COMMERZBANK

ANNUAL REPORT 1988

COMMERZBANK HIGHLIGHTS

Group

in DM m, at year-end

Assets	1988	1987
Cash reserves	4,550	4,289
Cheques, collection items	284	479
Bills of exchange	3,040	3,662
Claims on banks	51,146	48,066
Treasury bills	1,457	1,551
Bonds and notes	12,577	10,612
Shares	1,334	857
Loans and advances to customers	98,920	86,588
a) at agreed periods of less than four years	(34,135)	(28,912)
b) at agreed periods of four years or more	(64,785)	(57,676)
Investments	1,951	1,492
Land and buildings	874	814
Other assets	4,267	3,321
Total Assets	180,400	161,731
Net income for the year	489	423

in DM m, at year-end

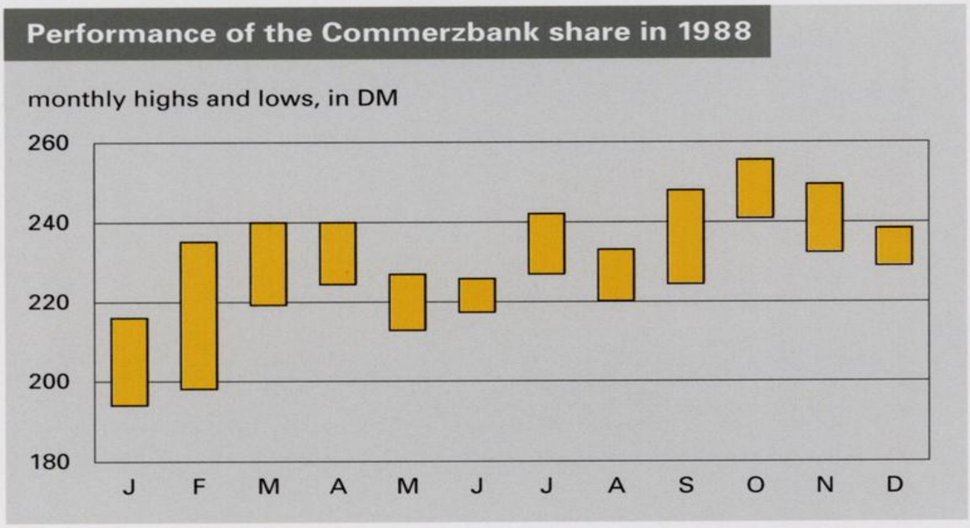
Liabilities and Shareholders' Equity	1988	1987
Liabilities to banks	51,496	44,670
Customers' deposits	73,857	65,596
a) demand deposits	(15,688)	(13,815)
b) time deposits	(43,358)	(36,660)
c) savings deposits	(14,811)	(15,121)
Bonds outstanding	44,119	41,781
Other liabilities	4,982	4,332
Capital and reserves[1])	5,578	5,017
a) subscribed capital	(1,131)	(1,040)
b) reserves	(3,240)	(2,903)
c) profit-sharing certificates outstanding	(425)	(425)
d) reserve arising from consolidation[2])	(732)	(600)
e) minority interests[3])	(50)	(49)
Consolidated profit	368	335
Total Liabilities and Shareholders' Equity	180,400	161,731
Endorsement liabilities	1,991	2,128
Business volume	182,391	163,859
Guarantees	12,509	10,460

Branches	888	882
Customers	2,968,400	2,892,800
Staff	27,320	26,640

Parent Bank[4])

at year-end	1988	1987
Total assets	DM115,256m	DM101,108m
Total lending	DM 67,928m	DM 58,404m
Capital and reserves	DM 4,796m	DM 4,368m
Dividend paid per DM50 nominal share	DM9.00	DM9.00
Tax credit (in addition to cash dividend)	DM5.06	DM5.06

[1]) 1988: DM5,647m (1987: DM5,078m) after allocation of funds decided upon at 1989 (1988) AGMs of consolidated companies;
[2]) in accordance with Section 331 (1) 3 of the German Stock Corporation Act–AktG (former version, valid up to Dec. 31, 1986);
[3]) excluding attributable share of profits;
[4]) for Parent Bank's complete Annual Accounts see pages 56 to 59.



(Frankfurt stock exchange mid-session spot quotations for DM50 nominal share)

Quotation of Commerzbank's shares

Our shares are officially quoted on all eight German and on the following foreign stock exchanges:

Austria	Vienna (since 1972)
Belgium	Antwerp, Brussels (since 1973)
France	Paris (since 1971)
Japan	Tokyo (since 1986)
Luxembourg	Luxembourg (since 1974)
Netherlands	Amsterdam (since 1974)
Switzerland	Basle, Berne, Geneva, Lausanne, Zurich (since 1973)
United Kingdom	London (since 1962)

For current Frankfurt quotation of the Commerzbank share, see Reuters Equities 2000 System, code CBKG.F (the final "F" to be replaced by the respective exchange identifier for the places listed above).

Highlights of Commerzbank's history

1870:
Founded as "Commerz- und Disconto-Bank in Hamburg", Hamburg.

January 1, 1952:
Balance sheet date for first DM accounts to be published by the Bank's regional post-war successor institutions.

July 1, 1958:
Post-war successor institutions re-merged in Düsseldorf into Commerzbank AG.

Since 1970:
Centralization of all departments in Frankfurt.

COMMERZBANK

A N N U A L R E P O R T 1 9 8 8

Headquarters

Frankfurt
Neue Mainzer Strasse 32–36
D-6000 Frankfurt (Main)
Telephone (0 69) 1 36 20
Telex 4 152 530
Telefax (0 69) 28 53 89

Düsseldorf
Breite Strasse 25
4000 Düsseldorf
Telephone (02 11) 82 71
Telex 8 581 381
Telefax (02 11) 8 27 27 50

**Supplement:
The Economic Scene
1988/89**

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As in previous years, our Annual Report is available in German, English, and French. In addition, we can supply our Report in all three languages in microfiche form. If you wish to receive it like this, please contact us under one of the addresses given opposite (att. Economic Research and Corporate Communication Dept.). ISSN 0414-0443

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

To our shareholders

The ever stronger international links, combined with the transformations to which both society's systems of values and its needs are being subjected, point to dramatic changes over the next few years. In the financial services market, too, new types of product and forms of marketing are constantly emerging as competition grows keener. Those who wish to be successful in future have to alter their strategy to suit this changed scenario; they must spot the chances and shape their business policy accordingly.

For the business community and the banks, the key topics at the moment are the Single European Market and "financial services under one roof" *(Allfinanz)*. But globalization, deregulation and securitization are still active forces that are helping to bring about a transformation. Commerzbank is open to such changes and will seize the opportunities which arise. Yet at the heart of our planning and activities are our customers, to whom we as a service institution feel a strong commitment, and our employees, who with their wealth of knowledge and market orientation are making modern banking a reality.

The table on the following page offers impressive evidence that we have increased our staff at Group level by roughly 6,000 since 1982. At the same time, we have stepped up our efforts in the field of basic and advanced training, since the demands on quality made in the service sector will continue to become much more exacting.

However, efficiency is only achieved when all the forces involved cooperate smoothly. In order to promote this state of affairs, we follow in our personnel policy guidelines which primarily emphasize such notions as team spirit, unbureaucratic cooperation, the courage to take decisions and the Bank's special customer-oriented approach.

But in order to be well-equipped for the mounting global competition, we also need an adequate equity base. Despite strong expansion, we are able to meet the capital ratio rules recommended by the Cooke Committee for internationally active banks: core capital is to equal at least 4% of risk-weighted assets, or 8% for the broader definition of equity capital. Moreover, this June we will receive additional equity funds amounting to roughly DM335m from the conversion of warrants. This will bring the Group's equity capital up to almost DM6bn; at end-1982, it stood at DM2.8bn. Further increases are planned through the issue of profit-sharing certificates by several subsidiaries.

This year, we invite shareholders to the Düsseldorf congress centre again for our Annual General Meeting on Tuesday, May 30. We shall report on a successful business year, the encouraging rise in the Bank's earnings being well documented by the higher allocation to disclosed reserves.

March 1989

Chairman of the Board
of Managing Directors

Chairman of the
Supervisory Board

Business Progress of Commerzbank Group, 1968–1988

	Total assets DM bn	Total lending DM bn	Savings deposits, savings bonds DM m	Taxes paid DM m	Allocation to reserves from profit[1] DM m	Capital and reserves[1] DM m	Staff	Branches
31-12-1968	**16.5**	**10.6**	**3,838**	**64.9**	**31.5**	**676**	**14,689**	**691**
31-12-1973	**39.1**	**26.4**	**6,091**	**76.7**	**18.0**	**1,284**	**18,187**	**826**
31-12-1978	**88.0**	**57.6**	**11,097**	**247.3**	**99.5**	**2,370**	**20,982**	**875**
31-12-1979	100.3	68.1	11,670	189.7	40.1	2,744	21,656	885
31-12-1980	100.0	73.1	11,793	104.8	32.5	2,784	21,487	880
31-12-1981	101.3	75.4	11,638	102.5	25.3	2,766	21,130	878
31-12-1982	108.2	81.7	12,400	169.7	85.7	2,770	21,393	877
31-12-1983	113.2	84.6	12,984	237.3	121.8	2,917	22,047	884
31-12-1984	122.7	90.3	14,441	275.4	152.3	3,143	22,801	882
31-12-1985	137.2	94.4	15,279	321.6	175.0	3,860[2])	24,154	882
31-12-1986	148.2	102.7	17,427	330.6	156.9	4,908[2])	25,653	881
31-12-1987	161.7	109.0	18,567	328.5	175.6	5,078[2])	26,640	882
31-12-1988	**180.4**	**120.6**	**18,075**	**376.3**	**235.0**	**5,647[2])**	**27,320**	**888**

Business Progress of Parent Bank, 1952–1988

	Total assets DM bn	Total lending DM bn	Savings deposits, savings bonds DM m	Taxes paid DM m	Annual dividend DM per share	Total amount of dividend paid DM m	Allocation to reserves from profit DM m	Capital and reserves DM m	Staff[3])	Branches
1- 1-1952	**1.6**	**1.3**	**75**	**–**	**–**	**–**	**–**	**55**	**4,812**	**108**
31-12-1958	**5.6**	**3.5**	**587**	**35.1**	**7.00**	**21.0**	**17.0**	**253**	**7,690**	**185**
31-12-1963	**9.3**	**6.0**	**1,477**	**51.6**	**8.00**	**32.0**	**15.0**	**435**	**10,740**	**392**
31-12-1968	**15.4**	**9.7**	**3,565**	**59.8**	**8.50**	**46.8**	**30.0**	**660**	**13,409**	**636**
31-12-1973	**28.4**	**18.1**	**5,651**	**45.2**	**8.50**	**79.6**	**–**	**1,213**	**16,622**	**755**
31-12-1978	**60.6**	**37.5**	**11,097**	**164.0**	**8.50**	**123.4**	**50.0**	**2,129**	**18,404**	**795**
31-12-1979	67.1	44.7	11,670	126.9	8.50	126.3	–	2,478	19,040	802
31-12-1980	64.7	45.5	11,793	38.3	–	–	–	2,478	19,023	805
31-12-1981	64.3	46.1	11,638	40.6	–	–	–	2,478	18,895	802
31-12-1982	66.2	47.1	12,400	109.3[4])	–	–	50.0[4])	2,528[4])	18,988	798
31-12-1983	66.9	46.1	12,984	178.4	6.00	101.2	50.0	2,578	19,368	796
31-12-1984	72.8	48.8	13,139	207.1	6.00	101.2	60.0	2,711	20,016	794
31-12-1985	82.6	50.3	13,872	233.2	8.00	142.0	60.0	3,336[2])	21,204	793
31-12-1986	90.8	55.1	15,885	243.8	9.00	186.8	60.0	4,297[2])	22,539	792
31-12-1987	101.1	58.4	16,837	239.6	9.00	187.2	60.0	4,368[2])	23,324	793
31-12-1988	**115.3**	**67.9**	**16,282**	**301.3**	**9.00**	**203.5**	**100.0**	**4,796[2])**	**23,793**	**795**

[1]) including amounts approved by AGMs;
[2]) including DM425m of profit-sharing certificates outstanding;
[3]) calculated as full-time staff;
[4]) following AGM approval.

Supervisory Board

Honorary Chairman:
PAUL LICHTENBERG
Frankfurt/Düsseldorf
Chairman until May 26, 1988

DR. RABAN
FREIHERR von SPIEGEL
Frankfurt/Düsseldorf
Chairman since May 26, 1988

HANS-GEORG JURKAT
Cologne
Commerzbank AG
Deputy Chairman

HERBERT BAYER
Frankfurt
Secretary for Banking Section
Commercial, Banking and
Insurance Workers' Union (HBV)
Frankfurt Regional
Administration
since May 26, 1988

REINHOLD BORCHERT
Bonn
Commerzbank AG

ERHARD BOUILLON
Bad Soden
Member of the Supervisory Board
of Hoechst AG
since July 1, 1988

HUGO EBERHARD
Hamburg
Commerzbank AG
since May 26, 1988

HONORARY SENATOR
PROFESSOR
DR. HERBERT GRÜNEWALD
Leverkusen
Chairman of the
Supervisory Board
of Bayer AG
since May 26, 1988

DR. UWE HAASEN
Stuttgart
Chairman of the Board of
Managing Directors of Allianz
Lebensversicherungs-AG, and
Member of the Board of
Managing Directors
of Allianz AG Holding

HONORARY SENATOR
DR. CARL H. HAHN
Wolfsburg
Chairman of the Board of
Managing Directors
of Volkswagen AG
since May 26, 1988

GERALD HERRMANN
Hamburg
Bank and Savings Bank Clerks
Sub-section within
Salaried Employees' Union (DAG)
since May 26, 1988

DR. HANS-JÜRGEN KNAUER
Mülheim (Ruhr)
Chairman of the Board of
Managing Directors
of Stinnes AG
since April 8, 1988

PETER KRETSCHMER
Hamburg
Commerzbank AG
since May 26, 1988

GABI LOCHER
Frankfurt
Commerzbank AG
since May 26, 1988

DR. TORSTEN LOCHER
Hamburg
Commerzbank AG
since May 26, 1988

HORST SAUER
Frankfurt
Commerzbank AG
since May 26, 1988

HANS-GEORG STRITTER
Düsseldorf
Member of the National
Executive Committee of the
Commercial, Banking and
Insurance Workers' Union (HBV)

DR.-ING. HANNS ARNT VOGELS
Ottobrunn
Chairman of the Executive Board
of MBB Messerschmitt-Bölkow-
Blohm GmbH

DIPL.-ING. HEINRICH WEISS
Hilchenbach and Düsseldorf
Chairman of the Board of
Managing Directors
of SMS Schloemann-Siemag AG

DR. GERD WOLLBURG
Augsburg
Lawyer

WOLFGANG ZIEMANN
Essen
Member of the Board of Managing Directors of Rheinisch-Westfälisches Elektrizitätswerk AG

The following ceased to belong to the Board when their term of office came to an end on May 26, 1988 or at some other point:

KARIN BEHRENS
West Berlin
Berliner Commerzbank AG
deceased on February 7, 1988

HEINZ-WERNER BUSCH
Oberhausen
Commerzbank AG
Association of German Bank Clerks

DR. ROLF DARMSTADT
Frankfurt
Commerzbank AG

BRIGITTA DORN
Frankfurt
Commerzbank AG

HANS-JOACHIM FUHRMANN
Frankfurt
Commerzbank AG

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

FRITZ LOSUKOW
Frankfurt
Commerzbank AG

HORST MUTHIG
Hamburg
Commerzbank AG
from February 7 until May 26, 1988

DR. OTTO RANFT
Offenbach/Main
Member of the Supervisory Board of Hoechst AG

TONI SCHMÜCKER
Bergisch Gladbach

HONORARY SENATOR
PROFESSOR
DR. MATTHIAS SEEFELDER
Ludwigshafen
Chairman of the Supervisory Board of BASF AG
until April 7, 1988

PROFESSOR
DR. KLAUS TROUET
Frankfurt
Head of Department
Hoechst AG
from May 26 until June 30, 1988

RUDOLF WEINGÄRTNER
Hamburg
Member of the National Executive Committee of the Salaried Employees' Union (DAG)

Advisory Board

KURT ALBERTS
Essen
Member of the Board of Managing Directors of Karstadt AG

DR.-ING. BURCKHARD BERGMANN
Essen
Member of the Board of Managing Directors of Ruhrgas AG

DR. MAX GÜNTHER
Munich
Member of the Board of Managing Directors of Siemens AG
deceased on January 21, 1988

HANS-OLAF HENKEL
Stuttgart
Member of the Executive Board of IBM Deutschland GmbH

DR. HEINZ HORN
Essen
Chairman of the Board of Managing Directors of Ruhrkohle AG

DR. WOLFGANG JAHN
Meerbusch-Büderich
until May 26, 1988

DR. HANS-JÜRGEN KNAUER
Mülheim (Ruhr)
Chairman of the Board of Managing Directors of Stinnes AG
until April 7, 1988

PROFESSOR DR. CARL HEINRICH KRAUCH
Marl
Chairman of the Board of Managing Directors of Hüls AG

DR. HEINZ KRIWET
Duisburg
Chairman of the Board of Managing Directors of Thyssen Stahl AG, and Member of the Board of Managing Directors of Thyssen AG vorm. August Thyssen-Hütte

DR. WOLFGANG LAAF
Düsseldorf
Member of the Board of Managing Directors of Feldmühle Nobel AG

ROLF LEISTEN
Cologne
Member of the Board of Managing Directors of Kaufhof AG

DR. GERHARD LIENER
Stuttgart
Member of the Board of Managing Directors of Daimler-Benz AG

HONORARY SENATOR DIPL.-ING. DR. HELMUT LOHR
Amsterdam
Senior Vice President of Alcatel N.V.

DR. JÖRG MITTELSTEN SCHEID
Wuppertal
General Partner in Vorwerk + Co.

RUDOLF AUGUST OETKER
Bielefeld

PROFESSOR DIPL.-ING. DR.-ING. E.h. ENNO VOCKE
Essen
Chairman of the Board of Managing Directors of Hochtief AG vorm. Gebr. Helfmann

HERIBERT WERHAHN
Neuss
Partner in Wilh. Werhahn

Board of Managing Directors

WALTER SEIPP
Frankfurt/Düsseldorf
Chairman

ERICH COENEN
Düsseldorf

DIETRICH-KURT FROWEIN
Frankfurt

KURT HOCHHEUSER
Düsseldorf

GÖTZ KNAPPERTSBUSCH
Düsseldorf

MARTIN KOHLHAUSSEN
Frankfurt

KLAUS MÜLLER-GEBEL
Frankfurt/Hamburg

JÜRGEN REIMNITZ
Frankfurt

KURT RICHOLT
Frankfurt

AXEL FREIHERR von RUEDORFFER
Frankfurt

RABAN FREIHERR von SPIEGEL
Frankfurt
until May 26, 1988

JÜRGEN TERRAHE
Frankfurt

Executive Vice Presidents

JÜRGEN CARLSON
Frankfurt

ALFRED KNÖR
Frankfurt

KLAUS-PETER MÜLLER
Frankfurt

WOLFGANG OTTO
Frankfurt

HERBERT PETERS
Frankfurt

LUTZ R. RAETTIG
Frankfurt

ULRICH RAMM
Frankfurt

HEINZ-LUDWIG WIEDELMANN
Frankfurt

MANFRED WILSDORF
Frankfurt

The 1988 banking year

One of the key events in the world of banking in 1988 was the joint annual meetings of the International Monetary Fund and the World Bank in West Berlin. Here finance ministers, central bank governors and representatives of the major private-sector and publicly-owned banks came together, above all to discuss how to defuse the Third World debt issue. The occasion gave West Germany the opportunity to present itself to a public of international experts as a liberal and efficient financial centre. The globally active German banks also used the event to carry on high-level discussions with representatives of the international financial scene.

However, the prevailing topics of the year were "Allfinanz"–the all-inclusive approach to financial services, combining the activities traditionally handled by insurance companies, home loan associations and banks–and "post-1992 Europe". While neither concept is new, they both clearly featured uppermost in the strategical planning of the financial services industry and of the business community as a whole. Commerzbank's path is well mapped out: our strategy is customer-oriented. With a view to the Single European Market and in order to realize the all-inclusive financial services approach, we are prepared to enter into cooperation agreements covering products and marketing alike. These will enable us to offer private customers and smaller businesses an attractive range of services Europe-wide in the future, beyond the scope of our existing network of outlets (see page 14 as well). In certain cases, this collaboration can be underpinned by Commerzbank taking up a qualified stake in a company.

Annual meeting of IMF and World Bank in West Berlin in 1988.

General performance of Commerzbank

We operated successfully in 1988, consolidating our position in the traditional fields of activity and systematically developing new areas. Despite further substantial investments in personnel and technology, we managed to achieve a stronger overall result.

Group business volume up by DM20.6bn

Within the Commerzbank Group, growth impulses were generated by customers' very brisk demand for credit. All in all, the Group's broadly-defined business volume, which includes not only the balance sheet total and endorsement liabilities but also guarantees, rose by 11.8% to DM194.9bn. In absolute terms, the increase of more than DM20bn is the greatest that we have ever achieved.

The overall structure of the Group's balance sheet and the changes it underwent during the year were determined by developments at the Parent Bank. Apart from the latter, whose total assets went up by 14.0% to DM115.3bn, the Commerzbank Group comprises above all the following institutions, summaries of whose annual reports and accounts appear on pages 86 to 91 of this Report:

		Balance sheet total
RHEINHYP Rheinische Hypothekenbank AG	Frankfurt	DM37,873m
Berliner Commerzbank AG	West Berlin	DM 7,851m
Commerzbank International S.A.	Luxembourg	DM17,638m
Commerzbank (Nederland) N.V.	Amsterdam	DM 1,583m*)
Commerzbank (South East Asia) Ltd.	Singapore	DM 2,753m*)
Commerzbank (Switzerland) Ltd	Zurich	DM 457m*)

*) DM equivalent.

At end-1988, the banks affiliated within the Commerzbank Group were handling

roughly 5.7 million accounts
for almost 3 million customers
at 888 branches
with a staff of 27,320.

Group operating result higher

With competition causing our interest margin to remain under pressure, we managed, thanks to an expansion of the Bank's business volume, to increase our net interest income by 4.8% to practically DM3bn. At the same time, we were able to lift net commission earnings by 2.3%, past their high year-earlier mark, to DM993m. As the stock exchange got off to a weak start in 1988, we believe that this represents a particularly successful outcome.

Due to the recruitment of more personnel and salary increases, staff costs rose substantially by 8.3% to almost DM2bn. General operating costs added 1.6% to total DM767m. With the earnings from leasing operations and also the write-downs and depreciations on fixed assets and leased equipment included, the partial operating result, which is the balance of current expenditure and income, was down slightly, by about 4%, to DM1,052m. In view of the much-improved own-account profits from securities and foreign-exchange transactions, however, we managed to raise the Group's overall operating result by practically 5%.

Parent Bank: another DM9 dividend

At the Parent Bank, the overall operating result was even boosted by 12.8%; the partial figure, at DM676m, was virtually the same as a year earlier, though. Out of the Bank's net income for the year, which climbed from DM288.6m to DM345.0m, DM100m (DM60m in 1987) was allocated to disclosed reserves.

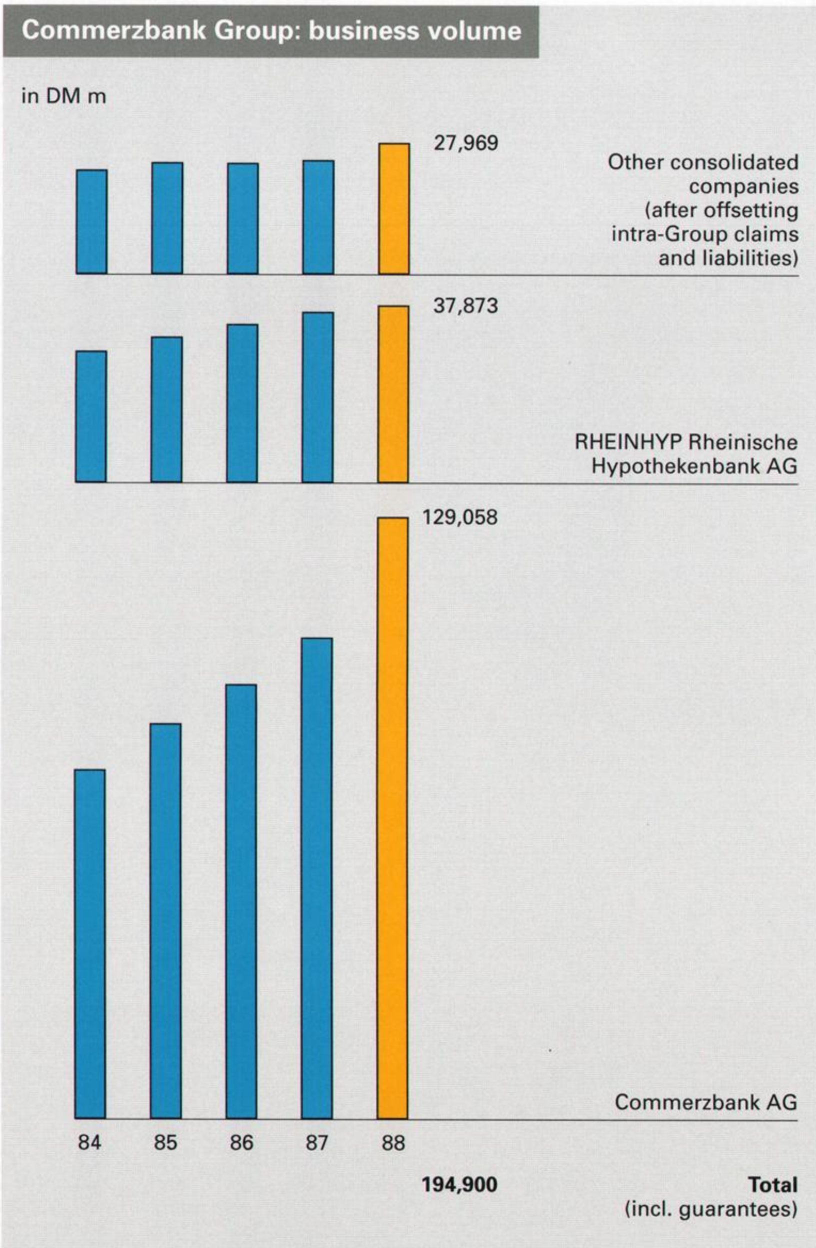
We propose to the Annual General Meeting of the Parent Bank that an unchanged dividend of DM9 per DM50 nominal share be paid. Owing to an increase in the capital, the total dividend payout will rise from DM187.2m to DM203.5m. The tax credit for domestic shareholders amounts to DM5.06 per share, as it did last year.

Once this proposal is adopted, holders of Commerzbank's profit-sharing certificates will receive, as in the previous year, an additional 1.5 percentage point payment over and above the basic 8.25% interest distribution; DM41.4m will be paid out for this purpose from the Bank's distributable profit.

Group allocates DM235m to reserves

The Group's disclosed reserves are to be strengthened by an allocation of altogether DM235m (DM176m in 1987) from the 1988 results. In some cases, approval by the AGMs of individual consolidated companies is still required.

This, by far the largest, allocation to reserves from profits further strengthened the Group's equity capital position. The latter was also reinforced by the holders of option rights which had fallen due exercising their right to buy Commerzbank shares (DM310.6m) and by the issue of shares to the Bank's staff at a preferential price through a capital increase (DM17.4m). The consolidated equity capital of the Group now stands at more than DM5.6bn, while that of the Parent Bank totals roughly DM4.8bn.

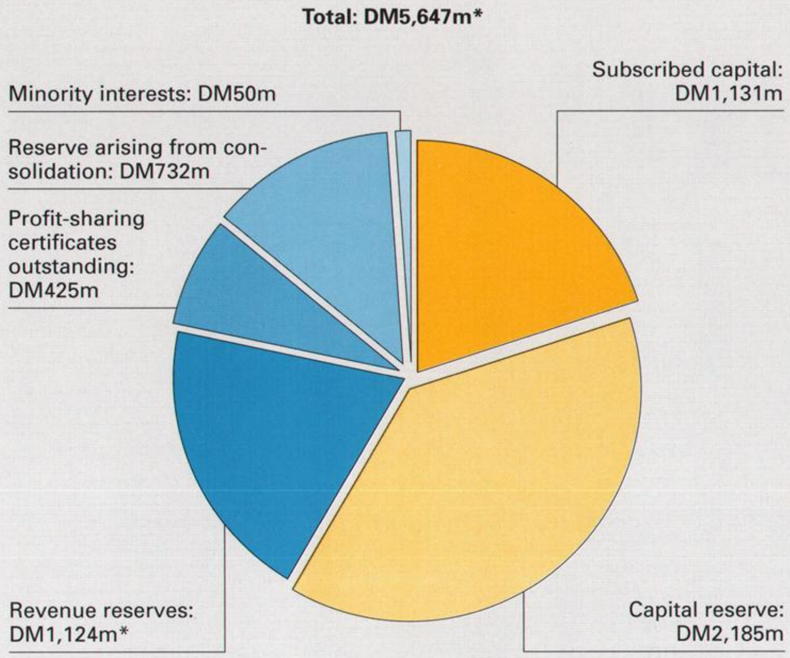


And DM204m as special item with partial reserve character

As we were no longer required to form global loan loss reserves from 1988 onwards, we have made use of the transitional tax arrangements and transferred roughly two-thirds of the reserves generated in past years to a special balance-sheet item with partial reserve character. For the Group as a whole, the total amount was DM204m, DM160m of which was accounted for by the Parent Bank. We used the remain-

Group's equity capital

figures as of end-1988



*after allocation of funds decided upon at 1989 AGMs of consolidated companies.

ing portion of the dissolved global loan loss reserves to increase our provision against risks in other areas.

Offering financial services "under one roof"

We have taken an important step towards meeting our customers' wishes as comprehensively as possible by concluding a cooperation agreement with Leonberger Bausparkasse AG, a large German building loan association. Both companies are seeking to work together closely, the aim being mutual exclusivity. Allgemeine Rentenanstalt, a Stuttgart-based life insurance company, and Commerzbank now each have a 39.9% interest in Leonberger Bausparkasse AG. Through cooperation, it is intended to link up product ranges and marketing networks in order to offer our customers even better service and to utilize synergy effects.

At the same time, though, we shall maintain our broadly-based, long-standing cooperation with more than twenty life insurance companies, so as to be in a position to provide all-round financial counselling through separate marketing channels.

With the Single European Market due to be realized after 1992, special measures are called for. In conjunction with our international partners, we want to offer services, including those for private customers, on a cross-border basis. We intend systematically to tap the strength of our partners in their respective home countries as well as in individual product lines.

Broader investments

In addition to taking up an interest in Leonberger Bausparkasse, our most significant new acquisition, we have substantially increased our investments in other companies to round off the palette of services we offer and to strengthen our banking subsidiaries. The increase of DM449m to DM2,935m in the relevant item on the Parent Bank's balance sheet largely relates to investments in banks. In part, they represent new acquisitions; in part, they reflect a rise in our share of the relevant company's capital or serve to broaden its equity base.

We have equipped our New York investment bank, Commerzbank Capital Markets Corporation, with equity funds of US$20m. We acquired approximately 3% of the capital of both Corporación Financiera Hispamer S.A, Madrid, a company involved in the leasing business, and the brokerage firm of Jean de Cholet-Gilles Dupont S.A., Paris. We have a 37.5% interest in the newly-established ADIG-Investment Luxemburg S.A., Luxembourg, whose successful funds Adilux and Fondilux we market.

In both Unibanco–Banco de Investimento do Brasil (B.I.B.), São Paulo and Korea International Merchant Bank, Seoul, we have raised our interest (see page 42). We provided Commerzbank (Switzerland) Ltd with new capital equivalent to DM37m; Berliner Commerzbank AG received funds to the tune of DM25m, while Commerzbank (South East Asia) Ltd. was provided with the equivalent of DM10m.

Solid growth in lending business

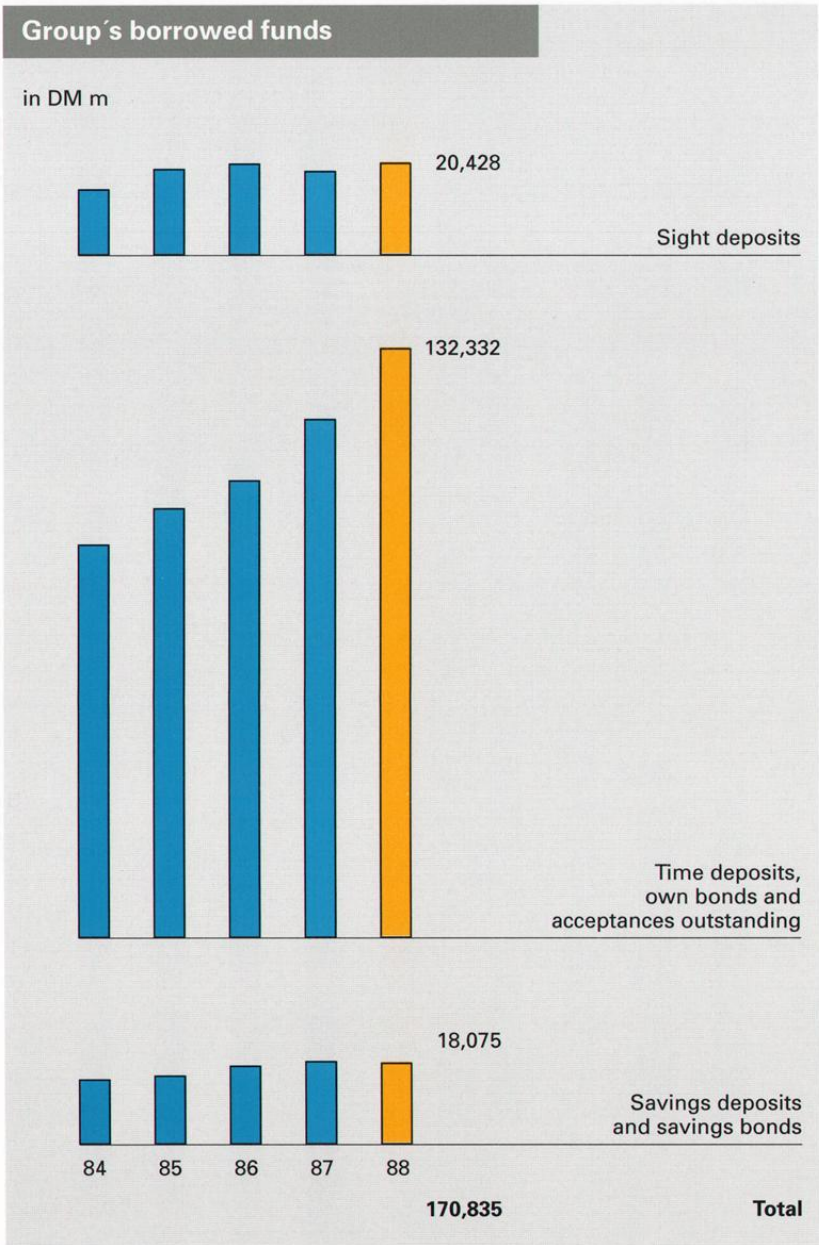
More noticeably than in the preceding year, the Group's expansion was fuelled in 1988 by extraordinarily buoyant demand for credit, both at home and abroad. All in all, the Group's total lending grew by 10.7% to DM120.6bn, with the emphasis on loans to customers, which rose by 18.6% to DM69.9bn. Short and medium-term credits, up by DM5.2bn, and long-term loans, up by DM5.7bn, advanced to an almost equal level.

Mortgage lending developed at a more restrained pace, adding 6.1%. The mortgage and local government credits outstanding of our mortgage bank subsidiary now total DM33.6bn. Due to a reduction in the rediscount quotas, the volume of bills we discounted shrank by 13.1%, with declines also occurring in our lending to other banks (–3.5%) and in leasing equipment (–7.2%).

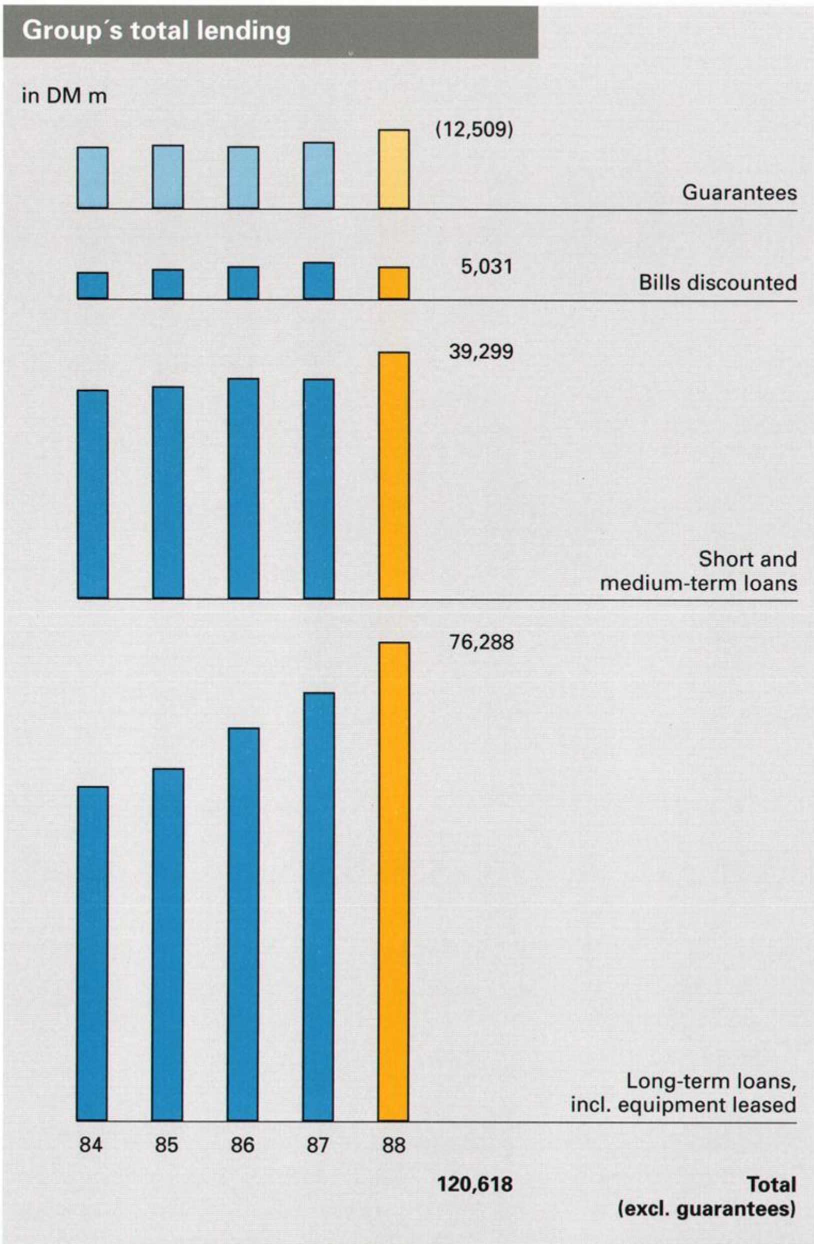
Our credit business was primarily influenced by the trend at the Parent Bank, whose total lending rose by 16.3% to DM67.9bn, the emphasis falling on long-term loans to customers, which were up by 22.5%.

Group deposits 11.3% higher

Last year, the Group's deposits and borrowed funds increased by DM17.3bn to DM170.8bn,



with liabilities to banks again registering strong growth, rising by DM6.8bn. The advance in customer deposits was even greater at DM8.3bn; here the DM1.9bn gain achieved in sight deposits, bringing them up to DM15.7bn, was particularly encouraging. The overall volume of time deposits was also substantially boosted by 18.3% to DM43.4bn, whereas due to a change in investors' behaviour savings deposits dipped slightly, by 2.1%, to DM14.8bn.



Once again, there was brisk demand for the bonds issued by the commercial banks within the Group; despite a high level of redemptions, we managed to raise the volume of such paper outstanding by DM1.5bn to DM11.4bn. At end-December, RHEINHYP had DM32.7bn of these bonds outstanding, 2.6% more than a year previously.

Asset/liability management

In order to meet the solid demand for long-term credits, we have raised substantial funds through bond issues by our two financing arms, Commerzbank Overseas Finance N.V., Curaçao, and CB Finance Company B.V., Amsterdam. With a DM300m offering by Commerzbank International S.A., Luxembourg included, we raised the equivalent of DM2.1bn by means of DM issues and foreign-currency bonds denominated in US dollars, Canadian dollars, Swiss francs and French francs.

The proceeds from these transactions were also used to limit interest-rate risks; in the case of foreign-currency bonds, this is achieved by combining them with interest and currency swaps. The same applies to the taking of long-term foreign-currency deposits, which amounted to the equivalent of roughly DM0.6bn.

In 1988 as well, such financing instruments as interest swaps and caps, whose use is not reflected in the balance sheet, played quite a significant role in holding in check the risks stemming from interest-rate movements. Once again, we doubled the volume of the commercial paper programme we operate in the US domestic market, bringing it up to US$2bn. Since 1988, the US$500m Euro-commercial paper programme we offer through our London branch has also been used by Commerzbank International S.A., Luxembourg, which prior to this had been given the best possible rating by both Standard & Poor's and Moody's.

International lending and investments

In line with our Bank's international orientation, we achieved a substantial part of the solid increase in the Group's business volume abroad. At end–1988, the overall volume of the Group's foreign assets–i.e. loans, shorter-term nostro balances and securities, minus domestic export credit and

Consolidated balance sheet: changes on the year

Assets	in DM m
Cash reserves, cheques, and collection items	+ 66
Bills of exchange	– 622
Claims on banks	+ 3,080
a) demand	(– 1,491)
b) time	(+ 4,571)
Treasury bills	– 94
Bonds, notes, other securities (incl. issued by Group members)	+ 2,792
Loans and advances to customers	+12,332
a) less than four years	(+ 5,223)
b) four years or more	(+ 7,109)
Investments	+ 459
Land and buildings, office furniture and equipment	+ 134
Leasing equipment	– 72
Sundries (including loans on a trust basis)	+ 594
Total Assets	+18,669

Liabilities	in DM m
Liabilities to banks	+ 6,826
a) demand	(– 75)
b) time	(+ 6,901)
Customers' deposits	+ 8,261
a) demand	(+ 1,873)
b) time	(+ 6,698)
c) savings deposits	(– 310)
Bonds outstanding	+ 2,338
Acceptances outstanding	– 101
Provisions	+ 152
Capital and reserves	+ 428
Reserve arising from consolidation, in accordance with Section 331 (1) 3 of the German Stock Corporation Act (AktG)*)	+ 132
Minority interests	+ 1
Consolidated profit	+ 33
Sundries (including loans on a trust basis)	+ 599
Total Liabilities	+18,669

*) former version, valid up to end-1986.

other guarantees as well as loan loss reserves covering non-domestic risks–stood at DM55.8bn, as compared with DM47.8bn at end-1987. In part, this expansion can be traced back to the dollar's appreciation against the D-mark. Growth was particularly strong in financial centres where we maintain operative bases.

The regional breakdown of our foreign lending shows that industrial nations account for almost 80%, less developed countries for just under 12%, state-trading countries 5.5%, and the Opec states for only a good 3%. As there is still no sign of an end to the debt crisis, we have further increased our provision for country risks by forming additional loan loss reserves. Here we place great emphasis on the Latin American nations, that are repeatedly urging their creditors to enter into rescheduling negotiations. Drawing upon a broad "menu" of options, we have continued to become involved in individual, customized agreements, in some cases making available fresh money, too.

Broader use of computers

We have adapted our data-processing systems to meet the constantly mounting demands by stepping up our computer power and increasing the number of terminals. Roughly 10,000 display terminals have now been integrated into our network worldwide, handling approximately 2.4 million online transactions daily. Nevertheless, exhaustive rationalization efforts have meant that data–processing costs have advanced only marginally.

We are continuing to devote particular care to developing systems to back up the high-quality counselling performed by the Bank's specialists, in order to cope with the needs of our customers rationally and even more efficiently.

Serving our business customers

Traditionally, we have provided our business customers with a broad range of classical banking services for both financing purposes and the handling of domestic and international payments. In addition, we increasingly feel that it is our job to advise firms on an individual basis, among other things with the aid of innovative instruments, to look after their interests and help them solve problems. This approach is being confirmed by the way in which our business is developing and the strengthening of our position in the global market.

Brisk credit demand despite higher liquidity

Thanks to companies' continuing high level of liquidity, demand and time deposits registered encouraging growth; nonetheless, the expansion in sales and buoyant capital spending led to stronger de-

We offer our business customers individual counselling and innovative products.

mand for loans. Whereas in the previous year longer-term lending alone had contributed to the rise in book credits, we achieved solid growth across the board in our lending business in 1988.

In the short-term segment, we were able to register further strong expansion particularly in the special forms of fixed-interest credit we offer as part of our product strategy to complement the traditional cash advance. We adhered to our existing discount lending .policy; with its structure virtually unchanged, the Bank's business in this segment had declined by some 12.7% at end-1988 in a year-on-year comparison, also due to the Bundesbank cutting its rediscount facilities. Demand for Eurocredits, which we increased by 13%, was livelier than in the past few years.

Corporate lending

In order to finance the purchase of both commercial real estate for investment purposes and non-rental business property, we offer credit programmes in conjunction with our specialist subsidiary RHEINHYP. When long-term rates are reasonable, prospective investors want interest rates fixed over a long period. We comply with this wish by achieving an optimal combination of the various funding possibilities open to a commercial and a mortgage bank, respectively. These loans, made available against real estate collateral, represent a customized means of funding investments; they can be used for the initial financing of real estate purchases, for refinancing operations, or for the purchase of other capital goods. They may even be used to generate long-term funds for taking up interests in other companies.

Our corporate lending has maintained its positive trend, further expanding our market share in this area. This fact is all the more significant since a substantial amount of credits were paid back and had to be replaced.

The funding of leasing contracts as part of our cooperation with Deutsche Immobilien Leasing GmbH (DIL) gave an extra boost to our joint activities with other financial institutions last year. DIL, the real estate leasing

Lending to domestic private and business customers by Parent Bank	31-12-1988	31-12-1987
Energy and mining	1.2%	1.2%
Chemical and oil refining industries	1.6%	2.3%
Plastics and rubber production, non-metallic minerals, fine ceramics and glass	2.1%	2.2%
Metal production and processing, steel construction, mechanical engineering, automotive industry, office equipment and EDP	7.1%	9.3%
Electrical and precision engineering, optical products, metal manufacturing, musical instruments, sports equipment, jewelry	6.2%	7.1%
Wood, paper, and printing	3.0%	2.9%
Textiles, clothing, shoe and leather industries	2.2%	2.4%
Food, drink, and tobacco	2.6%	2.4%
Building and civil engineering	3.2%	2.9%
Industry, overall	29.2%	32.7%
Commerce	11.1%	12.1%
Transport and communications	2.8%	3.0%
Other services, including the professions	24.7%	22.6%
Individual customers other than self-employed	32.2%	29.6%
	100.0%	100.0%

subsidiary we operate with Deutsche Bank, further increased both its new business and its earnings. Our subsidiary for the leasing of moveable goods, Commerz- und Industrie-Leasing GmbH (CIL), reported lively business and an improved result.

Government-funded loans

Given a favourable interest level, there was also buoyant credit demand for government-subsidized loan programmes. Through our intensive counselling, which makes a special point of including subsidized funds in the financing proposals, we achieved well-above-average expansion. As the renewed double-digit growth rate reveals, especially strong demand arose for the loan schemes run by Kreditanstalt für Wiederaufbau (Reconstruction Loan Corporation) in aid of smaller business and anti-pollution measures. In addition, with our special credit programme "Umwelt", that comes with attractive terms, we have been able to make our own contribution towards protecting the environment. Moreover, through a broadly-based back-up campaign, we have impressed on our corporate clients the crucial significance of this topic for West Germany.

The volume of our domestic guarantees went up by 4.7%; a particularly encouraging trend was noted in the import and export letters of credit transactions opened with the Bank. Overall, our liabilities from guarantees and L/Cs rose by 16.4% to stand at almost DM12.0bn, the expansion being only in part attributable to the dollar's rebound.

Medium and long-term export finance

The pick-up in demand for capital goods from the state-trading nations, Opec, and other less developed countries, which traditionally creates a need for medium and long-term finance, was subdued.

Two central themes in our avertising: the "Umwelt" credit programme for anti-pollution measures and electronic banking.

Our business activities continued to focus on East Germany, the USSR and Turkey. At the same time, there was a marked recovery in credit demand from Greece, the People's Republic of China and various African states.

The volume of our business was much higher in 1988 than in previous years, with large shares of it in the form of block credit agreements with key importing countries. The favourable interest rates in West Germany during the period under review made it easier for us to support the export efforts of our clients in the world market by providing funds on competitive terms. However, the persistent financial problems besetting many importing nations and the inclusion of country risk as a factor in the cover which is made available by Hermes (the German export credit insurance scheme) continue to restrict the scope for export finance. Nevertheless, export credit demand should go on expanding, as the international need for imports of capital goods remains high.

Financial innovations

Ever stronger interest-rate fluctuations left business customers with the growing need to cover themselves against the ensuing risks. The Bank has responded by offering various innovative products, such as capped loans, individual cap agreements, interest swaps and forward rate agreements. The latter were used above all to influence the interest rates on future, not yet clearly foreseeable, funding operations and investments. Thanks to the great flexibility of financial innovations, we are able to offer hedging instruments for periods ranging between one month and ten years. In our opinion, it is especially important to design innovative products in such a way that they can also be used by smaller firms.

Electronic banking

Exceptionally high growth rates document the ever greater willingness of our corporate customers to avail themselves of the considerable cost advantages and rationalization opportunities offered by the paperless electronic handling of payments.

No longer do clients need to invest in extensive, complicated data-processing equipment before they can use our electronic banking products. Thanks to rapid technological advance, an efficient personal computer is sufficient today. The need for user-friendly software is growing fast, confronting banks with new, exacting demands. For this reason, we consider it highly positive that our software products COPIZ (domestic payments) and COPAZ (foreign payments), which were bought by over 500 firms last year, have been so well received.

To ensure that our electronic banking advisers can present products to their clients under optimal conditions, we have equipped them with portable personal computers. With the aid of such devices, the software products can be demonstrated on the spot. In addition, we are investing substantial sums to set up "electronic banking studios" in various cities as well as travelling exhibitions, through which we are able to familiarize interested firms outside the main urban centres with the range of electronic banking services that are available.

Our efforts to meet companies' mounting need for information are backed up by our manual in German on electronic banking, which has been given a very good reception.

Board of Managing Directors

Banking Departments

- International Commercial Banking and Export Finance
- Corporate Banking
- Treasury and Foreign Exchange
- Investment Banking
- Loan Management
- Private Banking
- Securities Business

Management Services

- Controlling and Planning
- General Services and EDP
- Personnel
- Accounting
- Legal Matters and Taxes
- Internal Auditing
- Economic Research and Corporate Communications

Domestic Branches, Subsidiaries, and Holdings

40 Main Branches
controlling 408 regional branches
with 334 sub-branches

More than 50 Subsidiaries and Holdings

including:

RHEINHYP
Rheinische Hypothekenbank AG,
Frankfurt

Berliner Commerzbank AG,
West Berlin

Commerz-Credit-Bank AG Europartner,
Saarbrücken

Commerzbank Investment
Management GmbH,
Frankfurt

Commerz International
Capital Management GmbH,
Frankfurt

Commerz- und Industrie-Leasing GmbH,
Frankfurt

Deutsche Immobilien Leasing GmbH (DIL),
Düsseldorf

Leonberger Bausparkasse AG,
Leonberg

Foreign Branches, Subsidiaries, and Holdings

5 Subsidiaries

Commerzbank International S.A.,
Luxembourg

Commerzbank (Nederland) N.V.,
Amsterdam
with branch office in Rotterdam

Commerzbank (South East Asia) Ltd.,
Singapore

Commerzbank (Switzerland) Ltd,
Zurich
with branch office in Geneva

Commerzbank Capital Markets Corporation,
New York

13 Branch Offices (see page 101)

17 Representative Offices (see page 102)

Some 30 Holdings
including:

Commerz Securities (Japan) Co. Ltd.,
Hong Kong/Tokyo

Korea International Merchant Bank,
Seoul

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

Serving our private customers

We offer our private domestic customers, who now total practically 2.5 million, advisory services in line with their needs, the emphasis varying according to age group and financial situation.

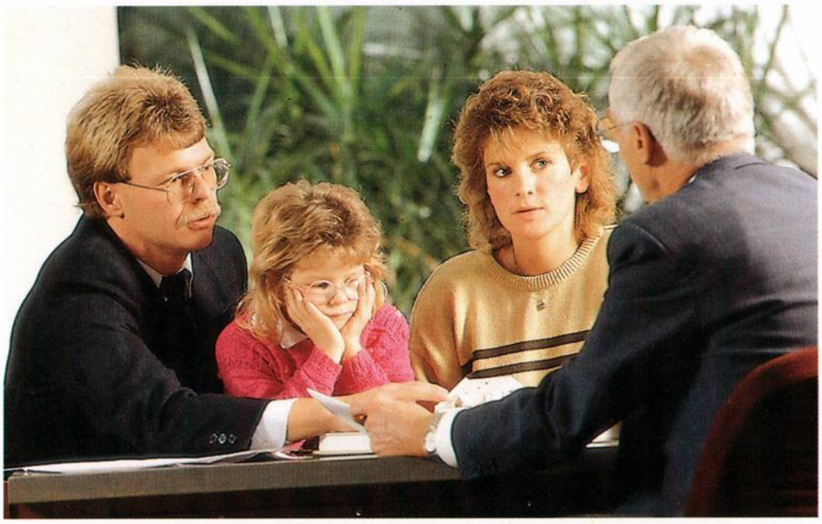
Through the introduction of our comprehensive and reasonably-priced product package for retail payments transactions, we have achieved high growth rates. After an increase of just over 4% in 1988, the number of private accounts, for which we make a flat monthly charge of DM5, now exceeds the one million mark. In future, COMMERZBANK EUROCARD and COMMERZBANK EUROCARD GOLD, offering broader insurance cover, will take their place as means of payment alongside the existing eurocheque card. Our customers are responding well to the new cards.

Shift in savings pattern

Total deposits of domestic private customers (sight, time and savings deposits plus registered savings bonds) rose by a good 4% to DM22.7bn in 1988; they thus corresponded to 51% (52%) of all domestic non-bank liabilities. The increase was primarily in time and sight deposits. Savings deposits, on the other hand, dipped somewhat, by DM0.3bn to DM13.5bn. This decline is due solely to a fall in larger individual savings deposits; by contrast, those at statutory notice that are not subject to withholding tax advanced by 6.7%.

There was a steady inflow of fresh deposits from contractual payments made into savings accounts and from the long-term savings plans which we have been promoting with particular emphasis as part of our campaign to encourage people to provide for their future financial needs through careful planning. At year-end, we had approximately 660,000 such contracts on our books, covering a final sum to be saved of practically DM5bn. The targets established under long-term contracts can be secured by a term life insurance and our customers are doing so to an increasing extent.

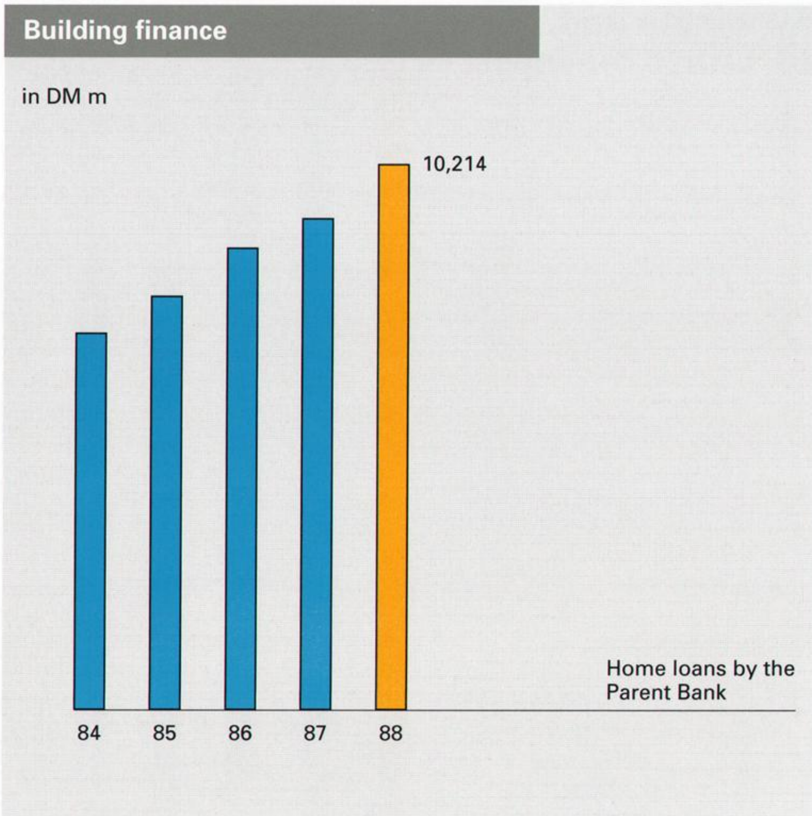
As a large number of savings instruments with periods of notice, or an original life, of two to eight years fell due, their volume declined by DM0.2bn to DM2.8bn.


Financial planning for young families with the help of our broad product range.

More and more branches are offering a special service for young people.

Retail lending buoyant

Overall, domestic retail lending, including building finance, rose by DM1.5bn, or 8.6%, in 1988 and was thus even stronger than a year earlier. Advancing by almost 15%, Commerzbank's standardized personal loan schemes had an above-average share in this positive development. At DM19bn, 45% (46% in 1987) of all the Bank's claims on domestic customers were in its retail business.



Home loans in demand

In 1988 as well, our proven strategy of cooperation was the main feature of home loan business. In those instances in which we worked together with life insurance companies, an even more dynamic trend was registered than in the other building finance programmes. All in all, our new business increased to DM4.4bn, some DM1.1bn of this being passed on to our mortgage bank subsidiary, RHEINHYP. We expect our close cooperation with the building loan association Leonberger Bausparkasse AG to generate fresh impulses in this respect.

The overall amount of new home loan commitments by the Commerzbank Group rose to DM6.6bn, up from DM6.1bn in 1987, with customers continuing to prefer fixed interest rates over longer terms. The aggregate home loans outstanding within the Group went up by DM2.1bn to DM28bn, DM10.2bn (DM9.2bn in 1987) of which represented credits by the Parent Bank.

Technological boost for customer counselling

The applications for the multi-function terminals installed throughout our entire branch network are continually being extended. Our client counsellors can use them to retrieve information stored at head office and perform specimen calculations. As a result, not only is the handling of routine business transactions streamlined, but also the daily flow of information is accelerated, leaving more time available for advising customers. This is a key factor that ensures mounting success in our efforts to sell financial services.

After an unsatisfactory start, the number of private households using "Bildschirmtext", West Germany's videotext service, is advancing more rapidly and with it the number of customers availing themselves of the service we offer via this medium.

Commerzbank's new credit cards: conveniment and safe means of payment.

Syndicate and securities business

Whereas the German stock market quickly returned to normal after the worldwide crash in autumn 1987, the country's bond market underwent a far-reaching structural change last year. As the buying interest of German investors flagged and the inflow of capital from abroad virtually dried up, sales of domestic fixed-interest securities dropped sharply. At the same time, the switch to foreign DM bonds, which are not subject to withholding tax, occasionally took on dramatic proportions. Moreover, the renaissance of the traditional direct credit continued at the expense of the previous trend towards securitization.

These changes in the market and in its structural composition were clearly reflected in our new issues and securities business, which on the whole developed in an encouraging manner after the difficulties encountered in 1987. The most prominent feature is the continuing and rapidly growing trend towards a globalization of financial relations, on both the borrowers' and the debtors' side.

Cooperation in underwriting syndicates

Year	Capital increases through rights issues*)	Domestic bond issues	Foreign DM bond issues
1979	19 totalling DM2.0bn	15 totalling DM12.9bn	55 totalling DM 6.8bn
1980	16 totalling DM2.7bn	11 totalling DM 9.2bn	66 totalling DM10.0bn
1981	20 totalling DM1.4bn	12 totalling DM13.5bn	41 totalling DM 5.2bn
1982	20 totalling DM2.0bn	20 totalling DM21.9bn	102 totalling DM12.1bn
1983	18 totalling DM2.6bn	24 totalling DM23.4bn	103 totalling DM14.6bn
1984	16 totalling DM1.9bn	21 totalling DM23.9bn	109 totalling DM17.0bn
1985	18 totalling DM4.7bn	29 totalling DM32.5bn	126 totalling DM24.7bn
1986	31 totalling DM9.2bn	31 totalling DM46.3bn	126 totalling DM25.1bn
1987	19 totalling DM5.7bn	29 totalling DM50.2bn	98 totalling DM19.7bn
1988	11 totalling DM1.5bn	16 totalling DM41.7bn	125 totalling DM29.1bn

*) cash proceeds

In addition, we participated in placing 2,305 foreign-currency bond issues between 1979 and 1988.

Strong interest in foreign DM bonds

A good example of the extremely marked shift away from the German market to foreign DM bonds, which can largely no doubt be attributed to withholding tax considerations, is the reduced volume of newly issued public-sector offerings. And this, despite the fact that the budgetary gap of the Federal Government in particular widened considerably in 1988. The reluctance of the Federal states to tap the bond market was especially noticeable; they preferred direct credits in the form of loans against borrower's note.

1988 brought new records in the foreign DM bonds segment. Overall, 206 issues in an amount of slightly more than DM41bn were launched. Commerzbank acted as lead-manager for 24 offerings and as co-manager for a further 96. As a result, we successfully defended our number two position among German issuing houses, a place that we have occupied since 1984.

Once again, we were able to introduce several newcomers to the DM capital market. These included such prestigious names as Hidroeléctrica Española, Hafnia Invest, our French partner bank Crédit Lyonnais, Fletcher Challenge from New Zealand, Indonesia, Thailand and Turkey.

We have also stepped up our activities in the area of foreign-currency bonds, which were similarly very popular with German investors. We served as lead-managers for seven issues: three Canadian and two Australian dollar offerings and one each in US dollars and Ecus. More frequently than in previous years, issues only became attractive for the borrower in conjunction with an interest-rate or a combined interest and currency swap.

Our internationally syndicated credits maintained their high 1987 level, with the Bank primarily interested in assuming a management role in such transactions. We have even virtually doubled the volume of our new commitments.

Boom in foreign equities

After a lull of several months in the wake of the crash, the market was ready again from spring 1988 onwards to receive newcomers to the German stock exchanges. Commerzbank added two names to the list of quoted companies: the Munich PC supplier Computer 2000 and the Heidelberg insurance broker Marschollek, Lautenschläger und Partner. Both opted to launch their shares on the Regulated Market, a tier of trading introduced during the previous year.

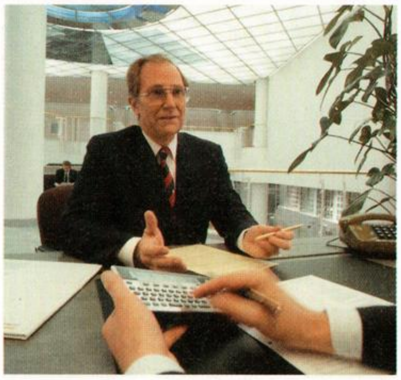
We were also successful again in our efforts to make non-domestic equities directly available at low cost to German investors. Commerzbank arranged for the introduction of two shares from abroad on German stock exchanges; these were

- M.I.M. Holdings Ltd. of Australia, one of the foremost producers of metals and minerals worldwide, and
- Fletcher Challenge Ltd., a concern which is predominantly active in the forestry products, construction, basic materials and energy sectors –the first New Zealand stock to be listed on the German bourse.

In addition, we arranged in 1988 as well for a large number of prominent international companies and public-sector borrowers to present themselves to the German financial community at our Bank.

Sound analysis and up-to-the minute information: key factors behind our success in securities business.

Mounting interest in project financing



Last year saw further intensification of our activities in the field of international project financing. Alongside ventures in the traditional energy and commodities sectors, we became involved to an ever increasing extent in financing plant in the basic materials industry, infrastructure projects–e.g. tunnels, rapid-transit rail networks or new traffic systems–and ventures in the field of space travel and communication.

The geographical focus remained on the United States, Canada and Australia. In future, project financing in Europe will gain in significance; this form of funding is meeting with growing interest, especially for major capital investment projects like the Channel Tunnel.

A year of takeovers

Worldwide, 1988 was characterized by takeovers, some of which were on a gigantic scale. Frequently, they took the form of so-called "management buyouts" or "leveraged buyouts". In so far as seemed reasonable from the risk standpoint, such financing transactions were mainly handled by our outlets abroad.

In West Germany, demand for our services in connection with the purchase and sale of companies and also in the arrangement of corporate cooperation agreements has long been expanding. Last year, too, it continued to do so, and Commerzbank was able to step up its activities as an intermediary.

Earnings pick up in securities business

In line with the general trend on German stock exchanges, the volume of securities transactions, and especially those in domestic shares which we effected on behalf of our customers shrank. As the decline in the turnover of foreign equities was more limited, the latter have now moved up to account for practically 50% of our total share turnover. This ratio is particularly impressive evidence of the rapidly advancing globalization of our securities business.

As new sales of German bonds receded, bourse turnover also sagged. However, we managed to more than offset this by the strong increase in turnover for foreign DM bonds and foreign-currency offerings.

It is thanks especially to this area of business and to the extremely lively demand on the part of our customers for the certificates of investment funds specializing in international bonds that our commission earnings from securities business almost matched the high level of the preceding year in 1988. In view of the capital market's weak start to the year, we consider this to be quite a positive result. Since the upward trend on the bourse also made it possible to achieve handsome own-account profits, our aggregate gross earnings on our securities business recorded a strong growth rate.

Portfolio management expanding

The volume of portfolio assets entrusted to us expanded as a result of both price gains and additional sums placed at our disposal for investment in the various segments of portfolio management.

Our subsidiary responsible for looking after non-domestic institutional investors, Commerz International Capital Management GmbH, was able to increase the overall amount of assets it administers from DM1.5bn to DM2.6bn during its second full financial year. Since October 1988, it has offered a capital-market innovation in the form of the "CB German Index Fund" in Luxembourg. This is the first index fund for German equities and provides institutional investors with the opportunity to buy into the German stock market as a whole without having the expense of research into specific shares; the minimum initial investment is DM1m. The Fund's performance is intended to reflect that of the Commerzbank Share Index as closely as possible.

Both our asset management team administering the funds of larger private investors and our investment fund subsidiary, Commerzbank Investment Management GmbH, which specializes in the non-publicly-offering sector, also look back on a successful year. As in the preceding years, "Commerzinvest" registered a high inflow of funds. The total assets of the domestic companies and institutional investors, which have mainly been channelled into bonds, rose to DM7.3bn. The number of funds managed was increased to 126.

Examples of our lively international new issues business.

Run on investment fund certificates

In 1988, a marked acceleration occurred in the existing boom that investment funds were enjoying with the general public, thanks to a wide range of funds being offered–either in West Germany itself or in Luxembourg–that were not subject to withholding tax. Sales through our branch network of ADIG fund certificates expanded by roughly a quarter; here it was encouraging to note that the regular contractual payments into special ADIG savings accounts kept fully abreast of this trend.

Together with ADIG and Bayerische Vereinsbank, we have set up a subsidiary in Luxembourg: ADIG Luxemburg S.A. Within a mere three months up to the end of 1988, the two withholding-tax-free funds which it manages, Adilux and Fondilux, had achieved total assets of DM1.8bn.

Demand for open-ended property funds proved less boisterous than in 1987. Nonetheless, our "Hausinvest" fund recorded an aggregate inflow of about DM200m, its second-best sales figure to date. At end-1988, the assets it managed reached a volume of DM1.5bn. In terms of the yield it offers, "Hausinvest" has maintained its place among West Germany's leading open-ended property funds.

Investment banking activities

Last year, we primarily rounded off our investment banking activities by establishing our wholly-owned subsidiary Commerzbank Capital Markets Corporation (CCMC) in New York. It was formed through a spin-off from what had up to then been EuroPartners Securities Corporation, which we had used for operations in the US capital market for twenty years. CCMC is a member of the New York Stock Exchange and offers a broad range of investment banking services. At end-1988, the subsidiary had a staff of 53. The healthy trend in the American capital market at the start of the current year leads us to expect that 1989 will already produce a positive result.

Given the generally difficult market conditions for non-domestic securities houses, we are quite satisfied with the performance to date of Commerz Securities (Japan) Co. Ltd., which operates in the Japanese market.

Our well-established subsidiary, Commerzbank (Switzerland) Ltd, has also further reinforced its market position. Initially, it did so by opening a branch in Geneva; then, in October, it was admitted to the issuing syndicate of the major Swiss banks for foreign Swiss franc bonds.

In preparation for the German financial futures and options exchange, planned for 1990, we are currently investing on a large scale in personnel and technology in order to secure for ourselves a leading and influential role in West Germany's first bourse of this kind. Since January, we have successfully offered our customers seminars run in conjunction with specialists from American exchanges, so as to provide information on the new instruments for hedging against price, interest-rate and currency risks.

Commerzbank's global investment banking activities

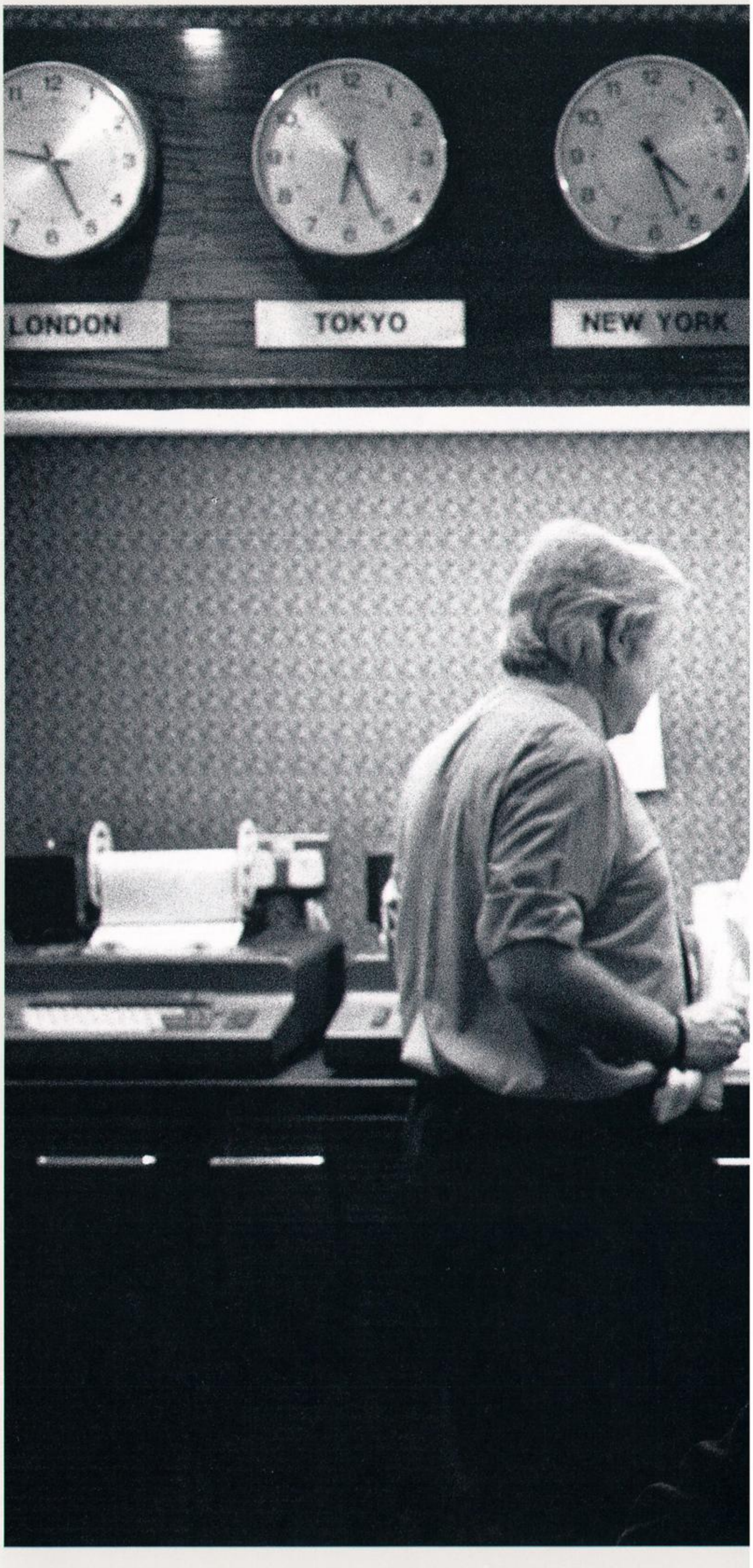
Commerzbank has been internationally active for over 100 years now. As a universal or all-purpose bank, we operate successfully in the field of lending and deposit-taking (commercial banking) as well as in securities and new issues business (investment banking). During the seventies, our commercial banking outlets were established; during the eighties, a global investment banking network has been forged.

Rising incomes, dynamic asset growth and large inheritances are making it easier for broad segments of society to save in the form of securities. From year to year, private provision for old age is gaining in importance; life insurance companies, pension and investment funds as well as other institutional investors from West Germany and abroad are channelling large portions of the assets entrusted to them into securities.

At the same time, links are developing between national markets that used to be closed to outsiders. This globalization process is being promoted both by advances in communications and computer technology and by the general trend towards deregulating the financial markets. What is more, securitization and the extensive use of off-balance-sheet instruments are causing the capital markets to expand. Last but not least, the business, legal and financial structures of companies at home and abroad are being transformed at ever shorter intervals. This calls for speedier, purposeful action on the part of both the companies and the banks which advise them and provide them with funds.

A leading role in new issues

Moving in step with changes in the environment, Commerzbank has systematically reinforced its investment banking activities. Today, we are one of the leaders in this area, in West Germany as well as in Europe. When competing in the international arena in particular, we make use of the advantages we enjoy as a universal or all-purpose bank; these include, above all, our great placement power thanks to the Bank's



London


SINGAPORE


New York

dense domestic branch network and a series of close contacts with institutional investors at home and abroad.

Firms seeking to raise capital through issues of equities, bonds or hybrid forms are advised by teams of specialists from our head office as to the possibilities and the actual procedure involved in procuring funds in the national or international markets. They discuss with them the best time to launch an issue and put together complicated financing packages by combining various currencies as well as traditional and innovative instruments such as swaps, caps and forward rate agreements. In their role as financial engineers, bankers have a broad selection of placing procedures at their disposal and can frequently recommend a company to have its share introduced on the stock exchange.

Solid expansion in corporate finance

One of the key aspects of Commerzbank's investment banking activities is corporate finance. Mergers and acquisitions in particular is an area of dynamic growth. Even now, healthy impulses are being generated by the Single European Market to be realized by 1993. We see our main task in providing systematic counselling for companies that will soon have to operate and hold their own in an enlarged market. In this connection, we have geared the range of services we offer to the special needs of smaller firms; the latter are frequently required to find solutions, not merely at the national but also at the cross-border level, to problems relating to their size, funding and management succession. Terms like management buyout, leveraged buyout and corporate restructuring help characterize this area of activity.


Paris

Capital boosts for new companies

Closely bound up with Commerzbank's role as an intermediary for acquisitions is the active management of the Bank's own portfolio of equity investments. Here it is not our aim to take up interests in industrial or commercial enterprises as permanent investments. Rather, by strengthening their equity base, we want to enable young companies in particular to expand. A typical example of what we intend to achieve is the goal which Commerz Unternehmensbeteiligungs-AG has set itself. This company, which we established jointly with Hannover Finanz GmbH in 1987, acquires stakes as a minority shareholder in small to medium-sized companies which have good growth prospects and a competent management.

At the same time, project financing is becoming ever more significant. Here the Commerzbank team has increasingly gained market recognition for itself in fields such as the exploration and production of commodities or the construction and development of traffic infrastructure systems. The Bank is also playing a prominent role in the Channel Tunnel project to link England up with the European Continent. Another basic component of the services we offer is the financing of real estate purchases at home and abroad, with ever more complex types of funding and tax aspects.

High-quality investment counselling

Commerzbank's strong market position is not restricted to new issues business, but also extends to the securities sector. The past few years have witnessed a marked rise in the number of counsellors and dealers we employ, with ever greater specialization on their part as regards markets, instru-

ments, currencies and customer groups. At present, we are preparing a special team for the German futures and options exchange planned for 1990. While trade in DM paper is concentrated in Frankfurt, we can draw upon experienced teams in all the major international trading centres to handle foreign-currency offerings.

With the support of other specialist departments as well, securities research teams at our head office observe international trends that are relevant to the capital market or affect specific companies. Tapping, among other sources, their worldwide contacts with both the Bank's foreign outlets and leading securities houses abroad, these experts produce computer-based analyses, taking into account information and views, and the results are then passed on to our branches.

For large custody accounts: portfolio management

Whereas customers with smaller securities holdings benefit indirectly from our counselling, e.g. via investment funds, we offer those with large custody accounts a direct special service as well: portfolio management. The advantages are obvious; investors themselves can set the guidelines for their chosen investment strategy, yet they do not have the bother of having to decide about the selection of securities or the timing of transactions. They are also spared the extensive administrative work and the checking. They can rest assured that experienced teams are looking after their interests in an expert manner, pursuing the agreed investment targets and set strategy.

Portfolio management, usually international in its orientation, strives systematically to increase clients' assets according to plan, always ensuring that the risks are evenly spread. Tax aspects also have to be considered here.

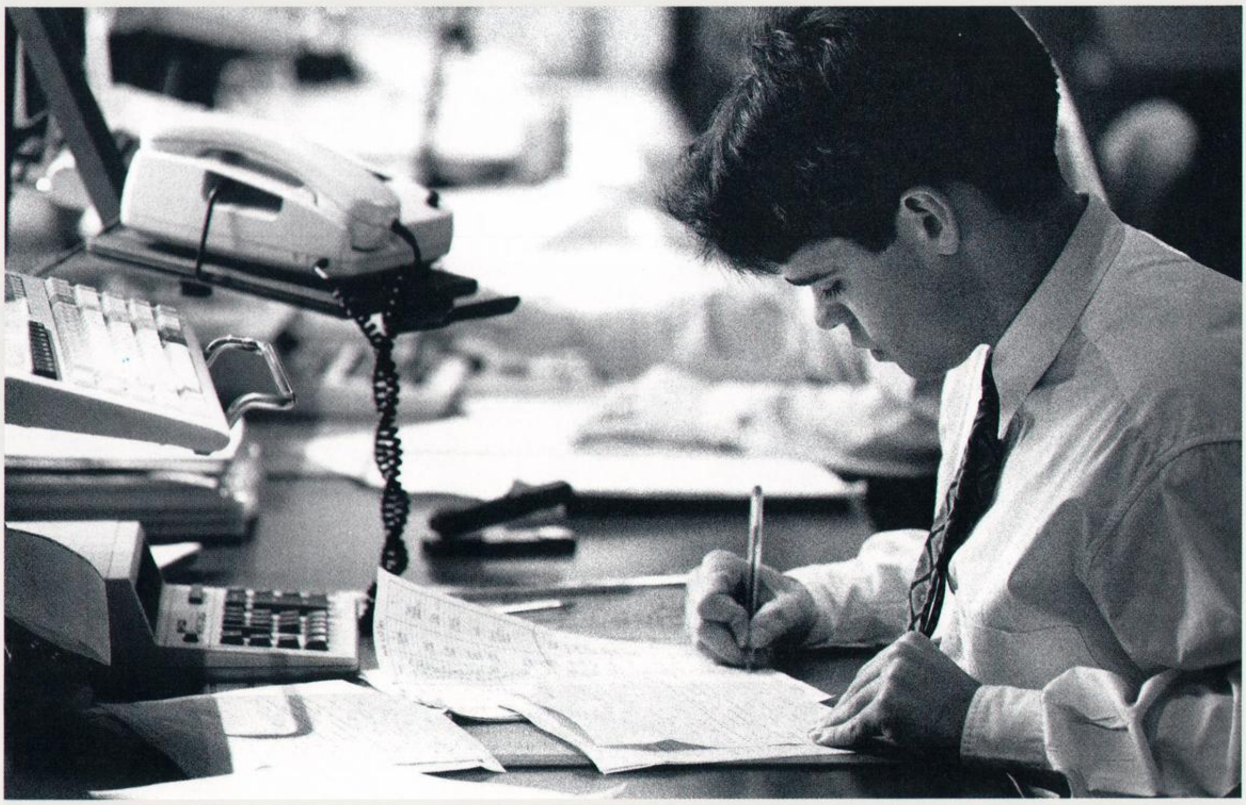
There is no need why anyone should not have investments managed professionally. At the moment, we offer seven funds of ADIG Allgemeine Deutsche Investment Gesellschaft that invest in equities or bonds and for which we act as depository bank, as well as the open-ended property fund Hausinvest. Similarly, we arrange for the sale of shares in closed-end property funds in West Germany and elsewhere. The equity-based funds partly concentrate on individual sectors and specialist companies, one example being Aditec, which has specialized in international technology stocks.

Tokyo

We also place a great deal of emphasis on tending to the needs of institutional investors. Our clientele includes companies, insurance firms and pension funds, industry pension schemes, church foundations, central banks, and supranational institutions, as well as banks, brokers and investment funds.

Asset management for pension funds

For German investors administering pension funds on behalf of a large number of beneficiaries, our subsidiary Commerzbank Investment Management GmbH has been managing non-publicly-offered funds with mounting success for over 20 years. The customer's assets are looked after individually by a portfolio manager in line with the jointly established investment strategy. The company's investment policy is essentially long-term in conception; however, its flexible and systematic approach also allows it to realize short-term opportunities

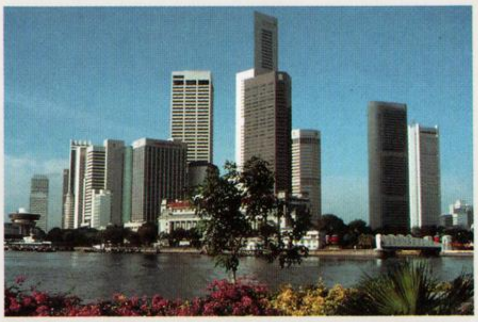


presented by the market. Over the past ten years, the number of non-publicly-offered funds has increased from 55 to 126, their volume rising fivefold.

Our second subsidiary engaged in securities business, Commerz International Capital Management GmbH, primarily serves institutional investors from abroad. It has been recognized as an investment adviser by the US stock exchange authorities and is also supervised by similar bodies in Japan and the United Kingdom. The fund's assets are internationally spread since the frequently quite divergent price trends in the various national capital markets can be exploited to improve the yield-risk ratio. In order to make the best use of market inefficiencies, advanced portfolio management techniques are employed. These are based on scientific methods (e.g. the capital-asset-pricing model, the strategic frontier or the top-down approach) and on optimal forms of currency hedging. At all times, too, the backing of the Commerzbank Group's global information network is available.

Worldwide presence

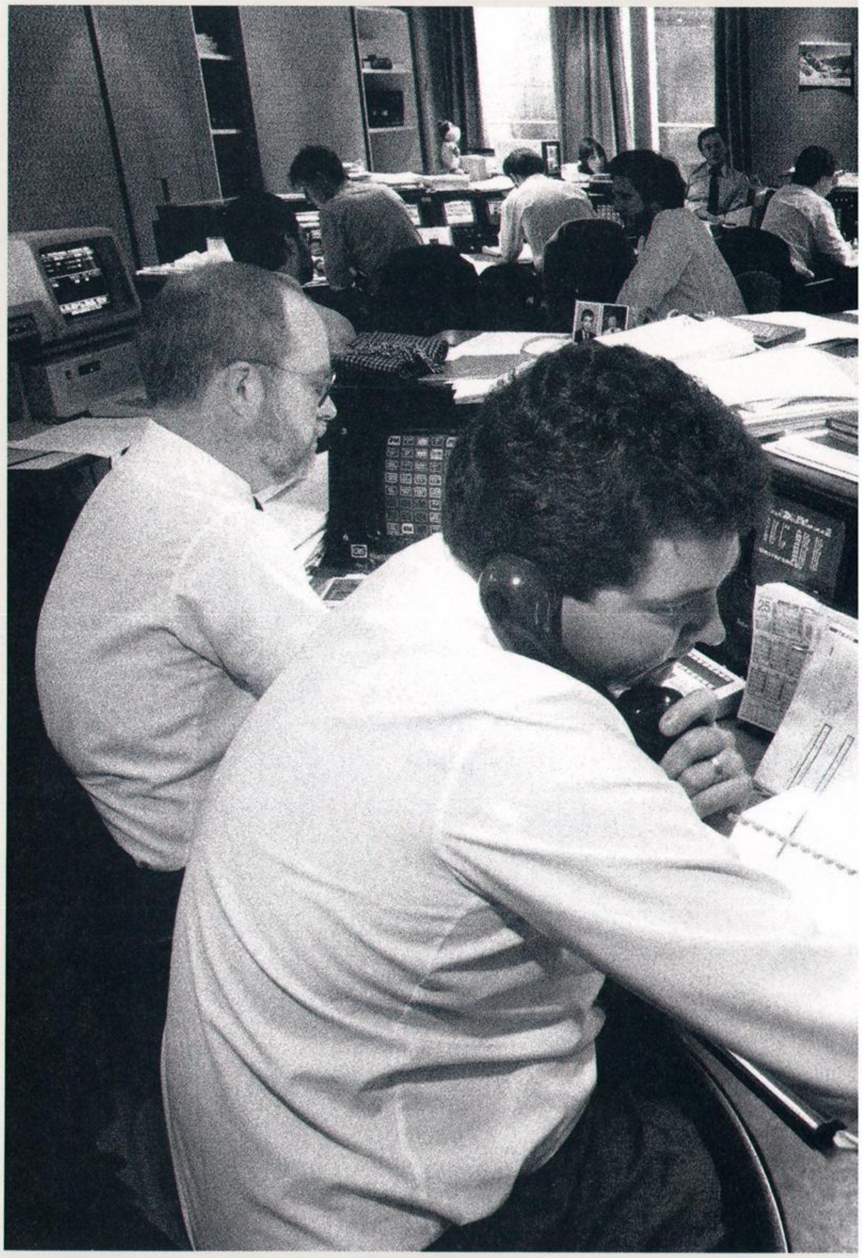
Given the globalization of the financial markets and the international bias of investment banking, we have developed a worldwide network of operative bases in all the key locations for financial transactions. No matter whether in North America, the Middle East or in the European centres–everywhere Commerzbank is present with its own investment banking teams. It is not our aim, however, to offer everyone in all these places an identical range of products; for legal reasons alone this is impossible. We seek instead to enhance the specific strengths of our outlets so that we are able to provide our German and foreign customers alike with an optimal service in line with their needs.



Singapore

Our head office in Frankfurt is responsible for monitoring market trends, carrying out research and developing new products. There, too, information is collected, checked and analysed. As a result, client counsellors out in the field can have great know-how at their fingertips which they draw upon to suit the needs of their customers. All of the instruments they require in order to work efficiently are available on the spot, including those for the secondary market. Our guiding organizational principles in this

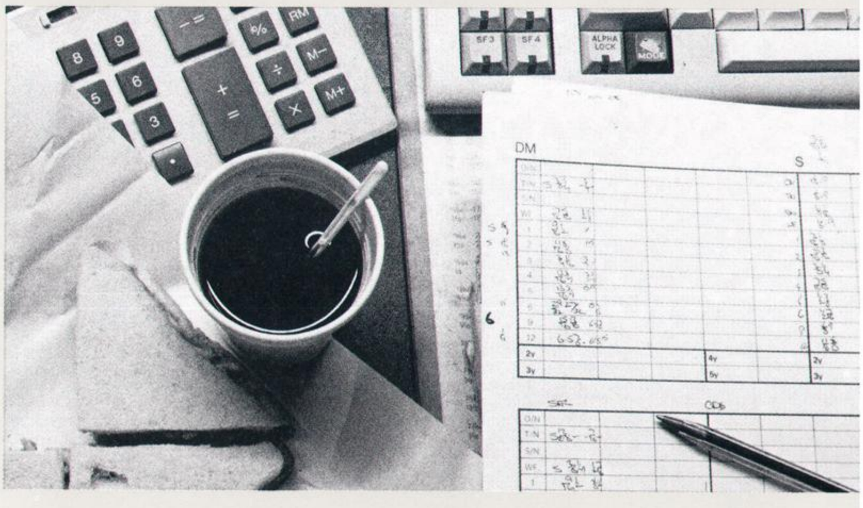
Frankfurt

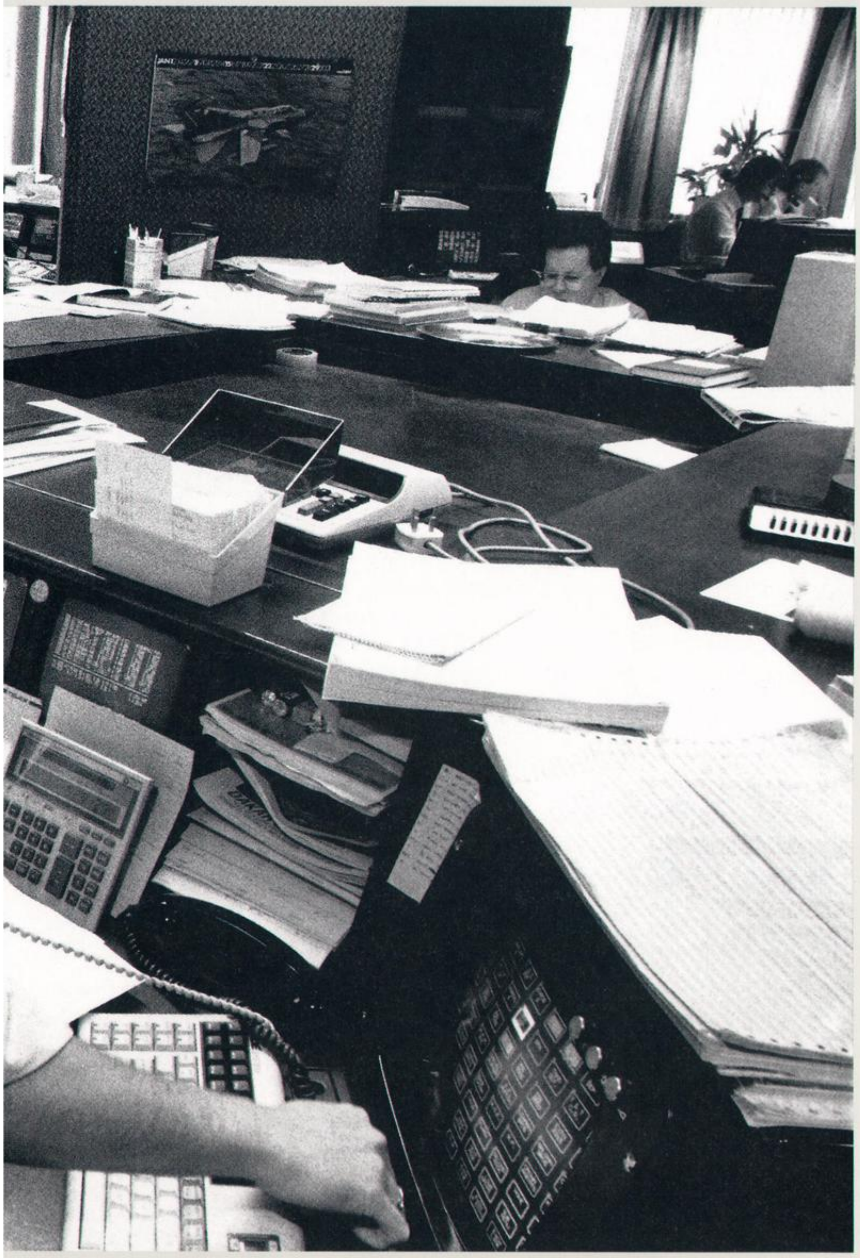


connection are to free personnel from administrative burdens, to ensure they have close contact with their clients and to offer tailor-made solutions.

Member of the New York Stock Exchange

In the USA, our subsidiary Commerzbank Capital Markets Corporation (CCMC), a member of the New York Stock Exchange, serves companies, institutional investors, government bodies and private individuals throughout the world, though with a focus on North America. Equipped with the latest in trading facilities, it handles securities and related foreign-exchange transactions swiftly and efficiently. In new issues business, CCMC is active





as an underwriter of American and non-American equity and bond offerings. In addition, it operates in the corporate finance field.

With Japan developing into the world's largest creditor and the gradual deregulation of its financial market, a stronger Commerzbank presence in this unusually fast-expanding capital market was only a natural step. Once the Japanese authorities had indicated their willingness in 1985 to permit foreign financial institutions to conduct securities operations in Japan, we established in concert with Hoechst AG and VEBA AG Commerz Securities (Japan) Co. Ltd., Hong Kong, with a branch in Tokyo. Its activities include dealing in German and Japanese shares and bonds, the placing of securities, as well as investment counselling and portfolio management for institutional investors.

Active for 10 years in Singapore as well

Since 1979, we have been represented in Singapore through a merchant bank, Commerzbank (South East Asia) Ltd., offering German and foreign business partners throughout South East Asia as well as in Australia and New Zealand the wide variety of products available in the Eurodollar and Asian dollar markets.

For ten years now, we have held an interest in Korea International Merchant Bank in South Korea. This Seoul-based institution offers practically all the commercial and investment banking services that are possible in Korea. While Korean banks are not permitted to participate in international financing projects, our Hong Kong branch possesses the experience necessary in this respect.

Luxembourg

Zurich

In Western Europe, Commerzbank has built up a closely-knit network of branches and subsidiaries. Our cooperation with banks from France, Italy and Spain within the Europartners Group can be put to advantage in investment banking activities.

In London, the heart of the Euromarket, we set up a branch as far back as 1973 and this plays a prominent role in the Commerzbank Group's overall investment banking strategy. It is active in the primary market for both fixed-interest and floating-rate foreign-currency bonds, and participates in institutional securities business. Our London branch's money-market, foreign-exchange and securities-dealing operations on its own behalf and on that of the Group are coordinated from an integrated dealers' room.

Luxembourg the oldest foreign subsidiary

Commerzbank's oldest and largest foreign subsidiary is Commerzbank International S.A., Luxembourg (CISAL). Acting within the overall strategy of the Group, this institution, like our London branch, is engaged in all the forms of dealing, lending and deposit-taking typical of the Euromarkets. Its product range stretches from D-mark or dollar-denominated Eurodeposits which are exempt from minimum reserve requirements to Ecu futures. In addition, trading in securities and precious metals occupies a prominent place. In its retail customer business, CISAL has systematically developed its investment counselling and asset management services in recent years.

Since 1985, Commerzbank (Switzerland) Ltd has been operating in Zurich, backed up in the meantime by a branch in Geneva. Its main business activities are to provide investment advice and portfolio management facilities for private and institutional clients. Both areas are developing in an encouraging manner. At the same time, our Swiss subsidiary is fully integrated into our worldwide network for money-market, foreign-exchange, securities and precious metals trading. Moreover, it plays an active role in the placing of new issues and participates in a large number of Swiss franc offerings by foreign borrowers, also serving as co-manager.

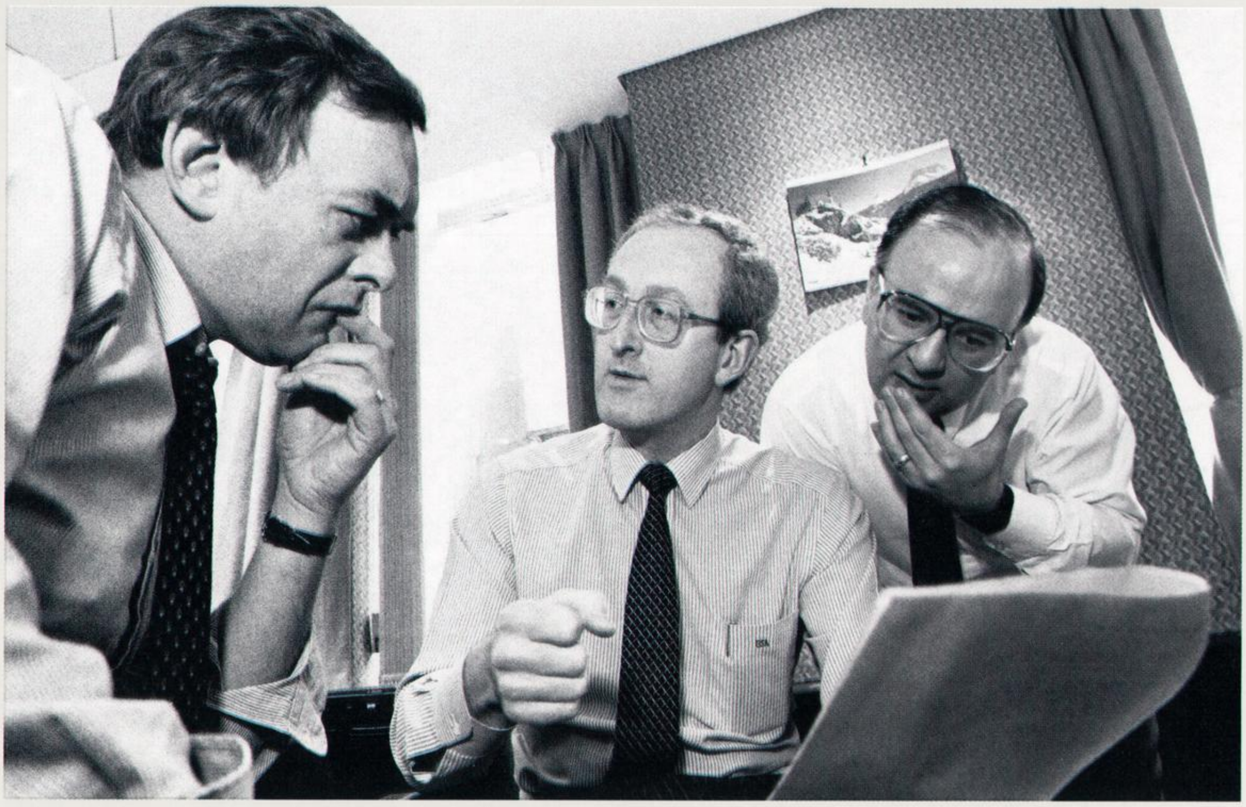
At the moment, we are reinforcing our securities operations in France and at Commerzbank (Nederland). We look upon our interest in the third-largest French brokerage firm as a welcome opportunity to exchange specialist personnel and to secure for ourselves sound research as regards the ever more attractive French market.

Efficiency through strong own-account dealings

A worldwide presence combined with the prudent use of financial innovations enable us not only to offer our customers an all-round service but also to achieve an efficient asset/liability management and coordination for the Bank itself as well as ensuring that our funding sources are internationally diversified. Since our outlets abroad operate as independent entities in the various money markets and in the Euromarket, they assume a key role in procuring foreign-currency assets. Our own-account dealings in the above-mentioned markets make it possible for us to guarantee our customers efficiency at the global level.

Changing organization

Our internal organization is constantly in a state of flux, one striking aspect being the ever stronger interlocking of primary and secondary market func-



tions, or the links between lending and securities business, as well as the significance of money-market, foreign-exchange and securities transactions for portfolios. This trend is fuelled by the more rapid flow of information, the need for quick decisions and customer-oriented teamwork when individual problems are to be solved or new products developed. Not least, it is prompted by the shared responsibility for the Bank's overall earnings.

Our head office supplies branches in West Germany and abroad with the relevant information and special product know-how. All of the Bank's offices are equipped with computer terminals and are connected up with an electronic on-line system which we were one of the first German banks to install. Another key component is our COWIAS–an integrated nationwide information system for checking and settling securities transactions.

Banking requires the human touch

Yet no matter how good the technology may be, it is ultimately no more than an aid, albeit an essential one. Banking is carried on by people, and particularly in investment banking the significance of competent, creative and flexible counselling cannot be overestimated. In our domestic branch network, more than 800 qualified advisers are active, who specialize exclusively in securities business. We are currently expanding our personnel again, primarily to cope with the counselling needs of our customers worldwide. We are doing all that is in our power to provide our younger staff with sound instruction. They are carefully prepared for their future duties through our junior executive training programme. The latter, which also includes stays abroad, has set new industry standards. We regard such efforts as an important investment for the future.

International activities

Despite initially very sceptical forecasts, West Germany's external trade and the Bank's foreign business gathered more and more momentum as the year progressed. We have lent support to the general upward trend in business and to Europe-oriented activities by providing intensive counselling for our customers at home and abroad.

A decisive factor has been the efforts of our foreign outlets which, from their local bases throughout the world, were successful in securing new business for the entire range of services that the Bank offers, with innovations and its traditional products complementing each other to form a well-balanced and attractive palette. As a result, we were able to enhance our position as an international bank with a strong foreign orientation–an achievement which is also reflected by the encouraging rise in our commission income.

Just over half of West Germany's export and import transactions, and of our cross-border commercial business as well, are conducted with EC countries. Consequently, accelerated economic growth in other EC member states quickly feeds through to the Bank's operating result. We believe that the projected Single Market will create even closer external trade links between West Germany and the rest of the Community, leading to a growth in business volume which will make further rationalization possible in the area of payments transactions.

Our Paris branch has been active for 12 years now.

Our Amsterdam subsidiary, Commerzbank (Nederland) N.V.

Expansion in Asia and North America

The development of our Southeast Asian and Far Eastern business was also very gratifying, which underlines the healthy performance and still growing economic potential of the Asian countries. With external trade buoyant, the credit and securities business of our outlets also expanded. The mounting importance which we attach to the Far East and the Indian sub-continent justifies an even stronger involvement in this region. In the near future, therefore, we shall be following up the increase in our interest in Korea International Merchant Bank by establishing representative offices in both Seoul and Bombay.

The Bank's North American business also expanded although the weaker dollar had negative effects on West German exports. Our local outlets were particularly active in the rapidly growing North American markets. Existing links with customers were intensified and new clients were won.

Fresh impulses were felt in trade with East European countries as well after several sluggish years. The tendency of these states to introduce market principles into their economic order suggests that the need for imports will mount. We are encouraging this development, among other things by participating in loans and bond issues for the Soviet Union. In addition, we have concluded cooperation agreements with banks in Bulgaria and Czechoslovakia to promote joint ventures; we had signed a similar accord with Soviet banks in 1987. Our principal concern is to provide customized financing packages which are attractive for both sides.

We see important markets in the Middle East and are devoting a great deal of attention to them. Many countries in this region have attained an above-average level of affluence; in view of the strong concentration of oil reserves there, they extend highly promising economic prospects that stretch even beyond the next decade.

Given the widespread payment problems, the Bank's business relations with the less developed and newly industrialized countries in Latin America have been fraught with difficulties. Up to now, there have been no signs of an improvement in this sub-continent's economic situation and hence a way out of the debt crisis. Nevertheless, last year brought some progress in individual countries. We have stepped up our activities in the secondary markets and we are involved in innovative funding models. In the interest of both the countries themselves and West German export business, we are trying with some success to maintain commercial transactions.

Just over half our foreign commercial business is with other EC countries.

Start of Ecu clearing operations

We continue to look upon cooperation with numerous correspondent banks throughout the world as one of the most important tasks in our international business. The Bank's existing links have been concentrated and intensified, which was also reflected in the expanded volume of SWIFT transactions. Despite intensive competition, our clearing business is still growing. In the spring, as a member of the Ecu Banking Association, we started Ecu-clearing operations, and, thanks to brisk interbank transactions, turnover in this area is on a firmly upward-pointing path.

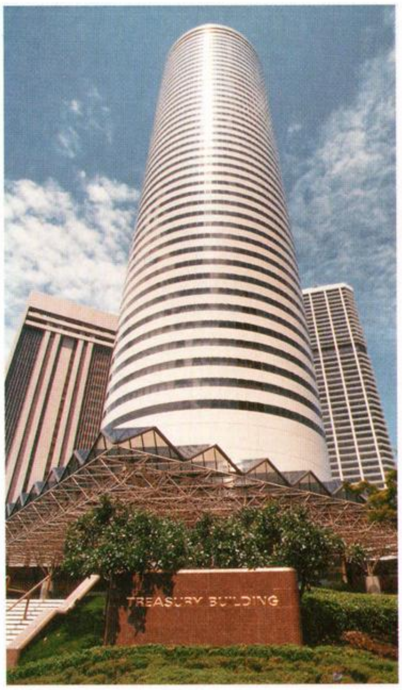
The Bank's forfaiting business registered encouraging growth. Once again, our export-oriented customers had greater recourse –and especially in dealings with Eastern bloc countries–to the cover afforded by the forfaiting of claims deriving from commercial business.

It is becoming increasingly important to inform our customers about foreign trade guidelines, direct investments and suitable partners for cooperation projects at various levels–from simple forms of collaboration to equity investments. There was an especially great need for information on the underlying conditions and possible types of cover for trade with high-risk countries as well as on the business prospects relating to post-1992 Europe.

Our international organization

The Bank's network of outlets abroad is becoming more and more closely knit. In this way, we are reflecting the ever stronger international involvement of West German business and the globalization of banking. We are present in all the important international financial centres. The local activities of our operative bases abroad are become increasingly important; however, tending to the needs of German customers abroad remains one of the main duties for our staff. We shall soon have forty direct outlets in thirty countries, with our bases frequently looking after a number of countries in the respective region.

In March of this year, we opened our representative office in Milan, through which we intend to play a more prominent role



The Treasury Building in Singapore–the new home of Commerzbank (South East Asia) Ltd.

in the business done with West Germany's third-largest trading partner. Since 1979, we have been represented in the Korean market through our interest in Korea International Merchant Bank (KIMB). Last November, we raised our interest in this bank from 20% to 30%. As a result, we can exert a stronger influence over how the bank is run.

During the first eight months of its current business year (April 1, 1988 to March 31, 1989), KIMB registered encouraging business growth and earnings. The balance sheet total was expanded by roughly a quarter. The positive trend for earnings was boosted by the bank's activity as a manager and underwriter of won-denominated bond issues as well as by the higher profits on own-account dealings.

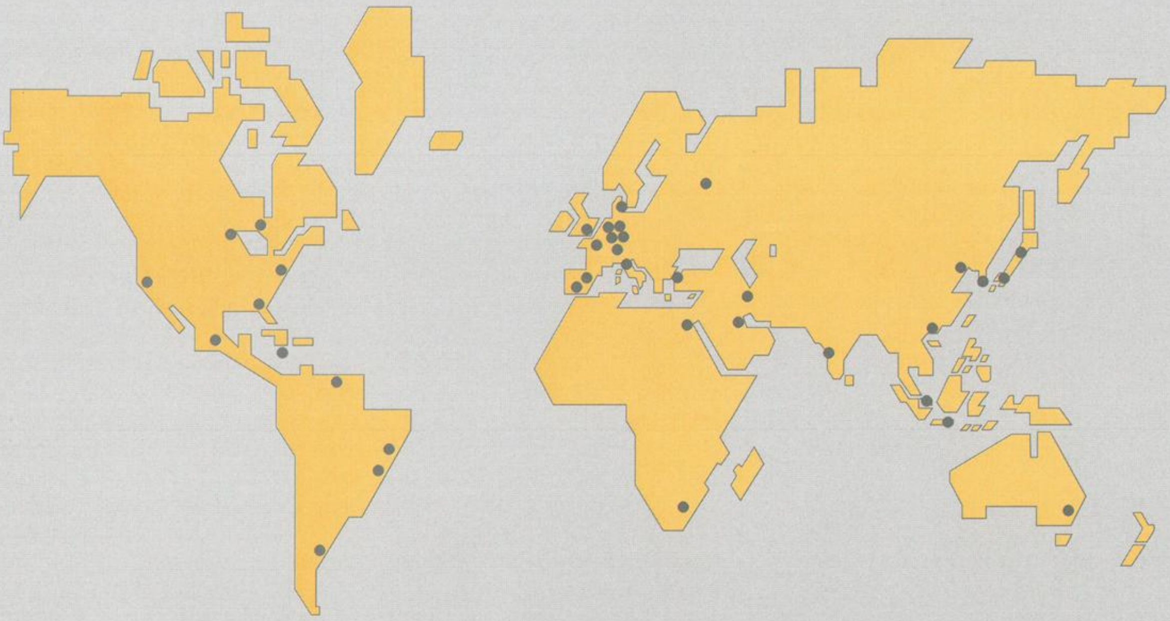
In the autumn, we also increased our shareholding in the Brazilian Unibanco group. As part of a financing package which included debt-equity swaps, we lifted our stake in Unibanco–Banco de Investimento do Brasil S.A. (BIB) of São Paulo from 5% to 19.4%. The merger of these commercial and investment banks, which have operated individually up to now, into a single universal institution, will leave us with a share of just over 10% in Unibanco. It is one of the three largest private-sector banking groups, not only in Brazil but also in Latin America as a whole. This move is intended to document our confidence as regards the prospects for the important Brazilian market.

Lively foreign-exchange trading

The sizeable fluctuations not only of the US dollar and D-mark but also of certain other currencies seriously put to the test the experience and the competence of foreign-exchange dealers in 1988. To meet the increased demand for currency hedging by those of our customers involved in external trade, the Bank maintains efficient trading teams in West Germany: in Frankfurt, Düsseldorf, Hamburg and Munich. These are exclusively concerned with companies' specific currency needs. Like our own-account dealing units, although separated in terms of the function they fulfil, they form part of our network of 17 foreign-exchange teams extending to all the major financial centres.

We managed to strengthen our lead as regards forward transactions, especially in the two to ten-year bracket and were also able to satisfy the great demand for long-term Ecu hedging instruments. We continue to specialize in dealing in a number of not officially quoted currencies. In February 1988, we set up a special dealer team for the Ecu in Frankfurt. Since then, we have given spot quotations for the Ecu against the major world currencies. For some time now, the Bank's customers have been able to maintain fixed-term Ecu deposit accounts.

We have been increasingly successful in offering our customers currency options. Especially at times of erratic exchange-rate fluctuations, these not only provide forward cover but can also extend the opportunity for extra gains. In the field of interest-rate innovations, we have now broadened our activities to include forward rate agreements as well as interest-rate swaps and caps. In the meantime, the market has expanded so strongly, especially at the shorter end, that we are now in a position to offer these interest-rate instruments to specific corporate clients.



Foreign branches

Antwerp
Atlanta
Barcelona
Brussels
Chicago
Hong Kong
London
Los Angeles
Madrid
New York*)
Osaka
Paris
Tokyo

*) with branch office at Grand Cayman.

Representative offices abroad

Bahrain
Beijing
Bombay*)
Buenos Aires
Cairo
Caracas
Copenhagen
Istanbul
Jakarta
Johannesburg
Mexico
Milan
Moscow
Rio de Janeiro
São Paulo
Seoul*)
Sydney
Tehran
Toronto

*) to be opened soon.

Foreign subsidiaries and holdings

Commerzbank International S.A., Luxembourg

Commerzbank (Nederland) N.V., Amsterdam and Rotterdam

Commerzbank (South East Asia) Ltd., Singapore

Commerzbank (Switzerland) Ltd, Zurich and Geneva

Commerzbank Capital Markets Corporation, New York

Commerz Securities (Japan) Co. Ltd., Hong Kong/Tokyo

Korea International Merchant Bank, Seoul

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

Worldwide, Commerzbank has approximately 70 outlets and holdings in roughly 30 countries.

Staff and welfare report

With Commerzbank's business expanding both at home and abroad, we have continued to take on additional staff; after a 2% rise last year, the total now stands at 23,793. Since the start of 1983, therefore, almost 5,000 extra jobs have been created at the Parent Bank. We regard this as one of the most important investments in the Bank's future. In 1989, we will maintain this systematic expansion in the personnel sector, albeit at a more modest pace.

Vocational training for the nineties

In 1988, we recruited 930 apprentices, bringing the total number of young people we are currently training up to 2,286 at the end of the year. Thanks to their high level of achievement, we were able to offer 97% of the 932 completing their apprenticeship with us permanent positions.

To familiarize our younger employees with the high quality standards which we set for our products and services, we have further improved our company training scheme. The subject matter covered is now even more closely geared to the Bank's needs. We have taken additional steps to raise the efficiency of our training programme; our in-house training has proved to be especially effective if, as far as possible, people with practical qualifications are involved as instructors.

Better qualification through advanced training

We have continued to improve the range and quality of our advanced training facilities, the focus being on courses to raise the level of specialist knowledge and personal qualifications. New seminars were developed primarily in the securities and investment banking areas. At the same time, the increase in participation in the foreign-language courses we run has been exceptionally strong. We have also broadened the range of seminars offered for our managerial staff. All our advanced training activities have been moved closer to the employees' place of work. Apart from encouraging systematic on-the-job learning, the Bank's executive personnel are imparting their knowledge to a growing extent in working groups.

Training tomorrow's specialists and managers

New challenges in banking imply new demands on our staff. However, they also offer them new, interesting prospects and scope for development. We give our support to all those who seek to make the most of such chances.

For instance, we encourage young employees, who have already demonstrated special commitment during their basic training and whose level of achievement is better-than-average, to participate in a new programme to further their careers which usually takes five years to complete. For twelve

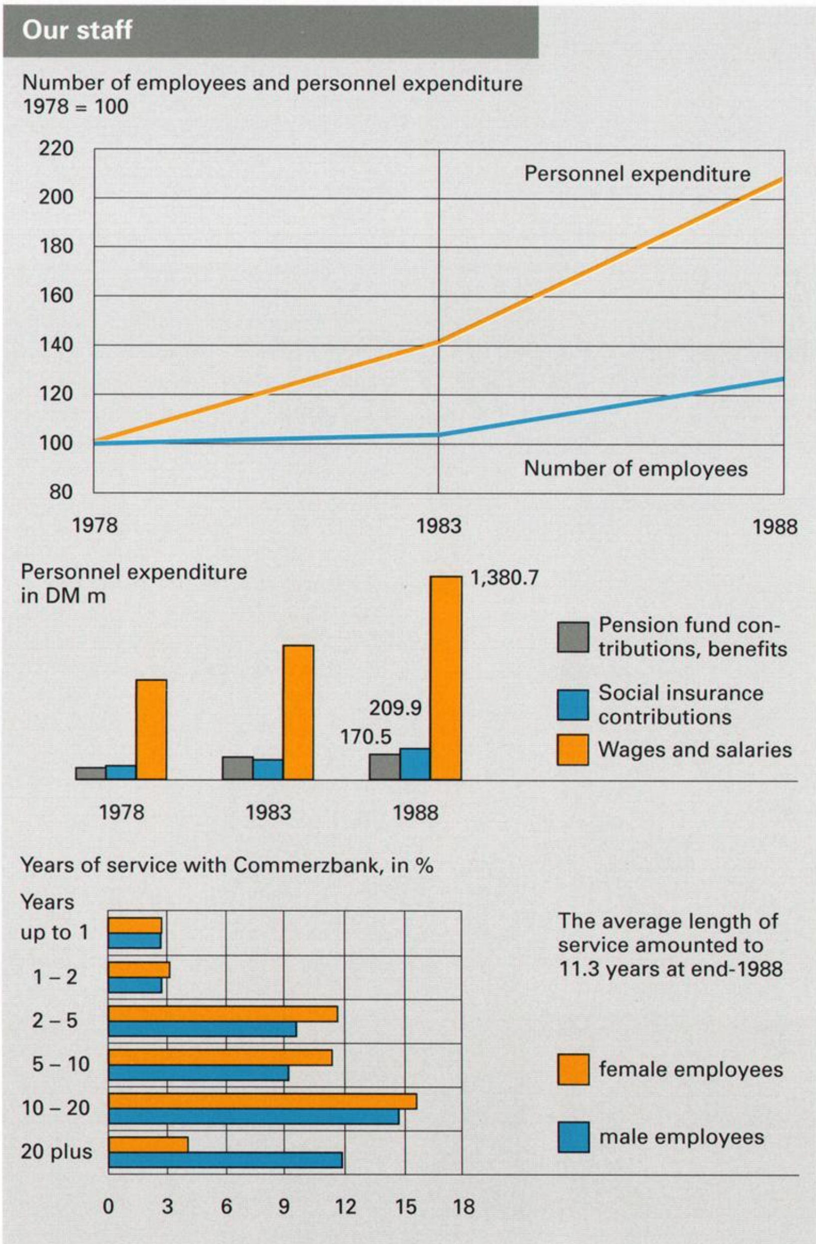
Data on Commerzbank's personnel*)

	1988	1987	in %
Total staff (Group)	26,478	25,783	+ 2.7
Total staff (Parent Bank)	23,793	23,324	+ 2.0
– incl.: based abroad	943	866	+ 8.9
– incl.: apprentices (West Germany)	2,286	2,304	– 0.8
– incl.: junior executives (West Germany)	434	403	+ 7.7
Permanent staff[1])	20,759	20,352	+ 2.0
Ratio of apprentices to permanent staff[2])	11.5%	11.8%	–
Years of service			
– more than 10	47%	47%	–
– more than 20	16%	16%	–
Staff turnover[3])	4.8%	3.9%	–
Total pensioners and surviving dependents	5,586	5,334	+ 4.7
– incl.: those retiring during the year	371	341	+ 8.8
Total entering early retirement	208	178	+16.9

*) Full-time staff [1]) employees excluding apprentices, junior executive staff, temporary staff, volunteers and female staff on maternity leave [2]) in terms of permanent staff in West Germany [3]) due to staff giving notice

months or so, candidates perform different jobs at various points. A practical phase follows in which the knowledge gained is applied on the job. The Bank expects participants to complement their practical training by attending theoretical courses at the Bank Academy, an institution maintained jointly by the German banks. The final component of this programme is the junior executive training scheme, which prepares participants for future specialist and managerial functions. In 1988, we introduced a new emphasis to such training by admitting more people, improving the efficiency of the programme, and increasing the practical orientation in the training of the Bank's future branch managers.

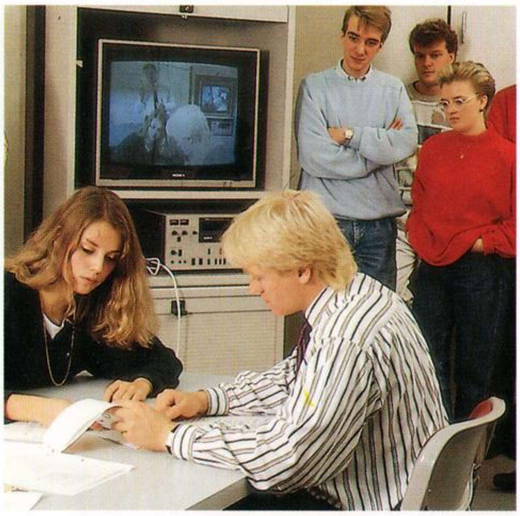
One instrument which has already proved its worth in discovering the potential of our employees is the personnel development seminar, which is structured according to the assessment centre method. Here, participants are confronted in group discussions and in single interviews with tasks which lie beyond their previous individual specialist fields. The picture of their strengths and weaknesses which emerges as a result helps participants and the Bank to work out together what is the best course for the individual employee and what will further his or her career. In order to recruit qualified university graduates from abroad, we have presented our Bank and its personnel policy at several universities in Western Europe. It is our aim to use the junior executive training programme to prepare more non-Germans for managerial positions in our Bank.



Personnel expenditure and welfare provision

Personnel expenditure rose by 7.7% to DM1,761.1m in 1988, with wages and salaries going up by 7.7% to DM1,380.7m. Social insurance contributions climbed by 8.4% to DM209.9m, while pensions, pension fund contributions and benefits increased by 7.3% to DM170.5m.

The climb in personnel costs was caused by a 2.6% growth in the average number of staff over the year and by pay increases. Collectively negotiated salaries were raised by 3.4% as from March 1, 1988, with individually agreed salaries being subjected to a general review on July 1, 1988.



Commerzbank's basic and advanced training programme is meeting with a strong response from our staff.

For pensions and payments to surviving dependents, the *Beamtenversicherungsverein*, a supplementary pension fund of the private-sector banks, received employer's contributions totalling DM48.4m (DM45.6m). Special payments to individual employees for long and faithful service amounted to DM6.2m (DM5.4m).

1988 saw the 23rd offer to employees and pensioners of Commerzbank shares at a preferential price. The lively interest is reflected by the fact that 52% of those entitled to do so bought such shares.

Cooperation with employee representatives

In 1988 as well, cooperation with the employee representatives was constructive and based on mutual trust. With the central staff council, the Bank worked out a model internal agreement permitting greater flexibility in the hours worked by employees responsible for procuring new business.

The economic committee held regular frank discussions with members of the Board of Managing Directors. In a series of consultations, the Bank's management and the senior staff spokesmen's committee took up issues relating to the business situation and the Bank's performance.

We wish to thank

- our staff, who last year through their knowledge and dedication once again met our customers' exacting demands as to quality, so that we were able to cope successfully with the new challenges in banking business;
- those employees who retired during 1988, most after long years of service.

We shall always honour the memory of those employees who died in the past year.

Staff survey

Under the motto "Your opinion is needed", Commerzbank conducted its first-ever staff survey in late 1987/early 1988. The questions were intended above all to broaden our knowledge of what Commerzbank employees think. No "sore point", either alleged or actual, was omitted.

Over half our staff took part in the survey. We consider this a very encouraging result; it was achieved not least thanks to the support of both the Bank's central staff council and the senior staff spokesmen's committee.

Working conditions: viewed as positive

The large majority of employees are satisfied with their place of work. This applies generally to Commerzbank as an employer as well as to the specific conditions that exist at the individual workplace. Roughly two-thirds feel that the external factors influencing their workplace are at least pleasant or good. Almost 90% think that they are well equipped with technical devices and other tools they need to do their job properly.

Welfare benefits

Overall, more than 80% of employees are either satisfied or very satisfied with the voluntary benefits provided by Commerzbank.

Personnel management: message for superiors

When asked how they would describe the general behaviour of their superiors, majorities of over two-thirds mentioned each of the following characteristics: frank, intelligent, sincere, firm and self-confident, and gets his/her own way. Superiors were judged in a more differentiated way as regards their executive functions. Even though most staff are satisfied with the managerial qualities of their immediate superiors, they indicate that a series of improvements are possible:

- More than two-fifths would like their superiors to be more solicitous about their professional development.
- Roughly a third expects superiors to devote more time to staff matters and to provide more support and guidance.
- While most believe that their superior keeps them informed about all the important aspects relating to their work, just under half would like to learn more from their superior about issues involving other departments or the Bank qua company.

Basic and advanced training: communication and technology to the fore

The staff survey reveals a lively interest in the subjects covered by basic and advanced training. Negotiating skills/communication (72%), the use of technical equipment (71%), knowledge of the Bank's products (70%) and leadership (65%) are regarded as either important or very important by employees for their further development.

Just under half claim that they already put the basic and advanced training courses offered by the Bank to adequate use. The others mention the following obstacles:

- Given the exclusively specialist character of such courses, they are open only to specific groups of employees 13%
- What is offered does not coincide with my personal needs 9%
- I am continuing my studies privately 9%
- Does not help me in my career 3%.

Commerzbank viewed from inside: positive responses

The picture of the Bank painted by its employees is primarily determined by the characteristics modern and progressive, original and customer-oriented, practical and reliable, sympathetic, kind and considerate. By and large, the views expressed on Commerzbank's style complement this self-portrait: the typical characteristics are thought to be customer-orientation and reliability, a performance-minded approach and actions geared to cutting costs and maximizing earnings. Yet it was pointed out that the organization of work could be improved; in this connection, cooperation and the flow of information were mentioned in particular.

Drawing conclusions

As the questions were generally answered thoroughly and with great commitment, an overall result was achieved which permits differentiated analysis and can be readily interpreted. Consequently, it provides an empirically sound basis for our future personnel work.

We are already putting to use some of the findings of the survey. We shall reflect what we have learned, for instance, in the projected new conception of our staff newsletter, "Commerzielles", and when we modify the seminar on the tasks of superiors as regards their staff. Similarly, the results of the survey will be tapped in the project on Commerzbank's female staff, which will focus on issues such as the career prospects of the Bank's qualified female personnel and the reintegration of women with families. In other directions, too, more searching analyses are being carried out in order to implement suitable personnel-policy measures on the basis of the results.

Report on the Bank's Performance

The Group

Commerzbank AG, the Parent Bank, cooperates closely with the companies affiliated with it in the Commerzbank Group. Particular importance attaches to the role played by the domestic and foreign credit institutions and by the financial consultancy and leasing firms among its members. Details of the latter's activities and performance are given in the Notes on the Parent Bank's Annual Accounts (cf. pages 60 to 68) as well as in the Group's Report, Accounts and Financial Statement (starting on page 70).

At end-1988, the Group's business volume (balance sheet total plus endorsement liabilities) stood at DM182.4bn, an increase of DM18.6bn, or 11.4%, on the year-earlier level of DM163.8bn. The consolidated balance sheet total went up by 11.6% in 1988 to DM180.4bn. The Parent Bank accounted for approximately 58% of the gross assets before elimination of intra-Group balances. The latter's aggregate lending was up 10.5% at DM120.4bn, and the overall volume of its borrowed funds showed an 11.3% expansion at DM170.8bn.

Parent Bank's business volume

The business volume of the Parent Bank reached DM117.083bn at the balance sheet date (December 31, 1988), up 13.6% on the end-1987 level of DM103.077bn. On average over the year, the business volume amounted to DM109.575bn in 1988, a rise of 13.2% on the 1987 average of DM96.791bn. Of the 1988 year-end total, DM39.769bn was contributed by the foreign branches which thus raised their share to 34.0%, from 32.7% at end-1987.

The Parent Bank's total assets increased by DM14.148bn, or 14.0%, to DM115.256bn in the year under review which, however, saw a decline in the real external value of the D-mark so that, due to currency translation, the above growth rate is somewhat higher than the volume of additional business actually achieved. Expressed in D-marks, the changes in the utilization of new funds that were instrumental in bringing about such expansion are illustrated in the table on the opposite page.

Liquid funds

Another year of strong demand for longer-term funds by both its private and business customers led Commerzbank further to step up its funding at the long end–also making use of the possibilities offering themselves in the international capital markets by entering into interest and currency swap agreements on a reasonable scale. To cover its domestic short-term liquidity needs, the Bank can either have recourse to the German money market or to the Bundesbank, and to secure its solvency abroad, at any time and also in foreign currencies, stand-by credit lines are maintained with a number of foreign banks on a mutual basis.

Lending

Total lending to banks and non-banks (excluding loans on a trust basis and guarantees) rose by DM9,524m, or 16.3%, since end-1987; it breaks down as follows (cf. opposite page).

In the year under review, the Bank once again raised the share of longer-term loans in its overall lending, from 45.3% at end-1987 to 46.7%. Funds extended at longer terms were, inter alia, financed

Total lending

	1988		1987	
Loans to customers				
a) short and medium-term	DM29,812m =	43.9%	DM24,774m =	42.4%
b) long-term	DM29,326m =	43.2%	DM23,942m =	41.0%
	DM59,138m =	87.1%	DM48,716m =	83.4%
Loans to banks				
a) short and medium-term	DM 1,721m =	2.5%	DM 1,743m =	3.0%
b) long-term	DM 2,377m =	3.5%	DM 2,524m =	4.3%
	DM 4,098m =	6.0%	DM 4,267m =	7.3%
Book and acceptance credits	DM63,236m =	93.1%	DM52,983m =	90.7%
Bills discounted	DM 4,692m =	6.9%	DM 5,421m =	9.3%
	DM67,928m =	100.0%	DM58,404m =	100.0%

through bonds issued by the Parent Bank with maturities of more than four years amounting to DM2,976m and through DM16,952m longer-term borrowings, mainly from banks–among them Kreditanstalt für Wiederaufbau (Reconstruction Loan Corporation)–and from public authorities, but also including the D-mark equivalent of the proceeds of foreign-currency bonds issued by members of the Commerzbank Group. Where so provided for in the agreements with the respective original lenders, funds were passed on to the final borrower on the terms set by the former.

Utilization of new funds in 1988

	in DM m
Source of funds	
Increase in liabilities	14,643
a) bank deposits	(5,419)
b) customers' deposits	(8,526)
c) provisions	(67)
d) equity capital	(428)
e) special item with partial reserve character	(160)
f) other liabilities	(43)
Reduction of assets	761
a) bills of exchange	(587)
b) loans to banks	(169)
c) other assets	(5)
Depreciation on fixed assets	165
	15,569

	in DM m
Application of funds	
Increase in assets	14,836
a) cash reserves, cheques, and collection items	(26)
b) nostro balances	(1,103)
c) Treasury bills	(230)
d) bonds	(1,737)
e) shares	(331)
f) short and medium-term loans to customers	(5,038)
g) long-term loans to customers	(5,384)
h) investments (subsidiaries, associated companies, and trade investments)	(449)
i) fixed assets	
ia) land and buildings	(58)
ib) office furniture and equipment	(210)
j) other assets	(270)
Reduction of liabilities	733
a) own bonds	(576)
b) own acceptances	(98)
c) other liabilities	(59)
	15,569

Book and acceptance credits showed a rise of DM10,422m, or 21.4%, in loans to customers, while advances to banks declined by DM169m, or 4.0%. Bill discounts also decreased, by DM729m, or 13.5%, to DM4,692m. This includes DM1,827m of rediscounted bills, representing 38.9% of our total bill portfolio at year-end.

Bills discounted by our foreign branches plus book and acceptance credits extended by them reached DM21,368m, or 31.5% of our aggregate lending of this type, compared with DM15,737m, or 26.9%, at end-1987.

In structuring our lending according to loan size, we have been avoiding too great an overall weight of individual large-volume loans because of the risks involved.

In 1988 again, we had to add to our loan loss reserves. For one thing, the amount needed to provide for risks resulting from a fall in the standing of both corporate and private borrowers exceeded its year-ago level. For another, we felt that the situation of the countries which we consider to represent heightened lending risks has on the whole deteriorated, so that in the 1988 accounts we have further reinforced our covering of such risks. The customary caution was applied in providing for risks relating to changes in the standing of borrowers.

Commerzbank at the end of the year under review was no longer required to maintain the hitherto mandatory global loan loss reserve for the entire Bank, following the abolition of Section 26 (5) of the German Banking Act (KWG) in the context of West Germany's 1988 tax reform and, in its wake, a directive by the German Banking Supervisory Authority that repealed the obligation for German credit institutions to maintain such global reserves. We have, however, made use of transitional tax regulations permitting us to allocate to a „special item with partial reserve character" two-thirds–or DM160m–of the book gain that resulted from writing back into earnings that part of the global loan loss reserve established in previous years to cover possible risks in our domestic lending.

Borrowed funds

	1988	1987
Liabilities to banks		
a) demand	DM 4,278m = 4.0%	DM 4,815m = 5.1%
b) time	DM 29,724m = 27.6%	DM23,768m = 25.2%
	DM 34,002m = 31.6%	DM28,583m = 30.3%
Customers' deposits		
a) demand	DM 14,099m = 13.1%	DM12,486m = 13.2%
b) time	DM 41,076m = 38.2%	DM33,843m = 35.9%
c) savings deposits	DM 13,496m = 12.6%	DM13,816m = 14.7%
	DM 68,671m = 63.9%	DM60,145m = 63.8%
Bonds issued	DM 3,524m = 3.3%	DM 4,100m = 4.4%
Acceptances outstanding	DM 1,339m = 1.2%	DM 1,437m = 1.5%
Total borrowed funds	DM107,536m = 100.0%	DM94,265m = 100.0%

During the year under review, we allowed funds due to other banks to increase by DM5.4bn, while at the same time raising our claims on the latter by merely DM0.9bn. The position resulting for us at end-1988 as a net interbank borrower amounted to DM1.9bn, as against a net lending balance of DM2.6bn at end-1987.

The opposite table shows that, in the year under review, the Bank funded its lending to an increased extent through additional long-term borrowing, to the tune of DM13.2bn. Demand deposits grew as well, by altogether DM1.1bn, while savings deposits, having expanded up to mid-year, at the balance-sheet date fell DM320m short of their year-earlier level. Of our own bonds in circulation, those at longer term saw their total reduced by DM607m at end-1988 and, due to random factors relating to the reporting dates, the volume of our own acceptances outstanding was likewise down, by DM98m.

At end-December, 1988, funds at our disposal with original maturities of four years or more broke down as follows:

	DM m
Term deposits from other banks	6,218
Term deposits from customers	10,734
Savings deposits at 4-year period of notice	529
Bonds outstanding	2,976
	20,457

In addition, a total of DM2.1bn of funds was deposited with us under the various savings plans we offer.

Investments as shown in the balance sheet

Of the investments as shown in the balance sheet, DM1,599m represent holdings in credit institutions and DM1,326m in non-banks. As required by Section 285 (11) of the German Commercial Code (HGB), companies in which we or affiliates of ours have a one-fifth minimum stake are listed on page 65 ff in the Notes on the Parent Bank's Annual Accounts. Details on the DM449m rise in the book value of our holdings in subsidiaries and affiliated companies and in our trade investments are also given there.

The DM394m increase in the interests we hold in credit institutions is the result of DM193m new acquisitions, of DM208m additions to existing holdings and DM7m disposals. Of the DM55m rise in our stakes in non-banks, DM31m relate to new purchases and DM24m to expansions, while two disposals together accounted for a book value of under DM1m.

The most important new acquisition regarding our holdings in other financial institutions is that of just under 40% in Leonberger Bausparkasse, a home loan association whose products and services are to complement our own range.

As a wholly-owned subsidiary endowed with a capital of US$10m, Commerzbank Capital Markets Corporation was set up in New York in early 1988, through a spin-off operation involving the former EuroPartners Securities Corporation. Up to February, 1988, this New York investment bank had been operated jointly by us and by our European banking partners Crédit Lyonnais and Banco di Roma.

Also in the year under review, we acquired a minority stake of a good 3% in Corporación Financiera Hispamer S.A. This Madrid-based subsidiary of our Spanish partner bank, Banco Hispano Americano, serves as the holding institution for a group of companies mainly engaged in the financing of consumer goods leasing activities in Spain.

Lesser amounts were involved in our purchases in 1988 of roughly 3% of the capital of Jean de Cholet–Gilles Dupont S.A., a French stock exchange brokerage firm, and of 37.5% of the shares of ADIG Investment Luxemburg S.A., a new subsidiary of our domestic investment fund affiliate ADIG, set up in Luxembourg for the marketing of investment fund certificates from there.

Noteworthy among the additions to our existing holdings in other credit institutions is the rise to 19.4% of our interest in Unibanco–Banco de Investimento do Brasil S.A., São Paulo, that, on the occasion of a capital increase by that bank, was effected in the main by swapping frozen loan claims against stakes held in it by foreigners.

Our banking subsidiaries in Berlin, Switzerland, and Singapore were provided with additional equity in order to enlarge their business potential, with Commerzbank (Switzerland) Ltd in Zurich receiving the equivalent of DM37m, Berliner Commerzbank in West Berlin DM25m, and Commerzbank (South East Asia) Ltd. in Singapore the equivalent of DM10m.

Also to be mentioned here is the reinforcement we effected in our interest in Korea International Merchant Bank, Seoul.

Moreover, we raised the stakes we had earlier acquired in a number of financial holding companies, namely in Commerz Unternehmensbeteiligungs-Aktiengesellschaft, Frankfurt, in "Neu-Europa" Hitec & Biotec Gesellschaft für Innovationen mbH & Co KG, Berlin, and in Hostra Beteiligungsgesellschaft mbH, Düsseldorf, to enable the latter to take part in a capital increase of Industriekreditbank Aktiengesellschaft–Deutsche Industriebank, Düsseldorf and West Berlin, more than 20% of which is owned by Hostra.

Finally, we sold the interest of approximately 40% we had held in AKB Auto Kredit Bank Aktiengesellschaft, Hamburg.

Syndicate and securities business

In the wake of the crash that had shaken the international stock markets in the autumn of 1987, expectations for the securities business in 1988 were generally rather subdued. Contrary to what had been feared, however, the stock markets both in West Germany and worldwide experienced a return to more or less normal conditions in the course of the year–although initially, the recovery was somewhat hesitant. By contrast, the German bond market saw major structural changes in 1988. Domestic fixed-rate paper suffered major sales setbacks, while German investors' interest focused on DM-denominated bonds of foreign issuers and on foreign-currency bonds, both of which are exempt from the new German withholding tax on interest income. We were the lead-managers of 24 of the 206 DM bonds floated by foreign borrowers in 1988, and acted as co-lead-managers for another 96 of them. In seven cases, we lead-managed foreign-currency bond offerings. We also assisted two companies–the software manufacturer Computer 2000 Aktiengesellschaft, Munich, and the insurance broker

Marschollek, Lautenschläger und Partner Aktiengesellschaft, Heidelberg–in introducing their shares on the German Regulated Market created in 1987; activity in this field, having experienced a post-crash halt, has thus apparently picked up again.

Thanks to favourable market performance, we were able once again to achieve satisfactory commission earnings from both syndicate and securities operations, although such income fell somewhat short of the exceptionally high year-ago results, not least because of lower price levels.

International activities

In the year under review, we succeeded in further strengthening our position as a bank firmly oriented towards foreign and international business. In particular, we reinforced our global presence by raising our shares in Korea International Merchant Bank, Seoul, and in Unibanco–Banco de Investimento do Brasil S.A., São Paulo. In March 1989 we opened a representative office in Milan, and two other such units are currently being prepared in Bombay and in Seoul. Our US bases have been especially active in the rapidly growing North American markets.

The combined business volume of all our foreign branches grew by about one-sixth and thus more than that of the Parent Bank, while their aggregate operating results were up even more substantially, by one-half. However, the latter figure was also affected by the dollar rate, which in D-mark terms showed a gain of approximately one-eighth in 1988. Slightly expanding their overall business volume, the foreign subsidiaries have maintained their high contribution to total results. Our cooperation with correspondent banks abroad has continued to be very lively.

Outperforming forecasts that had initially been rather sceptical, German trade picked up increasingly as the year progressed. So did our foreign commercial business, commission earnings from which–including foreign exchange gains–rose again.

Earnings performance

In the year under review, our earnings performance improved on the whole. The Parent Bank's partial operating result–which is arrived at by subtracting personnel and other operating expenses and the current depreciation on fixed assets and equipment from the sum total of net interest, dividend, and commission income–at DM676m fell, it is true, DM7m or 1.0% short of the 1987 figure; yet the respective year-on-year declines as reported in our 1988 Interim Reports per mid-year and per end-October had still reached 4.2% and 7.6%. The overall operating result–which, in addition, includes own-account transactions as well as other current income and expenditure items–notably exceeded its year-ago level, although the particularly good 1986 and 1985 figures were not reattained.

Net interest and dividend income–which is the balance of interest from lending and money-market transactions plus current income from bonds, other securities, and "investments" and income from profit-transfer agreements, minus total interest expenses–amounted to DM2,353m; this rise of 6.6% resulted from the expanded business volume. The average interest margin for the year receded to 2.15%, from 2.28% in 1987. Net commission income was again up on the year-ago figure at DM943m, with the growth rate reaching a mere 0.8%, though. The biggest gains were recorded by commissions earned in our foreign commercial business, while receipts from securities and syndicate operations did not quite match their–exceptionally high–year-ago levels. The decisive factors for the latter were generally lower domestic share prices and the reduced overall volume of issues floated, with the stock exchange crash of late 1987 the main reason for both.

Total operating expenditure went up DM161m, or 6.5%, with most of the increase accounted for by personnel costs rising DM127m, or 7.7%, to DM1,761m. While we managed to contain other operating expenses, which moved up only 2.7% to DM695m, depreciation on fixed assets and equipment climbed by 10.6% to DM165m. The latter reflects the fact that instead of buying EDP equipment we have more and more opted to lease it.

Whereas own-account securities transactions, having produced only a small net gain in 1987, yielded satisfactory results again in the year under review, we made somewhat lower profits on currency dealings on our own account. The write-downs on our securities holdings that became necessary according to the lower-of-cost-or-market rule could for the most part be made up for by non-recurrent earnings, such as from the sale of the stake we had owned in AKB Auto Kredit Bank AG, Hamburg, and from the redemption of bonds we had held.

As hitherto, we have adequately provided for all discernible risks. We have made full use of the possibility to set off earnings from the lending business and profits on securities transactions against write-downs on securities and value adjustments to credits as well as additions to loan loss reserves.

Since the business of our major domestic and foreign subsidiaries is structured differently from our own, their accounts were less affected by own-account dealings. The operating result of the Group thus showed a less pronounced increase than that of the Parent Bank.

Proposal on appropriation of profit

After allocating DM100,000,000 to other revenue reserves, the remaining, distributable profit is

DM224,952,421.

Commerzbank herewith proposes to its shareholders that DM203,514,921 of this amount be used for the distribution of a dividend of DM9 per DM50 nominal share.

Adding to this the DM5.06 tax credit for shareholders with unlimited tax liability in West Germany, the gross amount to be received by them per DM50 share rises to DM14.06.

Provided that the AGM decides to support our proposal regarding the appropriation of this part of the distributable profit, a further

DM41,437,500

will remain for distribution to the holders of the profit-sharing certificates we issued in 1985. Pursuant to section 23(2) of the Bank's statutes and to the conditions of the June 1985 subscription offer for profit-sharing certificates, the holders of the latter will receive a payment of 8.25% of the certificates' face value plus an additional amount, for 1988, of 1.5% of the certificates' face value.

Equity capital according to Section 10 of the German Banking Act (KWG)

Following the allocation of DM100m to other revenue reserves from the net income for the past business year, the Bank's equity capital as defined in Section 10 of the German Banking Act (KWG) amounts to DM4,796m, up from DM4,368m at end-1987; this corresponds to 4.2% and 4.3%, respectively, of the balance sheet totals for either year. Details of the Bank's equity capital structure and the changes that occurred in it over the year under review are given in the Notes on the Parent Bank's accounts (cf. page 62) as required by Section 264 (1) of the German Commercial Code (HGB).

Perspectives

We are confident that we will succeed in maintaining the fine performance of both the Parent Bank and the Group in 1989 as well. However, as interest margins continue to narrow, it will be important to keep meeting increases in operating costs through volume growth that remains focused on earnings and through a further expansion of our fee-earning activities.

Although prospects for economic performance, worldwide and also in West Germany, seem to be encouraging on the whole, we do not for the time being see any easing of tensions as regards country risks. Yet we are convinced that we will be able to achieve another satisfying overall result in the current year.

BALANCE SHEET AS AT DECEMBER 31, 1988

Assets	DM	DM	DM	Dec 31, 1987 DM1,000
Cash on hand			427,041,756.28	361,340
Balance with Deutsche Bundesbank			3,709,808,619.30	3,514,726
Balances on postal giro accounts			21,565,220.39	22,970
Cheques, matured bonds, interest and dividend coupons, items received for collection			206,717,526.78	439,527
Bills of exchange			2,864,764,257.09	3,452,088
incl.: a) rediscountable at Deutsche Bundesbank	459,241,378.34			
b) own drawings	157,530,165.89			
Claims on banks				
a) payable on demand		1,924,099,360.67		3,209,352
b) with original periods or periods of notice of				
ba) less than three months		10,360,567,880.73		8,152,554
bb) at least three months, but less than four years		16,960,196,712.83		16,876,686
bc) four years or more		2,879,116,660.66		2,950,581
			32,123,980,614.89	31,189,173
Treasury bills and discountable Treasury notes, issued by				
a) the Federal and Länder Governments		787,358,599.54		568,440
b) others		571,353,124.53		560,822
			1,358,711,724.07	1,129,262
Bonds and notes				
a) with a life of up to four years, issued by				
aa) the Federal and Länder Governments	178,939,444.44			
ab) banks	326,015,104.72			
ac) others	437,781,769.11	942,736,318.27		695,463
incl.: eligible as collateral for Deutsche Bundesbank advances DM 413,435,465.80				
b) with a life of more than four years, issued by				
ba) the Federal and Länder Governments	2,615,121,085.63			
bb) banks	2,267,857,926.00			
bc) others	3,242,110,645.20	8,125,089,656.83		6,635,523
incl.: eligible as collateral for Deutsche Bundesbank advances DM3,439,478,726.87			9,067,825,975.10	7,330,986
Securities not to be shown elsewhere				
a) shares marketable on a stock exchange and investment fund certificates		948,244,337.69		629,987
b) other		151,379,337.44		139,226
			1,099,623,675.13	769,213
incl.: holdings of more than one-tenth of the shares of a joint-stock or mining company, unless shown as investments	289,251,715.22			
Claims on customers, with original periods or periods of notice of				
a) less than four years		29,811,649,592.02		24,773,841
b) four years or more		29,326,320,790.15		23,942,505
			59,137,970,382.17	48,716,346
incl.: ba) secured by mortgages on real estate	6,816,858,684.46			
bb) communal loans	5,263,108,002.47			
Recovery claims on Federal and Länder authorities under post-war currency reform acts			30,829,244.59	35,768
Loans on a trust basis at third party risk			276,241,970.24	39,145
Subsidiaries, associated companies, and trade investments (investments)			2,925,331,000.00	2,476,364
incl.: investments in banks	1,599,076,000.00			
Land and buildings			686,796,000.00	644,759
Office furniture and equipment			583,089,000.00	522,405
Bonds and notes issued by Commerzbank			142,834,825.08	83,938
nominal amount	138,035,000.00			
Other assets			378,145,788.78	191,173
Deferred items				
a) unamortized debt discount (difference according to Section 250 (3) of the German Commercial Code–HGB)		134,332,977.63		128,053
b) other		80,019,884.58		60,822
			214,352,862.21	188,875
		Total Assets	115,255,630,442.10	101,108,058
Total Assets and the rights of recourse accruing to the Bank in respect of the contingent liabilities shown below the line on the liabilities side include				
a) claims on affiliated companies			3,645,889,885.04	3,559,137
b) claims arising from loans falling under Section 15 (1) 1-6 and (2) of the German Banking Act, unless included under a)			258,385,597.48	232,078

Liabilities and Shareholders' Equity		DM	DM	DM	Dec 31, 1987 DM1,000
Liabilities to banks					
a) payable on demand			4,278,574,299.24		4,815,240
b) with original periods or periods of notice of					
ba) less than three months		11,784,711,205.42			
bb) at least three months, but less than four years		11,707,645,229.03			
bc) four years or more		6,217,589,180.12	29,709,945,614.57		23,748,164
incl.: due in less than four years	DM4,556,578,545.02				
c) customers' drawings on other banks			13,740,395.50		19,242
				34,002,260,309.31	28,582,646
Liabilities to customers (customers' deposits)					
a) payable on demand			14,098,450,292.46		12,486,350
b) with original periods or periods of notice of					
ba) less than three months		22,103,429,596.68			
bb) at least three months, but less than four years		8,239,076,336.45			
bc) four years or more		10,733,958,081.47	41,076,464,014.60		33,842,832
incl.: due in less than four years	DM4,824,551,743.91				
c) savings deposits					
ca) subject to legal period of notice		10,375,660,074.39			
cb) other		3,120,396,295.55	13,496,056,369.94		13,815,716
				68,670,970,677.00	60,144,898
Bonds and notes with a life of					
a) up to four years			547,678,650.76		517,706
b) more than four years			2,975,900,085.16		3,582,892
				3,523,578,735.92	4,100,598
incl.: maturing in less than four years	DM2,720,329,085.16				
Acceptances and promissory notes outstanding				1,338,840,698.27	1,436,752
Loans on a trust basis at third party risk				276,241,970.24	39,145
Provisions					
a) for pensions			1,025,823,000.00		957,811
b) other			787,254,000.00		788,239
				1,813,077,000.00	1,746,050
Other liabilities				140,550,967.39	114,134
Deferred items				283,383,392.60	341,492
Special item with partial reserve character				160,000,000.00	—
Profit sharing certificates outstanding				425,000,000.00	425,000
incl.: maturing in less than two years	DM	—			
Subscribed capital				1,130,638,450.00	1,039,965
(unissued conditional capital additionally authorized for conversion rights:	DM	432,987,400.00)			
Capital reserve				2,185,702,331.00	1,948,386
(allocation of premia	DM	237,316,623.00)			
Revenue reserves					
a) legal reserve			6,000,000.00		6,000
d) other revenue reserves			1,049,000,000.00		949,000
				1,055,000,000.00	955,000
(allocation from net income for 1988	DM	100,000,000.00)			
Commerzbank Foundation				5,433,489.37	5,361
Distributable profit				244,952,421.00	228,631
Total Liabilities and Shareholders' Equity				115,255,630,442.10	101,108,058
Endorsement liabilities on rediscounted bills of exchange				1,827,278,614.27	1,969,265
Contingent liabilities from guarantees, including guarantees for bills and cheques, and from indemnity agreements				11,974,801,507.16	10,280,718
Commitments under repurchase agreements, not included in liabilities				—	15,098
Total Liabilities, together with contingent liabilities and other commitments shown below the line, include liabilities to affiliated companies in the amount of				9,961,714,765.30	7,250,259

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECE

Expenses	DM	DM	1987 DM1,000
Interest and similar expenses		4,782,905,219.60	3,757,084
Commissions and similar service charges paid		51,671,927.73	60,704
Write-downs of and adjustments to claims and securities, and additions to provisions for possible loan losses		—	262,481
Salaries and wages		1,380,689,525.33	1,281,976
Compulsory social security contributions		209,936,344.55	193,741
Expenses for pensions and other employee benefits		170,467,828.59	158,832
Other operating expenses		694,711,692.73	676,158
Depreciation on and adjustments to land and buildings, office furniture and equipment		164,721,976.40	148,945
Write-downs of and adjustments to investments (subsidiaries, associated companies, and trade investments)		59,269.76	230
Taxes			
a) on income and assets	296,197,769.36		237,391
b) other	5,082,321.52		2,224
		301,280,090.88	239,615
Allocation to special item with partial reserve character		160,000,000.00	—
Other expenses		46,399,176.37	79,604
Net income for the year		344,952,421.00	288,631
	Total Expenses	8,307,795,472.94	7,148,001

	DM	1987 DM1,000
Net income for the year	344,952,421.00	288,631
Allocation to revenue reserves		
d) to other revenue reserves	100,000,000.00	60,000
Distributable profit	244,952,421.00	228,631

MBER 31, 1988

Income	DM	DM	1987 DM1,000
Interest and similar income from lending and money-market transactions		6,355,245,074.68	5,260,364
Current income from			
a) fixed-interest securities and Government-inscribed debt	534,512,208.81		473,407
b) other securities	48,442,674.23		30,980
c) investments (subsidiaries, associated companies, and trade investments)	182,199,809.75		186,728
		765,154,692.79	691,115
Commissions and other service charges received		994,835,191.41	996,076
Other income, including income from the writing back of provisions for possible loan losses		169,236,050.79	175,880
Income from profit-pooling and from partial or full profit-transfer agreements		15,756,395.03	12,581
Income from the writing back of provisions, unless it has to be shown under other income		7,568,068.24	11,985
Total Income		8,307,795,472.94	7,148,001

Notes on the Parent Bank's Annual Accounts

Changes in book value of tangible assets and investments

	Investments*)	(incl.: in banks)	Land and buildings	Office furniture and equipment	(incl.: intangible assets)
	in DMm	in DMm	in DMm	in DMm	in DMm
Book value as of Jan. 1, 1988	2,476.4	1,204.8	644.8	522.4	2.4
Additions	+456.8	+401.6	+62.8	+214.2	+0.6
Disposals	– 7.8	– 7.2	– 5.3	– 4.3	–
Write-downs/ depreciation	– 0.1	– 0.1	–15.5	–149.2	–0.7
Book value as of Dec. 31, 1988	2,925.3	1,599.1	686.8	583.1	2.3

*) subsidaries, associated companies, and trade investments.

In respect of credit institutions in which it owns a majority, Commerzbank AG, in proportion to its equity share, ensures that they are able to meet their liabilities.

Both the additions to and the depreciation on office furniture and equipment include minor-value items bought in 1988 worth DM13.8m.

Special item with partial reserve character

Pursuant to the General Directive of July 4, 1988 on the abolition of the General Directive concerning the approval for taxation purposes of global loan loss reserves built by credit institutions, the special item with partial reserve character was formed by allocating to it, on the balance sheet date, DM160.0m. This represented two-thirds of the book gain resulting from writing back into earnings that part of the hitherto mandatory global loan loss reserve established in previous years to cover possible risks attaching to our domestic lending.

Capital and reserves

Profit-sharing certificates outstanding

The volume of profit-sharing certificates outstanding is unchanged at DM425.0m. The life of these paper is to end with the close of the 1995 financial year.

Share capital

At end-1987, the share capital (subscribed capital) had amounted to DM1,040.0m; the following changes occurred over the year under review:

In May, 1988, the Bank made use of an authorization by the Annual General Meeting of May 18, 1984 to increase its capital in order to issue shares to the staff–under which authorization an amount of DM10.7m had remained unused at the end of 1987–by augmenting, with the agreement of the Supervisory Board, the share capital by DM3,970,200 through the issue of DM50 nominal shares at an issue price of DM219.50 each.

Further conditionally authorized increases of the share capital were effected as follows: 498,729 DM50 nominal shares were subscribed to at a price of DM211 each by the holders of warrants previously attaching to 3.5% DM bonds with warrants issued in 1978 by the Luxembourg subsidiary, Commerzbank International S.A., and 1,199,338 DM50 nominal shares were subscribed to at a price of DM167 each by the holders of warrants previously attaching to 7% US$ bonds with warrants issued in 1983 by the same subsidiary. Another 35,997 DM50 nominal shares were subscribed to at a price of DM140 each by the holders of warrants previously attaching to 8% DM bonds with warrants issued in 1984 by the Parent Bank.

On December 31, 1988, Commerzbank's share capital amounted to DM1,130,638,450; it was issued in the form of bearer shares as follows:

193,000	shares of DM1,000	nominal,
320,000	shares of DM 100	nominal, and
18,112,769	shares of DM 50	nominal.

Authorized capital increases

At the balance sheet date, there remained unused authorizations to increase the Bank's share capital by DM6.7m for the issue of shares to its staff and by DM200m for the implementation of a resolution adopted by the Annual General Meeting on May 22, 1987.

Conditionally authorized capital increases

Shown in the balance sheet is a further, aggregate amount of DM432,987,400 conditionally authorized for increases of the Bank's share capital; of this total, DM117,987,400 are earmarked to serve the subscription rights of the holders of warrants attaching to 8% DM bonds with warrants issued by the Parent Bank in 1984, with warrant rights to be exercised by June 15, 1989. The option-based share subscription price currently amounts to DM140 per DM50 nominal share.

In addition, there is a conditional authorization by the Annual General Meeting of May 28, 1988 to increase the Bank's share capital by April 30, 1993 by the following amounts:

DM175,000,000 to serve the option rights of holders of warrants attaching to issues, to be effected by April 30, 1993, of convertible bonds or bonds with warrants, or of profit-sharing certificates with warrants or bearing conversion rights;

DM140,000,000 to serve rights from bonds with warrants to be issued at a later stage, in a currency still to be determined, by a wholly-owned foreign subsidiary of Commerzbank.

The Board of Managing Directors is authorized to effect the entries into the Commercial Register covering the corresponding changes to the Bank's statutes only if and when it intends to float the above-mentioned bonds or profit-sharing certificates, or to have a wholly-owned foreign subsidiary issue such bonds with warrants. No entries into the Commercial Register concerning such changes of the Bank's statutes have so far been applied for.

Reserves

During the year under review, premia from capital increases of altogether DM237.3m were added to the capital reserve.

Other revenue reserves were augmented by DM100.0m through an allocation from the net income achieved in the past financial year.

Including this addition to reserves, the Bank's equity capital at end-1988 was made up as follows:

Capital and reserves*)

in DMm	1988	1987
Profit-sharing certificates outstanding	425.000	425.000
Subscribed capital	1,130.639	1,039.965
Capital reserve	2,185.702	1,948.386
Revenue reserves		
a) legal reserve	6.000	6.000
b) other revenue reserves	1,049.000	949.000
Total	4,796.341	4,368.351

*) as defined in Section 10 of the German Banking Act (KWG).

Contingent liabilities not revealed in balance sheet

Commitments for uncalled payments on shares in stock corporations (AG) and in private limited liability companies (GmbH) issued but not fully paid amounted to DM24.4m, while similar liabilities for shares in cooperatives were DM0.5m. 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 DM33.9m. 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 DM245.1m.

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 it may incur in respect of actions taken for the benefit of domestic banks in which Commerzbank holds a majority interest.

On the balance sheet date, DM2.8bn of our securities holdings were pledged as collateral in short-term fund-raising operations, including under repurchase agreements with the Deutsche Bundesbank.

The Bank's foreign operations make it necessary under the laws of and the practices followed in certain countries to furnish government bodies with security; this meant that a further DM3.5bn of the Bank's assets were tied by liens held.

Purchases and sales of the Bank's own shares

In order to offer shares for subscription to our staff, the Bank's share capital in the year under review was increased by DM3,970,200 nominal through the issue of DM50 nominal shares at a price of DM219.50 each. In addition, we purchased 61 of our own shares at an average price of DM231.48 per DM50 nominal share and sold 79,465 of our own shares to employees of the Bank, of its subsidiaries, and of affiliated companies at a preferential price of DM130 per DM50 nominal share.

Securities transactions that fall under Section 71 (1) 1 of the German Stock Corporation Act (AktG), and 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 us of 1,097,242 Commerzbank shares of DM50 nominal each,

and by companies controlled or majority-owned by the Bank of 15,400 Commerzbank shares of DM50 nominal each.

The weighted average buying price of these shares was DM230.63; they were sold at an average resale price of DM231.37, computed in the same way.

The proceeds from these transactions were reallocated to working funds. The highest number of Commerzbank shares in our possession on one specific day in 1988 was 25,203–of a total nominal value of DM1,260,150–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.

At end-1988, collateral furnished by borrowing customers as security included:

235,267 Commerzbank shares of DM50 nominal each, pledged to us, and

27,883 Commerzbank shares of DM50 nominal each, pledged to companies controlled or majority-owned by the Bank.

The total pledged represented 1.2% of the Bank's share capital.

Remuneration of Board and Council members

The remuneration paid in and still to be paid for 1988 to the Bank's Managing Directors amounts to DM10,190,456.64. Retired Managing Directors or their surviving dependents received altogether DM6,522,114.88. Payments to members of the Supervisory Board totalled DM1,421,922, and those to members of the Central Advisory Board DM436,506. Members of the Regional Advisory Councils were paid DM1,281,832.

At end-1988, provisions for pensions for retired Managing Directors or their surviving dependents totalled DM48,831,132; this amount fully covers our pension commitments towards this group.

The Boards of the Parent Bank

Supervisory Board

Dr. Raban Freiherr von Spiegel
Chairman

Hans-Georg Jurkat
Deputy Chairman

Herbert Bayer

Reinhold Borchert

Erhard Bouillon

Hugo Eberhard

Professor
Dr. Herbert Grünewald

Dr. Uwe Haasen

Dr. Carl H. Hahn

Gerald Herrmann

Dr. Hans-Jürgen Knauer

Peter Kretschmer

Gabi Locher

Dr. Torsten Locher

Horst Sauer

Hans-Georg Stritter

Dr.-Ing. Hanns Arnt Vogels

Heinrich Weiss

Dr. Gerd Wollburg

Wolfgang Ziemann

Board of Managing Directors

Walter Seipp
Chairman

Erich Coenen

Dietrich-Kurt Frowein

Kurt Hochheuser

Götz Knappertsbusch

Martin Kohlhaussen

Klaus Müller-Gebel

Jürgen Reimnitz

Kurt Richolt

Axel Freiherr von Ruedorffer

Jürgen Terrahe

Average number of staff employed by Parent Bank during respective year

Full-time figures*)	1988			1987		
	total	male	female	total	male	female
West Germany	20,562	10,793	9,769	20,046	10,504	9,542
abroad	896	486	410	835	444	391
	21,458	11,279	10,179	20,881	10,948	9,933

*) including the part-time workers listed below, at a rate of 62% (63% in 1987) of the standard working time that corresponds to the average time actually worked by them during either year.

Persons on part-time	total	male	female	total	male	female
West Germany	1,884	70	1,814	1,886	70	1,816
abroad	11	–	11	10	–	10
	1,895	70	1,825	1,896	70	1,826

Not included in the full-time figures as shown above are the apprentices on average trained by us during both years:

Apprentices	total	male	female	total	male	female
	2,051	1,064	987	2,025	1,068	957

Holdings in affiliated and other companies (pursuant to Section 285 (11) of the German Commercial Code–HGB)

Affiliated companies (pursuant to Section 271 (2) of the German Commercial Code – HGB)

Name of company	Domicile	Share of capital held by Commerzbank in %		Share capital in 1,000 of stated currency	Result in 1,000 of stated currency
Companies included in the consolidation					
RHEINHYP Rheinische Hypothekenbank Aktiengesellschaft	Frankfurt	95.9	DM	778,424	72,800
Berliner Commerzbank Aktiengesellschaft	West Berlin	100.0	DM	335,024	46,526
Commerz-Credit-Bank Aktiengesellschaft Europartner	Saarbrücken	65.0	DM	50,082	4,003
von der Heydt-Kersten & Söhne	Wuppertal-Elberfeld	100.0	DM	10,000	1,793
Ilseder Bank, Sandow & Co.	Peine	100.0	DM	7,500	1,024
C. Portmann	Frankfurt	100.0	DM	1,500	91
Commerzbank International S.A.**)	Luxembourg	100.0	DM	423,400	45,000
Commerzbank (Nederland) N.V.	Amsterdam	100.0	Dfl	62,911	83
Commerzbank (South East Asia) Ltd.	Singapore	100.0	S$	83,444	18,106
Commerzbank (Switzerland) Ltd	Zurich	100.0	Sfr	62,007	3,211
Commerzbank Capital Markets Corporation	New York	100.0	US$	17,628	–2,388
CB Finance Company B.V.	Amsterdam	100.0	Dfl	7,566	9,451
Commerzbank Overseas Finance N.V.***)	Curaçao	100.0	DM	389	7,421
Commerzbank U.S. Finance, Inc.	Wilmington/Del.	100.0	US$	15	5
Atlas-Vermögensverwaltungs-Gesellschaft m.b.H.	Düsseldorf	100.0	DM	100	0*)
Aussenhandel-Förderungsgesellschaft mbH	Düsseldorf	100.0	DM	98	0
Commercium Vermögensverwaltungs-GmbH	Hamburg	100.0	DM	70	0*)
Berliner Commerz Beteiligungsgesellschaft mbH***)	West Berlin	100.0	DM	2,000	0*)
Berliner Commerz Grundstücks- und Verwaltungsgesellschaft mbH***)	West Berlin	100.0	DM	100	0*)
Casia Grundstücks-Vermietungs- und Verwaltungsgesellschaft mbH***)	Düsseldorf	95.9	DM	50	0*)
Commerzbank Investment Management Gesellschaft mit beschränkter Haftung	Frankfurt	100.0	DM	6,636	564
Commerz Beteiligungsgesellschaft mbH**)	Bad Homburg v. d. H.	100.0	DM	1,000	1
Commerz International Capital Management Gesellschaft mbH	Frankfurt	100.0	DM	10,117	105
Commerz- und Industrie-Leasing GmbH	Frankfurt	100.0	DM	10,200	0*)
Commerz- und Industrie-Leasing Berlin GmbH***)	West Berlin	100.0	DM	550	0*)
GERAP Grundbesitz- und Verwaltungsgesellschaft mbH	Frankfurt	95.0	DM	27	0*)
Hamburgische Grundstücks Gesellschaft m.b.H.	Hamburg	100.0	DM	140	0*)
Immobilien- und Wohnungs-Gesellschaft mbH	Hamburg	100.0	DM	84	0*)
L.I.A. Leasinggesellschaft für Immobilien und Anlagegüter mbH**)	Frankfurt	100.0	DM	1,509	0*)
Norddeutsche Immobilien- und Verwaltungs-GmbH***)	Hamburg	100.0	DM	50	0*)
Westboden Bau- und Verwaltungsgesellschaft Mannheim mbH***)	Mannheim	95.9	DM	93	0*)

Affiliated companies (pursuant to Section 271 (2) of the German Commercial Code–HGB)

Name of company	Domicile	Share of capital held by Commerzbank in %		Share capital in 1,000 of stated currency	Result in 1,000 of stated currency
Companies not included in the consolidation					
Flender Werft Aktiengesellschaft	Lübeck	68.9	DM	28,500	–2,000³)
Handelsgest S.A.R.L.**)	Luxembourg	100.0	DM	11,485	167³)
Indugest S.A.R.L.**)	Luxembourg	100.0	DM	25,491	1,009

Further holdings in German financial institutions

Name of company	Domicile	Share of capital held by Commerzbank in %		Share capital in 1,000 of stated currency	Result in 1,000 of stated currency
ADIG Allgemeine Deutsche Investment-Gesellschaft mbH	Munich/Frankfurt	29.2	DM	31,200	10,675
Deutsche Grundbesitz-Investmentgesellschaft mbH	Frankfurt	25.0	DM	21,135	1,414
Deutsche Schiffsbeleihungs-Bank Aktien-Gesellschaft	Hamburg	29.6	DM	76,000	0³)
Leonberger Bausparkasse Aktiengesellschaft	Leonberg	39.9	DM	277,371	14,737³)
Liquidations-Casse in Hamburg Aktiengesellschaft	Hamburg	25.0	DM	2,495	351³)

Further holdings in other German companies

Name of company	Domicile	Share of capital held by Commerzbank in %		Share capital in 1,000 of stated currency	Result in 1,000 of stated currency
Almüco Vermögensverwaltungs-gesellschaft mbH –has holding of at least 20% in each Francommerz Vermögensverwaltungs-gesellschaft mbH, Frankfurt, and Heidelberger Druckmaschinen AG, Heidelberg–	Munich	25.0	DM	149,248	15,033
ALSTER Beteiligungsgesellschaft mbH & Co. KG	Frankfurt	20.0		–	–
AV America Grundbesitz-verwaltungsgesellschaft mbH	Frankfurt	25.0	DM	100	20³)
CGT Canada Grundbesitz Treuhand GmbH	Frankfurt	20.0	DM	100	0¹)
Codema International GmbH***)	Frankfurt	50.0	DM	950	235³)
Commerzbank Aktiengesellschaft von 1870++)	Hamburg	37.9	RM	–	0
Commerz Unternehmensbeteiligungs-Aktiengesellschaft	Frankfurt	50.0	DM	19,966	80
Deutsche Canada-Grundbesitz-verwaltungsgesellschaft mbH	Frankfurt	20.0	DM	100	41²)
Deutsche Gesellschaft für Anlage-verwaltung mit beschränkter Haftung –has holding of at least 20% in Horten AG, Düsseldorf–	Frankfurt	25.0	DM	191,823	475³)
Deutsche Gesellschaft für Immobilienanlagen „America" mbH	Bad Homburg v. d. H.	25.0	DM	484	20³)
Deutsche Grundbesitz-Anlagegesellschaft mbH	Frankfurt	25.0	DM	3,390	173
Deutsche Immobilien Leasing GmbH	Düsseldorf	50.0	DM	36,252	0³)+)

Further holdings in other German companies

Name of company	Domicile	Share of capital held by Commerzbank in %		Share capital in 1,000 of stated currency	Result in 1,000 of stated currency
Francommerz Vermögensverwaltungsgesellschaft mbH –has holding of at least 20% in Hochtief AG vorm. Gebr. Helfmann, Essen–	Frankfurt	40.0	DM	178,000	12,009
Frega Vermögensverwaltungsgesellschaft mbH –has holding of at least 20% in Linotype AG, Eschborn–	Frankfurt	40.0	DM	196,768	4,034
GADES Grundstücks-Vermietungs-gesellschaft mbH & Co. KG	Düsseldorf	49.0		–	–
Gesellschaft für Kreditsicherung mbH	Cologne	26.7	DM	300	99³)
Hostra Beteiligungsgesellschaft mbH –has holding of at least 20% in Industriekreditbank AG–Deutsche Industriebank, Düsseldorf and West Berlin–	Düsseldorf	33.3	DM	190,169	8,591
Karstadt Aktiengesellschaft	Essen	25.0	DM	1,420,000	119,800³)
Kautex-Bayern GmbH, Kunststoffwerk***)	Mallersdorf	40.0	DM	5,777	–233³)
Kistra Beteiligungsgesellschaft mbH –has holding of at least 20% in Hutschenreuther AG, Selb–	Frankfurt	25.0	DM	52,766	2,146
KVH Kreditverwaltungsgesellschaft Hamburg mbH	Hamburg	40.0	DM	–3,395	–3,492³)
Lincas Electro Vertriebs-Gesellschaft mbH***)	Hamburg	25.0	DM	7,839	382³)
Partner Immobiliendienst GmbH***)	Wiesbaden	24.0	DM	5,581	133³)
Regina Verwaltungsgesellschaft mbH –has holding of at least 20% in MAN AG, Munich–	Munich	25.0	DM	504,885	15,890³)
Roßma Beteiligungsgesellschaft mbH –has holding of at least 20% in each Bavaria Filmkunst GmbH, Munich, and Didier Werke AG, Wiesbaden–	Frankfurt	40.0	DM	56,200	3,475³)
Stella Automobil-Beteiligungsgesellschaft mbH –has holding of at least 20% in Mercedes-Automobil Holding AG, Frankfurt–	Munich	25.0	DM	523,688	32,144
Treuhand- und Holdinggesellschaft mbH –has holding of at least 20% in BDO Deutsche Warentreuhand AG, Hamburg–	Frankfurt	50.0	DM	141	71³)
Vermietungsgesellschaft SÜD für SEL-Kommunikationsanlagen mbH	Stuttgart	50.0	DM	3,100	486³)
Willi Vogel Beteiligungsgesellschaft mbH (founded in 1988)***)	West Berlin	22.5	DM	50,000	–
Hans Wiebe Textil Aktiengesellschaft***)	West Berlin	20.9	DM	40,441	209³)

Further holdings in foreign financial institutions and in other companies abroad

Name of company	Domicile	Share of capital held by Commerzbank in %		Share capital in 1,000 of stated currency	Result in 1,000 of stated currency
ADIG-Investment Luxemburg S.A.	Luxembourg	37.5	DM	3,140	2,740
Commerz Securities (Japan) Company Ltd.	Hong Kong/Tokyo	50.0	HK$	145,293	–8,416
UBAE Arab German Bank S.A.	Luxembourg/Frankfurt	25.1	DM	76,000	2,400³)
Korea International Merchant Bank	Seoul	30.0	won	38,219,274	6,615,155
Europartners Holding S.A.**)	Luxembourg	33.3	Lfr	51,380	4,695³)

*) company has profit and loss transfer agreement with either Commerzbank (Parent Bank) or with one of its affiliated companies;

**) held in part indirectly;

***) held wholly indirectly;

+) company has profit and loss transfer agreement with non-affiliated company;

++) in liquidation.

All data refer to 1988 if not otherwise stated;

¹) latest available annual statement as of Sept. 30, 1987;

²) latest available annual statement as of Oct. 31, 1987;

³) latest available annual statement as of Dec. 31, 1987.

THE BOARD OF MANAGING DIRECTORS

Düsseldorf, March 7, 1989

Auditors' Certificate

The accounting and the annual accounts and financial statement, which we have examined with due care, comply with German law and the Company's statutes. The annual accounts and financial statement, which have been drawn up and presented in compliance with the principles of adequate and orderly accounting, present a true and fair picture of the net worth position, the financial status, and the earnings situation of Commerzbank AG. The Management Report is in full agreement with the annual accounts and the financial statement.

Frankfurt, March 8, 1989

TREUARBEIT
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Windmöller Wirtschaftsprüfer (German public accountant)	Kieser Wirtschaftsprüfer (German public accountant)

Report of the Supervisory Board

Throughout the year under review, the Supervisory Board carried out its duties under the law and the Bank's statutes, constantly supervising the conduct of the Bank's affairs. The Chairman and other members of the Supervisory Board assisted the Board of Managing Directors in an advisory capacity.

The Supervisory Board fulfilled its duties both in full session and through its committees. Considered in full session were above all matters with a fundamental bearing on the Bank's business policy and those relating both to the development of its balance sheet and to its earnings performance. Reports on the progress of the Bank's business were regularly submitted to the Presiding Committee of the Supervisory Board, which took up items of significance with the Board of Managing Directors. The Loans Committee discussed all lending commitments for which their approval is required either by law or by the Bank's statutes, and also those involving an enhanced degree of risk. The Social Welfare Committee treated basic matters concerning the staff.

The Parent Bank's Annual Accounts, Financial Statement, and Legally Prescribed Report, together with the books of account for the period from January 1 to December 31, 1988, have been examined by the auditors, Treuarbeit Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, West Berlin/Frankfurt, and certified without qualification. The Supervisory Board has signified its agreement with the results of the audit. It has examined the Bank's Annual Accounts, Financial Statement, and Legally Prescribed Report, and the proposal of the Board of Managing Directors as to the appropriation of the distributable profit, and has found no cause for objection.

The Supervisory Board has approved the Annual Accounts and the Financial Statement presented by the Board of Managing Directors which accordingly may be regarded as adopted. It concurs with the latter's proposal as to the profit appropriation.

It has also reviewed the Consolidated Accounts, Financial Statement and Report, and the report of the Group's auditors which carries their unqualified, legally prescribed certification.

On February 7, 1988, Mr. Horst Muthig, previously a substitute member of the Supervisory Board, replaced the late Mrs. Karin Behrens, who had represented the employees. As of April 8, 1988, the registration court nominated Dr. Hans-Jürgen Knauer to succeed Professor Dr. Matthias Seefelder, a shareholder representative, who resigned from the board.

As stipulated in the Bank's statutes, a new Supervisory Board was elected in the year under review. The new members took office as from the end of the Annual General Meeting on May 26, 1988. At the same time, Mrs. Brigitta Dorn, Mr. Heinz-Werner Busch, Dr. Rolf Darmstadt, and Messrs. Hans-Joachim Fuhrmann, Fritz Losukow, Horst Muthig and Rudolf Weingärtner, all staff representatives, retired from the Supervisory Board, as did four shareholder representatives, Professor Dr. Kurt Hansen, Mr. Paul Lichtenberg, Dr. Otto Ranft and Mr. Toni Schmücker.

Messrs. Herbert Bayer, Hugo Eberhard, Gerald Herrmann, Peter Kretchmer, Mrs. Gabi Locher, Dr. Torsten Locher and Mr. Horst Sauer were newly appointed as staff representatives, while Professor Dr. Herbert Grünewald, Dr. Carl H. Hahn, Dr. Raban Freiherr von Spiegel and Professor Dr. Klaus Trouet were elected to represent the shareholders. As from June 30, 1988, Prof. Trouet was replaced by Mr. Erhard Bouillon, up to then a substitute member. The Supervisory Board elected Dr. Raban Freiherr von Spiegel as its Chairman, appointing Hans-Georg Jurkat as Deputy Chairman.

Paul Lichtenberg, for many years Chairman, will continue to serve the Bank in his capacity as Honorary Chairman of the Supervisory Board.

Düsseldorf, April 10, 1989

The Supervisory Board

Chairman

Notes on the Consolidated Annual Accounts

During the year under review, the Commerzbank Group managed to achieve a higher operating result than in the preceding year. Yet we do not consider it fully satisfactory, since its expansion did not match that of the business volume. Once again, we raised the cover for risks relating to problem countries. The aggregate amount we deemed necessary to add to reserves for possible losses on specific doubtful credits also exceeded its year-ago level. The consolidated net income for the year, left after taxes on income, rose by 16% to reach DM489m. From this, a total of DM235m will be allocated to the Group's revenue reserves, as against DM176m in the previous year.

At end-1988, the Group's balance sheet total stood at DM180.4bn and its business volume–which, in addition, includes endorsement liabilities on rediscounted bills–at DM182.4bn. This represents respective growth figures of DM18.7bn and DM18.5bn, or of roughly 11% for either. The Parent Bank, Commerzbank AG, and the West Berlin subsidiary, Berliner Commerzbank AG, each contributed to the rise in the Group's business volume by a 14% expansion, and the foreign banking subsidiaries included in the consolidation boosted their business volumes by an aggregate 9%, while the mortgage lending arm, RHEINHYP, saw the volume of its business grow by only 4%.

The Group's more broadly defined business volume, which also comprises contingent liabilities from guarantees–including those for bills and cheques–and from indemnity agreements, was up by DM20.6bn, or 11.8%, to DM194.9bn.

Companies affiliated to Commerzbank Aktiengesellschaft in accordance with Section 15 of the German Stock Corporation Act (AktG) are listed in a table included in the Notes on the Parent Bank's Annual Accounts. There was one addition to the number of companies included in the consolidation; it concerned Commerzbank Capital Markets Corporation, New York, founded in the year under review.

On pages 86 to 91 of this Report–i.e. following the consolidated profit and loss statement–we report on the business objectives, the performance and the capital resources of our major subsidiaries, namely:

RHEINHYP Rheinische Hypothekenbank AG, Frankfurt,
Berliner Commerzbank AG, West Berlin,
Commerzbank International S.A., Luxembourg,
Commerzbank (South East Asia) Ltd., Singapore,
Commerzbank (Nederland) N.V., Amsterdam,
Commerzbank (Switzerland) Ltd, Zurich.

Given the weight that the above companies have within the Commerzbank Group, these short reports have been supplemented by abridged versions of their balance sheets and their profit and loss accounts.

On the other companies included in the consolidation we report as follows:

Commerz-Credit-Bank Aktiengesellschaft
Europartner, Saarbrücken,

closed the year under review with a hardly changed balance sheet total of DM1,383m. From the net income for the year remaining after discernible risks had been duly provided for, a total of DM2m was allocated to other revenue reserves. The bank's liable equity thus now amounts to DM50m, with the share capital unchanged at DM14m. Shareholders will again receive a 14% dividend.

CB Finance Company B.V., Amsterdam, and
Commerzbank Overseas Finance N.V., Curaçao,

for their lending raise long-term funds in the Euromarkets and also in other foreign capital markets. At the closing date, these two companies had launched bonds and notes equivalent to altogether DM6.7bn, proceeds from which were–with one exception–deposited with the Parent Bank and with several of its domestic and foreign subsidiaries. By ceding to fiduciary trustees the claims arising to them from the funds passed on, the two financing companies provided the creditors of some of the issues with collateral. In the case of the other issues, the Parent Bank and, in one case, the Luxembourg subsidiary acted as guarantors. With one exception again, fiduciary trustees were brought in to protect the rights of the creditors even for such issues as had guarantee cover.

Commerzbank U.S. Finance, Inc., Wilmington/Delaware,

serves the Parent Bank as a funding arm in the US money markets and had, by the end of the year under review, passed on to it the equivalent of almost DM3.5bn raised through the issue of commercial paper. The subsidiary's obligations are fully guaranteed by the Parent Bank.

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 managing partners of both banks retaining their decision-making powers.

C. Portmann, Frankfurt,

is a bank confining its activities to the administration of its assets.

Commerz- und Industrie-Leasing GmbH, Frankfurt, and
Commerz- und Industrie-Leasing Berlin GmbH, West Berlin,

who are engaged in the leasing of moveable goods, both saw the volume of their business decline slightly in the year under review.

Nonetheless, the profit transferred to the Parent Bank by the Frankfurt-based company was up by 15% on the preceding year's level, and the Berlin-based company also passed on a sizeable profit to its parent, Berliner Commerzbank.

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

has no commercial activity as such but restricts its operations to administering the property-holding companies it owns. The latter, together with GERAP Grundbesitz- und Verwaltungsgesellschaft mbH, Frankfurt, are managed under fiduciary agreements by DIL Deutsche Immobilien Leasing GmbH, Düsseldorf, a company in which Commerzbank has a 50% interest.

The three leasing companies last mentioned and their property-holding subsidiaries rely on the Parent Bank and on Berliner Commerzbank to meet their funding requirements. Real estate leasing is, however, also funded, to the extent permitted by law, through mortgage loans by Commerzbank's mortgage bank subsidiary.

Through a spin-off operation from the former EuroPartners Securities Corporation, New York,

Commerzbank Capital Markets Corporation, New York,

was set up on March 1. Endowed with a share capital of US$10m, it is engaged in investment banking operations, chiefly looking after non-American investors. The company closed its first, incomplete business year with a loss of US$2.4m that was carried forward on new account.

Commerzbank Investment Management Gesellschaft mbH, Frankfurt,

acts as a management company for closed-end special-purpose investment funds. At the balance sheet date, their total number reached 126, with aggregate assets of DM7.3bn. The company is to pay a 10% dividend on its DM6m share capital and will allocate an equal amount of DM600,000 to its revenue reserves.

Commerz Beteiligungsgesellschaft mbH, Bad Homburg v.d.H., and Berliner Commerz Beteiligungsgesellschaft mbH, maintained locally by the West Berlin subsidiary, both acquire stakes in small and medium-sized companies. They thus provide these firms with share capital, to allow them to strengthen their equity base in order to cope with, or prepare for, rising sales, planned investments, the withdrawal of shareholders or partners, or a stock exchange introduction.

Commerz International Capital Management Gesellschaft mbH, Frankfurt,

looks after international institutional investors whom it assists with the management of their assets. The company, which has seen its business expand strongly, managed to raise its commission earnings by two-thirds on their year-ago level.

Other consolidated companies that are included in the list appearing at the end of the Notes on the Parent Bank's Annual Accounts and Financial Statement but are not separately reported on here are engaged in activities indicated by their company names, such as trust business or the management of less important real estate.

In accordance with Section 329 of the German Stock Corporation Act (AktG), Handelsgest S.A.R.L. and Indugest S.A.R.L., both Luxembourg-based, have–as foreign companies–not been included in the consolidation. They restrict their activity to administrating the capital they have been endowed with. Three-quarters and one-quarter of their share capital continues to be owned by us and by our Luxembourg subsidiary, Commerzbank International S.A., respectively.

Flender Werft Aktiengesellschaft, Lübeck,

has not been included in the consolidation, since this shipbuilding company is not under the Group's managerial control.

To cope with the lower demand for aggregate shipping tonnage, Flender Werft has over the past few years sharply reduced its new-building capacity by curtailing its staff.

In financial 1988, the company was kept busy executing the orders for newbuildings it had obtained the year before, as well as with ship repairs and sundry projects. Yet it did not manage to avoid short-time working in the first half of the year. An annual loss of DM3.5m must be anticipated for financial 1988.

On the basis of current orders, employment of capacity is secured up to mid-1990.

Although the situation in the shipping industry has on the whole improved, we do not view future developments without concern. The worldwide imbalance between the demand for vessels and available shipyard capacity has not yet been overcome, and the strong pressure on German shipbuilders from both their competitors in the Far East and in other countries–which rival each other in terms of subsidies–continues unabated.

Normal banking relations are maintained with Flender Werft. Those of the Bank's managing directors who serve on the company's supervisory board are engaged in the customary counselling and checking, also in respect of Commerzbank's investment in Flender Werft, but do not seek to influence the conduct of the latter's business in favour of the Bank.

Principles of consolidation

Commerzbank's consolidated annual accounts and financial statement as at December 31, 1988 were still drawn up pursuant to Sections 329 ff. of the German Stock Corporation Act (AktG) in its former version (valid up to December 31, 1986). Structuring of the consolidated accounts has been effected in accordance with the format for the presentation of the annual accounts of German banks–set up as stock corporations–as laid down in the revised version of September 14, 1987 of the respective regulation of December 20, 1967. Having included a mortgage bank in the consolidation, we use an amplified version of the standard format to present our balance sheet.

For all companies included in the consolidation, the financial years coincide with the calendar year. The accounts of the foreign members of the Group in Amsterdam, New York, Singapore, Wilmington/Del. and Zurich, which are drawn up in local currency, have been converted at the official year-end Frankfurt middle rates. All other–domestic and foreign–companies included in the consolidation have drawn up their accounts in D-marks. 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.

Intra-Group balances included in any of the asset and liability items have been eliminated in the consolidated balance sheet, as have similar income and expenses in the Group's profit and loss account and intra-Group book gains that occurred over the year.

Investment income from consolidated companies received in 1988 in respect of 1987 has been included in the profit brought forward, while tax credits received have been deducted from investment income and from the Group's tax expenditure. The profit brought forward was reduced due to the elimination of intra-Group profits from the consolidation in previous years.

Consolidated balance sheet total

At DM180,400m, the end-1988 consolidated balance sheet total was DM18,669m up on the preceding year's figure, exceeding the total assets of the Parent Bank by DM65,144m (1987: by DM60,623m).

The Group's balance sheet total before elimination of intra-Group balances reached DM199,196m at end-1988. 57.9% of this was accounted for by assets of the Parent Bank, as compared with 58.3% in the previous year, and 15.7% (16.4% in 1987) by those of the consolidated commercial banks. A further 19.0% relates to the mortgage lending subsidiary, RHEINHYP Rheinische Hypothekenbank, and 7.4% to other companies.

Assets

Liquidity

While each member of the Commerzbank Group is responsible for meeting its own liquidity needs, the overall availability of liquid funds within the Group is supervised by the Parent Bank. The latter, enjoying the highest standing of all Group members in both the national and the international financial markets, is able to provide its banking subsidiaries, if need be, with the liquid resources they may require. Solvency at any time is assured through sufficient holdings of both funds easily liquidizable and the necessary volumes of bills of exchange and of other securities eligible as collateral to obtain lombard advances from the Bundesbank.

In order to be able to cope with possible liquidity shortages in foreign currencies, too, stand-by credit lines were arranged with major foreign banks, mostly on a mutual basis. These agreements make up for the recourse we lack abroad on the respective central banks or monetary authorities for obtaining liquidity.

Treasury notes, other securities

Securities holdings within the Group went up by DM2,792m to DM15,031m. The combined volume of Treasury bills and discountable Treasury notes was slightly reduced, by DM94m to DM1,457m.

The volume of bonds and notes held by the Group and issued by both Group members and others registered a DM2,315m expansion. Of this total, paper issued by other than Group members were up by DM1,965m, the result of a DM1,890m rise in bonds with an original life of more than four years and of a DM75m increase in those with shorter lives. Bonds and notes issued by Group members are shown in the consolidated balance sheet at an amount of DM1,120m, exceeding the previous year's figure by DM350m.

Holdings of other securities went up by DM477m to DM1,334m.

Lending

The Group stepped up its lending to other banks and to customers (excluding both loans on a trust basis and guarantees) by DM11,648m to DM120,618m in 1988. This represents a rise of 10.7%, as against 6.1% in 1987. Most of the expansion was provided by the Parent Bank, whose loan volume went up by 16.3%, and by the West Berlin subsidiary, also recording strong growth of its credit business. By contrast, that of the mortgage bank subsidiary experienced a somewhat smaller addition than in 1987, and the gains achieved by the foreign subsidiaries were, likewise, only moderate.

Excluding lending by the mortgage bank subsidiary, credits to customers rose by DM10.9bn to DM69.9bn for the Group as a whole, with the 18% increase in advances at short and medium-term almost matching that in long-term loans, up 19%. In terms of volume, the latter exceeded the former at the year-end by DM1.6bn, compared with DM1.1bn at end-1987. The total of bills discounted was reduced by 13.1% to DM5.0bn.

Changes in Group's lending	Year-end, 1988 DMm	%	Year-end, 1987 DMm	%	Change DMm	%
Loans to customers						
a) short and medium-term	34,135	28.3	28,912	26.5	+ 5,223	+18.1
b) long-term (four years or more)	35,728	29.6	30,014	27.6	+ 5,714	+19.0
Sub-total	69,863	57.9	58,926	54.1	+10,937	+18.6
Long-term mortgage and communal loans of mortgage bank subsidiary						
a) to customers	29,057	24.1	27,663	25.4	+ 1,394	+ 5.0
b) to banks	4,553	3.7	4,002	3.7	+ 551	+13.8
Sub-total	33,610	27.8	31,665	29.1	+ 1,945	+ 6.1
Bills discounted	5,031	4.2	5,789	5.3	– 758	–13.1
Claims on banks						
a) short and medium-term	5,164	4.3	6,039	5.5	– 875	–14.5
b) long-term (four years or more)	6,021	5.0	5,550	5.1	+ 471	+ 8.5
Sub-total	11,185	9.3	11,589	10.6	– 404	– 3.5
Leasing equipment	929	0.8	1,001	0.9	– 72	– 7.2
Total lending	120,618	100.0	108,970	100.0	+11,648	+10.7

The overall longer-term lending of our mortgage banking subsidiary, RHEINHYP, grew at a somewhat slower pace, by 6.1% to DM33.6bn. Of this, DM17.2bn was accounted for by mortgage loans and DM16.4bn by credits to local governments and authorities.

Interbank lending at Group level declined by 3.5% to DM11.2bn, with short and medium-term advances also decreasing, by 14.5% to DM5.2bn, but with long-term loans up 8.5% at DM6.0bn.

Overall, there was another rise, from 32.7% to 34.6%, in the share of longer-term credits by the commercial banks within the Group in the latter's total lending, while the proportion of–likewise longer-term–mortgage loans went down slightly to 27.8%. That of short and medium-term advances (including bills discounted) amounted to 36.8% at the balance sheet date, down from 37.3% at end-1987. Leasing operations which, in a broader sense, are also part of the credit business ran to DM0.9bn, accounting for 0.8% of the Group's total lending.

Fixed assets

After elimination of holdings in consolidated companies, the Group's fixed assets stand at DM3,469m (DM2,876m in 1987), comprising holdings in unconsolidated companies (investments) of DM1,951m, land and buildings at DM874m, and office furniture and equipment at DM644m.

Changes in "investments" that were of significance occurred only at the Parent Bank; they are outlined above in the Report on the Bank's Performance (cf. pages 48 to 59 of this Report).

Liabilities and shareholders' equity

Total deposits and borrowed funds

In 1988, the Group's total deposits and other borrowed funds increased by DM17,324m to DM170,835m. At year-end, they were made up as follows:

Changes in Group's borrowing

	Year-end, 1988		Year-end, 1987		Change	
	DMm	%	DMm	%	DMm	%
Liabilities to banks						
a) demand deposits	4,740	2.8	4,815	3.1	– 75	– 1.6
b) time deposits	46,756	27.4	39,855	26.0	+ 6,901	+17.3
Sub-total	51,496	30.2	44,670	29.1	+ 6,826	+15.3
Customers' deposits						
a) demand deposits	15,688	9.2	13,815	9.0	+ 1,873	+13.6
b) time deposits	43,358	25.4	36,660	23.9	+ 6,698	+18.3
c) savings deposits	14,811	8.6	15,121	9.8	– 310	– 2.1
Sub-total	73,857	43.2	65,596	42.7	+ 8,261	+12.6
Acceptances outstanding	1,363	0.8	1,464	1.0	– 101	– 6.9
Bonds issued by commercial banks within Group	11,409	6.7	9,892	6.4	+ 1,517	+15.3
Bonds issued by mortgage bank subsidiary	32,710	19.1	31,889	20.8	+ 821	+ 2.6
Sub-total	44,119	25.8	41,781	27.2	+ 2,338	+ 5.6
Total deposits and borrowed funds	170,835	100.0	153,511	100.0	+17,324	+11.3

There were small year-on-year changes in the percentage shares falling to the different kinds of borrowing in the total of borrowed funds. This restructuring was the result of above-average growth of both deposits by other banks and by customers, which were up by DM6.8bn and DM8.3bn, respectively. The volume of bonds issued by Group members only rose by DM2.3bn–translating into a reduction to 25.8% from 27.2% of their share in the total of funds raised–to DM44.1bn. DM32.7bn of this amount was accounted for by paper of our mortgage bank subsidiary which includeded DM14.0bn of mortgage bonds and DM18.3bn of communal bonds. The aggregate funds deposited by customers are shown at DM73.9bn, with the share of savings deposits in the total down from 23.0% to 20.1%, while that of time deposits went up from 55.9% to 58.7%. As far as savings deposits are concerned, it proved impossible to move counter to the general trend, so that a DM0.3bn fall in their volume to DM14.8bn had to be accepted. By contrast, sight deposits by customers recorded a gratifying DM1.9bn expansion to DM15.7bn.

Other liabilities

After total additions of DM152m, provisions reached DM2,127m.

Actuarial computation required a DM75m rise in provisions for pensions which thus reached DM1,141m in the balance sheet at end-1988.

Provisions for other purposes, which are shown at DM986m, relate in the main to possible loan losses, to taxes, to year-end bonuses only payable in 1989, to other liabilities of uncertain amount, and to such pension commitments as can be expected to fall due in the future–on the basis of the normal entry-age method–in the case of employees opting for early retirement under a scheme collectively agreed in 1984.

The "special item with partial reserve character" is shown at DM206m in the consolidated balance sheet, after an allocation of DM204m was effected under transitional tax regulations. The increase represents two-thirds of the aggregate amount that had been maintained by the Group member banks in the form of–the hitherto mandatory–global loan loss reserves which, following an official directive repealing the obligation for German credit institutions to maintain such global reserves, we were forced to release at end-1988.

Capital and reserves

The Parent Bank's equity capital as defined by Section 10 of the German Banking Law (KWG) rose to DM4,796m. A capital increase, effected in June 1988 to issue shares to the staff, and the exercising of share subscription rights from warrants resulted in an addition of DM91m to the share capital and in an allocation of DM237m to the capital reserve. An amount of DM100m, up from DM60m the previous year, was allocated to other revenue reserves from the consolidated net income for the year.

The consolidation difference as defined in Section 331 (1)3 of the German Stock Corporation Act/AktG (in its former version, valid up to December 31, 1986) corresponds to the excess of the book value of the consolidated companies' equity (including their disclosed reserves) over the book value of the Parent Bank's investments therein; representing equity and regarded as revenue reserves, this item rose by DM132m to DM732m in the year under review. The increase stems almost exclusively from allocations to other revenue reserves by subsidiary banks.

Including a total of DM69m (DM61m in the preceding year) of further allocations to the Group's reserves, subject to approval by the 1989 AGMs of consolidated subsidiaries, and also including minority shareholder's interests–the latter without the attributable share of profits–of DM50m as of end-1988 (DM49m at end-1987), the Group's equity capital at year-end stood at DM5,647m, as against DM5,078m at end-1987.

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 DM25m at the balance sheet date, while similar liabilities for shares in cooperatives were DM1m.

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. Our holding an interest in Liquiditäts-Konsortialbank GmbH may attract a liability for the payment of assessments of up to DM36m, 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 DM243m.

On the balance sheet date, DM3,931m of the Group's securities holdings were pledged as collateral in short-term fund-raising operations, especially under repurchase agreements with the Deutsche Bundesbank. A further DM2,079m of the Group's assets, being used to provide such security as is legally required in some countries, were tied by liens held.

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 increased by DM1,462m to DM11,445m. With interest expenditure rising somewhat less, by DM1,327m to DM8,480m, the Group's net interest and dividend earnings recorded a DM135m, or 4.8%, gain to reach DM2,965m. This figure exceeded current personnel and other operating expenses by DM221m, or 8.1%. The respective 1987 figures were DM250m and 9.7%.

The excess of commissions earned over those paid in respect of services went up by DM22m, or 2.3%, to DM993m.

Receipts from equipment leased are shown at DM327m, up from DM278m in the previous year. With write-downs on such equipment amounting to DM298m, as against DM229m in 1987, net earnings in the leasing business amounted to DM29m (DM49m in 1987); these figures have been arrived at without allowing for financing costs which have been included in interest expenditure.

After balancing other income and the income from the writing back of both provisions and special items with partial reserve character against write-downs of and adjustments to claims and securities (including those relating to "investments" as shown in the Group's balance sheet and also including allocations by Group members to special items with partial reserve character), there was a net shortfall of DM115m, compared with one of DM254m the year before.

Expenditure

The Group's overall personnel expenditure was DM1,977m, while other operating expenses totalled DM767m. The increase in these costs thus amounted to DM163m, or 6.3%, as against DM162m, or 6.7%, in 1987

Depreciation on and adjustments to land and buildings, office furniture and equipment were charged at DM191m (1987: DM169m).

Group taxation totalled DM376m, as against DM328m in the preceding year. This amount includes DM370m for taxes on income and assets, compared with DM325m in 1987.

Consolidated net income for the year and consolidated profit

The Group's net income for the year rose from DM423m to DM489m; the profit brought forward from the previous year was DM47m. The former will be used to allocate DM100m to the reserves of the Parent Bank and DM66m to those of consolidated companies. The amount of the profit accruing to minority shareholders is DM2m. The remaining consolidated profit thus stands at DM368m. Subject to approval by the AGMs of three consolidated companies, a further DM69m is to be allocated to the latter's other revenue reserves from undistributed profits.

The Board of Managing Directors

Düsseldorf, March 7, 1989

CONSOLIDATED ANNUAL ACCOUNTS

CONSOLIDATED BALANCE SHEET

CONSOLIDATED PROFIT AND LOSS ACCOUNT

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 19

Assets	DM	DM	DM	Dec 31, 1987 DM1,000
Cash on hand			481,303,717.22	419,944
Balance with Deutsche Bundesbank			4,035,766,330.88	3,833,098
Balances on postal giro accounts			33,357,829.41	36,070
Cheques, matured bonds, interest and dividend coupons, items received for collection			283,477,408.77	479,121
Bills of exchange			3,040,042,984.41	3,661,572
incl.: a) rediscountable at Deutsche Bundesbank	508,329,541.76			
b) own drawings	254,247,207.26			
Claims on banks				
a) payable on demand		2,041,347,052.00		3,532,666
b) with original periods or periods of notice of				
ba) less than three months		14,264,288,156.72		9,685,245
bb) at least three months, but less than four years		24,487,883,821.87		24,734,385
bc) four years or more		10,352,771,473.73		10,113,975
			51,146,290,504.32	48,066,271
Treasury bills and discountable Treasury notes, issued by				
a) the Federal and Länder Governments		845,148,349.54		778,869
b) others		611,615,073.84		771,955
			1,456,763,423.38	1,550,824
Bonds and notes				
a) with a life of up to four years, issued by				
aa) the Federal and Länder Governments	189,633,272.56			
ab) banks	409,749,339.69			
ac) others	486,541,555.82	1,085,924,168.07		1,011,222
incl.: eligible as collateral for Deutsche Bundesbank advances DM 491,363,688.65				
b) with a life of more than four years, issued by				
ba) the Federal and Länder Governments	3,310,772,033.96			
bb) banks	3,851,287,637.93			
bc) others	4,328,920,078.34	11,490,979,750.23		9,600,589
incl.: eligible as collateral for Deutsche Bundesbank advances DM4,704,022,417.25			12,576,903,918.30	10,611,811
Securities not to be shown elsewhere				
a) shares marketable on a stock exchange and investment fund certificates		1,089,024,162.13		649,423
b) other		245,215,753.04		207,993
			1,334,239,915.17	857,416
incl.: holdings of more than one-tenth of the shares of a joint-stock or mining company, unless shown as investments	344,736,155.72			
Claims on customers, with original periods or periods of notice of				
a) less than four years		34,134,603,677.96		28,911,669
b) four years or more		64,785,089,369.13		57,676,260
incl.: ba) secured by mortgages on real estate	23,311,430,062.60		98,919,693,047.09	86,587,929
bb) communal loans	18,170,744,048.76			
Recovery claims on Federal and Länder authorities under post-war currency reform acts			44,358,357.48	51,194
Loans granted and shares held on a trust basis at third party risk			373,086,499.59	162,871
Subsidiaries, associated companies, and trade investments (investments)			1,951,416,394.66	1,492,179
incl.: investments in banks DM 507,151,843.76				
Land and buildings			873,725,728.39	814,071
Office furniture and equipment			644,250,700.68	569,987
Leasing equipment			929,388,178.21	1,001,517
Bonds and notes issued by consolidated companies			1,119,948,118.41	769,859
nominal amount	1,120,294,044.62			
incl.: eligible as collateral for Deutsche Bundesbank advances	370,985,067.76			
Other assets			699,762,073.92	464,299
Deferred items				
a) unamortized debt discount (difference according to Section 250 (3) of the German Commercial Code–HGB)		166,501,335.79		161,532
b) other		289,976,611.62		139,812
			456,477,947.41	301,344
		Total Assets	180,400,253,077.70	161,731,377

Total Assets and the rights of recourse accruing to the Bank in respect of the contingent liabilities shown below the line on the liabilities side include		
a) claims on affiliated companies	140,930,674.75	95,765
b) claims arising from loans falling under Section 15 (1) 1-6 and (2) of the German Banking Act, unless included under a)	344,645,100.09	297,765

Liabilities and Shareholders' Equity	DM	DM	DM	Dec 31, 1987 DM1,000
Liabilities to banks				
a) payable on demand		4,740,242,179.68		4,815,332
b) with original periods or periods of notice of				
ba) less than three months	15,645,956,091.31			
bb) at least three months, but less than four years	23,151,480,138.13			
bc) four years or more	7,948,615,014.52	46,746,051,243.96		39,842,398
incl.: due in less than four years DM 4,868,626,301.72				
c) customers' drawings on other banks		9,599,945.41		12,094
			51,495,893,369.05	44,669,824
Liabilities to customers (customers' deposits)				
a) payable on demand		15,687,596,052.99		13,814,774
b) with original periods or periods of notice of				
ba) less than three months	25,964,937,170.89			
bb) at least three months, but less than four years	9,791,269,259.62			
bc) four years or more	7,602,007,957.60	43,358,214,388.11		36,660,314
incl.: due in less than four years DM 4,091,304,324.07				
c) savings deposits				
ca) subject to legal period of notice	11,477,568,097.54			
cb) other	3,333,264,344.71	14,810,832,442.25		15,120,482
			73,856,642,883.35	65,595,570
Bonds and notes with a life of				
a) up to four years		5,060,313,693.77		5,510,156
b) more than four years		39,058,947,690.05		36,270,614
			44,119,261,383.82	41,780,770
incl.: maturing in less than four years DM18,541,755,576.61				
Registered bonds issued by mortgage bank subsidiary DM11,407,623,978.79				
Acceptances and promissory notes outstanding			1,363,148,032.17	1,464,121
Loans granted and shares held on a trust basis at third party risk			373,086,499.59	162,871
Provisions				
a) for pensions		1,141,181,631.18		1,065,551
b) other		986,284,383.64		909,505
			2,127,466,014.82	1,975,056
Other liabilities			335,538,843.92	211,172
Deferred items				
a) from Group members' new issues and lending		149,763,525.25		60,098
b) other		419,127,534.75		448,449
			568,891,060.00	508,547
Special item with partial reserve character			205,703,690.70	2,045
Profit-sharing certificates outstanding			425,000,000.00	425,000
incl.: maturing in less than two years: DM —				
Subscribed capital (unissued conditional capital additionally authorized for conversion rights: DM 432,987,400.00)			1,130,638,450.00	1,039,965
Capital reserve			2,185,702,331.00	1,948,386
Revenue reserves				
a) legal reserve		6,000,000.00		6,000
d) other revenue reserves		1,049,000,000.00		949,000
			1,055,000,000.00	955,000
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 of corresponding investments in Parent Bank's accounts)			731,837,103.51	600,069
Minority interests			51,866,732.67	51,230
including: from profit DM 2,205,269.02				
Foundations			6,466,070.70	6,416
Consolidated profit			368,110,612.40	335,335
Total Liabilities and Shareholders' Equity			180,400,253,077.70	161,731,377
Endorsement liabilities on rediscounted bills of exchange			1,990,577,571.39	2,127,785
Contingent liabilities from guarantees, including guarantees for bills and cheques, and from indemnity agreements			12,509,115,854.62	10,460,227
Commitments under repurchase agreements, not included in liabilities			—	15,098
Total Liabilities, together with contingent liabilities and other commitments shown below the line, include liabilities to affiliated companies in the amount of			148,990,150.55	137,435

* former version, valid up to Dec 31, 1986.

Income	DM	DM	1987 DM1,000
Interest and similar income from lending and money-market transactions		10,506,370,867.16	9,119,861
Current income from			
a) fixed-interest securities and Government-inscribed debt	774,245,809.38		712,593
b) other securities	53,266,053.97		34,111
c) investments (subsidiaries, associated companies, and trade investments)	111,220,604.06		116,760
		938,732,467.41	863,464
Commissions and other service charges received		1,050,258,882.85	1,037,048
Income from leased equipment		326,944,126.25	278,140
Other income, including income from the writing back of provisions for possible loan losses		281,388,650.24	268,047
Income from the writing back of provisions, unless it has to be shown under other income		9,673,849.37	13,419
Income from the writing back of special item with partial reserve character		340,905.55	341
	Total Income	13,113,709,748.83	11,580,320

Düsseldorf, March 7, 1989

COMMERZBANK
AKTIENGESELLSCHAFT

THE BOARD OF MANAGING DIRECTORS

Seipp Coenen Frowein Hochheuser Knappertsbusch Kohlhaussen Müller-Gebel
Reimnitz Richolt Ruedorffer Terrahe

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

Frankfurt, March 8, 1989

TREUARBEIT
AKTIENGESELLSCHAFT
WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT · STEUERBERATUNGSGESELLSCHAFT

Windmöller
Wirtschaftsprüfer
(German public accountant)

Umlandt
Wirtschaftsprüfer
(German public accountant)

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Windmöller
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Berliner Commerzbank AG, West Berlin

Our West Berlin subsidiary continued along its successful path in 1988. Total assets climbed 13.3% to DM7,851m with customer business again crucial to this rise.

The retail sector registered a 13% growth of deposits, a 16% rise in total lending, and 8,000 new customers. Loans to corporate clients recorded a sound gain of 30%, with great interest being shown in the bank's credits to small and medium-sized firms. Parallel to lending business, short and long-term time deposits also achieved a marked expansion.

The bank was able to increase its commission income from securities transactions by more than 6%, with demand for foreign paper and investment certificates especially strong. The turnover on the external trade of its customers continued to rise, primarily generating gains in import and à forfait business.

In addition to a more intensive use of EDP facilities, the bank's steady expansion required an increase in its staff, from 1,316 to 1,396 at year-end. This figure includes 107 part-timers. The number of apprentices also rose by 6 to 160.

Earnings

Net interest revenue was up 0.9% against narrower interest margins, while net commission income climbed by more than 10%. The year's operating results not only enabled the bank to allocate DM30m to revenue reserves but also to pay an unchanged 20% dividend on the bank's share capital, which had been raised in the spring of 1988 by DM10m to DM82.5m. The bank's total equity capital now stands at DM345m, or 4.4% of total assets. At the Annual General Meeting, shareholders will be asked to approve a DM80m issue of profit-sharing certificates.

Accounts

Assets	DM1,000
Cash reserves, cheques and collection items	381,095
Bills of exchange	53,036
Claims on banks	1,613,398
Bonds and notes	1,112,488
Other securities	95,868
Loans and advances to customers	4,361,966
Investments	5,918
Land and buildings	59,802
Office furniture and equipment	23,366
Deferred items	35,428
Other assets	108,473
Total Assets	7,850,838

Liabilities and Shareholders' Equity	DM1,000
Liabilities to banks	2,065,020
Liabilities to customers	4,433,401
Bonds outstanding	765,658
Acceptances outstanding	21,250
Provisions	137,898
Deferred items	34,107
Special item with partial reserve character	16,308
Share capital	82,500
Disclosed reserves	91,000
Revenue reserves	161,524
Other liabilities	15,646
Distributable profit	26,526
Total Liabilities and Shareholders' Equity	7,850,838
Endorsement liabilities	131,273
Guarantees	537,409

Profit and Loss Account

Expenses	DM1,000
Interest and commissions paid	246,480
Write-downs and adjustments	15,146
Personnel expenditure and other operating expenses	140,328
Depreciation on fixed assets	13,272
Taxes	34,435
Other expenses	21,282
Net income for the year	46,526
Total Expenses	517,469

Income	DM1,000
Interest and commissions received	407,231
Current income from securities and investments	76,633
Sundry income	32,036
Other income	1,569
Total Income	517,469

Commerzbank International S.A., Luxembourg

Since its establishment in 1969, Commerzbank International S.A. (CISAL) has been engaged in all forms of Euromarket transactions, acting within the overall strategy of the Commerzbank Group. The bank's results were quite satisfactory in 1988. Its total assets were essentially unchanged at DM17.6bn (end-1987: DM17.1bn). By year-end, its staff had risen from 107 to 124. Total lending reached DM9.1bn, with a trend towards longer-term credits.

Retail business, which was rather quiet following the events of October 1987, has since picked up. Demand for investment counselling has shown encouraging growth, and the bank has lifted its earnings in this business segment.

CISAL relied primarily on interbank borrowing as a source of funding. In 1988, the bank was able to launch its first US$500m Euro-commercial paper programme, supported by ratings of A1+ from Standard & Poor's and P1 from Moody's. Through its market-oriented financing techniques and the use of modern instruments, the bank was able to keep its funding costs low.

Earnings

As in previous years, the operating results were used for the most part to cover country risks. Subject to shareholder approval, the distributable profit, which remained unchanged at DM45m, will again be used to strengthen the bank's voluntary reserves, bringing CISAL's equity base up to DM468.4m.

Accounts

Assets	DM1,000
Claims on banks	10,173,656
Bills of exchange	107,990
Loans and advances to customers	4,778,559
Securities	2,065,147
Investments	9,401
Land and buildings	21,880
Office furniture and equipment	3,595
Deferred items	474,355
Other assets	2,927
Total Assets	17,637,510

Liabilities and Shareholders' Equity	DM1,000
Liabilities to banks	12,228,283
Liabilities to customers	3,416,259
Bonds outstanding	314,273
Subordinated loan	106,818
Share capital	125,000
Reserves	298,400
Provisions, write-downs and adjustments	687,765
Deferred items	410,226
Other liabilities	5,486
Distributable profit	45,000
Total Liabilities and Shareholders' Equity	17,637,510

Profit and Loss Account

Expenses	DM1,000
Interest and commissions paid	1,050,006
Personnel expenditure and other operating expenses	20,023
Taxes	12,403
Write-downs and adjustments	152,862
Depreciation	1,578
Other expenses	4,674
Net income for the year	45,000
Total Expenses	1,286,546

Income	DM1,000
Interest and commissions received	1,120,573
Other income	165,973
Total Income	1,286,546

Commerzbank (Nederland) N.V., Amsterdam

With offices in Amsterdam and Rotterdam, Commerzbank (Nederland) N.V. offers Dutch and multinational enterprises a wide spectrum of financial services. In addition to lending, foreign-exchange and securities dealings, the financing and handling of cross-border trade are prominent among the bank's activities.

Last year, a strong expansion in lending to customers as well as in the bank's securities holdings caused total assets to increase from Dfl1.2bn to Dfl1.7bn. Its personnel, calculated on a full-time basis, rose from 110 to 114 in the course of 1988.

Earnings

The year's results were used to strengthen country-risk provisions. Although net interest income reached Dfl16m, up from Dfl14.5m in 1987, the bank's earnings were not yet satisfactory due to mounting costs.

Accounts

Assets	Dfl1,000
Cash on hand	354
Bills of exchange	1,036
Claims on banks	589,580
Loans and advances to customers	792,354
Bonds and notes	162,852
Land and buildings	4,936
Office furniture and equipment	6,014
Deferred items	53,425
Other assets	176,382
Total Assets	1,786,933

Liabilities and Shareholders' Equity	Dfl1,000
Liabilities to banks	787,062
Liabilities to customers	696,843
Share capital	40,000
Disclosed reserves	22,863
Subordinated loan	45,000
Deferred items	19,210
Other liabilities	175,924
Distributable profit	31
Total Liabilities and Shareholders' Equity	1,786,933
Endorsement liabilities	6,850
Guarantees	95,916

Profit and Loss Account

Expenses	Dfl1,000
Interest and commissions paid	100,923
Write-downs and adjustments	1,900
Personnel expenditure and other operating expenses	14,182
Depreciation on fixed assets	1,832
Net income for the year	83
Total Expenses	118,920

Income	Dfl1,000
Interest and commissions received	109,967
Current income from securities and investments	8,439
Other income	514
Total Income	118,920

Dfl100 = DM88.56

Commerzbank (South East Asia) Ltd., Singapore

Commerzbank (South East Asia) Ltd.–COSEA–a Singapore merchant bank founded in 1979, operates throughout South-East Asia, Australia, and New Zealand, providing its German and international clients with the entire range of instruments available in the world's capital and credit markets. In 1988, the bank's staff of 57 moved into very modern quarters in the new Treasury Building.

General performance

COSEA was able to record positive developments in every sector. Total assets grew by 7% to S$3bn, due primarily to new loans surging to S$858m. Its contingent liabilities rose by S$70m to S$191m.

The bank's expansion was backed by a S$12m capital increase. In 1988, after its financial backbone had been reinforced, a net after-tax income of S$18.1m remained, enabling the bank to pay an unchanged dividend of 30%. Allocations of S$0.4m to legal reserves and S$2.2m to disclosed reserves were also made, leaving a profit brought forward of S$2.0m.

Accounts

Assets	S$1,000
Claims on banks	1,537,966
Securities	510,863
Loans and advances to customers	919,983
Land and buildings	1,564
Office furniture and equipment	1,535
Deferred items	25,576
Other assets	9
Total Assets	2,997,496

Liabilities and Shareholders' Equity	S$1,000
Liabilities to banks	2,413,894
Liabilities to customers	472,936
Provisions	6,199
Share capital	45,000
Disclosed reserves	37,000
Deferred items	6,166
Other liabilities	751
Distributable profit	15,550
Total Liabilities and Shareholders' Equity	2,997,496

Profit and Loss Account

Expenses	S$1,000
Interest and commissions paid	190,162
Write-downs and adjustments	2,034
Personnel expenditure and other operating expenses	6,331
Depreciation	1,916
Taxes	4,179
Other expenses	133
Net income for the year	18,106
Total Expenses	222,861

Income	S$1,000
Interest and commissions received	211,348
Other income	11,513
Total Income	222,861

S$100 = DM91.85

Commerzbank (Switzerland) Ltd, Zurich

With global economic conditions favourable, Commerzbank (Switzerland) Ltd performed successfully last year. The bank was able to expand its customer service business, aided in part by the operations of the new Geneva branch. Both the number of new clients and the volume of assets managed continued to grow. In addition, the bank intensified its efforts in all trading sectors.

In order to be prepared to meet future demands–and particularly those stemming from its membership of the large banks' syndicate for Sfr-denominated foreign bonds–the bank increased its share capital in October 1988. This brought in new funds of Sfr31.25m (equivalent to DM36.9m).

All in all, total assets rose by 18% to Sfr386.9m (equivalent to DM456.5m) in a year-on-year comparison. This growth was also reflected in the bank's staff, which numbered 60 at year-end, up from 52 in 1987.

Earnings

The encouraging business trend also affected the bank's earnings: in 1988, a net income after tax of Sfr3.21m (or DM3.79m) was recorded, a sum substantially above the previous year's figure. Once again, the full amount was used to strengthen the bank's equity base.

After a Sfr3.05m (or DM3.6m) allocation to the legal reserve and a profit brought forward of Sfr7,223, a total of Sfr168,380 remains to be carried forward to new account. As a result, the bank's equity capital will reach Sfr62.2m (or DM73.4m).

Accounts

Assets	Sfr1,000
Cash, central bank and postal cheque balances	2,548
Claims on banks	226,297
a) payable on demand	(4,963)
b) with agreed periods of notice	(221,334)
Loans and advances to customers	66,487
Securities	76,724
Office furniture and equipment	5,781
Deferred items	957
Other assets	8,153
Total Assets	386,947

Liabilities and Shareholders' Equity	Sfr1,000
Liabilities to banks	238,979
a) payable on demand	(6,036)
b) with agreed periods of notice	(232,943)
Liabilities to customers	67,476
a) payable on demand	(27,550)
b) with agreed periods of notice	(39,926)
Share capital	50,000
Legal reserve	12,000
Deferred items	29
Other liabilities	18,295
Distributable profit/profit brought forward	168
Total Liabilities and Shareholders' Equity	386,947

Profit and Loss Account

Expenses	Sfr1,000
Interest and commissions paid	13,952
Personnel expenditure and other operating expenses	11,533
Taxes	1,253
Write-downs, adjustments and additions to loan-loss reserves	5,599
Net income for the year	3,211
Total Expenses	35,548

Income	Sfr1,000
Interest and commissions received	22,660
Other income	12,888
Total Income	35,548

Sfr100 = DM117.99

RHEINHYP Rheinische Hypothekenbank AG, Frankfurt

Founded in Mannheim in 1871, RHEINHYP engages in mortgage and public-sector lending which is funded by mortgage and communal bond issues. The bank has eleven branches throughout West Germany.

General performance

In 1988, RHEINHYP reported its highest annual volume of new business, at DM6,147m (1987: DM5,823m). Lending to public authorities was increased substantially by DM618m to DM3,571m.

At DM2,576m (DM2,870m in 1987), mortgage commitments remained below the previous year's level, which had benefitted from special factors. Of these new commitments, 48% were used for existing buildings, 32% for commercial construction projects, and 20% for new home building. Three-quarters of the newly pledged mortgages were at interest rates fixed for 10 years or more. Including loans prolonged after a renegotiation of interest rates, aggregate lending by the bank climbed to DM7,542m, from DM7,320m in 1987.

Result for the year and equity capital

The bank's earnings performance in 1988 was once again positive, with net income for the year rising DM11.9m to DM72.8m.

At the Annual General Meeting on May 8, 1989, shareholders will be asked to approve payment of a DM12 dividend per DM50 nominal share on the share capital of DM95m–a DM1 increase over the previous year. In addition, approval is sought to strengthen the bank's equity position through a DM50m allocation to reserves, thereby raising the latter to DM697m, and resulting in an equity base of DM792m. The shareholders will also be asked to approve a DM200m issue of profit-sharing certificates.

Accounts

Assets	DM1,000
Loans at agreed periods of four years or more	33,610,392
of which:	
a) mortgage loans	17,151,471
b) communal loans	16,411,723
Securities, bonds and notes	237,162
Claims on banks and on other debtors	3,519,648
Own bonds (nominal value DM337,579,000)	326,697
Fixed assets	49,355
Other assets	129,729
Total Assets	37,872,983

Liabilities and Shareholders' Equity	DM1,000
Bonds issued	31,655,910
Bonds to be delivered	638,230
Loans taken up at a long term	2,508,751
Liabilities to banks and to other creditors	731,613
Accrued interest on bonds issued and on loans taken up	1,136,174
Subscribed capital	95,000
Capital reserve	90,597
Revenue reserves	592,827
Other liabilities	387,481
Distributable profit	36,400
Total Liabilities and Shareholders' Equity	37,872,983

Profit and Loss Account

Expenses	DM1,000
Interest and non-recurrent expenses	2,370,291
Write-downs, adjustments and additions to loan-loss reserves	32,998
Personnel expenditure and other operating expenses	70,769
Taxes	62,642
Other expenses	31,258
Net income for the year	72,800
Total Expenses	2,640,758

Income	DM1,000
Interest and similar income	2,615,791
Sundry income	24,634
Other income	333
Total Income	2,640,758

Frankfurt
Neue Mainzer Strasse 32-36
D-6000 Frankfurt (Main)
Telephone (069) 13620
Telex 4152530
Telefax (069) 285389

Düsseldorf
Breite Strasse 25
D-4000 Düsseldorf
Telephone (0211) 8271
Telex 8 581 381
Telefax (0211) 8272750

Headquarters

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 takeover of other institutions.

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

A

Aachen
1929 (1874)
with sub-branches
Burtscheid
Kaiserplatz
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)

Amberg
1980

Andernach
1954

Arnsberg-Neheim
1968

Aschaffenburg
1962

Attendorn
1981

Augsburg
1919 (1852)
with sub-branches
Donauwörther Strasse
Göggingen
Lechhausen

B

Backnang
1961

Bad Bramstedt
1973

Baden-Baden
1914 (1872)

Bad Driburg
1975

Bad Harzburg
1974

Bad Hersfeld
1909 (1862)

Bad Homburg v.d.H.
1967

Bad Honnef
1966

Bad Kissingen
1976

Bad Kreuznach
1929 (1907)

Bad Nauheim
1968

Bad Neuenahr-Ahrweiler
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
Wattenscheid-Höntrop
Weitmar

Bochum-Wattenscheid
1918 (1906)

Böblingen
1968

Bonn
1908 (1885)
with sub-branches
Bundeskanzlerplatz
Markt
Römerplatz
Tannenbusch
Liaison Office:
see page 100

Bonn-Bad Godesberg
1959

Bonn-Beuel
1961

Bonn-Duisdorf
1960

Borken (Westphalia)
1960

Bottrop
1959

Brake
1976

Braunschweig
(Brunswick)
1921
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

Brunswick:
see Braunschweig

Bückeburg
1954 (1856)

Bünde
1961

Burgdorf
1970

Butzbach
1967

Buxtehude
1972

C

Celle
1961

Cloppenburg
1961

Coburg
1971

Coesfeld
1961

Cologne:
see Köln

Constance:
see Konstanz

Cuxhaven
1921

D

Dachau
1968

Darmstadt
1957
with sub-branches
Arheilgen
Karlstrasse

Deggendorf
1989

Delmenhorst
1954

Detmold
1961

Diepholz
1968

Diez (Lahn)
1967

Dillenburg
1961

Dinslaken
1965 (1921)

Dissen (Teutoburger Wald)
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
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
with sub-branches
Hochfeld
Lutherplatz
Marxloh
Meiderich
Wanheimerort

Duisburg-Hamborn
1958

Duisburg-Homberg
1969

Duisburg-Rheinhausen
1961

Duisburg-Ruhrort
1960

Duisburg-Walsum
1965 (1954)

E

Eckernförde
1960

Ehingen (Danube)
1980

Einbeck
1969

Eislingen
1975

Elmshorn
1953

Emden
1923
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

Essen-Kettwig
1974

Esslingen
1965

Ettlingen
1967

Euskirchen
1960

F

Fellbach (Württ.)
1960

Filderstadt-Bernhausen
1988

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
and paying office
Römerberg

Frankfurt-Höchst
1899

Frechen
1960

Freiburg (Breisgau)
1960
with sub-branch
Rathausgasse

Freilassing
1980

Freudenstadt
1980

Friedberg (Hesse)
1910

Friedrichshafen
1967

Fürstenfeldbruck
1987

Fürth (Bavaria)
1918 (1872)
with sub-branches
Komotauer Strasse
Waldstrasse

Fulda
1922 (1887)

G

Gaggenau
1987

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

Giessen
1906 (1832)

Gifhorn
1961

Gladbeck
1960

Glinde
1970

Glückstadt
1968

Goch
1967

Göppingen
1959 (1927)

Göttingen
1923 (1850)
with sub-branches
Eichendorffplatz
Weende

Goslar
1929 (1907)

Greven (Westphalia)
1961

Grevenbroich
1960

Gross Gerau
1968

Gütersloh
1965

Gummersbach
1919 (1870)

Wolfsburg

Albstadt-
Ebingen

H

Haan (Rhineland)
1967

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

Hagen-Hohenlimburg
1954

Haltern (Westphalia)
1974

Halver
1959

Hamburg
1870
with sub-branches
Altstadt
Am Hafen
Barmbek
Billstedt
Blankenese
Bramfeld
Dehnhaide
Eidelstedt
Eilbek
Eimsbüttel
Eppendorf
Freihafen *(free port)*
Fuhlsbüttel
Gänsemarkt
Geschäftsstadt Nord
Grindelberg
Hamm

Duisburg

Glückstadt

Hammerbrook
Hoheluft
Lokstedt
Lurup
Messberg
Mittelweg
Mundsburg
Neugraben
Osdorf
Osterstrasse
Othmarschen
Rahlstedt
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 (1870)
with sub-branches
Grossauheim
Nürnberger Strasse*

* to be opened shortly

Hannover *(Hanover)*
1907 (1826)
with sub-branches
Am Klagesmarkt
Am Kröpcke
Am Küchengarten
Am Steintor
Buchholz
Herrenhausen
Kirchrode
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
1909
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

Holzminden
1923 (1884)

Hoya (Weser)
1954 (1927)

Husum
1959

I

Ibbenbüren
1971

Idar-Oberstein
1963
with sub-branch
Idar

Idstein (Taunus)
1975

Ingelheim
1973

Ingolstadt
1963
with sub-branch
Ingolstadt-Nord

Iserlohn
1905 (1838)
with sub-branch
Schillerplatz

Iserlohn-Letmathe
1969

Itzehoe
1966

J

Jülich
1971

K

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

Kiel
1905
with sub-branches
Arndtplatz
Gaarden
Holtenauer Strasse
Nord
Holtenauer Strasse
Süd
Kirchhofallee
Wellingdorf

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

L

Laatzen (Hanover)
1965

Lahr
1968

Landau (Palatinate)
1968

Landshut
1967

Langen (Hesse)
1967

Langenfeld (Rhineland)
1962

Langenhagen
1965

Lauf
1976

Leer (East Friesland)
1962

Lehrte (Hanover)
1961

Leichlingen
1969

Lemgo
1954

Lennestadt
1960

Leonberg
1965

Leverkusen
1958

Limburg (Lahn)
1957

Lingen (Ems)
1960

Lippstadt
1961

Lörrach (Baden)
1962

Ludwigsburg
1958

Ludwigshafen (Rhine)
1960

Lübbecke
1966

Lübeck
1918 (1862)
with sub-branches
Am Schlachthof
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

M

Maintal-Dörnigheim
1973

Mainz
1914 (1909)
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 (1888)

Marl-Hüls
1955

Mayen
1954 (1873)

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-branch
Odenkirchen

Moers
1959

Mühldorf (Inn)
1968

Mühlheim (Main)
1967

Mülheim (Ruhr)
1918 (1861)
with sub-branch
Speldorf

München *(Munich)*
1910 (1906)
with sub-branches
Asamhof
Augustenstrasse
Baldeplatz
Berg-am-Laim
Fraunhoferstrasse
Grosshadern
Hauptbahnhof
(main station)/
Marsstrasse
Herkomerplatz
Hohenzollernstrasse
Ingolstädter Strasse
Laim
Leopoldstrasse
Lindwurmstrasse
MAN-Allach
Moosach
Nymphenburger Strasse
Pasing
Reichenbachplatz

Riesenfeldstrasse
Rosenheimer Platz
Rotkreuzplatz
Schleissheimer Strasse
Schwanthalerstrasse
Thalkirchner Strasse
Thomasiusplatz

Münster (Westphalia)
1919 (1912)
with sub-branches
Hammer Strasse
Hansaring
Karstadt-Haus
Warendorfer Strasse

N

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 (Hanover)
1960

Nürnberg *(Nuremberg)*
1918 (1872)
with sub-branches
Friedrich-Ebert-Platz
Gibitzenhof
Königstrasse
Kopernikusplatz
Langwasser
Plärrer
Schweinau
Stresemannplatz
and paying office
Karstadt-Haus
Königstrasse

O

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 (Oldenb.)
1920

Olpe
1968

Olsberg
1965

Opladen
1961

Osnabrück
1906 (1810)
with sub-branches
Bramscher Strasse
Johannisstrasse
Lotter Strasse

Osterholz-Scharmbeck
1966

Osterode (Harz)
1929 (1872)

Ottobrunn
1979

P

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

Q

Quickborn (Holstein)
1975

R

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 (Hamburg district)
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

S

Saarburg (near Trier)
1967

Salzgitter-Lebenstedt
1958

St. Georgen
1976

Sarstedt
1962

Schleswig
1962

Schneverdingen
1970

Schöningen
1912

Schorndorf
1977

Schwabach
1967

Schwäbisch Gmünd
1968

Schwalbach (Taunus)
1974

Schweinfurt
1963

Schwelm
1919

Schwerte (Ruhr)
1959 (1928)

Schwetzingen
1969

Siegburg
1960

Siegen
1919
with sub-branches
Eiserfeld
Kaan-Marienborn
Weidenau

Sigmaringen
1988

Simmerath
1982

Sindelfingen
1962

Singen (Hohentwiel)
1967

Sinsheim
1969

Soest
1961

Solingen
1903 (1845)
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
Marienplatz
Ostendplatz
Rosenbergplatz
Rotebühlplatz
Schloss-Strasse
Untertürkheim
Vaihingen a. F.
Wangen
Weilimdorf
Zuffenhausen

Stuttgart-Bad Cannstatt
1956

T

Traunstein
1988

Trier
1959

Troisdorf
1965

Tübingen
1958 (1910)

Tuttlingen
1975

U

Uelzen
1919

Uetersen (Holstein)
1961

Ulm (Danube)
1963

Unna
1959

Unterföhring
(near Munich)
1967

V

Varel (Oldenb.)
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

Voerde-Friedrichsfeld
1965 (1959)

Emmendingen

W

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-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
Kirchgasse
Rheinstrasse

Wiesloch
1987

Wildeshausen
1974

Wilhelmshaven
1954
with sub-branch
Gökerstrasse

Winsen (Luhe)
1970

Wipperfürth
1975

Wissen (Sieg)
1967

Witten
1921

Wolfenbüttel
1967

Hanover

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

X

Xanten
1965

Z

Zirndorf
1970

Bonn Liaison Office:
Bundeskanzlerplatz 2-10
D-5300 Bonn

Foreign Branches

Belgium
Commerzbank Aktiengesellschaft
Succursale de Bruxelles
Managers: Andreas Schmidt
Werner Weimann
Avenue des Arts 19 H
B-1040 Bruxelles
Boîte Postale 1342
B-1000 Bruxelles (Belgium)

Commerzbank Aktiengesellschaft
Bijhuis Antwerpen
Manager: André Bosmans
Frankrijklei 65
B-2000 Antwerpen (Belgium)

France
Commerzbank Aktiengesellschaft
Succursale de Paris
Managers: Hansjörg Braun
Andreas de Maizière
3, Place de l'Opéra
F-75002 Paris
Boîte Postale 442
F-75065 Paris Cédex 02 (France)

Hong Kong
Commerzbank Aktiengesellschaft
Hong Kong Branch
Managers: Dr. Bernhard Heye
Wolfgang Rohde
21, F Hong Kong Club Building
3a Chater Road
G.P.O. Box 11378
Hong Kong

Japan
Commerzbank Aktiengesellschaft
Tokyo Branch
Managers: Heinrich Röhrs
Folker Streib
Nippon Press Center Building
2-2-1 Uchisaiwai-cho, Chiyoda-ku
Tokyo
C.P.O. Box 1727
Tokyo 100-91 (Japan)

Commerzbank Aktiengesellschaft
Osaka Office
Managers: Horst Straub
Migaku Takawa
Nichimen Building, 7th floor
2-2-2 Nakanoshima, Kita-ku
Osaka 530 (Japan)

Spain
Commerzbank Aktiengesellschaft
Sucursal en España
Managers: Dr. Dieter Joswig
Wilhelm Zeise
Paseo de la Castellana 141
Edificio "Cuzco IV"
E-28046 Madrid
Apartado 50612
E-28080 Madrid (Spain)

Commerzbank Aktiengesellschaft
Sucursal en España
Oficina de Barcelona
Managers: Reimer Kölln
Guenter Lessenich
Consejo de Ciento 357-359
5a planta
E-08007 Barcelona (Spain)

United Kingdom
Commerzbank Aktiengesellschaft
London Branch
Managers: Gottfried O. Bruder
Jürgen Lemmer
10-11 Austin Friars
GB-London EC2N2HE
P.O. Box 286
GB-London EC2P 2JD (England)

USA
Commerzbank Aktiengesellschaft
New York Branch
Managers: Klaus Manfred Patig
Albrecht O. Staerker
55 Broad Street
New York, N.Y. 10004-2552 (USA)

Commerzbank Aktiengesellschaft
Chicago Branch
Managers: Hermann Bürger
Heinz-Martin Humme
55 East Monroe Street, Suite 4640
Chicago, IL 60603 (USA)

Commerzbank Aktiengesellschaft
Atlanta Agency
Manager: Peter K. Thiels
1360 Peachtree Street N.E.
Suite 1720
Atlanta, GA 30309 (USA)

Commerzbank Aktiengesellschaft
Los Angeles Branch
Manager: Helmut M. Weidenbach
660 S. Figueroa Street, Suite 1450
Los Angeles, CA 90017 (USA)

Representative Offices Abroad

Argentina, Chile, Paraguay, Uruguay
Karl-Lutz Ammann
Representante del
Commerzbank AG
Avenida Corrientes 456, 10°
Departamento 106
1366 Buenos Aires (Argentina)

Australia, New Zealand
Representative Office
for Australia and New Zealand
Werner Menges
MLC Centre, Suite 5508
19-29 Martin Place
Sydney, N.S.W. 2000
G.P.O. Box 5358
Sydney, N.S.W. 2001 (Australia)

Brazil
Commerzbank São Paulo
Serviços Ltda.
Arno Noellenburg
Rua Pedroso Alvarenga, 1208
16° andar
04531 São Paulo-SP
Caixa Postal 7441
01051 São Paulo-SP (Brazil)

Commerzbank Rio de Janeiro
Serviços Ltda.
Reinhard Riegel
Av. Rio Branco 123, conj. 706
20040 Rio de Janeiro-RJ
Caixa Postal 910
20001 Rio de Janeiro-RJ (Brazil)

Canada
Representative Office for Canada
Robert Bräunig
Royal Bank Plaza, South Tower
Suite 3190
P.O. Box 191
Toronto, Ontario M5J 2J4 (Canada)

China (People's Republic)
Representative Office Beijing
Wolffhart E. Auer v. Herrenkirchen
8-4 CITIC International Building
8th floor
19, Jian Guo Men Wai Da Jie
Beijing
(People's Republic of China)

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

Egypt, Sudan, Ethiopia
Representative Office Cairo
Claus Dieter Pollmann
2, Aly Labib Gabr Street
(ex. Behler)
P.O. Box 1944
Cairo (A.R.E./Egypt)

Indonesia
Representative Office for Indonesia
Thomas A. Verlohr
Panin Centre Building, 4th floor
Jalan Jendral Sudirman
Jakarta 10270 (Indonesia)

Iran
Representative Office Tehran
Dieter Vossen
69, Avenue Karim Khan Zand
P.O. Box 15745-757
Tehran 15 (Iran)

Italy
Representative Office Milan
Peter Guna
Via Passarella 4
20122 Milano (Italy)

Mexico, Central America, Caribbean Islands
Representación en México
Heinz-Ulrich Baertges
Paseo de la Reforma 390-1304
06600 México D.F.
Apartado Postal 5-789
06500 México D.F. (Mexico)

Middle East
Representative Office Bahrain
Robert Firbas v. Harryegg
Salahuddin Building
P.O. Box 5400
Manama (Bahrain)

Southern Africa
Representative Office
Johannesburg
Götz A. Hagemann
4315 Carlton Centre
Commissioner Street
Johannesburg 2001
C.C. Box 99-308
Carlton Centre
Johannesburg 2000
(Republic of South Africa)

Turkey
Representative Office
for Turkey
Norbert Gies
Mete Caddesi 20/5
P.O. Box 638 Beyoğlu
80090 Taksim-Istanbul (Turkey)

USSR
Representative Office Moscow
Wilhelm Nüse
Pereulok Sadovskikh 4-9
4th floor,
Moscow 103 001 (USSR)

Venezuela, Colombia
Rainer Goischke
Representante del
Commerzbank AG
Edificio Plaza el Venezolano
Chorro a Dr. Paul No. 25 y 27
Piso 5, Oficina C
Apartado de Correos 5074
Caracas 1010 A (Venezuela)

Subsidiaries and Related Banks

(Majority holdings)

Domestic Subsidiaries

Berliner Commerzbank AG
Head Office and Main Branch:
Potsdamer Strasse 125
D-1000 Berlin 30

with 59 sub-branches

RHEINHYP
Rheinische Hypothekenbank AG
Frankfurt · Cologne · Mannheim
Head Office:
Taunustor 3
D-6000 Frankfurt

with 10 sub-branches

Commerz-Credit-Bank Aktiengesellschaft Europartner
Faktoreistrasse 4
D-6600 Saarbrücken

with 8 branch offices
in Saarland

von der Heydt-Kersten & Söhne
Neumarkt 7/9
D-5600 Wuppertal-Elberfeld

Ilseder Bank, Sandow & Co.
Braunschweiger Strasse 28
D-3150 Peine

Commerz- und Industrie-Leasing GmbH
Neue Mainzer Strasse 1
D-6000 Frankfurt

Commerzbank Investment Management Gesellschaft mbH
Mainzer Landstrasse 5-7
D-6000 Frankfurt

Commerz International Capital Management GmbH
Kettenhofweg 22
D-6000 Frankfurt

Foreign Subsidiaries

Commerzbank International S. A.
Managers: Wolfgang Möller
Klaus Tjaden
11, rue Notre-Dame
L-2240 Luxembourg (Luxembourg)

Commerzbank (Nederland) N. V.
Managers: Bernhard Hafner
Michael Hoffmann
Herengracht 571-573
NL-1017 CD Amsterdam
(Netherlands)

with branch office at Rotterdam
Manager: Simon Schnitker
Westblaak 6
NL-3012 KK Rotterdam
(Netherlands)

Commerzbank (South East Asia) Ltd.
Manager: Joachim G. Fuchs
Treasury Building
8, Shenton Way # 32-01
Singapore 0106 (Singapore)

Commerzbank (Switzerland) Ltd
Managers: Horst Engel
Wolfgang Perlwitz
Lintheschergasse 7
CH-8023 Zürich 1 (Switzerland)

with branch office at Geneva
Manager: Jean-Pierre de Glutz
86, Rue du Rhône
CH-1211 Genève 3
(Switzerland)

Commerzbank Capital Markets Corporation
Managers: Karl Oellinger
C. Peter Tillmanns
One World Trade Center
Suite 4047
New York, N.Y. 10048 (USA)

Commerz Securities (Japan) Company Ltd.
Managers: Peter Bürger
Gerhard P. Mercker
Shin Kasumigaseki Building, 9th floor
3-3-2 Kasumigaseki, Chiyoda-ku
Tokyo 100 (Japan)

CB Finance Company B.V.
Amsterdam (Netherlands)

Commerzbank Overseas Finance N.V.
Curaçao (Netherlands Antilles)

Commerzbank U.S. Finance, Inc.
Wilmington/Delaware (USA)

Holdings in Foreign Financial Institutions and in Other Companies Abroad

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

Brazil
Unibanco –
Banco de Investimento do Brasil S.A.
Rio de Janeiro

Egypt
Misr International Bank S.A.E.
Cairo

France
Jean de Cholet–Gilles Dupont S.A.
Paris

Indonesia
P.T. Finconesia Financial Corporation of Indonesia
Jakarta

Luxembourg
Europartners Holding S.A.
Luxembourg

Handelsgest S.A.R.L., Luxembourg

Indugest S.A.R.L., Luxembourg

Société de Gestion du Rominvest International Fund 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

Singapore
The Development Bank of Singapore Ltd.
Singapore

South Korea
Korea International Merchant Bank
Seoul

Spain
Banco Hispano Americano S.A.
Madrid

Corporación Financiera Hispamer S.A.
Madrid

Switzerland
Finance Company VIKING
Zurich

Thailand
Mithai Europartners Finance and Securities Company Ltd.
Bangkok

United Kingdom
International Commercial Bank PLC
London

EUROPARTNERS HIGHLIGHTS [1)]

BANCO DI ROMA	Mid-1988	Mid-1987	Change
Balance Sheet Total	DM82,174 million	DM87,037 million	– 5.6%
Deposits	DM67,430 million	DM75,151 million	–10.3%
Capital and Reserves	DM 2,463 million	DM 2,322 million	+ 6.1%
Branches	371	355	+ 4.5%
Number of Accounts	1,269,700	1,443,000	–12.0%
Staff	14,134	14,224	– 0.6%

BANCO HISPANO AMERICANO	End-1988	End-1987	Change
Balance Sheet Total	DM49,408 million	DM41,928 million	+17.8%
Deposits	DM41,756 million	DM34,495 million	+21.0%
Capital and Reserves	DM 3,261 million	DM 2,228 million	+46.4%
Branches[2)]	1,418	1,410	+ 0.6%
Number of Accounts[2)]	3,312,500	3,241,000	+ 2.2%
Staff[2)]	15,015	15,044	– 0.2%

COMMERZBANK	End-1988	End-1987	Change
Balance Sheet Total	DM180,400 million	DM161,731 million	+11.5%
Deposits	DM170,835 million	DM153,511 million	+11.3%
Capital and Reserves	DM 5,647 million	DM 5,078 million	+11.2%
Branches	888	882	+ 0.7%
Customers	2,968,400	2,892,800	+ 2.6%
Staff	27,319	26,640	+ 2.5%

CREDIT LYONNAIS	Mid-1988	Mid-1987	Change
Balance Sheet Total	DM286,236 million	DM250,487 million	+14.3%
Deposits	DM249,412 million	DM217,776 million	+14.5%
Capital and Reserves	DM 8,537 million	DM 7,422 million	+15.0%
Branches[2)]	2,496	2,500	– 0.2%
Customers[2)]	4,669,100	4,500,200	+ 3.8%
Staff[2)]	44,905	44,684	+ 0.5%

GROUP	1988	1987	Change
Balance Sheets Sum Total	DM598,218 million	DM541,183 million	+10.5%
Deposits	DM529,433 million	DM480,933 million	+10.1%
Capital and Reserves	DM 19,908 million	DM 17,050 million	+16.8%
Branches	5,173	5,147	+ 0.5%
Staff	101,373	100,592	+ 0.8%

[1)] figures for respective group (Banco di Roma: parent bank); partner banks' balance sheet data given in D-marks, converted according to the official middle rates of the respective closing days;

[2)] figures for parent banks only.

Banks and companies abroad

Commerzbank International S.A. Luxembourg Capital: DM423.4m 100.0%	Commerzbank (Nederland) N.V. Amsterdam Capital: Dfl62.9m 100.0%	Commerzbank (South East Asia) Ltd. Singapore Capital: S$83.4m 100.0%
Commerzbank (Switzerland) Ltd Zurich Capital: Sfr62.0m 100.0%	Commerzbank Capital Markets Corporation New York Capital: US$17.6m 100.0%	Commerz Securities (Japan) Company Ltd. Hong Kong/Tokyo Capital: HK$145.3m 50.0%
Banco Hispano Americano S.A. Madrid Capital: ptas152,688.0m 10.5%	Korea International Merchant Bank Seoul Capital: won38,219.3m 30.0%	UBAE Arab German Bank S.A. Luxembourg/Frankfurt Capital: DM76.0m 25.1%
Unibanco – Banco de Investimento do Brasil S.A. São Paulo Capital: Cz$234,226.5m 19.4%		

Financing companies

CB Finance Company B.V. Amsterdam Capital: Dfl7.6m 100.0%	Commerzbank Overseas Finance N.V. Curaçao Capital: DM0.4m 100.0%	Commerzbank U.S. Finance, Inc. Wilmington/Delaware Capital: US$0.02m 100.0%

Domestic banks and companies

Company	Capital	Holding
RHEINHYP Rheinische Hypothekenbank AG, Frankfurt	DM778.4m	95.9%
Berliner Commerzbank AG, West Berlin	DM335.0m	100.0%
Commerz-Credit-Bank AG Europartner, Saarbrücken	DM50.1m	65.0%
Leonberger Bausparkasse AG, Leonberg	DM277.4m	39.9%

Asset management companies

Company	Capital	Holding
ADIG Allgemeine Deutsche Investment-Gesellschaft mbH, Munich/Frankfurt	DM31.2m	29.2%
Commerzbank Investment Management GmbH, Frankfurt	DM6.6m	100.0%
Commerz International Capital Management GmbH, Frankfurt	DM10.1m	100.0%
Deutsche Grundbesitz-Anlagegesellschaft mbH, Frankfurt	DM3.4m	25.0%
Deutsche Grundbesitz-Investmentgesellschaft mbH, Frankfurt	DM21.1m	25.0%

Leasing companies

Company	Capital	Holding
Commerz- und Industrie-Leasing GmbH, Frankfurt	DM10.2m	100.0%
Deutsche Immobilien Leasing GmbH, Düsseldorf	DM36.3m	50.0%

Holding companies

Company	Capital	Holding
Commerz Beteiligungsgesellschaft mbH, Bad Homburg v.d.H.	DM1.0m	100.0%
Commerz Unternehmensbeteiligungs-AG, Frankfurt	DM40.0m	50.0%

Capital = equity capital

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