fonds-Verwaltungsgesellschaft mit beschränkter Haftung (Cofo), Düsseldorf C DM 2.00 m 100.0%	GERAP Grundbesitz- und Verwaltungsgesellschaft mbH, Frankfurt C DM 0.02 m 95.0%
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RHB-Bau- und Verwaltungsgesellschaft Mannheim mbH, Mannheim C DM 0.02 m 95.4%*)

Gesellschaft zur Finanzierung von Industrieanlagen mbH, Frankfurt C DM 1.00 m 12.7%	Handelsbank in Lübeck Aktiengesellschaft, Lübeck C DM 16.00 m 25.3%	Liquidations-Casse in Hamburg Aktiengesellschaft, Hamburg C DM 1.15 m 25.0%
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Deutsche Gesellschaft für Anlageverwaltung mit beschränkter Haftung, Frankfurt C DM 150.00 m 25.0%	Deutsche Gesellschaft für Immobilienanlagen „America“ mbH, Bad Homburg v. d. H. C DM 0.10 m 25.0%
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Gesellschaft für Kreditsicherung mbH, Cologne C DM 0.30 m 26.7%	Hostra Beteiligungsgesellschaft mbH, Düsseldorf C DM 39.88 m 33.3%
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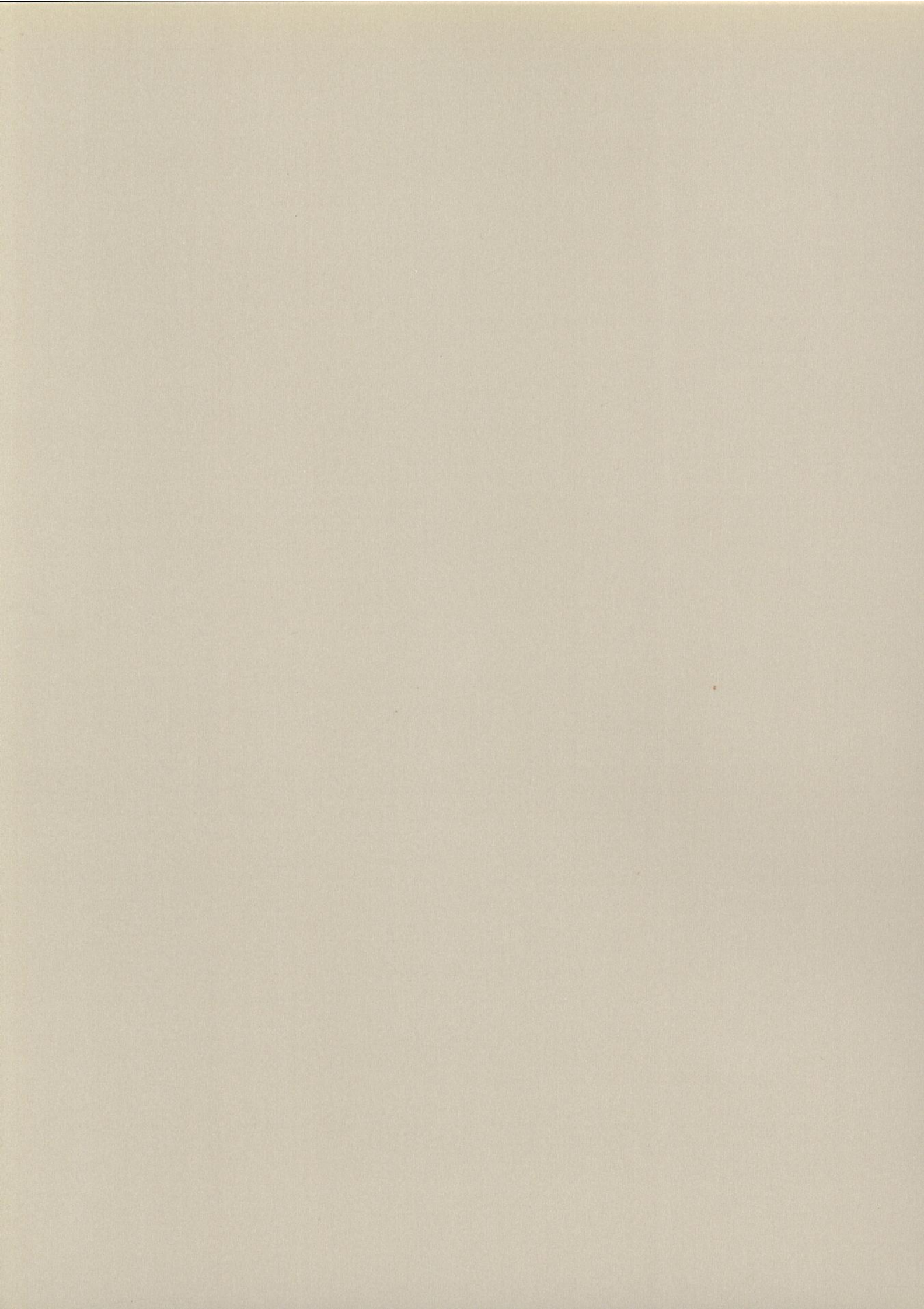
- a) has holdings^{°)} in Francommerz Vermögensverwaltungsgesellschaft mbH and Heidelberger Druckmaschinen AG
- b) has holding^{°)} in Horten AG
- c) has holding^{°)} in Hochtief AG vorm. Gebr. Helfmann
- d) has holding^{°)} in Industriekreditbank AG – Deutsche Industriebank
- e) has holding^{°)} in Hutschenreuther AG
- f) has holding^{°)} in Gutehoffnungshütte Aktienverein AG
- g) has holdings^{°)} in Bavaria Filmkunst GmbH and in Didier-Werke AG
- h) has holding^{°)} in Mercedes-Automobil-Holding AG

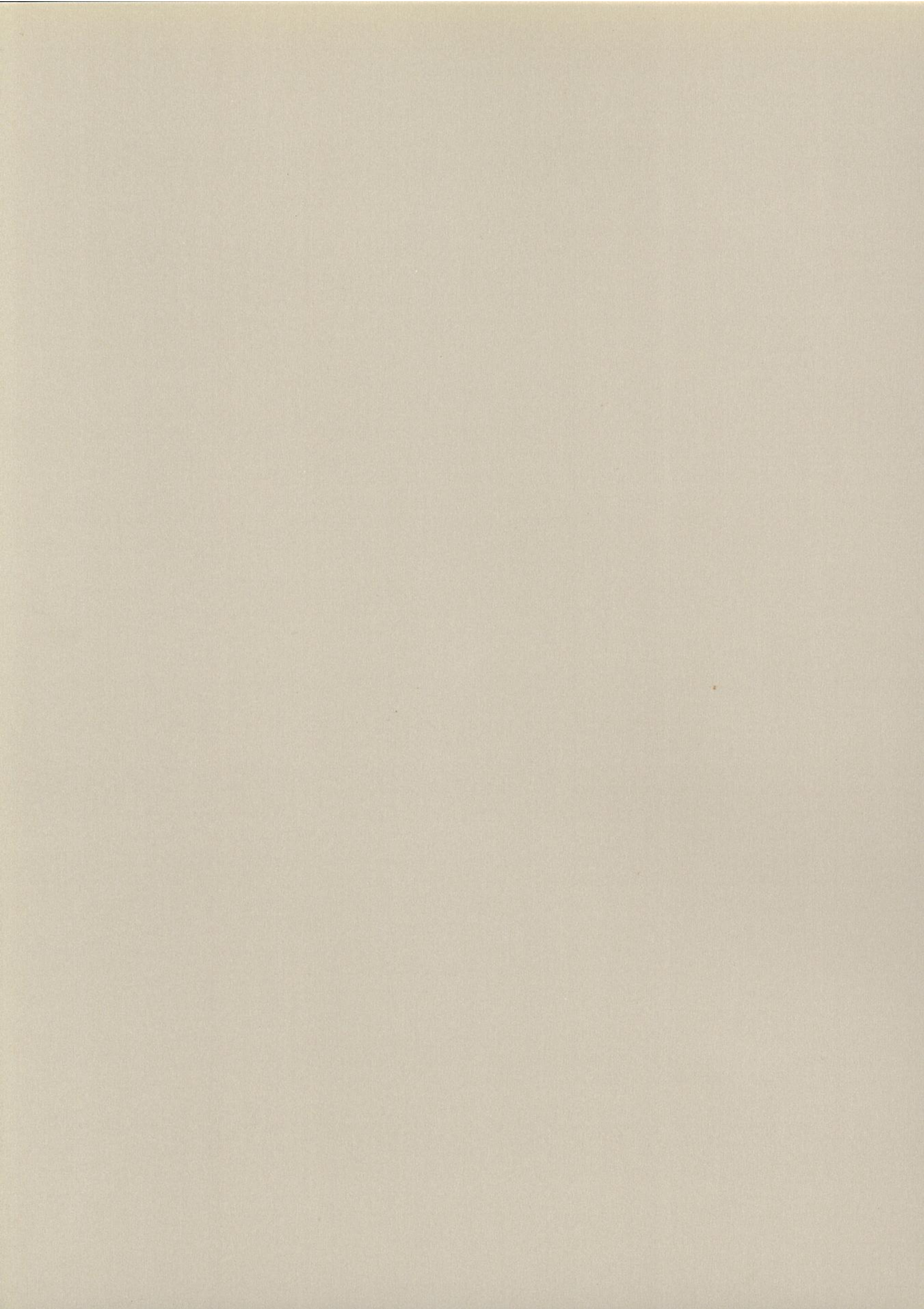
^{°)} of at least 25%, entitling to inter-company tax privileges

Banque Nationale pour le Développement Economique, Rabat C dirham 140.00 m 0.4%	Cisalgest S. A. R. L., Luxembourg C DM 35.00 m 100.0%*)	Crédit Chimique S.A., Paris C Ffr 100.00 m 10.0%***)
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Indugest S. A. R. L., Luxembourg C DM 25.00 m 100.0%*)	The Industrial Finance Corporation of Thailand (IFCT), Bangkok C baht 400.00 m 2.0%	The International Investment Corporation for Yugoslavia S.A., Luxembourg C US\$ 13.50 m 1.2%
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The Saudi Investment Banking Corporation, Riyadh C SR 90.00 m 5.0%	SIFIDA Société Internationale Financière pour les Investissements et le Développement en Afrique, Luxembourg C US\$ 25.00 m 0.4%	Société de Gestion du Rominvest International Fund S.A., Luxembourg C Lfr 40.00 m 10.0%
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Consolidated Annual Accounts as at December 31, 1980

Consolidated Balance Sheet pages 88/89

Consolidated Profit and Loss Account pages 90/91

Consolidated Balance Sheet as at December 31, 1980

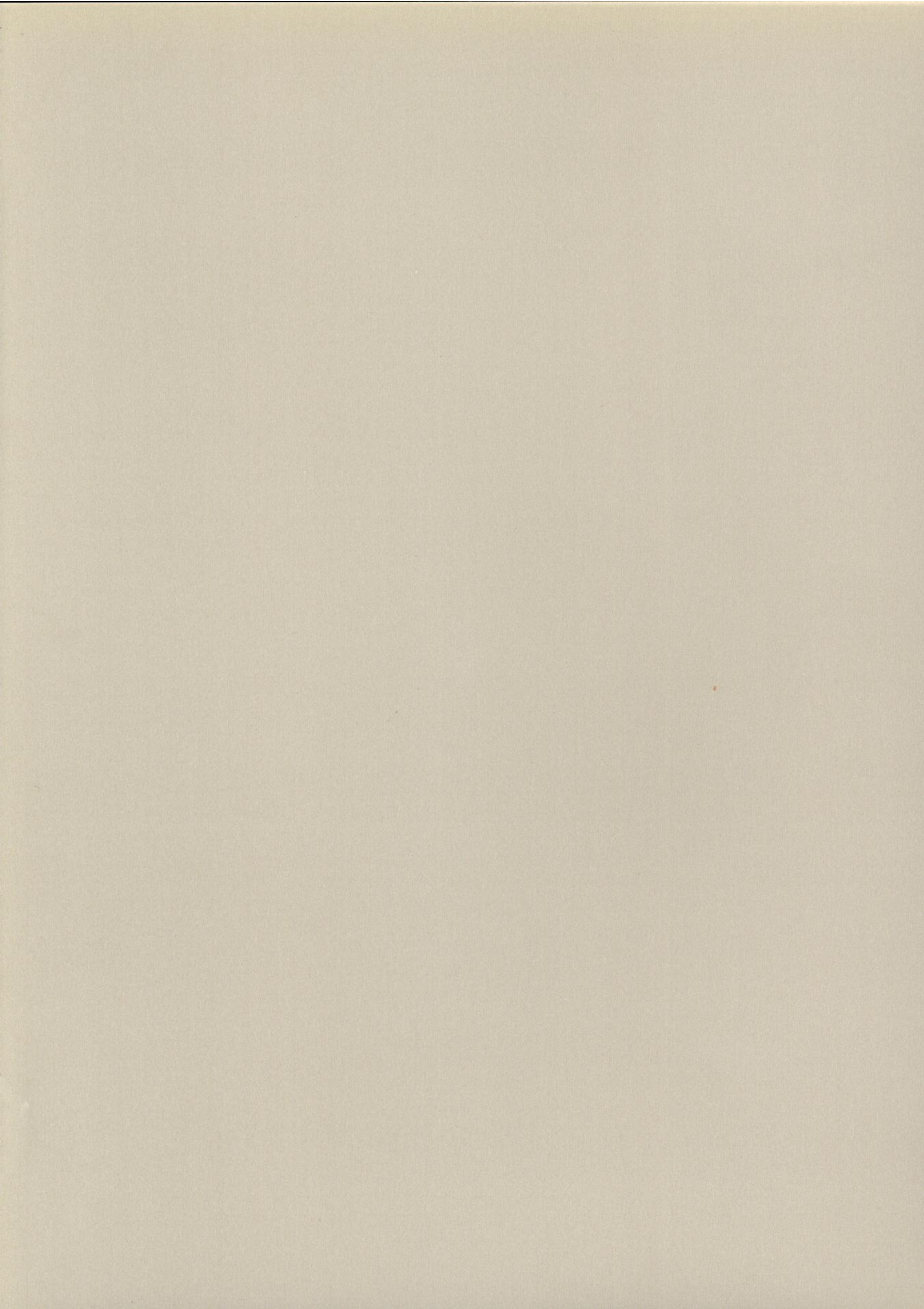
Assets	DM	DM	DM	Dec 31, 1979 DM 1,000
Cash on hand			213,837,851.49	212,548
Balance with Deutsche Bundesbank			2,926,797,067.19	3,305,386
Balances on postal cheque accounts			16,120,523.41	31,689
Cheques, matured bonds, interest and dividend coupons, items received for collection			312,564,277.66	306,628
Bills of exchange			1,617,657,197.44	1,620,510
including: a) rediscountable at Deutsche Bundesbank	704,062,123.53			
b) own drawings	101,428,077.13			
Claims on banks				
a) payable on demand		1,682,907,935.40		1,497,468
b) with original periods or periods of notice of				
ba) less than three months		3,397,546,162.21		4,564,930
bb) at least three months, but less than four years		11,807,600,366.86		15,007,089
bc) four years or more		10,512,394,670.03		9,460,576
			27,400,449,134.50	30,530,063
Treasury bills and discountable Treasury notes				
a) of the Federal and Länder Governments		—		1,414,436
b) of other issuers		47,245,000.00		18,910
			47,245,000.00	1,433,346
Bonds and notes				
a) with a life of up to four years				
aa) of the Federal and Länder Governments	1,105,501,305.11			
ab) of banks	265,034,250.79			
ac) of other issuers	10,988,408.33	1,381,523,964.23		1,347,793
including: eligible as collateral for Deutsche Bundesbank advances DM 1,257,129,382.55				
b) with a life of more than four years				
ba) of the Federal and Länder Governments	447,552,525.22			
bb) of banks	1,194,287,906.87			
bc) of other issuers	583,562,043.15	2,225,402,475.24		1,657,896
including: eligible as collateral for Deutsche Bundesbank advances DM 1,575,697,738.30			3,606,926,439.47	3,005,689
Securities not to be shown elsewhere				
a) shares marketable on a stock exchange and investment fund certificates		530,939,433.59		684,003
b) other		127,847,292.45		8,164
including: holdings of more than one-tenth of the shares of a joint stock or mining company, unless shown as Investments	487,583,154.02		658,786,726.04	692,167
Claims on customers, with original periods or periods of notice of				
a) less than four years		21,221,140,203.99		20,842,847
b) four years or more		37,867,484,111.10		35,085,797
including: ba) secured by mortgages on real estate	10,181,995,388.38		59,088,624,315.09	55,928,644
bb) communal loans	13,643,879,421.09			
Recovery claims on Federal and Länder authorities under post-war currency reform acts			89,586,409.48	95,698
Loans granted and shares held on a trust basis at third party risk			145,102,061.69	160,068
Subsidiaries, associated companies, and trade investments (Investments)			803,260,780.56	737,702
including: investments in banks		240,412,110.04		
Land and buildings			804,242,910.86	740,544
Office furniture and equipment			220,832,083.37	217,035
Leasing equipment			531,900,061.31	468,302
Bonds and notes issued by consolidated companies			1,025,831,892.42	544,684
nominal amount	1,035,553,550.00			
including: eligible as collateral for Deutsche Bundesbank advances	971,395,319.87			
Other assets			217,788,216.34	98,924
Deferred items				
a) unamortized debt discount (difference according to Section 156 (3) of the German Stock Corporation Act—AktG)		169,842,753.86		123,196
b) other		131,530,708.52		45,826
			301,373,462.38	169,022
Total Assets			100,028,926,410.70	100,298,649
Total Assets and the recourse claims from the contingent liabilities shown below the line on the liabilities side include				
a) claims on related companies			1,766,989,363.70	592,398
b) claims arising from loans falling under Section 15 (1) 1-6 and (2) of the German Banking Act, unless included under a)			387,918,833.36	315,875

Liabilities and Shareholders' Equity	DM	DM	DM	Dec 31, 1979 DM 1,000
Liabilities to banks				
a) payable on demand		3,299,850,742.14		4,173,272
b) with original periods or periods of notice of				
ba) less than three months	5,180,577,419.63			
bb) at least three months, but less than four years	16,651,486,568.15			
bc) four years or more	9,407,959,998.13	31,240,023,985.91		32,617,113
including: due in				
less than four years	DM 8,118,765,096.53			
c) customers' drawings on other banks		10,240,405.95		13,875
			34,550,115,134.00	36,804,260
Liabilities to customers (customers' deposits)				
a) payable on demand		8,190,541,436.97		8,586,183
b) with original periods or periods of notice of				
ba) less than three months	13,080,274,058.94			
bb) at least three months, but less than four years	5,827,321,633.65			
bc) four years or more	2,830,354,436.43	21,737,950,129.02		21,575,471
including: due in				
less than four years	DM 2,614,075,589.42			
c) savings deposits				
ca) subject to legal period of notice	5,750,590,751.88			
cb) other	4,087,425,598.11	9,838,016,349.99		9,779,560
			39,766,507,915.98	39,941,214
Bonds and notes with a life of				
a) up to four years		1,947,919,787.77		1,031,823
b) more than four years		18,872,051,792.03		17,625,697
including: maturing in				
less than four years	DM 9,397,134,162.56			
			20,819,971,579.80	18,657,520
Acceptances and promissory notes outstanding			480,534,003.48	551,955
Loans granted and shares held on a trust basis				
at third party risk			145,102,061.69	160,068
Provisions				
a) for pensions		592,735,591.50		533,316
b) other		359,981,057.29		401,628
			952,716,648.79	934,944
Other liabilities			94,816,659.89	90,125
Deferred items				
a) in accordance with Section 25 of the Mortgage Bank Act-HBG		61,003,218.77		28,350
b) other		308,000,429.38		240,125
			369,003,648.15	268,475
Special items with partial reserve character				
subject to future taxation (in accordance with Section 6b of the German Income Tax Act-ESTG)			50,000,000.00	1,006
Share capital (unissued conditional capital additionally authorized for conversion rights: DM 86,100,000.00)			843,400,000.00	843,400
Disclosed reserves				
a) legal reserve		1,025,190,000.00		1,025,181
b) other reserves, voluntary		609,000,000.00		609,000
			1,634,190,000.00	1,634,181
Reserve arising from consolidation in accordance with Section 331 (1) 3 of the German Stock Corporation Act-AktG (excess of book value of consolidated subsidiaries' equity over book value in corresponding Investments in Parent Bank's accounts)			272,970,108.27	225,413
Minority interests			25,202,388.00	23,973
including: from profit	DM 1,442,058.00			
Foundations			6,738,314.10	6,660
Consolidated profit			17,657,948.55	155,455
			100,028,926,410.70	100,298,649
Own drawings in circulation (of which: discounted on borrowers' account: DM 10,172,250.00)			10,172,250.00	—
Endorsement liabilities on rediscounted bills of exchange			2,357,155,120.76	1,849,112
Contingent liabilities from guarantees, including guarantees for bills and cheques, and from indemnity agreements			8,517,726,942.39	7,997,066
Commitments under repurchase agreements, not included in liabilities			400,000,000.00	79,921
Savings premiums under the Savings Premium Act			107,603,961.54	101,102
Total Liabilities, together with contingent liabilities and other commitments shown below the line, include liabilities to related companies in the amount of			995,680,019.90	512,887

Consolidated Profit and Loss Account for the year ended December

Expenses	DM	DM	1979 DM 1,000
Interest and similar expenses		7,506,113,043.89	5,179,572
Commissions and similar service charges paid		17,098,371.62	15,818
Write-downs of and adjustments to claims and securities, transfers to provisions for possible loan losses		26,752,072.03	32,045
Salaries and wages		852,032,756.65	795,021
Compulsory social security contributions		114,788,928.49	107,063
Expenses for pensions and other employee benefits		121,821,157.50	101,478
Other operating expenses		334,968,203.47	349,595
Depreciation on and adjustments to land and buildings, office furniture and equipment		83,572,203.64	73,072
Write-downs of and adjustments to Investments (subsidiaries, associated companies, and trade investments)		3,769,385.71	1,050
Taxes			
a) on income and assets	101,003,546.42		172,694
b) other	3,813,663.00		16,965
		104,817,209.42	189,659
Allocations to special items with partial reserve character		50,000,000.00	1,006
Other expenses		144,142,630.20	92,482
Consolidated net income for the year		33,844,938.55	142,512
	Total Expenses	9,393,720,901.17	7,080,373

	DM	DM	1979 DM 1,000
Consolidated net income for the year		33,844,938.55	142,512
Profit brought forward from the previous year		8,455,068.00	36,257
		42,300,006.55	178,769
Allocations to Disclosed reserves from Consolidated net income for the year:			
to Other reserves			
a) Parent Bank	—		—
b) consolidated subsidiaries	23,200,000.00		21,900
		23,200,000.00	21,900
Profit attributable to minority interests		19,100,006.55	156,869
		1,442,058.00	1,414
Consolidated profit		17,657,948.55	155,455



Appendices

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

Domestic public entities' bonds

Free State of Bavaria
Land Berlin
Federal Republic of Germany
German Federal Post Office
German Federal Railways
The Free and Hanseatic City of Hamburg

Other domestic bonds, including mortgage and communal bonds

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

Foreign issuers' DM bonds (including convertible bonds and bonds with warrants or currency option)

Aktiebolaget Svensk Exportkredit
(Swedish Export Credit Corporation)
Akzo N.V.
Arbed Finance S.A.
Asian Development Bank
Asics Corporation
Commonwealth of Australia
Republic of Austria
Banco Nacional
do Desenvolvimento Econômico (BNDE)
Banque Française du Commerce Extérieur
Federative Republic of Brazil
Republic of Chile
CII-Honeywell Bull Finance Overseas N.V.
The Council of Europe Resettlement Fund
for National Refugees and Over-Population
in Europe
The Daiei, Inc.
Kingdom of Denmark
Electricity Supply Commission (ESCOM)
Empresas Nucleares Brasileiras S.A.
- NUCLEBRAS
European Coal and Steel Community (ECSC)
European Investment Bank (EIB)
Republic of Finland
Finnische Industriebank AG
Forsmarks Kraftgrupp Aktiebolag
Hidroeléctrica Ibérica Iberduero, S.A.
Inter-American Development Bank
International Bank for Reconstruction
and Development (World Bank)
Republic of Ireland
Japan Air Lines Company, Ltd.

The Japan Development Bank
Jydsk Telefon-Aktieselskab
City of Kobe
Light-Serviços de Eletricidade S.A.
Midland International Financial Services B.V.
Mitsubishi Heavy Industries, Ltd.
The Mortgage Bank and Financial Administration
Agency of the Kingdom of Denmark
New Zealand
Nichii Co., Ltd.
Kingdom of Norway
N.V. Nederlandse Gasunie
Österreichische Kontrollbank Aktiengesellschaft
City of Oslo
Renault Acceptance B.V.
The Royal Bank of Canada (Curaçao) N.V.
Sharp Corporation
Kingdom of Sweden
Republic of South Africa
Republic of Venezuela
Westland/Utrecht Hypotheekbank N.V.

Foreign issuers' foreign currency bonds (including convertible bonds and bonds with warrants or currency option)

Aéroport de Paris
Ajinomoto Co., Inc.
Aktiebolaget Svensk Exportkredit
(Swedish Export Credit Corporation)
Alaska Interstate International Finance B.V.
Alcoa of Australia Limited
Alusuisse Capital Limited
Anheuser-Busch International Finance N.V.
A/S Eksportfinans
Bank of Communications
Bank of Tokyo (Curaçao) Holding N.V.
Banque Nationale de Paris
Beneficial Overseas Finance N.V.
Blocker Energy International N.V.
BM-RT Ltd.
Bow Valley Investments B.V.
British Oxygen Finance B.V.
Canadian Imperial Bank of Commerce
Canon Inc.
CII-Honeywell Bull Finance Overseas N.V.
Citicorp Overseas Finance Corporation Limited
Comisión Federal de Electricidad (CFE)
Compagnie Industrielle
des Télécommunications CIT Alcatel
C.V.G. Siderúrgica del Orinoco C.A. (Sidor)
Electricité de France
Elsevier-NDU N.V.
EUROFIMA European Company
for the Financing of Railway Rolling Stock
European Coal and Steel Community (ECSC)
European Economic Community (EEC)
European Investment Bank (EIB)
Export Development Corporation

Federal Business Development Bank
 Finance for Industry International B.V.
 Republic of Finland
 Ford Credit Overseas Finance N.V.
 Ford Overseas Finance N.V.
 Gearhart Finance N.V.
 GenFinance N.V.
 GMAC Overseas Finance Corporation N.V.
 Goodyear Overseas Finance N.V.
 GTE Finance N.V.
 Hanson Overseas Finance B.V.
 Helmerich & Payne Finance N.V.
 Hudson's Bay Company
 Hydro-Québec
 IBM Canada Limited
 INA Overseas Finance N.V.
 Inchcape (Bermuda) Limited
 International Bank for Reconstruction
 and Development (World Bank)
 I/S ELSAM (Jutland-Funen Electricity
 Consortium)
 Kleinwort Benson Finance B.V.
 Kollmorgen International Finance N.V.
 Lloyds Eurofinance N.V.
 Matsushita Electric Works, Ltd.
 Metropolitan Estate
 and Property International N.V.
 Midland International Financial Services B.V.
 Minolta Camera Co., Ltd.
 Mitsui Real Estate Development Co., Ltd.
 Niigata Engineering Co., Ltd.
 Norges Hypotekforening for Næringslivet
 (The Norwegian Mortgage Association
 for Industry and Trade)
 N.V. Nederlandse Gasunie
 N.Z. Forest Products Limited
 Österreichische Kontrollbank Aktiengesellschaft
 Orient Finance Co., Ltd.
 City of Oslo
 Paribas Suisse (Bahamas) Limited
 Peko-Wallsend Limited
 J.C. Penney Overseas Capital N.V.
 Petróleos Mexicanos (Pemex)
 Peugeot S.A.
 Reading & Bates Energy Corporation N.V.
 RepSteel Overseas Finance N.V.
 Rothschild Investment Holdings B.V.
 RoyLease Limited
 Société Nationale des Chemins de fer Français
 Standard Chartered Finance B.V.
 State Bank of India
 Sumitomo Metal Industries, Ltd.
 Svenska Handelsbanken
 Kingdom of Sweden
 Swiss Bank Corporation (Overseas) S.A.
 Tordom Corporation
 Tosco International Finance N.V.
 Transco International N.V.
 UB Finance B.V.
 Westland/Utrecht Hypotheekbank N.V.

German shares

AEG-Telefunken AG
 Allianz Lebensversicherungs-AG
 Allianz Versicherungs-AG
 ALTANA Industrie-Aktien und Anlagen AG
 Bayerische Hypotheken- und
 Wechsel-Bank AG
 Brown, Boverie & Cie AG
 Chemie-Verwaltungs-AG
 Deutsche Texaco AG
 Gildemeister AG
 Heidelberger Druckmaschinen AG
 Herlitz AG
 Hoechst AG
 Philipp Holzmann AG
 Hüttenwerke Kayser AG
 Kaufhof AG
 Klöckner-Werke AG
 G. Kromschroder AG
 Linde AG
 Lindener Gilde-Bräu AG
 NKK Bank AG
 Nordwestdeutsche Kraftwerke AG
 Oelmühle Hamburg AG
 Rheinische Hypothekenbank AG
 Rheinmetall Berlin AG
 Siemens AG
 Stinnes AG

Foreign shares

Barlow Rand Limited
 The Black and Decker
 Manufacturing Company
 Consolidated Gold Fields Limited
 The Daiei, Inc.
 Energy Resources of Australia Limited
 Harrisons & Crosfield Limited
 Nichii Co., Ltd.
 Ing. C. Olivetti & C., S.p.A.
 Pilkington Brothers Limited
 Steyr-Daimler-Puch AG
 Swiss Bank Corp.
 Thorn Electrical Industries Ltd.
 Union Carbide Corporation

Other syndicate transactions

Brauerei Isenbeck AG
 Deutsche Grundbesitz-
 Anlagegesellschaft mbH (DGA)
 Holsten-Brauerei AG
 Lüneburger Kronen-Brauerei AG
 Privat-Brauereien Nies
 Beteiligungsgesellschaft mbH
 Stolberger Zink AG

Head Offices

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<u>Hamburg</u>	7-9 Ness, D-2000 Hamburg, Telephone (040) 361321, Telex 212391

All International Departments are in Frankfurt.

Domestic Branches

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

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

Aachen 1920 (1874) with sub-branches Adalbertstrasse Burtscheid Markt and paying office Vetschau	Augsburg 1919 with sub-branches Donauwörther Strasse Göggingen Lechhausen	Bad Pyrmont 1979 Bad Salzuflen 1963 Bad Soden (Taunus) 1968 Bad Vilbel 1968 Balingen (Württ.) 1958 Bamberg 1968 Bayreuth 1967 Beckum (Münster district) 1960 Bensheim 1969 Bergheim (Erf) 1975 Bergisch Gladbach 1968 Bergneustadt 1959 Biberach (Riss) 1968 Bielefeld 1905 (1867) with sub-branches Betheleck Brackwede Heeper Strasse Herforder Strasse Jöllnbecker Strasse Sennestadt Sieker Stapenhorststrasse Wellensiek	Bietigheim-Bissingen 1975 Bingen 1968 Bocholt 1920 Bochum 1920 with sub-branches Ehrenfeld Hamme Laer Linden Stiepel Weitmar Bochum-Wattenscheid 1918 (1906) with sub-branch Höntrop Böblingen 1968 Bonn 1908 (1885) with sub-branches Bundeskanzlerplatz Markt Tannenbusch Liaison Office: see page 101 Bonn-Bad Godesberg 1959 with sub-branch Römerplatz Bonn-Beuel 1961 Bonn-Duisdorf 1960 Borken (Westphalia) 1960
Aalen 1969	Backnang 1961		
Achim 1973	Bad Bramstedt 1973		
Ahlen (Westphalia) 1961	Baden-Baden 1914 (1878)		
Ahrensburg (Holstein) 1958	Bad Driburg 1975		
Albstadt-Ebingen 1969	Bad Harzburg 1974		
Albstadt-Tailfingen 1975	Bad Hersfeld 1962		
Alfeld (Leine) 1962	Bad Homburg v. d. H. 1967		
Alsfeld 1969	Bad Honnef 1966		
Altena (Westphalia) 1912 (1880) with sub-branch Lennestrasse	Bad Kissingen 1976 Bad Kreuznach 1929 (1907)		
Amberg 1980	Bad Nauheim 1968		
Andernach 1954	Bad Neuenahr 1966 with sub-branch Ahrweiler		
Arnsberg-Neheim 1968	Bad Oeynhausen 1965		
Aschaffenburg 1962	Bad Oldesloe 1961		
Attendorf 1981			

Bottrop 1959	Cologne: see Köln	Dorotheenplatz Eller Friedrichstrasse Garath Gerresheim Golzheim Grafenberger Allee Heerdt Heinrichstrasse Holthausen Kaiserswerth Karolingerplatz Königsallee Nordstrasse Oberbilk Oberkassel Rath Reisholzer Strasse Schadowstrasse Unterrath Wersten Worringer Platz	Emmerich 1965 (1951) with paying-office Elten Emsdetten 1970 Enger 1967 Ennepetal 1965 Erkelenz 1967 Erkrath 1967 Erlangen 1972 Eschborn 1975 Eschwege 1908 (1830) Eschweiler 1968 Essen 1907 (1898) with sub-branches Altenessen Borbeck Bredeney Essen-Süd Essen-West Holsterhausen Kray Kupferdreh Rüttenscheid Steele Viehofer Platz Wasserturm
Brake 1976	Constance: see Konstanz	Düsseldorf-Benrath 1968 Duisburg 1909 (1883) with sub-branches Hochfeld Lutherplatz Marxloh Meiderich Wanheimerort	Esslingen 1965 Ettlingen 1967 Euskirchen 1960 Fellbach (Württ.) 1960 Flensburg 1955 with sub-branches Industriegebiet (<i>industrial estate</i>) Mürwik Norderstrasse Südermarkt
Braunschweig 1929 (1853) with sub-branches Am Hauptbahnhof Celler Strasse Dankwardstrasse Jasperallee Radeklint	Cuxhaven 1921 Dachau 1968 Darmstadt 1957 with sub-branches Arheilgen Karlstrasse Delmenhorst 1954 Detmold 1961 Diepholz 1968 Diez (Lahn) 1967 Dillenburg 1961 Dinslaken 1965 (1921) Dissen (Teutob. Forest) 1975 Dormagen 1967 Dorsten 1964 Dortmund 1904 (1878) with sub-branches Aplerbeck Brackel Hörde Hohe Strasse Hombruch Kaiserstrasse Königswall Mengede Münsterstrasse Ruhrallee	Duisburg-Hamborn 1958 Duisburg-Homberg 1969 Duisburg-Rheinhausen 1961 Duisburg-Ruhrort 1960 Duisburg-Walsum 1965 (1954) Eckernförde 1960 Ehingen (Danube) 1980 Einbeck 1969 Eislingen 1975 Elmshorn 1953 Emden 1920 with sub-branch Rathausplatz Emmendingen 1978	Frankenthal (Palatinate) 1963
Bremen 1920 with sub-branches Dobben Findorff Gröpelingen Hemelingen Neustadt Schwachhausen Steintor West Woltmershausen	Diez (Lahn) 1967 Dillenburg 1961 Dinslaken 1965 (1921) Dissen (Teutob. Forest) 1975 Dormagen 1967 Dorsten 1964 Dortmund 1904 (1878) with sub-branches Aplerbeck Brackel Hörde Hohe Strasse Hombruch Kaiserstrasse Königswall Mengede Münsterstrasse Ruhrallee	Duisburg-Hamborn 1958 Duisburg-Homberg 1969 Duisburg-Rheinhausen 1961 Duisburg-Ruhrort 1960 Duisburg-Walsum 1965 (1954) Eckernförde 1960 Ehingen (Danube) 1980 Einbeck 1969 Eislingen 1975 Elmshorn 1953 Emden 1920 with sub-branch Rathausplatz Emmendingen 1978	Frankenthal (Palatinate) 1963
Bremen-Vegesack 1954 Bremerhaven 1956 with sub-branches Geestemünde Lehe	Diez (Lahn) 1967 Dillenburg 1961 Dinslaken 1965 (1921) Dissen (Teutob. Forest) 1975 Dormagen 1967 Dorsten 1964 Dortmund 1904 (1878) with sub-branches Aplerbeck Brackel Hörde Hohe Strasse Hombruch Kaiserstrasse Königswall Mengede Münsterstrasse Ruhrallee	Duisburg-Hamborn 1958 Duisburg-Homberg 1969 Duisburg-Rheinhausen 1961 Duisburg-Ruhrort 1960 Duisburg-Walsum 1965 (1954) Eckernförde 1960 Ehingen (Danube) 1980 Einbeck 1969 Eislingen 1975 Elmshorn 1953 Emden 1920 with sub-branch Rathausplatz Emmendingen 1978	Frankenthal (Palatinate) 1963
Bremervörde 1961 Bruchsal 1968 Brühl (Cologne district) 1969 Brunsbüttel 1962 Bückeberg 1954 (1856) Bünde 1961 Burgdorf 1970 Butzbach 1967 Buxtehude 1972	Diez (Lahn) 1967 Dillenburg 1961 Dinslaken 1965 (1921) Dissen (Teutob. Forest) 1975 Dormagen 1967 Dorsten 1964 Dortmund 1904 (1878) with sub-branches Aplerbeck Brackel Hörde Hohe Strasse Hombruch Kaiserstrasse Königswall Mengede Münsterstrasse Ruhrallee	Duisburg-Hamborn 1958 Duisburg-Homberg 1969 Duisburg-Rheinhausen 1961 Duisburg-Ruhrort 1960 Duisburg-Walsum 1965 (1954) Eckernförde 1960 Ehingen (Danube) 1980 Einbeck 1969 Eislingen 1975 Elmshorn 1953 Emden 1920 with sub-branch Rathausplatz Emmendingen 1978	Frankenthal (Palatinate) 1963
Celle 1961 Cloppenburg 1961 Coburg 1971 Coesfeld 1961	Duisburg 1909 (1883) with sub-branches Hochfeld Lutherplatz Marxloh Meiderich Wanheimerort Duisburg-Hamborn 1958 Duisburg-Homberg 1969 Duisburg-Rheinhausen 1961 Duisburg-Ruhrort 1960 Duisburg-Walsum 1965 (1954) Eckernförde 1960 Ehingen (Danube) 1980 Einbeck 1969 Eislingen 1975 Elmshorn 1953 Emden 1920 with sub-branch Rathausplatz Emmendingen 1978	Duisburg-Hamborn 1958 Duisburg-Homberg 1969 Duisburg-Rheinhausen 1961 Duisburg-Ruhrort 1960 Duisburg-Walsum 1965 (1954) Eckernförde 1960 Ehingen (Danube) 1980 Einbeck 1969 Eislingen 1975 Elmshorn 1953 Emden 1920 with sub-branch Rathausplatz Emmendingen 1978	Frankenthal (Palatinate) 1963

Frankfurt 1856 with sub-branches Adickesallee Alt-Bornheim Am Eschenheimer Tor Am Opernplatz Berliner Strasse Bockenheim Bornheim Dornbusch Flughafen (<i>airport</i>) Galluswarte Hanauer Landstrasse Hauptwache Kaiserstrasse Oederweg Platz der Republik Rödelheim Sachsenhausen Schwanheim Wächtersbacher Strasse Zeil	Gelsenkirchen 1918 (1906) with sub-branches Am Stern Erle Horst Neustadt Gelsenkirchen-Buer 1920 Gevelsberg 1912 with sub-branch Zentrum (<i>downtown</i>) Giessen 1906 Gifhorn 1961 Gladbeck 1960 Glinde 1970 Glückstadt 1968 Goch 1967 Göppingen 1959 Göttingen 1923 (1850) with sub-branches Eichendorffplatz Weende Goslar 1929 (1907) Greven (Westphalia) 1961 Grevenbroich 1960 Gross Gerau 1968 Gütersloh 1965 Gummersbach 1919 (1870)	Halver 1959 Hamburg 1870 with sub-branches Altstadt Am Hafen Barmbek Billstedt Blankenese Bramfeld Dehnhaid Eidelstedt Eilbek Eimsbüttel Eppendorf Esplanade Freihafen (<i>free port</i>) Fuhlsbüttel Gänsemarkt Geschäftsstadt Nord Grindelberg Grossneumarkt Hamm Hammerbrook Hoheluft Lokstedt Lurup Messberg Mittelweg Mundsburg Neugraben Osdorf Osterstrasse Othmarschen Rahlstedt Rothenburgsort St. Georg St. Pauli Schnelsen Uhlenhorst Volksdorf Wandsbek Wilhelmsburg Winterhude Hamburg-Altona 1910 (1872) Hamburg-Bergedorf 1953 Hamburg-Harburg 1922 Hameln 1960 Hamm (Westphalia) 1904 with sub-branch Marktplatz Hanau 1909 with sub-branch Grossauheim	Hanover 1907 (1826) with sub-branches Am Klagesmarkt Am Kröpcke Am Küchengarten Am Steintor Buchholz Herrenhausen Hildesheimer Strasse Lister Meile Misburg Sallstrasse Südstadt Vahrenheide Vahrenwald Vier Grenzen Wülfel Heide (Holstein) 1961 Heidelberg 1963 with sub-branches Innenstadt Neuenheim Heidenheim (Brenz) 1954 Heilbronn 1965 Heiligenhaus 1959 Helmstedt 1951 with sub-branch Gröpern Hemer 1968 Hemmingen 1965 Hennef (Sieg) 1966 Herford 1920 (1873) with sub-branches Alter Markt Lübbertor Herne 1958 Herne-Wanne 1918 (1906) with sub-branch Eickel Herten 1961 Herten-Westerholt 1968 Herzberg 1965
Frankfurt-Höchst 1899	Glückstadt 1968	Hamm 1904	Heilbronn 1965
Frechen 1960	Goch 1967	Hammerbrook 1904	Heidenheim (Brenz) 1954
Freiburg (Breisgau) 1960 with sub-branch Rathausgasse	Göppingen 1959	Hoheluft 1904	Heiligenhaus 1959
Freilassing 1980	Göttingen 1923 (1850) with sub-branches Eichendorffplatz Weende	Lokstedt 1904	Helmstedt 1951 with sub-branch Gröpern
Freudenstadt 1980	Goslar 1929 (1907)	Lurup 1904	Hemer 1968
Friedberg (Hesse) 1929	Greven (Westphalia) 1961	Messberg 1904	Hemmingen 1965
Friedrichshafen 1967	Grevenbroich 1960	Mittelweg 1904	Hennef (Sieg) 1966
Fürth (Bavaria) 1899 (1872) with sub-branches Komotauer Strasse Waldstrasse	Gross Gerau 1968	Mundsburg 1904	Herford 1920 (1873) with sub-branches Alter Markt Lübbertor
Fulda 1954	Gütersloh 1965	Neugraben 1904	Herne 1958
Garbsen 1965	Gummersbach 1919 (1870)	Osdorf 1904	Herne-Wanne 1918 (1906) with sub-branch Eickel
Garmisch-Partenkirchen 1969	Haan (Rhineland) 1967	Osterstrasse 1904	Herten 1961
Geesthacht 1974	Hagen 1900 (1858) with sub-branches Haspe Mittelstrasse Wehringhausen	Othmarschen 1904	Herten-Westerholt 1968
Geislingen (Steige) 1974	Haltern (Westphalia) 1974	Rahlstedt 1904	Herzberg 1965

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

Maintal-Dörnigheim 1973	Moers 1959	Neumünster 1907	Offenbach (Main) 1904 with sub-branches Sprendlinger Landstrasse Waldstrasse
Mainz 1914 (1890) with sub-branches Am Dom Rheinallee	Monschau 1969	Neuss 1952 with sub-branch Dreikönigenstrasse	Offenburg 1968
Mainz-Kastel 1929 (1920)	Mühdorf (Inn) 1968	Neustadt (Holstein) 1974	Oldenburg (Oldb.) 1920 with sub-branch Grossmarkt
Mannheim 1921 with sub-branches Käfertal	Mühlheim (Main) 1967	Neustadt (Weinstrasse) 1961	Olpe 1968
Kaiserring Lindenhof Neckarau Neckarstadt Sandhofen Waldhof	Mülheim (Ruhr) 1918 (1889) with sub-branch Speldorf	Neu-Ulm 1967	Olsberg-Bigge 1965
Marburg (Lahn) 1906	München (<i>Munich</i>) 1910 (1876) with sub-branches Baldeplatz Berg-am-Laim Fraunhoferstrasse Grosshadern Hauptbahnhof (<i>main station</i>)// Marsstrasse	Neuwied 1960	Opladen 1961
Marl-Hüls 1955	Herkomerplatz Hohenzollernstrasse Ingolstädter Strasse Laim	Niebüll 1966	Osnabrück 1906 with sub-branches Bramscher Strasse Johannisstrasse Lotter Strasse Schützenstrasse
Mayen 1954	Leopoldstrasse Lerchenauer Strasse Lindwurmstrasse MAN-Allach Moosach Nymphenburger Strasse Pasing	Nienburg (Weser) 1954 (1938)	Osterholz-Scharmbeck 1966
Meerbusch-Büderich 1968	Reichenbachplatz Riesenfeldstrasse Rosenheimer Platz Rotkreuzplatz Schleissheimer Strasse Schwanthalerstrasse Thalkirchner Strasse Thomasiusplatz	Norden 1966	Osterode (Harz) 1929 (1872)
Meerbusch-Osterath 1969	Münster (Westphalia) 1919 with sub-branches Hammer Strasse Hansaring Warendorfer Strasse	Nordenham 1921 (1907)	Ottobrunn 1979
Memmingen 1969	Nettetal-Lobberich 1960	Norderstedt 1962	Paderborn 1909 (1881) with sub-branch Schloss Neuhaus
Menden 1972	Neuburg (Danube) 1976	Nordhorn 1953	Papenburg 1967
Meppen 1961	Neuenkirchen (near Rheine) 1968	Northeim (Han.) 1960	Passau 1968
Meschede 1971	Neuenrade 1967	Nürnberg (<i>Nuremberg</i>) 1899 (1872) with sub-branches Friedrich-Ebert-Platz Gibitzenhof Königstrasse Kopernikusplatz Langwasser Plärrer Schweinau Stresemannplatz	Peine 1921 (1900)
Mettmann 1962	Neu-Isenburg 1919	Nordderstedt 1962	Pforzheim 1960
Metzingen 1974		Nordhorn 1953	Pfungstadt 1969
Minden 1968		Northeim (Han.) 1960	Pinneberg 1957
Mölln* 1981		Nürnberg (<i>Nuremberg</i>) 1899 (1872) with sub-branches Friedrich-Ebert-Platz Gibitzenhof Königstrasse Kopernikusplatz Langwasser Plärrer Schweinau Stresemannplatz	Pirmasens 1955 (1908)
Mönchengladbach 1898 (1871) with sub-branches Am Hauptbahnhof Headquarters Rheindahlen		Nürnberg (<i>Nuremberg</i>) 1899 (1872) with sub-branches Friedrich-Ebert-Platz Gibitzenhof Königstrasse Kopernikusplatz Langwasser Plärrer Schweinau Stresemannplatz	Plettenberg 1921
Mönchengladbach-Rheydt 1905 with sub-branches Friedrich-Ebert-Strasse Odenkirchen		Nürnberg (<i>Nuremberg</i>) 1899 (1872) with sub-branches Friedrich-Ebert-Platz Gibitzenhof Königstrasse Kopernikusplatz Langwasser Plärrer Schweinau Stresemannplatz	Pulheim 1980
		Nürnberg (<i>Nuremberg</i>) 1899 (1872) with sub-branches Friedrich-Ebert-Platz Gibitzenhof Königstrasse Kopernikusplatz Langwasser Plärrer Schweinau Stresemannplatz	Pullach 1969

* to be opened shortly.

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

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

Foreign BranchesAntwerp

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

Atlanta

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

Barcelona

Commerzbank Aktiengesellschaft
Sucursal de Barcelona
357/359 Consejo de Ciento
Barcelona-7 (Spain)

Brussels

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

Chicago

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

Hong Kong

Commerzbank Aktiengesellschaft
Hong Kong Branch
Connaught Centre
Connaught Road
Hong Kong

London

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

Madrid

Commerzbank Aktiengesellschaft
Sucursal de Madrid
141 Paseo de la Castellana
Edificio Cuzco IV
Madrid-16 (Spain)

New York

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

Paris

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

Tokyo

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

Tiergarten
Budapester Strasse
Kurfürstenstrasse
Moabit
Turmstrasse
Wedding
Badstrasse
Müllerstrasse
Wedding
Wilmsdorf
Berliner Strasse

Halensee
Hohenzollerndamm
Roseneck
Schlangenhader
Strasse
Schmargendorf
Wilmsdorf
Zehlendorf
Schlachtensee
Zehlendorf

Subsidiaries and Related Banks

(Majority holdings)

Domestic Holdings

BERLINER COMMERZBANK AG

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

with sub-branches:

Charlottenburg	Reinickendorf
Amtsgerichtsplatz	Residenzstrasse
Charlottenburg	Tegel
Gedächtniskirche	Wittenau
with paying office	Schöneberg
Kaufhaus	Friedenau
Wertheim	Hauptgeschäft
Kurfürstendamm	Martin-Luther-Strasse
Maison de France	Schöneberg
Otto-Suhr-Allee	Wittenbergplatz
Reichsstrasse	Spandau
Savignyplatz	Nonnendammallee
Kreuzberg	Pichelsdorfer
Kochstrasse	Strasse
Kottbusser Tor	Spandau
Mehringdamm	Steglitz
Mehringplatz	Albrechtstrasse
Neukölln	Lankwitz
Buckow	Lichterfelde
Grüner Weg	Steglitz
Hermannplatz	Tempelhof
Hermannstrasse	Am Flughafen
Karl-Marx-Platz	Tempelhof
Neukölln	Lichtenrade
Reinickendorf	Mariendorf
Hermsdorf	Marienfelde
Kurt-Schumacher- Platz	Tempelhof

RHEINISCHE HYPOTHEKENBANK AG

Frankfurt · Cologne · Mannheim
Head Office at
3 Taunustor, D-6000 Frankfurt

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

VON DER HEYDT-KERSTEN & SÖHNE
Wuppertal-Elberfeld

ILSEDER BANK, SANDOW & CO.
Peine

COMMERZ- UND INDUSTRIE-LEASING GMBH
Frankfurt

COMMERZBANK FONDS-VERWALTUNGS-
GESELLSCHAFT MBH (COFO)
Düsseldorf

Foreign Holdings

COMMERZBANK INTERNATIONAL S.A.

11 Rue Notre-Dame, Luxembourg

COMMERZBANK (SOUTH EAST ASIA) LTD.

Tower 3902, DBS Building
6 Shenton Way
Singapore 0106

EUROPARTNERS BANK (NEDERLAND) N.V.

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

Representative Offices Abroad

Argentina, Paraguay, Uruguay

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

Australia, New Zealand

Representative Office Sydney
 Reinhold H. von Wienskowski
 Citicorp House, 54-62 Carrington Street
 G.P.O. Box 5358
 Sydney, N.S.W. 2001 (Australia)

Brazil

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

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

Canada

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

Denmark, Norway, Sweden, Finland, Iceland

Representative Office
 for the Nordic Countries
 Wilfried A. Reschke
 4 Rådhuspladsen
 DK-1550 Copenhagen V (Denmark)

East Asia

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

Egypt, Sudan, Ethiopia

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

Indonesia

Representative Office for Indonesia
 Hartmut-Peter Riese
 Nusantara Building, 23rd Floor
 59 Jalan M.H. Thamrin
 Jakarta (Indonesia)

Iran, Pakistan

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

Mexico, Central America, Caribbean Islands

Representación en México
 Joachim N. Soszna
 Paseo de la Reforma 390-1304
 Mexico City 6 (Mexico)

Middle East

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

Peru, Bolivia, Chile, Ecuador

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

Southern Africa

Representative Office Johannesburg
 Werner P. Kahrass
 Standard Bank Centre, 78 Fox Street
 P.O. Box 61219, Marshalltown 2107
 Johannesburg
 (Republic of South Africa)

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

USSR

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

Venezuela, Colombia

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

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

Belgium

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

Brazil

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

Egypt

Misr International Bank S.A.E., Cairo

Finland

Teollistamisrahasto Oy –
Industrialization Fund of Finland Ltd., Helsinki

France

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

Indonesia

P.T. Finconesia Financial Corporation
of Indonesia, Jakarta

South Korea

Korea International Merchant Bank, Seoul

Lebanon

Rifbank S.A.L., Beirut

Luxembourg

Adela Investment Company S.A.,
Luxembourg/Lima
Cisalgest S.A.R.L., Luxembourg
Commerzbank International S.A.,
Luxembourg
Europartners Holding S.A., Luxembourg
Finatourinvest S.A., Luxembourg
Handelsgest S.A.R.L., Luxembourg
Indugest S.A.R.L., Luxembourg
The International Investment Corporation
for Yugoslavia S.A., Luxembourg
SIFIDA Société Internationale Financière
pour les Investissements
et le Développement en Afrique, Luxembourg
Société de Gestion du Rominvest
International Fund S.A., Luxembourg
Société Européenne d'Édition
et de Diffusion S.A., Luxembourg
UBAE Arab German Bank S.A.,
Luxembourg/Frankfurt

Morocco

Banque Marocaine du Commerce Extérieur,
Casablanca
Banque Nationale pour le Développement
Economique, Rabat

Netherlands

Europartners Bank (Nederland) N.V.,
Amsterdam

Pakistan

The Pakistan Industrial Credit & Investment
Corporation Limited, Karachi

Saudi Arabia

The Saudi Investment Banking Corporation,
Riyadh

Singapore

Commerzbank (South East Asia) Ltd.,
Singapore
The Development Bank of Singapore Ltd.,
Singapore
Private Investment Company
for Asia (PICA) S.A., Panama City/Singapore

Spain

Banco Urquijo S.A., Madrid

Switzerland

Finance Company VIKING, Zurich

Thailand

The Industrial Finance Corporation
of Thailand (IFCT), Bangkok

Mithai Europartners
Finance and Securities Company Ltd.,
Bangkok

Tunisia

Union Internationale de Banques S.A., Tunis

United Kingdom

International Commercial Bank Ltd., London

USA

EuroPartners Securities Corporation,
New York

Zaire

Société Financière de Développement
-SOFIDE-, Kinshasa

The International Presence of the Europartners

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

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

The Europartners in Europe

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The Europartners Overseas

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The Europartners Overseas



*) to be opened later

The Europartners in Europe" see overleaf



The Europartners in Europe



*) to be opened later

Europartners Highlights¹⁾

BANCO DI ROMA

		Mid-1980		Mid-1979	Change
Balance Sheet Total	Lire	27,504 billion	Lire	19,870 billion	38.4%
Deposits	Lire	15,402 billion	Lire	12,193 billion	26.3%
Capital and Reserves	Lire	405 billion	Lire	334 billion	21.3%
Branches		301		293	2.7%
Number of Accounts		1,093,000		1,164,100	- 6.1%
Staff		13,612		13,224	2.9%

BANCO HISPANO AMERICANO

		Year-end, 1980		Year-end, 1979	Change
Balance Sheet Total	Ptas	1,140,035 million	Ptas	1,013,383 million	12.5%
Deposits	Ptas	1,049,213 million	Ptas	911,163 million	15.2%
Capital and Reserves ²⁾	Ptas	51,950 million	Ptas	48,714 million	6.6%
Branches		1,287		1,229	4.7%
Number of Accounts		3,304,300*)		3,276,100	0.9%
Staff		18,697		19,129	- 2.3%

*) mid-year

COMMERZBANK

		Year-end, 1980		Year-end, 1979	Change
Balance Sheet Total	DM	64,702 million	DM	67,090 million	- 3.6%
Deposits	DM	60,953 million	DM	63,351 million	- 3.8%
Capital and Reserves	DM	2,478 million	DM	2,478 million	-
Branches		805		802	0.4%
Clients		2,273,200		2,226,700	2.1%
Staff		19,995		20,052	- 0.3%

CREDIT LYONNAIS

		Year-end, 1980		Year-end, 1979	Change
Balance Sheet Total	Ffr	414,995 million	Ffr	324,432 million	27.9%
Deposits	Ffr	389,055 million	Ffr	306,102 million	27.1%
Capital and Reserves ²⁾	Ffr	4,457 million	Ffr	4,221 million	5.6%
Branches		2,283		2,312	- 1.3%
Clients		3,621,000		3,734,000	- 3.0%
Staff		45,892		46,810	- 2.0%

The Group³⁾

		Year-end, 1980 ⁴⁾		Year-end, 1979 ⁴⁾	Change
Balance Sheets Sum Total	DM	329,939 million	DM	274,029 million	20.4%
Deposits	DM	287,250 million	DM	243,676 million	17.9%
Capital and Reserves ²⁾	DM	6,540 million	DM	6,209 million	5.3%
Branches		4,676		4,636	0.9%
Staff		98,196		99,215	- 1.0%

¹⁾ parent banks only;

²⁾ Banco Hispano Americano and Crédit Lyonnais: before appropriation of profit;

³⁾ conversion made according to the official Frankfurt middle rates of Dec 31, 1980:
Ffr 1 = DM 0.4315; Lire 100 = DM 0.2107; Ptas 100 = DM 2.475;

⁴⁾ Banco di Roma: mid-year figures.

