COMMERZBANK



1981

**COMMERZBANK** Highlights

# COMMERZBANK Highlights

## Parent Bank

| at year-end | 1981 | 1980 |
|---|---|---|
| Total assets | DM 64,298.2 m | DM 64,701.9 m |
| Total lending | DM 46,081.3 m | DM 45,469.9 m |
| Capital and reserves | DM 2,477.6 m | DM 2,477.6 m |

## Group[1)]

in DM m, at year-end

| Assets | 1981 | 1980 |
|---|---|---|
| Cash reserves | 2,877 | 3,157 |
| Cheques, collection items | 388 | 313 |
| Bills of exchange | 1,667 | 1,618 |
| Claims on banks | 27,276 | 27,400 |
| Treasury bills | 563 | 47 |
| Bonds and notes | 2,918 | 3,607 |
| Shares | 660 | 659 |
| Loans and advances to customers | 60,688 | 59,089 |
| a) at agreed periods of less than four years | (22,869) | (21,221) |
| b) at agreed periods of four years or more | (37,819) | (37,868) |
| Investments | 805 | 803 |
| Land and buildings | 816 | 804 |
| Other assets | 2,678 | 2,532 |
| **Total Assets** | 101,336 | 100,029 |

| | | |
|---|---|---|
| Branches | 878 | 880 |
| Customers | 2,474,600 | 2,457,200 |
| Staff | 21,130 | 21,487 |

in DM m, at year-end

| Liabilities and Shareholders' Equity | 1981 | 1980 |
|---|---|---|
| Liabilities to banks | 31,779 | 34,550 |
| Customers' deposits | 41,142 | 39,767 |
| a) demand deposits | (8,004) | (8,191) |
| b) time deposits | (23,239) | (21,738) |
| c) savings deposits | (9,899) | (9,838) |
| Bonds outstanding | 23,463 | 20,820 |
| Other liabilities | 2,175 | 2,100 |
| Capital and reserves[2)] | 2,760 | 2,774 |
| a) share capital | (844) | (844) |
| b) reserves | (1,634) | (1,634) |
| c) reserve arising from consolidation[3)] | (238) | (273) |
| d) minority interests[4)] | (44) | (23) |
| Consolidated profit | 17 | 18 |
| **Total Liabilities and Shareholders' Equity** | 101,336 | 100,029 |
| Endorsement liabilities | 2,674 | 2,367 |
| **Business volume** | 104,010 | 102,396 |
| Guarantees | 9,129 | 8,518 |

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 94 to 97;
2) 1981: DM 2,766 m (1980: DM 2,784 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 95);
4) excluding attributable share of profits.

# Annual Accounts and Report for the Year 1981

COMMERZBANK
AKTIENGESELLSCHAFT

**Headquarters**

| | |
|---|---|
| Düsseldorf | 25 Breite Strasse, D-4000 Düsseldorf, Telephone (0211) 8271, Telex 8 581 381 |
| Frankfurt | 32-36 Neue Mainzer Strasse, D-6000 Frankfurt, Telephone (0611) 13621, Telex 4152530 |
| Hamburg | 7-9 Ness, D-2000 Hamburg, Telephone (040) 361321, Telex 212391 |
| | All International Departments are in Frankfurt. |

# Contents



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

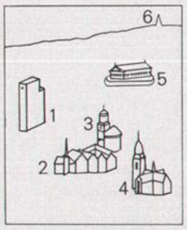
Note: throughout this Report, the term "billion" (bn) represents "1,000 million" (m).

# FRANKFURT

Commerzbank's 1982 Annual General Meeting will take place on May 7 in Frankfurt at the city's newly restored "Alte Oper" concert and convention centre, where shareholders will be informed of the Bank's 1981 performance.

As West Germany's financial centre, Frankfurt is not only the home of the Bundesbank and the country's principal stock exchange, but also of some 350 domestic and foreign credit institutions.

Today employing well over 3,000 people in the area, Commerzbank in 1970 transferred its headquarters to Frankfurt where, in 1974, its new high-rise building was among the very first to dominate the city's modern banking district.




1 Commerzbank Headquarters
2 Römer (town hall)
3 St. Paul's Church
4 Cathedral
5 Alte Oper (concert and convention centre)
6 Grosser Feldberg

To our shareholders,

In terms of the operating result, Commerzbank made good progress in 1981. We also achieved important structural improvements both in our balance sheet and in our organization. These successes, which are detailed in this Report, have brought us appreciably nearer our paramount objective of resuming our dividend payment as soon as circumstances permit. We are aware that two years without a dividend have put the loyalty of our shareholders severely to the test.

Looking back on the difficulties of 1980 and 1981 we note with gratification that business with our customers was expanded despite the poor earnings position. We also strengthened our cooperation within the German and the international banking communities.

Our employees accepted the Bank's unsatisfactory business situation as a challenge to which they responded with renewed initiative and commitment. Now our whole staff is once again sensing the impetus that comes with a better performance. We are particularly grateful to those at senior managerial level who regardless of sacrifices in the income sphere worked untiringly in the Bank's interests. The last two years have confirmed how great an asset Commerzbank has in its "human capital".

The first months of 1982 saw little improvement in the underlying, difficult business conditions for commercial banking. Although the inverted structure of interest rates so disastrous for earnings has at long last become less pronounced, credit risks both in our domestic and international lending have further intensified, obliging us to continue our strategy of high risk provision in the current year.

Interest earnings can be expected to see a sustained recovery over the next few years as earlier low-yielding fixed-rate loans gradually run out; generally speaking this also applies to our bases abroad. Moreover, given the considerable efforts devoted to expanding our foreign and our securities business in recent years, we anticipate another rise in net commission income in 1982. At the same time, we are determined to keep costs well under control.

Effective policies in terms of personnel and organization remain a prime requirement for our activitiy. Our guidelines concerning staff management are discussed on page 56 of this Report. On pages 51 and 52 we describe achievements and plans in the field of computerization. The latter has become an indispensable means of ensuring flexible management of the Bank and its day-to-day operations, as well as a customer-oriented attitude to business.

The 1982 Annual General Meeting will take place in Frankfurt. This is in accord with our tradition of each year changing the venue, to take account of the wide geographical distribution of our shareholders. The next two Annual General Meetings will be held in Düsseldorf (May 10, 1983) and Hanover (May 18, 1984).

March 1982

Chairman
of the Supervisory Board

Chairman
of the Board of Managing Directors

# 30th Annual General Meeting

Notice is hereby given that
the 30th Annual General Meeting
of shareholders of Commerzbank AG
will be held in the Alte Oper
concert and convention centre,
Opernplatz,
Frankfurt,

**at 10.30 a.m.**
**on Friday, May 7, 1982.**

**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, 1981.**

**2**
**To approve the actions of the Board of Managing Directors during the financial year 1981.**

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 1981.**

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

**4**
**To elect a Member to the Supervisory Board in place of one retiring.**

Dr. Karl-Heinz Kürten has declared his wish to retire from the Bank's Supervisory Board directly after the end of the Annual General Meeting. The Supervisory Board proposes that Dr. Heinz Kriwet, Duisburg, Member of the Board of Managing Directors of Thyssen Aktiengesellschaft vorm. August Thyssen Hütte, be elected in his stead.

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 1982.**

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*
*since May 7, 1981*

PROFESSOR
DR.-ING. DR. h.c. KURT HANSEN
Leverkusen
Chairman of the Supervisory Board
of Bayer AG
*Chairman*
*from January 1, 1981, to May 6, 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

HEINZ-WERNER BUSCH
Oberhausen
Commerzbank AG

DR. ROLF DARMSTADT
Frankfurt
Commerzbank AG

JÜRGEN HAKER
Hamburg

HANS-GEORG JURKAT
Cologne
Commerzbank AG

DR. KARL-HEINZ KÜRTEN
Düsseldorf

FRITZ LOSUKOW
Frankfurt
Commerzbank AG

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

DR.-ING. HANNS ARNT VOGELS
Düsseldorf
General Partner
in Friedrich Flick Industrieverwaltung KGaA

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
Member of the Board of Managing Directors
of Ruhrgas AG

PROFESSOR
DIPL.-ING. WERNER BREITSCHWERDT
Stuttgart
Member of the Board of Managing Directors
of Daimler-Benz AG

DR.-ING. DR. RER. POL.
DR.-ING. h.c. KARLHEINZ BUND
Essen
Chairman of the Board of Managing Directors
of Ruhrkohle AG

ROBERT DHOM
Königstein (Taunus)
*until March 31, 1982*

MARTIN DIMPFLMAIER
Munich
Commerzbank AG

DR. MAX GÜNTHER
Munich
Member of the Board of Managing Directors
of Siemens AG

DR. OSKAR JANSON
Oberhausen
Spokesman 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

DR. RER. POL. WOLFGANG LAAF
Wetzlar
Member of the Board of Managing Directors
of Edelstahlwerke Buderus AG
*since June 1, 1981*

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.

RUDOLF AUGUST OETKER
Bielefeld

ERNST RIECHE
Königstein (Taunus)
*until May 6, 1981*

FRIEDRICH ROESCH
Cologne
Spokesman of the Board of Managing Directors
of Kaufhof AG

DR.-ING. ALBRECHT SCHUMANN
Frankfurt
*until May 6, 1981*

DIPL.-ING. ENNO VOCKE
Essen
Chairman of the Board of Managing Directors
of Hochtief AG vorm. Gebr. Helfmann
*since May 6, 1981*

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)

WALTER SEIPP
Frankfurt/Düsseldorf
*since March 1, 1981;*
*Chairman since May 7, 1981*

PETER DEUSS
Hamburg

ENGELBERT DICKEN
Frankfurt
*until March 26, 1982*

DIETRICH-KURT FROWEIN
Frankfurt

FRIEDRICH GRUNDMANN
Hamburg

KURT HOCHHEUSER
Düsseldorf

WOLFGANG JAHN
Düsseldorf

GÖTZ KNAPPERTSBUSCH
Düsseldorf

PAUL LICHTENBERG
Frankfurt/Düsseldorf
*from January 1 to May 6, 1981,*
*acting as interim member*
*according to Section 105 (2)*
*of the German Stock Corporation Act (AktG)*

HEINZ NIEDERSTE-OSTHOLT
Düsseldorf
*until May 31, 1981*

JÜRGEN REIMNITZ
Frankfurt

RABAN FREIHERR von SPIEGEL
Frankfurt

JÜRGEN TERRAHE
Frankfurt

ERICH COENEN
Düsseldorf
*Deputy Member*

MARTIN KOHLHAUSSEN
Frankfurt
*Deputy Member*
*since January 1, 1982*

## General Managers
(Generalbevollmächtigte)

KLAAS-PETER JACOBS
New York

FRIEDHELM JOST
Frankfurt

KARL-HEINZ KINDT
Düsseldorf

ALFRED KNÖR
Frankfurt

DR. HANS-VIKTOR KURZROCK
Düsseldorf

WOLFGANG OTTO
Frankfurt

HERBERT WOLF
Frankfurt

## Chief Legal Adviser
(Chefjustitiar)

DR. HELMUT BECKER
Frankfurt

# Senior Managers, Head Office

(Direktoren der Hauptverwaltung)

JÜRGEN BÄUMKER
Frankfurt

DR. RUDOLF BAUER
Frankfurt

AUGUST WILHELM BECHT
Frankfurt

GERHARD BENDICKS
Düsseldorf

HANS-ROBERT BERG
Düsseldorf

HERMANN BEYER
Frankfurt

HEINZ BORCHERT
Frankfurt

GEROLD BRANDT
Frankfurt

HANS DIETRICH von BURKERSRODA
Frankfurt

JÜRGEN CARLSON
Frankfurt

DR. PETER COYM
Frankfurt

DR. KLAUS DELIUS
Düsseldorf

JOSEF DÖRING
Hamburg

HERBERT DROEGE
Frankfurt

DR. HARIOLF EISENBART
Düsseldorf

HORST ENGEL
Frankfurt

KONRAD ERNST
Hamburg

WILHELM FALKE
Hamburg

HEINRICH-WILHELM FÖSTE
Frankfurt

HARRY GAWENAT
Frankfurt

HORST GERLACH
Hamburg

DR. HERMANN GÜNZEL
Frankfurt

RICHARD HERPERS
Düsseldorf

WOLFGANG HOFMANN
Frankfurt

ROLF HUGO
Frankfurt

HANS JÖRGENS
Frankfurt

EBERHARD KAUL
Hamburg

MAXIMILIAN KERCHNAWE
Frankfurt

LUTZ KIRCHNER
Frankfurt

MANFRED W. KLIMACH
Frankfurt

DR. KLAUS KUTTNER
Düsseldorf

BERTHOLD LANGE
Düsseldorf

JÜRGEN LEMMER
Frankfurt

ROLF LICHTENTHÄLER
Frankfurt

FRITZ LOSUKOW
Frankfurt

DIETER LUCASSEN
Frankfurt

HEINZ-JÜRGEN MÜHLENBERG
Düsseldorf

ALFRED MÜLLER
Hamburg

ROBERT NEITZEL
Hamburg

GÜNTHER NIEPMANN
Düsseldorf

DR. GEORG L. OTT
Frankfurt

WERNER PAASHAUS
Frankfurt

KLAUS PAPE
Hamburg

DR. ARNULF PESSELHOY
Frankfurt

HERBERT PETERS
Frankfurt

GERHARD RIEKEN
Frankfurt

CONRAD M. RUBEL
Düsseldorf

WALTER SCHMIDT
Hamburg

EDGAR SCHNOOR
Hamburg

GÜNTER SCHOLZ
Frankfurt

ERICH SÖHL
Frankfurt

DR. DIETER von TAPPEINER
Legal Adviser,
Deputy to the Chief Legal Adviser,
Düsseldorf

KURT WACKERFUSS
Frankfurt

ROLF WEIDMANN
Frankfurt

PETER WEINERT
Frankfurt

HEINZ WEINRICH
Hamburg

HELMUT WESTERMANN
Frankfurt

DR. MANFRED WILSDORF
Frankfurt

DR. CHRISTIAN WINKLER
Frankfurt

KLAUS WINTER
Düsseldorf

## Managers, Domestic Main Branches and Foreign Branches
(Leiter der inländischen Gebietsstellen und der Auslandsniederlassungen)

Aachen
KLAUS HOLLENBACH
HANS-HUBERTUS KLAGGES

Augsburg
DR. WALTHER FUCHS
DR. PETER TAUCHE

Bielefeld
DR. LOTHAR FLAMMING
DR. FRIEDHELM HÖFERMANN
WILHELM SCHAELE

Bochum
GÜNTER HILDEBRANDT
HANS-JOACHIM MÜLLER
BERND PRAEDEL

Bonn
HERBERT LOTTNER
WILHELM THEYSSEN
DR. WOLFGANG van WYK

Braunschweig
HERBERT BECKER
GEORG S. WALTHER

Bremen
JÜRGEN MADAUS
EKKEHARD SCHERZ
CHRISTIAN TRAXEL

Cologne: see Köln

Dortmund
OTTO JÄGER
UDO-JÜRGEN ROLING
DR. HERMANN van ZWOLL

Düsseldorf
ULRICH HÄHNER
MANFRED KRAFFCZYK
DR. ALFRED SCHULTE

Duisburg
DIETER BAUMANN
HEINZ KRÖGER
KLAUS-PETER MÜLLER

Essen
DR. JORG BEAUCAMP
DR. JOHANNES KRESS
KARL-HEINRICH LINDER

Frankfurt
KLAUS von der HEYDE
MICHAEL MELCHER
KLAUS MÜLLER-GEBEL

Freiburg
GERHARD ENDERS
ERNST-LUDWIG PLÜMER

Göttingen
GERHARD AHR
FOLKER STREIB

Hamburg
JÖRN LUBCKE
REINHARD PREUSCHOFF
RICHARD-WALTHER REINKE
DR. KURT RICHOLT

Hannover *(Hanover)*
ANDREAS GRAF von HARDENBERG
HANS-JOSEF HECKING
HARALD WOHLTHAT

Karlsruhe
ULRICH DANKE
DIETER von MORSTEIN

Kassel
DIETER ARNOLD
HERWARTH VITINIUS

Kiel
ERK ROLUF CLAUSEN
DIETRICH LANGE
DR. HEIKO PLATE

Köln *(Cologne)*
KLAUS-DIETER BREIDENBACH
KARL-HEINZ LANG
DR. ULLRICH SCHLUCKEBIER

Krefeld
HANS FRIEDRICH DICKEL
DR. WOLFGANG HOCK

Lübeck
FRANZ HARMS
HANS-JÜRGEN WEITERT

Lüdenscheid
JOACHIM ERGENZINGER
JOACHIM MÄHL

Mainz
HANS FELTEN
DR. ARMIN RUPPERT
VOLKER TIBI

Mannheim
DR. RÜDIGER LOOFF
DR. WOLFGANG PFEIFER
DR. GOTTFRIED-WILHELM
von WALDTHAUSEN

Mönchengladbach
DR. HANS-DIETER LAMBERTY
ROLF SCHUMACHER

München *(Munich)*
DR. MICHAEL FLESCHE
HANNS GREINER
DR. OTTO SCHNIEWIND

Münster
FRITZ NOPPENEY
GUNTRAM TÖLLE

Nürnberg *(Nuremberg)*
DR. GUNTMAR KRAUS
HEINZ PFAHLER
DR. WALTER RÖTTENBACHER

Oldenburg
WOLFRAM COMBECHER
WOLFGANG RIEMER

Osnabrück
RAINER HILLEBOLD
DR. EMANUEL PISCHEL

Regensburg
DIETER KIELMANN
WALTER RINGLSTETTER

Siegen
GERD DRIEVER
RUDOLF SEDLACEK

Stuttgart
VOLKER BÄRSCHNEIDER
BERND MUSSLER
GERHARD SCHLÜTER

Ulm
HERBERT ENDERS
JÜRGEN ESSER

Villingen
DIETER WALPER
DR. FRIEDHELM STEINBERG

Wesel
HANS BOTSCHEN
WERNER GRÄFER

Wetzlar
HANS BAYER
ADOLF HEDRICH

Wiesbaden
DR. GEORG EHMANN
WERNER SCHÄFER

Wuppertal
HEINZ-WERNER HECKMANN
DR. KURT VOLLMER
GERHARD WICHELHAUS

**Foreign Branches**

Antwerp
MICHAEL HOFFMANN

Atlanta
HELGE MAURITZ

Barcelona
GUENTER LESSENICH

Brussels
PHILIPP COUNT zu EULENBURG und HERTEFELD
WERNER NEUNKIRCH
DIETER SCHROETER

Chicago
PETER BOOS
HERMANN BUERGER

Hong Kong
HARALD E. KÄDING

London
GOTTFRIED O. BRUDER
WOLFGANG MÖLLER

Madrid
DR. DIETER JOSWIG
KLAUS POHLEN

New York
KLAAS-PETER JACOBS
DR. AXEL FREIHERR von RUEDORFFER
KAI COUNT von der RECKE von VOLMERSTEIN

Paris
HANSJÖRG BRAUN
DR. WALTHER ZIMMERMANN
DR. ALEXANDER HIMMIGHOFFEN

Tokyo
DR. AXEL SMEND
ALBRECHT O. STAERKER

# Report of the Board of Managing Directors

## World economy continues unsettled

With political tensions growing in many parts of the world, a recovery on the economic front is proving slow to materialize. The weakness produced by the second wave of oil price hikes has turned out hard to eradicate–the more so because it came at a time when the economies of most nations were already flagging after years of thoughtless over-spending, with consumption rising and industrial investment to ensure future prosperity neglected.

A climate of world-wide inflation coupled with heavy public-sector indebtedness increasingly undermined individual economies' powers of resistance, whilst restricting the scope for pump-priming. Matters were not improved by a widespread fear of the consequences of new technology–without which no modern economy can long hope to thrive. Now, high jobless figures everywhere proclaim growth opportunities lost.

In most countries the number of those seeking work has reached record levels and, partly due to population structure, is tending to rise even further. At the beginning of 1982, unemployment in the EEC alone stood at over 10 million–approximately a tenth of the total labour force.

### Government generally overdone

In our view, the cause of the world recession is to be found not so much in political conflicts, however serious these may be, as in years of economic mismanagement. Measures to adjust to a changed energy situation and to combat a generalized stubborn inflation mentality were put off for too long. What we are now witnessing almost everywhere are the delayed results of economic policies that, particularly from 1973 onwards, took refuge in ever greater deficit spending. The effect of this throughout the world has been an over-expansion of the public sector at the expense of both private initiative and the willingness to work towards greater efficiency.

In France the trend has been especially noticeable following the spectacular outcome of the 1981 elections. Even so, we must not make the mistake of seeing the latter–or the presidential elections in the United States that preceded them–as a swing to extremes. Both results should rather be regarded as signs of unease among a broad section of the population which hopes that any change will be for the better.

### Differing world economic trends

Only the Pacific Basin with Japan as its nucleus has continued to enjoy a substantial degree of growth. Otherwise on both sides of the Atlantic recessionary trends have prevailed.

Especially poor has been the economic performance of the Comecon states, with Poland suffering the severest setback of any major country since the Second World War.

At a time when the United States, instead of experiencing the expected revival, has been sliding further into recession, Japan alone of the industrialized countries managed to get close to all four main economic targets: moderate wage settlements permitted the inflation rate to be halved to 4 per cent by the end of 1981 and unemployment hardly increased, while real GNP expanded by almost 4 per cent and the current account moved quickly back into the black. Since success on the inflation and–particularly–the current account fronts gave a renewed boost to the yen, the Japanese central bank was able, as early as March 1981, to start loosening the credit reins. The resulting lower interest rates have helped not only industrial investment but also Japanese exports, of which capital goods make up a growing share.

### Stagnating world trade

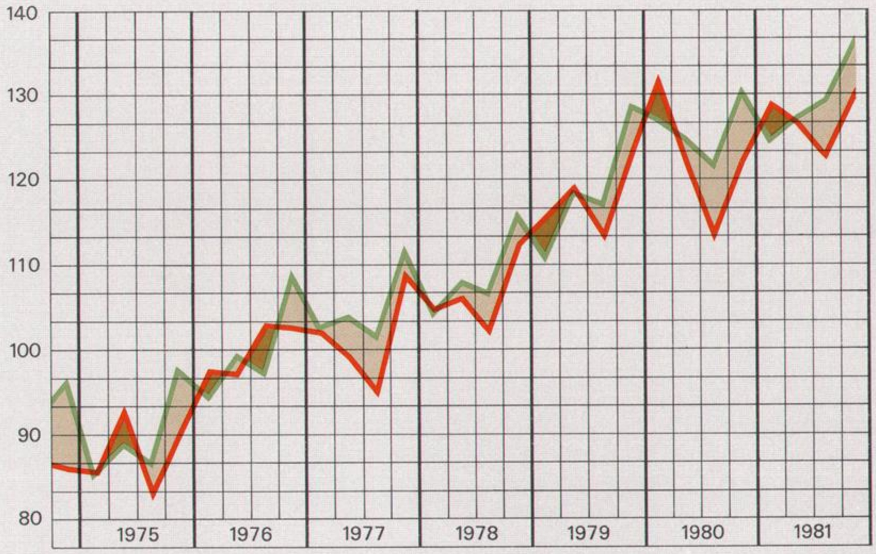
World trade, which after price adjustment still showed a slight rise in 1980, fell off somewhat in 1981, not least due to the severe debt problems facing many countries. The Latin American nations alone have seen their foreign indebtedness double in a mere four years.

With capacity utilization too low for comfort, even the industrialized countries are tending to seek solutions at others' expense. Whereas in the past protectionism has been largely confined to farm products and textiles, it is now spreading increasingly to other sectors–steel and man-made fibres being notable examples–with subsidies for domestic industries used more and more to reinforce import barriers.

### Developing countries squeezed

The main sufferers from this refusal to adhere to the principles of an international division of labour are, naturally enough, the nations of the Third World. As if their existing difficulties were not enough, they now face the fact that the industrialized nations have too little money for aid and too little courage for–unrestricted–trade.

# West German economy: unemployment worries grow.




**Order bookings and sales**

Demand for industrial goods varied increasingly from sector to sector from spring 1981 onwards. The only impetus came from the strong growth in foreign orders, while domestic demand stayed weak throughout the year.

The pick-up in sales in the second half of the year was solely the result of booming foreign business.

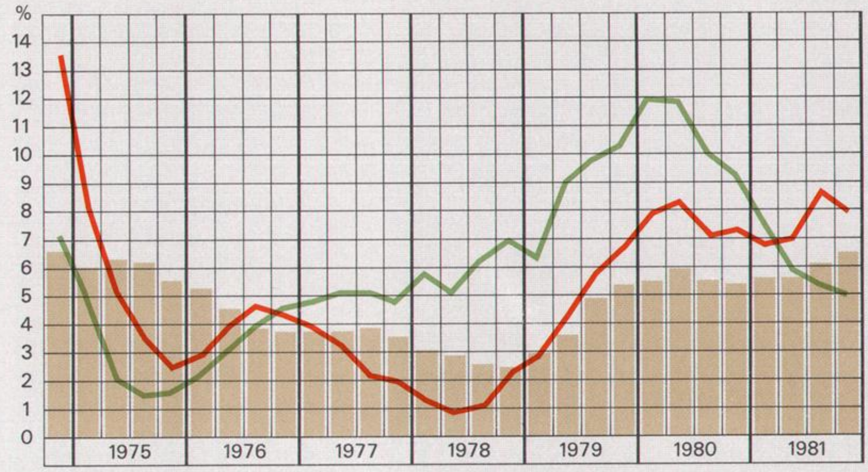
manufacturing industry: (quarterly figures, 1976 = 100)

new orders

sales

orders in hand, growing

orders in hand, shrinking




**Price trends**

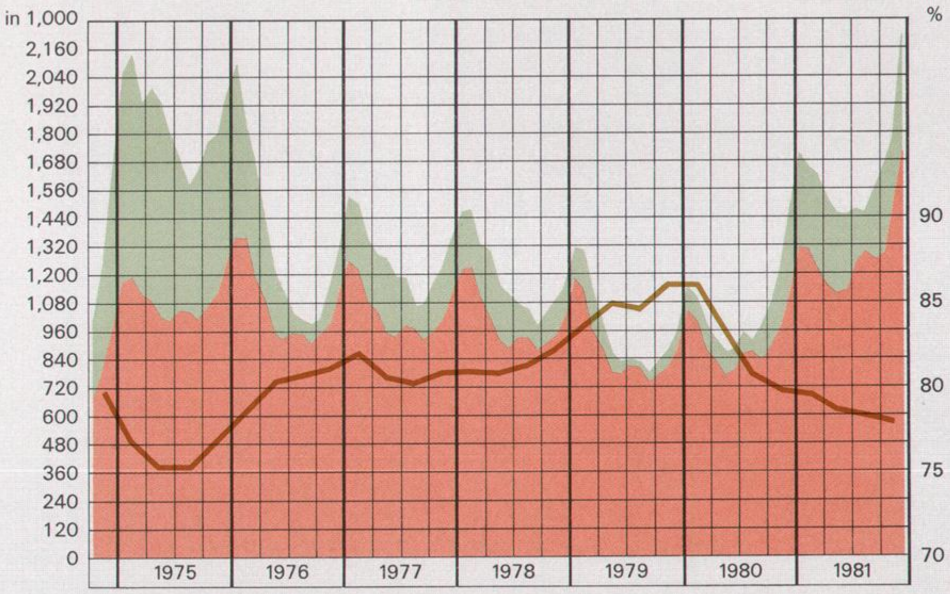
Despite the sluggish performance of the economy, inflation accelerated until the late autumn. Sharp rises in costs of imported energy and raw materials enhanced by the weak D-mark combined with a mid-year VAT increase to push up prices.

change on year:

cost of living

industrial producer prices

house-building costs




**Labour market**

The weak domestic economy and, in particular, the expanding workforce caused unemployment to shoot up faster than expected. Despite growing recourse to short-time working, the number of jobless went up by more than half over the year.

Industrial capacity utilization shrank further in 1981. Even so, its year-end level was still higher than the low of 1975.

persons working short-time, in 1,000

persons unemployed, in 1,000

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

Moreover, in a climate of growing protectionism the developing countries find themselves caught in a situation in which the prices obtainable for their raw material exports have been cyclically low, while costs of both oil and borrowing have been escalating over the past two years. Within the short period of only 24 months, from 1978 to 1980, they saw the cost of servicing their foreign debt more than double from US $ 14 bn to nearly US $ 30 bn. And with yet another increase in Eurodollar rates in 1981 (LIBOR went up from a 1980 average of 14 per cent to almost 17 per cent), the burden has become even heavier.

The rising cost of commercial borrowing together with more restrictive bank lending practices may well in future oblige countries with weak payments balances to have greater recourse to the international financial institutions–a development on principle to be welcomed since it should again give greater scope for conditionality in lending.

Current account imbalances reduced

One of the few positive achievements of 1981 deserving of mention is the reduction in current account imbalances. The weakness of the world economy and the various energy-saving measures applied in many countries, coupled with an upsurge in imports by OPEC and increased aid by it to poorer Islamic states, cut the latter's current account surpluses by almost half.

In contrast, most OECD members saw their current account position improve. Japan was clearly the most successful, managing to turn a 1980 deficit of US $ 11 bn into a surplus of some US $ 5 bn–a unique and particularly impressive performance given that country's very high dependence on imports.

Interest rates offer record real returns

Several years of in some cases galloping inflation caused interest rates in almost all western countries to reach new peaks in 1981. Whereas in the past savers often earned no real return on their money–doubtless one of the main reasons behind soaring consumer indebtedness–long-term monetary investment has now often regained its attractiveness.

In both the United States and West Germany, long-term bond yields at times exceeded 5 per cent in real terms. The reverse side of this particular coin is, of course, an even greater reluctance on the part of industry to engage in capital spending–which is why the usual anticyclical effects of loan financing cannot be hoped for as long as interest rates do not reflect economic sluggishness by coming down.

## West Germany: prolonged economic doldrums

As in previous years, the West German economy was faced with the difficult task of overcoming the consequences of its worsened international position. How much ground had been lost–mainly as a result of the second oil price hike but also since for years the country had been living beyond its means–could be gauged by the high current account deficits.

Although the necessary process of adaptation is at last under way, the only visible success to date has been achieved in the external position. At home neither the Government nor the wage negotiators showed an appropriate grasp of the situation, so that by far the greater burden of adjustment was placed on the shoulders of trade and industry. Not surprisingly, rising unemployment has been the result.

Income cuts unequally spread

The picture is made clearer by a two-year comparison. While the sharp deterioration in West Germany's terms of trade had seriously reduced the scope for distributing national income, wage earners did not see their pay eroded by

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

| | 1977 | 1978 | 1979 | 1980 | 1981[1]) |
|---|---|---|---|---|---|
| Gross national product, nominal | +6.7 | +7.5 | + 8.3 | + 6.7 | + 3.8 |
| Gross national product, real | +2.8 | +3.6 | + 4.4 | + 1.8 | − 0.3 |
| Capital spending, nominal | +7.4 | +9.7 | +15.2 | +11.6 | + 1.2 |
| Disposable income, nominal | +6.2 | +6.5 | + 8.2 | + 7.4 | + 4.5[e]) |
| Cost of living[2]) | +3.7 | +2.7 | + 4.1 | + 5.5 | + 5.9 |

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

the higher cost of living even as late as 1980; only in 1981 did they have to put up with a first, slight cut in real income in post-war years. It was, therefore, the business community that actually suffered from the narrowed scope for dividing the national cake, with price-adjusted earnings falling by one-quarter over the 1980/81 period. The effect of this profits slump was, of course, to cool the already flagging domestic economy even further.

## Stagnating GNP

Overall the German economy stagnated during 1981. Not only was the entire 3.8 per cent rise in GNP from DM 1,492 bn to DM 1,549 bn due to inflation; after price adjustment there was actually even a slight drop. Hopes of a growing revival during the course of the year were thus disappointed, although the country did manage to avoid a severe recession.

For the first time since the 1948 currency reform, consumer spending in 1981 did not quite match that of the previous year. In fact, allowing for price rises, retail sales fell by as much as 2.5 per cent.

## Investment down, but slump avoided

1981 saw expenditure on plant and machinery down 3 per cent in real terms, although thanks especially to sustained re-equipping aimed at energy saving, the decline was far less severe than during the 1967 and 1974 recession periods. Nevertheless, there is reason for scepticism in that companies' willingness to invest lessened as the year progressed, with many firms trimming their original spending plans.

Signs of a general revival in business investment have continued to be conspicuous by their absence. Any stimulus here is most likely to come from a cyclical upturn in stock levels, which last year were additionally depressed by sharply higher interest rates.

## Urgently required: more investment ...

The German Government's 1977 "Investment programme for future prosperity" aimed particularly at the creation of new jobs has now expired and can no longer be counted on for impetus. Meanwhile the 1981 package of interest subsidies failed to provide the desired incentives for capital spending, doubtless because firms took advantage of it to finance projects already scheduled instead of, as had been hoped, new ones, thereby further demonstrating the serious limitations of state-subsidized investment schemes. It must also be feared that the 10 per cent tax credit to be granted on 1982 investment will, as just another temporary measure, once again achieve little more than a brief acceleration in capital spending.

Yet with the coincidence of a flagging economy and demographically caused unemployment, the need for higher capital expenditure, above all in the growth industries, is an urgent one indeed. The most important task to be undertaken in this context is to reduce the burden of costs borne by the business community; interest subsidies and investment bonuses alone will not go far towards countering the negative effects of rising wages, social insurance contributions, taxes and import prices. At the same time efforts should be made rapidly to utilize the substantial job-creating potential of all those major projects, especially in the energy and transport sectors, that have been blocked for either administrative or political reasons.

## ... for a revitalization of industry

The last ten years have already seen manufacturing industry's share of total new investment in West Germany drop from 26 to 17 per cent, and this against a background of a declining capital expenditure ratio for the economy as a whole. The resultant ageing of plant and equipment will in time impair industry's competitive ability, particularly in view of the rapid advances being made in such fields as regulation and control technology.

Because of German industry's low level of investment over many years, today only about a quarter of its machinery is less than five years old. In other words, three-quarters can no longer be regarded as up-to-date. This compares unfavourably with the situation some twenty years ago towards the end of the post-war reconstruction period, when approximately half of all machines were no more than five years old.

## Self-financing potential too small

Therefore, the Government's decision in summer 1981 to bring rules governing reducing-balance depreciation more in line with the higher risks involved in capital spending was a step in the right direction–which thus acquires significance in terms of long-term strategy without being, in itself, sufficient to overcome the sluggishness of investment. Companies' readiness, and even their ability to engage in capital projects are inhibited first and foremost by their narrow profit margins, but also by the taxation of spurious profits. The result has been too little scope for self-financing and too narrow an equity base: whereas between 1961 and 1970, German industry was still able to fund 22 per cent of its gross investment out of retained profits, the last decade has seen this percentage fall to little more than 10 per cent.

## Continued erosion of equity capital

Every year has brought a further deterioration in German firms' debt equity ratios. Since the mid-sixties, the figure for capital and disclosed reserves as a proportion of total assets has, for all companies included in the Bundesbank's statistics, steadily fallen from 30 per cent to a mere 21 per cent in 1980. But even this is rather too favourable a picture, in that the concerns included are only those whose credit ranking qualifies them for bill rediscounting by the central bank. And while listed enterprises were generally more successful in raising the risk capital they needed, the debt/equity ratios of smaller limited companies, partnerships, and one-man businesses have often taken a less fortunate turn. We are surely not mistaken in assuming a close link between the excessive rise in unit labour costs over many years and the erosion of equity bases.

Unlike former economic cycles, when reduced capital spending during a downturn usually enabled companies to augment their reserves, the last ten years have seen debt/equity ratios in West Germany go on worsening even when investment activity was weak. Even more disquieting, we feel, is that hidden reserves have also tended to decline in relative terms.

The steep rise in borrowing costs has led trade and industry of late to concentrate expenditure on rationalization measures and new technology. This development could prove dangerous, though, were it to result in a neglect of product innovation.

## Construction industry fights uphill battle

After four years of growth, the construction industry found itself gripped in its third post-war recession involving a struggle for survival, the severity of which exceeds even that of 1974. So far there are no signs of any improvement. Hence the records for 1981 and 1982 together will probably show almost 250,000 jobs lost in this branch alone. Unlike the last slump of 1974/1975, most of which was caused by a slowdown in house and commercial building activity, the crisis this time stemmed mainly from the public civil engineering sector. Increasingly, however, wider economic events cast their shadow on house-building which at the same time fell victim to a short-sighted political strategy that, while claiming to give protection to tenants, actually made letting quite unprofitable. What impetus remained in this field was from modernization and maintenance work, but this is on the wane now, too.

## Differing industrial trends

Apart from construction, the main casualty of the recession was manufacturing industry, output of which, after stagnating in 1980, dropped back by just on 2 per cent. Especially marked was the fall-off in the production of consumer goods, but most sectors of the basic and producer goods industries, already forced into major cutbacks in 1980, also saw another year of minus growth. Less hard hit–thanks to a high level of exports in such key areas as car manufacturing, mechanical and electrical engineering and electronics–were capital goods, although even they were unable quite to match the previous year's figures.

Particularly in the case of consumer goods, a tendency towards market saturation and several years of increasingly keen competition from imports have pared sales and earnings opportunities on many individual markets.

## Labour market troubled by cyclical and structural problems

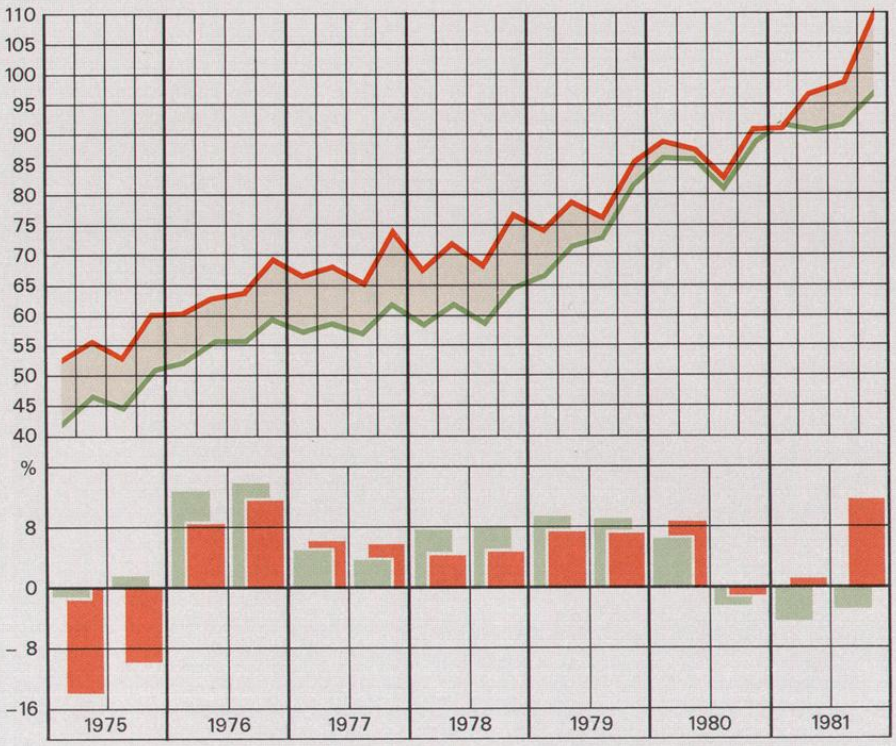
The situation on the labour market is fast approaching crisis point, with structural unemployment resulting from a rapidly expanding work force coinciding unhappily with a reces-

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

| | 1977 | 1978 | 1979 | 1980 | 1981 |
|---|---|---|---|---|---|
| Output | +2.7 | +2.1 | +5.4 | −0.4 | −1.8[1]) |
| Employees | −0.8 | −0.7 | +0.2 | +0.8 | −2.2[e]) |
| Wages and salaries, per capita | +6.7 | +5.5 | +6.5 | +7.1 | +5.4[e]) |
| Productivity[2]) | +4.0 | +3.1 | +4.9 | +0.4 | +1.7[e]) |

[1]) provisional; [2]) output per man-hour, seasonally adjusted; [e]) estimated.

# West German foreign trade: sharp rise in exports.




**Exports and imports**

The visible trade surplus almost tripled thanks to both a marked revival in exports and a slower expansion of imports resulting from energy savings.

quarterly figures: (in DM bn)

exports

imports

export surplus

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

volume of exports

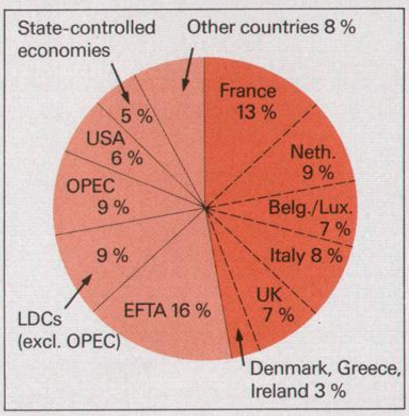
volume of imports

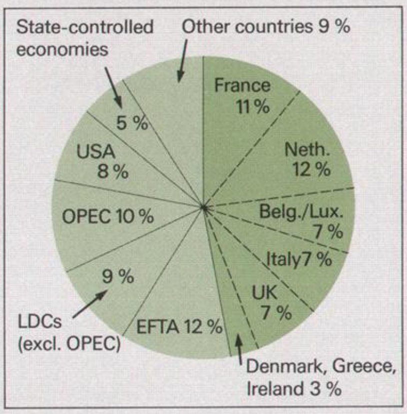
| Exports to | |
|---|---|
| OPEC | + 53 % |
| Less developed countries (excl. OPEC) | + 24 % |
| USA | + 21 % |
| Japan | + 20 % |
| Other EEC countries | + 8 % |
| EFTA | + 7 % |
| State-controlled economies | + 1 % |

| Imports from | |
|---|---|
| Japan | + 24 % |
| USA | + 11 % |
| State-controlled economies | + 10 % |
| Other EEC countries | + 9 % |
| EFTA | + 9 % |
| Less developed countries (excl. OPEC) | + 6 % |
| OPEC | +0.3 % |

**Changes in foreign trade, by region (1981 on 1980)**

Strongest growth in exports was to the OPEC states and other developing countries, as also to North America. Trade with the Eastern bloc stagnated.



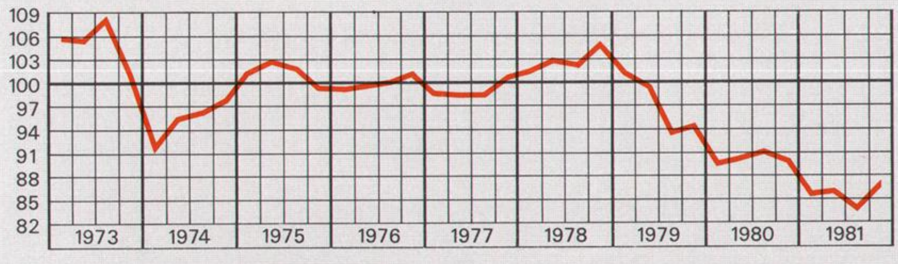




**Regional breakdown of West Germany's foreign trade in 1981**

Almost half West Germany's foreign trade continued to be with other EEC countries, although their share dropped slightly in 1981.

exports to other EEC countries

imports from other EEC countries




**Terms of trade**

Mainly due to a stronger D-mark, the autumn months saw no further worsening of the terms of trade.

average export values as percentage of average import values (1976 = 100) sion in both the construction sector and industry in general. At end-1981, the registered number of jobless at nearly 2 million was more than 50 per cent higher than a year before.

Despite continued efforts to bridge periods when orders were scarce by short-time working, last year brought increased redundancies, particularly in industry. The growing number of insolvencies, too, duly left their trace. At regional level, unemployment has become very alarming in parts of Lower Saxony and Schleswig-Holstein, as also in the steelmaking centres of the Ruhr and Saar areas.

The position of those groups for whom finding work is especially difficult has become even more serious. Every ninth foreign worker in West Germany is now without a job. One new feature of the situation is the extent of youth unemployment–more than 150,000 young people under twenty were out of work at the year-end.

Even the medium-term outlook is grim. Solely for reasons connected with the population structure–which admittedly have long been foreseeable–the number of those of working age will continue to grow rapidly over the next few years before peaking in about 1990. Another contributory factor is that training periods, which for quite some time have steadily lengthened, are now tending to become shorter. Matters are further aggravated by the fact that more and more children of foreign workers and people from other EEC countries have been seeking jobs in the Federal Republic. Moreover, 1981 brought large numbers of foreigners to this country requesting asylum.

### Inflation past its peak

The sluggishness of the economy only made itself felt in prices with some delay. With inflation running at an annual average of close on 6 per cent, and at its highest in October, the erosion in purchasing power in 1981 was greater than in previous years. Much of this is attributable to raised import prices, in turn a consequence of the D-mark's weakness, but home-grown cost increases also took their toll–although rising current expenditure on personnel, materials, and debt servicing, together with overheads that weigh heavier in the scale as levels of capacity utilization fall, could not be passed on fully in prices.

The result was the most serious wave of insolvencies of postwar years: of a total 11,500, almost 8,500 were business failures. Given the tendency for companies to merge or be taken over that already exists in our economy, such closures are also not without their problems from the competition point of view. Not every process of concentration follows the same inherent logic as the large-scale merger pending in the German steel industry.

## German external position improving

Of the four general economic targets of the "magic rectangle", in the Federal Republic only the balance on current account has so far recorded a marked change for the better. Starting in the late summer of 1981, this recovery was assisted by an improvement in the terms of trade. Having normalized in the years between the two oil price hikes, the latter deteriorated sharply between early 1979 and mid-1981, so that by August of last year West Germany was having to sell one-quarter more goods abroad than 30 months previously to pay for the same volume of foreign products. Subsequently, however, falling dollar prices for energy and important raw materials and the recovery of the D-mark on the foreign exchange markets caused a distinct flattening in the hitherto sharply rising trend of import prices. As a result the export surplus, which on a seasonally adjusted basis had shrunk almost to zero in the first quarter, expanded again to over DM 12 bn during the last three months of the year.

### Psychological factors also relevant

Its practical consequences apart, this change of trend in the current balance is an important indicator for the international standing of the D-mark and hence for German interest rate levels. Moreover, a large current account deficit was also psychologically unwelcome, detracting from West Germany's image as an industrialized country possessed of a high degree of efficiency and flexibility. Suddenly, an economic paragon was missing from the scene.

Over a period of only two years, West Germany's external position in terms of the current account worsened dramatically–by DM 48 bn, from a DM 18 bn surplus in 1978 to a DM 30 bn deficit in 1980, the largest ever recorded by any country. Even last year it was still seriously in the red at nearly DM 18 bn, although on a seasonally adjusted basis the figure for the second six months was a mere DM 2.7 bn.

### Fundamental change of trend

Whilst the narrowing of the previously very wide gap between export and import prices

# West Germany's balance of payments in 1981: turnabout 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

F: short-term capital transactions
(incl. unclassifiable transactions)

Whilst the deficit on invisibles continued to rise, the overall current balance position was considerably improved by a tripled export surplus. Unlike 1980, the remaining deficit on current account was funded almost exclusively by capital imports.

**Travel expenditure** (in DM bn)

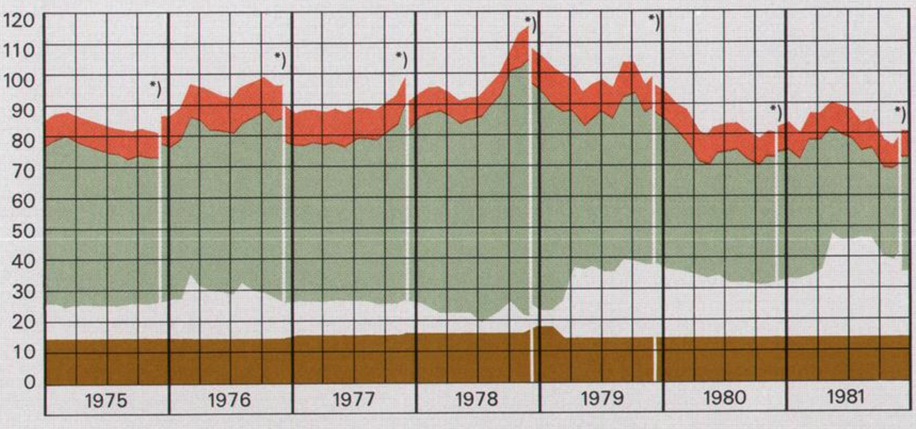
| | 1971 | 1981 |
|---|---|---|
| German expenditure abroad | 12.6 | 40.5 |
| Foreign expenditure in West Germany | 5.3 | 14.1 |

**Direct investments** (in DM bn)

| as of: | mid-1971 | mid-1981 |
|---|---|---|
| Aggregate German investments abroad | 22.3 | 78.5 |
| incl.: in USA | 1.9 | 16.8 |
| Aggregate foreign investments in West Germany | 22.9 | 59.5 |
| incl.: by USA | 10.3 | 20.6 |

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

certainly contributed to the swing-round in the current account, the trend has a sound fundamental basis in that since as early as 1980, import volumes have been tending to fall while export volumes have continued to rise.

That the former have been in decline over the past two years is a reflection not only of the flagging domestic economy but of further successes on the energy saving front, which cut the overall volume of 1981 crude oil purchases by almost a fifth.

## Weak D-mark boosts foreign orders

Despite the strong recovery in sales of German goods abroad, especially during the first half of last year, it would be exaggerating to talk in terms of a new export miracle. Firstly it should not be forgotten that foreign sales were boosted by an extremely weak currency, which on average depreciated by almost 20 per cent against the US dollar in 1981. Secondly–and even more important–is the fact that although domestic demand was sluggish, last year's visible trade surplus was not yet sufficient to balance the current account, let alone to permit the long-term capital exports with which it is desirable that a highly developed industrial country should stimulate the world economy.

The depreciation of the D-mark in recent years will no doubt continue to affect the flow of goods in 1982, just as the sustained appreciation of the early seventies took some time to eat into the German export surplus. But the improved foreign trade position that is the result of a newly undervalued currency must not be allowed to mask the ever-increasing competition on world markets from both the ambitious nearly industrialized countries and such dynamic exporters as the Japanese–one, moreover, that is further enhanced for domestic exporters by the disadvantages of German trade finance (cf. page 50). All this makes it still more imperative to defend such traditional strengths of German exporters as product quality, service and punctual delivery.

## More balanced two-way trade resumed

The greatest rise–over 50 per cent–in German exports during 1981 was to OPEC which thus, as on two previous occasions, took over from the United States as the main customer, even though purchases of German goods by the latter were up by a fifth. After touching a second peak of almost DM 15 bn in 1980, the trading deficit with OPEC shrank last year by 80 per cent–evidence that the genuine two-way trade with the oil-exporting countries necessary in order to cut the German current account deficit has been resumed. There are now signs, however, that deliveries to some OPEC states are coming up against limits in terms both of import absorption capacities–now fast approaching exhaustion–and high indebtedness levels.

Even West Germany's continental EEC partners–who by their very nature carry a far greater weight in terms of foreign trade–bought considerably more German goods than in 1980, regardless of their own sluggish domestic markets. Business with the Eastern bloc on the other hand stagnated, any expansion of commerce with the West being impeded by these countries' growing foreign debt problems.

## Record gap in visible trade with Japan

In spite of the comparative strength of the yen, West Germany's trade gap with Japan continu-

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

| | 1978 | 1979 | 1980 | 1981 |
|---|---|---|---|---|
| Current account[1]) | +18,419 | − 9,644 | −29,832 | −17,494 |
| Long-term capital transactions | − 2,946 | +10,826 | + 6,860 | +10,675 |
| Basic balance | +15,473 | + 1,182 | −22,972 | − 6,819 |
| Short-term capital transactions of banking sector[2]) | +10,089 | + 4,328 | − 9,346 | −10,654 |
| Other short-term capital transactions[3]) | − 5,790 | −10,463 | + 4,424 | +15,190 |
| Special factors[4]) | − 7,586 | − 2,334 | + 2,164 | + 3,561 |
| Official foreign exchange balance[5]) | +12,185 | − 7,288 | −25,730 | + 1,278 |

Discrepancies due to rounding; [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, 1980, and 1981; [5]) changes in Bundesbank's net external assets.

ed to widen and only recently have there been signs of its doing so more slowly–thanks not least to an increase of some 20 per cent in exports on the German side. Although the Federal Republic's deficit of over DM 8 bn is only a quarter of the United States' shortfall in business with Japan, it remains one of the highest ever recorded in German bilateral trading.

### Investment earnings balance in the red

Whilst West Germany's overall export surplus resumed its growth trend, the balance on services and transfers went even deeper into deficit: with current expenditure outstripping income by DM 46 bn, the gap on invisibles rose by nearly one-fifth.

The negative swing of almost DM 4.5 bn in the investment income account, which put it into the red for the first time in eight years, hardly gave cause for surprise in that it merely reflected the consequences of a three-year shortfall of altogether DM 57 bn on the current balance. This had to be financed either by disposing of interest-earning holdings of foreign funds, especially those of the Bundesbank, or by borrowing abroad–and thus, whatever the case, at the cost of investment earnings.

The travel balance closed the year somewhat better than expected. Although expenditure by Germans travelling abroad rose again, this time by 7 per cent, there was also an upturn in the number of visitors to the Federal Republic who spent 17 per cent more than in the preceding year. The weakness of its currency has evidently provided West Germany with a competitive edge not only in terms of exports but also in the field of tourism.

### Capital imports finance current account deficit

In contrast to the two previous years, in 1981 the deficit on current account was no longer funded mainly by drawing on the Bundesbank's monetary reserves but almost entirely through capital imports, thus leaving the official foreign exchange account approximately in balance.

Notwithstanding the higher volume of development aid loans, the public sector was, as in 1980, by far the largest importer of capital. Its overall foreign indebtedness went up by a good DM 20 bn, chiefly through direct borrowing from Middle Eastern countries.

In the private sector, on the other hand, and with the third quarter an exception, long-term capital outflows once more exceeded inflows. This was the effect of both direct investment abroad and purchases of foreign securities, although the latter did not match the previous year's record level.

### Long-term capital movements increasingly affected by short-term trends

The fact that the–potentially enormous–influence of currency market trends and expectations is spreading to other than short-term flows of funds is gradually undermining the reliability as a statistical indicator of the basic balance of payments, including as it does longer-term capital movements. Even direct investment is not entirely free from exchange rate considerations, at least as regards its timing, and here again the banks find themselves more frequently approached for advice.

Obviously because funds were cheaper on the Euromarkets than at home, last year actually saw a net influx of DM 4.8 bn in long-term credits taken up abroad by the private sector. That short-term corporate borrowing was likewise strongly affected by these interest differentials is reflected in the net DM 14 bn of such loans raised by German firms on the Euromarkets.

In the case of cross-frontier supplier credits, by contrast, outgoing funds predominated, not least because the expansion in German exports also meant a faster rise in amounts owed by foreign customers.

### Monetary reserves down slightly and less liquid

While last year saw little change in the Bundesbank's net monetary reserves, their level after the massive outflows of 1979 and 1980 is nonetheless about a third down on end-1978. The decline in their relative weighting is, in fact, even greater since import values have jumped 50 per cent during the last three years. Now official reserves cover just over two months of import payments, compared with almost five months in late 1978. However, the low price at which the Bundesbank assesses its gold and dollar holdings–DM 144/oz and DM 1.73 per US $ 1, respectively–means that it has hidden reserves of the order of DM 100 bn.

There has been a change in the composition of these assets and hence in their degree of liquidity. Dollar holdings dropped from an equivalent of DM 42.5 bn to DM 36.4 bn, while claims within the European Monetary System went up.

## Little progress in cutting budget deficits

As was to be expected, we are duly discovering the truth of warnings that critics have been voicing for years–namely that the longer measures to trim budget deficits were put off, the more difficult and painful they would be. And now that they have to be implemented right in the midst of a recession, they not only prevent fiscal policy bolstering the economy, but even help to deepen the cyclical downswing.

To make matters worse, extensive government borrowing puts the financial markets under strain, often to such a degree as to crowd out the private sector by curbing investment returns through increased funding costs–not to mention the general climate of uncertainty that has been dominating the market. Moreover, the difficulties the German Government is experiencing in restoring the Federal budget to health have shaken confidence in the D-mark on the international scene, creating market pressures in terms of funds both supplied and sought.

### Public-sector deficit reaches new high

Additional expenditure resulting from the economic downturn, mostly in the form of unemployment benefit, led to actual spending by the Federal, Länder and local governments markedly exceeding their–admittedly tight–budget estimates in 1981. Since, moreover, fiscal revenue also failed to come up to expectations, the overall government budget deficit rose to nearly DM 80 bn, thus by two-fifths, on the preceding year and by about DM 15 bn on the previous record figure of the recession year 1975. If refinancing of loan redemptions is included, the public sector called on the domestic and foreign financial markets to the tune of some DM 140 bn–more than double the amount of only four years earlier.

New borrowing amounted to almost 5 per cent of GNP, an excessive proportion even by international standards. A more reasonable average figure would probably be in the region of 2 per cent–with an upper limit of 4 per cent during periods of recession, when greater recourse to the capital market has to make up for shrinking tax revenues.

The cost of servicing government debt revealed its explosive potential sooner than anticipated. In 1981 it went up by approximately a fifth–faster than any other form of expenditure–and now accounts for some 7 per cent of aggregate spending at all levels. The Federal Government finds itself in an especially critical situation, in that additional debt servicing costs this year will swallow almost the entire extra spending appropriations of slightly over 3 per cent.

### Restructuring of Federal budget a step in the right direction ...

"Budget Operation '82" was devised with a view to slowing down the steady growth of new borrowing, while at long last also setting about gradually reducing deficits. This programme of reform, which after considerable birth pains was finally passed by parliament at the end of 1981, introduces cuts in expenditure of some DM 10 bn or 4 per cent of the Federal budget. Judged in view of what was initially heralded, this is rather a modest achievement. Nonetheless, the comprehensive package of measures not only seeks to stem the unwarranted growth of social provision, but also narrows legal entitlement to certain benefits that could no longer be financed. This year, however, the effect of "Budget Operation '82" will be to trim the underlying structural deficits in public-sector finance–which was its basic purpose–from an overall DM 40 bn just to roughly DM 30 bn.

### ... but not sufficiently thorough-going

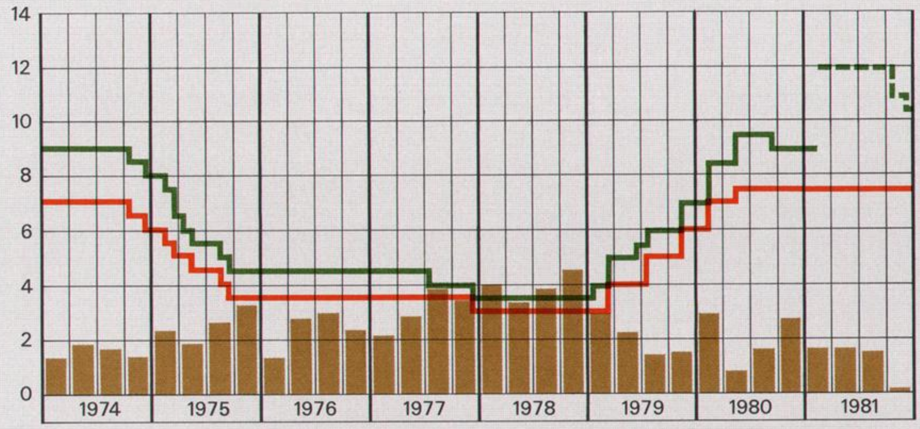
Whilst in fact the Federal spending deficit will simply be reduced by a massive raid on the Bundesbank's coffers (cf. page 28), such profit transfers cannot be counted upon as a permanent source of income. Indeed the amount cur-

Public-sector budget deficits or surpluses (in DM bn)

| | 1977 | 1978 | 1979 | 1980 | 1981[e]) |
|---|---|---|---|---|---|
| Federal Government[1]) | −21.7 | −25.6 | −26.7 | −29.0 | −40 |
| Länder governments | − 9.1 | −12.3 | −14.6 | −22.4 | −27 |
| Municipal authorities | − 2.2 | − 2.0 | − 4.6 | − 5.1 | −11 |
| Total[2]) | −33.0 | −39.9 | −45.9 | −56.5 | −78 |
| Public pension funds | − 9.6 | − 5.8 | − 1.5 | + 1.8 | + 3 |

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

# German financial markets: interest rates reaching new high.



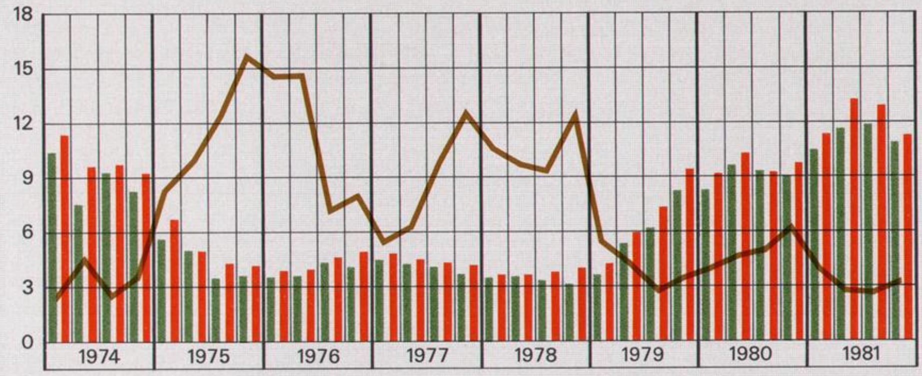

**Short-term monetary policy**

By introducing a high-rate special lombard facility, the Bundesbank tightened the credit reins, thus successfully checking monetary growth.

discount rate, in %

lombard rate, in % (special lombard rate since Feb 20, 1981)

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




**Money markets**

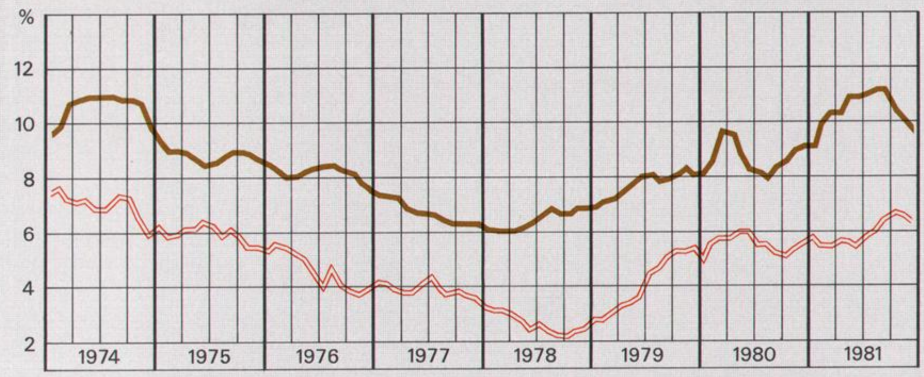
Owing to the tight money policy, banks' free liquidity reserves fell to their lowest level since 1974, while money market rates almost reached their 1973 peak.

quarterly averages:

call money (in %)

three-month deposits (in %)

free liquidity reserves (in DM bn)

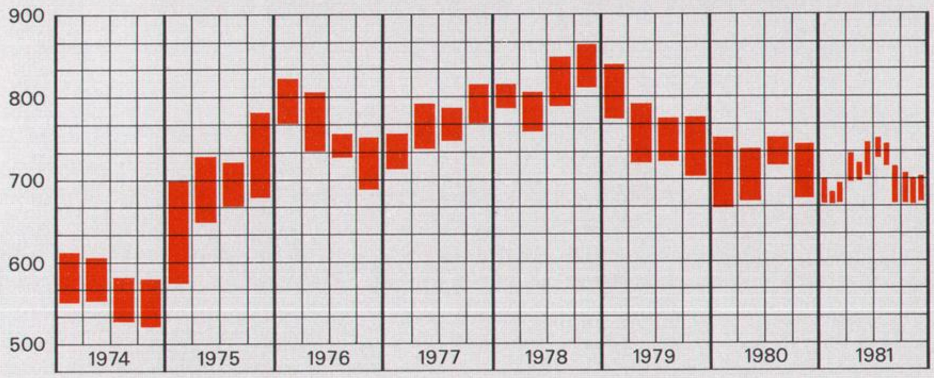



**Long-term bond yields and cost of living**

With interest rates retaining their inverted pattern, bond yields recorded a new high in the late summer. At times, investors had to be offered a real return of more than 5 % for long-term funds.

average current yield of domestic long-term bonds

increase in cost of living




**Stock market**

German stock markets followed a trend little different from 1980, though displaying remarkable resistance given the keen competition of extremely high bond yields.

Commerzbank Index, quarterly/monthly highs and lows (Dec 1953 = 100) rently accruing, to be handed over in 1983, will probably be several billion D-marks lower than this year's contribution. The Government has thus gone only a short way on the long road to financial rehabilitation.

Downturn aggravated
by reduced public-sector investment

It is important that the necessary spending cuts should not be made at the cost of lower investment but, instead, go hand in hand with a shift in the use of funds in favour of capital projects. As already in the 1966/67 and 1975/77 recessions, however, Federal, Länder and local governments once more reduced their spending under this heading, by a real 5 per cent in 1981, thereby reinforcing the cyclical downturn. This year the cutbacks look like being even greater.

A longer-term comparison shows investment by the public sector to have lost considerable ground to expenditure on both social services and personnel; over the last decade its share of total outgoings has dropped from slightly over 16 to 11 per cent (see special chapter on pages 34 to 36).

Unwise revenue switch
between social insurance schemes

After two years in which they have enjoyed small surpluses, the public pension insurance funds will this year be obliged again to draw on their very limited reserves, one reason for this being the cancellation for the time being of the contribution rise only put into effect in 1981. Instead, the unemployment insurance contribution was lifted sharply from 3 to 4 per cent of gross pay (applying up to a certain income ceiling). This temporary switching of resources from one sector of social insurance to another is a clear case of robbing Peter to pay Paul that will merely tend to aggravate the difficulties of the state pension funds in years to come.

**Bundesbank again left in the lurch**

Since neither wage settlements nor government fiscal policy did much to help the necessary restructuring of the German economy, the Bundesbank was once again left to cope with the problem on its own and, as a consequence, had to draw the interest reins yet tighter. At times, and especially from the point of view of the international financial markets, German short-term monetary policy became an extremely difficult undertaking. However, by acting consistently and in a manner designed to strengthen confidence, the central bank was able to prevent the D-mark's position as an international financial medium being seriously undermined.

And indeed, with a self-generating inflationary process successfully averted, the domestic economy as well is undeniably experiencing the first beneficial effects of the unpleasant interest rate medicine.

Fight against inflation remains best therapy

We have no doubt that an anti-inflationary policy will continue to prove the most efficacious long-term means of promoting business activity and economic growth, just as it did after the first oil crisis when it put the Federal Republic at an international advantage in terms of price stability. Given the complexity of its dependence on foreign events and developments, but also with the inflation bacillus still virulent worldwide, monetary pump-priming as conventionally prescribed for overcoming a recession would no longer be appropriate. For, even assuming that the additional funds injected were actually put to use, the effect of repeatedly swelling the money supply would simply be to set off a disastrous spiral of inflation and depreciation, ultimately leading to a serious loss of international competitiveness and, hence, of growth prospects and jobs.

These difficulties notwithstanding, short-term monetary policy never lost sight of cyclical exigencies. Since the autumn, the Bundesbank has taken full and prompt advantage of the additional room for manoeuvre afforded by the gradual lowering of world interest levels to reduce the rate for special lombard borrowing in several stages. This was well done, in that interest rate cuts are fairer, less complicated, and usually more rapid in their impact than all-out job creation programmes.

However, with the D-mark still too vulnerable on the foreign exchange markets, there can as yet be no talk of a fundamental change in short-term monetary policy. Already in the spring of 1981, a lowering of minimum reserve ratios and a raising of rediscount quotas were mistakenly understood as signalling an imminent relaxation, when in fact their purpose was merely to restore such bank liquidity as had been depleted by massive currency outflows.

Application of special lombard brake ...

When, however, the D-mark came under even greater pressure in the wake of these events, the Bundesbank was obliged to pull the emergency brake. This it did on February 19, 1981, by denying the banks henceforth recourse to regular lombard borrowing, replacing it as in 1973/74 with a special lombard facility which it can suspend, or whose interest rate it can vary, at any time.

After initial difficulties deriving from its temporary closure that sent the rate for call money soaring to 30 per cent, the special lombard window has been kept open uninterruptedly, although at considerable cost to the banks. The rate applied assumed the role of a new interest guideline that helped to stabilize money market rates at the desired high level, whereas the discount rate, unchanged at 7½ per cent since as far back as May 1980, lost its connection with– and hence became irrelevant to–market trends.

### ... restores D-mark's attractiveness ...

The introduction of the special lombard facility instantly and sharply narrowed the gap between German and foreign interest rates so as to attract back into the D-mark a growing share of the large flows of funds that hitherto had passed the country by. Such was its effect as even to force the Bundesbank time and again to siphon off excess liquidity, until the EMS realignment in early October, in order not to jeopardize its monetary growth target. In doing so, it relied on a number of–by now tried and trusted–short-term counter-measures such as foreign exchange swap dealings and repurchase agreements.

Because of the rapid way the Bundesbank reacted to fluctuating market situations, the banking system was never able to accumulate large stores of funds. Once again, therefore, the banks' free liquid reserves were down on the previous year and, at an average of DM 3 bn, more or less on a level with their 1974 low.

### ... thanks to new interest rate peaks

Whilst call money was usually pegged firmly to the special lombard rate, three-month interbank funds often went up to more than 13 per cent. This in turn pushed rates on customers' short-term deposits up into two digits and generally raised short-term interest rates in Germany to a peak matched only once before during a brief period in 1973/74. Moreover, yields at the long end of the market reached their highest ever – though given the close interplay of world interest rates this in any case could scarcely have been averted.

### Low growth of central bank money stock

As in the preceding year, growth of the central bank money stock fell, if only slightly, short of the lower figure of the target band. However, monetary statistics understated last year's expansion for two reasons: on the one hand, the item "currency in circulation", which is given an excessive weighting of some 50 per cent in the Bundesbank's definition of the money supply, stagnated due to the return of large quantities of D-mark notes from abroad which permitted the economy to be fuelled with less additional cash funds. At the same time, the component "required minimum reserves on domestic liabilities" registered a below-average rise, chiefly because of the preference shown for high-interest bank bonds not subject to reserve requirements. Without these extraordinary factors, monetary growth would probably have been somewhere in the middle of the target range.

### Money supply and interest policies in harmony

All in all, the Bundesbank again acted pragmatically in 1981, though without betraying its principles. This marks it favourably apart from the rigid monetarism practised in the United States and Britain which has exposed their financial markets to a continual climate of "blow hot, blow cold". In particular, the German central bank has avoided steering the money supply in a mechanistic manner, with the role of interest rates akin merely to that of a thermometer.

Inherent in the announcement of an unchanged monetary growth target of 4 to 7 per cent for 1982 is–depending upon the trend of prices, the economy generally, the balance of payments and the D-mark exchange rate–the possibility of a slightly faster rate of expansion. The likelihood of this will increase with the speed at which external equilibrium is restored and the degree of conviction with which this process is supported by the conduct of both sides of industry and the government.

### Bundesbank profits a dubious gift

The fact that at DM 10.5 bn the profit transfer by the Bundesbank to the Federal budget will this year be several times higher than ever before–the previous maximum was DM 2.3 bn in 1981–has special implications. Thus, to avoid the need later to drain off the resulting extra liquidity on a spectacular scale, the central bank has already begun to take the necessary precautions through open-market transactions.

Yet more disturbing are the effects that this transfer–which may well prove to be a kind of Trojan horse–has had on the budgetary discipline of the Federal Government by enabling it to avert further swingeing economies, at least for the time being. We also see as problematical the fact that the law provides for nearly the entire Bundesbank profit–which is not, after all, the result of particularly successful operations but rather of undesirable economic developments–to be handed over to the Federal Treasury, thereby putting the system of revenue and expenditure sharing as operated between the various levels of government under additional strain. Moreover, several billions of the total are in effect interest received by the Bundesbank on advances to the banks, who themselves are required to deposit their minimum reserves with it interest-free. In the last analysis, therefore, this part of the profit represents a special impost on the banks and their customers.

**Reduced lending to private sector**

Despite soaring interest rates, growth in bank lending overall continued to run relatively high and by the autumn the total volume had passed the DM 1,500 bn mark, with the rise in loans to domestic non-banks at DM 130 bn even up slightly on the preceding year. However, DM 46 bn of the latter figure took the form of government borrowing which tends to be uninhibited by high interest rates and which was thus 75 per cent higher than in 1980.

Firms and private individuals, on the other hand, displayed markedly less willingness to incur debt as the year progressed, with the result that lending here totalled only DM 84 bn, one-fifth down on the previous year's figure. Demand for consumer credits was particularly weak. By contrast, housing finance, which reflects among other things an unabating wave of modernization and rehabilitation, was still much sought after in the first half of 1981, although banks were more frequently asked to reduce instalments by extending loan terms.

Domestic corporate borrowing was somewhat lower last year, and this in spite of the fact that enforced stockpiling and a diminished self-financing ability, as also deferred payments for the rising volume of exports, generated a certain demand for loans. Companies showed considerable interest-rate consciousness, though, switching to the Euromarkets whenever conditions made this worthwhile.

Wave of refinancing imminent

In the expectation of declining interest rates, trade and industry continued to give preference to short-term borrowing. Hence since the period of high interest rates began in 1979–and in contrast to what actual funding requirements would have suggested–short-term bank indebtedness of firms and the self-employed rose by almost DM 70 bn, as against increases of merely DM 13 bn and DM 38 bn for the medium and longer term, respectively. Moreover, with statistics only reflecting the overall life of loans and not the often differing periods covered by fixed interest rates, the predominance of companies' short-term borrowing must in fact be still greater.

The corporate debt structure in terms of maturities has thus again deteriorated, after righting itself during the 1974 to 1978 phase of falling interest rates when the average ratio of short to medium and long-term funds newly borrowed was reestablished at one to four. However, throughout the lengthy period of high interest rates from 1979 onwards, the golden rule of financing–that long-term assets should be covered by long-term borrowing–came to be more and more frequently disregarded. Even when lending rates started to decrease, companies for some time continued to favour short-term funds. The result is that a growing number of firms are now faced with the need to restructure

German domestic bank lending (change on year, in DM bn)

| | at short and medium term | | | at long term (4 years or more) | | |
|---|---|---|---|---|---|---|
| Bank lending[1]) to: | 1979 | 1980 | 1981 | 1979 | 1980 | 1981 |
| Trade and industry, private individuals[2]) | +42.0 | +38.2 | +34.9 | +71.7 | +61.8 | +48.6 |
| Public authorities | + 4.4 | + 4.2 | +19.0 | +27.1 | +22.3 | +27.4 |
| Domestic non-banks, total | +46.4 | +42.5 | +53.9 | +98.8 | +84.1 | +76.0 |

[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.

such debt–which overall adds up to a refinancing requirement of many billions.

**Descent from interest peak in stages**

Once again savers gave the financial markets powerful support. The savings ratio–savings expressed as a proportion of private households' disposable income–actually rose to close on 15 per cent, the highest since 1975. Nevertheless, the extensive scale of government borrowing made substantial recourse to foreign sources of finance necessary.

Apart from the–given the dim economic prospects–natural motive of putting something away for a rainy day, the chief impetus to savers was the attractive returns available. When in September interest rates touched their postwar high, the current yield on all listed bonds was a healthy 12.4 per cent–more than double that of the interest rate low of spring 1978. Concurrently real interest rates, in line with those on the leading financial markets abroad, reached a new record of over 5 per cent.

Transatlantic interest bond can be loosened

Although interest rates are now finally making their way down from the peak in stages, the first weeks of 1982 again saw clouds over the Atlantic in the form of rising dollar interest rates, depressing hopes of a lasting fall. Obviously the weakness of the D-mark which bound the German capital markets so firmly to those of the United States is still too great. All the same, the dollar/D-mark yield differential even for long-term government securities at times exceeded 5 percentage points.

The troubled world economic climate put a damper on both American and German aspirations of trimming budget deficits, uncertainty as to the size of which continually unsettles the financial markets. Consequently, long-term interest rates are becoming more and more of a political issue in West Germany and at the same time also a political challenge. Only if the German Government takes a convincing stand against inflation will it be possible to stretch the elastic links that bind D-mark interest rates to those on the international financial markets and thus allow them to follow their own trend.

Interest structure slowly returning to normal

With expectations of lower interest rates becoming stronger, the differential between yields at the shorter and longer ends of the German capital market, which occasionally went beyond 2 percentage points, has appreciably narrowed. Even so, 1981 still failed to remedy the inverted interest structure that since September 1979 has made borrowing more expensive at short than at long term.

Formation of monetary assets in the Federal Republic of Germany, selected data (in DM bn)

| Net change in financial assets | 1977 | 1978 | 1979 | 1980 | 1981 |
|---|---|---|---|---|---|
| Savings deposits[1] | +26.3 | +29.0 | +11.6 | + 6.9 | − 3.4 |
| Federal and other savings bonds | +20.9 | +13.1 | +16.7 | +15.2 | + 3.8 |
| Deposits with building and loan associations | + 6.5 | + 7.1 | + 7.8 | + 6.1 | + 5.1 |
| Life assurances[2] | +15.9 | +17.8 | +19.4 | +21.2 | +18.4[8] |
| Bonds (net purchases)[3] | | | | | |
| a) domestic bonds | +42.3 | +32.9 | +37.4 | +45.7 | +58.3 |
| b) foreign bonds | + 4.6 | + 3.6 | + 3.7 | + 7.3 | + 6.1 |
| Shares[4] | | | | | |
| a) domestic shares[5] | + 0.0 | + 0.1 | + 1.0 | + 2.5 | + 0.4 |
| b) foreign shares[6] | + 0.9 | + 0.7 | − 0.7 | + 0.4 | + 0.1 |
| Investment saving | | | | | |
| a) securities funds[7] | + 7.3 | + 5.8 | + 2.1 | − 1.4 | − 2.4 |
| b) open-ended property funds | + 0.3 | + 0.5 | + 0.2 | + 0.2 | − 0.1 |

[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, 1981.

Record bond sales but shorter maturities

Despite sharply fluctuating interest rates, the bond market proved itself more than ever an abundant source of funds–if at the price of yet shorter maturities. Thus half the gross sales figure is accounted for by bonds with a life of up to four years, and as much as a quarter by one-year paper. One effect of this lopsidedness was continually to widen the gap between gross and net sales. The growing volume of redemptions, which in 1981 for the first time well exceeded DM 100 bn, enhances the tendency of interest rates to seesaw.

Bonds popular with investors

The high rates of return available, especially on "shorts", attracted a considerable number of small investors who gave bonds preference over equities, property, and other non-interest-bearing assets. Private households alone almost doubled their bond purchases in 1981, frequently depleting their savings accounts to do so. Many firms, too, seized the opportunity to place liquid funds where they would produce healthy yields, particularly since the calculated returns for spending on plant and equipment were often unable to match those guaranteed for financial investments.

The possibility of achieving a high rate of real interest therefore inhibits companies' propensity to invest in two ways, namely by raising the cost of projects financed by borrowing and by undermining firms' willingness to risk their own money on capital expenditure because of the competition by bonds.

Shares still neglected

With the exception of staff shares, which as before are frequently on offer, the volume of equities in private investors' portfolios has steadily dwindled, giving way to bonds. In the first half of 1981–later figures are not yet available–share sales once again outstripped purchases. In addition, despite the increasing cost of borrowing, firms continued to make too little use of share issues as a means of financing. The total issue-price value of such stock exchange offerings designed to strengthen their capital base was thus down by a fifth on 1980 at only DM 2.6 bn. At the same time, the number of listed companies fell even further.

The stock market has therefore hardly fulfilled its function as a source of capital. But with the first victories now won in the fight against shares' worst enemy, creeping inflation, the bourse climate should again improve, the potential for recovery being all the greater the further and faster interest rates fall and profits rise.

(See also Commerzbank's "1981 Stock Market Round-up" and pages 47 and 48 of this Report.)

**Turbulent foreign exchange markets**

Exceptionally high interest levels duly left their mark on the foreign exchange and precious metal markets, where wide interest differentials and sustained external imbalances between countries once more caused serious disruption. Central bank interventions to hold exchange rates steady did little to cushion the impact of market forces; indeed, such measures are proving less and less effective given the swelling tide of international capital. Unlike earlier years, however, the dollar was much in demand, supported not only by high American interest rates but also benefiting from the general boost to confidence initially produced in the United States by Reaganomics.

The lack of success of Britain's more recent economic policy coupled with falling oil prices brought sterling down from its peak of early 1981. The Swiss franc, by contrast, appreciated despite low interest rates in its home market.

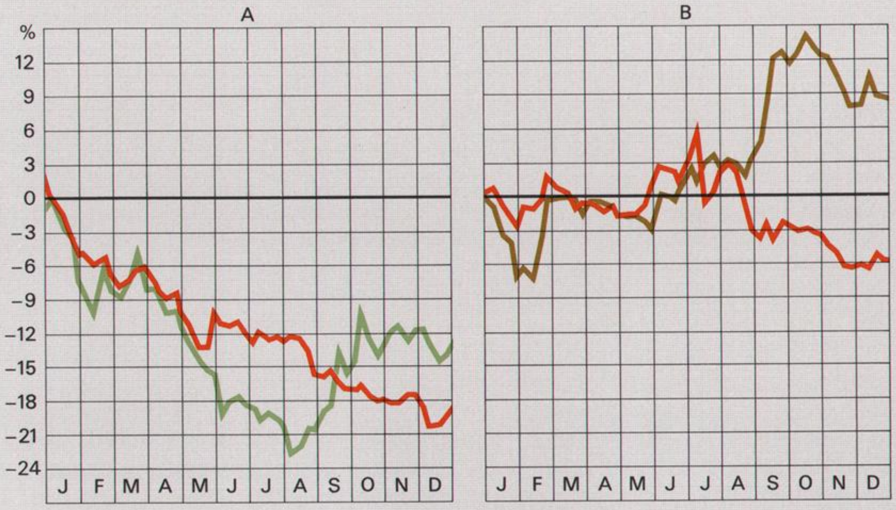
One of the more surprising features of the year was the weakness of gold which, due to both the high return offered by other forms of investment and heavy Russian selling, dropped below the US $ 400/oz mark for the first time since November 1979 and remained there.

D-mark only partially recovered

After moving very sharply up and down against the US dollar in the short twenty-month period between January 1980 and August 1981, the D-mark has since worked its way towards a mean value from which it refused to be shaken to any noteworthy degree even by serious political upheavals abroad. In fact, the drag put on West Germany by its membership of the European Monetary System (EMS) inhibits an appreciation of its currency to a level more in keeping with world-wide comparative purchasing powers. Nonetheless, the weighted external value of the D-mark rose slightly in 1981.

There has been increasing debate as to whether there might be grounds–and possibly very prudent ones–for pursuing a monetary policy that disregards the position of the D-mark on the foreign exchange markets. However, the Bundesbank has stood firm, aware that such

# International markets:
# D-mark well holding its own over the year.




**Commodity prices and DM exchange rates in 1981**
(changes since end-1980)

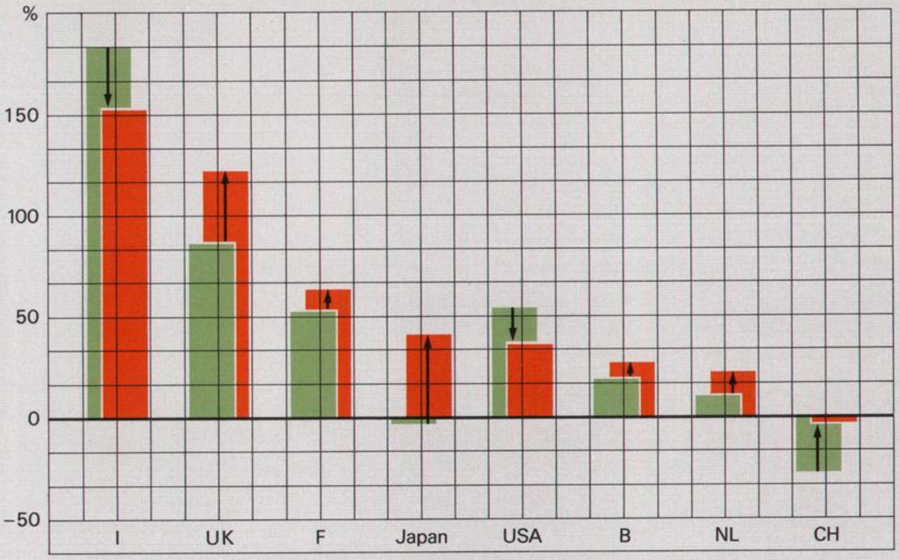
A: Moody's Index, New York

depreciation of DM against US $

B: Reuter's Index, London

appreciation 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 |
| Aug 4, 1981 | 391.75 |




**West Germany's competitive position (1971-1981)**

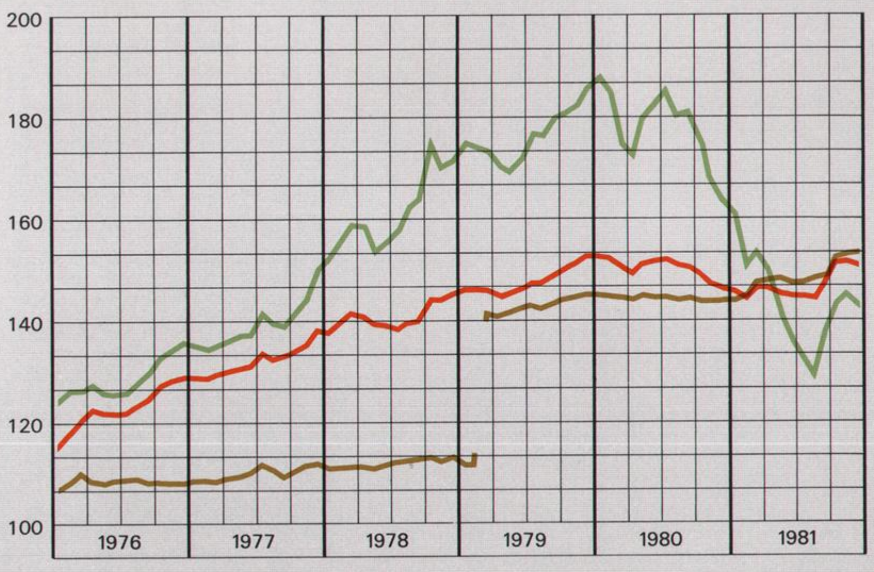
Thanks to world inflation differentials, German exports are now more competitively priced on their main markets – with the exception of Italy and the US – than at any time during the past ten years.

appreciation (+) or depreciation (–) of D-mark

inflation differentials with abroad ("competitive price edge")

improvement in German competitive position

deterioration in German competitive position




**Performance of the D-mark from 1976 to 1981**

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) |
| Aug 10, 1981 | 2.5720 (l) |

a strategy would have undermined confidence in the world's second most important investment and reserve currency and reassured in the knowledge that it had the backing of many members of the commercial banking community. Moreover, in a country whose economic relations with the rest of the world are so complex and interwoven, the inflationary effect on prices of a weak currency makes itself particularly felt. On the exchange rate front, the confidence factor weighs far heavier than the intervention armoury of foreign exchange reserves–and in the longer run, trust in a currency can only be retained or strengthened through a consistent policy of financial stabilization.

Multicurrency system in the making, but yen still dragging behind

Over the last few years, the world has seen the progressive emergence of a multicurrency system based on several national currencies that are in world-wide demand not only as official reserves but also as private investment media. In this context, the yen still has considerable ground to make up to bring it into line with the US dollar and the main European currencies.

This system, in which gold is just another variable both as a reserve and as an investment vehicle, has the great advantage over all artificially constructed regimes of developing freely with the market. Each of the currencies involved is constantly on stage in a kind of beauty contest which, while also taking due account of their usefulness for invoicing purposes, places the accent on inherent quality. Whether, as the designers of the European Monetary System hoped, the ECU will in the not too distant future likewise be in demand for private investment, cannot be said yet. The only other artificial currency asset hitherto created, special drawing rights, has at any rate so far failed to make the grade of general acceptance.

The multicurrency system continues, however, to suffer from a fundamental shortcoming, in that the central banks responsible for the performance of the various reserve currencies have tended to formulate their policies primarily with an eye to their own countries' economic needs, whilst regarding the compatibility or otherwise of their measures with the requirements of the world economy as of secondary importance.

Changes in Euromarket flows

Whilst the Euromarkets again recorded strong expansion, growing country risks cast their shadow, most obviously so towards the end of the year when Poland failed to service its hard-currency debts. This drove the commercial banks to exercise increasing caution and discrimination in their lending. Loans to prime industrial borrowers registered a well above-average rise, with U.S. companies alone raising more than US $ 50 bn, or one-quarter of all new Euro-credits, mostly in order to provide liquid funds for takeovers. This compares with just on US $ 7 bn corporate US borrowing in the international markets in 1980.

Competition reared its head for the traditional Euro-finance centres with the setting up late in 1981 of an offshore centre in New York in the form of International Banking Facilities. At the same time, Singapore established itself more firmly as a pivot of the Asia dollar market.

On the Eurobond markets, 1981 was dominated by the dollar to a degree unmatched for many years. It also saw the birth of a new type of issue, zero bonds, which met with lively interest.

**Europe becalmed**

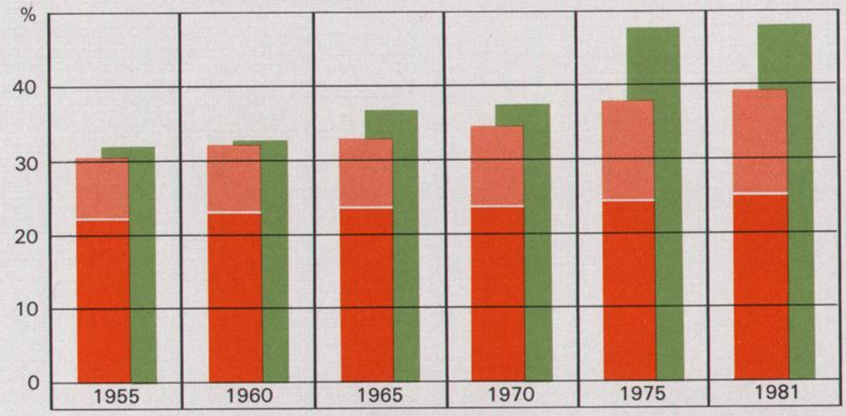
In Europe, the will and capacity to integrate of the Community of Ten has been eroded not only by the difficult state of the world economy, but also by manifold internal problems. Everywhere, national self-interest is gaining ground. Particularly ominous is the tendency of the two most important member countries, France and West Germany, to drift apart in terms of economic strategy.

Once again, every attempt at reform within the EEC got bogged down at the start, whereas in fact a redirecting of financial policy is urgently needed. The excessive weight of the agricultural budget is setting other activities at jeopardy for lack of finance, whilst the system of funding is a source of resentment to those countries who find themselves net contributors.

Thus in 1981, the Federal Republic paid a good DM 6.5 bn more into Community coffers than it got out. What this means in effect is that the whole burden of transferring resources is placed fair and square on one partner's shoulders. Unless steps are taken to curb spending, West Germany will inevitably be called upon to put its hand ever deeper into its pocket–to the detriment not least of its current account. On the other hand, it would be wrong to indulge in a petty balancing of payments and receipts, in view of the overall benefit to German trade and industry of Common Market membership over the last twenty-five years.

# Public-sector indebtedness a key problem.

**Revenues and expenditures of public sector (incl. social insurance)**

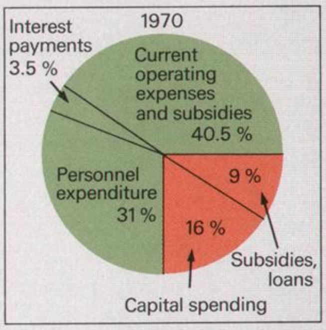


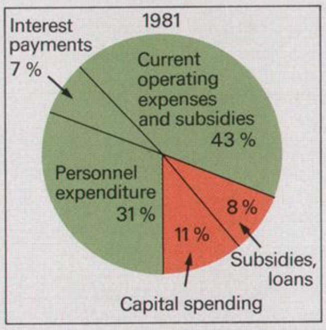

share of taxes and other levies in GNP
social insurance contributions
taxes
share of public sector in use of GNP

**Development of public-sector indebtedness**

| Public sector (governments) | 1950 | 1955 | 1960 | 1965 | 1970 | 1975 | 1981 |
|---|---|---|---|---|---|---|---|
| Indebtedness (in DM bn) | 20.6 | 40.9 | 52.8 | 83.7 | 125.8 | 256.4 | 546 |
| of which: Federal Government | 7.3 | 20.7 | 26.9 | 40.5 | 57.7 | 115.0 | 278 |
| Länder governments | 12.8 | 15.5 | 14.7 | 17.4 | 27.8 | 67.0 | 165 |
| local governments | 0.5 | 4.7 | 11.2 | 25.8 | 40.3 | 74.4 | 103 |
| | | | | | | | |
| Public-sector indebtedness per inhabitant (in DM) | 420 | 830 | 950 | 1,400 | 2,070 | 4,150 | 8,700 |
| | | | | | | | |
| *Public-sector indebtedness as percentage of GNP* | 21 | 22 | 17 | 18 | 18 | 25 | 35 |

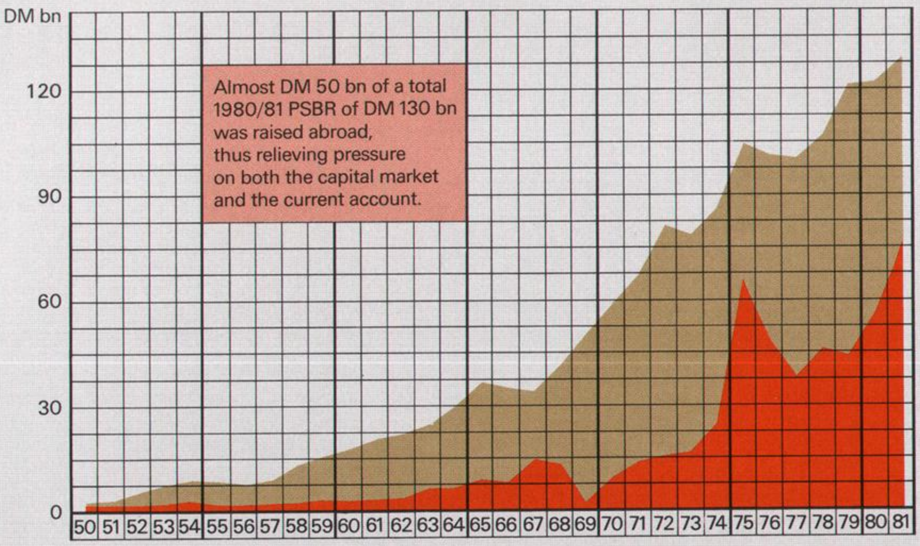
**Breakdown of public-sector expenditure**




current outlays
fixed outlays

**Public-sector borrowing**




net savings (monetary wealth formation of private households)
net public-sector borrowing

## Public-sector indebtedness a key problem

The last decade has seen both the level of public-sector indebtedness and the rate at which it has been growing become a grave problem for most industrialized countries. This trend has its roots on the one hand in the constant expanding of social security to please voters, and on the other in the general weakness of the world economy which governments have tried to counter with anticyclical fiscal measures. In West Germany the situation was further aggravated by the emergence, in the early seventies, of political ideas based on the presumed existence of a considerable pent-up demand not only for even greater individual social provision, but also for still more services to meet alleged collective needs.

### High cost of social security

The post-war history of the Federal Republic bears the traces of several changes in economic priorities. Initially, private industry definitely ranked first. Despite the enormous efforts being made to restore the country's infrastructure, government spending at all levels together with that of the various social security organizations stood at a more or less constant 33 per cent of an expanding national product throughout the fifties. Only during the sixties did this figure–usually referred to as the public-sector spending ratio–begin to rise.

Over the past ten years, government activity has spread beyond its traditional confines. By 1975, the public-sector spending ratio had soared to 48 per cent–a level at which it has since remained. Put another way, for years almost every second D-mark spent has been accounted for by government and social security expenditure, the–substantial–funding of which has been effected at the expense of the private sector. The share of social security spending in the overall ratio grew especially fast.

Since 1955, the levies ratio–understood as total taxation plus social security contributions expressed as a proportion of GNP–has risen from 30 per cent to approximately 40 per cent.

### Dangerous rush into debt, coupled with lessening quality of outlays

Whereas during each of the two decades to 1960 and 1970, government indebtedness at all levels easily doubled, it has in the meantime increased fourfold, more than half of the entire present debt of some DM 550 bn being incurred over the last six years. To make matters worse, the total assets of the public pension insurance funds fell by 50 per cent to DM 20 bn between 1975 and 1979.

Moreover, the qualitative structure of public budgets has deteriorated in the last decade: despite a variety of economic packages designed to boost capital spending, the share of investment in overall government expenditure slipped from 25 per cent to 19 per cent. The other side of this coin is, of course, a massive shift into consumption, public-sector disbursements for which have since 1970 expanded at double the rate of that for capital outlays.

Of the main current expense items, debt service payments went up almost sixfold over the same period. Similarly, transfer payments, especially to private households, and social security subsidies increased far more rapidly than overall government spending. Moreover, while operating costs progressed much more slowly than the latter, personnel expenditure more or less kept pace with the general expansion, due to a sharp rise in numbers. Thus whereas in 1960, only 69 out of every 1,000 people employed in West Germany were in the public service, by 1970 the figure was already 85 and by 1980 as high as 109.

### Change of strategy urgently required

The need for massive government borrowing has fundamentally altered the structure of the German financial markets and has, moreover, also impaired their efficiency. It was not until the 1967 recession that the public sector availed itself of private savings to a noteworthy degree in order to overcome the slump. Thereafter, however, with the economy strongly expanding, it hardly had recourse to the markets for some time.

All this is in stark contrast to the recent past. Whilst in 1975 it was certainly sensible for the public sector to siphon off almost two-thirds of aggregate private savings–then running particularly high–in order to compensate for sluggish demand by anticyclical spending, it subsequently cut back on its borrowing requirements far too little in both absolute and relative terms, despite the economic recovery. It was, therefore, almost a foregone conclusion that loan funds raised from domestic and foreign sources should, given their already over-high starting base, break all records in 1981.

Moreover, excessive government borrowing has not merely put the financial markets under strain, but has also created a heavy burden for the future. At the same time, it set the economy generally on the wrong tracks, since domestic indebtedness on this scale was duly followed by an external deficit.

Restoring health to public finances thus remains the order of the day. Otherwise it will be difficult smoothly to raise the funds for such investment as will help ensure sufficient energy supplies, while also paving the way for growth and prosperity in the days to come.

**Outlook**

Now more than ever, West Germany needs a firm hand on the economic tiller to set a clear course with the emphasis on capital expenditure. Nothing will be achieved by clinging to the illusion that sustained growth and employment can be conjured up at the wave of the magic wand of short-term investment incentives.

The unsatisfactory business climate is also, in our opinion, the reflection of a general loss of confidence. A lasting improvement can therefore only be brought about if the much-needed profits upturn is backed by a policy designed to boost this confidence in the longer term.

At present everything points to the stagnation in West Germany–which is partly the result of the world economic situation–persisting for the time being. The revival will probably delay until the later part of the year and, when it finally does come, will be slow. That said, recent months have already seen a fundamental improvement in important underlying factors. Thus, the recovery in the country's external position will gradually take the pressure off the financial markets, while also enhancing the likelihood of damping inflation. Still weighing on the German economy, however, is the heavy burden of unemployment–and this at a time when the public sector, given its high level of indebtedness, has almost no room for manoeuvre and even finds itself in the unhappy position of fuelling these trends instead of countering them.

Whilst the German balance of payments is already well on the mend, it has yet to stand the test of resumed expansion in domestic demand. It should not be forgotten that government deficit spending was one of the causes of the current account's slump into the red. From this point of view as well, the overhaul of state finances calls for absolute priority.

Market economy cannot be blamed

The deterioration in economic prospects for the longer term poses the question of whether the market economy has failed or whether it simply can no longer function properly because its momentum was braked too sharply. In fact, a mentality tolerating exaggerated demands, a perfectionist attitude with regard to social provision, the excessive level of public-sector spending in relation to GNP, and the undue strain put on private industry and commerce have all helped to blunt the indispensable will for greater efficiency, though not in the Federal Republic alone.

Now at last some progress in the direction of more free enterprise and less government intervention is also noticeable in West Germany. However, the road back to the principles of a free market economy is far stonier than was the path to the comforts of collective provision.

## Labour costs a central problem

With high wages and related costs continuing the main stumbling block in the way of German competitiveness, one cannot help but ask oneself whether wages would still have got out of control had not here and there the impression been conveyed that in the last resort the state would guarantee full employment.

In reality, however, the most government policy can do is to influence the level of national income. The key to how this is distributed in the form of wages or profits is in the hands of collective negotiators, who thus bear considerable responsibility for employment levels. In the United States, for example, a decline in real wages of the order of 10 per cent has made possible the creation of twenty million–or a quarter–more jobs in the last decade. In the case of West Germany, where their number fell slightly over the same period, it is not hard to see the link between this and higher real wages coupled with relatively generous pay for less skilled workers.

## Danger of unconcern in energy matters

While recent months have seen the energy problem generally become less acute, it would be disastrous were efforts aimed at ensuring sufficient long-term supplies for Western Europe again to languish. We are still much too reliant for energy on politically unstable areas. The more systematically the economies of Western Europe seek to spread their sources, in terms of types of energy as well as geographically, the more confidently can they face the future. It is also essential that the question of nuclear waste disposal and storage be dealt with purposefully and without delay.

## Financial markets: sufficient funds, but worsening maturity match

West Germany needs considerable long-term funds to cover the financing requirements of both energy substitution and many other forward-looking projects. Although savings are actually sufficient to meet this demand, over-high borrowing by the public sector in recent years has tended to push interest rates up and crowd growth investments out. Another crucial problem is that of achieving an appropriate maturity match between lending for long-term capital expenditure and its funding.

## Risk capital in short supply

Moreover, the capital market is confronted with the problem of reducing people's reluctance to commit their savings to shares. At the same time, greater efforts should be made to attract venture funds into growth and income generating investments through specialized shareholders' schemes. To date, interest in the latter has concentrated on companies producing depreciation losses qualifying for tax relief and on property funds. The future will find not merely large projects, but also newly established and smaller firms, and especially those engaged in some aspect of technology, increasingly in want of private risk capital. Wagnisfinanzierung, the one government-backed company promoting such equity investments in West Germany today–in which the banks are participating–can only serve as an example. To move larger volumes of funds, and thus to channel savings to a greater degree into more forward-looking projects, calls for enterprising private investors. The question of how the concept of closed-end property funds might be adapted to cover industrial projects of various sizes therefore deserves close examination.

If the misdirection of capital at the expense of the growth sectors of the economy is in future to be avoided, it will be necessary first of all to cut back substantially on government borrowing and secondly to ensure that trade and industry enjoy higher profitability. Unless corporate earnings can be given a lasting boost it will be impossible for companies to strengthen their equity base either from internal or external sources, since no private investor will be willing to put his money into shares that do not offer a return able to compete with bond yields.

(The German edition of this Report went to press on March 2, 1982.)

# Central Departments, Branches, Subsidiaries, and Holdings

**Board of Managing Directors**

**Banking Departments**

- International Commercial Banking and Export Finance
- Treasury and Foreign Exchange
- Corporate Finance
- Domestic Corporate Lending
- Private Customers, Home Loans, Marketing
- Securities Business

**Management Services**

- Comptrolling and Planning
- Accounting and Taxes
- General Services and EDP
- Personnel
- Internal Auditing
- Legal Matters
- Economic Research and Public Relations

**Domestic Branches, Subsidiaries, and Holdings**

**40 Main Branches**
controlling 402 Regional Branches
with 349 Sub-Branches

**More than 50 Subsidiaries and Holdings**
including:

- Berliner Commerzbank AG, Berlin
- Rheinische Hypothekenbank AG, Frankfurt
- Commerz-Credit-Bank AG Europartner, Saarbrücken
- Commerz- und Industrie-Leasing GmbH, Frankfurt
- Commerzbank Fonds-Verwaltungsgesellschaft mbH (Cofo), Düsseldorf

**Foreign Branches, Subsidiaries, and Holdings**

**2 Subsidiaries:**

- Commerzbank International S.A., Luxembourg
- Commerzbank (South East Asia) Ltd., Singapore

**11 Branch Offices** (see page 107)

**19 Representative Offices** (see page 109)

**More than 30 Holdings**
including stakes of over 10% in

- Europartners Bank (Nederland) N.V., Amsterdam
- EuroPartners Securities Corporation, New York
- International Commercial Bank Ltd., London
- UBAE Arab German Bank S.A., Luxembourg/Frankfurt
- Korea International Merchant Bank, Seoul

## General performance of Commerzbank

Our efforts to revitalize our earnings power went hand in hand with the introduction of an efficient financial monitoring scheme allowing us to maintain a constant and profitability-oriented control over the activities of the Commerzbank Group in terms of both borrowing and lending. At the same time, on the organization side priority was given to a considerable extension and delegation of responsibilities, especially at branch level, in order to speed up decision-making, improve market flexibility and enhance staff motivation.

### Unchanged volume of business

At DM 66.9 bn, the business volume of the Parent Bank, Commerzbank AG, was almost unchanged on the previous year-end figure. Due, however, to a period of contraction in the course of the twelve months under review, the average over the year was 1.1 per cent down on 1980.

Salient figures for the 1981 accounts of the Parent Bank are as follows:

| | |
|---|---|
| Balance sheet total | DM 64.3 bn |
| Total deposits and borrowed funds | DM 60.6 bn |
| Total lending | DM 46.1 bn |
| Capital and reserves | DM 2.478 bn |

### Higher earnings used for risk provision

Even though there was a marked improvement in our operating result, we as yet cannot see our way to resuming payment of a dividend, omitted for the first time last year. We have, however, taken due account of the greater risks attaching to lending business at home and abroad by considerably increased allowances for possible loan losses, and we also began to

### Commerzbank Group

The balance sheet total of the Commerzbank Group as at December 31, 1981, amounted to DM 101.3 bn, 63.5 per cent of which was attributable to the Parent Bank.

At end-1981, the banks affiliated within the Commerzbank Group were

handling almost 4.5 million accounts
for approximately 2½ million customers
at 878 branches
staffed by 21,130 people.

In addition to the Parent Bank, the Group comprises the following major associated banks whose annual reports and accounts are summarized on pages 82 to 87:

Berliner Commerzbank AG, Berlin,
balance sheet total DM 3,665 m;

Commerzbank International S.A., Luxembourg,
balance sheet total equal to DM 14,666 m;

Rheinische Hypothekenbank AG, Frankfurt,
balance sheet total DM 21,270 m.

Capital and reserves of the Commerzbank Group, including that part of the equity of Rheinische Hypothekenbank not held by Commerzbank, amounted to DM 2,760 m at the end of 1981. This represents a decrease of DM 14 m on the year, most of which relates to the depreciation of the Luxembourg franc (details are given on page 80). Following implementation of the resolutions of the 1982 annual general meetings of the member banks, the Group's liable equity will total DM 2,766 m. Consolidated net income for the year was DM 31 m, as against DM 34 m in 1980.

(For the Group Report and the Consolidated Annual Accounts see pages 73 to 97.)

provide for country risks. Additional allowances for possible losses on individual credits–made in part by writing back the DM 50 m special reserve item established in accordance with Section 6b of the German Income Tax Act (EStG) in 1980–represent several times the average for the previous ten years.

## Balance sheet structure improved

The more striking features of the 1981 annual accounts are the DM 3 bn shift in the pattern of our funding back from interbank borrowing to customer deposits and to bank bonds, as also the switch in lending emphasis–affecting a total of some DM 1.5 bn–from the long to the short and medium term. We rate both these trends as an improvement in the composition of our balance sheet.

## New borrowing instruments

The restructuring of our liabilities was achieved largely through the sale to customers of our own short-term bonds which raised DM 1.5 bn. At the same time, we launched on the international financial markets US dollar certificates of deposit, backed by dollar receivables of our foreign branches.

## Overdraft lending up

Although our aggregate "claims on customers", which comprise book and acceptance credits to public authorities, firms, and private individuals at home and abroad, were almost unchanged at the balance sheet date, short and medium-term lending markedly predominated in 1981 and exceeded long-term advances by nearly a quarter at year-end. This trend was assisted by the fact that in anticipation of falling interest rates there was little demand for long-term loans, at least on a fixed-rate basis.

From the banks' point of view also, there were good reasons for restricting long-term lending–namely the limits set by "Principle No. 2" of the German Banking Supervisory Authority and the uncertainty produced by Section 247 of the German Civil Code which entitles debtors to repay loans at over 6 per cent interest ahead of time. To date the German Government has not seen fit to amend this provision, now generally regarded as thoroughly obsolete.

## Business credits replacing public-sector loans

At year-end, public authorities still accounted for 22.1 per cent of our total lending to custom-

### Utilization of new funds in 1981

| Source of funds | in DM m | Application of funds | in DM m |
|---|---|---|---|
| Reduction of assets | 2,866 | Increase in assets | 2,549 |
| a) cash reserves | (290) | a) bills of exchange | (71) |
| b) nostro balances | (440) | b) loans to banks | (382) |
| c) bonds | (465) | c) Treasury bills | (483) |
| d) loans to customers, at agreed periods of four years or more | (1,649) | d) shares | (1) |
| e) other assets | (22) | e) loans to customers at agreed periods of less than four years | (1,445) |
| Increase in liabilities | 2,418 | f) increase in fixed assets | |
| a) customers' deposits | (1,215) | investments | (14) |
| b) own bonds | (1,104) | land and buildings | (31) |
| c) own acceptances | (54) | office furniture and equipment | (45) |
| d) provisions | (45) | g) other assets | (77) |
| Depreciation on fixed assets | 74 | Reduction of liabilities | 2,809 |
| | | a) bank deposits | (2,756) |
| | | b) special item with partial reserve character | (50) |
| | | c) other liabilities | (3) |
| | 5,358 | | 5,358 |

ers, compared with 23.3 per cent in 1980. We seized the opportunity offered by the expiry of loans to the public sector to expand the volume of credits granted to business customers at home and abroad, the proportion of which rose in 1981 from 48.3 per cent to 50.4 per cent. Advances to private individuals remained more or less on a par with the previous year.

In all, credits extended by the Parent Bank for the first time ever at end-1981 reached a good DM 46 bn, the rise of slightly over DM 600 m being mainly the effect of more loans to other banks and an increased volume of bills discounted. Partly for exchange-rate reasons, lending by our foreign branches recorded exceptional growth so that at the balance sheet date, this stood–again for the first time–at one-fifth of the total figure for short and medium-term loans to customers, as against 14 per cent at end-1980. A reduction in low-return interbank business nonetheless kept the share of the foreign branches in the Parent Bank's total assets at about 22 per cent.

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

## Securities and investment portfolios

1981 saw no significant change in our investments. We slightly diminished our holding in our mortgage bank subsidiary, Rheinische Hypothekenbank, the shares sold being widely spread. As usual, Commerzbank's interests in affiliated and other companies are set out in chart form on pages 88 to 90.

Redemptions of fixed-interest paper brought our securities holdings down by about one-tenth. On the other hand, we took advantage of the very attractive prices reached at certain times during the high-interest period to purchase more discountable Treasury notes, the volume of which had been cut back sharply during 1980. Stock and bond market price trends once again made write-downs necessary. As always, valuation was carried out at the lower of cost or market.

## Fixed-interest loans still a burden

The year under review saw our fixed-interest lending–much of it against borrower's note and built up mainly between 1977 and 1979–shrink from approximately DM 25 bn to DM 20 bn. Of the reduction, DM 1.7 bn related to loans with an original life of 4 years and more.

Although this slimming down on the assets side was in part paralleled by a decrease in low-interest, fixed-rate liabilities, new lending to replace loans falling due had the general effect of relieving pressure on margins.

## Borrowing/lending differential slow to recover

Nevertheless, the unfavourable structure of German interest rates again held off any noticeable improvement in margins in 1981. At times indeed, as in the third quarter, the tendency was even in the opposite direction. Not until the final quarter–too late still to have any real impact on the year's result–did lower borrowing costs begin to make themselves felt. Encouraging, however, was the trend in net interest and dividend income which, after suffering a 14 per cent decline in 1980, was almost back at its–admittedly already unsatisfactory–1979 level.

## Further growth in net commission income

Net income from commissions continued to rise, this time by approximately 12 per cent. The increase is especially worthy of note given the absence in the year under review of a boost from dealings in gold bullion and coins, although this was to some extent made up for by earnings of our Luxembourg subsidiary, particularly those deriving from precious metal accounts.

As a result of several years of sustained growth, net commission income reached DM 447 m in 1981, easily double the figure of seven years before. In essence this is attributable to in-depth customer servicing in both trade finance and securities business. Aggregate fees earned on payments transactions, whilst also increasing over the said period, did so much more slowly than the total.

Own-account dealings in securities and foreign exchange contributed substantially more to the overall operating result than in 1980, with securities earnings exceeding the write-downs necessary on our holdings of stocks and bonds, while those on foreign exchange enhanced our capacity to provide for possible risks in our lending business.

## Cost upsurge checked

Once again we managed to contain the rise in general operating expenditure within fairly close limits. Despite the fact that during the year we took advantage of natural wastage to trim head office staff numbers by the equivalent of almost 200 full-time exployees, personnel costs went up by a further 4.2 per cent. Other operating expenses, however, rose by a mere 3.5 per cent–less than the rate of inflation. Investment in our branch system resumed a brisker pace, with the stress on improving customer service and raising productivity through technological innovation (see pages 51 and 52).

### Expansion of branch network halted

While we decided to open just two new domestic branches in 1981, six smaller ones were closed. In the latter case, we were generally able to persuade customers to transfer their business to nearby Commerzbank offices.

At the beginning of 1982, the Bank had a total of 791 branches and sub-branches in the Federal Republic, to which must be added 59 offices of Berliner Commerzbank and eight of Commerz-Credit-Bank AG Europartner, the bank operated jointly in the Saarland by the members of the Europartners group.

Our international presence is currently ensured by two subsidiaries, 11 branches, and 19 representative offices abroad. We also benefit from desk facilities run by members of our own staff on secondment at eight foreign banks in which we have an interest or with whom we cooperate (see also page 49).

### Advertising for greater public awareness

In order to enhance public consciousness of our Bank, we ran several advertising campaigns emphasizing its specific strengths, viz.

- wide domestic branch coverage,
- a high level of staff qualification,
- the fact that it is involved in one-eighth of all foreign financial transactions dealt with on behalf of German trade and industry,
- a steady flow of new customers.

### 500,000 new accounts in four years

By autumn 1981, the number of accounts and security deposits handled for 2.2 million individuals and firms exceeded 4 million, representing a rise of 500,000 in only four years. This reflects the success of our marketing strategy of cross-selling aimed at inducing customers to make more varied use of our services.

## Serving our business customers

Following the pattern of the previous year and with the economy weaker still, companies were not only rather slow to seek funds for investment but also frequently looked for alternative sources, especially the Euromarkets. Moreover, the proportion of capital spending financed on a leasing basis again increased. Commerzbank is active in both these sectors through its subsidiaries and affiliates (see pages 43 and 49).

The exceptionally high interest rates in the year under review led corporate customers to build up their time deposits which they had reduced slightly during 1980, while at the same time running their demand deposits extremely low.

Firms in the chemical and the electrical and electronic industries expanded their share in our domestic lending in the year under review, as did companies in the service sector. Conversely, a smaller proportion of our domestic loans was accounted for by the iron and steel industry and by commerce generally.

With larger companies, in particular, obviously influenced by high interest rates to borrow very short, operating funds were refinanced at frequent intervals. With competition for lending business so aggressive, terms became an even more decisive factor, the more so since overall monetary conditions in West Germany favoured the country's thrift institutions with their traditionally strong funding basis in the form of comparatively inexpensive savings.

### Emphasis still on loans to smaller companies

Commerzbank's marketing of its wholesale lending services continues to lay great stress on the smaller and medium-size business, as is reflected in the credit terms offered. Our twelve-month fixed-interest loan facility for these customers was well received.

An understandable reaction to interest rate disparities was the considerable recourse to bill discounting as a means of borrowing. Although tight rediscount quotas forced us to charge interest here that was more in line with market trends than–and hence well exceeded–the official discount rate, bill rates still compared favourably with those for automatic overdrafts on current accounts.

The volume of guarantees and documentary credits was up, mainly thanks to a sharp upturn in customers' export business.

Individual advice again much in demand

The longest and severest period of high interest rates to date has caused acute problems for many smaller and medium-size firms who increasingly called on us for advice. We assisted companies in search of various forms of cooperation with others and also acted as an intermediary for those seeking additional equity capital. In this our branches enjoyed the valuable support of the Mergers and Acquisitions Unit of our Corporate Finance Department.

Special financing facilities:
government schemes and leasing to the fore

As in previous years, 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. In many cases, too, we paved the way for firms' approaches to subsidized official credit schemes; of these particular mention should be made, for the year under review, of the Federal Government's DM 6.3 bn low-interest package available through Kreditanstalt für Wiederaufbau (Reconstruction Loan Corporation).

Commerz- und Industrie-Leasing GmbH (CIL), our subsidiary specializing in the leasing of moveable goods, had another successful year. Deutsche Gesellschaft für Immobilien- und Anlagen-Leasing, which is concerned with the leasing of buildings and industrial plant and which we own jointly with Deutsche Bank, recorded a further notable expansion in the volume of transactions handled.

**Serving our private customers**

Our private customers were similarly not exempt from the effects of sustained high interest rates, and a substantial volume of savings was once again transferred into forms of investment offering better returns.

However, savings accounts have gradually come back into favour since the late summer, with the growing seriousness of the unemployment situation evidently moving more people to put something aside. Thus total savings deposits, having fallen to a low of DM 8.4 bn at end-July, 1981, rose to DM 9.1 bn at end-December, up 1 per cent on the year.

As in 1980, practically the entire increase derived from a 9 per cent upturn in new savings deposits at statutory notice, whereas those at agreed periods of notice–excluding figures for bonus savings schemes–declined further by 15 per cent. This had the effect of raising the former's share of the Bank's total savings deposits to 62 per cent.

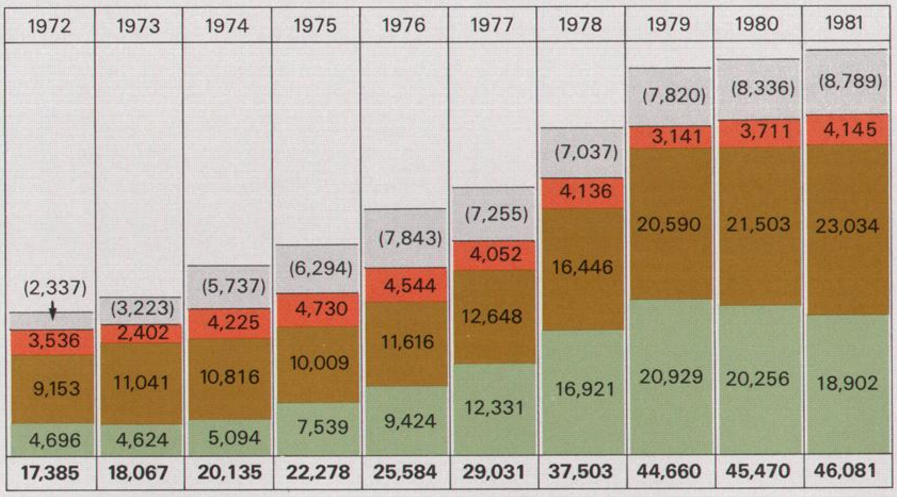
Deposits under bonus savings schemes rose again, this time by 7 per cent to over DM 1 bn,

Lending to domestic business and private customers*)

| | 31–12–1981 | 31–12–1980 |
|---|---|---|
| Mining and public utilities | 4.2% | 4.2% |
| Chemical industry | 4.1% | 3.2% |
| Electrical and precision engineering, metal products, plastics processing | 9.2% | 7.6% |
| Production of iron, steel, and other metals; foundries | 4.4% | 5.4% |
| Steel construction, mechanical engineering, car industry, shipbuilding | 8.8% | 8.8% |
| Building and civil engineering | 2.2% | 1.9% |
| Food, drink, and tobacco; animal feeding stuffs | 2.5% | 2.8% |
| Textile, clothing, shoe and leather industries | 3.0% | 3.0% |
| Wood, paper, and printing | 2.8% | 2.7% |
| Commerce | 11.3% | 12.1% |
| Other services; professions | 13.8% | 12.2% |
| Persons other than self-employed | 28.5% | 30.5% |
| Other borrowers | 5.2% | 5.6% |
| | 100.0% | 100.0% |

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

# Commerzbank:
# intensive efforts to improve balance sheet structure.

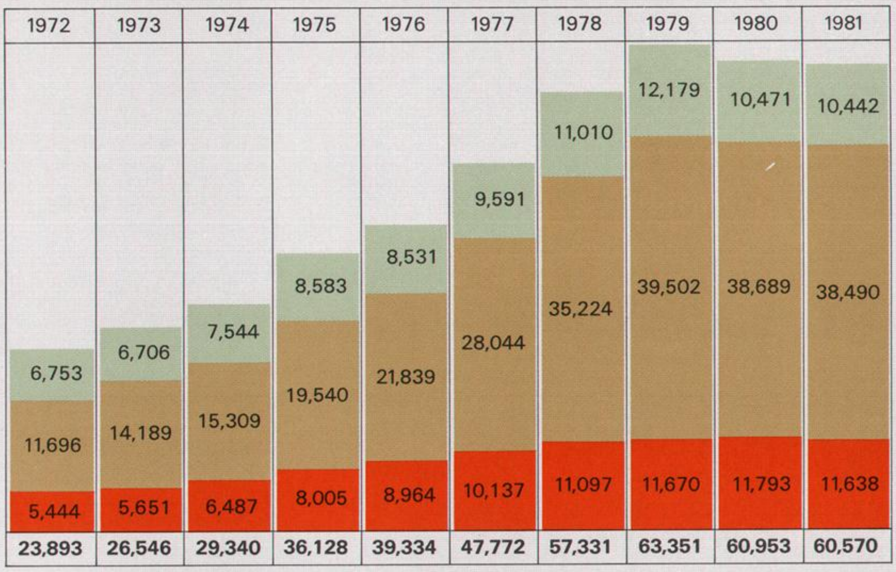



**Volume of lending**

With total lending slightly up, short and medium-term advances well exceeded longer-term loans for the first time in several years. As foreign trade finance was in brisk demand, we were more frequently called upon to act as guarantors.

in DM m:

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

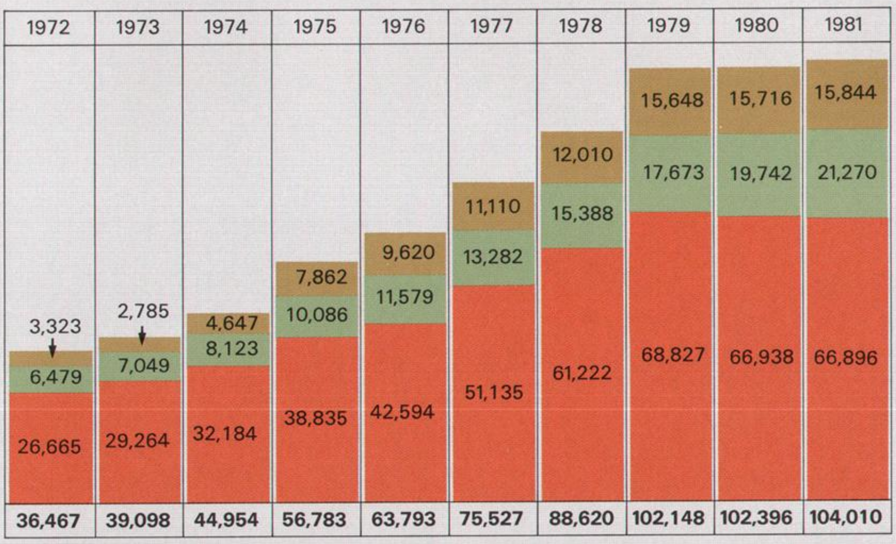



**Total deposits and borrowed funds**

Another notable feature of our 1981 balance sheet is the shift in our own borrowing back from bank to customer deposits. The issuing of short-term bank bonds also proved a useful means of stabilizing the structure of our liabilities.

in DM m:

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




**Business volume of the Group**

Generally difficult conditions once again made us keep the Parent Bank's business volume at a steady level. Consolidated growth was chiefly the result of the activities of our mortgage banking subsidiary, Rheinische Hypothekenbank.

in DM m:

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

although now that the government bonus has been withdrawn this type of savings will gradually run down over the next few years as contracts mature.

Commerzbank's own regular savings plan paying a final bonus of 14 per cent, which was introduced in early 1981 to replace the government scheme, has encountered a good response, particularly because it qualifies as savings under the Formation of Private Assets Act which allows for the possibility of additional employer contributions.

Interest rate levels led us to hold back with our own 4 and 5-year savings bonds in the year under review, with the result that gross sales were well down on 1980. Once more redemptions, on expiry and prematurely, were high, producing a net drop of 8 per cent to DM 2.5 bn in the combined total volume of registered and bearer bonds outstanding. A newcomer to our range of investment vehicles was bearer savings bonds issued for a fixed period of two years.

New savings up ...

Also on offer were shorter-term bonds marketable on the stock exchange, which met with considerable interest. At the same time, private customers continued to maintain substantial time deposits which registered growth over the year of a good 7 per cent and totalled more than DM 3 bn by year-end.

Overall, therefore, new savings by our customers rose further during 1981, with the accent on purchases of fixed-interest securities.

... and credit demand restrained

Demand for credit by private households was restrained in 1981. The volume of our lending to both employed persons and the self-employed shrank by some 2 per cent to DM 9.8 bn while continuing to represent approximately one-third of aggregate loans to domestic customers.

Consumer credits as part of this total increased slightly to about DM 2 bn, with short-term private overdrafts recording another marked rise, while instalment credits–mainly because of fewer car purchases–stagnated.

Close cooperation with mortgage subsidiary for home loans

High interest rates coupled with the jump in land and building costs over the last few years led to a slackening in demand for home loans that brought our total lending under this heading down almost 4 per cent to DM 5.9 bn.

Thanks to even closer collaboration for building finance with our mortgage banking subsidiary, Rheinische Hypothekenbank, all Commerzbank branches are now in a position to agree on principle a range of first and second mortgage loans in its name and on its behalf, viz.

- repayment mortgages, to be simultaneously serviced and repaid, but with interest-only payments for up to ten years if so desired;

- interest-only mortgages, for up to 30 years, with capital repayment covered by endowment assurance;

- bridging finance later to be replaced by loans under one or more savings contracts with building and loan associations;

- other, shorter-term bridging finance.

The greater scope afforded by this new procedure enables us at any time flexibly to adapt the building finance facilities we offer to rapid changes in the capital market. The success so far achieved is an indication of customers' favourable response to the different way of our handling these loans.

In all, the Commerzbank Group committed approximately DM 2 bn in home loans during the year under review.

eurocheque cards ready for cash dispensers

In the matter of private payment transactions we have been actively concerned with preparations for the setting up of Gesellschaft für Zahlungssysteme mbH–a joint venture involving the entire German banking community.

Meanwhile, we continued to encourage the use of eurocheques backed by the eurocheque guarantee card as a convenient means of cashless payment for private customers, every second Commerzbank current account holder now having such a card. In 1981 for the first time, we issued cards valid for two years and with a magnetic strip enabling them to operate cash dispensing machines. We report on this development in a special chapter entitled "Data processing in the service of our customers" on pages 51 and 52.

Tombstones illustrating our international syndicate business: in 1981, Commerzbank managed 25 DM bond offerings by foreign issuers for an overall amount of DM 3.3 bn.

NEUEMISSION | 17. DEZEMBER 1981

# IRLAND

**DM 100.000.000**

**10⅛% Inhaber-Teilschuldverschreibungen von 1981/1986**

– Wertpapier-Kenn-Nr. 468664 –

**Verkaufskurs: 99¾%**

COMMERZBANK Aktiengesellschaft
S. G. WARBURG & CO. LTD.
DEUTSCHE BANK Aktiengesellschaft
WESTDEUTSCHE LANDESBANK GIROZENTRALE
ALLIED IRISH BANKS Limited
BAYERISCHE VEREINSBANK Aktiengesellschaft
KREDIETBANK INTERNATIONAL GROUP
MANUFACTURERS HANOVER Limited

Algemene Bank Nederland N.V.
Amro International Limited
Bankhaus H. Aufhäuser
Bank Julius Baer International Limited
Banca Commerciale Italiana
B.S.I. Underwriters Limited
Banco di Roma
Banco Urquijo Hispano Americano Limited
Bank of America International Limited
Bank für Gemeinwirtschaft Aktiengesellschaft
Bank Leu International Ltd.
Bankers Trust International Limited
Banque Bruxelles Lambert S.A.
Banque Francaise du Commerce Extérieur
Banque Générale du Luxembourg S.A.
Banque de l'Indochine et de Suez
Banque Internationale à Luxembourg S.A.
Banque Nationale de Paris
Banque de Paris et des Pays-Bas
Banque Populaire Suisse S.A. Luxembourg
Baring Brothers & Co., Limited
Bayerische Hypotheken- und Wechsel-Bank Aktiengesellschaft
Bayerische Landesbank Girozentrale
Joh. Berenberg, Gossler & Co.
Bergen Bank
Berliner Bank Aktiengesellschaft
Berliner Handels- und Frankfurter Bank
Bankhaus Gebrüder Bethmann
Blyth Eastman Paine Webber International Limited
Chase Manhattan Limited
Christiania Bank og Kreditkasse
Citicorp International Group
Commerzbank International S.A.
Commerzbank (South East Asia) Ltd.
Continental Illinois Limited
Copenhagen Handelsbank
Creditanstalt-Bankverein
Crédit Chimique
Crédit Commercial de France
Crédit Industriel et Commercial
Crédit Lyonnais
Credit Suisse First Boston Limited
Daiwa Europe Limited
Den Danske Bank af 1871 Aktieselskab
Den norske Creditbank
Delbrück & Co.
DG Bank Deutsche Genossenschaftsbank
Deutsche Girozentrale – Deutsche Kommunalbank –
Dresdner Bank Aktiengesellschaft
Dominion Securities Ames Limited
Effectenbank-Warburg Aktiengesellschaft
Euromobiliare S.p.A.
EuroPartners Securities Corporation
European Banking Company Limited
Girozentrale und Bank der österreichischen Sparkassen Aktiengesellschaft
Goldman Sachs International Corp.
Hambros Bank Limited
Hamburgische Landesbank – Girozentrale –
Georg Hauck & Sohn Bankiers Kommanditgesellschaft auf Aktien
Hessische Landesbank – Girozentrale –
Hill Samuel & Co. Limited
Industriebank von Japan (Deutschland) Aktiengesellschaft
The Investment Bank of Ireland Limited
Kansallis-Osake-Pankki
Kidder, Peabody International Limited
Kleinwort, Benson Limited
Kredietbank S.A. Luxembourgeoise
Kuwait Foreign Trading Contracting & Investment Co. (S.A.K.)
Kuwait International Investment Co. S.A.K.
Kuwait Investment Company (S.A.K.)
Landesbank Rheinland-Pfalz –Girozentrale–
Lazard Frères et Cie
Lehman Brothers Kuhn Loeb International, Inc.
Lloyds Bank International Limited
LTCB International Limited
McLeod, Young, Weir International Limited
Merck, Finck & Co.
Merrill Lynch International & Co.
B. Metzler seel. Sohn & Co.
Morgan Grenfell & Co. Limited
Morgan Guaranty Ltd
Morgan Stanley International Limited
National Bank of Abu Dhabi
The Nikko Securities Co., (Europe) Ltd.
Nomura International Limited
Norddeutsche Landesbank Girozentrale
Nordic Bank Limited
Sal. Oppenheim jr. & Cie.
Orion Royal Bank Limited
Privatbanken Aktieselskab
N.M. Rothschild & Sons Limited
Salomon Brothers International
J. Henry Schroder Wagg & Co. Limited
Schröder, Münchmeyer, Hengst & Co.
Shearson Loeb Rhoades International Limited
Smith, Barney, Harris Upham & Co.
Société Générale
Société Générale de Banque S.A.
Société Générale Strauss Turnbull Ltd.
Svenska Handelsbanken
Sumitomo Finance International
Swiss Bank Corporation International Limited
Trinkaus & Burkhardt
Union Bank of Finland Ltd.
Vereins- und Westbank Aktiengesellschaft
J. Vontobel & Co.
M.M. Warburg-Brinckmann, Wirtz & Co.
Westfalenbank Aktiengesellschaft
Wood Gundy Limited
Yamaichi International (Europe) Limited

Private Placement | This announcement appears as a matter of record only | May 15, 1981

# SVENSKA HANDELSBANKEN

STOCKHOLM/SWEDEN

**DM 60,000,000**

subordinated

**10¼% Bearer Bonds of 1981/1987**

COMMERZBANK Aktiengesellschaft

DEUTSCHE BANK Aktiengesellschaft
DRESDNER BANK Aktiengesellschaft
WESTDEUTSCHE LANDESBANK GIROZENTRALE
NORDIC BANK Limited
SVENSKA HANDELSBANKEN
VEREINS- UND WESTBANK Aktiengesellschaft

New Issue | This announcement appears as a matter of record only | August 1981

# EUROFIMA

Europäische Gesellschaft für die Finanzierung von Eisenbahnmaterial, Basel
Société européenne pour le financement de matériel ferroviaire, Bâle
Società europea per il finanziamento di materiale ferroviario, Basilea

**DM 40,000,000**

**10½% Bearer Bonds of 1981/1988**

– Private Placement –

COMMERZBANK Aktiengesellschaft
SWISS BANK CORPORATION INTERNATIONAL Limited

December 1981

This announcement appears as a matter of record only.

# European Investment Bank

**DM 60,000,000**

**9¾% Bearer Bonds of 1981/1988**

– Private Placement –

COMMERZBANK Aktiengesellschaft

DG BANK Deutsche Genossenschaftsbank
BURGAN BANK S.A.K.

This announcement appears as a matter of record only.

NEW ISSUE | December 3, 1981

# NEW ZEALAND

**DM 200,000,000**

**9¾% Bearer Bonds of 1981/1989**

**Issue Price: 100½%**

COMMERZBANK Aktiengesellschaft
S.G. WARBURG & CO. LTD.
AMRO INTERNATIONAL LIMITED
CREDIT LYONNAIS
DEUTSCHE BANK Aktiengesellschaft
KIDDER, PEABODY INTERNATIONAL LIMITED
M.M. WARBURG-BRINCKMANN, WIRTZ & CO.

Algemene Bank Nederland N.V.
Arnhold and S. Bleichroeder, Inc.
Bank Julius Baer International Limited
Banca Commerciale Italiana
Banca del Gottardo
Banca Nazionale del Lavoro
B.S.I. Underwriters Limited
Banco di Roma
Banco di Roma per la Svizzera S.A.
Banco Urquijo Hispano Americano Limited
Bank of America International Limited
Bank für Gemeinwirtschaft Aktiengesellschaft
Bank Leu International Ltd.
Bank Mees & Hope NV
Bank of New Zealand
Banque Bruxelles Lambert S.A.
Banque Française du Commerce Extérieur
Banque de l'Indochine et de Suez
Banque Internationale à Luxembourg S.A.
Banque Nationale de Paris
Banque de Paris et des Pays-Bas
Banque de Paris et des Pays-Bas (Suisse) S.A.
Banque Populaire Suisse S.A. Luxembourg
Banque Privée S.A.
Banque Rothschild
Banque de l'Union Européenne
Baring Brothers & Co., Limited
Bayerische Hypotheken- und Wechsel-Bank Aktiengesellschaft
Bayerische Landesbank Girozentrale
Bayerische Vereinsbank Aktiengesellschaft
Joh. Berenberg, Gossler & Co.
Berliner Bank Aktiengesellschaft
Berliner Handels- und Frankfurter Bank
Bankhaus Gebrüder Bethmann
Blyth Eastman Paine Webber International Limited
Caisse des Dépôts et Consignations
Chase Manhattan Limited
Citicorp International Group
Commerzbank International S.A.
Commerzbank (South East Asia) Ltd.
Copenhagen Handelsbank
Creditanstalt-Bankverein
Crédit Chimique
Crédit Commercial de France
Crédit Industriel et Commercial
Credito Italiano
Credit Suisse First Boston Limited
Daiwa Europe Limited
Delbrück & Co.
Den Danske Bank af 1871 Aktieselskab
Den norske Creditbank
Deutsche Girozentrale – Deutsche Kommunalbank –
DG Bank Deutsche Genossenschaftsbank
Dillon, Read Overseas Corporation
Dominion Securities Ames Limited
Dresdner Bank Aktiengesellschaft
Effectenbank-Warburg Aktiengesellschaft
EuroPartners Securities Corporation
European Banking Company Limited
Girozentrale und Bank der österreichischen Sparkassen Aktiengesellschaft
Goldman Sachs International Corp.
Groupement des Banquiers Privés Genevois
Hambros Bank Limited
Hamburgische Landesbank – Girozentrale –
Georg Hauck & Sohn Bankiers Kommanditgesellschaft auf Aktien
Hessische Landesbank – Girozentrale –
Hill Samuel & Co. Limited
Industriebank von Japan (Deutschland) Aktiengesellschaft
Kansallis-Osake-Pankki
Kleinwort, Benson Limited
Kredietbank N.V.
Kredietbank S.A. Luxembourgeoise
Landesbank Rheinland-Pfalz – Girozentrale –
Lazard Brothers & Co. Limited
Lazard Frères et Cie
Lehman Brothers Kuhn Loeb International, Inc.
Lloyds Bank International Limited
LTCB International Limited
Manufacturers Hanover Limited
Merck, Finck & Co.
Merrill Lynch International & Co.
B. Metzler seel. Sohn & Co.
Morgan Grenfell & Co. Limited
Morgan Guaranty Ltd
Morgan Stanley International Limited
The National Bank of New Zealand Ltd.
Nederlandsche Middenstandsbank N.V.
The Nikko Securities Co., (Europe) Ltd.
Nippon European Bank S.A.
Nomura International Limited
Norddeutsche Landesbank Girozentrale
Sal. Oppenheim jr. & Cie.
Orion Royal Bank Limited
Pierson, Heldring & Pierson N.V.
PKbanken Investments, Ltd.
Privatbanken Aktieselskab
Renouf International (NZ) Limited
N.M. Rothschild & Sons Limited
J. Henry Schroder Wagg & Co. Limited
Salomon Brothers International Limited
Schröder, Münchmeyer, Hengst & Co.
Scrimgeour, Kemp-Gee & Co.
Shearson Loeb Rhoades International Limited
Skandinaviska Enskilda Banken
Smith Barney, Harris Upham & Co. Incorporated
Société Générale
Société Générale de Banque S.A.
Svenska Handelsbanken
Swiss Bank Corporation International Limited
Trinkaus & Burkhardt
Union Bank of Finland Ltd.
Union Bank of Switzerland (Securities) Limited
Verband Schweizerischer Kantonalbanken
Vereins- und Westbank Aktiengesellschaft
J. Vontobel & Co.
Westdeutsche Landesbank Girozentrale
Westfalenbank Aktiengesellschaft
Wood Gundy Limited
Yamaichi International (Europe) Limited

## Syndicate and stock exchange business

The year under review again saw Commerzbank very active in the domestic new issues business, the main trends of which are outlined on pages 30 and 31.

The volume of bonds launched in West Germany was at DM 186 bn a good third higher than in 1980. Shorter maturities meant that redemptions were likewise up at DM 119 bn. Thus in only two years, gross bond sales have risen 75 per cent and redemptions by as much as 85 per cent. This is, of course, the other aspect of spiralling public indebtedness.

With gross sales of DM 55 bn, shorter-term bank bonds did particularly well. Mortgage bonds also staged a marked recovery, their gross sales of slightly over DM 15 bn being twice the yearly average for the seventies.

German firms again chose to raise stock market capital solely in the form of equity. No corporate bond issue has been placed since 1978.

We were involved in twenty capital increases producing more than DM 1.4 bn, with that of Bayer AG, which generated DM 530 m, deserving of special mention.

### Euromarkets: dollar bond issues lead

For exchange rate reasons, dollar issues took pride of place in the Eurobond market in 1981. The first quarter brought only four foreign D-mark offerings by international borrowers, although more followed in the course of the year to make a total of 51, worth DM 5.8 bn.

Of these, Commerzbank acted as lead manager for three public bond offerings and three private placements of an aggregate nominal value of DM 610 m, and as co-manager for 19 issues totalling DM 2.7 bn. We also participated in 109 foreign-currency bond issues equivalent to more than US $ 8 bn, for 25 of them as co-manager.

Inadequate spreads again led us to restrict our Euro-lending business, being very selective as to borrowers and confining ourselves rigorously to loans for which we served as either lead or co-managers.

### New foreign share listings

Commerzbank arranged for the shares of Banco Hispano Americano, Madrid, and General Mining Union Corporation, Johannesburg, to be officially quoted on the Frankfurt stock exchange. We were also involved as a consortium member in the Frankfurt listing of the shares of two other Spanish banks, Banco de Bilbao and Banco de Santander, and of two American industrial companies, Aluminum Company of America and Dart & Kraft.

### Share and bond prices down again

Despite peaking interest rates, share prices in terms of the Commerzbank index of 60 leading German shares were on average only 1 per cent down in 1981, though with very marked differences between one branch and another. Bond prices, however, again slumped heavily, reflecting the increase from 9.0 per cent at end-1980 to 9.8 per cent at end-1981 in the average coupon on paper with a residual maturity of at least four years.

### Higher volume of stock exchange dealings

Transactions on the bourse of both shares and bonds were once more up last year, rising to DM 31 bn and DM 42 bn, respectively.

Our activity in this sector was dominated by the at times frantic demand for fixed-interest paper, with interest in high-coupon foreign bonds–particularly those denominated in US dollars–boosted as before by attractive yield differentials. Tax considerations dampened German investors' enthusiasm for the new zero bonds. Domestic shares continued to be very popular with foreign investors, whereas private customers at home were somewhat apathetic buyers.

We were able to raise commission income on securities by almost one-quarter, while the market value of those deposited with us increased by 11 per cent. Earnings from our trust business and from own-account securities dealings were also higher.

### Investment saving: accent remains on build-up accounts

The year under review brought further growth in the assets of our investment fund subsidiary, Commerzbank Fonds-Verwaltungsgesellschaft mbH (Cofo), which acts mainly on behalf of institutional investors and which at end-1981 was managing a total DM 1.9 bn invested in its 59 different bond and equity funds. Comparative figures for 1980 are DM 1.6 bn and 56 funds, respectively.

Despite the market's lack of buoyancy, we persisted in our efforts to encourage investment saving by the public at large, once again concentrating on the funds administered by ADIG Allgemeine Deutsche Investment-Gesellschaft mbH and stressing the advantages of long-term investment through build-up accounts. More difficult capital market conditions did, however, result in another drop in assets managed by all nine of the company's funds from DM 6.1 bn to DM 5.5 bn, although at the same time it was able to raise its market share somewhat further to 21.5 per cent. Commerzbank has continued to act as depository bank for five ADIG funds controlling a total DM 4.4 bn, among them Adirenta, the leader in German bond investment.

## 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 24 m. Allowing for increases in property values, assets administered by the fund rose 12 per cent to DM 376 m. More than 94 per cent of rental income is derived from real estate used for commercial purposes. We expect the current financial year–which runs from April 1, 1981 to March 31, 1982–to see the price of the fund's shares up by well over 9 per cent.

Deutsche Grundbesitz-Anlagegesellschaft mbH, of which Commerzbank is a shareholder, in 1981 established another closed-end property fund to finance a shopping centre and office complex sited near the main railway station in Gelsenkirchen.

Last year again, we were able to offer customers the opportunity to invest in property in the United States through the issue of shares of ARICO America Realestate Investment Company, launched to fund the construction of an office building in Denver, Colorado, with a useful area of some 110,000 square metres.

## New York investment bank

Whilst American stock and bond market conditions continued difficult, EuroPartners Securities Corporation, the New York investment bank in which we have a 40 per cent interest, had another good year, with securities and, in particular, trust business making healthy contributions to the further improved result.

Cooperation in underwriting syndicates

| Year | Capital increases through rights issues*) | Domestic bond issues (incl. convertible bonds) | Foreign DM bond issues (incl. convertible bonds) |
|---|---|---|---|
| 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 |
| 1981 | 20 totalling DM 1.4 bn | 12 totalling DM 13.5 bn | 41 totalling DM 5.2 bn |

*) cash proceeds.

In addition, we participated in placing 1,257 foreign currency bond issues between 1971 and 1981.

**International activities**

The opening of an office in Beijing has brought the number of our representative offices abroad to nineteen. These complement Commerzbank's fifteen operative bases the world over.

Operative bases abroad

| | |
|---|---|
| Amsterdam[1]) | Luxembourg[2]) |
| Antwerp | Madrid |
| Atlanta | New York*) |
| Barcelona | Paris |
| Brussels | Rotterdam[1]) |
| Chicago | Singapore[3]) |
| Hong Kong | Tokyo |
| London | |

[1]) branches of Europartners Bank (Nederland) N.V. (60% held by Commerzbank),
[2]) Commerzbank International S.A.,
[3]) Commerzbank (South East Asia) Ltd.,
*) with Grand Cayman sub-branch.

Commerzbank's international presence is detailed on pages 107 to 111. In addition, our interests are looked after by special Commerzbank desks manned by our own staff on secondment at eight foreign banks with whom we collaborate and where our customers can rely on finding sound advice and ready assistance. We also maintain links with some 6,400 offices of correspondent banks abroad.

Active role in external trade ...

Commerzbank again saw expansion in its share of payments handled in connection with German foreign trade in goods and services (excluding travel expenditure and investment income). Whilst overall transactions on West Germany's current account in this narrow definition rose by just on 12 per cent in the year under review, non-documentary payments channelled through us were up 13 per cent; this raised our market share, which in turn made for a gain in income earned on foreign commercial business of nearly 16 per cent. On the other hand, the trend towards more cash payments meant that our liability in respect of confirmed documentary credits fell 14 per cent.

... and in foreign lending

Excluding nostro balances, Commerzbank's international credit business reached a volume of DM 12.4 bn at end-1981, up from DM 10.6 bn the year before. Of these totals, DM 1.6 bn and DM 1.9 bn, respectively, related to confirmed letters of credit. For the Commerzbank Group as a whole, aggregate lending to foreign borrowers amounted to DM 17.8 bn at the end of last year, compared with the previous year's figure of DM 15.4 bn.

Industrial countries again accounted for a good two-thirds of the combined gross foreign receivables (including nostro balances) of the Parent Bank and its two subsidiaries abroad, Commerzbank International S.A., Luxembourg, and Commerzbank (South East Asia) Ltd., Singapore, and state-controlled economies for some 4 per cent. 14 per cent of the total were borrowed by public authorities and the remaining 86 per cent by the private-sector, mainly by businesses and banks. We have continued our policy of largely refraining from providing finance to cover balance of payment deficits.

Our foreign branches further expanded their local business and at the year-end had extended loans equivalent to more than DM 7 bn to public and private-sector borrowers. They were also very active in international payments transactions, for which they can use Commerzbank's world-wide system of dedicated lines for data transfer.

The New York branch is increasingly involving itself in the various possibilities opened up by the offshore market created there through the authorization of International Banking Facilities.

Foreign subsidiaries and affiliates

In Luxembourg, Commerzbank International S.A.–whose activities are discussed in detail in the Consolidated Annual Report on pages 84 and 85–kept pursuing a restrictive course, resulting in a more or less unchanged balance sheet total equivalent to DM 15 bn. Its capital and reserves, which include a subordinated loan, stand at DM 436 m.

Our merchant bank subsidiary operating in the Pacific Basin, Commerzbank (South East Asia) Ltd. of Singapore, ended its third financial year with total assets equivalent to DM 1.2 bn.

Of our other international affiliates, mention should first be made of Europartners Bank (Nederland) N.V. with branches in Amsterdam and Rotterdam. This bank, which is 60 per cent Commerzbank-owned, improved its operating result, while maintaining a balance sheet total equivalent to about DM 1 bn (cf. page 76).

International Commercial Bank Ltd., a London-based specialist Euromarket institution, saw its total assets surge from £ 556 m to £ 782 m.

Foreign commercial business continued to develop satisfactorily for UBAE Arab German Bank, Luxembourg/Frankfurt. Its balance sheet total rose from DM 1,105 m to DM 1,268 m.

Nippon European Bank S.A., Brussels, in which all four Europartners banks are shareholders together with The Long Term Credit Bank and Mitsui Bank, both of Japan, made further good progress, with its total assets exceeding the equivalent of US $ 500 m.

Korea International Merchant Bank of Seoul, which was established in 1979 and in which Commerzbank as the only European shareholder has a 20 per cent interest, is performing well. Its balance sheet total has reached the equivalent of some US $ 200 m.

## Cooperation of the Europartners

For many years now, the four members of the Europartners group have been providing a useful service for companies with foreign activities through their cross-frontier TransCredit loan scheme, whereby operating funds are made easily available in the home countries of the participating banks.

The latter maintained their policy of exchanging personnel, the main purpose of which is to familiarize junior Europartners staff with the banking business in one another's countries.

The activities of the Europartners' two main joint subsidiaries, Europartners Bank (Nederland) N.V. and EuroPartners Securities Corporation, have been reported on above.

## Forward cover in constant demand

With foreign exchange markets increasingly unsettled, customers again made frequent calls on the services of our dealers. Importers, especially, continually asked for forward cover. As currency rates on occasion fluctuated to extremes, most of the time following no discernible trend, our customers were in constant need of up-to-the-minute advice. Our world-wide foreign exchange organization, which incorporates all our operative bases abroad to give a round-the-clock service, once more stood up well to the demands made on it.

## Long-term export financing

Although demand for medium and long-term export finance was in fact buoyant, high German market rates time and again proved a deterrent. Thus, the relatively low-interest, B-category loans provided by AKA, the German banks' joint export credit institution, were particularly sought after, especially since the Bundesbank allocated additional funds for such advances in mid-1981 and at the same time extended their scope to OPEC and non-EEC industrialized countries.

Last year saw a rise of more than 10 per cent in our volume of export lending; most of the growth was in loans to German exporters, while buyer credits lagged behind.

We note with disquiet the disadvantages suffered by German companies in the financing packages they are able to offer when competing for export orders with foreign firms who, thanks to government subsidies, can provide export finance at the comparatively low OECD consensus minimum rates. The situation was not improved when market conditions obliged AKA to withdraw its fixed-interest facilities from March 1981 onwards. These competitive handicaps weighed ever heavier in the balance, the more so because many developing countries, who have traditionally been good customers for German plant, are faced with acute foreign exchange problems forcing them to cut their import bills by putting growing emphasis on the prices of goods–and thus also on financing costs–in order to make currency savings.

Consequently, in a number of cases German exporters again took to offering deferred payments instead of buyer credits. This, despite the adverse effect on balance sheet structure of the resultant larger volume of receivables, does have the advantage of allowing more favourable overall financing because of the possibility of access to AKA category B funds. At the same time, German companies increasingly sought to make deliveries from other countries whose governments consistently use subsidies as a means of promoting exports.

Some relief for German exporters' new business has, however, been brought by the agreement of the OECD member states to raise consensus minimum interest rates as from November 16 last. Efforts are also being made by the institutions concerned to develop schemes whereby fixed-interest buyer credits funded in the capital market and providing exporting companies with a more reliable basis of calculation can again be offered in future.

## Data processing in the service of our customers

Since as long ago as the sixties, Commerzbank has consistently increased its use of the possibilities offered by electronic data processing (EDP). In the meantime, computer dialog has become an essential element in the handling of domestic and foreign payments, current and savings accounts, time deposits, lending and securities business, money market and currency dealings, and in general book-keeping.

### A half-million dialog transactions daily

Apart from its various other data-processing operations, the Bank's computer department copes successfully with an average half-million conversational transactions each day. More than 1,800 terminals are now in operation in 410 of our domestic branch offices, linked to each other and to head office by a country-wide system of communications. The foreign branches, including those in America and Asia, are similarly connected to their home base.

### Emphasis on customer service and counselling

Whereas hitherto the advantages of computerization have been applied mainly to internal processing and administrative procedures, in future the emphasis will be on streamlining our counselling and other customer-related activities.

Companies already have considerable recourse to the specialized EDP facilities we offer for payment transactions, an important one of which is the exchange of stored data between the Bank and firms with their own computer. Smaller and medium-sized businesses lacking such equipment can nonetheless enjoy the benefits of EDP–namely much faster and more efficient payments handling–by arranging for basic data relating to regular payments to be stored in our own system.

### New cashier and counter terminals

Towards the end of 1981 we began to equip our branches with new electronic cashier and counter terminals. Once the programme has been completed some time in 1983/84, it will enable the whole range of savings and current account operations to be carried out instantly and from any of our offices. The new desk terminals not only permit the automatic processing of all inward and outward payments, including those involving traveller's cheques and foreign exchange, but also the constant monitoring of both D-mark and currency cash holdings.

Under the new system the traditional cash box will give way, particularly at our smaller branches, to an automatic teller run by our customer counsellors. The fact that the latter will thus be in a position directly to handle any kind of cash transaction should make for an even more unified and efficient service.

### 24-hour cash dispensing

In addition, we plan in the next few months to instal cash dispensers at some twelve to fifteen selected branches throughout the country. These will be operated by means of the eurocheque card and will allow our clients to withdraw or pay in money at any time of the day or night, and later also to make a balance enquiry or statement request, and to transfer sums from one account to another. The first such machine will already come into service in Frankfurt in the first half of 1982. Thanks to a system which should ultimately cover all German banks, it will be possible for customers–provided they hold suitable eurocheque cards–to use cash dispensers of other banks as well as of their own.

### Banking by TV

Another important project of considerable impact for the future is the development of a viewdata service for all our customers. By means of their telephone and television set, they will be able not just to receive information but also to enquire as to their balances, make transfers, place standing orders, buy and sell securities and give other investment instructions–all from the comfort of their own armchair. Pilot schemes along these lines, involving a number of interested Commerzbank customers, are scheduled to start by the end of the current year. Once the German Post Office generalizes the provision of viewdata links and the necessary television adaptors come to be fitted, this service could rapidly expand.

### Progress towards a universal credit card

Still in the planning stage is the developing of the eurocheque guarantee card into a universally acceptable credit card enabling private customers to make cashless payments at the point of sale–whether shops, petrol stations, or other service businesses–without the need to write out a cheque. Commerzbank is actively involved in this joint scheme of the German banking community and a signatory to the general agreement for the "Handling by all (German) Credit Institutions of Cashless Payments through Automated Cash Terminals operated by Retailers and Service Companies".

All in all, electronic data processing has thus progressed beyond being merely a useful technical aid and become an essential element in our business strategy in which the two aims of improved service and increased productivity through rationalization enjoy equal importance.

## Staff and Welfare Report

Personnel policy is now increasingly forced to think in terms of efficient business administration and beyond the traditional aspects of staff management and welfare. Banks in particular have in recent years been led to give priority to the planning and control of staffing costs because, with their operations so labour-intensive, expenditure to be faced by them in this field is approximately three times that of other operating costs.

At the same time, it is important that financial considerations should not inhibit measures designed to ensure a higher level of staff expertise and motivation, since both specialist knowledge and commitment are just as important for a successful performance as is a disciplined attitude to spending.

Consequently, thorough attention is paid in our personnel policy to the twin aspects of a more effective cost control and a steady rise in the level of qualification through our basic and advanced training programmes coupled with management for motivation.

### Fewer employees, but ...

Natural wastage enabled us to keep to plan and reduce our staff by an overall 378 to a total of 18,895, expressed in terms of full-time employment. In doing so and with the interest of direct customer contact in mind, we were careful to provide for an improved proportional relationship between the number of head office staff and the people working at our branches, in favour of the latter. This shift in emphasis, which has been in process for some considerable time, now shows clearly in our personnel statistics. Whereas five years ago just on 71 per cent of Commerzbank employees were to be found at our branches, the figure at present is almost 75 per cent. Moreover, 41 of those working at our Frankfurt head office are exclusively doing so for Deutsche eurocheque-Zentrale, the eurocheque clearing centre operated jointly by the German banks and housed on our premises.

The year under review saw 305 people leaving Commerzbank for a well-earned retirement, with pensioners and widows numbering 3,885 at year-end. 29 members of staff and 102 ex-members died in the course of 1981.

### ... higher personnel costs

The reduction in costs achieved by the cut in the number of staff was not sufficient to compensate for the general increase in personnel expenditure which was up from DM 1,002 m to DM 1,044 m, or 4.2 per cent, in 1981. Much of this was due to a 4.8 per cent negotiated pay rise as from March 1, 1981, followed by a similar one in non-negotiated salaries a month later, a further factor being the increase in wage levels and rates applying to social security contributions.

Another important reason why personnel expenditure is so high is the variety of fringe benefits available. Chief among these is the Bank's pension scheme, costs of which amounted to DM 110 m last year–a comfortable 10 per cent of total costs in this sector. So expensive has this item now become that, also with an eye to its longer-term financing, we were obliged to lighten the burden by revising the rules for those who have entered the Bank after January 1, 1981. We are, moreover, seeking with staff representatives to work out a new arrangement for people employed before that date.

One event falling within the scope of fringe benefits that was greeted with unanimous approval in the year under review was our offer, on preferential terms, of further Commerzbank shares to present and retired staff, of which very many again took advantage.

### Personnel budget: versatile means of control

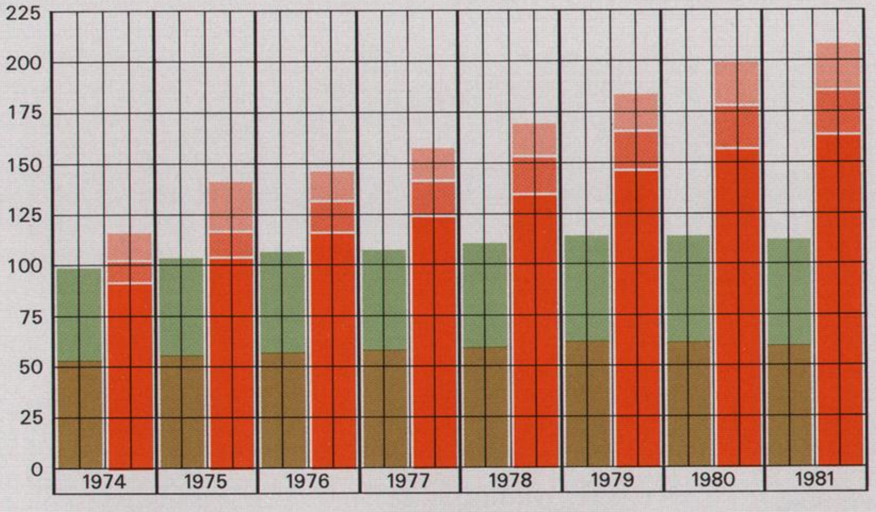
With a view to applying personnel expenditure to best purpose, we have devised a staff budgeting system that has been in operation at branch level since early this year and will subsequently also be introduced in our central departments.

Under the new system, the main branches–and in due course the central departments–will be able to a greater extent than before to adjust staffing to suit local conditions and the specific requirements of their business, always provided they remain within their overall appropriations. Another point in its favour is that those responsible at both main branches and central departments will now be called upon to assist in planning personnel expenditure for each budgetary period. The resulting need systematically to consider the potential of each staff member individually should in our view lead to a steadily improving personnel structure.

### Commerzbank training much sought after by school-leavers

That the varied and demanding apprenticeship training provided by our Bank is highly re-

# Commerzbank's staff as reflected in personnel statistics.




**Number of employees and personnel expenditure**

Savings resulting from a decline in staff numbers have hitherto been outweighed by rising costs per person. Recent years have seen disproportionate increases in "supplementary wage costs" such as social insurance and pension fund contributions.

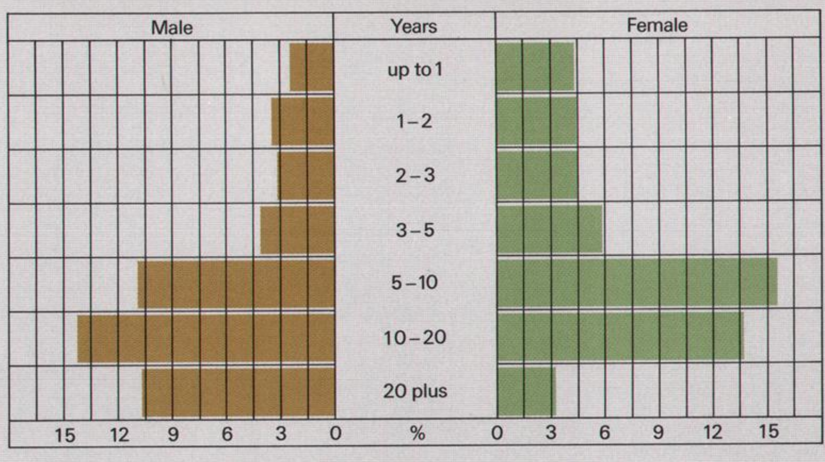
1973 = 100

number of employees:

- female
- male

personnel expenditure:

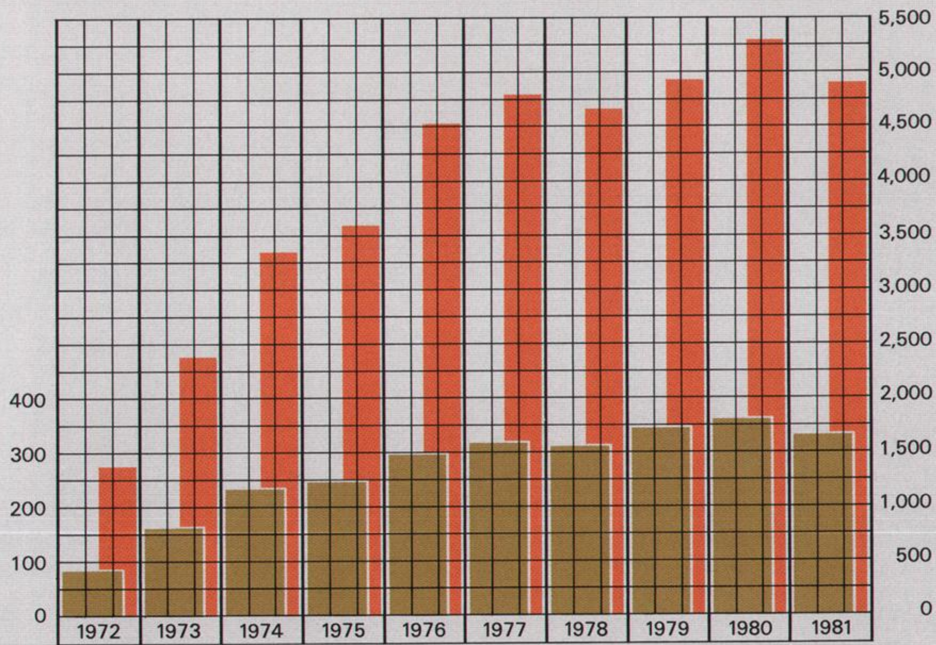
- pension fund contributions, benefits
- social insurance contributions
- wages and salaries




**Years of service with Commerzbank**

More than two-thirds of our staff have now been with us for at least 5 years.

- female employees
- male employees




**Advanced training programme**

With the early seventies' considerable need for advanced training of a more fundamental nature now largely being met, today's emphasis is on training in specialist fields.

- number of seminars
- number of participants

garded by young people starting out on a career is confirmed by the more than 22,000 applications received by us in the year under review for the 620 or so 1982 training vacancies on offer. The interest shown by girl school-leavers was especially pronounced.

By end-1981 the number of those serving their apprenticeship with Commerzbank was 1,660. In all, 670 of the candidates taking their final examination as certified bank clerks last year were successful–a pass rate of 98.5 per cent–and of these more than half were graded "good" or "very good".

This achievement, which we view as confirming the standard of our training, is to a great degree attributable to the efforts of those of our staff responsible for teaching the young people on the job. In addition, 48 full-time instructors work with dedication at the Bank's 31 training centres to bridge the gap between the more general courses for apprentices on the curriculum of vocational secondary schools and the specific needs of day-to-day banking practice.

## Trainee programmes stand the test

As expected, the trainee schemes which we reorganized last year have proved to be even more attractive, with interest among those graduating from the various institutions of higher education especially marked. Recruits at this level, who usually lack the necessary practical experience in banking when they join us, go through our basic training as a means of both general orientation and thorough preparation for the subsequent specialized courses.

The growing decentralization of our organization in terms of responsibilities allowed our main branches substantial scope in selecting persons from their own ranks to take part in trainee programmes designed to prepare them for future managerial or specialist functions. This also had the effect of markedly raising the proportion of persons without a college or university degree involved in our trainee schemes.

## Advanced training remains much in demand

Our personnel policy continues to lay considerable stress on the various forms of advanced training we offer to our more senior staff. During the year under review, a total of 4,900 people attended some 330 seminars where the emphasis was not only on banking subjects but, particularly, on a more sales-oriented approach.

The ultimate aim of all our advanced training is to ensure that staff are fully equipped for the tasks allotted to them, whether in one of our branches or in a department at head office, and to keep them acquainted with latest developments in their field. These types of courses are given almost exclusively by Commerzbank employees who carry out this work over and above their normal schedules.

## Practical cooperation with staff councils ...

A newly elected central staff council, on which by special internal agreement the personnel from the areas administered by our three head offices are proportionally represented, took office in late May.

Cooperation between management and the various staff councils was again open and objective at every level, with the accent increasingly on shared responsibility. This becomes all the more important at a time when, due to rising pressure of costs and consequent greater efforts to rationalize, the problems to be solved grow in complexity.

## ... and senior staff spokesmen's committee

Collaboration between the Board of Managing Directors and the spokesmen for the senior staff, as reflected in their frequent exchanges of views on matters affecting either the senior staff themselves or the Bank's progress, was similarly marked by fairness and objectivity.

## Tribute to staff

The year under review once more made considerable demands upon the willingness and dedication of our staff. To all who supported the Bank by their personal commitment and conscientiousness we should like to express our special gratitude. In doing so we do not forget those who, often after many years of sterling service, have left us for retirement.

## Features of our personnel management

One of the chief tasks of a personnel department is to develop suitable techniques and methods of staff management. This means in the main an efficient, objective assessment procedure and a realistic system of career shaping. How successful these are will, of course, largely depend upon the way the theoretical principles are translated into day-to-day practice.

These considerations have led us in the past two years to arrange for some 1,500 members of our managerial staff to attend short, specific courses where they refreshed their acquaintance with our assessment system and with how to use it to greatest effect.

### Career counselling interviews: more than a personal stimulus

Staff assessments are not an end in themselves. On the contrary, we are most concerned that these regular evaluations, usually made at Commerzbank every two years, should be taken as the opportunity for an in-depth discussion between an employee and his or her superior of the task entrusted to him, and for as objective as possible an appraisal of what has been attained during the review period.

At least as important as the assessment of past achievements is the chance to discuss future opportunities. The superior should seek in the course of the conversation to indicate targets for further progress in the other person's career and to point out ways in which weaknesses can be remedied. Our managerial staff are encouraged to stimulate motivation in this manner. We are convinced that the impact of such endeavours does not stop short at the individual immediately concerned, but that in the long run it is the department or the branch–and thus ultimately the Bank as a whole–that stands to benefit.

The special courses to which we have referred strengthened our belief in the importance of continually stressing to those involved the role played by periodic assessment. In a booklet entitled "The Career Counselling Interview", we have therefore once again set out the procedures to be followed. At the same time, a special form has been developed for judging the performance of branch managers that takes account of their specific functions.

### The aim: personal career planning

In the final analysis, all our efforts in the field of personnel management are designed to ensure that every employee is enabled to go as far as his or her abilities permit. With this in view we introduced a model for progress planning which has been conceived to allow not only for staffing requirements but also, to the greatest extent possible, for an employee's own ideas and ambitions.

Both our advanced training programmes and trainee schemes are key elements of our overall concept of personal career shaping. Accordingly, the range of seminars and the various courses offered have a wide scope matching that of our services and facilities.

The size of our branch network means that, particularly at middle and senior staff levels, we need people who in addition to their qualifications and management ability are prepared to move home for job reasons. Although we make a point of stressing this at recruitment interviews, especially in the case of apprentices or trainees and of potential executives, we note with concern the tendency of mobility to decrease. This poses a new challenge to those responsible for personnel management.

# Parent Bank's Annual Report for the Year 1981

## Notes on the Parent Bank's annual accounts

During 1981, the Bank's total assets decreased by DM 403.7 m to DM 64,298.2 m, or 0.6%. The relevant changes in the financial position are set out below:

| Assets in DM m | | Liabilities in DM m | |
|---|---|---|---|
| Cash reserves, cheques, and collection items | −213.5 | Liabilities to banks | −2,755.6 |
| Bills of exchange | + 71.4 | a) demand | (+ 70.7) |
| Claims on banks | − 58.4 | b) time | (−2,826.3) |
| Treasury bills | +482.5 | Customers' deposits | +1,215.3 |
| Bonds and notes | −464.7 | a) demand | (− 99.8) |
| Other securities | + 1.3 | b) time | (+1,227.0) |
| Loans and advances to customers | −204.1 | c) savings deposits | (+ 88.1) |
| Investments | + 12.2 | Bonds outstanding | +1,104.1 |
| Land and buildings, office furniture and equipment | + 3.9 | Acceptances outstanding | + 53.5 |
| Sundries (including loans on a trust basis) | − 34.3 | Provisions | + 45.3 |
| | | Special item with partial reserve character | − 50.0 |
| | | Sundries (including loans on a trust basis) | − 16.3 |
| | −403.7 | | − 403.7 |

### 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 2,652.8 m, representing 4.4% of our total liabilities to banks and other creditors, including indebtedness under bonds and acceptances outstanding, in the aggregate amount of DM 60,570.2 m. The Bank's liquid assets–cash reserves, cheques, due bonds, interest and dividend coupons, collection items, bills rediscountable at the Deutsche Bundesbank, claims on banks with periods of less than three months, Treasury bills and discountable Treasury notes as well as fixed-interest securities eligible as collateral for Deutsche Bundesbank advances–totalled DM 12,984.9 m and covered 21.4% of the deposits, borrowings, and other indebtedness specified above.

Claims on banks

Claims on banks were down by DM 58.4 m to DM 16,337.1 m. This item reflects debit balances on current accounts, money market investments, and loans to German and foreign banks and breaks down as follows:

| Claims on banks in DM m | 1981 | 1980 |
|---|---|---|
| Interbank and clearing balances | 10,403.2 | 10,843.3 |
| of which: demand | (1,262.3) | (1,650.2) |
| time | (9,140.9) | (9,193.1) |
| Loans | 5,933.9 | 5,552.2 |
| including: long-term | (2,912.3) | (2,616.3) |
| Total | 16,337.1 | 16,395.5 |

## Securities portfolio

Partly due to redemptions, the Bank decreased its portfolio of bonds and notes by DM 464.7 m to DM 3,391.5 m, 85.2% of this total being securities eligible as collateral for advances from the Deutsche Bundesbank.

The securities portfolio comprises such of the Bank's holdings of marketable equities, investment fund shares, and other securities as have not to be shown elsewhere.

At December 31, 1981, 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 88 to 90):

**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

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 expanded by DM 611.4 m, or 1.3%, in the year under review.

The loan portfolio breaks down as follows:

**Lending**

| | 1981 | 1980 |
|---|---|---|
| Loans to | | |
| a) banks | DM 5,933.9 m = 12.9% | DM 5,552.2 m = 12.2% |
| b) customers | DM 36,002.6 m = 78.1% | DM 36,206.7 m = 79.6% |
| Book and acceptance credits | DM 41,936.5 m = 91.0% | DM 41,758.9 m = 91.8% |
| Discounts | DM 4,144.8 m = 9.0% | DM 3,711.0 m = 8.2% |
| Total lending | DM 46,081.3 m = 100.0% | DM 45,469.9 m = 100.0% |

The combined volume of advances and acceptance credits outstanding at the end of 1981 comprised short and medium-term credits amounting to DM 23,033.8 m and long-term loans totalling DM 18,902.7 m. Advances at short and medium term rose DM 1,530.6 m, or 7.1%, on the corresponding figure as at December 31, 1980, while those at long term declined by DM 1,353.0 m, or 6.7%.

Short and medium-term book credits consisted of loans to non-bank customers worth DM 20,012.2 m (up DM 1,444.9 m) and of lendings to banks amounting to DM 3,021.6 m (up DM 85.7 m). The portfolio of long-term loans comprised DM 15,990.4 m advanced to customers other than banks (down DM 1,649.0 m) and DM 2,912.3 m to banks (up DM 296.0 m).

Funds extended at long term were, inter alia, financed by bonds with maturities of more than four years in the amount of DM 1,823.9 m and by long-term borrowings, mainly from banks –among them Kreditanstalt für Wiederaufbau (Reconstruction Loan Corporation)–and from public authorities, totalling DM 10,901.7 m.

Where so provided for in the agreements with the respective lenders, funds were passed on to the final borrowers on the terms on which they had been obtained.

While regular loans and advances outstanding at the end of 1981 exceeded the preceding year-end figure by DM 177.6 m, or 0.4%, discounts were up by DM 433.8 m, or 11.7%, to DM 4,144.8 m. This includes rediscounted bills of DM 2,598.0 m, representing 62.7% of our total bill portfolio.

The Bank's loans and advances to some 477,000 borrowers break down as follows:

| Size of loans | 1981 | 1980 |
|---|---|---|
| 354,842 loans of up to DM 20,000 | 74.4% | 75.6% |
| 81,251 loans of more than DM 20,000, up to DM 100,000 | 17.0% | 16.3% |
| | 91.4% | 91.9% |
| 36,727 loans of more than DM 100,000, up to DM 1,000,000 | 7.7% | 7.3% |
| 4,275 loans of more than DM 1,000,000 | 0.9% | 0.8% |
| | 100.0% | 100.0% |

Hazards inherent in the credit business have increased, growing risks on major loans and more clearly emerging country risks giving especial cause for concern. This led the Bank appreciably to raise its loan provisions, also by starting to provide, in particular, for country risks. The customary caution was applied in assessing the risks attaching to individual credits and adequate allowances for possible losses on these loans were made on the basis of current evaluations. The resulting expense item in the profit and loss account amounted to several times the corresponding average for the last ten years. 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 reforms–were reduced by regular and extraordinary redemption payments totalling DM 3.7 m to DM 57.4 m.

## Investments as shown in the balance sheet

Of the investments as shown in the balance sheet, DM 968.7 m represents interests in credit institutions and DM 523.1 m non-bank holdings. The most important of these are set out in detail on pages 88 to 90, with Commerzbank's share in the capital of each shown.

The Bank raised these holdings in subsidiaries and associated companies and its trade investments by DM 12.2 m in 1981. Besides two minor new acquisitions, the change of DM 16.9 m mainly reflects increases in share capital, obligatory payments on account of subscriptions, and the build-up of existing holdings. Allowing for disposals of DM 3.2 m and write-downs of DM 1.5 m, investments are shown at a book value of DM 1,491.8 m, DM 544.7 m of which is made up of interests held in foreign companies.

Worthy of particular mention is the reduction to 89.2% in the Bank's holding in Rheinische Hypothekenbank.

Generally speaking, Commerzbank's subsidiaries and affiliates did well in 1981, while the earnings position of the commercial banks among them was far less impaired by the narrowing of their interest margins than in the previous year. Total income from these investments, including income transferred under profit and loss pooling agreements, came to DM 93.7 m after DM 78.5 m the year before.

For details on the Bank's relations with its subsidiaries and affiliates see the Consolidated Annual Report on pages 73 to 97 of this Report.

## Land and buildings

Land and buildings are shown at DM 716.5 m. The excess of DM 11.3 m over the comparable figure for the preceding year represents the balance of additions and reclassifications of DM 33.9 m, disposals of DM 2.3 m, and depreciation of DM 20.3 m, the amount permissible under tax regulations.

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

Office furniture and equipment

The net book value of office furniture and equipment declined to DM 197.4 m as a result of additions of DM 47.1 m, disposals of DM 1.7 m, reclassifications of DM 0.4 m, and normal depreciation of DM 52.4 m. The cost of minor-value items acquired during the year at DM 4.5 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 124.4 m. This amount includes DM 123.9 m of unamortized discounts on savings certificates and DM 0.5 m of bonds issued by the Bank.

**Liabilities and shareholders' equity**

Liabilities

During the year, liabilities to banks and customers fell by 2.7% to DM 56,564.1 m. Of the overall reduction of DM 1,540.3 m, liabilities to banks accounted for DM 2,755.6 m, while customers' deposits rose by DM 1,215.3 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.

Bonds

The volume of the Bank's own bonds outstanding increased by a total of DM 1,104.1 m to DM 3,482.9 m, DM 14.4 m of which was temporarily held by the Bank itself.

Included in this item are DM 1,659.0 m bearer bonds with a life of up to four years. Of paper with an original maturity of over four years, bearer bonds serving to fund long-term loans to customers accounted for DM 1,012.0 m, savings certificates with an annually rising coupon for DM 554.3 m, and discounted bearer savings bonds for DM 1.8 m. Also shown here are DM 255.8 m of 5½% convertible bonds issued by Commerzbank 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 a total of DM 250.0 m of 4½% convertible bonds issued in 1978.

Provisions

The actuarially computed liability for pensions increased by DM 52.5 m from DM 523.5 m at December 31, 1980, to DM 576.0 m at December 31, 1981 (since end-1975, these liabilities have been determined by what is usually referred to as the "normal entry-age method").

| Deposits | 1981 | | 1980 | |
|---|---|---|---|---|
| Liabilities to banks | | | | |
| a) demand | DM 2,899.7 m = | 5.1% | DM 2,829.0 m = | 4.9% |
| b) time | DM 15,894.1 m = | 28.1% | DM 18,707.7 m = | 32.1% |
| Liabilities for customers' drawings on other banks | DM 33.7 m = | 0.1% | DM 46.4 m = | 0.1% |
| Sub-total | DM 18,827.5 m = | 33.3% | DM 21,583.1 m = | 37.1% |
| Customers' deposits | | | | |
| a) demand | DM 7,542.2 m = | 13.3% | DM 7,642.0 m = | 13.2% |
| b) time | DM 21,093.0 m = | 37.3% | DM 19,866.0 m = | 34.2% |
| c) savings deposits | DM 9,101.4 m = | 16.1% | DM 9,013.3 m = | 15.5% |
| Sub-total | DM 37,736.6 m = | 66.7% | DM 36,521.3 m = | 62.9% |
| Total deposits | DM 56,564.1 m = | 100.0% | DM 58,104.4 m = | 100.0% |

Provisions for other expenses, shown at an amount of DM 290.6 m, relate to taxes, year-end bonuses, anticipated losses under executory contracts, other liabilities of uncertain amount, and to 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 294.6 m mainly reflect unearned interest and service charges on credits extended under personal loan schemes.

## Share capital and reserves

Share capital and reserves in the year under review remained unchanged at DM 843.4 m and DM 1,634.2 m, respectively. 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 capital was made up as follows:

| Capital and reserves | | |
|---|---|---|
| in DM m | 1981 | 1980 |
| Share capital | 843.400 | 843.400 |
| Disclosed reserves | | |
| a) legal reserve | 1,025.190 | 1,025.190 |
| b) other reserves, voluntary | 609.000 | 609.000 |
| Total liable capital | 2,477.590 | 2,477.590 |

## Footnotes to the balance sheet and other information

Own drawings in circulation and endorsement liabilities from rediscounted bills of exchange totalled DM 2,598.0 m, against DM 2,235.6 m as at December 31, 1980.

Commitments under guarantees, including guarantees for bills and cheques and under indemnity agreements totalled DM 8,788.9 m, exceeding the commitments outstanding at the end of the preceding year by 5.4%.

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 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 213.6 m.

**Profit and loss account**

*Interest and similar income from lending and money market transactions* was DM 6,194.3 m, as against DM 5,314.2 m in 1980, an increase of DM 880.1 m, or 16.6%.

*Current income from fixed-interest securities, Government-inscribed debt, other securities, and investments as shown in the balance sheet* rose by DM 31.9 m, or 8.6%, on the corresponding figure for 1980 to DM 400.9 m.

The net balance obtained by the deduction of DM 5,521.6 m *interest and similar expenses* from the DM 6,595.2 m of total interest and dividends earned is DM 1,073.6 m. This increase of DM 135.6 m or 14.5% on 1980 went hand in hand with a 1.1% decline in the average business volume.

*Commissions and other service charges received* were up by 12.5%, from DM 413.1 m to DM 464.9 m. With *commissions and similar service charges paid* amounting to DM 17.9 m, net income from commissions was DM 447.0 m, against DM 398.4 m in the preceding year –up DM 48.6 m, or 12.2%.

*Other income, including income from the writing back of provisions for possible loan losses,* is shown at DM 108.9 m. This reflects gains from own-account foreign exchange transactions, rentals from real estate, and other ordinary and extraordinary income.

After offsetting them against "earnings and income" to the maximum extent permitted by tax regulations, *write-downs of and adjustments for possible losses on loans and securities, as well as transfers to provisions for possible loan losses* are shown at DM 191.6 m.

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

| Personnel expenditure | | |
|---|---|---|
| in DM m | 1981 | 1980 |
| *Salaries and wages* | 817.7 | 786.3 |
| *Compulsory social security contributions* | 112.3 | 106.5 |
| *Expenses for retirement pensions and other employee benefits* | 114.1 | 108.8 |
| Total | 1,044.1 | 1,001.6 |

The addition of DM 42.5 m or 4.2%, lower than in 1980, was the result of higher wages and salaries as also of a reduction in the number of our staff.

*Other operating expenses* rose to DM 320.8 m from DM 310.1 m, a rise of DM 10.7 m or 3.5%.

*Depreciation on and adjustments to land and buildings, office furniture and equipment* were charged at DM 72.7 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 40.6 m, against DM 38.3 m in the previous year. Total tax expenditure includes DM 1.2 m (DM 1.4 m in 1980) for taxes other than those on income and assets.

*Charges for losses assumed under profit and loss transfer agreements* relate to a voluntary grant made by the Bank to its Luxembourg subsidiary, Commerzbank International S.A., to balance the latter's annual accounts. Given the fact that such voluntary grants must now be shown separately, the relevant 1980 figures have been regrouped under the headings *"charges for losses assumed under profit and loss transfer agreements"* and *"other income, including income from the writing back of provisions"* under Section 157 (3) of the German Stock Corporation Act (AktG). In the profit and loss account for 1980, the comparable expenditure item was included in "write-downs of and adjustments to loan claims" and set off against "other income".

*Other expenditure,* up by DM 10.8 m, totalled DM 29.1 m, of which DM 11.0 m (DM 7.5 m in 1980) is accounted for by Commerzbank's contribution to the German banks' Deposit Insurance Fund. This item also includes such expenses as cannot be shown under other headings.

DM 50.0 m of *income* resulted *from the writing back of an allocation* of the same amount, made in 1980 *as a "special item with partial reserve character subject to future taxation" under Section 6b of the German Income Tax Act (EStG)*, after it was decided in the year under review not to make use of the possibility offered by this regulation for tax-free reinvestment of these funds.

The remuneration payable during the year under review to the Bank's Managing Directors amounted to DM 5,881,427.94, while retired Managing Directors or their surviving dependants received DM 5,106,097.92. Payments to members of the Supervisory Board totalled DM 144,283.00, and those to members of the Central Advisory Board DM 127,701.00. Members of the Regional Advisory Councils were paid DM 1,370,341.50.

Purchases and sales of the Bank's own shares

In 1981 the Bank purchased altogether 25,365 of its own shares and its subsidiaries and associated companies a total of 1,460 Commerzbank shares, at an average price of DM 135.80 per share. These were resold to employees of the Bank, its subsidiaries, and associated companies at a price of DM 90.00 per share.

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 947,448 Commerzbank shares (bearer shares at a face value of DM 50.00) to a total nominal value of DM 47,372,400.00

and by companies controlled or majority-owned by the Bank

of 26,921 Commerzbank shares to a total nominal value of DM 1,346,050.00.

The weighted average buying price of these shares was DM 135.97, while the similarly computed average resale price was DM 136.46.

The proceeds from these transactions were reallocated to working funds. On one day during the year, we held 23,129 Commerzbank shares of a total face value of DM 1,156,450.00, the largest such volume in our possession during the year under review, representing 0.1% of our share capital at that date.

Neither the Bank itself nor any companies controlled or majority-owned by it held Commerzbank shares at the balance sheet date.

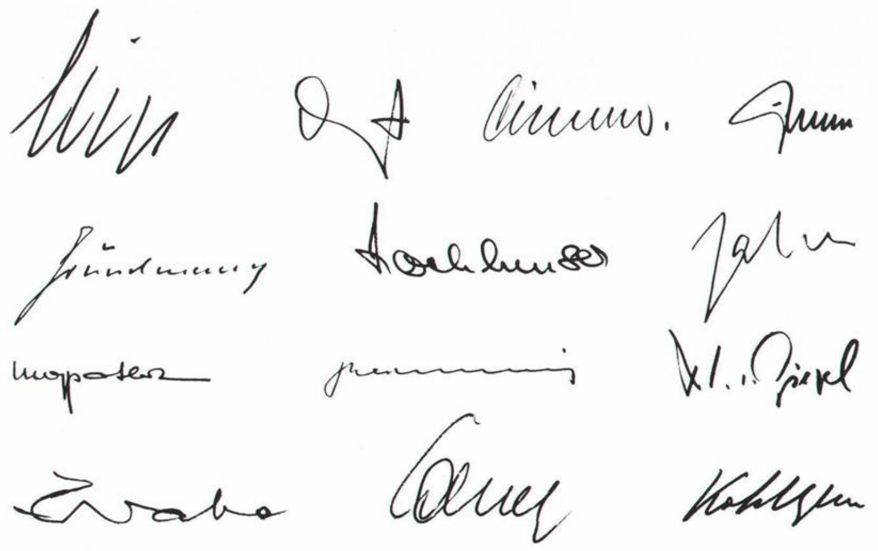
Collateral furnished by borrowing customers as security included

115,152 Commerzbank shares of a total nominal value of DM 5,757,600.00, and

7,876 Commerzbank shares of a total nominal value of DM 393,800.00, which were pledged to companies controlled or majority-owned by the Bank.

THE BOARD OF MANAGING DIRECTORS

Düsseldorf, February 26, 1982



# Report of the Supervisory Board

Throughout the year under review, the Supervisory Board performed its duties under the law and the Bank's Statutes and continuously 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, measures for further improving the Bank's overall position and performance. 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 all items of importance in this connection, as also the assets and earnings performance. Its Loans Committee studied major lending commitments as well as those involving a greater than normal risk. The Social Welfare Committee considered general and specific questions of the Bank's policy with regard to staff.

Mr. Paul Lichtenberg rejoined the Board of Managing Directors as its spokesman on January 1, 1981, his period of secondment under Section 105 (2) of the German Stock Corporation Act expiring at the end of the Annual General Meeting held on May 6, 1981. During this time, Professor Dr.-Ing. Kurt Hansen assumed the Chairmanship of the Supervisory Board. Dr. Walter Seipp, who was appointed a member of the Board of Managing Directors as from March 1, 1981 with his base in Frankfurt and Düsseldorf, took over its Chairmanship on the day following the Annual General Meeting.

The Supervisory Board on July 14, 1981 appointed Dr. Kurt Hochheuser a regular member of the Board of Managing Directors, to be based in Düsseldorf, as from July 15, 1981.

On September 30, 1981 the Supervisory Board resolved to appoint Mr. Martin Kohlhaussen a Deputy Member of the Board of the Managing Directors, to be based in Frankfurt, as from January 1, 1982.

Mr. Heinz Niederste-Ostholt, who was with Commerzbank for 32 years, retired on May 31, 1981. He had served as Deputy Spokesman of the Board of Managing Directors since 1976.

As of March 26, 1982 Mr. Engelbert Dicken is to withdraw from the Board of Managing Directors by mutual consent.

The Parent Bank's Annual Report and Accounts together with the books of account for the period from January 1 to December 31, 1981 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.

It also had sight of the Consolidated Accounts and Report, and of the report of the Group's auditors with the latter's unqualified certificate.

Düsseldorf, March 26, 1982

THE SUPERVISORY BOARD

Chairman

# Business Progress of Parent Bank, 1952-1981

| | Total assets | Total lending | Capital and reserves | Savings deposits and savings bonds | Annual dividend | Total amount of dividends paid | Allo-cation to reserves from profit | Taxes paid | Staff¹) | 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 | 40.0²) | 55.3 | 12,760 | 550 |
| 31-12-1968 | 15.4 | 9.7 | 660 | 3,565 | 17 | 46.8 | 30.0³) | 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 |
| **31-12-1981** | **64.3** | **46.1** | **2,478** | **11,638** | **–** | **–** | **–** | **40.6** | **18,895** | **802** |

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

¹) calculated as full-time staff (from 1981 onwards calculated on the basis of hours actually worked per week);
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, 1981

## Balance Sheet pages 68 and 69

## Profit and Loss Account pages 70 and 71

# Balance Sheet as at December 31, 1981

| Assets | DM | DM | DM | Dec 31, 1980 DM 1,000 |
|---|---|---|---|---|
| **Cash on hand** | | | 192,036,018.80 | 186,442 |
| **Balance with Deutsche Bundesbank** | | | 2,447,303,708.90 | 2,742,715 |
| **Balances on postal cheque accounts** | | | 13,496,184.53 | 13,801 |
| **Cheques, matured bonds, interest and dividend coupons, items received for collection** | | | 362,539,340.79 | 286,019 |
| **Bills of exchange** | | | 1,546,755,858.91 | 1,475,398 |
| including: a) rediscountable at Deutsche Bundesbank | 854,011,367.19 | | | |
| b) own drawings | 137,007,169.19 | | | |
| **Claims on banks** | | | | |
| a) payable on demand | | 1,535,863,243.43 | | 1,956,373 |
| b) with original periods or periods of notice of | | | | |
| ba) less than three months | | 4,161,953,400.98 | | 3,409,880 |
| bb) at least three months, but less than four years | | 6,772,704,946.49 | | 7,388,884 |
| bc) four years or more | | 3,866,614,115.43 | | 3,640,247 |
| | | | 16,337,135,706.33 | 16,395,384 |
| **Treasury bills and discountable Treasury notes** | | | | |
| a) of the Federal and Länder Governments | | 466,392,000.00 | | |
| b) of other issuers | | 63,321,000.00 | | 47,245 |
| | | | 529,713,000.00 | 47,245 |
| **Bonds and notes** | | | | |
| a) with a life of up to four years | | | | |
| aa) of the Federal and Länder Governments | 446,158,073.10 | | | |
| ab) of banks | 471,804,992.63 | | | |
| ac) of other issuers | 6,198,472.54 | 924,161,538.27 | | 1,155,119 |
| including: eligible as collateral for Deutsche Bundesbank advances DM 909,268,791.66 | | | | |
| b) with a life of more than four years | | | | |
| ba) of the Federal and Länder Governments | 460,312,420.67 | | | |
| bb) of banks | 1,633,810,906.17 | | | |
| bc) of other issuers | 373,232,241.34 | 2,467,355,568.18 | | 2,701,057 |
| | | | 3,391,517,106.45 | 3,856,176 |
| including: eligible as collateral for Deutsche Bundesbank advances DM 1,978,756,088.81 | | | | |
| **Securities not to be shown elsewhere** | | | | |
| a) shares marketable on a stock exchange and investment fund certificates | | 524,950,714.19 | | 527,643 |
| b) other | | 143,176,190.16 | | 139,137 |
| | | | 668,126,904.35 | 666,780 |
| including: holdings of more than one-tenth of the shares of a joint stock or mining company, unless shown as investments | 500,780,947.60 | | | |
| **Claims on customers, with original periods or periods of notice of** | | | | |
| a) less than four years | | 20,012,221,167.41 | | 18,567,368 |
| b) four years or more | | 15,990,392,080.26 | | 17,639,377 |
| | | | 36,002,613,247.67 | 36,206,745 |
| including: ba) secured by mortgages on real estate | 3,279,245,775.15 | | | |
| bb) communal loans | 2,573,628,833.41 | | | |
| **Recovery claims on Federal and Länder authorities** under post-war currency reform acts | | | 57,376,073.09 | 61,089 |
| **Loans on a trust basis** at third party risk | | | 36,466,289.60 | 48,985 |
| **Subsidiaries, associated companies, and trade investments (investments)** | | | 1,491,828,000.00 | 1,479,567 |
| including: investments in banks | 968,741,000.00 | | | |
| **Land and buildings** | | | 716,521,000.00 | 705,183 |
| **Office furniture and equipment** | | | 197,439,000.00 | 204,841 |
| **Bonds and notes issued by Commerzbank** | | | 14,366,727.55 | 4,908 |
| nominal amount | 14,017,700.00 | | | |
| **Other assets** | | | 152,189,595.18 | 152,368 |
| **Deferred items** | | | | |
| a) unamortized debt discount (difference according to Section 156 (3) of the German Stock Corporation Act–AktG) | | 124,417,544.10 | | 163,381 |
| b) other | | 16,341,407.84 | | 4,853 |
| | | | 140,758,951.94 | 168,234 |
| | | **Total Assets** | 64,298,182,714.09 | 64,701,880 |
| **Total Assets and the recourse claims from the contingent liabilities shown below the line on the liabilities side include** | | | | |
| a) claims on related companies | | | 3,773,609,066.94 | 3,800,298 |
| b) claims arising from loans falling under Section 15 (1) 1-6 and (2) of the German Banking Act, unless included under a) | | | 359,787,480.34 | 330,053 |

| Liabilities and Shareholders' Equity | DM | DM | DM | Dec 31, 1980 DM 1,000 |
|---|---|---|---|---|
| **Liabilities to banks** | | | | |
| a) payable on demand | | 2,899,675,845.97 | | 2,828,965 |
| b) with original periods or periods of notice of | | | | |
| ba) less than three months | 2,171,551,952.53 | | | |
| bb) at least three months, but less than four years | 4,987,427,237.97 | | | |
| bc) four years or more | 8,735,184,495.14 | 15,894,163,685.64 | | 18,707,684 |
| including: due in less than four years DM 7,996,273,201.19 | | | | |
| c) customers' drawings on other banks | | 33,672,965.69 | | 46,448 |
| | | | 18,827,512,497.30 | 21,583,097 |
| **Liabilities to customers (customers' deposits)** | | | | |
| a) payable on demand | | 7,542,225,715.40 | | 7,642,037 |
| b) with original periods or periods of notice of | | | | |
| ba) less than three months | 13,283,648,426.40 | | | |
| bb) at least three months, but less than four years | 5,642,814,410.12 | | | |
| bc) four years or more | 2,166,511,494.02 | 21,092,974,330.54 | | 19,866,026 |
| including: due in less than four years DM 2,102,070,862.52 | | | | |
| c) savings deposits | | | | |
| ca) subject to legal period of notice | 5,618,673,103.23 | | | |
| cb) other | 3,482,774,123.31 | 9,101,447,226.54 | | 9,013,258 |
| | | | 37,736,647,272.48 | 36,521,321 |
| **Bonds and notes with a life of** | | | | |
| a) up to four years | | 1,658,957,974.00 | | 51,667 |
| b) more than four years | | 1,823,932,935.86 | | 2,327,075 |
| | | | 3,482,890,909.86 | 2,378,742 |
| including: maturing in less than four years DM 1,713,099,935.86 | | | | |
| **Acceptances and promissory notes outstanding** | | | 523,156,625.93 | 469,719 |
| **Loans on a trust basis** at third party risk | | | 36,466,289.60 | 48,985 |
| **Provisions** | | | | |
| a) for pensions | | 576,046,000.00 | | 523,520 |
| b) other | | 290,558,000.00 | | 297,816 |
| | | | 866,604,000.00 | 821,336 |
| **Other liabilities** | | | 46,771,692.70 | 59,614 |
| **Deferred items** | | | 294,856,688.00 | 285,866 |
| **Special item with partial reserve character** subject to future taxation (in accordance with Section 6b of the German Income Tax Act–EStG) | | | — | 50,000 |
| **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 | | 1,025,190 |
| b) other reserves, voluntary | | 609,000,000.00 | | 609,000 |
| | | | 1,634,190,000.00 | 1,634,190 |
| **Commerzbank Foundation** | | | 5,686,738.22 | 5,610 |
| **Distributable profit** | | | — | — |
| **Total Liabilities and Shareholders' Equity** | | | 64,298,182,714.09 | 64,701,880 |
| **Own drawings in circulation** (of which: discounted on borrowers' account: DM 47,283,750.00) | | | 47,283,750.00 | 10,172 |
| **Endorsement liabilities on rediscounted bills of exchange** | | | 2,550,705,794.13 | 2,225,436 |
| **Contingent liabilities from guarantees, including guarantees for bills and cheques, and from indemnity agreements** | | | 8,788,871,427.70 | 8,336,262 |
| **Commitments under repurchase agreements, not included in liabilities** | | | 1,500,000,000.00 | 1,150,000 |
| **Savings premiums under the Savings Premium Act** | | | 102,857,798.81 | 97,696 |
| **Total Liabilities, together with contingent liabilities and other commitments shown below the line, include liabilities to related companies in the amount of** | | | 1,682,111,999.58 | 1,685,978 |

# Profit and Loss Account for the Year ended December 31, 1981

| Expenses | DM | DM | Comparable 1980 figures DM 1,000 |
|---|---|---|---|
| **Interest and similar expenses** | | 5,521,572,074.27 | 4,745,209 |
| **Commissions and similar service charges paid** | | 17,876,367.73 | 14,681 |
| **Write-downs of and adjustments to claims and securities, transfers to provisions for possible loan losses** | | 191,595,135.89 | — |
| **Salaries and wages** | | 817,714,026.20 | 786,300 |
| **Compulsory social security contributions** | | 112,345,119.22 | 106,542 |
| **Expenses for pensions and other employee benefits** | | 114,062,563.46 | 108,824 |
| **Other operating expenses** | | 320,843,155.25 | 310,108 |
| **Depreciation on and adjustments to land and buildings, office furniture and equipment** | | 72,722,882.54 | 68,688 |
| **Write-downs of and adjustments to investments** (subsidiaries, associated companies, and trade investments) | | 1,464,775.24 | 3,769 |
| **Taxes** | | | |
| a) on income and assets | 39,409,585.98 | | 36,936 |
| b) other | 1,191,583.38 | | 1,388 |
| | | 40,601,169.36 | 38,324 |
| **Charges for losses assumed under profit and loss transfer agreements** | | 9,500,000.00 | 63,192 |
| **Allocations to special item with partial reserve character** | | — | 50,000 |
| **Other expenses** | | 29,065,535.74 | 18,306 |
| **Net income for the year** | | — | — |
| **Total Expenses** | | 7,249,362,804.90 | 6,313,943 |

| Income | DM | DM | Comparable 1980 figures DM 1,000 |
|---|---|---|---|
| **Interest and similar income from lending and money market transactions** | | 6,194,254,035.72 | 5,314,236 |
| **Current income from** | | | |
| a) fixed-interest securities and Government-inscribed debt | 268,684,878.25 | | 231,432 |
| b) other securities | 48,357,721.51 | | 66,718 |
| c) investments (subsidiaries, associated companies, and trade investments) | 83,862,199.27 | | 70,872 |
| | | 400,904,799.03 | 369,022 |
| **Commissions and other service charges received** | | 464,899,577.74 | 413,076 |
| **Other income, including income from the writing back of provisions for possible loan losses** | | 108,897,225.44 | 206,776 |
| **Income from profit-pooling and from partial or full profit-transfer agreements** | | 9,805,052.28 | 7,657 |
| **Income from the writing back of provisions, unless it has to be shown under other income** | | 20,602,114.69 | 3,176 |
| **Income from the writing back of special item with partial reserve character** | | 50,000,000.00 | — |
| | **Total Income** | 7,249,362,804.90 | 6,313,943 |

Pension payments and payments to Beamtenversicherungsverein des Deutschen Bank- und Bankiergewerbes (a.G.), Berlin, were made during the year in the amount of DM 56,579,770.87. For the next five years, we expect pension payments equivalent to 107%, 114%, 125%, 134%, and 143% of that amount.

Düsseldorf, February 26, 1982

**COMMERZBANK**
AKTIENGESELLSCHAFT

THE BOARD OF MANAGING DIRECTORS

Seipp Deuss Dicken Frowein Grundmann Hochheuser Jahn Knappertsbusch
Reimnitz Spiegel Terrahe Coenen (dep.) Kohlhaussen (dep.)

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

Düsseldorf, March 5, 1982

TREUARBEIT
AKTIENGESELLSCHAFT
WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT · STEUERBERATUNGSGESELLSCHAFT

Dr. Scholz
Wirtschaftsprüfer
(German public accountant)

Umlandt
Wirtschaftsprüfer
(German public accountant)

# Consolidated Annual Report for the Year 1981

**Notes on the consolidated annual accounts**

With a view to rebuilding their earnings power, the commercial banks within the Commerzbank Group in 1981 have been restructuring their activities to the extent that general business conditions permitted, while maintaining a more or less unchanged volume of business. The rise of DM 1.3 bn to DM 101.3 bn in the Group's balance sheet total stems almost entirely from an expansion in the business of the mortgage bank subsidiary, Rheinische Hypothekenbank. At DM 1.6 bn, growth of the Group's business volume–consolidated balance sheet total plus endorsement liabilities–to DM 104.0 bn slightly outstripped that of its total assets. The figure of DM 31 m for consolidated net income for the year, comparing with DM 34 m for 1980, does not reflect the considerable improvement in operating income in fact achieved by the Group's member banks because of the portion used to provide for future risks.

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). The only company to be additionally included in the consolidation in the year under review was the newly founded Commerz- und Industrie-Leasing Berlin GmbH.

1) Companies included in the consolidation

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

| | |
|---|---|
| Atlas-Vermögensverwaltungs-<br>Gesellschaft m.b.H.,<br>Düsseldorf<br>Share capital DM 100,000 | 100.00 |
| Commercium Vermögens-<br>verwaltungs-GmbH,<br>Hamburg<br>Share capital DM 50,000 | 100.00 |
| Commerz- und Industrie-<br>Leasing GmbH,<br>Frankfurt<br>Share capital DM 2,000,000<br>including<br>three holding subsidiaries,<br>each with a capital of DM 20,000 | 100.00 |
| GERAP Grundbesitz- und<br>Verwaltungsgesellschaft mbH,<br>Frankfurt<br>Share capital DM 20,000 | 95.00 |
| Hamburgische Grundstücks<br>Gesellschaft m.b.H.,<br>Hamburg<br>Share capital DM 20,000 | 100.00 |
| Immobilien- und Wohnungs-<br>Gesellschaft mbH,<br>Hamburg<br>Share capital DM 50,000 | 100.00 |
| L.I.A. Leasinggesellschaft<br>für Immobilien und Anlagegüter mbH,<br>Frankfurt<br>Share capital DM 1,000,000<br>including<br>ten property holding subsidiaries,<br>each with a capital of DM 20,000 | 100.00 |
| Norddeutsche Immobilien-<br>und Verwaltungs-GmbH,<br>Hamburg<br>Share capital DM 20,000 | 100.00 |

Companies with which no profit and loss transfer agreements exist:

| | |
|---|---|
| Aussenhandel-Förderungs-<br>gesellschaft mbH,<br>Düsseldorf<br>Share capital DM 100,000 | 100.00 |
| Berliner Commerzbank<br>Aktiengesellschaft,<br>Berlin<br>Share capital DM 52,500,000 | 100.00 |
| Commerzbank Fonds-<br>Verwaltungsgesellschaft<br>mit beschränkter Haftung (Cofo),<br>Düsseldorf<br>Share capital DM 2,000,000 | 100.00 |
| Commerzbank International S.A.,<br>Luxembourg<br>Share capital Lfr 2,500,000,000 | 100.00 |
| Commerzbank (South East Asia) Ltd.,<br>Singapore<br>Share capital S$ 20,000,000 | 100.00 |
| Commerz- und Industrie-<br>Leasing GmbH,<br>Berlin<br>Share capital DM 100,000 | 100.00 |
| von der Heydt-Kersten & Söhne,<br>Wuppertal-Elberfeld<br>Liable equity DM 10,000,000 | 100.00 |
| Ilseder Bank, Sandow & Co.,<br>Peine<br>Liable equity DM 2,000,000 | 100.00 |
| C. Portmann,<br>Frankfurt<br>Liable equity DM 1,500,000 | 100.00 |

| | |
|---|---|
| RHB-Bau- und Verwaltungs-gesellschaft Mannheim mbH, Mannheim<br>Share capital DM 100,000 | 89.24 |
| Rheinische Hypothekenbank Aktiengesellschaft, Frankfurt<br>Share capital DM 77,550,000 | 89.24 |

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<br>Share capital Ffr 12,200,000 | 100.00 |
| Cisalgest S.A.R.L., Luxembourg<br>Share capital DM 35,000,000 | 100.00 |
| Europartners Bank (Nederland) N.V., Amsterdam<br>Share capital Dfl 40,000,000 | 60.00 |
| Handelsgest S.A.R.L., Luxembourg<br>Share capital DM 10,000,000 | 100.00 |
| Indugest S.A.R.L., Luxembourg<br>Share capital DM 25,000,000 | 100.00 |

Companies of minor significance:

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

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

| | |
|---|---|
| Commerz-Credit-Bank Aktiengesellschaft Europartner, Saarbrücken<br>Share capital DM 10,000,000 | 60.00 |
| Flender Werft Aktiengesellschaft, Lübeck<br>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 to the Group:

Rheinische Hypothekenbank Aktiengesellschaft, Frankfurt

This leading German mortgage bank, which is still almost 90% Commerzbank-owned, is substantially involved in the provision of mortgage loans and in lending to government authorities, as also in borrowing to fund these operations, in all of which cooperation with Commerzbank is close.

During the year under review, the bank's total assets reached DM 21.3 bn, after DM 19.7 bn in the preceding year. With the dividend remaining unchanged at DM 9, the total amount of dividend payable will once more be DM 14 m. Subject to the consent of the AGM, the reserves will be raised by a total allocation of DM 25 m, as compared with DM 32.5 m the year before.

The progress of business of this mortgage bank is more fully discussed on pages 86 and 87.

Commerzbank International S.A., Luxembourg

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

Commerzbank International maintained its balance sheet total at the preceding year's level of DM 14.7 bn. Its liable equity remained unchanged at Lfr 6,124 m. Owing, however, to the depreciation of the Belgian–and thus also the Luxembourg–financial franc in 1981, the D-mark equivalent of the latter sum was down from DM 379 m in 1980 to DM 329 m. The subsidiary's liable capital basis continues to be strengthened by an earlier subordinated loan of DM 100 m from the Parent Bank.

Following operating losses in 1980, the year under review saw the operating result of Commerzbank International slightly in the black again. Even so, after the necessary risk provision had been made, the Parent Bank assumed a DM 9.5 m loss–against one of DM 63.2 m the previous year–in order to balance the subsidiary's annual accounts.

Further details of the bank's performance are given on pages 84 and 85.

Berliner Commerzbank Aktiengesellschaft, Berlin

Our Berlin subsidiary achieved an improved result in 1981 for the second consecutive year. This enabled it to increase its dividend to 12%, thus from DM 5 m to DM 6.3 m in the total amount to be distributed, while duly providing for possible loan losses.

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

During the year under review

Commerzbank (South East Asia) Ltd., Singapore,

maintained a more or less unchanged level of total assets equivalent to DM 1,159 m. Net income for the year reached DM 3.6 m, of which DM 3.3 m was used for the payment of a dividend. This subsidiary, which is licensed to do business as a merchant bank and operates on a limited scale in the Singapore dollar market, also undertakes all kinds of offshore banking activities, concentrating its efforts on further expanding its lending to customers.

The operations of the two limited partnerships

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

and

Ilseder Bank, Sandow & Co., Peine,

are technically fully integrated into the Commerzbank branch network, with the general 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, enjoyed satisfactory growth that is reflected in a higher profit, all of which was transferred to the Parent Bank.

This leasing company has been entrusted with the management of Commerz- und Industrie-Leasing Berlin GmbH, Berlin, set up as an extension of its business by Commerzbank's Berlin subsidiary, Berliner Commerzbank, which also concluded a profit and loss transfer agreement with the new company.

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

has no commercial activity as such 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 from Commerzbank's mortgage bank subsidiary.

Finally, mention must also be made of

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

This is an investment company which, in addition to administering "Cofonds", a publicly offered open-ended fund, acts as a management company for 58 individual special-purpose investment funds with total assets of DM 1.9 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 Ffr 12 m share capital of Atlas Participations–France S.A.R.L. is jointly held by Commerzbank and its subsidiary, Atlas-Vermögensverwaltungs-Gesellschaft m.b.H., Düsseldorf.

The company continues to have a 10% holding in Crédit Chimique S.A., Paris, which–under the law recently passed in France–is scheduled for nationalization as of July 1, 1982, with the amount of compensation payable still under negotiation. Whilst hoping not to suffer a financial loss as a result of this measure, Commerzbank cannot but regret the large-scale ousting of the private sector from French banking.

The interests of the Europartners 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 activities. Cooperation with the international banking partners, Banco di Roma and Crédit Lyonnais, each holding 20%, 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 bank closed the year under review with a balance sheet total of Dfl 1,085 m, almost unchanged from the 1980 figure of Dfl 1,120 m. Following the abolition of credit restrictions in the Netherlands, satisfactory expansion of local business was achieved. As already in the preceding year, participation in international loan syndications remained an important feature of the bank's business.

An improved balance sheet structure raised pre-tax profits appreciably from the 1980 figure of Dfl 0.2 m to Dfl 2.4 m. Risks–especially those involved in international lending–were adequately provided for.

The bank's total liable equity was Dfl 67 m, consisting of a share capital of Dfl 40 m, reserves of Dfl 7 m, and a subordinated loan of Dfl 20 m.

Commerzbank continues to own 75% of the share capital of both Handelsgest S.A.R.L. and Indugest S.A.R.L., and 25% of that of Cisalgest S.A.R.L., the remaining shares being held by the Bank's Luxembourg subsidiary, Commerzbank International. All three of these Luxembourg-based companies serve as financial holdings within the Commerzbank Group and, as foreign enterprises, have not been included in 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

Total assets of this bank, which operates mainly in the Saarland, reached DM 1,036 m at the end of 1980, thus for the first time exceeding the DM 1 bn mark.

The result achieved once again permits payment of a 10% dividend, corresponding to a total of DM 1 m to be distributed.

In its short-term lending, the bank helped to provide working funds for smaller and medium-sized and especially for larger companies in those sectors still benefiting from satisfactory trends in demand and capacity utilization.

High interest rates meant that medium and long-term borrowing by such customers was restrained and only resorted to when unavoidable because of investment projects already in hand and difficult to interrupt. One example that might be quoted is that of the local steel industry which, on the basis of a restructuring programme already well under way, was again able to avail itself as scheduled of government-backed, low-interest loans at long term.

Though affected by both flagging house-building activity and high interest rates, the bank's retail business still managed to expand.

In the spirit of the Europartners' concept of cooperation, 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. Commerzbank also permits the bank to use its EDP facilities for accounting purposes for an appropriate fee.

Flender Werft Aktiengesellschaft, Lübeck

Thanks to the construction of sophisticated new vessels calling for the most up-to-date technological know-how the company managed to keep its shipyards still fully employed in 1981, and can therefore expect a break-even result for the year.

The future of the German shipbuilding industry can only be viewed with considerable scepticism. On the one hand, there is as yet no sign of the balance between world demand for vessels and production capacity forecast for the early eighties. Nor, on the other, has there been any lessening of competitive pressure from either the industry of the Far East or that of other countries rivalling each other in terms of subsidies. In the short run, therefore, the market situation can hardly be anticipated to relax to any noticeable degree.

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 interests without seeking to influence the conduct of business.

## Principles of consolidation

Commerzbank's consolidated annual accounts as at December 31, 1981, 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 one exception of Cofo–which during the year under review altered its reporting period to close on December 31–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 at the balance sheet date, their classification being in line with that required by German bank accounting regulations. 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).

For the consolidation of the capital accounts, the book values of investments as shown in the balance sheet have been offset 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 profit and loss account of the Group.

Investment income from consolidated companies received in 1981 in respect of 1980 as well as profits carried forward by group members have been included in the profit brought forward, while tax credits received have been deducted from the above investment income and from the Group's tax liability. The profit brought forward was reduced due to the elimination of inter-company profits from the consolidation in previous years.

## Consolidated balance sheet total

At DM 101.336 bn, the consolidated balance sheet total was DM 1.308 bn up on the preceding year's figure, thus exceeding the total assets of the Parent Bank, Commerzbank AG, by DM 37.038 bn (1980: DM 35.327 bn). The following changes occurred in individual balance sheet items during the year under review (see table overleaf).

Commerzbank Aktiengesellschaft accounts for 60.8% of the assets entering into the Group's balance sheet total before elimination of inter-company balances, as compared with 61.9% in the previous year. A further 38.6% relates to consolidated banks and 0.6% to other firms.

| Assets in DM m | | Liabilities in DM m | |
|---|---|---|---|
| Cash reserves, cheques, and collection items | – 205 | Liabilities to banks | –2,771 |
| Bills of exchange | + 49 | a) demand | (+ 91) |
| Claims on banks | – 124 | b) time | (–2,862) |
| Treasury bills | + 516 | Customers' deposits | +1,375 |
| Bonds, notes, other securities | – 687 | a) demand | (– 187) |
| Loans and advances to customers | +1,600 | b) time | (+1,501) |
| Investments | + 2 | c) savings deposits | (+ 61) |
| Land and buildings, office furniture and equipment, including leasing equipment | + 30 | Bonds outstanding | +2,643 |
| Bonds and notes issued by consolidated companies | + 254 | Acceptances outstanding | + 59 |
| Sundries (including loans on a trust basis) | – 127 | Provisions | + 54 |
| | | Special item with partial reserve character | – 50 |
| | | Reserve arising from consolidation, in accordance with section 331 (1) 3 of the German Stock Corporation Act–AktG | – 35 |
| | | Minority interests | + 21 |
| | | Consolidated profit | – 1 |
| | | Sundries (including loans on a trust basis) | + 13 |
| | +1,308 | | +1,308 |

## Assets

### Liquidity

At year-end, the Group's cash reserves–consisting of cash on hand and balances with the Deutsche Bundesbank and on postal cheque accounts–stood at DM 2,877 m, representing 4.3% of the consolidated sum total of liabilities to banks and other creditors at periods of less than four years, including all savings deposits, and indebtedness under bonds and acceptances outstanding at similar maturities in the aggregate amount of DM 66,142 m. The Group's liquid funds–cash reserves, cheques, due bonds, interest and dividend coupons, collection items, bills rediscountable at the Deutsche Bundesbank, claims on banks with periods of less than three months, Treasury bills, discountable Treasury notes, and fixed-interest securities issued by Group members and others eligible as collateral for Deutsche Bundesbank advances–totalled DM 14,415 m, or 21.8% of the above-mentioned funds with a life of less than four years.

### Lending

The Group expanded its lending to other banks and to customers by DM 2,313 m (excluding loans on a trust basis and guarantees) in 1981.

The structure of our loan portfolio is illustrated below:

| Lending | 1981 | 1980 |
|---|---|---|
| Loans and advances to | | |
| a) banks | DM 10,362 m = 13.7% | DM 10,004 m = 13.7% |
| b) customers | DM 60,688 m = 80.5% | DM 59,089 m = 80.8% |
| Book and acceptance credits | DM 71,050 m = 94.2% | DM 69,093 m = 94.5% |
| Discounts | DM 4,341 m = 5.8% | DM 3,985 m = 5.5% |
| Total lending | DM 75,391 m = 100.0% | DM 73,078 m = 100.0% |

The combined share of advances and acceptance credits in total lending was hardly changed at 94.2%. Claims on banks were up by only DM 358 m to DM 10,362 m.

Loans to customers increased by DM 1,599 m to DM 60,688 m, representing additional short and medium-term credits of DM 1,648 m and a simultaneous reduction in long-term ones of DM 49 m. Advances to customers at long term now account for 50.2% of the Group's entire lending volume and break down as follows:

| Long-term lending to customers | 1981 | 1980 | change |
|---|---|---|---|
| Mortgage loans | DM 10,547 m | DM 10,182 m | +DM 365 m = + 3.6% |
| Communal loans | DM 15,085 m | DM 13,644 m | +DM 1,441 m = +10.6% |
| Sundry long-term loans | DM 12,187 m | DM 14,042 m | −DM 1,855 m = −13.2% |
| Total | DM 37,819 m | DM 37,868 m | −DM 49 m = − 0.1% |

Fixed assets

After elimination of holdings in consolidated companies, the Group's fixed assets stand at DM 2,392 m (1980: DM 2,360 m), comprising DM 805 m of investments (holdings in unconsolidated companies), DM 816 m of land and buildings, DM 212 m of office furniture and equipment, and DM 559 m of leasing facilities.

**Liabilities and shareholders' equity**

Total deposits and borrowed funds

In 1981, the Group's total deposits and borrowed funds rose by DM 1,306 m to DM 96,923 m. At year-end, they were made up as follows:

| Borrowed funds | 1981 | 1980 | change |
|---|---|---|---|
| Due at short and medium-term (less than four years) and savings deposits | | | |
| a) to banks | DM 23,096 m | DM 25,142 m | −DM 2,046 m = − 8.1% |
| b) to other creditors | DM 38,486 m | DM 36,936 m | +DM 1,550 m = + 4.2% |
| c) bonds outstanding | DM 4,021 m | DM 1,948 m | +DM 2,073 m = +106.4% |
| d) acceptances outstanding | DM 539 m | DM 481 m | +DM 58 m = + 12.1% |
| Sub-total | DM 66,142 m | DM 64,507 m | +DM 1,635 m = + 2.5% |
| Due at long-term (four years or more) | | | |
| a) to banks | DM 8,683 m | DM 9,408 m | −DM 725 m = − 7.7% |
| b) to other creditors | DM 2,656 m | DM 2,830 m | −DM 174 m = − 6.1% |
| c) bonds outstanding | DM 19,442 m | DM 18,872 m | +DM 570 m = + 3.0% |
| Sub-total | DM 30,781 m | DM 31,110 m | −DM 329 m = − 1.1% |
| Total deposits and borrowed funds | DM 96,923 m | DM 95,617 m | +DM 1,306 m = + 1.4% |

As the breakdown shows, the Group borrowed DM 31,779 m (32.8% of the total, down from 36.1% in 1980) from other banks, while customers' deposits and other creditors combined accounted for DM 41.142 m (42.4% of the total, slightly up from the previous year's 41.6%.), and outstanding bonds issued by Group members at DM 23,463 m contributed a further 24.2%, up from 21.8% in the preceding year.

Share capital and reserves

The Parent Bank's total liable 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 regarded as quasi-equity, declined by DM 35 m to DM 238 m in the year under review. The decrease stems mainly from the weakness of the Belgian–and hence also of the Luxembourg–financial franc which produced a DM 50 m, or 13.2%, decline in the D-mark equivalent of the share capital of the Luxembourg subsidiary. The item was also affected by the reduction in Commerzbank's interest in its mortgage bank subsidiary, Rheinische Hypothekenbank AG, although this was more than offset by the latter's allocation to reserves. The consolidation difference was, however, enhanced by a rise in the D-mark equivalent of the share capital of the Singapore subsidiary resulting from an appreciation of the Singapore dollar. Disregarded in this computation was an additional allocation of DM 6 m to the mortgage banking subsidiary's reserves which is conditional on a resolution to be passed by the AGM. If these additional reserves and minority shareholders' interests (the latter not including the attributable share of profits) are taken into account at DM 44 m, the Group's equity capital at year-end was DM 2,766 m, compared with DM 2,784 m at end-1980.

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, while 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 it might incur in respect of actions taken for the benefit of unconsolidated domestic banks in which Commerzbank holds a majority interest.

**Consolidated profit and loss account**

Net income

Interest and similar income from lending and from money market transactions and current income from securities, Government-inscribed debt, and investments as shown in the consolidated balance sheet rose by DM 1,549 m to DM 10,117 m. Thanks to a restrained increase in interest expenditure by DM 1,383 m to DM 8,889 m, the Group's net interest and dividend earnings amounted to DM 1,228 m. This was DM 166 m, or 15.6%, higher than in the previous year, covering 82.9% of current personnel and other operating expenses, as compared with 74.6% in 1980.

The excess of commission income over commissions paid in respect of services went up by DM 38 m, or 9.2%, to DM 451 m.

The net credit balance of other income, the income from the writing back of provisions and of the special item with partial reserve character, as also of write-downs of and adjustments to claims and securities (the latter including investments as shown in the Group's balance sheet), declined from DM 362 m to DM 171 m. This includes DM 164 m (1980: DM 132 m) of income earned by the consolidated leasing companies.

Expenditure

The Group's overall personnel expenses were DM 1,135 m while other operating expenses totalled DM 347 m, the increase in these costs amounting to DM 58 m, or 4.1%, as against DM 70 m, or 5.2%, in 1980.

Depreciation on and adjustments to land and buildings, office furniture and equipment were charged at DM 81 m (1980: DM 84 m, DM 6 m of which was accounted for by special depreciation in accordance with Section 6b of the German Income Tax Act–EStG).

Group taxation totalled DM 102 m, as against DM 105 m in the preceding year; it includes an unchanged DM 101 m for taxes on income and assets.

## Consolidated net income for the year and consolidated profit

The Group's net income for the year fell from DM 34 m to DM 31 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 20 m to the reserves of consolidated companies. The profit accruing to minority shareholders is DM 2 m. The remaining consolidated profit thus amounts to DM 17 m. Subject to approval by shareholders in the respective annual general meetings, a further DM 6 m will be allocated to consolidated companies' reserves from undistributed profits.

Given the recovery in the Parent Bank's earnings position in the year under review and especially during the last quarter of 1981, coupled with the results cautiously forecast for the chief member institutions of the Group, Commerzbank feels justified in hoping to achieve an improved Group result in the current year.

THE BOARD OF MANAGING DIRECTORS

Düsseldorf, February 26, 1982

## Berliner Commerzbank AG, Berlin

### General performance

Following two years in which earnings were down, the Berlin subsidiary recorded a marked improvement in 1981. Although business expansion was comparatively sluggish, reinvestment of expired fixed-rate loans and changes in its borrowing structure made for a steady improvement in the interest margin as the year progressed. Net income from interest and dividends was up 18.2% and that from commissions 9.3%, enabling the bank to raise its dividend by 2 to 12%, while also duly providing for possible loan risks. In order to broaden the bank's equity base, its capital is to be increased on April 1, 1982, to produce an actual amount of DM 25 m.

### Serving the business customer

With interest levels running high, corporate clients tended more and more to borrow short –a trend also reflected in extremely brisk bill discounting. However, since sales and earnings expectations were lower, investment credits were less asked for than in the previous year, the overall volume of lending thus showing only a moderate rise. Through the establishment of a new subsidiary, CIL Berlin GmbH, Berliner Commerzbank has extended its activity to include leasing.

The volume of corporate customers' call and time deposits remained about unchanged on the previous year.

### Serving the private customer

The bank's continuing efforts to expand the retail side of its business were rewarded by both more deposits and a growing volume of securities put for safekeeping, as also by a substantial surge in lending.

Sustained high interest rates brought about a change in the pattern of saving. Deposits on savings accounts fell off slightly, whilst term deposits rose strongly and the bank's own one to four-year bonds were well in demand. A newly introduced regular savings scheme involving a bonus met with good response.

Once again, lending to private customers was buoyant in the year under review. Standardized personal long-term credits were up 12% on average over the year, and short and medium-term home loans and bridging finance for building purposes even more, as most people sought to commit themselves for as short a term as possible. For the first time ever, total lending to private customers amounted to more than DM 1 bn.

### Service business

1981 was another year of great popularity for bonds, with sales by the bank exceeding the previous year's figure by more than two-thirds. The volume of shares handled was also larger, the 68% increase deriving in part at least from efforts to expand trust business.

The bank's non-domestic activities continued to develop satisfactorily. The at times very unpredictable foreign exchange market led many firms, in Berlin as elsewhere, to seek more forward cover.

High interest rates resulted in a marked slackening in demand for precious metals.

### Staff and organization

While the bank was again slow to take on additional personnel, the year under review nonetheless saw a slight rise in staff numbers from 925 to 932. Apprenticeships were up 5 at 127 to represent 12% of all employees. As before, great stress was laid on further training, and the seminars offered, both in Berlin and at the Commerzbank training centre at Glashütten in the Taunus hills, were very well attended.

The opening of a new branch in the eastern part of the Lichterfelde district of Berlin raised the overall figure to 59. The programme of extending and improving the equipment at the various branch offices proceeded as planned.

Under the management of Berliner Commerzbank AG, the new joint venture of the Berlin banking community brought twelve automatic cash dispensers into operation in March. Already these are much in use by holders of cheque guarantee cards.

Annual Accounts 1981

| Assets | DM 1,000 |
|---|---|
| Cash reserves | 207,417 |
| Cheques and collection items | 21,905 |
| Bills of exchange | 60,519 |
| Claims on banks | 1,160,313 |
| Discountable Treasury notes | 33,371 |
| Bonds and notes | 126,507 |
| Other securities | 3,190 |
| Loans and advances to customers at agreed periods of | 1,986,718 |
| a) less than four years | (1,129,658) |
| b) four years or more | (857,060) |
| Recovery claims on Federal and Länder authorities under post-war currency reform acts | 11,584 |
| Loans on a trust basis at third party risk | 8,010 |
| Investments (associated companies and trade investments) | 1,034 |
| Land and buildings | 21,946 |
| Office furniture and equipment | 8,076 |
| Own bonds | 5,095 |
| Other assets | 2,312 |
| Deferred items | 7,392 |
| Total Assets | 3,665,389 |

| Liabilities and Shareholders' Equity | DM 1,000 |
|---|---|
| Liabilities to banks | 946,228 |
| a) demand | (236,532) |
| b) time | (709,696) |
| Liabilities to customers (customers' deposits) | 2,123,953 |
| a) demand | (415,106) |
| b) time | (988,341) |
| c) savings deposits | (720,506) |
| Bonds outstanding | 359,719 |
| Acceptances outstanding | 14,000 |
| Loans on a trust basis at third party risk | 8,010 |
| Provisions | 58,535 |
| Other liabilities | 938 |
| Deferred items | 17,706 |
| Share capital | 52,500 |
| Disclosed reserves | 77,500 |
| Distributable profit | 6,300 |
| Total Liabilities and Shareholders' Equity | 3,665,389 |
| Endorsement liabilities | 106,470 |
| Guarantees | 226,500 |

| Expenses | DM 1,000 |
|---|---|
| Interest and similar expenses | 246,868 |
| Commissions paid | 385 |
| Write-downs of and adjustments to claims and securities, transfers to provisions for possible loan losses | 9,049 |
| Personnel expenditure | 57,620 |
| Other operating expenses | 18,632 |
| Depreciation on fixed assets | 3,298 |
| Taxes | 7,018 |
| Other expenses | 903 |
| Net income for the year | 6,300 |
| Total Expenses | 350,073 |

| Income | DM 1,000 |
|---|---|
| Interest and similar income | 320,750 |
| Current income from | |
| a) fixed-interest securities and Government-inscribed debt | 6,339 |
| b) other securities | 40 |
| c) investments | 278 |
| Commissions and other service charges received | 20,748 |
| Other income, including income from the writing back of provisions for possible loan losses | 1,879 |
| Income from profit-pooling and from partial or full profit-transfer agreements | 3 |
| Income from the writing back of provisions, unless it has to be shown under other income | 36 |
| Total Income | 350,073 |

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

Business objectives

Commerzbank International S.A., Luxembourg, which was set up as a stock corporation under Luxembourg law in 1969, is chiefly engaged in short and medium-term money and credit transactions on the Euromarkets. Its shareholders are the Parent Bank with 99.9% and six of the latter's subsidiaries.

The bank's task is to take advantage of the manifold possibilities offered by the Euromoney and Eurocapital markets in the interests of its customers the world over. The basic requirement enabling it to do so is the complete freedom of movement of both short and long-term funds that Luxembourg as a financial centre by tradition ensures.

General performance

Despite the shrinking current account surpluses of the OPEC countries, Euromarket lending was again marked by an abundance of liquidity. Notwithstanding the growing credit risks in certain areas, keen competition between banks meant that pressure on spreads persisted.

The difficult market conditions obliged the bank to exercise caution, maintaining the business volume at its previous level while at the same time endeavouring to shift the emphasis to more profitable activities.

The Lfr 35.4 bn (or DM 1.9 bn) rise in total assets to Lfr 273.1 bn (or DM 14.7 bn) is solely the effect of the weaker Luxembourg franc which boosted the book value of the mainly D-mark and US dollar-denominated items on the bank's balance sheet.

Total lending

Lending business was expanded substantially at the expense of money market transactions that offered only narrow interest margins. In doing this, the bank as always applied strict standards of creditworthiness to borrowers. Overall, loans were up 27.9% to Lfr 130.4 bn (or DM 7.0 bn), with the emphasis on the short and medium term and a significant portion accounted for by the increased financing of German exports. The bank refrained from providing funds that were solely intended to cover balance of payments deficits. It continued to pay considerable attention to spreading its risks geographically, and some 73% of its loan portfolio relates to Western European industrialized countries.

Serving the private sector

Once again retail business developed very satisfactorily. Securities transactions on behalf of clients were brisk, with commission earnings up notably.

As was expected, precious metal dealings recorded the highest growth rates, with bullion and coin accounts maintaining their customer popularity.

Capital and reserves

At the end of 1981, the bank's capital and reserves, which include a profit of Lfr 129 m (or DM 6.9 m) brought forward from 1980, stood at Lfr 6,253 m (DM 335.8 m). If a Lfr 1,862 m (or DM 100 m) subordinated loan from the Parent Bank ranking after all other liabilities is taken into account, the ratio of equity to borrowed funds is well above the 3% minimum required in Luxembourg.

Earnings

Although a marked improvement was achieved in the operating result, the bank is still not content with its earnings position. To enable it to break even, it again received a grant from the Parent–though at an equivalent of DM 9.5 m, this was considerably lower than the year before. All identifiable risks attaching to individual loans were provided for in accordance with the same principles as hitherto, while also raising the global allowance for possible loan losses as permitted by tax regulations in line with higher lending.

The unsatisfactory profit performance is attributable chiefly to the rise in interest rates applying to the currencies the bank does most of its business in–which only sometimes allowed existing fixed-rate credits to be refunded at a positive interest margin. In addition, the overall result was once more affected by the necessary write-downs on–albeit reduced–securities holdings, which were as before valued at the lower of cost or market.

Annual Accounts 1981

| Assets | Lfr 1,000 |
|---|---|
| Claims on banks<br>with agreed periods of<br>a) up to 30 days<br>b) more than 30 days | 174,848,796<br><br>(66,269,873)<br>(108,578,923) |
| Bills of exchange | 811,342 |
| Loans and advances to customers | 79,981,027 |
| Securities | 6,481,576 |
| Fiduciary accounts | 151,024 |
| Investments (associated companies and trade investments) | 1,148,333 |
| Land and buildings | 446,615 |
| Office furniture and equipment | 21,096 |
| Deferred items | 8,633,127 |
| Other assets | 583,586 |
| Total Assets | 273,106,522 |
| | = DM 14,666 m |

| Liabilities and Shareholders' Equity | | Lfr 1,000 |
|---|---|---|
| Liabilities to banks<br>with agreed periods of<br>a) up to 30 days<br>b) more than 30 days | | 237,568,359<br><br>(100,688,752)<br>(136,879,607) |
| Liabilities to customers<br>(customers' deposits)<br>with agreed periods of<br>a) up to 30 days<br>b) more than 30 days | | <br>14,186,193<br><br>(10,692,971)<br>(3,493,222) |
| Bonds outstanding | | 3,724,400 |
| Fiduciary accounts | | 151,024 |
| Subordinated loan | | 1,862,200 |
| Share capital | | 2,500,000 |
| Reserves<br>a) legal reserves<br>b) free reserves<br>c) premia from capital increases | | 3,624,000<br>(250,000)<br>(1,506,500)<br>(1,867,500) |
| Provisions,<br>write-downs and adjustments | | 1,384,037 |
| Deferred items | | 7,959,208 |
| Other liabilities | | 18,528 |
| Profit brought forward | 128,573 | |
| Net income for the year | — | |
| Distributable profit | | 128,573 |
| Total Liabilities<br>and Shareholders' Equity | | 273,106,522 |

| Expenses | Lfr 1,000 |
|---|---|
| Interest and commissions paid | 34,641,157 |
| Personnel and other operating expenses | 262,737 |
| Taxes | 124,187 |
| Write-downs and adjustments | 479,526 |
| Depreciation | 9,675 |
| Other expenses | 67,619 |
| Net income for the year | — |
| Total Expenses | 35,584,901 |

| Income | Lfr 1,000 |
|---|---|
| Interest and commissions received | 34,137,448 |
| Other income | 1,447,453 |
| Total Income | 35,584,901 |

The bank's 1981 annual accounts will be officially published in Mémorial, Journal officiel du Grand-Duché de Luxembourg, Recueil spécial des sociétés et associations.

Lfr 100 = DM 5.37

## Rheinische Hypothekenbank AG, Frankfurt

### General performance

Rheinische Hypothekenbank further expanded its business volume in 1981, with total assets up 7.7% from DM 19,742 m to DM 21,270 m. The unfavourable general economic situation, and particularly the still deepening recession in the construction sector together with the even greater dullness of the residential property market, noticeably impaired the general conditions for mortgage lending and prevented the bank from matching the previous year's record performance. Nonetheless, the result achieved was satisfactory.

### New business

New loans by Rheinische Hypothekenbank stood at DM 2,407 m, as against DM 3,455 m in the preceding twelve months. In addition, renegotiations of earlier credit lines reached DM 400 m after DM 135 m in 1980. The importance of this type of business, which is one result of the drastic shortening of mortgage periods, is set to increase substantially in the medium term.

For the first time in several years, new mortgage commitments at DM 1,274 m regained the lead over lending to government bodies at DM 1,133 m. In fact, it was a record result second only to the 1980 figure of DM 1,355 m. The often inadequate margins available on loans to the public sector–mostly to the Federal and Länder governments–led the bank severely to curtail its activities in this sphere.

Mortgages granted break down into DM 475 m on new home building and DM 640 m on older properties, the latter sum covering especially advances for the purchase and modernization of houses and apartments. Comparable figures for 1980 were DM 513 m and DM 664 m, respectively. Commercial mortgages accounted for DM 159 m as against a previous DM 178 m.

Collaboration in the sector of building finance between Rheinische Hypothekenbank and the Parent Bank–reported on in more detail on page 45–became even closer.

Funds paid out against mortgages and as loans to government authorities were DM 2,636 m, compared with DM 3,416 m the year before. This brought the total of such credits outstanding up from DM 18,538 m to DM 20,008 m, with the share of mortgage-secured advances up from 41.5% to 43.2%.

### Borrowing

To finance its new and negotiated lending, the bank raised an overall amount of DM 3,032 m (DM 3,478 m in 1980), most of it by the sale of its own bonds and, as in the preceding year, with maturities of under 5 years predominating –a situation reflecting the fact that customers were led by high interest levels where possible to borrow at fixed rates only for short terms.

Total bonds outstanding, including those not requiring cover, reached DM 19,003 m (1980: DM 18,043 m) at year-end. Of this figure, 33.7% (32.6%) were mortgage bonds, 63.5% (65.3%) communal bonds, and 2.8% (2.1%) bonds not requiring cover.

### Result and liable equity

The annual general meeting on April 27, 1982 will be asked, as in the previous year, to approve a total dividend payment of DM 13.96 m on the share capital of DM 77.55 m, allowing an unchanged dividend of DM 9 per DM 50 nominal share to be distributed. It is also proposed that, in addition to the DM 19.4 m (DM 23.2 m in 1980) already allocated from net income for the year, DM 5.6 m (DM 9.3 m) be appropriated to reserves, thereby raising the latter by an overall DM 25 m (DM 32.5 m) and bringing the bank's total liable equity (share capital and reserves) to DM 417.5 m (DM 392.5 m).

This gives scope for the issuing of a further DM 1,119 m (DM 1,133 m) worth of bonds. To keep pace with what may prove a more rapid expansion of its new business, the bank is to resort to its unissued authorized capital.

### Outlook

While its policy will remain earnings-oriented, the unsatisfactory general economic situation and the still exaggerated level of interest rates lead Rheinische Hypothekenbank to caution in assessing its prospects for 1982.

Annual Accounts 1981

| Assets | DM 1,000 |
|---|---|
| Loans at agreed periods of four years or more | 19,665,889 |
| a) mortgage loans | (7,583,164) |
| b) communal loans | (12,066,529) |
| c) other | (16,196) |
| Recovery claims on Federal and Länder authorities under post-war currency reform acts | 14,338 |
| Bonds and notes | 115,446 |
| Other securities | 67,495 |
| Cash reserves and collection items | 3,561 |
| Claims on banks and on other debtors | 1,062,182 |
| Own bonds (nominal value DM 232,946,000) | 217,609 |
| Loans on a trust basis at third party risk | 71,016 |
| Investments (associated companies and trade investments) | 1,574 |
| Land and buildings | 44,542 |
| Office furniture and equipment | 3,933 |
| Other assets | 2,407 |
| Total Assets | 21,269,992 |

| Liabilities and Shareholders' Equity | DM 1,000 |
|---|---|
| Bonds issued | 18,410,318 |
| a) mortgage bonds | (6,242,795) |
| b) communal bonds | (11,521,197) |
| c) other bearer bonds | (530,991) |
| d) bonds drawn by lot and called for redemption | (115,335) |
| Bonds to be delivered | 440,038 |
| Loans taken up at long term | 603,623 |
| Liabilities to banks and other creditors | 386,258 |
| Accrued interest on bonds issued and on loans taken up | 746,616 |
| Loans on a trust basis at third party risk | 71,016 |
| Provisions | 60,792 |
| Foundation | 1,138 |
| Share capital | 77,550 |
| Disclosed reserves | 334,350 |
| a) legal reserve | (53,461) |
| b) other reserves (in accordance with Section 7 of the German Mortgage Bank Act–HBG) | (280,889) |
| Other liabilities | 118,734 |
| Distributable profit | 19,559 |
| Total Liabilities and Shareholders' Equity | 21,269,992 |

| Expenses | DM 1,000 |
|---|---|
| Interest and similar expenses | 1,430,737 |
| Non-recurrent expenses on bonds issued and on loans granted | 43,302 |
| Personnel expenditure | 21,702 |
| Other operating expenses | 10,766 |
| Depreciation and other write-downs on fixed assets | 1,836 |
| Taxes | 57,503 |
| Other expenses | 668 |
| Net income for the year | 38,959 |
| Total Expenses | 1,605,473 |

| Income | DM 1,000 |
|---|---|
| Interest and similar income | 1,545,828 |
| Non-recurrent income from bonds issued and from loans granted | 45,464 |
| Income from investments | 89 |
| Other income, including income from the writing back of provisions for possible loan losses | 13,418 |
| Income from the writing back of provisions, unless it has to be shown under other income | 674 |
| Total Income | 1,605,473 |

# Holdings by Commerzbank Aktiengesellschaft in Affiliated and Other Companies

## Consolidated companies

| | | |
|---|---|---|
| Berliner Commerzbank Aktiengesellschaft, Berlin<br>C: DM 52.50 m 100.0% | Commerzbank International S.A., Luxembourg<br>C: Lfr 2,500.00 m 100.0%*) | Commerzbank (South East Asia) Ltd., Singapore<br>C: S$ 20.00 m 100.0% |
| Hamburgische Grundstücks Gesellschaft m.b.H., Hamburg<br>C: DM 0.02 m 100.0% | von der Heydt-Kersten & Söhne, Wuppertal-Elberfeld<br>C: DM 10.00 m 100.0% | Ilseder Bank, Sandow & Co., Peine<br>C: DM 2.00 m 100.0% |

## Other holdings in German banks

| | | |
|---|---|---|
| Commerz-Credit-Bank Aktiengesellschaft Europartner, Saarbrücken<br>C: DM 10.00 m 60.0% | Absatzkreditbank Aktiengesellschaft, Hamburg<br>C: DM 18.00 m 40.0% | ADIG Allgemeine Deutsche Investment-Gesellschaft mbH, Munich/Frankfurt<br>C: DM 4.80 m 27.1% |
| Liquidations-Casse in Hamburg Aktiengesellschaft, Hamburg<br>C: DM 1.15 m 25.0% | Liquidationskasse für Zeitgeschäfte AG, Munich<br>C: DM 0.75 m 10.0% | Liquiditäts-Konsortialbank GmbH, Frankfurt<br>C: DM 250.00 m 3.7% |

## Other holdings in German companies

| | | |
|---|---|---|
| Almüco Vermögensverwaltungs-gesellschaft mbH, Munich a)<br>C: DM 39.00 m 25.0% | AV America Grundbesitz-verwaltungsgesellschaft mbH, Frankfurt<br>C: DM 0.10 m 25.0% | Beteiligungsgesellschaft für Industrieansiedlungsunternehmen mit beschränkter Haftung, Hamburg<br>C: DM 3.00 m 25.0% |
| Deutsche Wagnisfinanzierungs-Gesellschaft mbH, Frankfurt<br>C: DM 50.00 m 10.0% | Eurocard Deutschland Internationale Kreditkarten-Organisation GmbH, Frankfurt<br>C: DM 0.05 m 4.8% | Euro Travellers Cheque Deutschland GmbH, Frankfurt<br>C: DM 0.03 m 16.6% |
| Rossma Beteiligungsgesellschaft mbH, Frankfurt g)<br>C: DM 33.00 m 40.0% | Stella Automobil-Beteiligungsgesellschaft mbH, Frankfurt h)<br>C: DM 96.43 m 25.0% | Treuhand- und Holdinggesellschaft mbH, Frankfurt<br>C: DM 0.14 m 50.0% |

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

| | | |
|---|---|---|
| Europartners Bank (Nederland) N.V., Amsterdam<br>C: Dfl 40.00 m 60.0% | EuroPartners Securities Corporation, New York<br>C: US$ 5.98 m 40.0% | International Commercial Bank Ltd., London<br>C: £ 7.00 m 12.0% |
| The Development Bank of Singapore Ltd., Singapore<br>C: S$ 228.52 m 0.5% | Europartners Holding S.A., Luxembourg<br>C: Lfr 10.00 m 25.0%*) | Finance Company VIKING, Zurich<br>C: Sfr 30.00 m 12.0% |
| Misr International Bank S.A.E., Cairo<br>C: US$ 10.00 m 2.6%**) | Mithai Europartners Finance and Securities Company Ltd., Bangkok<br>C: baht 40.00 m 9.8% | Nippon European Bank S.A., Brussels<br>C: Bfr 400.00 m 10.0% |
| Société Financière de Développement – SOFIDE –, Kinshasa<br>C: zaïres 12.00 m 0.9% | S.W.I.F.T. Society for Worldwide Interbank Financial Telecommunication s.c., Brussels<br>C: Bfr 119.28 m 1.7% | Teollistamisrahasto Oy – Industrialization Fund of Finland Ltd., Helsinki<br>C: Fmk 100.00 m 0.7% |

*) 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 89.2%

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%

Allianz Kapitalanlage-gesellschaft mbH,
Stuttgart
C: DM 3.00 m 8.0%

Deutsche Grundbesitz-Investmentgesellschaft mbH,
Cologne
C: DM 6.00 m 25.0%

Deutsche Schiffahrtsbank Aktiengesellschaft,
Bremen
C: DM 35.00 m 9.1%

Lombardkasse AG,
Berlin/Frankfurt
C: DM 6.00 m 9.4%

Lübecker Hypothekenbank Aktiengesellschaft,
Lübeck
C: DM 22.00 m 25.0%

Münchener Hypothekenbank eG,
Munich
C: DM 7.99 m 1.3%

Privatdiskont-Aktiengesellschaft,
Frankfurt
C: DM 5.00 m 9.0%

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

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

Flender Werft Aktiengesellschaft,
Lübeck
C: DM 25.00 m 68.9%

Francommerz Vermögensverwaltungs-gesellschaft mbH,
Frankfurt c)
C: DM 50.00 m 40.0%

Gesellschaft für Kreditsicherung mbH,
Cologne
C: DM 0.30 m 26.7%

Hostra Beteiligungsgesellschaft mbH,
Düsseldorf d)
C: DM 51.16 m 33.3%

Adela Investment Company S. A.,
Luxembourg/New York
C: US$ 92.77 m 1.9%

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%

Finatourinvest S.A.,
Luxembourg
C: Lfr 130.00 m 0.6%

P.T. Finconesia Financial Corporation of Indonesia,
Jakarta
C: IRp 2,101.10 m 6.2%

Handelsgest S. A. R. L.,
Luxembourg
C: DM 10.00 m 100.0%*)

Indugest S. A. R. L.,
Luxembourg
C: DM 25.00 m 100.0%*)

The Pakistan Industrial Credit & Investment Corporation Ltd.,
Karachi
C: PR 91.63 m 0.4%

Private Investment Company for Asia (PICA) S.A.,
Panama City/Singapore
C: US$ 42.87 m 0.5%

Rifbank S.A.L.,
Beirut
C: L£ 7.00 m 31.8%

The Saudi Investment Banking Corporation,
Riyadh
C: SR 90.00 m 5.0%

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$ 3,000.00 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% |

| | | |
|---|---|---|
| Deutsche Schiffsbeleihungs-Bank Aktien-Gesellschaft, Hamburg C: DM 30.00 m 28.5% | Gesellschaft zur Finanzierung von Industrieanlagen mbH, Frankfurt C: DM 1.00 m 12.7% | Handelsbank in Lübeck Aktiengesellschaft, Lübeck C: DM 20.00 m 25.3% |

| | |
|---|---|
| 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 1.00 m 25.0% |
| Kistra Beteiligungsgesellschaft mbH, Frankfurt e) C: DM 24.20 m 25.0% | Regina Verwaltungsgesellschaft mbH, Munich f) C: DM 37.50 m 25.0% |

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%***) |
| 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% | Korea International Merchant Bank, Seoul C: won 7,500.00 m 20.0% |
| SIFIDA Société Internationale Financière pour les Investissements et le Développement en Afrique, Luxembourg C: US$ 17.65 m 0.6% | Société de Gestion du Rominvest International Fund S.A., Luxembourg C: Lfr 40.00 m 10.0% | Société Européenne d'Edition et de Diffusion S.A., Luxembourg C: Ffr 0.82 m 6.1% |

# Consolidated Annual Accounts as at December 31, 1981

# Consolidated Balance Sheet as at December 31, 1981

| Assets | DM | DM | DM | Dec 31, 1980 DM 1,000 |
|---|---|---|---|---|
| **Cash on hand** | | | 226,337,583.14 | 213,838 |
| **Balance with Deutsche Bundesbank** | | | 2,636,598,362.81 | 2,926,797 |
| **Balances on postal cheque accounts** | | | 14,408,040.09 | 16,121 |
| **Cheques, matured bonds, interest and dividend coupons, items received for collection** | | | 387,506,446.93 | 312,564 |
| **Bills of exchange** | | | 1,667,017,648.69 | 1,617,657 |
| including: a) rediscountable at Deutsche Bundesbank | 912,682,388.75 | | | |
| b) own drawings | 137,007,169.19 | | | |
| **Claims on banks** | | | | |
| a) payable on demand | | 1,468,986,249.28 | | 1,682,908 |
| b) with original periods or periods of notice of | | | | |
| ba) less than three months | | 4,803,913,195.30 | | 3,397,546 |
| bb) at least three months, but less than four years | | 9,301,315,537.54 | | 11,807,600 |
| bc) four years or more | | 11,701,639,614.74 | | 10,512,395 |
| | | | 27,275,854,596.86 | 27,400,449 |
| **Treasury bills and discountable Treasury notes** | | | | |
| a) of the Federal and Länder Governments | | 499,763,333.34 | | — |
| b) of other issuers | | 63,321,000.00 | | 47,245 |
| | | | 563,084,333.34 | 47,245 |
| **Bonds and notes** | | | | |
| a) with a life of up to four years | | | | |
| aa) of the Federal and Länder Governments | 521,397,859.51 | | | |
| ab) of banks | 480,608,155.44 | | | |
| ac) of other issuers | 23,993,178.09 | 1,025,999,193.04 | | 1,381,524 |
| including: eligible as collateral for Deutsche Bundesbank advances DM 919,920,495.22 | | | | |
| b) with a life of more than four years | | | | |
| ba) of the Federal and Länder Governments | 507,808,042.27 | | | |
| bb) of banks | 882,569,205.41 | | | |
| bc) of other issuers | 501,737,752.04 | 1,892,114,999.72 | | 2,225,402 |
| including: eligible as collateral for Deutsche Bundesbank advances DM 1,272,542,744.91 | | | 2,918,114,192.76 | 3,606,926 |
| **Securities not to be shown elsewhere** | | | | |
| a) shares marketable on a stock exchange and investment fund certificates | | 528,594,857.13 | | 530,940 |
| b) other | | 131,886,420.41 | | 127,847 |
| including: holdings of more than one-tenth of the shares of a joint stock or mining company, unless shown as investments | 500,780,947.60 | | 660,481,277.54 | 658,787 |
| **Claims on customers, with original periods or periods of notice of** | | | | |
| a) less than four years | | 22,871,378,629.32 | | 21,221,140 |
| b) four years or more | | 37,818,806,769.17 | | 37,867,484 |
| including: ba) secured by mortgages on real estate | 10,547,465,394.14 | | 60,690,185,398.49 | 59,088,624 |
| bb) communal loans | 15,085,042,952.42 | | | |
| **Recovery claims on Federal and Länder authorities** under post-war currency reform acts | | | 84,254,861.94 | 89,586 |
| **Loans granted and shares held on a trust basis** at third party risk | | | 131,279,075.62 | 145,102 |
| **Subsidiaries, associated companies, and trade investments (investments)** | | | 802,996,064.62 | 803,261 |
| including: investments in banks | 240,464,423.53 | | | |
| **Land and buildings** | | | 815,777,989.36 | 804,243 |
| **Office furniture and equipment** | | | 211,881,381.35 | 220,832 |
| **Leasing equipment** | | | 558,738,834.12 | 531,900 |
| **Bonds and notes issued by consolidated companies** | | | 1,280,316,577.43 | 1,025,832 |
| nominal amount | 1,258,701,200.00 | | | |
| including: eligible as collateral for Deutsche Bundesbank advances | 1,208,175,184.97 | | | |
| **Other assets** | | | 249,188,684.45 | 217,788 |
| **Deferred items** | | | | |
| a) unamortized debt discount (difference according to Section 156 (3) of the German Stock Corporation Act–AktG) | | 131,786,569.07 | | 169,843 |
| b) other | | 30,653,908.23 | | 131,531 |
| | | | 162,440,477.30 | 301,374 |
| | | **Total Assets** | 101,336,461,826.84 | 100,028,926 |
| **Total Assets and the recourse claims from the contingent liabilities shown below the line on the liabilities side include** | | | | |
| a) claims on related companies | | | 1,283,682,597.97 | 1,766,989 |
| b) claims arising from loans falling under Section 15 (1) 1-6 and (2) of the German Banking Act, unless included under a) | | | 423,431,562.98 | 387,919 |

| Liabilities and Shareholders' Equity | DM | DM | DM | Dec 31, 1980 DM 1,000 |
|---|---|---|---|---|
| **Liabilities to banks** | | | | |
| a) payable on demand | | 3,390,708,202.09 | | 3,299,851 |
| b) with original periods or periods of notice of | | | | |
| ba) less than three months | 6,102,346,613.32 | | | |
| bb) at least three months, but less than four years | 13,597,979,012.01 | | | |
| bc) four years or more | 8,682,698,907.24 | 28,383,024,532.57 | | 31,240,024 |
| including: due in less than four years DM 7,955,310,717.69 | | | | |
| c) customers' drawings on other banks | | 4,731,134.28 | | 10,240 |
| | | | 31,778,463,868.94 | 34,550,115 |
| **Liabilities to customers (customers' deposits)** | | | | |
| a) payable on demand | | 8,003,832,283.40 | | 8,190,542 |
| b) with original periods or periods of notice of | | | | |
| ba) less than three months | 14,399,966,136.53 | | | |
| bb) at least three months, but less than four years | 6,183,243,196.37 | | | |
| bc) four years or more | 2,655,763,002.23 | 23,238,972,335.13 | | 21,737,950 |
| including: due in less than four years DM 2,306,757,162.53 | | | | |
| c) savings deposits | | | | |
| ca) subject to legal period of notice | 6,187,056,201.12 | | | |
| cb) other | 3,712,255,521.48 | 9,899,311,722.60 | | 9,838,016 |
| | | | 41,142,116,341.13 | 39,766,508 |
| **Bonds and notes with a life of** | | | | |
| a) up to four years | | 4,021,159,837.41 | | 1,947,920 |
| b) more than four years | | 19,442,196,434.12 | | 18,872,052 |
| | | | 23,463,356,271.53 | 20,819,972 |
| including: maturing in less than four years DM 9,787,654,539.17 | | | | |
| **Acceptances and promissory notes outstanding** | | | 538,656,625.93 | 480,534 |
| **Loans granted and shares held on a trust basis** at third party risk | | | 131,279,075.62 | 145,102 |
| **Provisions** | | | | |
| a) for pensions | | 649,705,065.79 | | 592,736 |
| b) other | | 356,700,764.54 | | 359,981 |
| | | | 1,006,405,830.33 | 952,717 |
| **Other liabilities** | | | 60,209,722.08 | 94,816 |
| **Deferred items** | | | | |
| a) in accordance with Section 25 of the Mortgage Bank Act–HBG | | 110,755,244.16 | | 61,003 |
| b) other | | 319,260,357.70 | | 308,001 |
| | | | 430,015,601.86 | 369,004 |
| **Special item with partial reserve character** subject to future taxation (in accordance with Section 6b of the German Income Tax Act–EStG) | | | — | 50,000 |
| **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 | | 1,025,190 |
| b) other reserves, voluntary | | 609,000,000.00 | | 609,000 |
| | | | 1,634,190,000.00 | 1,634,190 |
| **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) | | | 238,141,437.10 | 272,970 |
| **Minority interests** | | | 46,432,433.00 | 25,202 |
| including: from profit DM 2,104,353.00 | | | | |
| **Foundations** | | | 6,825,177.02 | 6,738 |
| **Consolidated profit** | | | 16,969,442.30 | 17,658 |
| **Total Liabilities and Shareholders' Equity** | | | 101,336,461,826.84 | 100,028,926 |
| **Own drawings in circulation** (of which: discounted on borrowers' account: DM 47,283,750.00) | | | 47,283,750.00 | 10,172 |
| **Endorsement liabilities on rediscounted bills of exchange** | | | 2,674,139,750.08 | 2,357,155 |
| **Contingent liabilities from guarantees, including guarantees for bills and cheques, and from indemnity agreements** | | | 9,128,640,858.15 | 8,517,727 |
| **Commitments under repurchase agreements, not included in liabilities** | | | 700,000,000.00 | 400,000 |
| **Savings premiums under the Savings Premium Act** | | | 112,990,541.55 | 107,604 |
| **Total Liabilities, together with contingent liabilities and other commitments shown below the line, include liabilities to related companies in the amount of** | | | 797,827,246.98 | 995,680 |

# Consolidated Profit and Loss Account for the year ended Decembe

| Expenses | DM | DM | 1980 DM 1,000 |
|---|---|---|---|
| Interest and similar expenses | | 8,888,610,508.39 | 7,506,113 |
| Commissions and similar service charges paid | | 20,799,318.70 | 17,098 |
| Write-downs of and adjustments to claims and securities, transfers to provisions for possible loan losses | | 215,564,470.48 | 26,752 |
| Salaries and wages | | 887,388,443.29 | 852,033 |
| Compulsory social security contributions | | 121,573,857.83 | 114,789 |
| Expenses for pensions and other employee benefits | | 125,667,102.01 | 121,821 |
| Other operating expenses | | 346,929,244.19 | 334,968 |
| Depreciation on and adjustments to land and buildings, office furniture and equipment | | 81,251,765.65 | 83,572 |
| Write-downs of and adjustments to investments (subsidiaries, associated companies, and trade investments) | | 10,304,343.96 | 3,770 |
| Taxes | | | |
| a) on income and assets | 101,044,980.31 | | 101,003 |
| b) other | 1,496,497.04 | | 3,814 |
| | | 102,541,477.35 | 104,817 |
| Allocations to special item with partial reserve character | | — | 50,000 |
| Other expenses | | 155,499,989.21 | 144,143 |
| Consolidated net income for the year | | 31,192,661.67 | 33,845 |
| | Total Expenses | 10,987,323,182.73 | 9,393,721 |

| | DM | DM | 1980 DM 1,000 |
|---|---|---|---|
| Consolidated net income for the year | | 31,192,661.67 | 33,845 |
| Profit brought forward from the previous year | | 7,602,126.10 | 8,455 |
| | | 38,794,787.77 | 42,300 |
| Allocations to disclosed reserves from consolidated net income for the year: | | | |
| to other reserves | | | |
| a) Parent Bank | — | | — |
| b) consolidated subsidiaries | 19,720,992.47 | | 23,200 |
| | | 19,720,992.47 | 23,200 |
| | | 19,073,795.30 | 19,100 |
| Profit attributable to minority interests | | 2,104,353.00 | 1,442 |
| Consolidated profit | | 16,969,442.30 | 17,658 |

| Income | DM | DM | 1980 DM 1,000 |
|---|---|---|---|
| Interest and similar income from lending and money market transactions | | 9,689,662,004.77 | 8,160,646 |
| Current income from | | | |
| a) fixed-interest securities and Government-inscribed debt | 339,919,660.35 | | 312,489 |
| b) other securities | 48,421,454.29 | | 66,861 |
| c) investments (subsidiaries, associated companies, and trade investments) | 38,313,290.63 | | 28,446 |
| | | 426,654,405.27 | 407,796 |
| Commissions and other service charges received | | 471,718,899.27 | 430,166 |
| Other income, including income from the writing back of provisions for possible loan losses | | 325,537,199.71 | 387,622 |
| Income from profit-pooling and from partial or full profit-transfer agreements | | 2,200,000.00 | 2,443 |
| Income from the writing back of provisions, unless it has to be shown under other income | | 21,550,673.71 | 4,042 |
| Income from the writing back of special item with partial reserve character | | 50,000,000.00 | 1,006 |
| | Total Income | 10,987,323,182.73 | 9,393,721 |

Düsseldorf, February 26, 1982

**COMMERZBANK**
AKTIENGESELLSCHAFT

THE BOARD OF MANAGING DIRECTORS

Seipp Deuss Dicken Frowein Grundmann Hochheuser Jahn Knappertsbusch
Reimnitz Spiegel Terrahe Coenen (dep.) Kohlhaussen (dep.)

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

Düsseldorf, March 5, 1982

T R E U A R B E I T
AKTIENGESELLSCHAFT
WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT · STEUERBERATUNGSGESELLSCHAFT

Dr. Scholz
Wirtschaftsprüfer
(German public accountant)

Umlandt
Wirtschaftsprüfer
(German public accountant)

# Appendices

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

Domestic public entities' bonds

Federal Republic of Germany
German Federal Post Office
German Federal Railways
Kreditanstalt für Wiederaufbau
(Reconstruction Loan Corporation)

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)
Ardal og Sunndal Verk A.S.
Asian Development Bank
Belgelectric Finance B.V.
Commonwealth of Australia
The Council of Europe Resettlement Fund
for National Refugees
and Over-Population in Europe
EUROFIMA European Company
for the Financing of Railway Rolling Stock
European Coal and Steel Community (ECSC)
European Economic Community (EEC)
European Investment Bank (EIB)
Republic of Finland
Girozentrale und Bank der
österreichischen Sparkassen AG
Hydro-Québec
Inter-American Development Bank
International Bank for Reconstruction
and Development (World Bank)
Republic of Ireland
Konishiroku Photo Industry Co., Ltd.
United Mexican States
Mitsubishi Heavy Industries, Ltd.
The Mortgage Bank and Financial Administration
Agency of the Kingdom of Denmark
National Westminster Finance B.V.
New Zealand
Österreichische Kontrollbank AG
Province de Québec
Renault Acceptance B.V.
Svenska Handelsbanken
Republic of Venezuela

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

Abitibi-Price Inc.
AGA Aktiebolag
Air France
Ajinomoto Co., Inc.
Aktiebolaget Svensk Exportkredit
(Swedish Export Credit Corporation)
Alcan Australia Limited
Alcoa of Australia Limited
Amsterdam-Rotterdam Bank N.V.
Anheuser-Busch Overseas Capital N.V.
Australian Resources Development Bank
Bank of Montreal
The Bank of Nova Scotia
Bank of Tokyo (Curaçao) Holding N.V.
Bankamerica Overseas Finance Corporation N.V.
Banque Française du Commerce Extérieur
(B.F.C.E.)
Bergen Bank A/S
British Columbia Hydro and Power Authority
Canadian Imperial Bank of Commerce
Canadian National Railway Corporation
Canadian Pacific Securities Limited
Canadian Utilities Limited
Cities Service Overseas Finance N.V.
Commonwealth of Australia
Cummins Overseas Finance N.V.
Daiwa Securities Co. Ltd.
Den norske Creditbank
Du Pont Overseas Capital N.V.
A/S Eksportfinans
European Coal and Steel Community (ECSC)
European Investment Bank (EIB)
Federal Business Development Bank
Ford Credit Overseas Finance N.V.
Fujitsu Fanuc Ltd.
Fujitsu Limited
The Furukawa Electric Co., Ltd.
General Motors Acceptance Corporation
of Canada Limited
GenFinance N.V.
Genossenschaftliche Zentralbank AG
Genstar Corporation
Grupo Industrial Alfa S.A.
Grupo Industrial Saltillo S.A.
GTE Finance N.V.
Gulf States Overseas Finance N.V.
HCA Finance N.V.
Hiram Walker Holdings N.V.
Household Finance International N.V.
Hydro-Québec
Industrias Penoles, S.A. de C.V.
International Bank for Reconstruction
and Development (World Bank)
Republik of Ireland
Kawasaki Steel Corporation

The Long-Term Credit Bank of Japan Finance N.V.
Midland International Financial Service B.V.
Minolta Camera Co., Ltd.
Montana Power International Finance N.V.
National Westminster Finance B.V.
Natomas Overseas Finance N.V.
N.V. Nederlandse Gasunie
The New Brunswick Electric Power Commission
Province of Newfoundland
New Zealand
Niagara Mohawk Finance N.V.
Nippon Chemi-Con Corporation
Nitto Electric Industrial Co., Ltd.
Nordic International Finance B.V.
Northern Indiana Public Service Finance N.V.
Northwest International Finance N.V.
Northwest International Finance B.V.
Nova, an Alberta Corporation
Province of Nova Scotia
Österreichische Kontrollbank AG
Offshore Mining Company Limited
Ohio Edison Finance N.V.
Ontario Hydro
Oskarshamnsverket Kraftgrupp Aktiebolag
Pacific Gas and Electric Finance Company N.V.
PanCanadian Petroleum Limited
Peko-Wallsend Limited
PepsiCo Capital Corporation N.V.
Province de Québec
Royal Trustco Limited
Sanyo Electric Co., Ltd.
Province of Saskatchewan
Security Pacific Overseas Finance N.V.
Société d'Hypothèque Procan
Solvay & Cie, S.A.
Sumitomo Metal Industries, Ltd.
Kingdom of Sweden
Teléfonos de México S.A.
Tenneco International N.V.
TransCanada PipeLines Limited
Transco International N.V.
Union Carbide Canada Limited
Victor Company of Japan, Limited
Walt Disney Productions International Finance N.V.
Wells Fargo International Financing Corporation N.V.
WMC Finance Limited
Zentralsparkasse und Kommerzialbank

## German shares

Aktiengesellschaft für Energiewirtschaft
Alexanderwerk AG
BASF AG
Bayer AG
Bayerische Handelsbank AG
Bayerische Vereinsbank AG
Berliner Handels- und Frankfurter Bank
Bürstenfabrik Emil Kränzlein AG
Daimler-Benz AG
Friedrich Deckel AG
Deutsche Texaco AG
Frankfurter Hypothekenbank AG
Handelsbank in Lübeck AG
Herlitz AG
Hochtief AG vorm. Gebr. Helfmann
Philipp Holzmann AG
Hutschenreuther AG
Industriekreditbank AG – Deutsche Industriebank
G. Kromschröder AG
Losenhausen Maschinenbau AG
Main-Kraftwerke AG
Mercedes-Automobil-Holding AG
Neckermann Versand AG
O & K Orenstein & Koppel AG
Pegulan-Werke AG
Salamander AG
Süddeutsche Bodencreditbank
Thüringer Gas AG
TCHIBO Frisch-Röst-Kaffee AG
Vereinsbank in Nürnberg AG
Vereins- und Westbank AG

## Foreign shares

Aluminum Company of America
ARICO America Realestate Investment Company
Associated Dairies Group Limited
Banco de Bilbao S.A.
Banco de Santander, S.A.
Banco Hispano Americano S.A.
The British Petroleum Company Limited
Cable and Wireless Public Limited Company
Dart & Kraft, Inc.
Exco International p.l.c.
General Mining Union Corporation Limited
Istituto Finanziario Industriale S.p.A.
The Nikko Securities Co., Ltd.
The Nomura Securities Co., Ltd.
Northern Foods Limited
Rowntree Mackintosh Limited
Royal Insurance Company Limited
Yamaichi Securities Company, Limited

## Other syndicate transactions

Barmer Wohnungsbau AG
Gelsenberg AG
Karstadt AG
Neckermann Versand AG
Veba AG

## Headquarters

| | |
|---|---|
| Düsseldorf | 25 Breite Strasse, D-4000 Düsseldorf, Telephone (0211) 8271, Telex 8 581 381 |
| Frankfurt | 32-36 Neue Mainzer Strasse, D-6000 Frankfurt, Telephone (0611) 13621, Telex 4 152530 |
| Hamburg | 7-9 Ness, D-2000 Hamburg, Telephone (040) 361321, Telex 212391 |

All International Departments are in Frankfurt.

## Domestic Branches

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

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

Aachen
1920 (1874)
with sub-branches
Adalbertstrasse
Burtscheid
Markt
and paying office
Autobahn-Nord

Aalen
1969

Achim
1973

Ahlen (Westphalia)
1961

Ahrensburg (Holstein)
1958

Albstadt-Ebingen
1969

Albstadt-Tailfingen
1975

Alfeld (Leine)
1962

Alsfeld
1969

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

Amberg
1980

Andernach
1954

Arnsberg-Neheim
1968

Aschaffenburg
1962

Attendorn
1981

Augsburg
1919
with sub-branches
Donauwörther Strasse
Göggingen
Lechhausen

Backnang
1961

Bad Bramstedt
1973

Baden-Baden
1914 (1878)

Bad Driburg
1975

Bad Harzburg
1974

Bad Hersfeld
1962

Bad Homburg v. d. H.
1967

Bad Honnef
1966

Bad Kissingen
1976

Bad Kreuznach
1929 (1907)

Bad Nauheim
1968

Bad Neuenahr
1966
with sub-branch
Ahrweiler

Bad Oeynhausen
1965

Bad Oldesloe
1961

Bad 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 (Erft)
1975

Bergisch Gladbach
1968

Bergneustadt
1959

Biberach (Riss)
1968

Bielefeld
1905 (1867)
with sub-branches
Betheleck
Brackwede
Heeper Strasse
Herforder Strasse
Sennestadt
Sieker
Stapenhorststrasse

Bietigheim-Bissingen
1975

Bingen
1968

Bocholt
1920

Bochum
1920
with sub-branches
Altenbochum
Ehrenfeld
Hamme
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 107

Bonn-Bad Godesberg
1959
with sub-branch
Römerplatz

Bonn-Beuel
1961

Bonn-Duisdorf
1960

Borken (Westphalia)
1960

Bottrop
1959

Brake
1976

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

Bremen
1920
with sub-branches
Dobben
Findorff
Gröpelingen
Hemelingen
Neustadt
Schwachhausen
Steintor
West
Woltmershausen

Bremen-Vegesack
1954

Bremerhaven
1956
with sub-branches
Geestemünde
Lehe

Bremervörde
1961

Bruchsal
1968

Brühl (Cologne district)
1969

Brunsbüttel
1962

Bückeburg
1954 (1856)

Bünde
1961

Burgdorf
1970

Butzbach
1967

Buxtehude
1972

Celle
1961

Cloppenburg
1961

Coburg
1971

Coesfeld
1961

Cologne:
see Köln

Constance:
see Konstanz

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

Dreieich
1968

Dülmen
1968

Düren
1959

Düsseldorf
1903 (1889)
with sub-branches
Am Hafen
Am Hauptbahnhof
Brehmplatz
Dorotheenplatz
Eller
Friedrichstrasse
Garath
Gerresheim
Golzheim
Grafenberger Allee
Heerdt
Heinrichstrasse
Holthausen
Kaiserswerth
Karolingerplatz
Königsallee
Nordstrasse
Oberbilk
Oberkassel
Rath
Reisholzer Strasse
Schadowstrasse
Unterrath
Wersten
Worringer Platz

Düsseldorf-Benrath
1968

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

Duisburg-Hamborn
1958

Duisburg-Homberg
1969

Duisburg-Rheinhausen
1961

Duisburg-Ruhrort
1960

Duisburg-Walsum
1965 (1954)

Eckernförde
1960

Ehingen (Danube)
1980

Einbeck
1969

Eislingen
1975

Elmshorn
1953

Emden
1920
with sub-branch
Rathausplatz

Emmendingen
1978

Emmerich
1965 (1951)
with paying-office
Elten

Emsdetten
1970

Enger
1967

Ennepetal
1965

Erkelenz
1967

Erkrath
1967

Erlangen
1972

Eschborn
1975

Eschwege
1908 (1830)

Eschweiler
1968

Essen
1907 (1898)
with sub-branches
Altenessen
Borbeck
Bredeney
Essen-Süd
Essen-West
Holsterhausen
Kray
Kupferdreh
Rüttenscheid
Steele
Viehofer Platz
Wasserturm

Esslingen
1965

Ettlingen
1967

Euskirchen
1960

Fellbach (Württ.)
1960

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

Frankenthal (Palatinate)
1963

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

Frankfurt-Höchst
1899

Frechen
1960

Freiburg (Breisgau)
1960
with sub-branch
Rathausgasse

Freilassing
1980

Freudenstadt
1980

Friedberg (Hesse)
1929

Friedrichshafen
1967

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

Fulda
1954

Garbsen
1965

Garmisch-
Partenkirchen
1969

Geesthacht
1974

Geislingen (Steige)
1974

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

Gelsenkirchen-Buer
1920

Gevelsberg
1912
with sub-branch
Zentrum
*(downtown)*

Giessen
1906

Gifhorn
1961

Gladbeck
1960

Glinde
1970

Glückstadt
1968

Goch
1967

Göppingen
1959

Göttingen
1923 (1850)
with sub-branches
Eichendorffplatz
Weende

Goslar
1929 (1907)

Greven (Westphalia)
1961

Grevenbroich
1960

Gross Gerau
1968

Gütersloh
1965

Gummersbach
1919 (1870)

Haan (Rhineland)
1967

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

Haltern (Westphalia)
1974

Halver
1959

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

Hamburg-Altona
1910 (1872)

Hamburg-Bergedorf
1953

Hamburg-Harburg
1922

Hameln
1960

Hamm (Westphalia)
1904
with sub-branch
Marktplatz

Hanau
1909
with sub-branch
Grossauheim

Hannover *(Hanover)*
1907 (1826)
with sub-branches
Am Klagesmarkt
Am Kröpcke
Am Küchengarten
Am Steintor
Buchholz
Herrenhausen
Hildesheimer Strasse
Lister Meile
Misburg
Sallstrasse
Südstadt
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-branch
Alter Markt

Herne
1958

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

Herten
1961

Herten-Westerholt
1968

Herzberg
1965

Herzogenrath
1975

Hilden
1919

Hildesheim
1929
with sub-branches
Dammstrasse
Marienburger Platz
Zingel

Hockenheim
1973

Hof (Saale)
1968

Hofheim (Taunus)
1967

Hohenlimburg
1954
with sub-branch
Elsey

Holzminden
1923 (1884)

Hoya (Weser)
1954 (1927)

Husum
1959

Ibbenbüren
1971

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

Idstein (Taunus)
1975

Ingelheim
1973

Ingolstadt
1963
with sub-branch
Hindenburgstrasse

Iserlohn
1905 (1838)
with sub-branch
Schillerplatz

Iserlohn-Letmathe
1969

Itzehoe
1966

Jülich
1971

Kaarst
1980

Kaiserslautern
1961

Kaltenkirchen
1970

Kamen
1962

Kamp-Lintfort
1967

Karlsruhe
1953
with sub-branches
Am Mühlburger Tor
Durlach
Mühlburg

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

Kaufbeuren
1967
with sub-branch
Neugablonz

Kelkheim (Taunus)
1968

Kempen (Lower Rhine)
1961

Kempten
1973

Kettwig
1974

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

Kirchheim (Teck)
1968

Kirn (Nahe)
1968

Kleve
1918 (1889)

Koblenz
1961
with sub-branch
Bahnhofsplatz

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

Köln-Mülheim
1962

Königstein (Taunus)
1974

Konstanz
*(Constance)*
1961
with sub-branch
Petershausen

Korbach
1967

Krefeld
1905 (1859)
with sub-branches
Hochstrasse
Ostwall

Krefeld-Hüls
1968

Krefeld-Uerdingen
1959

Kreuztal
1959

Kulmbach
1974

Laatzen (Han.)
1965

Lahr
1968

Landau (Palatinate)
1968

Landshut
1967

Langen (Hesse)
1967

Langenfeld (Rhineland)
1962

Langenhagen
1965

Lauf
1976

Leer (East Friesland)
1962

Lehrte (Han.)
1961

Leichlingen
1969

Lemgo
1954

Lennestadt
1960

Leonberg
1965

Leverkusen
1958

Limburg (Lahn)
1957

Lingen (Ems)
1960

Lippstadt
1961

Lörrach (Baden)
1962

Lohne
1973

Ludwigsburg
1958

Ludwigshafen (Rhine)
1960

Lübbecke
1966

Lübeck
1918 (1862)
with sub-branches
Am Schlachthof
Buntekuh
Fackenburger Allee
Geniner Strasse
Marli

Lübeck-Travemünde
1961
with paying office
Skandinavienkai

Lüchow
1968 (1870)

Lüdenscheid
1905 (1869)
with paying office
Brüninghausen

Lüdinghausen
1968

Lüneburg
1959

Lünen
1958

Maintal-Dörnigheim
1973

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

Mainz-Kastel
1929 (1920)

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

Marburg (Lahn)
1906

Marl-Hüls
1955

Mayen
1954

Meerbusch-Büderich
1968

Meerbusch-Osterath
1969

Memmingen
1969

Menden
1972

Meppen
1961

Meschede
1971

Mettmann
1962

Metzingen
1974

Minden
1968

Mölln
1982

Mönchengladbach
1898 (1871)
with sub-branches
Hauptbahnhof
*(main station)*
Headquarters
Rheindahlen

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

Moers
1959

Monschau
1969

Mühldorf (Inn)
1968

Mühlheim (Main)
1967

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

München *(Munich)*
1910 (1876)
with sub-branches
Baldeplatz
Berg-am-Laim
Fraunhoferstrasse
Grosshadern
Hauptbahnhof
*(main station)*/
Marsstrasse
Herkomerplatz
Hohenzollernstrasse
Ingolstädter Strasse
Laim
Leopoldstrasse
Lerchenauer Strasse
Lindwurmstrasse
MAN-Allach
Moosach
Nymphenburger
Strasse
Pasing
Reichenbachplatz
Riesenfeldstrasse
Rosenheimer Platz
Rotkreuzplatz
Schleissheimer Strasse
Schwanthalerstrasse
Thalkirchner Strasse
Thomasiusplatz

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

Nettetal-Lobberich
1960

Neuburg (Danube)
1976

Neuenkirchen
(near Rheine)
1968

Neuenrade
1967

Neu-Isenburg
1919

Neumünster
1907

Neuss
1952
with sub-branch
Dreikönigenstrasse

Neustadt (Holstein)
1974

Neustadt (Weinstrasse)
1961

Neu-Ulm
1967

Neuwied
1960

Niebüll
1966

Nienburg (Weser)
1954 (1938)

Norden
1966

Nordenham
1921 (1907)

Norderstedt
1962

Nordhorn
1953

Northeim (Han.)
1960

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

Oberhausen
1918 (1896)
with sub-branch
Buschhausen

Oberhausen-Sterkrade
1960

Obertshausen
1967

Oberursel (Taunus)
1968

Oelde
1976

Oer-Erkenschwick
1969

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

Offenburg
1968

Oldenburg (Oldb.)
1920
with paying office
Grossmarkt

Olpe
1968

Olsberg
1965

Opladen
1961

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

Osterholz-Scharmbeck
1966

Osterode (Harz)
1929 (1872)

Ottobrunn
1979

Paderborn
1909 (1881)
with sub-branch
Schloss Neuhaus

Papenburg
1967

Passau
1968

Peine
1921 (1900)

Pforzheim
1960

Pfungstadt
1969

Pinneberg
1957

Pirmasens
1955 (1908)

Plettenberg
1921

Pulheim
1980

Pullach
1969

Quickborn (Holstein)
1975

Radevormwald
1965

Rastatt
1962

Ratingen
1967

Ratingen-Lintorf
1974

Ravensburg
1971

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

Rees
1965 (1962)

Regensburg
1965

Reinbek (near Hamburg)
1959

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

Remscheid-Lennep
1961

Remscheid-
Lüttringhausen
1961

Rendsburg
1960

Reutlingen
1954 (1930)

Rheda-Wiedenbrück
1959
with sub-branch
Berliner Strasse

Rhede (near Bocholt)
1968

Rheine
1921

Rheinfelden
1975

Rietberg
1968

Rosenheim
1972

Rotenburg (Wümme)
1976

Rottweil
1974

Rüdesheim
1968

Rüsselsheim
1965

Saarburg (near Trier)
1967

Salzgitter-Lebenstedt
1958

St. Georgen
1976

Sarstedt
1962

Schleswig
1962

Schneverdingen
1970

Schöningen
1960

Schorndorf
1977

Schwabach
1967

Schwäbisch Gmünd
1968

Schwalbach (Taunus)
1974

Schweinfurt
1963

Schwelm
1951

Schwerte (Ruhr)
1959 (1928)

Schwetzingen
1969

Siegburg
1960

Siegen
1919
with sub-branches
Eiserfeld
Kaan-Marienborn
Weidenau

Sindelfingen
1962

Singen (Hohentwiel)
1967

Sinsheim
1969

Soest
1961

Solingen
1903 (1900)
with sub-branch
Höhscheid

Solingen-Ohligs
1903 (1899)

Solingen-Wald
1960

Speyer
1975

Sprockhövel
1967

Stade
1954 (1920)

Stadtallendorf
1967

Steinhagen
1965

Stolberg
1920

Straubing
1966

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

Stuttgart-Bad Cannstatt
1956

Trier
1959

Troisdorf
1965

Tübingen
1958

Tuttlingen
1975

Uelzen
1919

Uetersen (Holstein)
1961

Ulm (Danube)
1963

Unna
1959

Unterföhring
(near Munich)
1967

Varel (Oldenburg)
1961

Vechta
1961

Velbert
1919 (1880)

Velbert-Langenberg
1953

Verden (Aller)
1970

Versmold
1962

Viernheim
1973

Viersen
1954

Viersen-Dülken
1968

VS-Schwenningen
1969

VS-Villingen
1969

Vlotho
1969

Voerde-Friedrichsfeld
1965 (1959)

Wahlstedt
1973

Waldbröl
1968

Waldkraiburg
1971

Walsrode
1961

Warburg
1917 (1896)

Wedel (Holstein)
1955

Wegberg
1974

Weiden
(Upper Palatinate)
1969

Weil (Rhine)
1970

Weinheim
(Bergstrasse)
1961

Werdohl
1923

Wermelskirchen
1909 (1893)

Wertheim
1979

Wesel
1965 (1920)

Wesseling
1967

Westerland (Sylt)
1961

Wetter (Ruhr)
1970

Wetter-Wengern (Ruhr)
1970

Wetzlar
1906

Weyhe-Kirchweyhe
1954 (1923)

Weyhe-Leeste
1954 (1928)

Wiehl (Cologne district)
1962

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

Wildeshausen
1974

Wilhelmshaven
1954
with sub-branch
Gökerstrasse

Winsen (Luhe)
1970

Wipperfürth
1975

Wissen (Sieg)
1967

Witten
1921
with sub-branch
Annen

Wolfenbüttel
1967

Wolfsburg
1958
with sub-branches
Detmerode
Kästorf
Tiergartenbreite

Worms
1928

Würselen
1969

Würzburg
1961

Wunstorf
1961

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

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

Xanten
1965

Zirndorf
1970

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Bonn Liaison Office:
124-132 Reuterstrasse
(Bonn Centre)
D-5300 Bonn

**Foreign Branches**

Belgium

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

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

France

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

Hong Kong

Commerzbank Aktiengesellschaft
Hong Kong Branch
Connaught Centre
Connaught Road
Hong Kong

Japan

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

Spain

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

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

United Kingdom

Commerzbank Aktiengesellschaft
London Branch
10-11 Austin Friars
London EC2N2HE (England)

USA

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

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

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

## Subsidiaries and Related Banks
(Majority holdings)

### Domestic Holdings

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

Sub-branches:

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

**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 São Paulo Serviços Ltda.
Alexander Gregor
254 Rua Boa Vista, 7° andar
Caixa Postal 7441
01000 São Paulo-SP (Brazil)

Commerzbank Rio de Janeiro Serviços Ltda.
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)

China (People's Republic)

Representative Office Beijing/Peking
Michael Zuberbier
Jianguo Hotel, Room 134
Jianguo Men Wai Da Jie
Beijing (People's Republic of China)

Denmark, Norway, Sweden, Finland, Iceland

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

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
Tehran (Iran)

Japan

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

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, 7° Piso
Casilla 1127
Lima (Peru)

Southern Africa

Representative Office Johannesburg
Werner P. Kahrass
Jürgen Maus *(as of July 1, 1982)*
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)

Spain, Portugal

Representación
para España y Portugal
Günter Schönberner
141 Paseo de la Castellana
Edificio Cuzco IV
Madrid-16 (Spain)

USSR

Representative Office Moscow
Heinrich Schembecker
4 Per. Sadovskikh
4th Floor, Office No. 9
Moscow 103 001 (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

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/New York

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'Edition
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 Ltd., 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, Zürich

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

Zaïre

Société Financière de Développement
–SOFIDE–, Kinshasa

# The International Presence of the Europartners

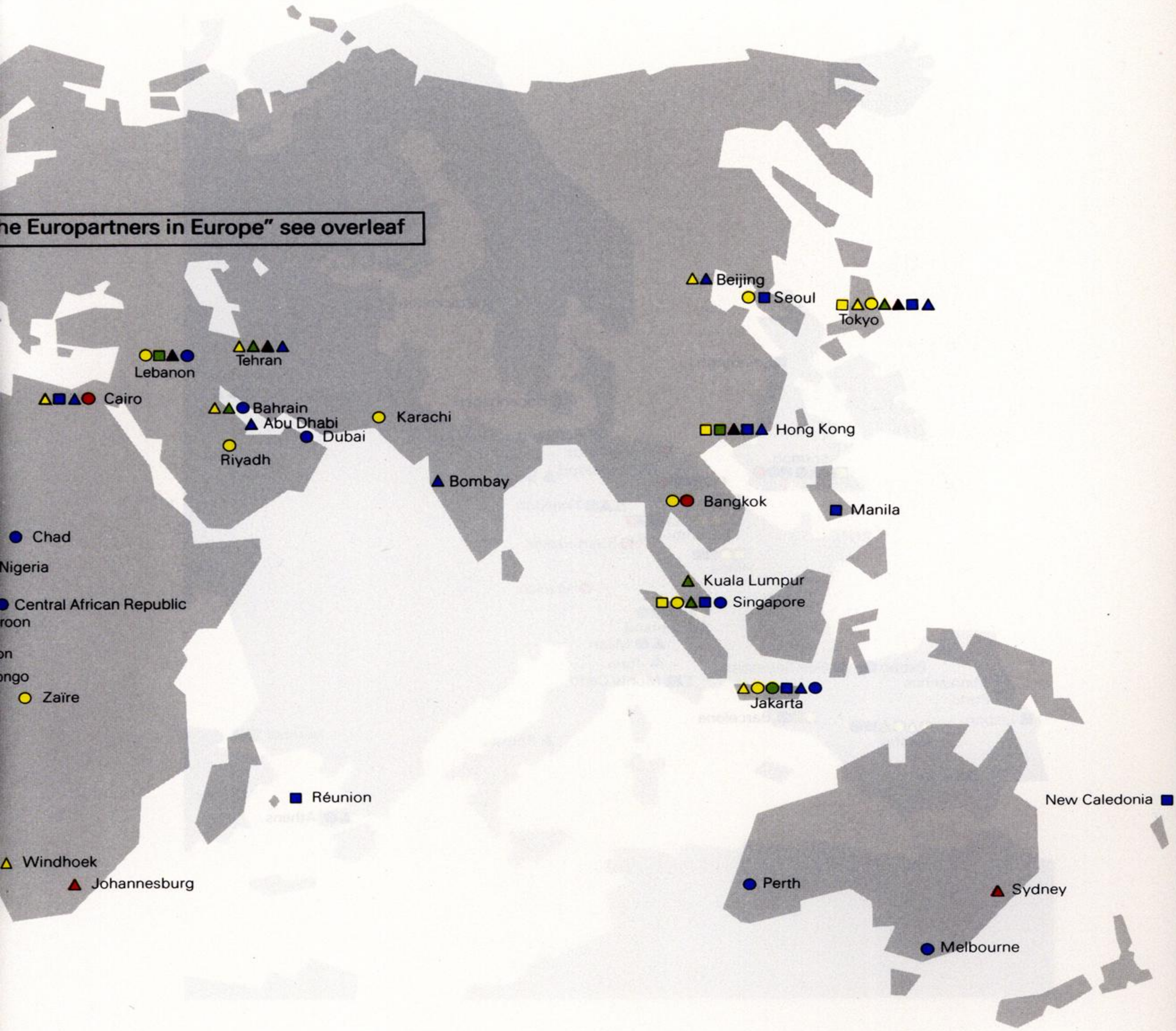
| | Foreign branches and subsidiaries | Representative offices abroad | Bank affiliations and other holdings abroad |
|---|---|---|---|
| Commerzbank | | | |
| Banco di Roma | | | |
| Banco Hispano Americano | | | |
| Crédit Lyonnais | | | |
| Joint foreign footholds*) | | | |

*) of Banco di Roma, Commerzbank, and Crédit Lyonnais (and, as regards the Europartners' joint 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 page 115

The Europartners Overseas pages 113/114

# The Europartners Overseas


he Europartners in Europe" see overleaf
Beijing
Seoul
Tokyo
Lebanon
Tehran
Cairo
Bahrain
Abu Dhabi
Dubai
Karachi
Riyadh
Hong Kong
Bombay
Bangkok
Manila
Chad
Nigeria
Central African Republic
roon
on
ongo
Zaïre
Kuala Lumpur
Singapore
Jakarta
Réunion
New Caledonia
Windhoek
Johannesburg
Perth
Sydney
Melbourne

# The Europartners in Europe

# Europartners Highlights[1]

## BANCO DI ROMA

| | Mid-1981 | Mid-1980 | Change |
|---|---|---|---|
| Balance Sheet Total | Lire 34,853 billion | Lire 27,504 billion | +26.7% |
| Deposits | Lire 20,945 billion | Lire 15,402 billion | +36.0% |
| Capital and Reserves | Lire 505 billion | Lire 405 billion | +24.6% |
| Branches | 312 | 301 | + 3.7% |
| Number of Accounts | 1,264,900 | 1,093,000 | +15.7% |
| Staff | 14,021 | 13,612 | + 3.0% |

## BANCO HISPANO AMERICANO

| | Year-end, 1981 | Year-end, 1980 | Change |
|---|---|---|---|
| Balance Sheet Total | Ptas 1,395,937 million | Ptas 1,140,035 million | +22.4% |
| Deposits | Ptas 1,261,672 million | Ptas 1,049,213 million | +20.2% |
| Capital and Reserves[2] | Ptas 71,485 million | Ptas 51,950 million | +37.6% |
| Branches | 1,330 | 1,287 | + 3.3% |
| Number of Accounts | 3,401,900 | 3,456,400 | – 1.6% |
| Staff | 17,708 | 18,697 | – 5.3% |

## COMMERZBANK

| | Year-end, 1981 | Year-end, 1980 | Change |
|---|---|---|---|
| Balance Sheet Total | DM 64,298 million | DM 64,702 million | – 0.6% |
| Deposits | DM 60,570 million | DM 60,953 million | – 0.6% |
| Capital and Reserves | DM 2,478 million | DM 2,478 million | – |
| Branches | 802 | 805 | – 0.4% |
| Customers | 2,224,200 | 2,207,000 | + 0.8% |
| Staff | 19,633 | 19,995 | – 1.8% |

## CREDIT LYONNAIS

| | Year-end, 1981 | Year-end, 1980 | Change |
|---|---|---|---|
| Balance Sheet Total | Ffr 479,751 million | Ffr 414,995 million | +15.6% |
| Deposits | Ffr 444,102 million | Ffr 389,055 million | +14.1% |
| Capital and Reserves[2] | Ffr 4,522 million | Ffr 4,457 million | + 1.5% |
| Branches | 2,272 | 2,283 | – 0.5% |
| Customers | 3,758,800 | 3,621,000 | + 3.8% |
| Staff | 45,386 | 45,892 | – 1.1% |

# The Group[3]

| | Year-end, 1981[4] | Year-end, 1980[4] | Change |
|---|---|---|---|
| Balance Sheets Sum Total | DM 351,443 million | DM 306,553 million | +14.6% |
| Deposits | DM 304,432 million | DM 267,750 million | +13.7% |
| Capital and Reserves[2] | DM 6,877 million | DM 6,208 million | +10.8% |
| Branches | 4,716 | 4,676 | + 0.9% |
| Staff | 96,748 | 98,196 | – 1.5% |

[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, 1981: Ffr 1 = DM 0.3943; Lire 100 = DM 0.1876; Ptas 100 = DM 2.335;
[4]) Banco di Roma: mid-year figures.

EUROPARTNERS: BANCO DI ROMA · BANCO HISPANO AMERICANO · COMMERZBANK · CREDIT LYONNAIS