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Annual report
COMISION NACIONAL DEL
1996
MERCADO DE VALORES

14 MAY 1997

REGISTRO DE ENTRADA
Nº 1997.....

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ANOTACIONES REGISTRO EMISORES
- *Fotocopia Informe Anual*

COMMERZBANK

Key figures of Commerzbank Group

in DM m, at year-end	1994	1995	1996
Balance-sheet total	342,057	404,167	448,003
Total lending	220,412	260,273	309,458
Liable funds	18,812	21,207	23,504
Branches	1,027	1,060	1,045
Customers	3,533,800	3,579,000	3,661,500
Staff ¹⁾	28,706	29,615	29,334

1) calculated on a full-time basis.

Earnings figures of Commerzbank Group

in DM m	1994	1995	1996
Net interest and dividend income ¹⁾	5,160	5,216	5,974
Net commission income	1,827	1,922	2,286
Net income from financial transactions	105	455	450
Other operating income	159	275	379
Personnel expenses	2,973	3,286	3,526
Other administrative expenses ²⁾	1,756	2,043	2,136
Other operating expenses	175	207	352
Provision for possible loan losses	1,655	886	1,216
Operating result	692	1,446	1,859
Balance on financial investments and extraordinary account	1,017	-253	-64
Pre-tax profit	1,709	1,193	1,795
Taxes	654	214	581
Net income for the year	1,055	979	1,214
Return on equity ³⁾	11.2%	9.3%	10.1%

1) including leasing transactions; 2) including depreciation on intangible and fixed assets; 3) including minority interests; on a monthly basis.

Key data for the Commerzbank share

in DM	1994	1995	1996
Operating result per share ¹⁾	2.07	3.75	4.65
Net income per share ²⁾	3.14	2.39	2.97
DVFA result per share ³⁾	1.64	2.35	2.98
Dividend paid per Commerzbank share ¹⁾³⁾	1.20 + 0.15	1.35	1.35
Tax credit in addition to cash dividend	0.58	0.58	0.58
Equity capital per share at year-end ⁴⁾	29.55	29.76	30.86
Share price at year-end ⁵⁾	32.65	34.05	39.10
Market capitalization at year-end	10.9bn	13.1bn	15.7bn
Number of dividend-bearing shares ¹⁾	334,922,270	385,053,800	400,280,540

1) figures for 1994 and 1995 calculated on the basis of current nominal value of DM5; 2) less minority interests; 3) 1996: proposal to the AGM; 4) less minority interests and profit appropriation; 5) spot quotation on Frankfurt Stock Exchange.

Annual Report 1996



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To our shareholders

In an environment characterized by keen competition and a renewed narrowing of margins, Commerzbank managed to raise its operating result after provision for possible loan losses by a strong 28.6% to DM1,859m in the 1996 business year. In our profit and loss account, top priority was given to covering latent credit risks. Despite a broader capital base, the DVFA result rose from DM2.35 to DM2.98 per share.

Our goal: a high degree of transparency

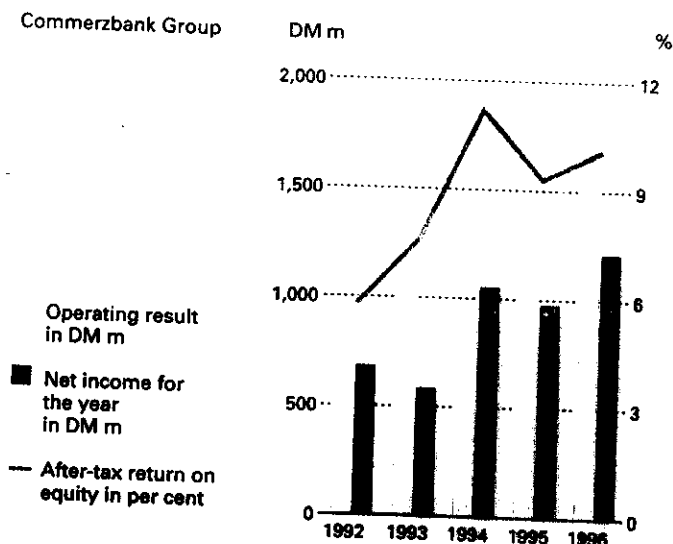
We accept the growing need of investors for information and with our present accounts we meet the demand for a high degree of transparency. By no means do we regard our continued application of German accounting law in drawing up our balance sheet and profit and loss account as a limitation. For one thing, there is as yet no definitive scheme available for applying the International Accounting Standards (IAS); for another, there is still no legal basis which would permit accounting under IAS rules to have a dis-

charging effect. Not until both conditions are met will we publish our accounts on the basis of IAS principles; we have already created the organizational framework for this. Furthermore, we believe that a direct juxtaposition of accounts conforming to IAS rules and to the principles of the German Commercial Code (HGB), respectively, would tend to be confusing rather than conveying extra information.

Not only in its figures, but also in its overall appearance, Commerzbank is presenting itself more openly and self-confidently in 1997. This is plainly documented by our new head-office building. As in our business activities, however, size is not the operative element here either. Rather, we will proceed systematically as a profitable and independent universal bank, seizing opportunities for growth.

A strong equity capital base is crucial for business expansion. This is what enables us actually to take advantage of the chances that arise. For this reason, it is our aim not to allow the equity capital ratios to stay at their present level, but rather to raise them. As far as possible, this will be achieved through retained earnings rather than via the capital market. Our shareholders also benefit from such a strategy in the form of rising share prices.

Marked increase in operating result and improved return on equity



Dynamic price development in the second half of 1996

Whereas the Commerzbank share registered below-average performance relative to the market as a whole in the first half of 1996, its price rose appreciably on high turnover during the second half. In the year as a whole, the price (with the dividend included) surged by 20.4%, pushing the Bank's market capitalization up to DM15.7bn by end-1996.

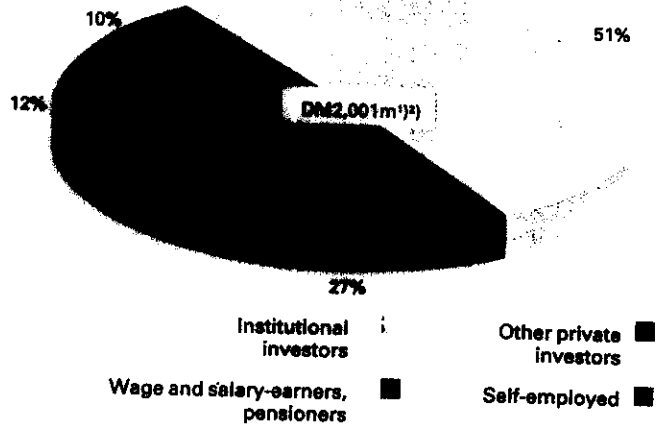
In our view, this was not only due to speculations about a shake-out in the German banking scene, in which Commerzbank would play an active role. Rather, it also reflects investors'

confidence that Commerzbank will maintain its dynamic earnings performance beyond 1996 and that it already has a good market presence in most business segments.

Solid shareholder base abroad

A shareholder survey carried out early in 1997 shows that foreign investors continue to hold about 40% of Commerzbank's capital. We see this as confirmation of our efforts to make our share even more popular internationally. At 51%, the ratio of institutional investors has remained virtually unchanged compared with previous years. We did not detect any concentration of blocks of shares with individual investors.

By changing the nominal value of our share last October, we joined the trend towards "lighter" shares. Our move has made it easier to compare prices and analytical data within our sector. However, in our opinion, no new circles of investors have been reached as a result.



1) subscribed capital, percentage shares in capital ;
2) roughly 40% of capital is held by non-residents

At our Annual General Meeting on May 30, 1997, which is once again taking place in Frankfurt, we shall give you, our shareholders, an account of our actions. We cordially invite you to take part. Should you be unable to attend, we urge you to have your shares represented by proxy. In the years ahead, our AGM will take place on May 29, 1998, May 21, 1999, and May 26, 2000.

April 1997

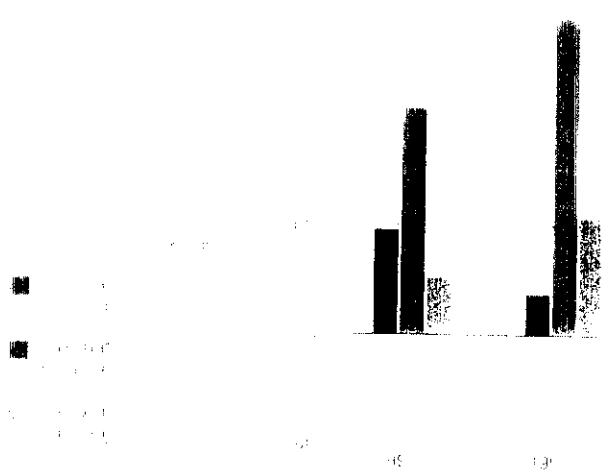
Martin Kohlhausen
Chairman of the Board
of Managing Directors

Dr. Walter Seipp
Chairman of the
Supervisory Board

Survey of the Commerzbank Group and Parent Bank

1996
 1995
 1994

Breakdown of operating result, by corporate division



Thanks to its improved marketing and cost structure, innovative products and an active focus on customers, Commerzbank reinforced its position in the global financial market in 1996. Our systematic adherence to a course of earnings-oriented growth is reflected in the strong expansion of our operative business and a rise of almost 30% in our operating result, despite a renewed increase in the provision for lending risks. Holding our dividend payment unchanged, we are strengthening the Bank by transferring retained earnings of DM650m to revenue reserves, which gives the Commerzbank Group an equity base of DM13.5bn.

**Weak economic activity,
stable prices and falling interest rates**

Whereas satisfactory economic growth and moderate inflation enabled the United States to maintain virtually full employment, Continental Europe's economic performance had a difficult time in 1996. Capital spending in particular remained subdued. Given largely stable prices, many central banks responded to the weakness in demand with substantial interest-rate cuts. In view of the decline in interest rates and a renewed improvement in companies' earnings performance, the mood in the bond and stock markets was very cheerful, lifting the price of securities considerably.

**Double-digit rise in
business volume to DM451bn**

Gathering momentum somewhat during the final quarter, the business volume of the Commerzbank Group – balance-sheet total and endorsement liabilities – expanded by 10.8% to

DM451bn in 1996. Particularly strong contributions to this result came from our two mortgage banks (DM22.6bn), Commerz Financial Products (DM12.9bn), and the Parent Bank (DM17.8bn).

The driving force behind this expansion was lending. In view of the fairly steep yield curve, the demand for funds was especially brisk in the shorter brackets. Our claims on customers of less than four years rose by 20.2% to DM89.4bn. In the long-term bracket, including mortgages and the steadily expanding area of public-sector loans, claims on customers of four years or more went up 19.1% to DM178bn. With our somewhat lower bill discounting and interbank credits included, our total lending stands at DM309bn, representing an increase of 18.9%, or DM49.2bn. Adjusted for the funds taken up by the public sector, our risk-weighted assets – pursuant to the German Banking Act – were about 12% higher.

Spurred by the rapid expansion of Germany's external trade, our liabilities from guarantees and indemnity agreements rose a hefty 20.5% to DM35.9bn. The credit equivalent of our off-balance-sheet derivatives business calculated on the basis of its gross volume in accordance with Prin-

**Parent Bank
and major subsidiaries**

in DM m	Balance-sheet total		Operating result	
	1995	1996	1995	1996
Commerzbank AG	263,234	280,960	875	1,180
comdirect bank GmbH	931	1,727	-42	-46
Commerz Financial Products GmbH	6,667	19,568	26	131
Hypothekenbank in Essen AG	34,684	49,664	82	109
RHEINHYP Rheinische Hypothekenbank AG	70,411	78,034	279	307
Caisse Centrale de Réescompte, S.A.	5,486	6,084	28	29
Commerzbank (Budapest) Rt.	606	738	9	12
Commerzbank Europe (Ireland)	1,276	3,991	24	32
Commerzbank International S.A.	29,337	27,896	392	387
Commerzbank (Nederland) N.V.	3,185	3,819	16	16
Commerzbank (South East Asia) Ltd.	1,859	2,536	32	33
Commerzbank (Switzerland) Ltd	1,024	1,142	31	39
Jupiter International Group PLC	126	234	-	79

Currencies translated at year-end rates.



	31.12.1995		31.12.1996		Change	
	DM m	%	DM m	%	DM m	%
Claims on customers						
short and medium-term	74,396	28.6	89,442	28.9	15,046	20.2
long-term (four years or more)	149,612	57.5	178,244	57.6	28,632	19.1
	224,008	86.1	267,686	86.5	43,678	19.5
Bills discounted	4,712	1.8	4,515	1.5	-197	-4.2
Loans to banks						
short and medium-term	11,054	4.2	12,938	4.2	1,884	17.0
long-term (four years or more)	20,090	7.7	23,905	7.7	3,815	19.0
	31,144	11.9	36,843	11.9	5,699	18.3
Leased equipment	409	0.2	414	0.1	5	1.2
Total lending	260,273	100.0	309,458	100.0	49,185	18.9
Mortgage loans	49,767	19.1	58,991	19.1	9,224	18.5
Public-sector loans	73,009	28.1	90,050	29.1	17,041	23.3

Article 1 of the German Banking Act – KWG was DM9.0bn, compared with DM4.8bn at end-1995.

After the previous year's strong expansion, we reduced our interbank business appreciably in 1996. Claims on banks declined by 12.5% and the corresponding liabilities by 8.6%. By contrast, customers' deposits advanced by an above-average 13.1% to DM162bn. Efforts to broaden our customer base resulted in a small rise of 3.6%, to DM23.5bn, in savings deposits. Demand depos-

its rose 16.9% to DM41.6bn and time deposits – with the emphasis on short and medium terms – went up by altogether 14.0% to DM96.8bn.

In order to finance our medium to long-term lending, we continued to step up our issues of securitized liabilities. The total amount of paper outstanding – especially the bonds of our mortgage subsidiaries – rose by roughly a quarter again to DM150bn. Hypothekenbank in Essen and Rhein-hyp were very active issuing so-called jumbo mort-

Parent Bank's shareholdings of over 5%: broad range of industries

Alno AG Pfullendorf 28.5%	Buderus AG Wetzlar 18.3%	Heidelberger Druckmaschinen AG Heidelberg 13.8% ¹⁾	Karstadt AG Essen 10.3%	Kaufring AG Düsseldorf 12.5% ¹⁾
Kolbenschmidt AG Neckarsulm 24.9%	Linde AG Wiesbaden 10.2%	MAN AG Munich 6.5% ¹⁾	Salamander AG Kornwestheim 10.7%	Thyssen AG Duisburg 5.8% ¹⁾

¹⁾ held indirectly, as per December 31, 1996

gage bonds, in addition to traditional mortgage bonds and public-sector bonds. Moreover, Rheinhyp set new standards with its first global mortgage bond for institutional investors in an amount of DM2bn.

Further additions to securities portfolio and investments

Due to ever wider use of securities lending as an instrument, we raised our portfolio of bonds and other fixed-income securities by another 14.8% to DM54.2bn. This increase relates almost entirely to the Parent Bank.

We added a further DM1.2bn, or 16.1%, to our portfolio of shares and other variable-yield securities. The market value of this item – which also comprises most of our industrial shareholdings – exceeds the book value of DM8.6bn. These and other hidden reserves represented by the indirectly held industrial holdings amount to well over DM2bn. The reserves contained in strategic par-

ticipations are not included here. The most important change was the reduction according to plan of our Thyssen interest from 18.1% to 5.8%. In addition, we have disposed of our shareholdings in Friatec AG, Aktiengesellschaft Kühnle, Kopp & Kausch, Linotype-Hell AG, Phoenix AG and Schweizer Electronic AG.

On balance, our shareholdings rose by DM198m to DM2.15bn. The largest addition, at a cost equivalent to DM200m, was a 4.99% stake in the US company Security Capital Group Inc., Santa Fe. SCG is a real-estate holding company that holds controlling interests in, and professionally manages, operative real-estate investment trusts in the United States. We will benefit from this company's higher-than-average earnings performance and have begun an intensive business cooperation.

The profit and loss account reveals our strength in operative business

Commerzbank Group	1995 DM m	1996 DM m	Change %
Net interest and dividend income ¹⁾	5,216	5,974	14.5
Net commission income	1,922	2,286	18.9
Net income from financial transactions	455	450	- 1.1
Operating expenses	5,329	5,662	6.2
- Personnel expenses	3,286	3,526	7.3
- Other administrative expenses	1,613	1,667	3.4
- Depreciation on intangible and fixed assets	430	469	9.1
Balance of other operating income and expenses	68	27	-
Provision for possible loan losses	- 1,194	- 1,677	40.5
Securities portfolio held for liquidity purposes	308	461	49.7
Operating result	1,446	1,859	28.6
Balance on other business	- 253	- 64	-
Pre-tax profit	1,193	1,795	50.5
Total tax expenditure	214	581	171.5
Net income for the year	979	1,214	24.0

¹⁾ incl. income, expenses and normal depreciation in leasing business.

Strong rise in Group operating result

After doubling in the previous year, the Commerzbank Group's operating result rose a further 28.6% to reach DM1,859m in 1996. Both our operative units abroad and our mortgage banks produced higher results again. Although the development phase of our derivatives subsidiary CFP is still not complete, it also made a notable contribution to the overall result. At DM79m, the operating result of the asset management company Jupiter International, which was included in the consolidation for the first time, fully came up to expectations.

The breakdown of the operating result by corporate division (see table, p.11) shows that, while we have made good progress with the sales offensive of our domestic branches, their contribution to the Bank's earnings is not yet high enough. Given the positive environment, the International Finance and Investment Banking divisions both continued to develop very well indeed.

The regional breakdown of our Group operating result also underlines the continuing need for special efforts in order to make our German activities even more profitable. All the same, we achieved roughly 50% of the operating result in Germany, as against only 34.4% the previous year (see p.59). At the after-tax level, the share attributable to domestic business advanced from 19.0% to 34%.

Net interest and commission income substantially higher

Although our average interest margin narrowed slightly, from 1.45% in the previous year to 1.39%, our higher business volume enabled us to raise net interest income by 14.5% to DM5,974m. To a great extent, this also reflects the revenue from our larger portfolio of fixed-income securities and the success of our treasury activities.

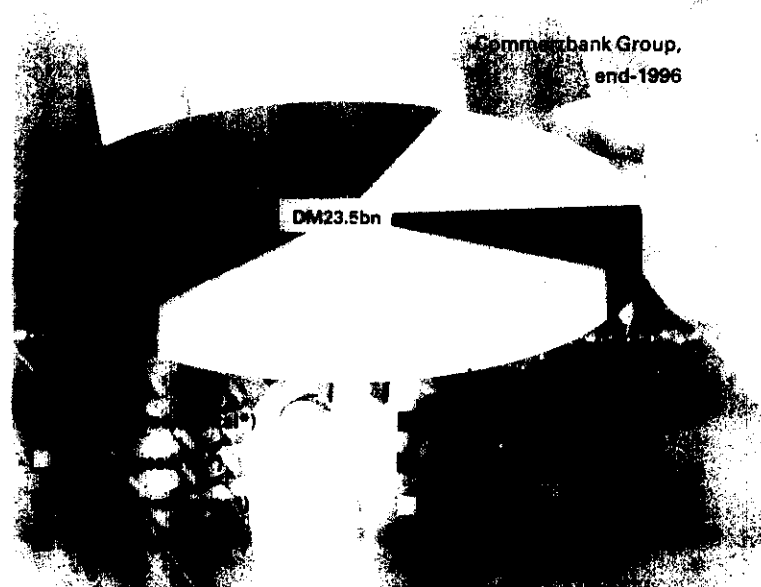
The rise in net commission income was even stronger, climbing 18.9% to reach DM2,286m. The key element here was securities business, which expanded by almost a third. With the exception of underwriting commissions, we achieved an encouraging increase in all the remaining areas, such as foreign transactions, payments, guarantees and other commissions.

Proprietary trading at year-ago level

Last year, proprietary trading benefitted not only from interest-rate movements but above all from the steep yield curve. Moreover, to an increasing extent, we effected spread transactions in the core European currencies. Own-account dealing in equities failed to generate the expected income in 1996. However, our leading position in block trades is worthy of mention, i.e. the placement of sizeable blocks of equities primarily with institutional investors.

Overall, our proprietary trading produced a virtually unchanged result of DM450m, with securities business contributing DM47m, foreign-exchange dealings DM129m, and interest-rate futures DM274m.

Liable funds raised by DM2.3bn



Strict cost discipline

Operating expenses climbed by 6.2% to DM5,662m, the rate of increase steadily receding as the year progressed. Consequently, the cost/income ratio improved from 70% in 1995 to 65%. Despite a slight reduction in our workforce, wages and salaries rose by 7.7% to DM2,738m, and social-security contributions by 6.1% to DM788m. Our attempts to achieve a strict cost discipline are more evident in the figures for the Parent Bank than in those for the Group. At the Parent Bank, personnel expenses rose by no more than 5.1% and total operating costs by 4.7%.

Other Group administrative expenses, including depreciation on fixed assets, went up by 4.6% to DM2,136m; this rise was largely due to our sizeable investments in information technology.

Provision for risks raised again

The difficult environment in domestic lending last year called for a considerable increase in the provision for possible loan losses. Given the unstable condition of some of our smaller business customers, we raised the level of provision in domestic branch business by a good 50%. In

the case of retail customers, the increase in the provision which we made was relatively small at 7%. The positive environment for foreign lending means that there continues to be little need to provide for risks there. After write-backs had been deducted and the result from the securities held for liquidity purposes had been set off, the net amount allocated to loan-loss reserves increased from DM886m to DM1,216m, a rise of 37%.

Equity base of DM13.5bn

With the consolidated profit and allocation to reserves included, the Group's equity capital expanded by DM1,197m to DM13.5bn. The rise came about through the issue of shares to our staff at a preferential price and due to the exercising of conversion and option rights, as well as through capital increases involving minority interests in Commerzbank Europe. In December, a bond with warrants attached fell due, providing us with fresh capital of DM260m.

The DM425m of profit-sharing certificates issued in 1985 was paid back in May; in September, we issued a nominal DM500m of new profit-sharing certificates. Subordinated liabilities were raised 21.3% to DM6.2bn. All in all, the Commerz-

Risk-weighted assets and capital ratios (as defined by Principle I, KWG)

Commerzbank Group, as of Dec. 31, 1996
in DM m

Risk-weighted assets	Risk weighting						Total
	100%	70%	50%	20%	10%	4%	
Balance-sheet business	154,178	1,376	26,123	21,349			203,026
Traditional off-balance-sheet business	6,549		23,926	803	748	79	32,105
Derivatives business			2,905	6,085			8,990
Total	160,727	1,376	52,954	28,237	748	79	244,121
Core capital	DM12,682m		Aggregate equity capital				DM22,061m
Core capital ratio	5.2%		Aggregate equity capital ratio				9.0%
			BIS equity capital ratio				9.0%

bank Group's liable funds now stand at DM23.5bn. Calculated in accordance with Principle I of the German Banking Act, the Group now has a core capital ratio of 5.2%; its overall capital ratio amounts to 9.0%.

Dividend: DM1.35 per share

The tax to be paid on the pre-tax profit has risen to DM581m; this represents a tax ratio of 32%. Net income for the year of DM1,214m remains, from which an unchanged dividend of DM1.35 per share is to be paid. We propose to the Annual General Meeting that an overall amount of DM540.3m be distributed in the form of a dividend payout.

With the DM0.58 tax credit for shareholders who have unlimited tax liability in Germany included, the gross amount they are to receive per DM5 share is DM1.93. The holders of Commerzbank's profit-sharing certificates whose interest payment is linked to the dividend of the Commerzbank share will also receive a corresponding distribution.

DM650m allocated to revenue reserves

At the same time, DM200m of the Parent Bank's net income for the year is to be allocated to revenue reserves in order to strengthen the Bank from retained earnings. These funds derive exclusively from profits generated abroad. Within the Group as a whole, DM650m (DM400m in the previous year) is to be transferred to reserves.

**Operating result,
by corporate division**

Commerzbank Group
in DM m

	Group Management	Domestic Branch Banking	International Finance	Investment Banking	Total
Net interest and dividend income	53	4,136	1,561	224	5,974
Net commission income	-24	1,764	209	337	2,286
Net income from financial transactions	0	4	412	34	450
Operating expenses	177	4,144	894	447	5,662
Balance of other operating income and expenses	-164	154	25	12	27
Provision for possible loan losses	0	-1,729	136	377	-1,216
Operating result 1996	-312	185	1,449	537	1,859



Responsibility for Group Management is shared by the board members (left to right) Dr. Axel Frhr. v. Ruedorffer, Klaus Müller-Gebel and Martin Kohlhaussen (Chairman). Dr. Norbert Käsbeck is responsible for the corporate division Services.

All the Bank's central staff and management functions are concentrated in the corporate division Group Management; here business policy and the basic strategic decisions for the Commerzbank Group are worked out. Its most important responsibilities include risk management and risk control, corporate planning, the coordination of communication, and the fundamentals of the Bank's personnel policy.

The corporate division Services is responsible for all the services which are used jointly by other divisions, such as information technology, payments transactions, back-up technology for securities business and procurement.

Group-wide risk control

Applying a uniform approach, the Bank's central strategic risk management unit evaluates the Group's aggregate risks. By simulating various extreme situations, risks are also computed which may arise as a result of unexpected events. The results together with the recommendations derived from them are presented to the Board of Managing Directors.

As part of the overall risk profile, market-price risks – in trading and asset/liability management – are worked out, using a historical simulation model based on the value-at-risk approach. This is accepted by the Bank for International Settlements and Germany's Federal Banking Supervisory Office as the yardstick for determining the amount of equity capital needed to back market-price risks in trading from 1998 onwards. The individual transaction is used as a starting-point for deriving the values at risk for the various organizational units, the types of risk, currencies and – in trading – the product categories. At the same time, the overall market risk relating to trading and asset/liability management is determined on a Group-wide basis, taking into account all the connections that may exist.

Market risks from trading activities are managed by risk limits

Our own simulation model for market risks arising from trading activities draws upon an

observation period based on the past 250 trading days, a one-day exposure, equal weighting for the observed data and a confidence interval of 97.5%.

The risk position of the Group's trading portfolio reflects both balance-sheet and off-balance-sheet transactions. The values at risk (see table) show the losses which with a probability of 95-99%, based on movements in the factors of evaluation over the past 250 trading days, will not be exceeded. For the confidence interval of 99%, the annual averages have been presented in addition to the year-end situation. On the same basis, the capital for stress scenarios shows the potential extra loss, given a fivefold standard deviation (scenario I) and the greatest possible extra loss (scenario II).

The figures also include the risks of our derivatives trading subsidiary, Commerz Financial Products GmbH (CFP). Its activities are monitored by both its own risk control group and the Bank's central strategic risk management unit. On the basis of all the data, the Group manages the market risks relating to trading primarily by setting for its operative units limits that are worked out systematically on the basis of the capital available at Group level. The Group-wide risks contained in asset/liability management are also quantified accordingly.

The Group's credit risk is worked out by recourse to a similar method. Such information is drawn upon when setting the lower pricing limit for loans and also in calculating the profitability of customers.

Value at risk (VaR) of the trading portfolio

Commerzbank Group, in DM m, as of Dec. 31, 1996 (Dec. 31, 1995)

Portfolio	Holding period*)	VaR at confidence interval of			Average 1996 value at 99%	Capital for stress scenarios	
		95%	97.5%	99%		Scenario I	Scenario II
Overall portfolio	10 days	177 (218)	216 (270)	241 (337)	280 (225)	349 (371)	218 (206)
Investment instruments	10 days	176 (121)	225 (190)	267 (229)	350 (169)	293 (213)	230 (271)
Forex instruments	10 days	85 (59)	94 (79)	120 (93)	89 (124)	204 (102)	48 (101)
Equity instruments	10 days	81 (142)	92 (164)	98 (242)	92 (121)	198 (276)	107 (196)

*) pursuant to capital adequacy directive.

Strict risk management at CFP

The following structural analyses present the credit standing of CFP's portfolio, where the Group's derivatives trading activities are concentrated. Current exposure is shown as the mark-to-market costs, taking into consideration valid netting clauses without the deduction of collateral. The portfolio's breakdown in terms of Commerzbank's internal ratings reveals that all the counter-parties are of impeccable standing.

Internal rating	Current exposure	Potential exposure
1996 (1995)	in %	in %
1	50 (64)	54 (56)
2	36 (25)	35 (33)
3	10 (8)	9 (7)
4-6	2 (0)	1 (0)
not rated	2 (3)	1 (4)

Once again, comparison with Moody's ratings shows that business is concentrated on investment-grade counter-parties.

Equivalent Moody's ratings	Current exposure	Potential exposure
1996 (1995)	in %	in %
Aaa	22 (15)	23 (17)
Aa	36 (55)	38 (47)
A	33 (28)	31 (34)
Baa	7 (2)	8 (2)
other ratings or not rated	2 (-)	1 (-)

Of the 20 largest contracting parties, 16 have a long-term Moody's rating. With the exception of Germany, no country accounts for more than 10% of current claims. CFP registered no loan losses in 1996.

Loan portfolio management

Responsibility for managing lending risks lies with the staff department Credit Risk Management, which also handles the client-oriented management

of the risks borne by CFP. Thanks to the more intensive use of netting agreements in derivatives transactions, we were able to reduce risks. Existing systems for analysing credit standing were extended and made more sophisticated.

Business-oriented, decentralized loan approval powers at our domestic and foreign branches have made it possible to reduce administrative procedures and speed up on-the-spot decisions. At weekly meetings, special committees deal with credits requiring head-office approval.

One of our strategic goals is to expand our global activities, under the important proviso that our country lending is risk-oriented and geographically balanced. In regions with especially great potential such as Asia and Central and Eastern Europe, we are stepping up our activities, as we are in North America.

Our approach to managing country risks in emerging markets continues to be an active one. Once again, we were able to write back value adjustments to sovereign loans and also register encouraging trading gains.

Information technology facing great challenges

The Bank's dynamic growth over the past few years has made restructuring necessary in our branches and at head office. Organizational structures geared to customers and processes call for the right innovative information technology if we are to respond quickly and flexibly to a different market and competitive environment, such as multimedia applications, the Internet, home banking and the smart card. At the same time, we have to extend our capacities substantially to meet the IT challenges of European monetary union and the start of the new millennium. We plan, therefore, a gradual increase of roughly 250 in the workforce of the service department Information Technology up to 1999, and will add an average 13% per year to our IT budget.



The board members (from left, standing) Dr. Erich Coenen, Dr. Kurt Hochheuser, Klaus Müller-Göbel, Dietrich-Kurt Frowein, (seated) Dr. Peter Gloystein and Dr. Norbert Käsbeck share responsibility for the corporate division Domestic Branch Banking.

In 1996, activities in the Private Banking department were focused on a sales offensive designed to improve earnings and market position. Thanks to a high level of customer satisfaction and innovative products, we managed to achieve this goal, as the extra 80,000 new customers demonstrate. In Corporate Banking, we increased our market share slightly in important segments, above all by building upon existing client relationships.

High level of customer satisfaction

Our retail customer strategy is geared towards achieving the highest possible degree of customer satisfaction. Last year, we broadened the scope of the surveys which we have been systematically conducting in this connection since 1993 by asking more than 1.2 million of our branch customers their opinion. The outcome was very encouraging for us: with the number of responses high, over 90% of those who replied are either satisfied or very satisfied with their Commerzbank branch.

We also set great store by the constant improvement in the technical infrastructure of our branches. We were therefore the first major bank whose account statement printers not only provide information on the customer's current account but also on savings accounts, the state of the securities portfolio, and a financial overview of all the customer's various accounts.

In payments, 1996 was the year of the electronic purse. Commerzbank is also actively involved in this project and has already equipped eurocheque cards at selected branches with the

new chip. Already, 200,000 people are using the Comphone telephone service that we introduced in May 1994. In addition to standard telephone banking, we also have recourse to our call centre infrastructure in Essen to provide targeted support for advertising measures and an active dialogue with our customers.

Securities business successful

Securities business developed especially well in 1996. This was largely due to an innovative range of products, such as index-based

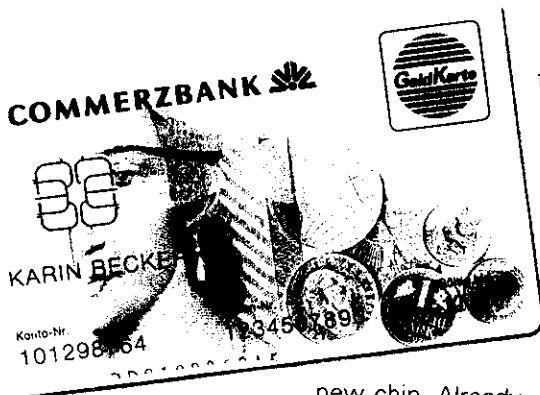
guaranteed funds and leasing funds focusing on moveable goods and real property, as well as to buoyant customer demand. We turned the placement of Telekom shares into the year's main marketing campaign. In order to get as many retail customers as possible to invest in Telekom shares, we made two attractive offers: an interest-bearing account for later investment in T-shares and "Safe-T", an investment scheme which guarantees our customers' original investment in T-shares while also enabling them to benefit from price gains. The response was outstanding. Just over 180,000 customers invested in either T-shares or Safe-T, including 20,000 new customers.

Brisk credit demand and record turnover in Allfinanz activities

Lending to retail customers was brisk in all segments last year. Less generous tax breaks as from 1997 boosted home loans, as projects were realized earlier than originally planned. This caused our credit portfolio to expand by a strong 18%. At just over 8%, the rise in consumer loans also exceeded the sector average.

Competition for deposits intensified considerably as interest rates continued to fall. Fortunately, though, we managed to raise the volume of savings deposits further. We successfully launched our new product in this area, "Extra 3-Plus", with a three-year maturity and a rising interest rate.

Sales of Allfinanz products rose sharply in 1996. Through our branch network, we passed on home loan savings business worth DM1.34bn to Leonberger Bausparkasse. In return, we received banking business, mainly building finance, from our partner which for the first time exceeded one billion D-marks. Our cooperation with the DBV-Winterthur insurance group is also highly positive. While our branches concluded life insurance policies totalling DM1.3bn, the business passed on to them amounted to DM900m.



Growth continues at comdirect

In its second year of business, our direct bank developed according to plan. More than 30,000 of its altogether 75,000 customers were using its discount brokerage facilities by end-1996, making comdirect the market leader in this area. With its twin-card offer of ec and Visa card and its combined account for current payments, it has taken a major step towards becoming a full-service bank.

Due to its persistently high investments in both technical infrastructure and the acquisition of customers, its operating result was negative, as expected.

Innovations strengthen corporate customer business

The German economy's weak growth and structural problems influenced domestic corporate business as well. Despite very attractive interest rates for both short and long-term credits, companies were wary of investing. Thanks to a stronger involvement of CommerzLeasing and Commerz Financial Products (CFP), we were able in this difficult environment to offer our clients innovative structured products for solving their financing problems.

The focus in financial investments was on step-up callable bonds and COREX bonds, which were very popular with corporate and retail customers alike. Euro-commercial paper offered another attractive investment vehicle for our corporate clients.

By introducing special counselling on interest rates and currencies for our smaller business customers, we are trying to ensure that medium-sized firms as well use derivatives on a broader scale to control interest and exchange-rate risks.

In electronic banking, we are one of the first banks to offer a complete product and service package for "Financial EDIFACT".

Our foreign commercial business proved highly successful. While Germany's exports and imports of goods and services went up by about 5% last year, the Bank's turnover expanded far more strongly, marginally raising once again our market share in the financing of Germany's external trade to around 13%. Earnings advanced by 5%.

Strong demand for public-sector loans and in Real Estate department

There was an encouraging development in lending to local governments and municipal authorities last year. The lack of public-sector funds prompted municipalities to seek more alternative sources of finance for infrastructure projects. By means of innovative products and complex financing schemes, we have achieved a strong position in this growth area.

CommerzLeasing und Immobilien GmbH covers the entire range of leasing for moveable goods and property, as well as providing property-related services. It offers all the different types of closed-end funds and is one of the market leaders in its field. Thanks to very lively new business of DM3.3bn, the total assets under management increased to DM25bn. In addition to the subsidiary CFB Commerz Fonds Beteiligungsgesellschaft mbH, which financed a large part of the leasing investments via closed-end funds, CommerzBaumanagement GmbH also contributed to new business by giving expert advice and monitoring the new projects of our lessees.

The open-ended property fund HAUS-INVEST administered by Commerz Grundbesitz-Investmentgesellschaft mbH achieved a high net inflow of DM1.6bn in 1996, raising the assets managed by 34% to almost DM6.4bn. With a third of its real estate situated outside Germany, HAUS-INVEST is increasingly becoming a European investment.

Brisk treasury and foreign-exchange business

The attempts of potential Emu participants to make their interest rates converge set the tone in 1996. Against this background, our money-market activities produced good results. We extended our derivatives trading by establishing a special group that primarily serves as a market maker for forward rate agreements and short swaps.

Last year as well, foreign-exchange dealing was successful. In order to hold earnings stable, we are reinforcing our position in Eastern European currencies and other emerging markets in particular and also in those EU currencies which will not take part in monetary union.

Steady expansion at Commerz Financial Products (CFP)

In its second full business year, CFP, our derivatives subsidiary, again lived up to the high expectations placed in it, achieving good results for all product lines. The expansion of its client

base underlines CFP's strong market position. It demonstrated its innovative power in 1996 through new products which were very well received. CFP's international network is being further extended this year. In New York, a swap team is to start operations and an offshoot is to open in Tokyo.

Ever denser foreign network

Commerzbank has a network of more than 50 outlets of its own in 40 countries and these also look after customers in neighbouring states. Our 20 foreign branches – stretching from Los Angeles via London to Tokyo – have reinforced their market positions and substantially raised their operating results. Even the more recently established branches – Johannesburg, Shanghai, Mumbai (Bombay) and Labuan – are operating successfully, but did not quite reach break-even point for the year as a whole.

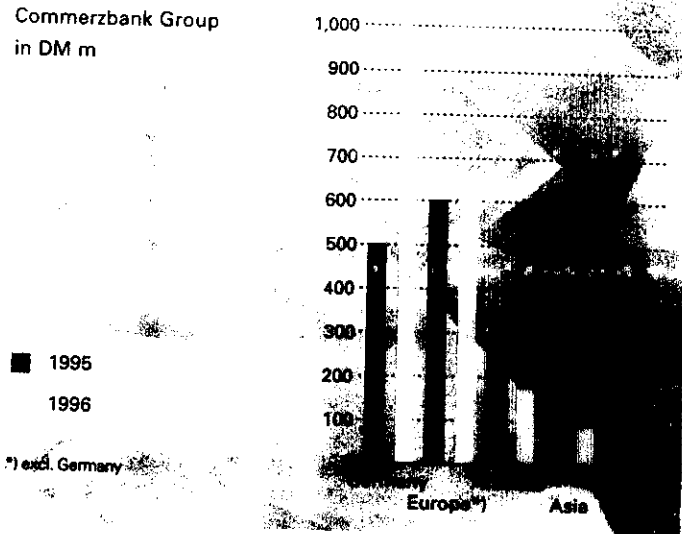
We strengthened our sound position in East Asia/South-East Asia by opening a representative office in Taipei (Taiwan) last September. With the branch we set up in Labuan (Malaysia), we now maintain six branches, three subsidiaries, five representative offices and two sizeable equity participations in this region. Commerzbank has, therefore, responded to the region's unabatingly dynamic economic expansion.

In the first nine months of the current financial year, Korea International Merchant Bank in Seoul, in which we increased our stake to 23.6% early this year, produced an after-tax profit equivalent to DM42m with a balance-sheet total of DM7bn. It is thus Korea's most profitable merchant bank.

We have also raised our interest in P.T. Bank Finconesia in Jakarta, from 20% to 21.66%. The bank lifted its balance-sheet total by 29.3% and its total lending by 17.6%. It will probably post net income for the year of Rp7.4bn, a rise of 65%. (Rp1,000 = DM0.657)

Breakdown of our operating result by region reveals strong position abroad

Commerzbank Group in DM m



Unibanco, Brazil's third-largest private-sector bank, in which we hold a 7.5% interest, took over valuable assets from Banco Nacional last year. Despite high restructuring costs, its after-tax profit rose by 84%.

Great potential in Central and Eastern Europe

In addition to extending our network in Asia, we have systematically built up a presence in Central and Eastern Europe since the reform process began there. With a balance-sheet total of over DM2.4bn, our branch in Prague has become the Czech Republic's largest and also most profitable foreign bank. But in Hungary too, we are one of the leading foreign banks

In the 1996 financial year, Commerzbank (Budapest) Rt. broadened its corporate customer base, thanks to the progress made with selling off major state-owned enterprises. The rise in claims on customers by almost 60% to DM231.5m is encouraging. Moreover, the 27% increase in its operating result to DM12.3m probably makes it the most profitable German-owned bank in Hungary.

For the past five years, Commerzbank has been active in Poland through a representative office in Warsaw. At the same time, there is close cooperation with the local credit institution Bank Rozwoju Eksportu (BRE), in which we held a 21% stake at end-1996. Commerzbank corporate customer advisers work at BRE's leading branches and two delegates are active in the Warsaw head office. In 1996, the net profit was raised 28% to zł135m. (zł100 = DM54.20)

Our Central European network is rounded off by the opening of a representative office in Bratislava, Slovakia in 1995. In the CIS republics, we have representative offices in Moscow, St. Petersburg and Novosibirsk (Russia), Kiev (Ukraine), Almaty (Kazakhstan) and Minsk (Belarus) – reflecting the rapidly increasing

significance of Central and Eastern Europe for German business. This is documented in above-average growth rates in external trade.

Western Europe a major pillar

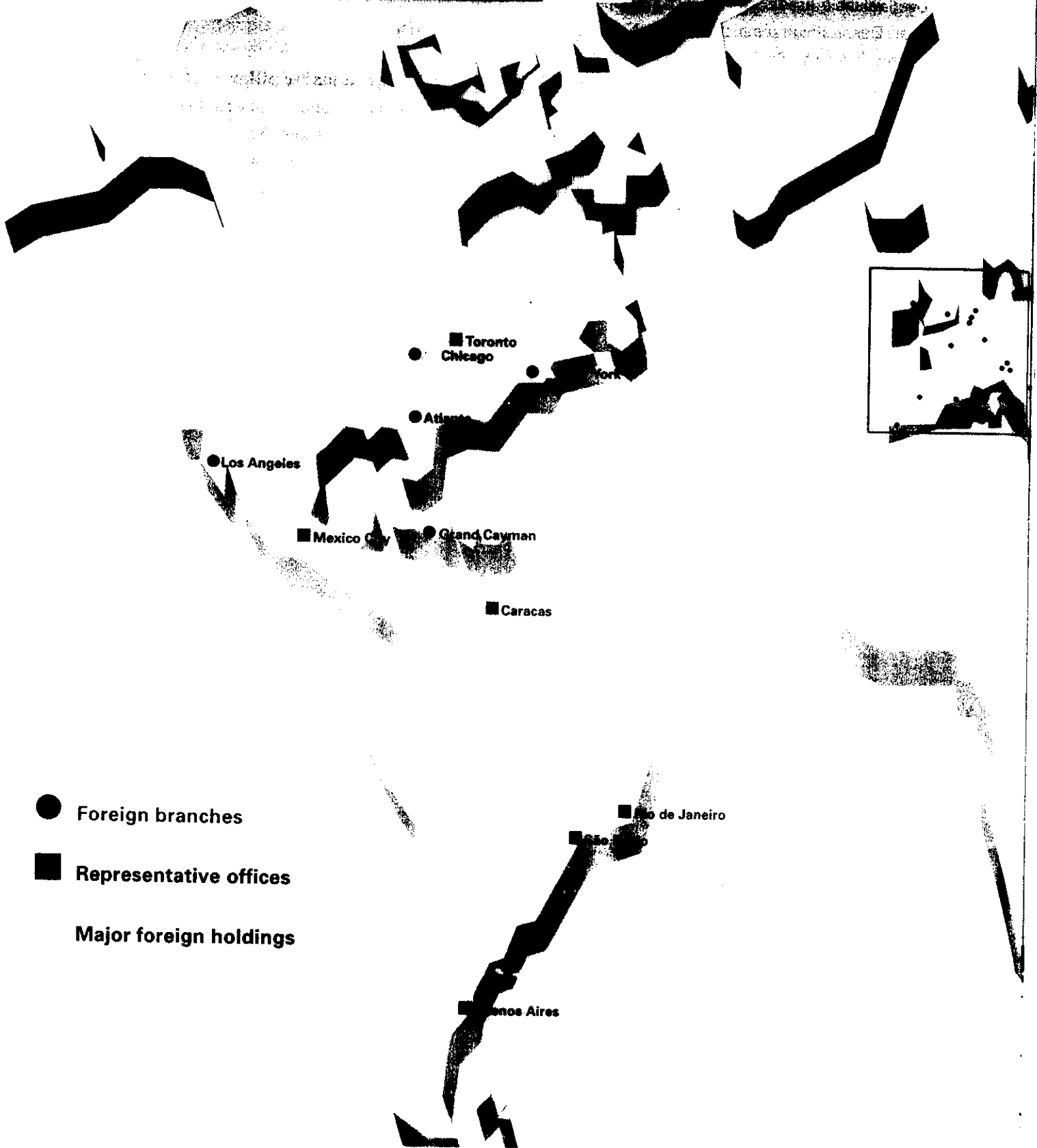
Even though the economic momentum is greater in other markets, our established subsidiaries and branches in other European countries remain an important pillar of the Commerzbank Group.

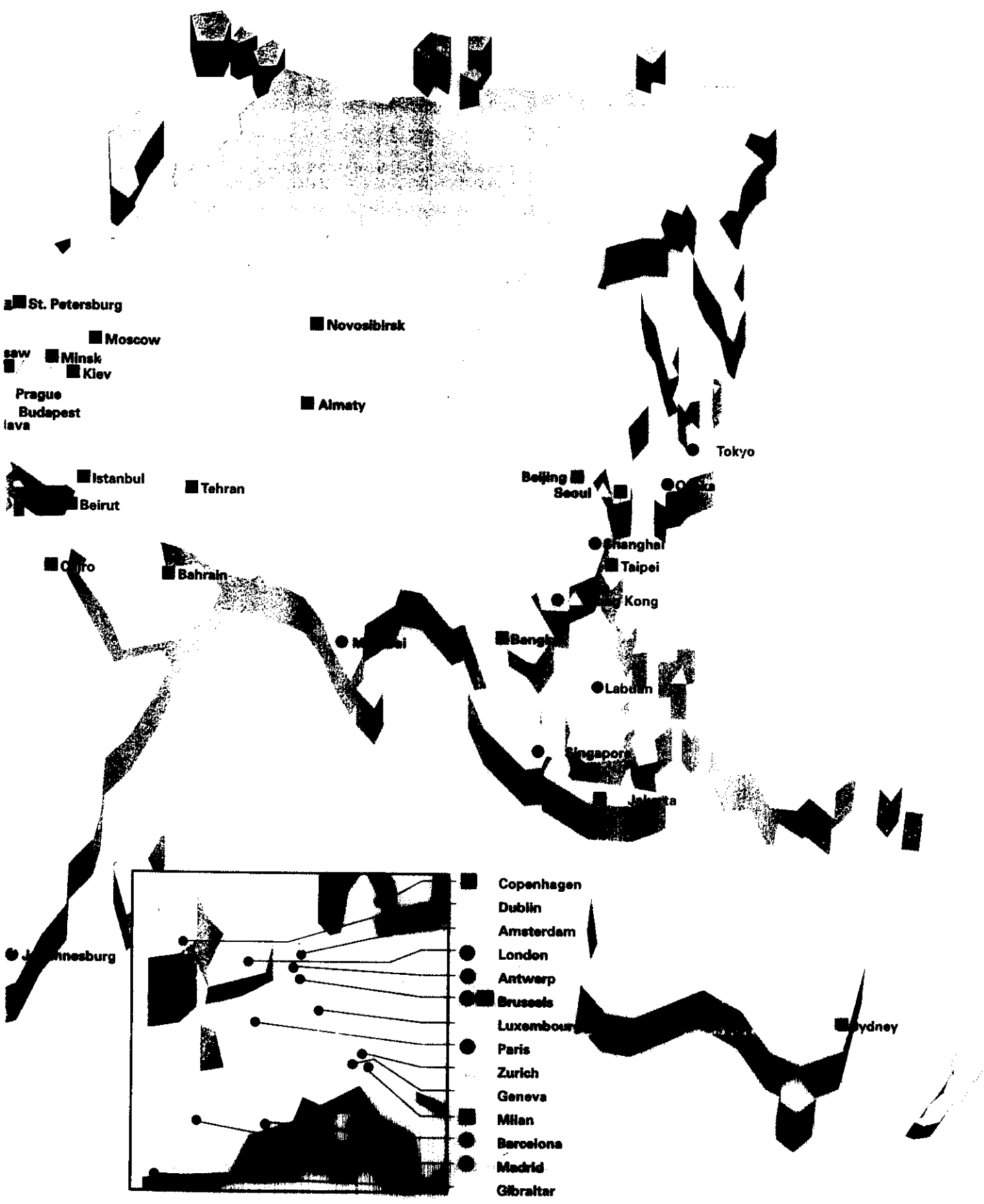
In addition to international private customer business, Commerzbank International S.A. (CISAL) in Luxembourg is involved in all the standard Euromarket trading and credit transactions. Its total lending was raised from DM8.8bn to DM11.7bn. It was mainly financed by inter-bank borrowing; customers' deposits are shown at DM5.8bn. Earnings performance was positive in all segments. From the unchanged distributable profit of DM375m, DM200m has been transferred as an advance dividend payment to the Parent Bank.

Commerzbank (Nederland) N.V. in Amsterdam is active in traditional lending, with an emphasis on project and export finance. It is also well established in foreign commercial business and money-market and foreign-exchange transactions as well. Its balance-sheet total expanded by practically 20% last year to Dfl4.3bn. Net income for the year, up 51% to Dfl21.3m, is being allocated to reserves, after which its equity capital will stand at Dfl272.7m.

Commerzbank Europe (Ireland) in Dublin had trebled its business volume by the end of its second financial year. In addition to international financings for prime clients and state authorities, it is increasingly becoming active in structured financings, such as asset-backed securities and asset swaps.

INTERNATIONAL NETWORK





Leading position in D-mark bonds maintained

Ample liquidity and historically low interest rates produced record results in the international bond markets in 1996. In the DM segment, a total of DM262bn was placed, roughly 45% more than in the previous year. Participating in 107 issues amounting to altogether DM30bn, Commerzbank once again claimed a leading position.

We were especially active once again in the still developing market for jumbo mortgage bonds, in which after one and a half years roughly DM130bn of paper is outstanding. Our leading position in this segment was confirmed by the successful launch of the first global mortgage bond for Rheinhyp. Issues by borrowers in emerging markets offering above-average yields provided a second focal point. There is lively demand for such paper from our retail customers in particular. In this connection, we brought to the market DM offerings by Brazilian and Turkish borrowers, which were well received.

Our efforts in previous years to build up a stronger position in foreign currencies bore fruit in 1996. We acted as lead manager for six US dollar bonds and were involved as co-managers in a further 92 issues. We were also active in launching sterling and French franc issues. By lead-managing seven Czech koruna offerings, we asserted our leading position in that segment. This was thanks not least to WoodCommerz, a joint venture by Commerzbank and Wood & Co., the prominent Prague stockbroker in which we hold a 25% interest. Our cooperation ensures that we have a significant involvement in the dynamically expanding securities markets of Central and Eastern Europe. We have also acquired a majority interest in a successful financial consultancy firm in Budapest, since renamed EurocorpCommerz.

Investment banking in America and Japan

The environment in which our investment banking units had to operate in 1996 was extremely uneven. Commerzbank Capital Markets Corporation in New York, for example, benefited from the excellent form of the US financial markets, enabling it to achieve a new all-time high in commission-earning transactions in equities. CCMC is currently applying for a licence as a primary dealer in US government bonds.

In the face of adverse conditions, Commerz Securities (Japan) in Tokyo performed well, even managing to raise considerably its earnings from securities transactions. ComSec took part in four bond issues in the domestic Japanese market and thirteen new Eurobonds. Its capital has been increased by DM100m to enable it to explore further business opportunities.

Unabating expansion in asset management

The banking department Asset Management, which draws together Commerzbank's worldwide activities in this area for private and institutional investors, registered strong expansion in 1996 as well. Earnings performance improved once again. The assets under management expanded by 12.4% to over DM120bn – not only due to the large increases in equity prices, but also because of the palette of innovative products. For instance, we introduced several guaranteed funds, providing the market in this segment with a fresh boost, and also a high-yield fund which met with an excellent reception.

From the organizational angle, 1996 saw the further integration of our national and international activities. In the meantime, Commerzbank actively conducts asset management in 13 countries with 24 operative units.

Allgemeine Deutsche Investment Gesellschaft mbH (ADIG) and ADIG Investment Luxembourg S.A. (A.L.S.A.), in which Commerzbank holds a sizeable stake, registered satisfactory performance in 1996. The two companies were managing assets of around DM46bn at year-end. In an extension of its non-German operations, ADIG launched a joint venture with Poland's Bank Rozwoju Eksportu (BRE), in which Commerzbank holds an interest.

Our second domestic pillar, Commerzbank Investment Management GmbH, increased its fund volume by more than 30% to DM26.5bn. All told, Commerzinvest, "the capital investment company with by far the strongest quality profile of all competitors" (Greenwich), was managing 263 special funds for institutional investors at year-end.

Last year, Commerz International Capital Management GmbH (CICM) prepared the ground for it to present itself as an innovative asset manager for institutional clients in all the important markets.

Our UK subsidiary, Jupiter International Group PLC, which we acquired in 1995, managed a strong 55% increase in its results last year. The very good performance of Jupiter's funds won several awards.

The volume of assets managed by our French asset management arm, Caisse Centrale de Réescompte (CCR), exceeded the DM10bn mark for the first time in 1996. CCR was able to secure its position as a leading manager of money-market funds in all the major currencies. Its net result was 11% higher.

Commerzbank (Switzerland) Ltd, based in Zurich with a branch in Geneva, is active as a specialist institution in portfolio management and investment advice. Above all in its net commission income and trading result, the bank improved once again upon its good year-earlier figures. The 21% higher net income for the year will be used to strengthen the bank's reserves.

Our joint venture with Banco Central Hispanoamericano, Hispano Commerzbank (Gibral-

tar) Ltd., is primarily engaged in international private banking. It increased the volume of the funds deposited with it by more than 45% in 1996.

Corporate finance becomes more international

In the area of corporate finance, we have set ourselves the goals of steadily refining our range of services as regards the raising of equity capital and special financings, and of making our activities even more international. We acted as lead manager for 47 international syndicated loans; increasingly, German borrowers are also turning to this source of funding.

In Germany, the stock market was dominated by the launch of the Telekom share. Thanks to intensive marketing efforts, we attained an excellent result as regards subscriptions, placing over 38 million equities. At the same time, we arranged for a number of companies either to go public or to effect capital increases; in six cases, we served as lead manager.

Our project finance team also reinforced its position as a source of advice and financing. Its most important projects continue to be industrial plant, power stations, telecommunications and traffic infrastructure measures.

Demand for medium and long-term export finance, as well as aircraft and ship financing, was persistently buoyant. Complex financing packages combining various supplier countries, sources of funds and cover instruments (multi-sourcing) are becoming increasingly important.



European Project Finance Arranger of the Year 1996

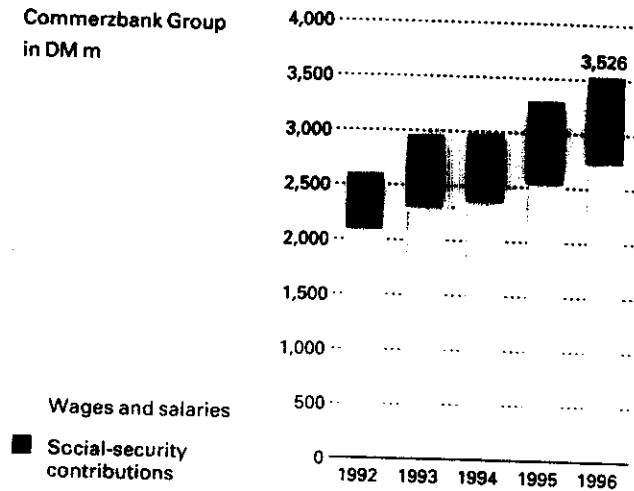
Commerzbank Project Finance

FOR THE SPECIALISTS at Commerzbank, one of Germany's premier banks, project finance means much more than just providing loans. We are therefore proud to have been named European Project Finance Arranger of the Year 1996 by *Project Finance International Magazine* following mainly our successful closing of both the DM 1,900 million Midal/Stegal gas pipeline project in Germany and the ECU 204 million M5 motorway project in Hungary which involved complex structures.

For over 20 years project finance special-

Financial Times,
19.3.1996

Commerzbank Group
in DM m



The Commerzbank Group's total workforce contracted slightly in 1996; calculated in terms of full-time staff, there was a 1% decline to 29,334 compared with end-1995. Further rationalization of our work patterns led to a reduction in the number of jobs, especially in the domestic branch network. By contrast, we have created new positions in such profitable and future-oriented sections as investment banking and information technology.

Leaner administration and new salary models

To reinforce the contribution of our managerial staff, we are increasingly delegating more responsibility for personnel matters to the branch level. In this way, we are ensuring that the responsibility for costs lies with those who cause them and, at the same time, that the power to take personnel decisions reflects the actual responsibility that is borne. We also believe that this will lead to an improvement in the quality of management. This transfer of responsibility is enabling us to concentrate the 20 existing personnel departments in the main branches and at head office into six centres for personnel matters. At the administrative level in particular, we are thus tapping rationalization potential.

What is more, beginning at the branch level, we are gearing the variable remuneration – i.e. the annual bonus payments – of our employees far more strongly to the results which they achieve and to the efforts which they invest. Last year, an agreement was reached with the employee representatives for assessing performance, which focuses on evaluating the performance of employees in a transparent and objective manner.

Development of managerial staff

Wherever possible, we fill management positions from within the Bank. Participants in our management circles gain qualifications in seminars, work in projects on topics relevant to the Bank, present papers and take part in colloquia, management workshops and management business games. In this way, we ensure a high level of management quality and are creating a management culture that is specific to Commerzbank.

Staff taking up their first managerial post who wish to join management circle C are subjected to an intensive selection procedure, where they demonstrate their managerial potential as well as their service and sales orientation.

We have developed new junior executive programmes for the areas of trading and asset management. Internal and external applicants take part in a selection procedure specially designed for the relevant function. They are subsequently prepared individually for their new position. In personnel terms, therefore, the Bank has set the scene for successful expansion in investment banking.

Permanent staff of the Commerzbank Group

– calculated on a full-time basis –	end-1995	end-1996	Change in %
Domestic branches	17,651	17,464	- 1.1
Foreign branches	1,177	1,255	+ 6.6
Staff, business and service departments	4,406	4,399	- 0.2
Domestic subsidiaries	1,595	1,823	+ 14.3
Foreign subsidiaries	997	1,052	+ 5.5
Total permanent staff	25,826	25,993	+ 0.6

	1995	1996	Change in %
Total staff (Group)¹⁾	29,615	29,334	- 1.0
Permanent staff (Group)²⁾	25,826	25,993	+0.6
Total staff (Parent Bank)¹⁾	26,893	26,327	- 2.1
– incl.: based abroad	1,255	1,374	+9.5
– incl.: apprentices	1,822	1,681	- 7.7
Permanent staff (Parent Bank)²⁾	23,234	23,118	- 0.5
Ratio of apprentices to permanent staff³⁾	6.8%	6.5%	
Years of service			
– more than 10	43.8%	46.3%	
– more than 20	20.6%	20.9%	
Staff turnover⁴⁾	3.9%	4.1%	
Total pensioners and surviving dependents	7,660	8,161	+3.8
– incl.: those retiring during the year	393	383	- 2.5
Total entering early retirement during the year	320	316	- 1.3

¹⁾ Full-time staff; ²⁾ incl. cleaning and kitchen personnel, excluding staff on maternity leave and long-term sick; ³⁾ annual average; ⁴⁾ due to staff giving notice.

“Women in modern banking”

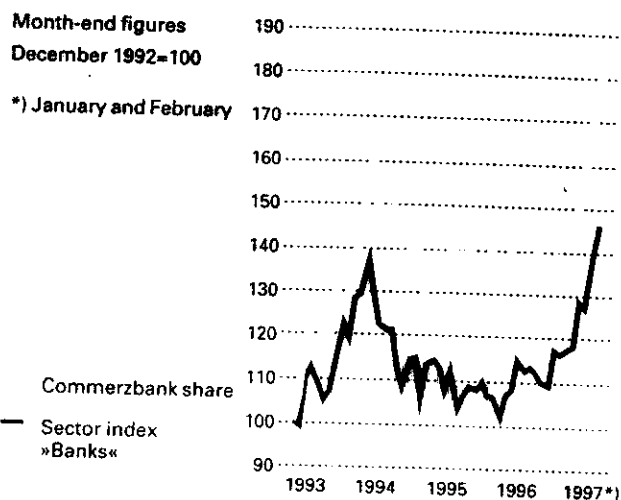
Last November, Commerzbank received the “Cosmo Award”, which the periodical *Cosmopolitan* presents to Germany's most family-minded company. At the end of January 1997, the Bank became one of the first recipients of the Total E Quality rating. This award is presented to companies that voluntarily and systematically introduce long-term measures designed to achieve equal opportunity. Presentation of the award is sponsored by the German Federal Ministry of Education, Science, Research and Technology and also by the European Commission.

Despite several difficulties, we managed to conclude a number of agreements with the employee representatives which should prove significant in the future. It became clear in the case of sick pay in particular that more constructive cooperation is being required of all those who are active in the company. We will tackle the challenges of the future together in an atmosphere of frank discussion.

We should like to thank our staff, all the employee representatives and the senior staff spokesmen's committee for the efforts they put in last year and for their high degree of commitment. Our thanks are also extended to all those employees who retired last year.

Cooperation with employee representatives

Ever greater and more rapid changes in the market, in technology, in the preferences of our customers and their impact on our staff were reflected in the cooperation with employee representatives and the senior staff spokesmen's committee.



Transparency and openness are the hallmarks of our corporate communication. Among other things, we seek in this way to stabilize and enlarge our circle of shareholders. For some years now, we have made public our strategic business-policy targets. In 1996, we came much closer to achieving them; some of them in fact were attained.

We intend to make the Group even more profitable by carefully assigning equity capital to individual business segments. While we primarily see growth opportunities in international business, corporate and retail customer business in Germany also offers great earnings potential.

Shareholders benefit from strengthening of reserves

We propose to the Annual General Meeting that a dividend of DM1.35 per DM5 share be paid with respect to the 1996 financial year. Commerzbank's dividend yield of 4.9% (end-1996, including tax credit) is thus the highest of the banks represented in the DAX. All told, a net amount of DM540m is to be distributed, which is double the 1992 figure.

Our proposed distribution achieves a fair balance between shareholders' interest in a regular return on their capital and the need to build up the Bank's reserves. Our goal in the future must be to concentrate even more on financing organic growth from the means which we have available.

Sharp rise in turnover of Commerzbank shares

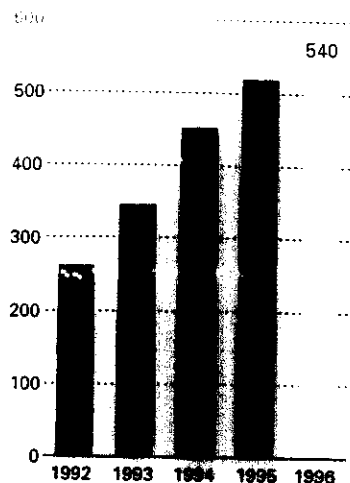
The Commerzbank share is listed on all eight German stock exchanges. Ranking eleventh in 1996 with a turnover of DM62.2bn, it is

one of the most liquid equities, accounting for 2.6% of total bourse turnover. At the same time, high turnover was registered for it last year in the IBIS electronic trading system and in options trading on Deutsche Terminbörse. Apart from its domestic listing, the Commerzbank share is quoted in eleven other countries, including in the United States in the form of American depositary receipts (ADR's).

A survey of our shareholder structure carried out at the start of 1997 reveals that the Commerzbank share is one of the most widely dispersed German equities. The number of our shareholders has risen to roughly 225,000. However, as far as we can judge, the change in the nominal value of our share from DM50 to DM5 on October 1, 1996, has not led to stronger involvement on the part of private investors. About 40% of the Bank's total subscribed capital of DM2,001m is held by non-residents. The large percentage share of foreign investors probably explains the traditionally low representation of the voting share capital at our AGMs (44.35% last year). We aim to boost this figure by taking up direct contact with investment fund companies.

Total amount of dividend paid more than doubled in five years

Commerzbank Group in DM m



Price performance very dynamic in second half of year

In the first half of 1996, our share lagged behind the average for both the market as a whole and the banking industry itself. In the second half, though, the Commerzbank share was one of the DAX's ten best performers. All in all, it increased in value by 20.4% last year, while the index for banking shares climbed by 16.9% (CDAX-Credit banks).

Rising by another 11.3%, our share continued on its upward trend in the first two months of 1997. This reflects not merely the general interest of investors in German equities, but also the expectation that Commerzbank improved its earnings performance considerably in 1996,

got off to a successful start to the current year and has good growth prospects over the long term as well.

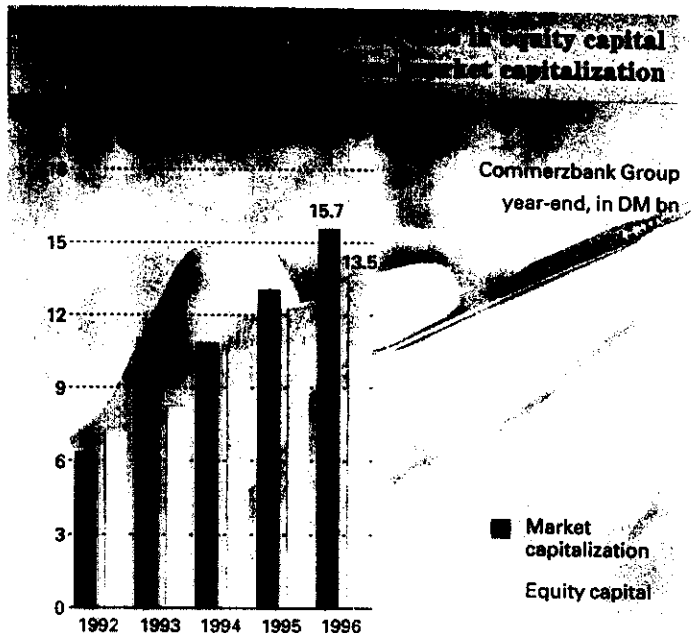
Investor relations activities stepped up with institutional and private investors

Our transparent and open approach enables investors to form a clear impression of our strategy and our figures.

Last year, we successfully pursued the target of our investor relations activities, which is to make institutional investors more familiar with the Commerzbank share and to increase their confidence in our corporate policy. In this connection, we stepped up our efforts to reach new circles of investors in Asia and North America.

We followed up the publication of our annual and interim reports with regular presentations for analysts and fund managers at home and abroad. At the same time, we elucidated our strategy and commented on business and earnings performance in many individual conversations.

Our investor relations department is also at the disposal of private investors. At two shareholder fairs, we presented the Commerzbank share as an attractive investment.



During the current year, we intend to intensify our efforts to make the Commerzbank share more familiar, particularly outside Germany. We want to use the international expansion of the Commerzbank Group's business activities as a basis for creating even more efficient contacts with our present and future shareholders.

Key Commerzbank dates in 1997/98

May 30, 1997, 10.30 a.m.	AGM, Jahrhunderthalle Frankfurt am Main-Höchst
June 2, 1997	Dividend payment
End-July/early August 1997	Interim report as of June 30, 1997
November 6, 1997	Interim report as of September 30, 1997
May 29, 1998	AGM, Jahrhunderthalle Frankfurt am Main-Höchst

**Business progress of
Commerzbank Group 1968 - 1996**

	Business volume	Total lending	Customers' deposits	Taxes paid	Allocation to reserves from profit	Equity capital	Supple- mentary capital	Staff ¹⁾	Offices
	DM bn	DM bn	DM bn	DM m	DM m	DM m	DM m		
1968	16.7	10.6	12.9	64.9	31.5	676	-	14,689	691
1973	40.0	26.4	21.7	76.7	18.0	1,284	-	18,187	826
1978	88.6	57.6	39.2	247.3	99.5	2,370	-	20,982	875
1984	125.0	90.3	51.9	275.4	152.3	3,143	-	22,801	882
1985	139.6	94.4	54.8	321.6	175.0	3,435	425	24,154	882
1986	150.7	102.7	59.2	330.6	156.9	4,483	425	25,653	881
1987	163.9	109.0	65.6	328.5	175.6	4,653	425	26,640	882
1988	182.4	120.6	73.9	376.3	235.0	5,222	425	27,320	888
1989	193.8	126.5	85.0	493.7	281.0	5,867	705	27,631	897
1990	217.9	146.5	98.7	482.5	219.8	6,371	1,205	27,275	956
1991	229.0	157.9	111.8	541.0	234.9	6,689	1,704	28,226	973
1992	235.4	166.3	120.4	554.2	408.7	7,197	6,239	28,722	998
1993	287.8	181.3	133.3	607.9	281.5	8,273	7,764	28,241	1,006
1994	344.5	220.4	134.6	654.3	600.0	10,534	8,278	28,706	1,027
1995	407.0	260.3	143.2	214.0	400.0	12,316	8,891	29,615	1,060
1996	451.0	309.5	161.9	581.0	650.0	13,513	9,991	29,334	1,045

**Business progress of
Parent Bank 1952 - 1996***

	Business volume	Total lending	Customers' deposits	Annual dividend	Total amount of dividend paid	Staff ¹⁾	Branches
	DM bn	DM bn	DM bn	DM per share ²⁾	DM m		
1952	2.3	1.3	1.6	-	-	4,812	108
1955	4.2	3.0	3.0	0.50	8.1	7,160	149
1960	7.0	4.5	5.8	0.80	28.8	9,465	266
1965	10.6	6.9	8.9	0.80	36.0	11,402	436
1970	20.2	13.8	14.7	0.85	59.5	15,441	719
1975	38.8	22.3	25.1	0.90	95.5	17,328	782
1980	66.9	45.5	36.5	-	-	19,023	805
1985	84.8	50.3	50.6	0.80	142.0	21,204	793
1986	93.2	55.1	53.9	0.90	186.8	22,539	792
1987	103.1	58.4	60.1	0.90	187.2	23,324	793
1988	117.1	67.9	68.7	0.90	203.5	23,793	795
1989	127.2	72.6	77.4	0.90	225.5	24,067	802
1990	147.3	84.2	87.5	1.00	257.3	24,362	849
1991	155.1	96.5	100.1	1.00	258.2	25,044	859
1992	176.5	111.5	108.2	1.00	262.0	27,017	946
1993	202.7	113.0	117.9	1.20	345.8	26,251	947
1994	241.2	129.6	114.6	1.20 + 0.15	452.1	26,641	964
1995	266.1	150.7	117.9	1.35	519.8	26,893	981
1996	283.9	173.6	131.9	1.35	540.3	26,327	964

*1) as from 1992 following new accounting principles;

1) as from 1990 based on new definition and calculated as full-time staff;

2) re-calculated on basis of DM5 nominal share.

**Consolidated
balance sheet as of
December 31, 1996**

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**Consolidated profit
and loss account**

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Consolidated balance sheet

Consolidated balance sheet as of December 31, 1996

Assets (in DM m)	Dec. 31, 1995		
Cash reserve			
a) cash on hand		1,391	1,284
b) balances with central banks		6,566	4,973
including: with Deutsche Bundesbank	6,454		
c) balances on postal giro accounts		0	1
		7,957	6,258
Debt issued by public-sector borrowers, and bills of exchange rediscountable at central banks			
a) treasury bills and discountable treasury notes, as well as similar debt issues by public-sector borrowers including: rediscountable at Deutsche Bundesbank	5	998	878
b) bills of exchange		1,545	1,849
including: rediscountable at Deutsche Bundesbank	1,519		2,727
		2,543	2,727
Claims on banks			
a) payable on demand		11,066	6,816
b) other claims		80,858	98,249
		91,924	105,065
Claims on customers			
including: secured by mortgages on real estate communal loans	55,618 67,453		267,686 224,008
Bonds and other fixed-income securities			
a) money-market instruments			
aa) issued by public-sector borrowers		101	
ab) issued by other borrowers		4,051	4,936
b) bonds and notes			
ba) issued by public-sector borrowers		17,836	
bb) issued by other borrowers		23,341	35,625
including: eligible as collateral for Deutsche Bundesbank advances	18,062	41,177	
c) bonds and notes issued by Commerzbank Group nominal amount DM8,662m		8,823	6,613
		54,152	47,174
Shares and other variable-yield securities		8,633	7,433
Investments			
including: in banks	601		2,152 1,954
Investments in associated companies			916 656
Holdings in affiliated companies			33 22
including: in banks	0		
Assets held on a trust basis			699 801
including: held at third-party risk	698		
Recovery claims on federal and Länder authorities under post-war currency reform acts including bonds in exchange for the former			192 197
Intangible assets			13 8
Fixed assets			3,152 2,908
Other assets			5,752 3,312
Deferred items			
a) unamortized debt discount (difference in accordance with Section 250 (3) of the German Commercial Code - HGB)		625	537
b) other		1,574	1,007
		2,199	1,644
Total Assets		448,003	404,167

Liabilities and Shareholders' Equity (in DM m)
Dec. 31, 1995

Liabilities to banks			
a) payable on demand		21,477	16,422
b) with agreed periods or periods of notice		<u>78,524</u>	<u>93,029</u>
			100,001
Liabilities to customers			
a) savings deposits			
aa) with agreed period of notice of three months	18,329		
ab) with agreed period of notice of more than three months	<u>5,159</u>	23,488	22,667
b) other liabilities			
ba) payable on demand	41,592		
bb) with agreed periods or periods of notice	<u>96,783</u>	<u>138,375</u>	<u>120,502</u>
			161,863
Securitized liabilities			
a) bonds and notes issued		120,219	92,348
b) other securitized liabilities		<u>29,736</u>	<u>27,893</u>
			149,955
including: ba) money-market instruments	28,136		
bb) own acceptances and promissory notes outstanding	<u>1,600</u>		<u>120,241</u>
			699
Liabilities on a trust basis			
including: loans at third-party risk	698		801
Other liabilities			
			4,817
Deferred items			
a) difference arising from consolidation in accordance with Section 340e (2) of the German Commercial Code – HGB			
b) other		837	835
		<u>1,329</u>	<u>1,226</u>
			2,166
Provisions			
a) provisions for pensions and similar commitments		1,888	1,794
b) provisions for taxation		495	772
c) other provisions		<u>2,467</u>	<u>1,795</u>
			4,850
Special items with partial reserve character			
b) in accordance with Section 6b, German Income Tax Act – EStG			121
			122
Foundations			
			27
Subordinated liabilities			
Profit-sharing certificates outstanding		6,174	5,088
including: maturing in less than two years			3,817
			3,803
Capital and reserves			
a) subscribed capital			
unissued conditional capital (DM379m (31.12.1994) DM402m)		2,001	1,925
b) capital reserve			
c) revenue reserves		6,348	6,017
ca) legal reserve			
cd) other revenue reserves	6		6
	<u>4,000</u>		<u>3,509</u>
d) minority interests		4,006	
e) consolidated profit		618	339
		<u>540</u>	<u>520</u>
			13,513
			<u>12,316</u>
Total Liabilities and Shareholders' Equity		448,003	404,167
Contingent liabilities			
a) contingent liabilities from rediscounted bills of exchange credited to borrowers		2,970	2,863
b) liabilities from guarantees and indemnity agreements		<u>35,866</u>	<u>29,776</u>
Other commitments			
b) placing and underwriting commitments		343	723
c) irrevocable lending commitments		56,919	44,981

Consolidated profit and loss account

Consolidated profit and loss account for the period from January 1 to December 31, 1996

in DM m		1995	
Interest income from			
a) lending and money-market transactions	23,143		21,755
b) fixed-income securities and government-inscribed debt	<u>2,668</u>		<u>2,068</u>
	25,811		23,823
	<u>-20,279</u>		<u>-18,980</u>
Interest paid		5,532	4,843
Current income from			
a) shares and other variable-yield securities		202	146
b) investments (subsidiaries, associated companies, and trade investments)		133	124
c) holdings in affiliated companies		0	35
d) investments in associated companies		<u>72</u>	<u>29</u>
		407	334
Income from profit-pooling and from partial or full profit-transfer agreements		0	3
Commissions received		2,521	2,055
Commissions paid		<u>-235</u>	<u>-133</u>
		2,286	1,922
Net income from financial transactions		450	455
Other operating income		501	407
Income from the writing-back of special items with partial reserve character		1	—
General operating expenses			
a) personnel expenses			
aa) wages and salaries	-2,738		
ab) compulsory social-security contributions, expenses for pensions and other employee benefits	<u>-788</u>	-3,526	-3,286
of which: for pensions	-341		
b) other administrative expenses		<u>-1,667</u>	<u>-1,613</u>
		-5,193	-4,899
Depreciation on and value adjustments to intangible and fixed assets		-469	-522
Other operating expenses		-439	-207
Write-downs of and value adjustments to claims and certain securities, and additions to provisions for possible loan losses		-2,875	-2,758
Income from write-ups to claims and certain securities, and also from the writing-back of provisions for possible loan losses		1,659	1,872
Write-downs of and value adjustments to investments, holdings in affiliated companies and securities treated as fixed assets		-64	-55
Income from additions to investments, holdings in affiliated companies and securities treated as fixed assets		8	2
Charges for losses assumed under profit-and-loss transfer agreements		0	-4
Allocations to special items with partial reserve character		—	-1
Result arising from normal business activity		1,804	1,392
Extraordinary income		—	—
Extraordinary expenses		<u>-9</u>	<u>-199</u>
Extraordinary result		-9	-199
Taxes on income		-479	-120
Other taxes unless already shown under "Other operating expenses"		<u>-102</u>	<u>-94</u>
		-581	-214
Net income for the year		1,214	979
Allocations to revenue reserves			
d) to other revenue reserves		-650	-400
Profit attributable to minority interests		-62	-59
Loss attributable to minority interests		38	0
Distributable profit		540	520

**Balance sheet
(Parent Bank)
as of December 31, 1996**

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**Profit and loss account
(Parent Bank)**

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Parent Bank's balance sheet

Parent Bank's balance sheet as of December 31, 1996

Assets (in DM m)	Dec. 31, 1995		
Cash reserve			
a) cash on hand		1,377	1,272
b) balances with central banks		<u>6,484</u>	<u>4,846</u>
including: with Deutsche Bundesbank	6,407		7,861
			<u>6,118</u>
Debt issued by public-sector borrowers, and bills of exchange rediscountable at central banks			
a) treasury bills and discountable treasury notes, as well as similar debt issues by public-sector borrowers including: rediscountable at Deutsche Bundesbank	5	798	716
b) bills of exchange		<u>1,541</u>	<u>1,848</u>
including: rediscountable at Deutsche Bundesbank	1,516		2,339
			<u>2,564</u>
Claims on banks			
a) payable on demand		16,228	7,632
b) other claims		<u>45,934</u>	<u>65,573</u>
			62,162
			<u>73,205</u>
Claims on customers			
including: secured by mortgages on real estate communal loans	23,762 7,858		160,128
			137,529
Bonds and other fixed-income securities			
a) money-market instruments			
aa) issued by public-sector borrowers		52	
ab) issued by other borrowers		<u>954</u>	850
b) bonds and notes		1,006	
ba) issued by public-sector borrowers		12,881	
bb) issued by other borrowers		<u>20,375</u>	26,582
including: eligible as collateral for Deutsche Bundesbank advances	16,211	33,256	
c) bonds and notes issued by Commerzbank nominal amount DM49m		<u>52</u>	40
			34,314
			<u>27,472</u>
Shares and other variable-yield securities			
Subsidiaries, associated companies, and trade investments (investments)			
including: investments in banks	548		2,015
Holdings in affiliated companies			
including: in banks	3,401		4,012
Assets held on a trust basis			
including: loans at third-party risk	103		103
Recovery claims on federal and Länder authorities under post-war currency reform acts including bonds in exchange for the former			172
			177
Fixed assets			1,832
			<u>1,736</u>
Other assets			2,204
			<u>2,876</u>
Deferred items			
a) difference arising from consolidation in accordance with Section 250 (3) of the German Commercial Code – HGB		272	352
b) other		<u>433</u>	<u>314</u>
			705
			<u>666</u>
Total Assets			280,960
			263,234

Liabilities and Shareholders' Equity (in DM m)
Dec. 31, 1995
Liabilities to banks

a) payable on demand		18,987		14,447
b) with agreed periods or periods of notice		<u>68,243</u>		<u>78,657</u>
			87,230	<u>93,104</u>

Liabilities to customers

a) savings deposits				
aa) with agreed period of notice of three months	18,246			
ab) with agreed period of notice of more than three months	<u>2,620</u>	20,866		20,130
b) other liabilities				
ba) payable on demand	39,351			
bb) with agreed periods or periods of notice	<u>71,669</u>	<u>111,020</u>		<u>97,806</u>
			131,886	<u>117,936</u>

Securitized liabilities

a) bonds and notes issued		12,672		11,427
b) other securitized liabilities		<u>23,470</u>		<u>16,213</u>
			36,142	<u>27,640</u>
including: ba) money-market instruments	21,887			
bb) own acceptances and promissory notes outstanding	1,583			

Liabilities on a trust basis

including: loans at third-party risk	103		103	109
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Other liabilities

			1,686	2,227
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Deferred items

a) difference arising from consolidation in accordance with Section 340e (2) of the German Commercial Code – HGB		665		680
b) other		<u>221</u>		<u>148</u>
			886	<u>828</u>

Provisions

a) provisions for pensions and similar commitments		1,752		1,666
b) provisions for taxation		158		556
c) other provisions		<u>1,455</u>		<u>1,227</u>
			3,365	<u>3,449</u>

Special items with partial reserve character in accordance with Section 6b, German Income Tax Act – EStG

			120	120
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Commerzbank Foundation

			22	22
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Subordinated liabilities

			4,954	3,875
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Profit sharing certificates outstanding

including maturing in less than two years			3,242	3,228
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Capital and reserves

a) subscribed capital		2,001		1,925
unissued conditional capital DM379m (31.12.1995: DM402m)				
b) capital reserve		6,348		6,017
c) revenue reserves				
ca) legal reserve	6			6
cd) other revenue reserves	<u>2,429</u>			<u>2,228</u>
		2,435		
d) distributable profit		<u>540</u>		<u>520</u>
			11,324	<u>10,696</u>

Total Liabilities and Shareholders' Equity
280,960 263,234
Contingent liabilities

a) contingent liabilities from rediscounted bills of exchange credited to borrowers			2,964	2,860
b) liabilities from guarantees and indemnity agreements			35,846	25,006

Other commitments

c) irrevocable lending commitments			46,379	37,179
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Parent Bank's profit and loss account

Parent Bank's profit and loss account for the period from January 1 to December 31, 1996

in DM m		1995	
Interest income from			
a) lending and money-market transactions	13,254		13,302
b) fixed-income securities and government-inscribed debt	<u>1,469</u>		<u>1,263</u>
Interest paid		14,723	14,565
		<u>-10,469</u>	<u>-10,813</u>
		4,254	3,752
Current income from			
a) shares and other variable-yield securities	135		101
b) investments (subsidiaries, associated companies, and trade investments)	160		97
c) holdings in affiliated companies	<u>588</u>		<u>515</u>
		863	713
Income from profit-pooling and from partial or full profit-transfer agreements			
		37	30
Commissions received		1,986	1,708
Commissions paid		<u>-80</u>	<u>-73</u>
		1,906	1,635
Net income from financial transactions			
		195	206
Other operating income			
		141	187
General operating expenses			
a) personnel expenses			
aa) wages and salaries	-2,354		-2,236
ab) compulsory social-security contributions, expenses for pensions and other employee benefits	<u>-704</u>		<u>-674</u>
of which: for pensions	-311	-3,058	-2,910
b) other administrative expenses		<u>-1,480</u>	<u>-1,443</u>
		-4,538	-4,353
Depreciation on and value adjustments to intangible and fixed assets			
		-372	-337
Other operating expenses			
		-79	-70
Write-downs of and value adjustments to claims and certain securities, and additions to provisions for possible loan losses			
		-2,500	-2,343
Income from write-ups to claims and certain securities, and also from the writing-back of provisions for possible loan losses			
		<u>1,326</u>	<u>1,453</u>
		-1,174	-890
Write-downs of and value adjustments to investments, holdings in affiliated companies and securities treated as fixed assets			
		-93	-51
Income from additions to investments, holdings in affiliated companies and securities treated as fixed assets			
		<u>3</u>	<u>—</u>
		-90	-51
Charges for losses assumed under profit-and-loss transfer agreements			
		-53	-48
Result arising from normal business activity		1,050	774
Extraordinary income			
Extraordinary expenses			
Extraordinary result			<u>-99</u>
Taxes on income			<u>-99</u>
Other taxes unless already shown under "Other operating expenses"			
		-293	—
		<u>-57</u>	<u>-55</u>
Net income for the year		-350	55
Allocations to revenue reserves		740	620
d) to other revenue reserves		-200	-100
Distributable profit		540	520

Accounting and valuation methods

The annual accounts and financial statement for both the Commerzbank Group and the Parent Bank are drawn up in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG) and also in accordance with the regulation for the presentation of the annual accounts of German banks.

Fixed assets are capitalized at cost and depreciated to reflect their probable useful economic lives. In this connection, we consult the depreciation-rate tables published by the fiscal authorities. Extraordinary depreciation and write-offs are effected in the case of permanent declines in the economic usefulness of fixed assets. Minor-value items are written off immediately in the year of purchase. Special depreciation allowances and higher depreciations permissible under tax legislation are included in the legally prescribed financial statements; their influence on the overall result is insignificant.

The lower-of-cost-or-market principle is applied strictly in valuing claims and securities classified as current assets, whereby claims appear at their face value pursuant to Section 340e of the German Commercial Code. The difference between the amount actually paid out and the face value is shown as a deferred item. We fully provide for the particular risks associated with banking business by making both individual and global value adjustments and by forming loan-loss reserves pursuant to Section 340f of the German Commercial Code.

Liabilities are shown in the balance sheet at the respective amounts to be repaid. The difference between the nominal value and the issue price of liabilities is shown under Deferred items. For uncertain liabilities, provisions are made to cover the expected amount. Provisions for pension commitments are formed on the scale permitted under Section 6a of the German Income Tax Act (EStG) and comparable regulations abroad.

When providing for possible risks, we have not made use of the possibility of setting off all expense and income items against one another (cross-compensation) pursuant to Section 340f of the German Commercial Code. All the realized expenses and income from claims and securities held for liquidity purposes, write-downs and write-ups on claims, write-downs on securities held for liquidity purposes, as well as expenses and income from the formation and writing-back of provisions for possible loan losses, are shown as gross amounts.

As a matter of principle, financial derivatives (swaps, forward rate agreements, financial futures and options) are valued individually at their market price, in accordance with both the realization and the imparity principle. To the extent permitted, separate groups of valuation items are formed in order to cover balance-sheet items and expenses and income, as well as in the Bank's own-account trading activities.

For a calculation of the Bank's own-account trading results, we set off the results of the valuation of each underlying risk in previously defined and documented portfolios against each other. The principle on which such offsetting is based is that risks from individual transactions are covered by corresponding hedging transactions. In accordance with the imparity principle, a positive balance is not taken into account, while a provision is formed for a negative balance.

The net result for investments also includes the realized gains or losses deriving from the disposal of investments. In the case of this item, expenses and income, and also the comparable year-ago figures, are shown as gross amounts.

Items in the balance sheet and the profit and loss account which are denominated in foreign currencies, as well as pending spot foreign-exchange transactions, are translated at the spot rate; pending forward foreign-exchange transactions are translated

Notes on the Bank's Annual Accounts

at the forward rate on the balance-sheet date into the respective currency used for accounting purposes. Currency translations for investments and holdings denominated in foreign currencies and interests in affiliated companies are effected at the rate prevailing on the date of purchase. Insofar as the annual accounts of our units abroad are drawn up in foreign currencies, they are translated into D-marks at the spot rate of the balance-sheet date.

Differences arising from currency translation appear in the profit and loss account, with both the lower-of-cost-or-market principle and the imparity principle being applied. This has the following consequences:

The gains and losses deriving from the translation of balance-sheet items are shown in the profit and loss account. The differences in interest rates between currencies resulting from the hedging of balance-sheet items are recognized on a pro-rata basis under net interest income. Hedged expense and income items are translated at the contractual forward rate.

Pursuant to Section 340h (2), of the German Commercial Code, gains and losses resulting from the valuation of individual items in authentic currency futures and currency options trading appear in the profit and loss account, insofar as the foreign-exchange transactions have been specifically covered by offsetting transactions and the overall position is closed. In accordance with the imparity principle, gains registered for open positions are not recognized. In view of the high turnover rate for the Bank's foreign-currency holdings, open positions arise very close to the balance-sheet date. The valuation of these open positions is not included in the results.

In swap arbitrage, the income and expenses arising from swaps are recognized on a pro-rata basis, residual amounts being valued for each foreign currency. Provisions are formed for any net expenses which emerge, while net income items are not taken into account. Spot-rate differences as well as

swap-related accruals and deferrals from forward transactions for swap arbitrage purposes are recognized and shown as a net item under Other assets or Other liabilities.

Valuations in connection with pending spot transactions are treated in the same way as the residual amounts deriving from swap arbitrage transactions.

Fully consolidated subsidiaries and those consolidated on a pro-rata basis are included in the Group's annual accounts in accordance with the book-value method, pursuant to Section 301 (1), 1 of the German Commercial Code, using as a basis their valuation at the time they were first consolidated.

Investments in associated companies are included in the Group's annual accounts at their book value in accordance with Section 312 (1), 1 of the German Commercial Code. The valuation of investments and the differences arising from consolidation or goodwill were calculated on the basis of the first consolidation of the companies in question.

Insofar as differences or goodwill cannot be assigned to the value of the assets and debts of consolidated and associated companies, they are charged to Other revenue reserves in the Group's balance sheet or, insofar as they have been classified as retained profits from former years, they are allocated to these reserves.

The assets and debts of the companies included in the consolidation are computed in accordance with the accounting and valuation methods which are valid for the Parent Bank. With regard to associated companies, we have adopted their accounting and valuation procedures in order to calculate the pro-rata share of their equity capital held by Commerzbank.

Intra-Group book gains registered during the 1996 business year have been eliminated. In view of the disproportionately high expense or effort involved, such gains have not been eliminated in the case of own-account trading transactions.

Notes on the Bank's Annual Accounts

Notes on the balance sheet and profit and loss account

Maturity pattern of selected balance-sheet items

in DM m	Group	Parent Bank
Other claims on banks	80,858	45,934
of which: with originally agreed periods of notice or periods of notice of		
less than three months	15,970	11,847
at least three months, but less than four years	40,982	29,351
four years or more	23,906	4,736
Claims on customers	267,686	160,128
of which: with originally agreed periods or periods of notice of		
less than four years	89,442	77,779
four years or more	178,244	82,349
Bonds and notes issued by public-sector borrowers	17,836	12,881
of which: with original periods of		
less than four years	2,737	2,312
four years or more	15,099	10,569
Bonds and notes issued by other borrowers	23,341	20,375
of which: with original periods of		
less than four years	6,070	5,293
four years or more	17,271	15,082
Liabilities to banks with agreed periods or periods of notice	78,524	68,243
of which: with originally agreed periods or periods of notice of		
less than three months	32,492	20,203
at least three months, but less than four years	33,362	25,087
four years or more	12,670	22,953
including: due in less than four years	3,886	12,213
Other liabilities to customers with agreed periods or periods of notice	96,783	71,669
of which: with originally agreed periods or periods of notice of		
less than three months	46,978	42,908
at least three months, but less than four years	18,187	18,498
four years or more	31,618	10,263
including: due in less than four years	12,071	6,558
Securitized liabilities	149,955	36,142
of which: with original periods of		
less than four years	68,594	29,794
four years or more	81,351	6,348
including: due in less than four years	64,399	3,415

The Bank's foreign-currency position

in DM m	Group	Parent Bank
Assets	115,253	85,491
Liabilities	131,652	98,538

Subordinated assets

in DM m	Group	Parent Bank
Other claims on banks	80,858	45,934
including: subordinated items	—	—
Claims on customers	267,686	160,128
including: subordinated items	202	202
Bonds and notes issued by other borrowers	23,341	20,375
including: subordinated items	234	156
Shares and other variable-yield securities	8,633	3,113
including: subordinated items	113	112

Notes on the Bank's Annual Accounts

Financial relations with affiliated companies and other equity investments

in DM m	Group				Parent Bank			
	Affiliated companies	Previous year	Equity invest-ments	Previous year	Affiliated companies	Previous year	Equity invest-ments	Previous year
Claims on banks	—	—	—	63	13,422	7,848	0	63
Claims on customers	58	19	1,283	1,643	4,219	3,629	604	949
Bonds, notes and other fixed-income securities	—	—	43	—	3,679	1,743	—	—
Liabilities to banks	—	—	22	85	17,333	13,610	22	84
Liabilities to customers	29	4	54	24	7,048	7,543	51	13
Subordinated liabilities	—	—	—	—	658	502	—	—

Breakdown by balance-sheet item of trust transactions at third-party risk

in DM m	Group	Parent Bank
Claims on banks	8	8
Claims on customers	690	95
Bonds, notes and other fixed-income securities	—	—
Investments	1	—
Assets on a trust basis at third-party risk	699	103
Liabilities to banks	248	67
Liabilities to customers	451	36
Liabilities on a trust basis at third-party risk	699	103

Other assets

in DM m	Group
Premiums for options, caps, floors and collars	2,533
Deferred items for foreign-currency trading, interest-rate futures and securities transactions	1,206
Claims on tax authorities	758
Leased items	414
Collection items	258
Advance payments	197
Other items	386
Total	5,752

Leasing business (Group)

(as reflected in individual items)

in DM m	
Balance sheet	
Other assets	414
Liabilities to banks	64
Liabilities to customers	2
Profit and loss account	
Other operating expenses	87
Other operating income	122

Other liabilities

in DM m	Group
Premiums for options, caps, floors and collars	2,533
Interest payments for profit-sharing certificates	1,206
Taxes and social-security contributions	758
Advance payments received	414
Deferred item for foreign-currency trading, interest-rate futures and securities transactions	258
Interest payments for subordinated liabilities	197
Other items	386
Total	4,817

Notes on the Bank's Annual Accounts

Changes in book value of fixed assets and investments (Group)

in DM m

	Investments	Investments in associated companies	Investments in affiliated companies	Intangible assets	Fixed assets total	land and buildings for the Bank's own use	including office furniture and equipment
1 Purchase price	2,018	656	22	16	4,025	-	-
2 Additions 1996	397	282	11	8	773	-	-
3 Disposals 1996	127	10	-	-	126	-	-
4 Write-ups 1996	-	-	-	-	-	-	-
5 Total write-downs	136	12	-	11	1,520	-	-
6 Net book value Dec. 31, 1996	2,152	916	33	13	3,152	1,180	1,867
7 Net book value previous year	1,954	656	22	8	2,908	1,000	1,762
8 Write-downs 1996	64	-	-	2	467	-	-
9 Write-downs previous year	55	-	-	2	500	-	-

Changes in book value of fixed assets and investments (Parent Bank)

in DM m

	Investments	Investments in affiliated companies	Fixed assets total	land and buildings for the Bank's own use	including office furniture and equipment
1 Purchase price	1,681	3,852	2,561	-	-
2 Additions 1996	567	227	471	-	-
3 Disposals 1996	104	69	54	-	-
4 Write-ups 1996	3	2	-	-	-
5 Total write-downs	132	-	1,146	-	-
6 Net book value Dec. 31, 1996	2,015	4,012	1,832	71	1,702
7 Net book value previous year	1,623	3,852	1,736	73	1,605
8 Write-downs 1996	94	-	372	-	-
9 Write-downs previous year	51	-	337	-	-

In respect of subsidiaries included in the consolidated annual accounts, Commerzbank AG ensures that – except with regard to political risks – they are able to meet their contractual liabilities.

Notes on the Bank's Annual Accounts

Securities and investments

in DM m

	Bonds, notes and other fixed-income securities	Shares and other variable-yield securities	Investments	Investments in associated companies	Investments in affiliated companies
Group					
Trading and liquidity portfolio	54,152	8,633	2,152	916	33
negotiable on a stock exchange	54,152	6,858	1,006	549	0
listed on a stock exchange	41,477	6,726	646	150	0
of which: trading portfolio	17,915	5,077	—	—	—
negotiable on a stock exchange	17,915	5,054	—	—	—
listed on a stock exchange	16,914	4,950	—	—	—
of which: liquidity portfolio	36,237	3,556	—	—	—
negotiable on a stock exchange	36,237	1,804	—	—	—
listed on a stock exchange	24,563	1,776	—	—	—
Parent Bank					
Trading and liquidity portfolio	34,314	3,113	2,015	—	4,012
negotiable on a stock exchange	34,314	2,002	1,135	—	3,244
listed on a stock exchange	27,360	1,891	314	—	480

On the balance-sheet date, Group assets with a book value of DM4,054m (Parent Bank: DM3,049m) were pledged as collateral under sale and repurchase agreements. Basically

these were genuine sale and repurchase agreements to raise short-term funds with other banks and open-market transactions conducted by the Bundesbank.

Notes on the Bank's Annual Accounts

Other provisions

in DM m	Group
Financial innovations	692
Lending business	509
Personnel expenses	468
Bonus for savings deposits	265
Legal proceedings and claims of recourse	115
Miscellaneous	418
Total	2,467

Commerzbank shares held by the Group

	Number of shares*)	Nominal amount in DM1,000	Percentage of share capital
Total number held at year-end	-	-	-
Highest number bought during business year	2,549,440	12,747	0.64
Commerzbank shares pledged to the Bank by customers, at year-end	190,220	951	0.05
Commerzbank shares bought during business year	45,502,573	227,513	
Commerzbank shares sold during business year	45,502,573	227,513	

*) DM5 nominal.

Purchases and sales, effected at current prices throughout the year, served to ensure orderly market conditions for trading in Commerz-

bank shares. The average buying price was DM34.12, the average resale price DM34.11.

Subordinated liabilities

In the year under review, the Group's interest expenditure totalled DM430m (Parent Bank: DM332m).

winding-up, subordinated liabilities may only be repaid after the claims of all senior creditors have been met. Such liabilities serve to reinforce the Bank's liable equity capital, in accordance with the provisions of the German Banking Act - KWG.

The issuers cannot be obliged to make premature repayment. In the event of bankruptcy or

Convertible bonds and similar securities outstanding

Year of issue	Nominal amount	Issuer	Interest payment	Maturity date	Special terms of issue
1993	DM200m	Commerzbank Overseas Finance N.V.	6.75%	1998	with option rights attached for subscription to Commerzbank AG shares
1995	DM100m	Commerzbank Overseas Finance N.V.	6.75%	2000	with option rights attached for subscription to Commerzbank AG shares

Notes on the Bank's Annual Accounts

Profit-sharing certificates outstanding within the Commerzbank Group

Year of issue	Nominal amount	Issuer	Interest payment	Maturity date	Special terms of issue
1989	DM80m	former Berliner Commerzbank AG	8.00%	1999	
1989	DM200m	RHEINHYP Rheinische Hypotheken- bank AG, Frankfurt	8.00%	1999	RHEINHYP has the right to call on Dec. 31, 1994 at the earliest, giving at least 2 years' notice
1990	DM500m -DM1m (converted 1991) -DM1m (converted 1993) -DM97m (converted 1994) -DM8m (converted 1995) -DM61m (converted 1996) DM332m	Commerzbank AG	6.00%	2000	Additional interest payment linked to dividend, right of conversion into Commerzbank AG shares
1991	DM500m	Commerzbank AG	9.50%	2003	With option rights attached for subscription to Commerzbank shares
1992	DM30m	former Berliner Commerzbank AG	9.25%	2001	
1992	DM500m	Commerzbank AG	9.15%	2004	
1992	DM210m	RHEINHYP Rheinische Hypotheken- bank AG, Frankfurt	9.00%	2004	RHEINHYP has the right to call on Dec. 31, 1997 at the earliest, giving at least 2 years' notice
1992	DM30m	Deutsche Schiffsbank AG, Bremen/Hamburg	10.00%	2004	
1992	DM20m	Hypothekencbank in Essen AG	8.40%	2002	
1992	DM10m	Hypothekenbank in Essen AG	9.15%	2004	
1993	DM800m	Commerzbank AG	7.75%	2005	With option rights attached for subscription to Commerzbank shares
1993	DM30m	Deutsche Schiffsbank AG	10.00%	2007	
1993	DM10m	Hypothekencbank in Essen AG	7.50%	2004	
1993	DM30m	Hypothekenbank in Essen AG	7.00%	2005	
1994	DM500m	Commerzbank AG	8.00%	2006	With option rights attached for subscription to Commerzbank shares
1995	DM10m	Hypothekenbank in Essen AG	7.40%	2005	
1995	DM25m	Hypothekenbank in Essen AG	4.41%	2007	
1996	DM500m	Commerzbank AG	7.90%	2008	

Profit-sharing certificates serve to strengthen the Bank's liable equity capital in accordance with the provisions of the German Banking Act – KWG. They are affected directly by current losses. Interest payments are made solely within

the scope of the existing distributable profit. The claims of holders of profit-sharing certificates to a repayment are subordinate to the claims of other creditors.

Notes on the Bank's Annual Accounts

Subscribed capital

in DM m

As of Dec. 31, 1995	1,925
From 1994's authorized capital increase in an original amount of DM30m (shares for issue to the Bank's staff) 68,301 shares at a price of DM327 per DM50 nominal share	3
From 1988's conditionally authorized capital increase in an original amount of DM125m (convertible profit-sharing certificates) 304,548 shares of DM50 nominal	15
From 1988's conditionally authorized capital increase in an original amount of DM50m (COF profit-sharing certificates with option rights) 996,928 shares of DM50 nominal	50
From 1990's conditionally authorized capital increase in an original amount of DM24m (COF profit-sharing certificates with option rights) 60,000 shares of DM100 nominal	6
From 1992's conditionally authorized capital increase in an original amount of DM80m (profit-sharing certificates with option rights) 32,380 shares of DM50 nominal	2
As of Dec. 31, 1996	2,001
issued as follows:	
193,000 shares of nominal DM 1,000	
380,000 shares of nominal DM 100	
35,398,054 shares of nominal DM 50	
100,000 shares of nominal DM 5	

Warrants on Commerzbank shares

German securities code nr.	Subscription ratio	Option price per share*)	End of option period	Conditional capital increase at issue	Conditional capital increase at end-1996
803 367	2:1	DM300	December 15, 1997	DM80,000,000	DM78,031,550
803 626	2:1	DM340	December 12, 1999	DM75,000,000	DM74,973,250
990 511	1:1	DM350	December 1, 1997	DM6,000,000	DM6,000,000
990 512	1:1	DM360	December 1, 1998	DM6,000,000	DM6,000,000
990 513	1:1	DM370	December 1, 1999	DM6,000,000	DM6,000,000

*) of DM50 nominal.

Convertible profit-sharing certificates

German securities code nr.	Conversion right	Conversion period	Conditional capital increase at issue	Conditional capital increase at end-1996
803 250	One share*) for each DM200 nominal of profit-sharing certificates and additional payment of DM45	From June 15 to December 15 of each business year up to and including 1998	DM125,000,000	DM125,000,000

*) of DM50 nominal.

Authorized capital

Year of AGM resolution	Original amount	Remaining amount	Authoriza- tion expires:	Conditions of issue
1992	DM400m	DM125m	1997	Shareholders' subscription rights may be excluded only for fractional amounts and to offer subscription rights to holders of conversion or option rights.
1994	DM400m	DM400m	1999	Shareholders' subscription rights may be excluded for fractional amounts and to offer subscription rights to holders of conversion or option rights.
1994	DM30m	DM13m	1999	The Board may, with the approval of the Supervisory Board, exclude shareholders' subscription rights for the purpose of issuing shares to the Bank's staff

Notes on the Bank's Annual Accounts

Changes in the Group's reserves

in DM m

	Carried forward on Jan. 1, 1996	Allocation from net income for the year	Allocation during the business year	Other change	As of Dec. 31, 1996
Capital reserve	6,017	–	331	–	6,348
Revenue reserves	3,515	650	–	–159	4,006
Legal reserve	6	–	–	–	6
Other revenue reserves	3,509	650	–	–159	4,000
Total	9,532	650	331	–159	10,354

As a result of the first consolidation of certain subsidiaries, the other changes of DM159m include a difference in amount of DM10m on the assets side and one of DM3m on the liabilities

side. Investments valued at equity for the first time contain a net difference in amount of DM66m on the assets side. Exchange-rate movements produced a decline of DM51m.

Changes in the Parent Bank's reserves

in DM m

	Carried forward on Jan. 1, 1996	Allocation from net income for the year	Allocation during the business year	As of Dec. 31, 1996
Capital reserve	6,017	–	331	6,348
Revenue reserves	2,234	200	–	2,434
Legal reserve	6	–	–	6
Other revenue reserves	2,228	200	–	2,428
Total	8,251	200	331	8,782

Contingent liabilities and other commitments

in DM m

	Group	Parent Bank
Contingent liabilities of exchange	7,970	2,964
Liabilities from indemnity agreements	–	35,846
Credit guarantees	1,484	3,082
Other guarantees	21,436	26,177
Letters of credit	6,711	6,587
Other items	4,015	–
Placement and underwriting commitments	343	–
Revolving underwriting facilities	27	–
Note issuance facilities	20	–
Other items	296	–
(Memo item: contingent liabilities actually drawn upon)	–	–
Irrevocable credit commitments	56,919	46,379
Book credits to customers	45,755	35,971
Book credits to banks	4,025	3,279
Credits by way of guarantee	5,991	5,981
Letters of credit	1,148	1,148

Assets pledged as security for the Bank's own liabilities

in DM m

	Group	Parent Bank
Liabilities to banks	11,209	10,168
Liabilities to customers	3,419	3,419
Securitized liabilities	21	21
Total assets pledged as security	14,649	13,608

Notes on the Bank's Annual Accounts

Geographical breakdown of Group's operating result

in DM m

	Germany	Europe (excluding Germany)	America	Asia	Africa	Intra-Group balances	Total
Interest income ¹⁾	19,519	6,699	2,241	782	78	-3,508	25,811
Current income ²⁾	463	21	15	30	-	-	529
Interest paid ³⁾	14,896	6,235	2,042	646	67	-3,520	20,366
Net interest income	5,086	485	214	166	11	12	5,974
Commissions received	2,135	386	53	45	-	-98	2,521
Commissions paid	273	30	8	3	-	-79	235
Net commission income	1,862	356	45	42	-	-19	2,286
Net income from financial transactions	241	176	27	5	1	-	450
Wages and salaries	2,425	192	70	48	3	-	2,738
Social-security contributions ⁴⁾	732	41	9	6	-	-	788
Other administrative expenses ⁵⁾	1,792	212	71	65	3	-7	2,136
Operating expenses	4,949	445	150	119	6	-7	5,662
Other operating income	314	56	4	5	-	-	379
Other operating expenses	327	16	7	2	-	-	352
Provision for possible loan losses	-1,305	58	42	-8	-3	-	-1,216
Operating result	922	670	175	89	3	-	1,859

¹⁾ from lending and money-market transactions, fixed-income securities and government-inscribed debt; ²⁾ from shares, other variable-yield securities, investments, holdings in affiliated companies (incl. profit-and-loss transfer agreements), leasing business, as well as the result deriving from holdings in associated companies; ³⁾ incl. expenses and normal depreciation in leasing business; ⁴⁾ incl. expenses for pensions and other employee benefits; ⁵⁾ incl. normal depreciation on fixed assets.

Geographical breakdown of Parent Bank's revenues

in DM m

	Germany	Europe (excluding Germany)	America	Asia	Africa	Intra-company balances	Total
Interest income	11,016	2,673	1,076	588	78	402	14,723
Current income from shares and other variable-yield securities, investments, and investments in affiliated companies, as well as income from profit-pooling and full or partial profit-and-loss transfer agreements	887	1	12	-	-	-	900
Commissions received	1,900	44	19	22	1	-	1,986
Net income from financial transactions	118	45	26	5	1	-	195
Other operating income	127	8	4	2	-	-	141

Notes on the Bank's Annual Accounts

Administrative and brokerage services

The principal administrative and brokerage services supplied to third parties are: safe custody and administration of securities, asset management, brokerage services for insurance and home loan savings contracts.

Important individual items from the profit and loss account

in DM m	Group
Net commission income	
Securities business	870
Foreign commercial business	378
Payments transactions	309
Guarantee commissions	213
Other items	516
Total	2,286
Net income from financial transactions	
Proprietary securities trading	47
Foreign-exchange dealings	129
Interest futures	274
Total	450
Other operating expenses	
Allocation to provisions not relating to lending business	108
Depreciations on leased objects	87
Expenses arising from building and architects' services	65
Losses arising from the disposal of fixed assets	27
Other items	152
Total	439
Other operating income	
Income from payments transactions	127
Income from building and architects' services	92
Sales revenues	74
Write-backs of provisions not relating to lending business	56
Rent received from third parties	33
Income from the disposal of fixed assets	30
Other items	94
Total	501
Provision for possible losses	
Individual borrower risks	-1,810
Country risks	136
Price risks for securities	461
Global provision	-3
Total	-1,216

Net result for investments

The net result for investments contains write-downs for three equity participations whose value is permanently impaired.

Taxes on income

All taxes on income relate to the results deriving from ordinary business activity.

Notes on the Bank's Annual Accounts

Other details

Pending forward transactions

in DM m

	Nominal amount Remaining life			Market value	
	under 1 year	1-5 years	more than 5 years	Total	
Foreign currency-based forward transactions					
OTC products					
Spot and forward exchange transactions	350,473	30,907	4,941	386,321	5,860
Interest-rate and currency swaps	4,963	14,137	4,860	23,960	1,149
Foreign-currency call options	115,361	21,778	-	137,139	1,704
Foreign-currency put options	130,601	30,455	-	161,056	
Other foreign-exchange contracts	-	-	-	-	
Products traded on a stock exchange					
Currency futures	-	-	-	-	
Currency options	-	-	-	-	
Total	601,398	97,277	9,801	708,476	8,713
Interest-based futures transactions					
OTC products					
Future-rate agreements	227,946	11,228	-	239,174	298
Interest-rate swaps (same currency)	166,934	252,771	114,078	533,783	10,699
Call options on interest-rate futures	7,753	13,736	12,624	34,113	442
Put options on interest-rate futures	9,082	20,358	14,609	44,049	
Other interest contracts	10,827	1,730	256	12,813	57
Products traded on a stock exchange					
Interest-rate futures	58,585	17,512	-	76,097	
Interest-rate options	14,509	-	-	14,509	
Total	495,636	317,335	141,567	954,538	11,496
Other forward transactions					
OTC products					
Equity swaps	-	-	-	-	-
Equity call options	-	-	2	5,566	307
Equity put options	-	-	-	4,029	
Other equity contracts	-	174	20	194	38
Precious metal contracts	1,692	105	-	1,797	-
Other transactions	140	-	-	140	-
Products traded on a stock exchange					
Equity futures	5,031	-	-	5,031	
Equity options	1,534	2,165	-	3,715	
Other futures	-	-	-	-	
Other options	-	-	-	-	
Total	14,445	6,009	22	20,476	345
Total pending forward transactions					
OTC products	1,031,820	400,924	151,390	1,584,134	20,554
Products traded on a stock exchange	79,659	19,697	-	99,356	
Total	1,111,479	420,621	151,390	1,683,490	20,554

Notes on the Bank's Annual Accounts

On the balance-sheet date, immatured foreign-exchange, interest-related and other forward transactions were outstanding as shown in the

preceding table. These entail merely a counter-party risk or currency, interest and/or other market-price risks.

Breakdown of derivatives business by customer group

in DM m	Market value
OECD central governments	9
OECD banks	17,137
OECD financial institutions	422
Other companies, private individuals	2,663
Non-OECD central governments	0
Non-OECD banks	323
Non-OECD financial institutions	0
Total	20,554

The market values are shown as the sum totals of the positive amounts per contract, from which no pledged security has been deducted and without taking into account any netting agreements. The negative amounts per contract have also not been deducted. As no counter-party risk exists, no market values are given for products traded on a stock exchange. By definition, no positive market values exist for options sold.

A substantial number of the transactions in the three specified categories are made in order to hedge the effects of fluctuations in interest rates, exchange rates and market prices. In addition, a substantial part is effected for trading purposes.

Average number of staff employed by the Bank during the year

		total	male	female		
Group	27,456	(28,638)	14,053	(14,163)	13,403	(14,475)
in Germany	25,173	(26,352)	12,724	(12,834)	12,449	(13,518)
abroad	2,283	(2,286)	1,329	(1,329)	954	(957)
Parent Bank	24,712	(25,894)	12,619	(12,729)	12,093	(13,165)
at companies included in the consolidation on a pro-rata basis, pursuant to Section 310 of the German Commercial Code (HGB)	1,025	(1,150)	506	(565)	519	(585)

The above figures include part-time workers with the time they actually worked. The time worked by this group is 58% of the standard working time. The figures in parentheses take the part-time staff fully into account.

Not included in the full-time figures are the average number of apprentices undergoing training within the Group:

	total	male	female
Apprentices	1,551	863	688

Notes on the Bank's Annual Accounts

The boards of the Parent Bank

Supervisory Board

Dr. Walter Seipp
Chairman
Hans-Georg Jurkat
Deputy Chairman
Reinhold Borchert
Erhard Bouillon
Uwe Foullong
Dr. Carl H. Hahn (until May 24, 1996)
Dr.-Ing. Otto Happel
Gerald Herrmann
Detlef Kayser
Dieter Klinger

Dr. Hans-Jürgen Knauer
Peter Kretschmer
Dr. Heinz Kriwet (until January 3, 1997)
Horst Sauer
Wolfgang Schmelz
Dr. Raban Frhr. v. Spiegel
Dr. Rolf Stoffel
Hermann Josef Strenger
Dr.-Ing. Dieter H. Vogel (since January 4, 1997)
Heinrich Weiss
Wilhelm Werhahn (since May 24, 1996)
Wolfgang Ziemann

Board of Managing Directors

Martin Kohlhaussen
Chairman
Dr. Erich Coenen
Dietrich-Kurt Frowein
Dr. Peter Gloystein
Dr. Kurt Hochheuser
Dr. Norbert Käsbeck

Jürgen Lemmer
Klaus-Peter Müller
Klaus Müller-Gebel
Klaus M. Patig
Dr. Axel Frhr. v. Ruedorffer
Dr. Jürgen Terrahe (until March 31, 1996)

Remuneration of board members

The following remuneration was paid in 1996:

in DM1,000	Group	Parent Bank
Board of Managing Directors	15,726	15,726
Supervisory Boards	2,264	2,264
Retired Managing Directors and their dependents	8,509	8,509

At end-1996, provisions for pensions for retired Managing Directors and their surviving dependents totalled DM57,614,000; this amount fully covers our pension commitments towards this group.

Loans to board members

At end-1996, the aggregate amount of advances and loans as well as contingent liabilities was as follows:

in DM1,000	Group	Parent Bank
Board of Managing Directors	12,948	12,102
Supervisory Boards	2,708	1,261

Notes on the Bank's Annual Accounts

The mortgage banks included in the consolidation are reflected in the following items:

in DM m	end-1996	end-1995
Claims on banks		
mortgage loans	67	73
communal loans	26,785	20,235
Claims on customers		
mortgage loans	35,162	32,716
Deferred items (assets side)		
from issuing and lending business	708	652
other	-	4
Liabilities to banks		
registered mortgage bonds issued	581	390
registered public-sector mortgage bonds issued	1,455	1,446
including: given to lender as security for loans taken up:		
registered mortgage bonds	21	11
registered public-sector mortgage bonds	191	241
Liabilities to customers		
registered mortgage bonds issued	6,852	5,978
registered public-sector mortgage bonds issued	11,436	11,691
including: given to lender as security for loans taken up:		
registered mortgage bonds	347	359
registered public-sector mortgage bonds	655	720
Securitized liabilities		
mortgage bonds	16,538	15,992
public-sector mortgage bonds	65,100	46,656
Deferred items (liabilities side)		
from issuing and lending business	678	678
other	67	148

Leonberger Bausparkasse AG, which is included in the consolidation, is reflected in the following items on a pro-rata basis:

in DM m	end-1996	end-1995
Claims on banks		
Loans disbursed on home loan savings contracts	1	1
Claims on customers		
Allotted home loans (from home loan savings contracts)	1,586	1,578
for advance and bridging finance	909	1,049
Liabilities to banks		
Home loan savings deposits	12	12
Liabilities to customers		
Home loan savings deposits	2,513	2,433
including: on terminated contracts	9	9
on allotted contracts	37	32
Provisions		
Fund for covering disbursement commitments	76	73
Interest income from lending and money-market transactions	end-1996	end-1995
Loans disbursed on home loan savings contracts	85	82
Advance and bridging finance loans	70	82
Other home loans	1	1
Interest paid on home loan savings deposits	73	70
Commissions received		
from contracts concluded and business passed on	24	24
from arranging loans after allotment	9	12
from provision and processing of advance and bridging finance	3	3
Commissions paid		
for conclusion of contracts and business passed on	43	38

Notes on the Bank's Annual Accounts

Types of cover used by mortgage banks included in the consolidation

in DM m		
Mortgage bonds		
Ordinary cover		
Claims on banks		2
Mortgage loans		
Claims on customers		24,089
Mortgage loans		
Fixed assets		109
Land charges on own land and buildings		
		24,200
Supplementary cover		
Bonds and other fixed-income securities		115
		24,315
Total cover		23,247
Total mortgage bonds requiring cover		1,068
Surplus cover		
Public-sector mortgage bonds		
Ordinary cover		
Claims on banks		26,053
Communal loans		
Claims on customers		918
Mortgage loans		
Communal loans		52,231
		79,202
Supplementary cover		
Other claims on banks		616
Bonds and other fixed-income securities		1,455
Recovery claims on federal and Länder authorities, incl. bonds received in exchange for them		18
		81,291
Total cover		75,993
Total public-sector mortgage bonds requiring cover		5,298
Surplus cover		

Information pursuant to Section 28 of the German Mortgage Bank Act – HBG relating to the mortgage banks which are included in the consolidation

Mortgages used as cover for mortgage bonds

Classified according to size	number	in DM m
up to DM 100,000	35,758	1,992
up to DM 1,000,000	44,341	9,315
more than DM 1,000,000	2,749	12,822
	82,848	24,129

Notes on the Bank's Annual Accounts

Breakdown, by state

	number	in DM m
Baden-Württemberg	5,815	1,285
Bavaria	3,803	1,148
Berlin	2,772	2,632
Brandenburg	612	304
Bremen	1,084	250
Hamburg	2,796	1,080
Hesse	7,118	2,363
Lower Saxony	8,947	1,741
Mecklenburg-Western Pomerania	459	322
North Rhine-Westphalia	37,459	8,359
Rhineland-Palatinate	3,033	650
Saarland	1,012	136
Saxony	1,564	1,296
Saxony-Anhalt	796	533
Schleswig-Holstein	4,922	760
Thuringia	514	378
Domestic	82,706	23,237
States of the European Union	142	892
Total	82,848	24,129

The mortgages entered into the cover register for mortgage bonds relate to:

	in DM m
Land used for commercial purposes	8,630
Land used for residential purposes	15,050
Building plots	38
Unfinished new buildings, not yet generating earnings	111
Total	24,129

Compulsory sales/sequestrations

As of Dec. 31, 1996

	Commercial premises	Residential premises	Total
Properties subject to enforcement proceedings			
of which: compulsory sales	86	405	491
sequestrations of property	25	249	274
compulsory sales and sequestrations	10	19	29
Compulsory sales effected in 1996	51	137	188
	20	140	160

In the 1996 business year, the mortgage banks within the Commerzbank Group did not take possession of any property in order to avoid losses stemming from their lending.

Notes on the Bank's Annual Accounts

Interest arrears

Interest arrears on mortgage business totalled DM13m, DM5m of which relates to residential premises and DM8m to commercial premises.

in DM m	
Repayments of mortgages	3,011
of which: scheduled repayments	2,054
extraordinary repayments	957

Information pursuant to Section 26 of the German Ship Bank Act for Deutsche Schiffsbank AG, which has been included in the consolidation (all DM figures on a pro-rata basis)

On the balance-sheet date, loans amounting to DM1,349m were entered into the cover register. They break down as follows:

	Total loans		Foreign loans	
	number	DM m	number	DM m
up to DM100,000	51	1	1	—
DM100,000 to DM1,000,000	196	42	26	6
more than DM1,000,000	536	1,306	170	585
	783	1,349	197	591
of which, secured by:				
vessels for inland waterways	77	7	—	—
coastal vessels	271	268	26	20
sea-going vessels	434	1,073	171	571
sea-going vessels under construction	1	—	—	—
	783	1,349	197	591

Notes on the Bank's Annual Accounts

In the year under review, the bank was involved in one compulsory sale:

	inland navigation (of which, at the bank's instigation)	sea and coastal navigation	total
Completed proceedings	-	1	1
Pending proceedings	-	-	-

No vessels, either finished or under construction, were taken possession of in order to prevent losses. At end-1996, the ship communal loans outstanding, which totalled DM782m (each of them over DM1m), had all been entered into the cover register.

After precautionary write-downs of DM4,000 interest arrears of DM2,000 are shown as of end-1996.

in DM m

Repayments of ship mortgage loans	530
of which: scheduled repayments	267
extraordinary repayments	263

Effects of including more companies in the consolidation

There has been an increase in the number of companies included in the consolidation.

This did not have any serious effect on items in the balance sheet. Without this increase, the most important items in the profit and loss account would appear as follows:

in DM m

Commissions received	2,375
Commissions paid	220
Other operating income	476
General operating expenses	5,125

Notes on the Bank's Annual Accounts

Holdings in affiliated and other companies

Affiliated companies included in the consolidation

Company name	Domicile	Share of capital held, in %	of which indirectly, %	Equity capital in 1,000 of stated currency	Result in 1,000 of stated currency
Atlas-Vermögensverwaltungs-Gesellschaft mbH	Düsseldorf	100.0		DM 350,184	0 2)
Bankhaus Bauer Aktiengesellschaft	Stuttgart	83.7	17.0	DM 18,114	7,633
Berliner Commerz Beteiligungsgesellschaft mbH	Berlin	100.0		DM 22,000	0 2)
Berliner Commerz Grundstücks- und Verwaltungsgesellschaft mbH	Berlin	100.0		DM 3,300	0 2)
Caisse Centrale de Réescmpte, S.A.	Paris	97.0		Ffr 633,646	84,135
CCR-Gestion	Paris	99.5	99.5	Ffr 37,364	20,973
CB Finance Company B.V.	Amsterdam	100.0		DM 61,219	15,940
Commerzbank Overseas Finance N.V.	Curaçao	100.0	100.0	DM 16,618	14,586
Collegium Glashütten Zentrum für Kommunikation GmbH	Glashütten	100.0		DM 1,500	0 2)
comdirect bank GmbH	Quickborn	100.0		DM 37,500	0 2)
Commerzbank Asset Management Asia Ltd.	Singapore	100.0	100.0	S\$ 1,089	-2,069 1)
Commerz Beteiligungsgesellschaft mbH	Bad Homburg v.d.H.	100.0		DM 1,001	0 2)
Commerz Financial Products GmbH	Frankfurt am Main	80.0		DM 120,952	75,952
Commerz Financial Products S.A.	Paris	100.0	100.0	Ffr 38,090	3,985
Commerz Financial Products USA Inc.	Wilmington/Delaware	100.0	100.0	US\$ 2,377	345
Commerz Finanz-Management GmbH	Frankfurt am Main	100.0		DM 606	0 2)
Commerz Futures Corporation	Wilmington/Delaware	100.0		US\$ 9,260	-655
Commerz Grundbesitz-Investmentgesellschaft mbH	Wiesbaden	75.0		DM 29,880	9,425
Commerz International Capital Management GmbH	Frankfurt am Main	100.0		DM 27,662	-5,341
CICM Fund Management Ltd.	Dublin	100.0	100.0	Ir£ 1,678	1,374
CICM (Ireland) Ltd.	Dublin	75.0	75.0	Ir£ 1,120	877
Commerz Asset Management USA Corporation	Wilmington/Delaware	100.0	100.0	DM 5,686	-41 1)
Martingale Asset Management, L.P.	Wilmington/Delaware	60.0	60.0	US\$ -32	-1,435 1)
Commerz International Capital Management (Japan) Ltd.	Tokyo	100.0	100.0	¥ 178,550	4,102
Commerz Service Gesellschaft für Kundenbetreuung mbH	Frankfurt am Main	100.0		DM 50	0 2)
Commerzbank Capital Markets Corporation	New York	100.0		US\$ 50,332	-3,346
Commerzbank Europe (Ireland)	Dublin	66.7		DM 635,349	28,844
Commerzbank Europe (Ireland) Finance plc	Dublin	100.0	100.0	Ir£ 30	0 1)
Commerzbank International S.A.	Luxembourg	100.0		DM 2,283,400	375,000
Commerz Asset Management (UK) plc	London	97.2	97.2	£ 181,852	3,865
Jupiter International Group PLC (Sub-Group)	London	100.0	100.0	£ 62,106	22,749
Jupiter Asset Management Ltd.	London	100.0	100.0		
Jupiter Unit Trust Mgrs. Ltd.	London	100.0	100.0		
Capital Development Ltd.	Isle of Man	51.0	51.0		
Tyndall Holdings Ltd.	London	100.0	100.0		
Jupiter Tyndall Pension Trust Ltd.	London	100.0	100.0		
Jupiter Administration Services Ltd.	London	100.0	100.0		
Tyndall International Group Ltd.	Bermuda	100.0	100.0		
Jupiter Tyndall (Asia) Ltd.	Hong Kong	100.0	100.0		
Jupiter Tyndall (Bermuda) Ltd.	Bermuda	100.0	100.0		
Jupiter Tyndall (Jersey) Ltd.	Jersey	100.0	100.0		
Jupiter Tyndall (Luxembourg) Ltd.	Luxembourg	100.0	100.0		

Notes on the Bank's Annual Accounts

Affiliated companies included in the consolidation

Company name	Domicile	Share of capital held, in %	of which indirectly, %	Equity capital in 1,000 of stated currency	Result in 1,000 of stated currency
KF Ltd.	Bermuda	61.3	61.3		
GVT Ltd.	Bermuda	55.0	55.0		
CI Management Ltd.	Bermuda	100.0	100.0		
TI Ltd.	Bermuda	100.0	100.0		
AF Ltd.	Bermuda	100.0	100.0		
IF Ltd.	Bermuda	75.0	75.0		
KL Ltd.	Bermuda	66.0	66.0		
Tyndall Investment Ltd.	London	100.0	100.0		1)
Tyndall International Holdings Ltd.	Bermuda	100.0	100.0		
Tyndall Trust S.A. (i.L.)	Geneva	100.0	100.0		
Tyndall Trust International I.O.M. Ltd.	Isle of Man	100.0	100.0		
Commerzbank Investment Management GmbH	Frankfurt am Main	100.0		DM	15,800
Commerzbank U.S. Finance, Inc.	Wilmington/Delaware	100.0		US\$	559
Commerzbank (Budapest) Rt.	Budapest	100.0		Ft	6,449,828
Commerzbank (Nederland) N.V.	Amsterdam	100.0		Dfl	272,708
Commerz (East Asia) Ltd.	Hong Kong	100.0	100.0	DM	103,097
Commerzbank (South East Asia) Ltd.	Singapore	100.0		S\$	189,895
Commerzbank (Switzerland) Ltd	Zurich	100.0		Sfr	153,106
CommerzLeasing und Immobilien GmbH (Sub-Group)	Düsseldorf	100.0		DM	97,201
CFB Commerz Fonds Beteiligungsgesellschaft mbH	Düsseldorf	100.0	100.0		0 2)
CLL Mietkauf GmbH	Düsseldorf	100.0	100.0		
COBA Vermögensverwaltungsgesellschaft mbH	Düsseldorf	100.0	100.0		
Commerz Immobilien GmbH	Düsseldorf	100.0	100.0		
Commerz Immobilien Vermietungsgesellschaft mbH	Düsseldorf	100.0	100.0		
Commerz- und Industrie-Leasing Berlin GmbH	Berlin	100.0	100.0		
Commerz- und Industrie-Leasing GmbH	Düsseldorf	100.0	100.0		
Commerz- und Industrie-Leasingcontract GmbH	Düsseldorf	100.0	100.0		
Commerz- und Industrie-Leasingmanagement GmbH	Düsseldorf	100.0	100.0		
Commerz- und Industrie-Leasinggesellschaft mbH	Düsseldorf	95.0	95.0		
Commerz- und Industrie-Leasinggesellschaft mbH Königsplatz 108	Berlin	95.0	95.0		
Grundstücks- und Vermögensverwaltungsgesellschaft Geretsried mbH	Düsseldorf	100.0	100.0		1)
Immobilien-gesellschaft von Burkersroda Objekt Zwei KG	Frankfurt am Main	100.0	100.0		
Immobilien-gesellschaft Beta von Burkersroda KG	Frankfurt am Main	100.0	100.0		
Immobilien-gesellschaft Gamma von Burkersroda KG	Frankfurt am Main	100.0	100.0		
NESTOR GVG mbH	Düsseldorf	100.0	100.0		
NESTOR GVG mbH & Co. Objekt Erlangen KG	Düsseldorf	100.0	100.0		
NESTOR GVG mbH & Co. Objekt Hamme KG	Düsseldorf	100.0	100.0		
NESTOR GVG mbH & Co. Objekt ITTAE Frankfurt KG	Düsseldorf	100.0	95.0		1)
NESTOR GVG mbH & Co. Objekt Villingen-Schwenningen KG	Düsseldorf	100.0	100.0		
NESTOR GVG mbH & Co. Objekt Wiemelhausen KG	Düsseldorf	100.0	100.0		
NEUTRALIS GVG mbH	Düsseldorf	100.0	100.0		
NORA GVG mbH & Co. Objekt Düsseldorf KG	Düsseldorf	100.0	100.0		
NORA GVG mbH & Co. Objekt Lampertheim KG	Düsseldorf	100.0	100.0		
NORA GVG mbH & Co. Objekte Plön und Preetz KG	Düsseldorf	100.0	100.0		

Notes on the Bank's Annual Accounts

Affiliated companies included in the consolidation

Company name	Domicile	Share of capital held, in %	of which indirectly, %	Equity capital in 1,000 of stated currency	Result in 1,000 of stated currency
NOTARIA GVG mbH	Düsseldorf	100.0	100.0		
NUMERIA GVG mbH	Düsseldorf	100.0	100.0		
NUMERIA GVG mbH & Co. Objekt Hückelhoven KG	Düsseldorf	100.0	100.0		
NUMERIA GVG mbH & Co. Objekt Waldkraiburg KG	Düsseldorf	100.0	100.0		
OPTIO GVG mbH & Co. Objekt Hannover Hanomagstraße KG	Düsseldorf	0.5	0.5		1) 6)
PLAVIS Vermietungsgesellschaft mbH	Düsseldorf	100.0	100.0		
RESIDO GVG mbH	Düsseldorf	100.0	100.0		
RESIDO GVG mbH & Co. Objekt Kopenhagen KG	Düsseldorf	0.1	0.1		6)
RESIDO GVG mbH & Co. Objekt Lissabon KG	Düsseldorf	0.1	0.1		6)
RESIDO GVG mbH & Co. Objekt Nice KG	Düsseldorf	0.1	0.1		6)
RESIDO GVG mbH & Co. Objekt Oslo KG	Düsseldorf	0.1	0.1		6)
ROTUNDA GVG mbH	Düsseldorf	0.1	0.1		6)
SECUNDO GVG mbH	Düsseldorf	100.0	100.0		
TERTIO GVG mbH	Düsseldorf	100.0	100.0		
C. Portmann	Frankfurt am Main	100.0		DM 1,658	158
Hägle Immobilien-Ost Ingatlanforgalmi Kft.	Budapest	100.0	100.0	Ft 1,222,778	111,910
Handelsgest S.A.R.L.	Luxembourg	100.0	25.0	DM 11,739	304
Hildegund Ltd.	London	100.0		£ -1,507	1,387
Hypothekenbank in Essen AG	Essen	51.0		DM 570,755	52,750
Immobilien-Gesellschaft Ost Bauer & Co. KG	Frankfurt am Main	100.0	0.1	DM -343	-443
Immobilien-Gesellschaft Ost Hägle spol. s r.o.	Prague	100.0	100.0	Kč -8,256	-6,433
Indigest S.A.R.L.	Luxembourg	100.0	25.0	DM 29,727	2,215
L.I.A. Leasinggesellschaft für Immobilien und Anlagegüter mbH (Sub-Group)	Düsseldorf	100.0	0.1	DM 1,510	0.2)
Actium Leasobjekt Gesellschaft mbH	Frankfurt am Main	100.0	100.0		
ALA Vermietungsgesellschaft mbH	Düsseldorf	100.0	100.0		
Albus Leasobjekt Gesellschaft mbH	Düsseldorf	100.0	100.0		
Elimo Vermietungsgesellschaft mbH	Düsseldorf	100.0	100.0		
Neuma Vermögensverwaltungsgesellschaft mbH	Hamburg	69.0		DM 3,128	3,077.1)
OLEANDRA GVG mbH & Co. Objekt Jupiter KG	Düsseldorf	100.0		DM 4,822	2,614
OLEANDRA GVG mbH & Co. Objekt Luna KG	Düsseldorf	100.0		DM 11,475	810
OLEANDRA GVG mbH & Co. Objekt Neptun KG	Düsseldorf	100.0		DM 2,749	1,366
OLEANDRA GVG mbH & Co. Objekt Pluto KG	Düsseldorf	100.0		DM 10,935	5,770
OLEANDRA GVG mbH & Co. Objekt Venus KG	Düsseldorf	100.0		DM 4,156	2,068
OLEANDRA GVG mbH & Co. Objekt Uranus KG	Düsseldorf	100.0		DM 12,898	6,447
PMC Personal Management Consult GmbH	Frankfurt am Main	100.0		DM 500	0.2)
RHEINHYP Rheinische Hypothekenbank Aktiengesellschaft	Frankfurt am Main	97.8		DM 1,431,667	136,983
RHEINHYP BANK Europe plc	Dublin	100.0	100.0	DM 211,208	9,919
RHEINHYP Finance, N.V.	Amsterdam	100.0	100.0	DM 166	77.1)
WESTBODEN-Bau- und Verwaltungsgesellschaft mbH	Frankfurt am Main	100.0	100.0	DM 711	0.2)
Sigurd EBS Ltd.	London	100.0		US\$ -2,687	1,075
Stampen S.A.	Brussels	99.4		DM 18,795	614
von der Heydt-Kersten & Söhne	Wuppertal-Elberfeld	100.0		DM 10,952	952
WoodCommerz N.V.	Amsterdam	50.0		Dfl 3,500	0.1)
WoodCommerz a.s.	Prague	100.0	100.0	Kč 49,623	39,614.1)

Notes on the Bank's Annual Accounts

Companies included in the consolidation on a pro-rata basis

Company name	Domicile	Share of capital held, in %	of which indirectly, %	Equity capital in 1,000 of stated currency	Result in 1,000 of stated currency
Deutsche Schiffsbank Aktiengesellschaft	Bremern/Hamburg	40.0		DM 277,400	25,200 3)
Leonberger Bausparkasse Aktiengesellschaft	Leonberg	40.1		DM 400,646	22,888 3)

Associated companies included in the consolidation at equity

Company name	Domicile	Share of capital held, in %	of which indirectly, %	Equity capital in 1,000 of stated currency	Result in 1,000 of stated currency
ADIG Allgemeine Deutsche Investment-Gesellschaft mbH	Munich/ Frankfurt am Main	42.7	1.0	DM 166,008	25,182
ADIG-Investment Luxemburg S.A.	Luxembourg	37.5		DM 172,013	33,351
ADIG Servicegesellschaft S.A.	Luxembourg	50.0		DM 1,983	-1,067
Bank Rozwoju Eksportu S.A.	Warsaw	21.0		Zl 529,851	134,930
Capital Investment Trust Corporation	Taipei	20.0		NT\$ 334,963	48,764
Commerz Securities (Japan) Company Ltd.	Hong Kong/Tokyo	86.7		DM 107,028	-18,346
Commerz Unternehmensbeteiligungs-Aktiengesellschaft	Frankfurt am Main	45.0		DM 125,391	3,443
C + D Leasing-service GmbH i. K.	Bonn	50.0	50.0	DM -2,515	-1,731
Europartners Holding S.A.	Luxembourg	50.0	1.3	Lfr 84,085	22,045
GBB Gewerbebau-Beratung GmbH	Frankfurt am Main	45.0	45.0	DM 1,974	974
Hibernia Beta Beteiligungsgesellschaft mbH	Frankfurt am Main	40.0		DM 107,672	4,600 1)
Hispano Commerzbank (Gibraltar) Ltd.	Gibraltar	49.9		£ 5,858	350
ILV Immobilien-Leasing Verwaltungsgesellschaft Düsseldorf mbH	Düsseldorf	50.0		DM 36,252	0 2)
Karl Baumgartner + Partner Consulting GmbH & Co. KG	Sindelfingen	50.0		DM 813	1,169
Korea International Merchant Bank Ltd	Seoul	20.3		₩ 193,850,646	27,407,860
KVH Kreditverwaltungsgesellschaft Hamburg mbH	Hamburg	40.0		DM 3,997	3,886 1)
Liegenschaft Hainstraße GbR	Frankfurt am Main	50.0	50.0	DM 13,886	-15
Madler-Passage Leipzig Grundstück GmbH & Co KG	Leipzig	50.0		DM 80,067	-15,064 1)
MIPA Müller Verwaltungs-GmbH	Düsseldorf	34.1	34.1	DM 8,147	46
Partner Immobiliendienst-GmbH	Wiesbaden	24.0	24.0	DM 6,198	167
PI Limited	Bermuda	33.3	33.3	£ 7	94
PIONEER Poland U.K. L.P.	Jersey	37.9		US\$ 6,106	-582 1)
P.T. Bank Finconesia	Jakarta	21.7		Rp. 118,508,465	7,710,414
WinCom Versicherungs-Holding Aktiengesellschaft	Wiesbaden	25.0		DM 1,100,724	13,368
WLP Wilhelm-Leuschner-Platz Beteiligungs-GmbH	Düsseldorf	50.0	50.0	DM 50	8

Notes on the Bank's Annual Accounts

Other prominent companies not included in the consolidation

Company name	Domicile	Share of capital held, in %	of which indirectly, %	Equity capital in 1,000 of stated currency	Result in 1,000 of stated currency
Almüco Vermögensverwaltungsgesellschaft mbH	Munich	25.0		DM 104,874	26,939
Alno AG	Pfullendorf	28.5		DM 162,053	17,429
Buderus Aktiengesellschaft	Wetzlar	18.3		DM 467,022	43,138
DBV-Winterthur Holding Aktiengesellschaft	Wiesbaden	15.2	15.2	DM 852,852	60,054
DSD Dillinger Stahlbau GmbH	Saarlouis	30.0	30.0	DM 159,475	3,360
Frega Vermögensverwaltungsgesellschaft mbH	Frankfurt am Main	40.0		DM 99,099	-99,651
Karstadt Aktiengesellschaft	Essen	10.3		DM 2,413,357	189,200
Kautex Werke Reinold Hagen AG	Bonn	40.0	40.0	DM 85,600	0
Kolbenschmidt AG	Neckarsulm	24.9		DM 376,573	36,075
Linde Aktiengesellschaft	Wiesbaden	10.2		DM 3,798,382	200,980
Pan-Vermögensverwaltungsgesellschaft mbH	Munich	25.0		DM 161,843	10,481
PROVISTA Einhundertzweiundsechzigste Verwaltungsgesellschaft mbH	Hamburg	52.0	52.0	DM -	- 7)
Regina Verwaltungsgesellschaft mbH	Munich	25.0		DM 676,346	47,461
MAN Aktiengesellschaft	Munich	6.5	6.5	DM 2,892,945	205,040
Salamander Aktiengesellschaft	Kornwestheim	10.7		DM 365,750	18,721
Thyssen Beteiligungsverwaltungsgesellschaft mbH	Düsseldorf	50.0		DM 490,720	1,984
Thyssen Aktiengesellschaft	Duisburg	5.8	5.8	DM 4,606,000	350,000
Unibanco Holdings S. A.	São Paulo	15.4		RS 1,193,330	139,349

Notes on the Bank's Annual Accounts

Less important affiliated companies not included in the consolidation

Company name	Domicile	Share of capital held, in %	of which indirectly, %
Atlas Participações S/C Ltda.	São Paulo	100.0	100.0
Aussenhandel-Förderungsgesellschaft mbH	Düsseldorf	100.0	
B + P Vermögensverwaltungsgesellschaft mbH	Sindelfingen	50.0	
Beteiligungsgesellschaft für Industrie und Handel mbH	Frankfurt am Main	50.0	
BeVerwal Beteiligungs- und Verwaltungsgesellschaft mbH	Frankfurt am Main	75.0	
CASIA Grundstücks-Vermietungs- und Verwaltungsgesellschaft mbH	Düsseldorf	97.6	97.6
CB Fund Management Company S.A.	Luxembourg	99.6	99.6
Centrale G	Paris	96.6	96.6
Centrale H	Paris	96.6	96.6
COBRA Projekt- und Objektmanagement GmbH	Frankfurt am Main	100.0	
Commercium Vermögensverwaltungsgesellschaft m.b.H.	Hamburg	100.0	
Commerz S.A.	Panama	100.0	100.0
Commerzbank International Trust (Singapore) Ltd.	Singapore	100.0	80.0
Commerzbank Properties South Africa Pty. Ltd.	Johannesburg	100.0	
Commerzbank Rio de Janeiro Serviços Ltda.	Rio de Janeiro	100.0	
Commerzbank São Paulo Serviços Ltda.	São Paulo	100.0	
Diana Vermögensverwaltung KGaA	Stuttgart	90.0	
Dr. Gubelt Immobilien Vermietungs GmbH & Co. Objekt Stuttgart Senefelder Str. KG	Düsseldorf	70.0	
Dritte Commercium Vermögensverwaltungs GmbH	Frankfurt am Main	99.0	
Dritte Umbra Vermögensverwaltungs GmbH	Frankfurt am Main	99.0	
Emptio I Beteiligungsgesellschaft GbR	Frankfurt am Main	50.0	50.0
Erste Commercium Vermögensverwaltungs GmbH	Frankfurt am Main	99.0	
Erste Umbra Vermögensverwaltungs GmbH	Frankfurt am Main	99.0	
Eurocorp Commerz International Finance Rt.	Budapest	51.0	
Fides Trust Company Ltd.	Luxembourg	100.0	10.0
Fünfte Umbra Vermögensverwaltungs GmbH	Frankfurt am Main	99.0	
Immobilien-Gesellschaft Markt Leipzig GmbH & Co Projektentwicklungs KG	Leipzig	74.0	74.0
HBE Grundbesitzverwaltungs- und Verwertungsgesellschaft mbH	Essen	51.0	51.0
Hamburgische Grundstücks Gesellschaft m b H.	Hamburg	100.0	
Hibernia Gamma Beteiligungsgesellschaft mbH	Frankfurt am Main	100.0	
Hibernia Delta Beteiligungsgesellschaft mbH	Frankfurt am Main	100.0	
Hibernia Eta Beteiligungsgesellschaft mbH	Frankfurt am Main	100.0	
Hibernia Zeta Beteiligungsgesellschaft mbH	Frankfurt am Main	100.0	
Hibernia Sigma Beteiligungsgesellschaft mbH	Frankfurt am Main	100.0	
Hibernia Omega Beteiligungsgesellschaft mbH	Frankfurt am Main	100.0	
NOLICA GVG mbH	Düsseldorf	100.0	100.0
NORA GVG mbH	Düsseldorf	100.0	100.0
Norddeutsche Immobilien- und Verwaltungs-GmbH	Hamburg	100.0	
Omega Vermögensverwaltungsgesellschaft mbH	Frankfurt am Main	100.0	1.0
Prima Property Trust Managers Ltd.	Johannesburg	51.0	

Notes on the Bank's Annual Accounts

Less important affiliated companies not included in the consolidation

Company name	Domicile	Share of capital held, in %	of which indirectly, %
REGINA Finanz- und Versicherungsvermittlung GmbH	Berlin	51.0	51.0
Schunk GmbH	Oberhausen	51.0	51.0
Sigma Vermögensverwaltungsgesellschaft mbH	Frankfurt am Main	100.0	
Vierte Umbra Vermögensverwaltungs GmbH	Frankfurt am Main	99.0	
Wijkertunnel Beheer III B.V.	Amsterdam	100.0	
Winning Partners Limited	Hong Kong	100.0	
Zweite Commercium Vermögensverwaltungs GmbH	Frankfurt am Main	99.0	
Zweite Umbra Vermögensverwaltungs GmbH	Frankfurt am Main	99.0	

Less important associated companies not valued at equity in the Group balance sheet

Company name	Domicile	Share of capital held, in %	of which indirectly, %	
ABC Gestion	Paris	32.2	32.2	
AV America Grundbesitzverwaltungsgesellschaft mbH	Frankfurt am Main	25.0		
Budget Rent-a-Car Corporation	Dearborn	83.3		4)
C C R – Titrisation	Paris	32.2	32.2	
CGT Canada Grundbesitz Treuhand GmbH	Frankfurt am Main	20.0		
Commerzbank Aktiengesellschaft von 1870 i.L.	Hamburg	37.9		
Complus Holding S.A.	Luxembourg	90.0		5)
Deutsche Canada-Grundbesitz Verwaltungsgesellschaft mbH i.L.	Frankfurt am Main	20.0		
Deutsche Gesellschaft für Immobilienanlagen „America“ mbH	Bad Homburg v.d.H.	25.0		
DSD Lufttechnik und Anlagenbau AG	Schlieren	29.6	29.6	
Eisen-Rieg Aktiengesellschaft	Darmstadt	23.8	23.8	
Exploitatiemaatschappij Wijkertunnel C.V.	Amsterdam	33.3	33.3	
Filmkreditreuehand GmbH	Berlin	20.0		
First National Holding S.A.	Luxembourg	98.4		5)
Gesellschaft für Kreditsicherung mbH	Cologne	26.7		
GFW Gesellschaft zur Förderung von Wohneigentum mbH	Leipzig	40.1	40.1	
Hostra Beteiligungsgesellschaft mbH	Düsseldorf	33.3		
Immobilien-Vermietungsgesellschaft Borchert & Co., Objekt Aquarius KG	Düsseldorf	99.5		5)
Immobilien-Vermietungsgesellschaft Borchert & Co., Objekt Taurus KG	Düsseldorf	99.5		5)
Immobilien-Vermietungsgesellschaft Borchert & Co., Objekt Aries KG	Düsseldorf	99.5		5)
Immobilien-Vermietungsgesellschaft Borchert & Co., Objekt Hohe Straße KG	Düsseldorf	99.5		5)
Immobilien-Vermietungsgesellschaft Borchert & Co., Objekt Geminus KG	Düsseldorf	99.5		5)

Notes on the Bank's Annual Accounts

Less important associated companies not valued at equity in the consolidated balance sheet

Company name	Domicile	Share of capital held, in %	of which indirectly, %	
Immobilien-Vermietungsgesellschaft Borchert & Co., Objekt Leonis KG	Düsseldorf	99.5		5)
Immobilien-Vermietungsgesellschaft Borchert & Co., Objekt Virgo KG	Düsseldorf	99.5		5)
Immobilien-Vermietungsgesellschaft Borchert & Co., Objekt Halle, Markt 11 KG	Düsseldorf	99.5		5)
Immobilien-Vermietungsgesellschaft Borchert & Co., Objekt Halle Riegel KG	Düsseldorf	99.5		5)
Immobilien-Vermietungsgesellschaft Dr. Gubelt & Co., Objekt Pforzheim KG	Düsseldorf	99.5		5)
Immobilien-Vermietungsgesellschaft Dr. Gubelt & Co., Objekt Köln Komödienstr. 34-40 KG	Düsseldorf	99.5		5)
Internationale Leasing-Gesellschaft	Luxembourg	50.0	50.0	
Leonberger Immobilien GmbH	Leonberg	40.1	40.1	
Lincas Electro Vertriebs-Gesellschaft mbH	Hamburg	25.0		
Mädler-Passage Leipzig Grundstück Verwaltung GmbH	Leipzig	50.0		
Martingale Investment Fund-1	Wilmington/Delaware	46.8	46.8	
NEB Shipping Co.	Monrovia	40.0	40.0	
Schiffsbetriebsgesellschaft Bremen mbH	Bremen	20.0	20.0	
The World Markets Company GmbH	Frankfurt am Main	25.2		
Wood Securities BV	Amsterdam	25.0		

) First included in the Group's annual accounts in 1996.

) Profit-and-loss transfer agreement.

) Jointly managed with another company holding identical stake.

) No voting rights.

) Less than 50% of voting rights held.

) Pursuant to Section 290 (2), 2 of German Commercial Code.

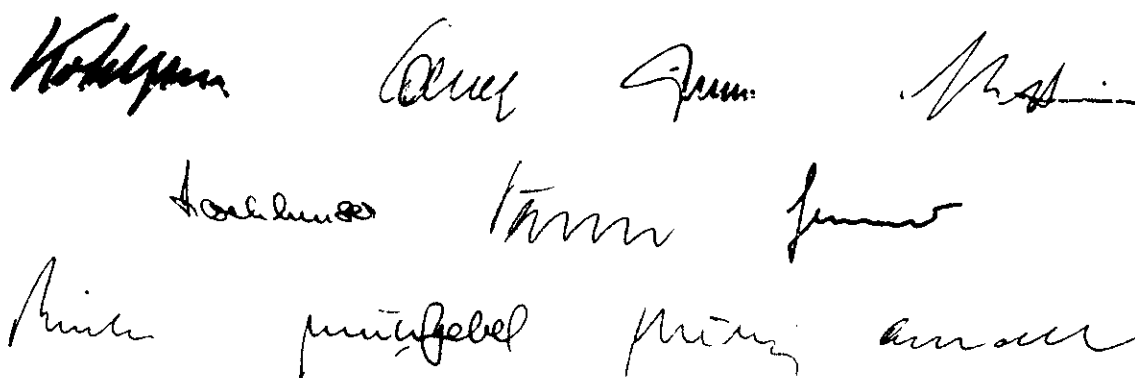
) Further sale intended, in accordance with Section 296 of German Commercial Code

Translation rates (in DM for 100 units)

FF	29.638	£	262.67
Ft	0.9597	Rp.	0.0657
Dfl	89.086	RS	149.62
Ir£	260.14	Sfr	115
¥	1.3408	SS	111.09
Kc	5.705	US\$	155.48
Lit	4.854	₩	0.1841
NT\$	5.655	Zl	54.2

Frankfurt am Main, March 18, 1997

The Board of Managing Directors



Notes on the Bank's Annual Accounts

Auditors' Certificate

The accounting and the annual financial statements of both the Parent Bank and the Commerzbank Group, which we have audited in accordance with professional standards, comply with the German legal provisions. With due regard to the generally accepted accounting principles, the annual financial statements of the Parent Bank and the Commerzbank Group give a true and fair view of the company's assets, liabilities, financial position and profit or loss. The report on the current situation of Commerzbank Aktiengesellschaft and the Commerzbank Group is consistent with

both the Parent Bank's and the consolidated annual financial statements.

Frankfurt am Main, March 19, 1997

C&L Deutsche Revision
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Wagener	Rönberg
Wirtschaftsprüfer	Wirtschaftsprüfer
(German public accountant)	(German public accountant)

Report of the Supervisory Board

In 1996, the Supervisory Board carried out its duties under the law and the Bank's statutes, supervising the conduct of the Bank's affairs.

The Board of Managing Directors provided the Supervisory Board with regular reports on the situation and development of both the Parent Bank and the Group, as well as on business policy and fundamental management issues, but also on special developments such as the investigation by the tax authorities.

The Supervisory Board fulfilled its duties in plenary sessions and through its committees. Plenary sessions were used above all to deal with business policy, including strategic and organizational aspects, and also the development of the balance sheet, earnings performance and the equity base of both the Parent Bank and the Group. The Presiding Committee of the Supervisory Board was kept regularly informed about the progress of the Bank's business; it received reports on the performance on the various areas of business activity and on the findings of the Bank's internal auditing. It monitored the Bank's tax situation and ensured that it was regularly informed about the Bank's derivatives business. With the Board of Managing Directors it discussed strategic goals, business performance and planning, as well as individual items of significance, indicating its approval wherever necessary.

The Loans Committee dealt with those lending commitments which it is required to review by law and by the Bank's statutes, as well as with credits involving an enhanced degree of risk, problem loans and special developments in lending business. At the same time, it monitored the acquisition of and addition to investments and also major construction projects. Insofar as is required by law and by the Bank's statutes, the Loans Committee also approved such transactions. The Social Welfare Committee focused on basic personnel and social wel-

fare issues concerning the employees. The committees reported on their activities at the plenary sessions.

The Chairman of the Supervisory Board was constantly and promptly informed about all the important events within the Group. Among other things, he received the minutes of each meeting of the Board of Managing Directors along with the relevant documents, and he arranged for important matters to be dealt with at the plenary and committee levels. In order to ensure a steady flow of information and an exchange of opinions between the Supervisory Board and the Board of Managing Directors, he held regular discussions with the Chairman of the latter.

The Bank's Annual Accounts, Financial Statement and the Management Report for both the Parent Bank and the Group, together with the books of account, for the period from January 1 to December 31, 1996, have been examined by the auditors C&L Deutsche Revision Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, and carry their unqualified legally prescribed certification. In good time for the relevant board meeting, all members of the Supervisory Board received the details of the annual accounts and the Annual Report. The auditors' reports were available for inspection by all members. The auditors took part in the meeting at which the Supervisory Board dealt with the accounts, commenting on the findings of the audit and answering the questions of individual members. The Supervisory Board has signified its agreement with the results of the audit. Within the scope of the legal provisions, it has examined the Annual Accounts and Financial Statement of both the Parent Bank and the Group, the Management Report, and the proposal of the Board of Managing Directors as to the appropriation of the distributable profit; it 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.

With effect from April 1, 1996 and December 1, 1996, respectively, Klaus M. Patig and Dr. Norbert Käsbeck, previously deputy members of the Board of Managing Directors, were appointed full members.

As reported last year, Dr. Carl H. Hahn resigned from the Supervisory Board at the close of the AGM on May 24, 1996. Wilhelm Werhahn was elected to the Supervisory Board to serve Dr. Hahn's remaining term of office. We wish to thank Dr. Hahn for his long years of service on our board.

Dr. Heinz Kriwet terminated his membership of the Supervisory Board with effect from January 3, 1997. We should like to thank Dr. Kriwet for his expert support. On January 15, 1997, the local first-instance court of Frankfurt am Main appointed Dr. Dieter H. Vogel as his successor to the Supervisory Board. The Supervisory Board proposes that the AGM elect Dr. Vogel to the Supervisory Board by means of replacement election to serve the remaining period of office.

Frankfurt am Main, April 7, 1997
The Supervisory Board



Chairman