Report for the Year 1974

Deutsche Bank
Aktiengesellschaft

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Agenda

for the

Ordinary General Meeting

to be held at 10 a. m. on Friday, May 23, 1975 in Saal 3 of the Congress Centrum Hamburg (CCH), Am Dammtor, Hamburg 36.

1.
Presentation of the established Statement of Accounts and the Report of the Board of Managing Directors for the year 1974, together with the Report of the Supervisory Board.

Presentation of the Consolidated Statement of Accounts and the Report of the Group for the year 1974.

2.
Resolution on the appropriation of profits.

3.
Ratification of the acts of management of the Board of Managing Directors for the year 1974.

4.
Ratification of the acts of management of the Supervisory Board for the year 1974.

5.
Increase of the capital of DM 720 million by DM 180 million to DM 900 million, by the issue of new shares with dividend rights as from January 1, 1975 at the price of DM 175 per share of DM 50 par value.
The underwriting credit institutions are obliged to offer the new shares to the shareholders in the ratio of one new share for every four shares held at the price of DM 175 per share of DM 50 par value.

Authorisation of the Board of Managing Directors to stipulate all further details in agreement with the Supervisory Board.

Amendment of § 4 subpara (1) and (2) of the Articles of Association.

6.
Introduction of maximum voting rights (amendment of § 18 subpara. (1) of the Articles of Association to the effect that no shareholder may hold more voting rights than are conferred by shares with a total par value equivalent to 5% of the share capital).

7.
Election of the auditor for the year 1975.

Supervisory Board


Osterwind Abs Merkle Emcke Vogelsang


Weber Baumgärtner Drewitz Zietsch Kistenmacher


Winter Flick Schmitz-Karhoff

Hermann J. Abs, Frankfurt (Main), *Chairman*

Hans L. Merkle, Stuttgart, *Deputy Chairman*
Chairman of the Management
of Robert Bosch GmbH

Heinz Osterwind, Frankfurt (Main), *Deputy Chairman*

Ottmar Baumgärtner, Frankfurt (Main)*
Deutsche Bank AG

Professor Dr. J. R. M. van den Brink, Amsterdam
Chairman of the Supervisory Board of AKZO N. V.

Bernhard Drewitz, Berlin*
Berliner Disconto Bank AG

Manfred Emcke, Hamburg (from May 8, 1974)
Chairman of the Board of Managing Directors
of H. F. & Ph. F. Reemtsma

Dr. Helmut Fabricius, Weinheim (Bergstrasse)
Personally liable partner of Freudenberg & Co.

Dr. Friedrich Karl Flick, Düsseldorf-Oberkassel
Partner and Managing Director of Friedrich Flick KG

Jörg A. Henle, Duisburg
Partner and Managing Director of Klöckner & Co.

Dr.-Ing. E. h. Heinz P. Kemper, Düsseldorf
Chairman of the Supervisory Board of VEBA AG

Alfred Kistenmacher, Hamburg*
Deutsche Bank AG

Werner Leo, Düsseldorf*
Deutsche Bank AG

Dipl.-Ing. Dr.-Ing. E. h. Helmut Meysenburg, Essen

Dr. h. c. Herbert Quandt, Bad Homburg v. d. Höhe
Industrialist, Chairman of the Board
of Managing Directors of VARTA AG

Rudolf Schlenker, Hamburg (until May 8, 1974)

Käthe Schmitz-Karhoff, Köln*
Deutsche Bank AG

Dr. Peter von Siemens, München
Chairman of the Supervisory Board of Siemens AG

Dipl.-Kfm. Günter Vogelsang, Düsseldorf

Dr. Siegfried Weber, Hamburg*

Hannelore Winter, Düsseldorf
Housewife

Gerhard Zietsch, Mannheim*
Deutsche Bank AG

von Siemens Meysenburg van den Brink

Henle Fabricius

Kemper

Leo

Quandt

*elected by the staff

Advisory Board

Professor Dr. Kurt Hansen, Leverkusen, *Chairman*
Chairman of the Supervisory Board of Bayer AG

Otto Wolff von Amerongen, Köln, *Deputy Chairman*
Chairman of the Board of Managing Directors
of Otto Wolff AG

Wilfrid Baumgartner, Paris
Honorary President of Rhône-Poulenc S. A.

Dr. Horst Brandt, Frankfurt (Main)
Member of the Board of Managing Directors
of Allgemeine Elektricitäts-Gesellschaft AEG-TELEFUNKEN

Paul Hofmeister, Hamburg
Chairman of the Board of Managing Directors
of Norddeutsche Affinerie

Dr. Heribald Närger, München
Member of the Board of Managing Directors
of Siemens AG

Dr. Egon Overbeck, Düsseldorf
Chairman of the Board of Managing Directors
of Mannesmann AG

Dr. Wolfgang Schieren, München
Chairman of the Board of Managing Directors
of Allianz Versicherungs-AG

Professor Dr. phil. nat., Dr.-Ing. E. h.
Dr. rer. nat. h. c. Bernhard Timm, Ludwigshafen (Rhein)
Chairman of the Supervisory Board
of BASF AG

Casimir Prinz Wittgenstein, Frankfurt (Main)
Deputy Chairman of the Board of Managing Directors
of Metallgesellschaft AG

Professor Dr. Joachim Zahn, Stuttgart-Untertürkheim
Chairman of the Board of Managing Directors
of Daimler-Benz AG

Board of Managing Directors

Horst Burgard

F. Wilhelm Christians

Robert Ehret

Hans Feith

Wilfried Guth

Alfred Herrhausen

Andreas Kleffel

Hans Leibkutsch

Klaus Mertin

Hans-Otto Thierbach

Franz Heinrich Ulrich

Wilhelm Vallenthin

Eckart van Hooven, *Deputy*

Assistant General Managers

Werner Blessing
Dr. Siegfried Gropper
Dr. Siegfried Jensen
Christoph Könneker
Hilmar Kopper
Heinrich Kunz
Ernst H. Plesser
Hans-Kurt Scherer
Dr. Winfried Werner,
Chief Syndic
Dr. Karl Friedrich Woeste
Dr. Herbert Zapp

Managers of the Central Offices

Frankfurt Central Office
Georg Behrendt
Dr. Helmut Bendig
Michael von Brentano
Dr. Rolf-Ernst Breuer
Robert Dörner
Helmut Eckermann
Dr. Klaus Gaertner
Dr. Peter Grasnick
Rudolf Habicht
Dr. Walter Hook
Dr. Ulrich Hoppe
Heinz Jürgens
Gerhard Junker
Paul Körtgen
Ernst Georg Kummer
Richard Lehmann
Dr. Walter Lippens
Heinz Mecklenburg
Dr. Hans Otto Mehl
Dr. Hans Walter Schlöter
Dr. Ernst Schneider,
Syndic
Dr. Karl Schneiders
Dr. Georg Siara
Günter Sonnenburg
Hans Sprenzel
Dr. Ernst Taubner
Dr. Franz-Josef Trouvain
Christian Vontz
Dr. Ulrich Weiss
Johann Wieland

Düsseldorf Central Office
Erich Bindert
Dr. Theo Loevenich
Dr. Hans-Joachim Panten
Hans Rosentalski
Wilhelm Schlaus,
Syndic
Dr. Werner Schwilling
Rudolf Weber

Managers of the Regional Head Branches

Bielefeld
Ernst Cremer
Dr. Lothar Gruss
Claus Hinz
Oskar Klose
Ulrich Stucke
Lothar Zelz

Bremen
Dr. Roland Bellstedt
Hans-Henning von Bülow
Peter Hartmann

Düsseldorf
Wolfgang Möller
Hans Müller-Grundschok
Jürgen Paschke
Günter Sengpiel
Friedrich Stähler
Dr. Rüdiger Weber

Essen
Dr. Herbert F. Jacobs
Dr. Harry Leihener
Karlheinz Pfeffer
Dr. Theodor E. Pietzcker
Günter M. Schwärzell
Karl Ernst Thiemann
Dr. Wolfgang Tillmann

Frankfurt
Dr. Ulrich Klaucke
Gottfried Michelmann
Dr. Hugo Graf von Walderdorff
Dr. Karl-Heinz Wessel

Freiburg
Dr. Günther Dietzel
Heinz Quester

Hamburg
Christoph Könneker
Hans-Kurt Scherer
Dr. Hans-Dieter Bartels
Dr. Harald P. Burchard
Walter Friesecke
Heinrich Garbe
Günther Hoops
Johann Pfeiffer
Claus Schatz

Hannover
Wolfgang Büsselberg
Dr. Heyko Linnemann
Werner Rissmann
Dr. Dieter Wefers
Hans Witscher

Köln
Dr. Walter Barkhausen
Dr. Franz von Bitter
Dr. Karl-Heinz Böhringer
Karl-Heinz Fink
Dr. Wolfgang-Dieter Lange

Mainz
Dr. Jan Hiemsch
Dr. Hans Pütz

Mannheim
Karlheinz Albrecht
Dr. Fritz Lamb
Karlheinz Reiter
Heinz G. Rothenbücher
Dr. Joachim Seidel

München
Dr. Siegfried Gropper
Dr. Bernt W. Rohrer
Dr. Hans Schuck
Dr. Hans Sedlmayr

Stuttgart
Hellmut Ballé
Norbert Elsen
Dr. Nikolaus Kunkel
Paul Leichert

Wuppertal
Dr. Hans Hinrich Asmus
Hans W. Stahl
Dr. Gerd Weber

Deutsche Bank at a glance

	1974	1973
Balance sheet total	DM 50.3 bn.	DM 46.3 bn.
Volume of business	DM 50.8 bn.	DM 47.0 bn.
Volume of credit	DM 31.0 bn.	DM 29.1 bn.
Funds from outside sources	DM 46.5 bn.	DM 42.8 bn.
Own funds	DM 2,269.0 m.	DM 2,179.0 m.
(after the 1975 capital increase)	(DM 2,899.0 m.)	
Earnings on the volume of business	DM 1,628.5 m.	DM 1,050.7 m.
Earnings from service transactions	DM 453.0 m.	DM 404.9 m.
Staff and material expenditure	DM 1,564.9 m.	DM 1,224.3 m.
Taxes	DM 206.6 m.	DM 100.8 m.
Year's net earnings	DM 234.0 m.	DM 154.6 m.
Allocations to published reserves	DM 90.0 m.	DM 25.0 m.
Total dividend payment	DM 144.0 m.	DM 129.6 m.
Dividend per share of DM 50 par value	DM 10.– m.	DM 9.– m.
Shareholders	168,000	140,000
Customers (not incl. banks)	4,600,000	4,500,000
Staff	35,820	35,287
Offices	1,121	1,108
Group		
Balance sheet total	DM 78.7 bn.	DM 66.4 bn.
Volume of credit	DM 55.8 bn.	DM 47.8 bn.
Funds from outside sources	DM 73.3 bn.	DM 61.8 bn.
Staff	40,578	39,951
Offices	1,269	1,255

Cyclical downswing

In 1974 the economic climate in the Federal Republic of Germany cooled down steadily. Persistent cost inflation and the stabilisation measures needed to combat it, were major factors behind this development. In addition, there were the domestic and world economic difficulties resulting from the extremely sharp increase in the price of oil. At the beginning of the year, the economy still seemed to be heading towards recovery after the Federal Government had abolished the Special Investment Tax and lifted the restrictions on depreciation in December 1973. However, by spring, the increase in domestic demand for capital goods had already proved to be a flash in the pan.

From the middle of the year, economic activity declined more and more rapidly. Companies' business prospects deteriorated from month to month. The normal seasonal recovery after the summer holidays did not materialise. In autumn, there was also a visible slackening in the impetus from foreign demand. By the turn of the year, there was a recession, above all in the industrial sector. Unemployment was rising at a faster pace. At the end of the year, the number of unemployed came close to one million; at the same time, the number of workers on short-time exceeded the 700,000 mark and the number of foreign workers fell by roughly 10%. In January 1975, the number of unemployed rose to 1.15 million, the number of workers on short-time to 900,600.

The first modest successes in the fight against inflationary tendencies, which received additional momentum from the oil price rise, appeared in the course of the year. To avoid jeopardising these successes, the Federal Government accepted the fact of an increasingly recessive economy, in spite of numerous recommendations favouring a different course. In December, however, the Government decided to implement a comprehensive programme to stimulate economic activity, within the scope of which DM 8-10 bn. are to be spent.

Without giving up its target of stability, the Government again directed the main emphasis of its economic policy more strongly towards maintaining the number of jobs. A revival of investment activity was seen to be the decisive task of cyclical policy.

Growth falls to almost zero

In 1974, for the first time ever, GNP came close to DM 1 trillion. It thus rose by a nominal 7%, compared with 11.5% in the previous year. However, this growth was almost totally due to price inflation. In real terms, national product increased by no more than 0.5%. By contrast, real growth in 1973 had amounted to 5.3%.

Industry had to accept a 1.5% decline in production. This process of contraction was compensated only by the growth in the services sector. All the signs of a "split cyclical trend" in the economy persisted into autumn. Sectors with a high proportion of foreign sales, such as chemicals or steel production, fared much more favourably than sectors particularly active on the domestic market. The automotive industry, with its strong emphasis on exports, was an important exception. Like the construction industry, it was particularly affected, both cyclically and structurally. As a result, the industries linked with these branches were also drawn into the downtrend. In the construction industry alone, over 200,000 jobs were lost.

Then, in the last months of the year, demand also declined sharply in those sectors in which business had been good until then, without any particular impairment of the favourable annual results of the companies concerned.

Price inflation curbed

In 1974, by virtue of the policy consistently pursued by the Bundesbank, a further acceleration in the decline of the value of money was successfully avoided. At the beginning of the year, there was still a danger that inflation, stimulated by the oil price rise, might reach, or even exceed, the 10% mark.

From spring, the annual rate of increase in the cost of living remained steady at about 7%. However, this initial success achieved by stability policy did not yet appear at all secure due to the persistence of inflationary factors on the cost side, particularly in the wages and salaries area. Initially, the Bundesbank's restrictive course had more or less no influence on the wage agreements concluded between the tariff partners. Wage costs per unit of production continued to rise rapidly and, in the fourth quarter, were 10% above the corresponding level in the previous year. Not until the end of the year did the social partners begin to react to the fall in employment. Inflation fell to 6%.

In 1974, the Federal Republic moved to the bottom of the international inflation league – to the position it had also held up to 1969. Only in Switzerland, Austria, Luxembourg and the Netherlands was the rate of inflation also less than 10%. In Japan and Italy, it climbed above 20%. Above all, it seems to have been possible in the Federal Republic to overcome – partially, at least – the already wide-spread inflation mentality, e. g. in the housing sector; the flight into real assets slackened off visibly. On the other hand, the propensity to save revived again.

That the population can believe a return to greater price stability is at all possible again, may be adjudged the greatest success of central bank policy in 1974. Accordingly, less attention has been paid in the recent past to proposals concerning indexation.

Record exports again

Strong foreign demand for German products proved the main bolster of economic activity in 1974. In spite of tougher competition on world markets, companies were able to export roughly 29% more in terms of value and 12% more in terms of volume, thus compensating in part the declining demand at home. German companies' delivery times – mostly short – proved to be an advantage over competitors. A high intake of orders from abroad was recorded by, inter alia, companies producing equipment (e. g. steel pipes) for the development of new sources of energy.

The value of goods imported into the Federal Republic also rose sharply (+24%). However, with import prices rising by an average of 25%, this meant a slight reduction, in terms of volume, in the utilisation of foreign goods – a consequence of the overall economic slowdown. The German foreign trade surplus rose from DM 33 bn. to DM 51 bn., although mineral oil supplies at the increased price required additional expenditure on the import side of roughly DM 16 bn. Thus, in 1974, the oil price rises caused no difficulties for the Federal German balance on current account – in contrast to the situation in most other industrialised nations.

Serious lack of investment

In the German economy, in 1974, investment activity more or less came to a standstill. Capital investment fell by 7.9% in real terms compared with the previous year. This reluctance to invest was a major factor behind the downswing in the economy. Its root causes were various. Rising raw material prices, wage and salary increases far in excess of improvements in productivity and high interest costs depressed profit and loss accounts. In spite of a cautious relaxation of the hitherto extremely restrictive central bank policy, there remained little room to pass on these increases in prices. In spite of intensified efforts aimed at rationalisation, the profit margins of many companies were consequently forced to contract.

The national income account shows that in 1974 gross entrepreneurial and property income stagnated nominally. Thus, a trend which had been visible since 1969 was continued and reinforced: profit growth is lagging well behind the expansion of total national income and, in particular, behind the increase in wages and salaries. Parallel with this development, the growth rate of capital investment has been falling continuously since 1970. On the other hand, the wage ratio has increased from 65.4% in 1969 to 71.6% in 1974. The investment ratios of the last few years are no longer sufficient to secure further growth. The Federal Republic is living more and more from its material assets.

Reticent consumers

Private consumption in 1974 provided no stimulus for economic activity. With a nominal growth rate of 7.5%, there was hardly any real growth (0.2%). The growing number of unemployed workers and workers on short-time as well as the more or less complete lack of highly-paid overtime and holidays no doubt played an important rôle here. Wage and salary earners were also obliged to note once again that growing taxes and social insurance contributions were eating up ever increasing portions of their rises. In addition, there was the general concern about the further development of the economy – not least in view of the completely unsolved oil price problem – and the quite material concern about jobs. All these factors depressed the propensity to consume.

Monetary and credit policy survey

1974

11.1. Effective 1.1.: Minimum reserve ratios for domestic liabilities lowered by 5%; minimum reserve ratios for external liabilities lowered by five percentage points; minimum reserve on growth of external liabilities suspended. Special lombard credit no longer available; outstanding special lombard credit due for repayment on 16.1.

21.1. Foreign exchange markets closed; France leaves currency bloc (on 19.1.) and lets the franc float.

30.1. Easing of restrictions on capital transactions from 31.1.74. From that date, no authorisation required for: borrowing abroad, purchase by non-residents of domestic securities other than bearer or order bonds with remaining life of up to four years, direct investment by foreigners in the Federal Republic. Cash deposit remains in force but ratio reduced from 50% to 20% and amount exempt from deposit requirement raised from DM 50,000 to DM 100,000.

14.3. Bundesbank grants special lombard credit at 13% and again purchases bills outside the rediscount quotas at $11\frac{1}{2}\%$ subject to an agreement that they will be repurchased after 10 days.

8.4. Special lombard credit suspended. Rates for transactions involving bills under repurchase agreement reduced to 10% (previously $11\frac{1}{2}\%$).

24.4. Purchase of bills outside rediscount quotas suspended.

2.5. Bundesbank ceases interventions on bond market.

22.5. As from 31.5. and until further notice, banks may only utilise up to 75% of their total rediscount quotas.

28.5. Special lombard credit granted until further notice at rate of 10%.

5.6. Banks required to present monthly report per end of each month giving their total obligations to deliver and buy forward exchange (first report per end-July, 1975).

3.7. Banks may again utilise rediscount quotas in full. Bundesbank grants lombard credit at lombard rate (currently 9%) with no limit on amount up to and including 31.7. Special lombard credit is suspended.

18.7. Period during which lombard credit is granted at lombard rate is extended up to and including 31.8. Bundesbank raises upper limit for total of prime acceptances which it is prepared to purchase in market regulating operations by DM 200 m. to DM 1.1 bn. with the proviso that this additional facility shall be solely to the benefit of private and smaller regional banks. Bundesbank gives assurance of refinancing assistance to liquidity syndicate of Federal Association of German Banks (assistance will be given as a rule through increase in rediscount quotas). Following an increase in its special rediscount facilities, the Reconstruction Loan Corporation can now refinance credits up to DM 0.5 bn. to be made available to smaller and medium-sized enterprises.

16.8. With effect from 1.9., minimum reserve ratios on domestic liabilities lowered by 10%.

29.8. Lombard credit at lombard rate also granted after 31.8. until further notice.

31.8. With effect from 1.10.74, the Federal Banking Supervisory Office lays down that volume of banks' open foreign exchange positions shall not exceed 30% of liable funds.

7.9. Banks which have got into liquidity difficulties through no fault of their own can reduce their required minimum reserve (effective retroactively from 1.8.).

11.9. Federal Government cancels cash deposit obligation and mandatory authorisation for assignment of domestic claims to non-residents.

26.9. With effect from 1.10., minimum reserve ratios on domestic and external liabilities lowered by 8%.

27.9. Establishment of Liquiditäts-Konsortialbank GmbH (Liquidity Consortium Bank). Capital: DM 250 m. (Provision for call of up to DM 750 m.) Bundesbank takes 30% participation.

24.10. With effect from 25.10., discount rate lowered from 7% to $6\frac{1}{2}\%$ and lombard rate from 9% to $8\frac{1}{2}\%$. Banks' rediscount quotas increased from 1.11. by DM 2.5 bn.

5.12. Central Bank Council announcement: growth of about 8% in central bank money stock in 1975 is acceptable from point of view of stability policy.

12.12. Comprehensive "programme to promote employment and growth in conditions of stability" presented by Cabinet; approved by Federal Diet and Federal Council on 19.12.

19.12. With effect from 20.12., discount rate lowered from $6\frac{1}{2}\%$ to 6% and lombard rate from $8\frac{1}{2}\%$ to 8%.

1975

23.1. Rediscount quotas raised from 24.1. to end of March by DM 2.5 bn.

6.2. With effect from 7.2, discount rate lowered from 6% to $5\frac{1}{2}\%$ and lombard rate from 8% to $7\frac{1}{2}\%$.

6.3. With effect from 7.3., discount rate lowered from $5\frac{1}{2}\%$ to 5% and lombard rate from $7\frac{1}{2}\%$ to $6\frac{1}{2}\%$.

This is clearly illustrated by retail turnover figures. Growth in retail turnover of almost 6% corresponded to a real decline by a good 1.5%. For the first time in any year since the introduction of the D-Mark, less goods were sold than in the preceding year.

Higher state expenditure – growing deficits

Public budgets in 1974 were characterised by expansive spending. State consumption, with a nominal growth rate of 16%, expanded more than twice as strongly as the national product (+7%). Additional expenditure in this unbudgeted magnitude resulted from highly excessive wage agreements in the public sector. Budgeted additional expenditure was caused by the efforts of central and regional authorities to provide economic and structural aid, through selective promotional measures, to particularly threatened areas in the economy. Implementation of this policy was begun in December 1973 and continued in the following spring and autumn by means of special programmes. Thus, in 1974, state investment – in contrast to previous years – rose somewhat more sharply at 18.9% than state consumption.

Facing this increased public expenditure were tax revenues substantially lower than foreseen. The budgetary situation deteriorated accordingly and caused the deficits to grow. Increasing budgetary gaps will also continue to characterise the financial situation of the central, regional and local authorities.

Bundesbank continues on stability course

In 1974, Bundesbank policy was again orientated consistently towards reducing the growth rate of money stock and thereby limiting the extent to which price increases could be financed. It applied its range of instruments flexibly, allowing for the changing monetary and economic conditions. In 1974, it succeeded in limiting the growth of money and quasi-money (M 2) to 5.2%, compared with roughly 14% in the previous year. Central bank money was only made available to the banks in so far as this was consistent with its overall monetary concept. At the same time, the Bundesbank improved the precision of the instruments and methods at its disposal for controlling the bank's liquidity and was thus able to prevent the extreme movements on the money market which had been experienced the year before.

The specific phases of central bank policy and the respective measures introduced are set out in the survey on P. 13. Until the autumn, the Bundesbank restricted itself in the main to skimming off liquidity caused by foreign exchange inflows or, vice versa, to compensating outflows caused by sales of foreign exchange. In its commentaries, the Bundesbank underlined its adherence to a counter-inflationary policy. Nevertheless, central bank measures in 1974 were far less severe on the banks than in 1973, a year of extreme restriction.

A de facto relaxation took place step by step in the course of the year. In summer, the collapse of the Herstatt-Bank and its repercussions on the money market caused the central bank to grant special liquidity concessions for small and medium-sized banks. Then, in the last quarter, the Bundesbank made its first direct allowances for the decline in economic activity. It reduced the discount rate in two stages from 7% to 6% and raised the banks' rediscount quotas. In so doing, the Bundesbank supported the falling trend in interest rates which had been emerging for some time. The main reason why the Bundesbank felt able to take this first step to ease its restrictive course was because, at that time, the annual rate of increase in the cost of living had dropped markedly. At the beginning of 1975, it continued its policy of relaxation by increasing rediscount quotas and by further reducing the discount and lombard rates to 5% and 6½% respectively.

Interim report on stability policy

Developments in the Federal Republic in 1974 have shown that the return to greater price stability is possible, given a central bank policy directed unswervingly towards this objective and given express support for this policy from the Federal Government. In spite of the fact that price increases are still far too high, there is a signal here which is a source of hope for other countries too. At the same time, however, it became clear that such a turnround cannot be effected without some sacrifices, i. e. without some growth being forfeited and some jobs being lost. In particular the problems on the construction market illustrated how much damage accelerating inflation had already done to the structure of our economy.

Development of profits

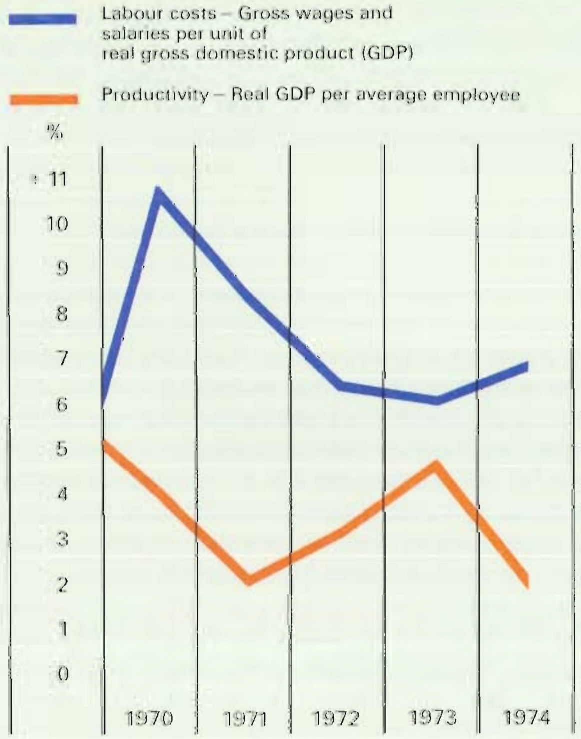
Annual growth rate in %

Development of wages and salaries

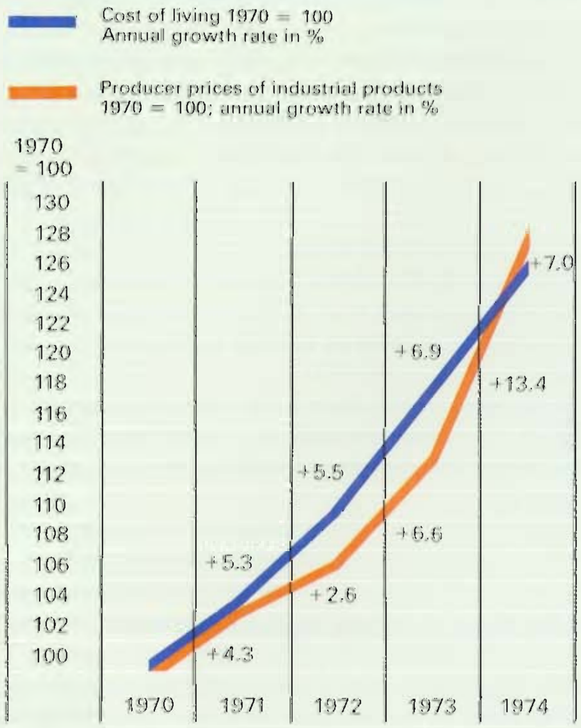
Annual growth rate in %

Development of productivity and labour costs

Annual growth rate in %



Development of prices



This damage was revealed all the more clearly as the "veil of inflation" was lifted. After a learning process which has been painful for many people, there does now seem to be a general realisation in the Federal Republic that creeping inflation threatens job security as well and that therefore, in the longer term, price stability and full employment are not opposites. This is even more the case in a time when, for a number of reasons, we must prepare ourselves for lower growth rates than in the past.

Linked with this first set-back to the "inflation mentality" which, at the beginning of the year, had still been spreading, was the recollection, by broader sections of the general public, of certain basic economic truths which had been largely forgotten in a previous phase of, in many cases, ideologically coloured criticism of our economic and social order.

In 1974, we had a clear illustration of how harmful wage increases far in excess of productivity improvements can be for all parties concerned. This indicated the limits of the distribution policy which had been pursued for years and the effects of which are ultimately detrimental to the interests of employees as well.

At the same time, the first signs are appearing of a less prejudiced attitude towards entrepreneurial earnings and investments. For years, earnings were denigrated as "profits". As economic activity grew progressively weaker, a clearer understanding developed of relationships within the economy: without sufficient profits, the propensity to invest will be paralysed and without investments, no new jobs will be created and existing jobs will be threatened. It has therefore been stressed by the Economic Experts and confirmed by the Federal Government that, in the foreseeable future, profits must grow at least as quickly as the nominal national product.

Growing public deficits have made it more and more difficult to finance reforms. After the change of Chancellor, the Government drew the necessary conclusions.

Doubts about co-determination confirmed

It is regrettable that the Federal Government continues to cling to its concept of equal co-determination, although, in the meantime, the harmful consequences of this model for our economic and social constitution have become more and more obvious.

Hearings held by the Government have confirmed in full the doubts we expressed at length in our Annual Report for 1973 about the Government's co-determination paper. In December 1974, the majority of the legal experts gave a negative answer to the question as to whether equal co-determination in its proposed form can be reconciled with the Basic Law. In the meantime, the originally envisaged procedure of election by employees specially empowered by the staff to vote has also met with rejection in some quarters of the Coalition Government. The complicated procedure for resolving deadlock situations within the Supervisory Board is still a particularly critical point. It would of necessity paralyse all decision-making processes within this body and impair the functional efficiency of the Supervisory Board as a whole. The appointment of board directors would fall under extensive union influence. Ultimately, the right to negotiate wage tariffs autonomously would be threatened in its very foundations.

The enactment of a co-determination law which, in the end, had not been properly worked out, would be all the more deplorable as it is vital, not only in the current economic situation in the Federal Republic but also bearing in mind future developments, that companies should retain and, as far as possible, improve their flexibility and their ability to make decisions.

Capital formation must be further promoted

All new capital formation models put forward so far have proved to be unsuitable in their material content and, above all, in their practical feasibility. They can only serve as the basis for further investigation.

In this connection, we still believe that capital formation in broad sections of the population – particularly in the form of a participation in the productive capital of the economy – should be further promoted. We consider the most suitable and, for practical reasons, the best way to do this is to develop the 624-DM Law.

This seems to us to be the right way, the one already used by more than 19 million employees (including civil servants). It does not involve particularly high administrative costs.

Measures to reflate the economy

In the field of public investment, the Federal Government programme, agreed in December 1974, to stimulate business activity provides for additional expenditure totalling over DM 1 bn. Stimulation of private investment is planned – the main element of the programme – by means of a 7.5% bonus, available for a limited period of time. The tax reform which became effective on January 1, 1975, and which, in principle, relieved the tax burden on low and medium income groups, is expected to give some impetus to private consumption. However, judging by the reform's first public echoes, it appears doubtful whether the effects hoped for will actually materialise. At any rate, dissimilarly stronger impulses should be generated by public deficits in 1975 totalling DM 50 to 60 bn.

We can derive opportunities for overcoming the recession in the second half of 1975 from the overall effect of these measures. But there will only be a firmly-based, new economic upswing if private investments expand again. It could well be that the investment bonus alone will not suffice; companies' earnings must also show a clear improvement. So, it is a question of reducing the cost burdens which still exist. Besides this, it will be of the utmost importance that the uncertainties stemming from the world economic situation are resolved.

There is a questionable side to the cyclical stimulus which may be expected from the public sector. Budget deficits amounting to DM 50–60 bn. should have a strong inflationary effect, in so far as they are financed not via the capital market but by obtaining more credit. But the issuing of loans on the capital market also requires careful regulation in accordance with market conditions.

The desired "upturn in stability" has still not materialised. And without the confidence of trade and industry in long-term prospects, "stimulative injections", however massive they may be, will not succeed in producing it by force. It is particularly important in this connection that in wage negotiations due consideration be given to the substantial changes that have taken place in the economic situation. This was happily the case in the most recent tariff agreements concluded in the metal-using industry and the public service sector.

There seems to be all the more reason for the Federal Government, even in the next few, certainly difficult months, not to jeopardise by excessive deficit spending the progress achieved so far, with great effort, in this area.

Increase in precautionary saving

There has been a marked increase in private saving since Spring 1974. Thus, the savings ratio which in 1973 had fallen by about one percentage point to 13.6% has returned to its 1972 level. Amongst the reasons for saving, the precautionary motive gained ground as the economy grew cooler. Many private households tried to reduce their expenditure and invest reserves where possible. Accordingly, these savers preferred more liquid forms of investment, above all, the savings-book method with no special time commitment. In a certain sense, one can speak of a return to the savings-book.

In the course of 1974, it was possible to reduce considerably the interest rate gap between time balances and savings deposits, since the Bundesbank's less restrictive liquidity policy no longer made it necessary to procure deposits almost "at any price". Consequently, some time balances found their way back to savings accounts again. In many cases, as profits and liquidity deteriorated, enterprises used time balances, with which they had taken advantage of the particularly high interest rates in 1973, to finance company projects.

Structure of deposits back to normal

In 1974, as a result of these redispositions, the structure of deposits with most banks returned to normal again.

Net inpayments on savings accounts in 1974 amounted to DM 30.2 bn. whilst in 1973 they had risen by only DM 14.3 bn. On the other hand, there was only slight growth in time deposits in 1974, whereas in the previous year they had increased by the record amount of DM 41 bn.

The increase in savings deposits was reflected above all in accounts with legal period of notice (+14.3%). Only premium-bearing savings deposits recorded a higher increase (+18.7%).

The return to a more balanced relationship between savings and time deposits with most banks helped to improve the earnings position again which had deteriorated sharply in 1973. Financing costs fell and there was a marked recovery in the interest spread – a development which had been urgently necessary, not least in view of the considerably higher risks in the credit business.

Falling demand for credit

Credits extended by German credit institutions to non-banks in 1974 rose by only 8.2%, compared with 9.4% in 1973 and 14.0% in 1972. Demand for credit fell in the course of the year as the economy cooled down. Only public bodies took up a considerably larger volume of credit (+16.3%), most of which was medium and long-term. On the other hand, in the company sector, declining investment activity and cautious stockbuilding had a depressing effect on the demand for credit.

The second half of 1974 was characterised by a fall in interest rates in all sectors of the market – only a slow process to begin with but accelerating sharply in the latter part of the year and early in 1975. The Bundesbank facilitated this development by a gradual easing of the restrictions on liquidity without having to lower the discount rate in this first phase. Over and above the effects they had on lending and deposit rates, the reductions in the discount rate decided on October 24 and December 19, 1974, then caused the downtrend in capital market interest rates to accelerate markedly. The reduction of credit interest rates took the pressure off the profit situation of many companies.

A comparison between the expansion of credit and the growth in the gross national product reveals a more or less parallel development. Measured in real terms, the volume of credit stagnated.

Herstatt and its consequences

The main event in Federal German banking in 1974 was the failure of the Herstatt-Bank in Cologne, the largest and most momentous case of its kind for more than 40 years. An outsider among the banks collapsed because, to compensate for the unsatisfactory earnings position in the traditional banking business, risks were taken on the international foreign exchange market which, seen in perspective, were unwarrantable. They led to such heavy losses that the bank had to be closed.

The banks' first task was to avoid further damage. Thus, it was possible to save other banks from collapsing with serious consequences. In the Herstatt case, the joint fund established by the private banks repaid the majority of depositors. Finally, the banking system as a whole helped bring about the bank's court-approved composition: through payments into an aid fund and within the framework of a guarantee-syndicate. By making management changes and by extending the number of shareholders in the Gerling group to include first-class names from the insurance business and from industry, firm foundations were established for the future development of this important insurance company.

The joint initiative undertaken by the banks and industry on their own responsibility is a good example of how such a cooperative effort can prevent directly affected bank-customers from suffering larger-scale losses and can protect our free market system against unfavourable consequences.

In the meantime, to avoid bank failures in future and, in particular, losses by depositors, a number of measures have been introduced. In September, the Liquiditäts-Konsortialbank GmbH was founded. Furnished with own funds totalling DM 1 bn., its purpose is to safeguard the banks' liquidity so as to guarantee their settlement of domestic and foreign payment transactions. Help in the form of liquid funds will be provided should a basically sound credit institution get into temporary payment difficulties. Guarantor is the German banking system as a whole, with a major participation being held by the Deutsche Bundesbank.

With effect from October 1, the Federal Banking Supervisory Office limited the permissible level of banks' open foreign exchange positions to 30% of liable funds and thus reduced the possible risks involved in the foreign exchange business.

As a result of the bank insolvencies over the last few years and due particularly to the collapse of the Herstatt-Bank, the Federal Government submitted a draft for an amended version of the Banking Law. This draft makes greater demands on the quality of the owners and managers of credit institutions but with freedom of trade being preserved in principle. The Federal Supervisory Office would receive wider powers of supervision and intervention.

On February 1, 1975, the Federal Association of German Banks presented its plans for increasing the security of deposits. The aim is to provide cover for all deposits by private individuals, commercial and industrial companies and public bodies, provided they do not exceed a certain ratio to the banks' liable funds. The proposed solution would ensure that competition between the banks remains intact.

Year of fluctuation on the share market

According to the share price index (29. 12. 1972 = 100), 1974 saw share prices fall by an average 2.9%. In an international comparison, the German share markets thus got off comparatively lightly in a phase in which prices tumbled throughout the world – for shareholders in the western world, 1974 was certainly the worst year since the end of the war. In the Federal Republic, prices rose in January and from then until October were subject, in the main, to the negative influence of sustained monetary restrictions, scarce liquidity, high capital market interest rates together with sociopolitical and economic uncertainty. Prices reached their lowest level in the year on October 7, having dropped 10.2% since the beginning of the year.

In the last few weeks of the year, the mood on the share markets brightened up visibly when progress on the stability front permitted a cautious easing of the monetary brakes and a falling trend in interest rates began to emerge. In addition, certain selective purchases of first-class German securities by oil exporting countries – and expectations of further developments in this area – had their due effect on the course of events. By the end of the year, prices had risen 8.1% above the year's low. This rising trend persisted through the first few months of 1975.

The split cyclical trend in the Federal Republic resulted in divergencies in the share market performance of different sectors of the economy. Thus gains were made by shipbuilding, iron and steel and chemical shares. On the other hand, construction and construction supply shares sustained considerable losses.

The average dividend paid on quoted shares rose from 12.98% at the end of 1973 to 13.83% at the end of 1974. Over the same period, the average yield – which should be seen in conjunction with the fall in prices – rose from 3.72% to 4.45%.

The volume of new issues at DM 3.5 bn. fell – against the background of the sustained decline in prices – to its lowest level for five years.

Bond market: favourable in spite of pressures

The outlook on the bond market at the beginni the year contrasted with prospects at the year-end. In the first quarter of 1974, business was extremely sluggish. There was uncertainty as to how economic activity would develop. The oil shock had given rise to fears that inflation would accelerate considerably. The general expectation was that interest rates would rise and the prices of older issues were threatened with a further decline. Investors therefore showed little desire to invest their funds on a longer-term basis. This attitude did not change until interest rates began to fall in the course of the year and the first signs of success appeared in the fight against inflation. Bundesbank and the Central Capital Market Committee did what they could to take advantage of this market situation and to reinforce, by means of a number of cautious steps, the falling trend in interest rates. The last two months in the year then saw the development of extremely strong demand for fixed-interest bearing securities and correspondingly high turnover levels. The change in trend on the bond market was assisted by the large growth in the banks' liquidity.

Due to the extremely large volume of purchases towards the end of the year, the gross turnover in fixed-interest bearing securities – totalling DM 51 bn. – surpassed the previous record of DM 48 bn. achieved in 1972. Compared with 1973, turnover increased by more than 11%. However, due to a rise in repayments, net sales at DM 26.7 bn. remained slightly lower than the previous year's figure. In 1974, average monthly repayments totalled DM 2 bn.; thus, over the last five years, they have more than quadrupled. This is due in particular to the shortening of maturities. Thus, the average maturity of new issues fell from over ten years in mid-1972 to almost five years in mid-1974. However, since October 1974, there has been a visible shift in the structure of maturities in favour of longer-term issues again.

In 1974, the need for credit increased first and foremost in the public sector. Communal bonds and public loans made up over 50% of total gross turnover; in 1973, the corresponding figure had been 40%. Once again, industry showed reticence towards own issues due to the high interest costs and the short maturities. They did not even make up 1% of the total new issue volume.

There was a notable shift in domestic buyers which was connected above all with the easing of the banks' liquidity situation in 1974. Credit institutions which had

had no free liquid funds at their disposal in 1973, increased their share from 19% (DM 3.5 bn.) to 51% (DM 14.5 bn.). By contrast, non-bank customers' share of total purchases of fixed-interest paper fell from roughly 81% (DM 15.3 bn.) in 1973 to only 48% (DM 13.8 bn.) in 1974.

Investment funds: more returns than purchases

The drawn-out depression on the share markets also affected the sales performance of German investment companies. Not until the last few weeks of the year were good sales results achieved again, hand in hand with the general recovery. For the first time, German public funds had to take back more certificates than they sold. Whilst there had been an inflow of monies totalling DM 1.8 bn. in 1973, 1974 closed with a net outflow of DM 133 m. However, the performance of individual groups of funds varied from this overall development. Share-holding funds as a whole recorded a net inflow of monies, albeit sharply reduced, with internationally operating share-holding funds faring worse than funds holding mainly German securities.

Fixed-interest security funds suffered an unexpectedly sharp set-back. The outflow of monies totalling DM 359 m. was due primarily to returns from abroad. The fund companies tried to switch their low-interest bearing titles into high-interest bearing ones.

In the case of real property investment funds, sales almost balanced out returns.

Weak Euroloan market

In 1974, issuing activity in the market for long-term Euroloans came to a complete standstill on several occasions. Taken in total, not even 50% of the previous year's volume was achieved. Investors reacted to the intensified inflationary trends throughout the world with great reticence towards longer-term loans, whilst potential issuers hesitated in view of the high interest rates since a good number of alternative possibilities were available on the Eurocredit markets. Not until interest rates began to fall in November did demand pick up again on the Eurocapital market in the expectation that interest rates would continue to fall, whereby the interest of buyers – bearing in mind the strength of the D-Mark on the foreign exchange markets – was directed particularly towards international DM-loans. Until November, on the other hand, with one exception, no foreign DM-loans were issued. When the market recovered quickly at the beginning of 1975, it was gradually possible to lead investors back to maturities of up to 10 years. This development, supported to a certain extent by OPEC purchases, is gratifying above all because it makes it possible again to secure for numerous investments throughout the world, healthier financing and more closely matching maturities, than are available on the Eurocredit markets via the predominant roll-over procedure.

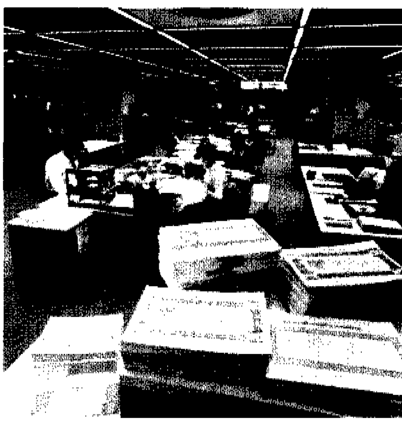
The total value of new loans was equivalent to roughly US-$ 2.4 bn., compared with a corresponding figure of roughly US-$ 5 bn. in 1973 and US-$ 6.5 bn. in the record year of 1972. Dollar titles with 35% of total issues and DM-loans with 23% had smaller shares than in the previous year, whilst the share of loans denominated in Swiss Francs was unchanged at roughly 15%. The share of Guilder-loans increased to 13%. The share of loans denominated in units of account (UA) also rose. The small number of convertible loans (3), compared with previous years, can be explained by the general fall in prices on the international share markets.

However, statistics for the Eurocapital market are no longer all that informative because they do not include larger-sized private placements – mainly denominated in US-$ – placed en bloc by individual issuing banks in the OPEC countries. In isolated cases, Arab currencies were also used for such issues.

Interest rates reached a new high on the Eurocapital market in the course of 1974. In autumn, the issue yield on 5 to 7-year foreign DM-loans stood at 10% or more; towards the year-end, it fell to about 9¾% and then, by February, to about 9% for first-class borrowers. In the secondary market for outstanding Euroloans with longer maturities, buyers were able to earn even higher yields.

Eurodollar business comes to its senses – better judgement prevails

In the first few months of 1974, developments on the Eurocredit market were distinctly stormy. They were determined to a large extent by the investment-seeking ex-



Wide securities business

Over 2,600 members of staff in all different parts of the bank have to do with securities in one way or another. Those in direct contact with the customers are the customers' advisers. They are expected to be able to put themselves in the customer's position, to have a sense of responsibility and sound knowledge of the stock market.
The bank is represented by dealers on all German stock exchanges. This work demands a dynamic and decisive nature, with the ability to take decisions quickly in the hectic atmosphere of the stock exchange. Securities business involves at the same time a lot of technical work. Settling and posting the orders, safe custody of the securities and management of the portfolios demand a reliable staff team (pictures above).
The two pictures alongside this text show Dr. Christians – Board member responsible for share business – in the Düsseldorf stock exchange, and Dr. Feith – Board member responsible for bond business – in the Frankfurt stock exchange.

port revenues of the oil-producing states and the financing needs of the deficit countries.

In the competition between the numerous Eurobanks, larger and larger sums were lent and maturities were extended. In many cases, the expansionary drive pushed classical creditworthiness principles into the background. And the replacement risks involved in the rollover procedure were increasingly neglected by many of the banks involved. The number of voices raised in opposition to an overstraining of the Euromarket increased. A change took place in this situation about the middle of the year, before the collapse of a number of smaller institutions active on the Euromarket and the heavy foreign exchange losses sustained by other houses precipitated an open crisis of confidence. Influenced by the larger leading banks, a more reasonable relationship was established again between terms and risks and the maturities of previously up to 15 years were limited to between five and a maximum of seven years. Bank insolvencies, though only partially connected with the Euromarket, added considerable impetus to this swing. The Euromarket passed into a phase of stagnation. Not until the beginning of September did the Basle resolutions agreed by the central banks, who acknowledged their responsibility towards the Euromarket in the event of a critical shortage of liquidity, contribute to a restoration of confidence.

However, the central banks deliberately issued only a conditional "lender of last resort" declaration, to avoid creating the impression that a safety-net was also being set up for Eurobanks guilty of irresponsible behaviour. Shortly afterwards, the parent banks of syndicate Euro-institutions operating in London were reminded of their liability in a letter from the Governor of the Bank of England. This led to exemplary letters of comfort which helped to reinforce confidence in the market.

We have no hesitation in welcoming these declarations by the central banks wholeheartedly because they added to the restoration of good sense and order on the market and clearly illustrated the risks in the Eurocredit business. After the unwise exaggerations at the beginning of 1974, a sound development of the Eurodollar market now seems possible on the basis of tried and tested bank principles. But "voluntary self-control" on the part of all concerned still continues to be necessary, to further the consolidation of the market and thus preserve its long-term efficiency.

World economy in inflation and recession

In 1974, the world economy was subjected to extreme pressures. A slackening of economic activity, inflation and balance of payments disequilibria, drastically aggravated by the consequences of the oil price explosion, were the major world-wide factors.

International inflation accelerated faster than expected. Inflation was recognised internationally to be the major enemy of secure growth – but not until a consistent stability policy had claimed a substantial number of victims and quick success could no longer be expected.

After mid-1974, recessive trends and fears became stronger in most industrialised countries. The concern about employment and production became paramount. This was accompanied by deficits on current account of an unprecedented magnitude, due partially to the lack of efforts to achieve stability, partially to the higher oil bills.

Many observers fear that, in the near future, there could be developments similar to those in the great world economic crisis. We feel that, at the present time, there is no justification for this anxiety. Our attitude is based not only on the improved range of economic instruments and the determination of governments to deploy them against sustained downswings. Above all, international cooperation is much more firmly established than it was in those days, though it still leaves a lot to be desired.

Prospects for a swift revival of world economic activity are slim. It could well be some time before the cyclical downswing in the western industrialised nations, reinforced by necessary structural adjustment processes, can be overcome. The volume of world trade this year will only increase by a very small amount, if at all. Basically, we should bear in mind that, in the changed energy situation, over the next few years, there will be tighter restrictions than there have been in the past on the growth of prosperity in the industrialised world. This is of course particularly true of those countries with high balance of payments deficits. The aims of economic policy and the expectations of the people will have to take full account of this hard fact.

Oil countries' amazing import capacity

The industrial countries reacted to the drastic oil price increases with a substantial cut in their oil consumption.

In 1974, savings reached an average of 6% in West Europe.

At the same time, the capacity of the OPEC countries for absorbing additional imports was far greater than originally expected. They increased their imports last year by 70% to 75%. German deliveries to these territories grew by a similar proportion. If these trends continue, it will be possible perhaps to reduce OPEC's surplus position more rapidly than had originally been assumed. There are forecasts according to which the oil countries' aggregate balance on current account will be almost even by the end of the seventies, to be followed by deficits again after that. However, until then, the OPEC countries could well accumulate surpluses – and thus financial and real assets abroad – totalling at least US-$ 200 bn. In the opposite scale will be the corresponding indebtedness of the oil consumer countries and their asset transfers. So, over the coming years, substantial bridging finance transactions between the oil exporting and oil importing countries will continue to be necessary. However, this recycling will only provide temporary assistance. It will not exonerate us from the necessary, comprehensive structural adjustments to the lasting changes which have taken place in the world economic situation.

The new position of the non-oil developing countries is particularly difficult. They can only resolve their acute balance of payments problems, which were caused by the oil price explosion, by means of generous aid from the OPEC countries and the industrialised world. At the same time, the continuation of development aid is a particular problem for the industrialised countries who, themselves, have got into balance of payments difficulties due to the oil price. Nor should the prospect of a possible reduction of OPEC's global export surpluses towards the end of the seventies delude us into overlooking the problems which will result from the accumulation of unusually high debts on the part of individual oil importing countries. This continues to be a critical point in the international monetary system.

Surprisingly smooth recycling in 1974

In 1974, it was possible to finance the high balance of payments deficits of individual oil importing countries without any particular difficulties. To begin with, the monetary reserves of these countries remained more or less untouched. However, the major portion of the surplus petrodollars – except in the case of the United Kingdom – did not flow into those countries with the greatest need for foreign exchange but into the Eurodollar market and into countries with comparatively strong currencies, so that, to balance the deficits, all kinds of credit transactions – so-called secondary recycling – were still required. In addition, in 1974, roughly two thirds of oil funds available for foreign investment were invested initially in liquid form, whereas the consumer countries needed medium and longer-term credits to bridge their deficits.

Longer-term investments by the oil countries became increasingly significant above all in the second half of the year. The oil countries probably spent almost US-$ 3 bn. on participations in companies, securities and real property in the industrialised nations. A good 10% of OPEC's total surpluses amounting to US-$ 55 bn. was passed on to governments and state enterprises in the developed world in the form of direct credits.

Private markets play a major rôle

The recycling of oil funds to the deficit countries was handled primarily by the private markets. In Spring 1974, the Eurobanks alone extended balance of payments credits worth US-$ 10 bn. to France, the United Kingdom and Italy. However, in view of the precarious debtor position of the main deficit countries and the lack of congruence between the maturities of funds offered and funds required, it soon became clear that there were narrow limits to the extent to which balance of payments deficits could be financed by private banks. Besides this, the increasing deterioration of own capital ratios demanded a greater reticence towards new commitments on the part of banks active on the Euromarket. The same is true of the US-American banks. In 1974, they extended foreign credits worth a total of more than US-$ 18 bn. Again, however, the major portion of this sum was extended in the first half of the year. In fact, no more larger balance of payments credits were granted by banks active in the Eurodollar business in the second half of 1974.

New channels needed

The above facts show that new channels are needed for the recycling of OPEC surpluses. The private sector's contribution to the recycling process will have to be centred above all on this area, as the efficiency of the international capital markets increases again. Very encouraging initial steps have been taken in this direction. But an expansion of official multilateral financing facilities as well as of direct credits from the oil countries to the deficit countries is unavoidable.

The US-$ 6 bn. increase in the IMF oil facility agreed for 1975 and the forthcoming quota increase of roughly US-$ 12 bn. will serve the first of these objectives. Furthermore, in 1975, up to US-$ 2 bn. are to be raised via an EC-loan guaranteed by the member states and used for the financing of balance of payments deficits. The financial assistance given by international institutions has one advantage over private credits, namely that it can be linked with appropriate conditions with regard to the borrowing country's economic policy.

Moreover, as a kind of self-help operation on the part of the oil consumer countries, a US-$ 25 bn. OECD fund has been established for 1975 and 1976. It will be available as a financial safety-net to member countries which have exhausted all other possibilities of deficit financing. It will thereby serve to reinforce the feeling of solidarity amongst the oil consumer countries.

In spite of these precautionary measures, a reasonably smooth balancing of the oil deficits over the next few years only appears to be assured if the OPEC-countries are more willing in the future than they have been up to now to give direct credits to the already highly indebted deficit countries. Besides prepayments for future imports from the debtor countries, one possibility here would be longer-term credit for part of the oil supplied.

Oil countries' direct investments

After accumulating considerable liquid reserves, the oil countries are already showing a distinct tendency to utilise more and more of their foreign exchange revenues to form real assets. How purposefully they are endeavouring to further their own industrial development is illustrated by the high import ratios. Furthermore, there are good opportunities for a direct engagement of oil capital in the non-oil developing countries. If such investments were to be linked to the contribution of technical know-how by the oil importing countries, this would constitute a new and particularly sensible form of the division of labour within the world economy. There is certainly no lack of projects to serve as a practical test of these ideas, nor is there a shortage of the most diverse kinds of local and regional development banks.

Besides this, the interest of the oil countries in productive investments in industrialised countries has also increased. A growing economic interlinking of oil producers and oil consumers is to be welcomed. In the industrialised nations, the inflow of risk capital from OPEC can contribute to the achievement of outstanding structural tasks. Not least such direct engagements will bind the oil countries more strongly to the western economic and monetary system and strengthen their interest in constructive solutions to the energy problem in cooperation with the oil consumer countries.

Safeguarding national interests without sacrificing liberal capital movements policy

In this context, the oil countries' desire to participate in existing efficient companies in the western world is understandable. Certainly, where such participations are concerned, justified national interests still have to be safeguarded. The oil countries will also appreciate this in so far as these interests can be convincingly warranted. They themselves have more or less completely nationalised the oil companies in their territories and set limits on foreign capital participation in many domestic industries.

For many years, the Federal Republic has been living with the fact that almost one sixth of its public limited companies' own capital is in foreign hands. However, this inflow of capital was usually linked with additional know-how which was extremely useful, particularly in the days when the German economy was being rebuilt.

What Government, business community and banks are seeking to determine in their present thinking on the purchase of participations in companies, is how to place certain limits on foreign influence without jeopardising the proven freedom of our economic order and the freedom of capital movements and without being in any way discriminative. This means that the form, extent and effective scope of possible measures should be restricted to the absolute minimum required. Capital participations taken with the full agreement of the company's management with a view to initiating and expanding joint commercial activities should be judged differently from, for example, changes in the structure of ownership which allow foreign interests to exercise a controlling influence over companies of particular national importance. Besides the national defence and supply aspects, it is also a question of preserving the entrepreneurial freedom of decision in key areas of the economy.

Banks and industry have agreed to inform the Federal Government and the Bundesbank about any foreign participation plans which could lead to a controlling influence and could place the entrepreneurial independence of a German company in jeopardy. Furthermore, it would be useful if the Government were to clarify, at least the broad principles of its attitude towards desirable or undesirable purchases of company participations by foreign interests. There should then be no need for any further regulations.

Coordination and cooperation with the oil states

At any rate, on the basis of all these considerations, the attempt should be made, within the framework of official cooperation with the oil producing countries, to reach an understanding on the possibilities of realising their interest in investing in the Federal Republic. Such coordination is also necessary because massive capital inflows into the Federal Republic, with its comparatively strong balance of payments position, would be problematical from the point of view of the extreme exchange rate fluctuations which it would then be difficult to avoid.

This is true in principle for the oil consumer countries as a whole. Close cooperation with the oil countries on a partnership basis – not confrontation – is the necessary precondition both of successful recycling in the broadest sense of the word and, above all, of securing the further growth of the world economy.

Only if the participants set out with this objective in mind, does the planned conference between the oil producer and the oil consumer nations have any purpose or justification.

Independently of the form this cooperation may take, the consumers must make a great effort on a joint basis to reduce their energy consumption and to develop new energy sources. Vast sums are required for the necessary investments, mostly projects with a long lead-time. To this end, a clear energy policy is needed by the oil consumer countries, individually and in total. In particular, the overall economic utility of these new investments, as well as their viability for the private entrepreneur, must be safeguarded against, among other things, a sharper fall in the price of crude oil.

A major factor influencing national and international decisions in the field of energy policy will be the future development of the oil price. There is good reason to suppose that the already visible corrective pressure exerted by market forces on the exaggeratedly high cartel price will persist and increase. World oil consumption will remain at a reduced level and, at the same time, supply will tend to increase, with this tendency being reinforced by newly developed deposits inside and outside the OPEC territories. In these circumstances, the oil price – at least in relation to the prices of industrial products – can hardly maintain its present high level in future years.

Adjustments in the world monetary system

The desired reform of the world monetary system is limited at the moment to those adjustments which are necessary in the short-term. The IMF oil facility and the proposed doubling of the oil countries' share of the members' quotas at the expense of the industrialised countries are an expression of this pragmatic policy. The IMF special drawing rights (SDR) were made more mobile and attractive through a revaluation on the basis of 16 currencies and an increase in the rate of interest payable on them from 1½% to 5%.

The principle of flexible exchange rates – introduced in Spring 1973 as an emergency valve under the pressure of persistent monetary crises – has stood the test well in these times of upheaval.

However, a weakness of the present system of flexible exchange rates continues to be the recurrence of violent and excessive fluctuations in the value of important currencies. A more stable price development on the foreign exchange markets can only be ensured by a consistent and coordinated central bank intervention policy. Certainly, "Guidelines for the management of flexible exchange rates" were issued in the middle of last year with this aim in mind, within the framework of the IMF

"Ad-Hoc Programme". Unfortunately, however, tangible successes in the sense of an "orderly floating" have not yet materialised, though one should not forget, of course, that the combined inflow of oil surpluses has placed particularly difficult obstacles in the way of central bank cooperation. On the other hand, an alternative to the present exchange rate system is not in sight at the moment.

By the end of 1974, after fluctuations in the latter part of the year, the D-Mark had appreciated by about 8% against all currencies and by 15% against the US Dollar since the beginning of the year. This reflected, above all, the Federal Republic's strong foreign trade position.

The "mini-snake", i.e. the bloc-floating of five EC-currencies (including the D-Mark) and two Scandinavian currencies, has functioned smoothly. France withdrew from this monetary association in Spring 1974. While the base rates of the member currencies had to be altered several times during 1973, no adjustments have been necessary since then.

Little progress in European integration

The prospects for an early completion of the European Economic and Monetary Union did not improve in 1974. The oil price crisis has intensified the structural differences existing in Europe. The divergencies in the inflation rates within the Community and in the balance of payments positions of individual countries are greater than ever. Italy implemented measures to restrict imports temporarily, in its trade with the EC-partners as well. National differences are making it more difficult to reach agreement on a common energy policy. Further negative factors proved to be the British desire for a re-examination of its conditions of membership and the Referendum planned for the summer.

Nevertheless, under the pressure of the new crisis situation, it was possible to achieve some success in questions of financial solidarity. Towards the end of the year, the EC's medium-term monetary assistance was mobilised in favour of Italy; with these funds, short-term EC-loans totalling 1.2 bn. units of account (UA) were redeemed. The Federal Republic placed a US-$ 2 bn. gold-secured loan at Italy's disposal.

The purpose of the EC-loan planned for 1975 and to be guaranteed by the member countries, is to raise US-$ 2 bn., primarily in OPEC states, in favour of partner nations with a weak balance of payments position. The much-disputed "European Regional Development Fund" has been in existence since the beginning of 1975 and was allocated 1.3 bn. units of account (UA) for a trial period of three years. It may also be adjudged a positive development that, at the latest round of monetary negotiations within the framework of the Group of Ten and the IMF in Washington, the EC member-states took up a common stand.

It is still true that the future fate of European integration depends on political decisions taken at the highest level. These are influenced by, amongst other things, everyday economic and monetary practices in the individual EC-countries. To secure what has been achieved and to create a sound basis for a renewed effort, all the member-states must work far more energetically than they have done in the past towards a coordinated stability policy. The necessary financial assistance in favour of the weaker partners must be given selectively with a view to reinforcing their economic structures. Only then can there be hope that the current disequilibria within the Community can be reduced to a tolerable magnitude in the foreseeable future.

Interest margins back to normal – operating result improved substantially

The Deutsche Bank's balance sheet total in 1974 rose by DM 4.1 bn. (8.8%) to DM 50.3 bn., the rate of expansion thus declining considerably in line with the slacker growth of nominal GNP. In the preceding year there had been a 15% rise in the balance sheet total. At 8.2%, the increase in the volume of business was also lower than in the year before (12.7%).

At the year's end the balance sheet total of the Group as a whole amounted to DM 78.7 bn. The strong growth of DM 12.3 bn. (18.6%) is due mainly to the inclusion of our Luxembourg subsidiary – the Compagnie Financière de la Deutsche Bank AG – in the Group's consolidated balance sheet at the end of 1974.

The 1974 operating result was roughly double the previous year's figure, though the latter had been noticeably depressed. This remarkable improvement was mainly due to the fact that the interest business' contribution to the bank's ordinary earnings returned to normal as a result of the gradual relaxation of the tight credit restrictions. For the first time since 1970 staff and material costs were offset by the net interest earnings. The surplus in commissions on banking services was up by 11.9% and also contributed to the better overall result. Particularly gratifying was the contribution made by dealings in securities, foreign exchange and precious metals for the bank's own account.

The profit ratio – i. e. the operating result expressed as a percentage of the average volume of business, having fallen almost continuously since 1957, could be improved once again thanks to the wider interest spread.

The 1974 result in itself can without a doubt be regarded as entirely satisfactory. However, as it was due partly to the coincidence of a number of particularly favourable circumstances, it would be wrong to draw over-optimistic conclusions from it about the future earnings trend. The interest spread will continue to be subject to fluctuations and will also come under increasing pressure again. Thus, unless there is a steady growth in our volume of business, it will be hardly possible to absorb the inevitable rise in staff and material costs. In a period of slack world-wide economic activity this will mean increasingly tougher competition for shares of national and international markets.

With regard to the 1974 result it also has to be borne in mind that a substantial part of the higher surplus achieved in the bank's ordinary business is needed to increase the cover required for extraordinary items. This includes, amongst other things, higher adjustments on the lending side, higher depreciation on securities and, last but not least, the outlay in connection with the Herstatt failure; the bank's contribution to the joint fund set up by the Federal Association of German Banks totalled roughly DM 40 m.

Stronger reserve position needed due to higher risks

In 1974 greater risks emerged in domestic as well as international business. There has been a marked increase in the number of business failures. More and more companies are having to come to grips with serious marketing and earnings problems. If the present cyclical and – more important – the present structural difficulties persist then more firms could be forced to cease operations. At the same time the possibilities open to stronger companies and thus their willingness to help out in such cases have diminished.

This situation has created new problems for us in respect of a number of engagements. Restructuring and support operations are far more difficult to carry through; the prospects for realising collateral – particularly real estate – when insolvencies occur have deteriorated in many areas. Nevertheless, the actual losses sustained by the bank as a result of business failures have remained relatively low. However, to make due allowance for the changed economic situation, the bank has made considerably greater provision against contingencies in the form of value adjustments and special reserves. Besides provisions in the balance sheet in respect of commitments with obvious risks, we believe it is necessary to provide against latent risks. We have therefore decided to increase the published reserves as much as possible. Thus, in addition to an ordinary allocation of DM 30 m. to the published reserves, a further DM 60 m. have been transferred out of the year's net earnings as a special allocation.

All in all, it must be considered fortunate that, after the hard banking year in 1973, we have been able, in the year under review, to cope with a number of exceptional burdens and have at the same time managed to make the aforementioned provisions against risks.

Net product of the bank – and its distribution

Receipts from the bank's lendings, services and capital investments in 1974 amounted to DM 4,930 m. as shown in the profit and loss account. Against these revenues were costs amounting to DM 3,160 m.

This may be set out in detail as follows:

	in millions of DM
Receipts as per profit and loss account	4,930
Commission and interest paid to its customers incl. credit institutions	2,616
Expenditure to cover costs of premises, furnishings and office equipment etc.	544
Deduction of these costs produces a net product of	1,770

The bank's earnings on its activities thus amounted to DM 1,770 m. This can be regarded as its contribution to the national income.

The diagrams show the percentage distribution of this "income" in 1973 and 1974 among the different groups involved, i.e. staff, shareholders, the bank itself and, last but not least, the State.

A total of DM 1,281 m. or 72.3% of the earnings accrued to roughly 35,600 employees and retired members of staff. The share of the earnings accruing to the staff breaks down as follows:

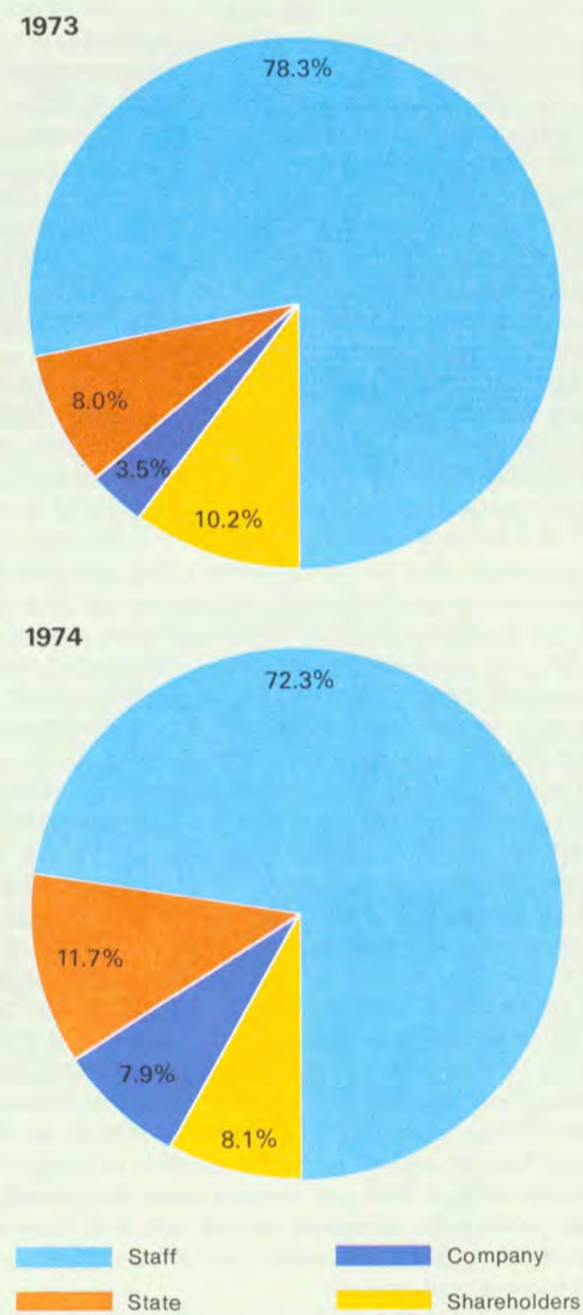
	1974	1973
	in millions of DM	
Wages and salaries	732	627
Profit-sharing and bonuses	148	123
Capital formation scheme	12	10
Compulsory social security contributions	107	91
Retirement pensions and other benefits	266	131
Other voluntary social benefits	16	11
	1,281	993

The central, regional and local authorities claimed DM 206 m. or 11.7% in the form of taxes.

Approximately 168,000 shareholders of the bank will be receiving DM 144 m. in the form of dividend payments following a corresponding resolution of the Annual General Meeting in May 1975.

The company retained DM 139 m. in the form of published reserves and special items including reserves.

The differences in the percentage shares of the individual groups between 1973 and 1974 are primarily due to the company retaining a larger share of the earnings in 1974. The increase in the bank's reserve position was necessary as a result of higher risk, notably in the lending business, and was made possible by the improvement in the earnings situation compared with 1973. The public authorities benefited from the higher profits in 1974, receiving an increase of DM 105 m. in revenue, thus raising their share from 8% to 11.7%. In addition, the staff paid DM 291.3 m. (+ 19.9%) in the form of taxes and social insurance contributions on their income.

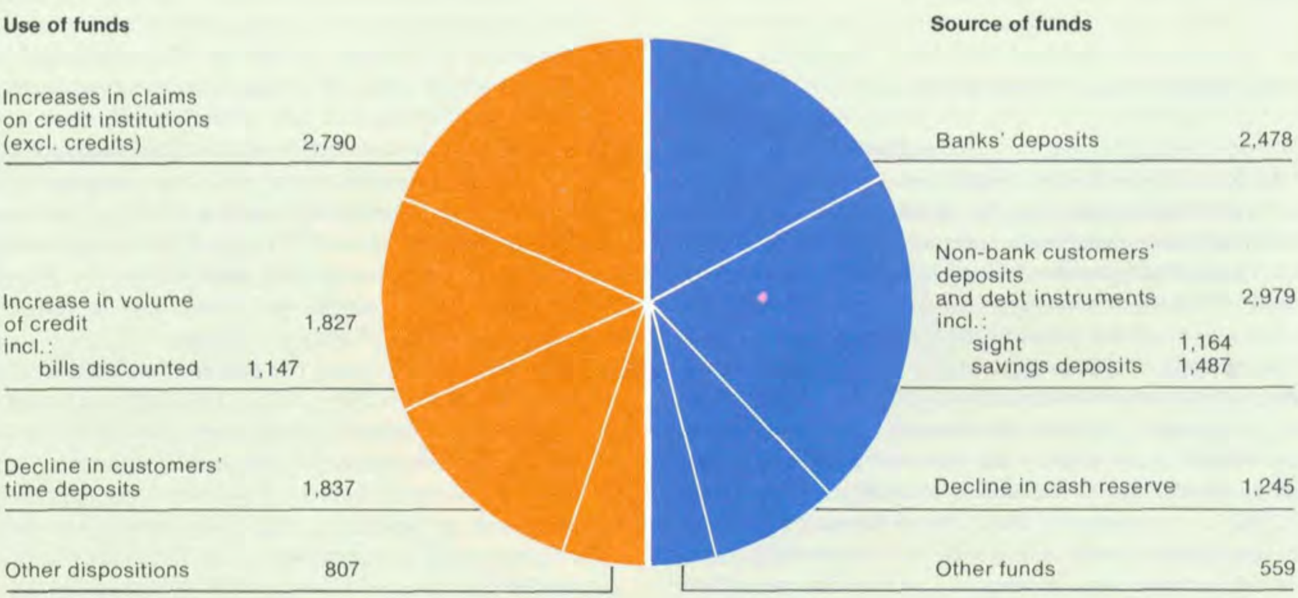


Wider liquidity margin

In the second half of 1973 the most difficult task facing the bank in its day-to-day business policy was almost invariably the need to create the necessary liquidity for its lending business and at the same time comply with the extremely high minimum reserve requirements and the particularly stringent Principle III contained in § 11 of the Banking Law, which lays down the financing structure of the banks' short-term business. In 1974 the situation eased from month to month. There was a marked relaxation already in January. The lowering of the minimum reserve ratios on foreign liabilities, and particularly the lifting of the 60% minimum reserve on the growth of such liabilities, alleviated our position in so far as it had been disproportionately strained up till then due to the particularly intensive activity in our foreign business. Together with the cut in the minimum reserve ratios on domestic liabilities this produced a reduction of more than one billion D-Mark in the balances we were required to maintain interest-free with the Deutsche Bundesbank.

As a result, our liquidity margin expanded further, with some short-term fluctuations due to varying influences stemming from the net foreign exchange position and public authorities' financial activity. An additional factor of influence, especially in the second half of the year, was the restrained level of demand for credit. Altogether, the bank's minimum reserve obligation fell by an average of DM 1.3 bn. in the course of the year. In line with this development, the cash ratio could be reduced to 11.1% as compared with 15% at the end of 1973.

Financing position 1974
amounts in millions of DM



Terms policy aimed at reducing interest rates

Against the background of this trend in liquidity the aim of our business policy was to bring down successively the very high interest rates on both the lending and deposit sides that had resulted in 1973 from an unprecedented restrictive policy. The bank embarked on this new course already in the first months of 1974. It cut its rates for time deposits and at the same time, without waiting for the impetus of a reduction in the discount rate, started to lower its lending rates gradually. This move appeared urgently necessary, particularly in view of the severe strains on companies experiencing cyclical difficulties, among which were a large number of small and medium-sized customers. In lowering interest rates on both sides of the balance sheet the bank was acting in line with the Bundesbank's aim of bringing the interest structure back to normal without any abrupt change in its policy.

A consequence of the bank's active terms policy is to be seen in the shift in the deposits structure and its effect on earnings. The volume of customers' time deposits declined by 14.4% and – contrary to the position in the banking system as a whole – was thus substantially reduced. On the other hand, there was an above-average increase of 12.4% in savings deposits.

Stronger growth of savings deposits

Savings deposits rose in 1974 by almost DM 1.5 bn. to DM 13.44 bn. Growth was almost two-thirds up on 1973, which had been a poor year for savings, during which a marked reticence had been noticeable for the first time among savers as a result of the rising inflation rates. The growth of the bank's savings deposits was again above the average of all the credit institutions together.

In contrast to 1973 savings deposits with legal period of notice rose much more sharply (14.7%) than other savings deposits (10.3%). At the end of the year over three million customers held 4.5 million savings accounts with the bank. The average savings balance was DM 2,952 compared with DM 2,756 in the previous year.

In anticipation of declining interest rates on the capital market there was stronger demand for securities among our savings customers, particularly in the second half of the year. Net withdrawals from savings accounts in respect of purchases and sales amounted to DM 1.3 bn. over the whole year. This corresponds to an increase of 46% over 1973. Total new savings, including savings certificates to the value of roughly DM 100 m., rose to DM 2.9 bn. compared with DM 1.8 bn. a year earlier. The extremely good savings result of DM 2.2 bn. in 1971 was thus surpassed.

The new savings scheme introduced in the spring under the name "Ultimo-Sparen" met with a good response. Under this scheme the customer can issue a standing order for variable amounts to be transferred from his current account to a savings account. This is valued as a particularly convenient form of "automatic" saving.

The savings scheme "Erfolgssystem 100" has continued to develop well. In 1974, 165,000 new savings contracts were concluded. At the end of the year 1.12 million contracts, representing a total contract sum of DM 3.1 bn., were held with the bank. The "Erfolgssystem 100" contributed over DM 500 m. worth of funds to the growth of savings deposits in 1974. More than 35,000 savers chose the cash savings plan with bonus.

Renewed demand for Personal Loans in the second half of the year

The reticence shown by consumers in taking up consumer loans in the second half of 1973 continued into the first part of 1974. A noticeable revival of demand only came in the second half of the year. A clear boost was given by the resumption of our advertising for consumer credit. The emphasis of our advertising is on consumer-oriented information on the cost and terms of credit. Not least in view of the offers of dubious loan intermediaries that can still be seen on the market, we hope in this way to encourage consumers to scrutinise and compare credit offers more critically.

In December, we raised the ceilings for Small Personal Loans (PKK) from DM 4,000 to DM 6,000 and for Loans for Specified Purchases (PAD) from DM 20,000 to DM 25,000 and at the same time lowered the interest rates for both credit schemes for the second time that year.

Following a number of improvements in the terms there was lively demand again for Personal Mortgage Loans (PHD) which are particularly suited for financing the renovation of older properties. The maximum amount extended under these loans was raised from DM 100,000 to DM 150,000 and has thus been brought into line with market requirements. The volume of loans outstanding in this area of business rose roughly 14% to over DM 1.8 bn.

Further improvement in the eurocheque system

The eurocheque and the eurocheque card have become an indispensable means of payment for the private customer both at home and abroad. The number of eurocheque cards issued by us rose to almost 700,000 (+8.8%), although the number of personal accounts remained virtually constant at 1.6 million.

Through international agreements it was arranged that the customers of German banks may also use eurocheques in some European countries in the non-bank sector, i. e. to pay direct for purchases, settle hotel bills etc. and that they may at the same time make out the cheques in the currency of the country concerned. This arrangement applies likewise for visitors from these countries in the Federal Republic. For this purpose the eurocheque and eurocheque card have been standardised in these countries. The German eurocheque has been brought into line with the smaller, and thus more manageable, international format. Other European countries are planning to join this standardised system.

Slacker demand for credit

The growth in the volume of lending continued to decline compared with 1972 (+15.2%) and 1973 (+8.9%). In the first half of the year the volume of credit extended even fell for a while below the level at the end of 1973. Overall, the increase in lending, at 6.3%, roughly corresponded to the growth of nominal national product. There was also a slight decline in the utilisation of credit lines already extended to customers.

This development in our credit business took place against the background of a falling trend in lending rates and an, albeit initially only modest, relaxation of the Bundesbank's restrictive policy. It therefore reflects clearly the cooling off of economic activity. A fall in sales in real terms, declining investments and the running down of stocks left their mark. In the second half of the year – after the special deposit requirement was lifted – German companies again resorted to the Euromarket.

In relation to the total volume of lending there was a particularly sharp rise in bills discounted (+26.4%), which had contracted by almost one fifth in the preceding year. As a result of the Bundesbank's restrictive policy the bill of exchange had lost its function as an instrument of comparatively cheap sales financing. With the relaxations in credit policy and falling money market rates there was a certain improvement in this respect in 1974.

The growth in claims on customers (+2.4%) was due entirely to short and medium-term credits. There was even a slight decline in long-term lendings (–1.8%), an indication that customers were not interested in entering into long-term commitments at the prevailing high level of interest rates.

Business in shares declines, a slight improvement in bonds

There was a further contraction in turnover in securities business for our customers' account. The slight growth in bond business was not sufficient to compensate substantial declines in share dealings. Investors reacted with marked reticence to the uncertainty that set the tone of events on the capital market, particularly in the spring.

The turnover in shares was hit badly, showing a decline of almost one third against the previous year. However, there were very sharp rises towards the end of 1974 in the wake of the improving trend on the stock market since October.

Despite the more or less pronounced price losses on foreign stock markets – and a generally higher risk for the German investor due to exchange rate fluctuations, purchases of foreign shares were only 2.3% short of last year's level, though, by comparison with 1972, this had been very depressed.

Despite a break of several months in issuing activity from spring to early summer, there was an increase of 0.3% overall in customers' turnover in bonds. In the latter half of the year business activity in bonds picked up as the capital market consolidated and the downward trends in interest rates gained ground.

Option business, which has been permitted since 1970, has increasingly become an established, although not very large, component of our stock market business. It represents a genuine enrichment of the range of investment possibilities offered.

The number of safe-custody accounts we maintain for our non-bank customers rose in 1974 by more than 45,000 (6%) to almost 800,000, representing a total value of DM 37.9 bn. Roughly 65% of these accounts had a market value of less than DM 10,000.

The open-end property fund "grundbesitz-invest" of our affiliated company, Deutsche Grundbesitz-Investmentgesellschaft mbH, recorded an inflow of new funds amounting to DM 26.5 m. despite the widespread reserve of investors towards investment funds. All units sold back to the company by customers could be placed again. By the end of 1974 total assets increased to DM 666.8 m.

The fund's earning potential was hardly affected by the developments in the housing industry, for almost 80% of the investments were made in commercial and industrial properties.

The Deutsche Gesellschaft für Wertpapiersparen mbH (DWS), Frankfurt (Main), in which we and 13 other banks and bankers hold a participation, was able to strengthen its position in 1974 as one of the leading capital investment companies in West Germany. While there was an excess of repurchases of certificates by the German capital investment companies in the Bundesverband Deutscher Investment-Gesellschaften e. V. (BVI) as a whole, new funds amounting to DM 90.2 m. accrued to the eight DWS investment funds offered to the general public (INVESTA, INTERVEST, AKKUMULA, INRENTA, INTER-RENTA, RE-INRENTA, RING-AKTIENFONDS DWS and RING-RENTENFONDS DWS) on balance from sales of investment certificates.

A total of DM 276 m. was distributed by the funds in 1974. Many savers took advantage of the low level of security prices and re-invested their dividends cheaply at a discount. The re-investment ratio was roughly 36% and thus higher than the year before. The developments in the price of the units of the four DWS bond funds were entirely favourable, as the sharp falls that had occurred in the spring were largely cancelled out by the end of the year. The largest and oldest DWS share fund INVESTA, whose assets are mainly made up of German shares, also achieved a positive result compared with the general stock market trend; in terms of value appreciation the fund was the leader among the other comparable German share funds in 1974. The investment performance of the three DWS funds investing in international shares was adversely affected by the unfavourable trends on the international stock markets.

The total assets of the funds managed by DWS remained constant at DM 2.82 bn. Total assets passed the DM 3 bn. mark after the end of the year. The share of DWS in the total assets of all German investment companies in the BVI rose in 1974 from 23.5% to 24.7%.

The Deutsche Gesellschaft für Fondsverwaltung mbH (DEGEF), Frankfurt (Main) – whose capital is wholly owned by Deutsche Bank – offers its services as a capital investment company to institutional investors who wish to invest a part of their assets in special funds for quoted securities. The company's business partners are insurance companies, company pension and welfare funds, associations, professional organisations and other institutional investors. The company's volume of business has grown from year to year since its formation and also expanded further during the year under report. The total assets managed by DEGEF amounted to one billion D-Mark. These were spread over 64 individual investment funds. The model developed and offered by DEGEF of investment funds that can be tailored to meet individual needs has proved to be expedient from an organisational point of view and should attract further customers.

DEGEF was the first, and so far only, capital investment company to set up staff funds, which have been established by individual companies in connection with wealth formation schemes agreed under collective wage settlements or by individual companies. Only members of staff employed by the companies concerned can participate in such funds. This form of investment is shaped by the staff representatives and the company management in close and constant cooperation with stock market experts and the fund managements. It constitutes a practicable method of introducing employees to saving by investment in securities as a form of individual wealth formation.

Issuing business contracts

During the greater part of the year domestic issuing business in shares as well as bonds was very difficult. On the share market the issue of new shares was hampered by the unfavourable price trend which lasted from March until some way into October. A cheerful undertone set in on the German share market in the last few months of the year and brought a sharp rise in new issues, particularly in December. The bank played a leading part in a number of capital increases and capital adjustments, which – in terms of nominal value – corresponded to virtually the same volume as in 1973. The market value of these transactions was, however, lower than the year before.

In 1974 almost 40% of new bond issues were floated in the last quarter. Public authorities were again the main issuers on the domestic market, floating sixteen loans totalling roughly DM 7 bn., in which the bank participated as a syndicate member.

After an almost two-year pause in issuing activity for industrial loans an $8^1/_2$% option loan of BASF for a nominal amount of DM 400 m. was floated under our management in May 1974. We were able to place it with lasting success. In addition, a convertible loan of Girmes-Werke AG was issued under our management.

Due to the market conditions the bank's international issuing business contracted sharply, notably in the area of public authority loans. The bank managed or co-managed thirteen public authority loans totalling the equivalent of roughly US$ 480 m. (US$ 1.7 bn. the year before) and thus maintained its strong position among the leading international issuing houses. In September, the first international DM-loan after a fairly long pause in issuing activity was floated by us for Australia for a sum of DM 200 m.

Furthermore, our activities were concentrated increasingly on the private placing of first-class European issues with investors in oil-exporting countries, with whom we maintained close contacts. With these transactions, which compensated for the absence of public sector issuing activity to a large extent, the bank also helped towards solving the problem of re-cycling surplus oil funds.

There was an exceptional revival of issuing activity in the first few months of 1975 in the wake of the accelerated decline in interest rates on the German capital market. In domestic business as well as in international DM-loans, a rapid succession of new loans could be successfully placed. On the share market the issue of new shares was favoured by the growing willingness of the public to invest.

The bank also played an important part in introducing foreign companies' shares to the German stock exchanges in 1974. It participated in the admission of 22 shares, acting as manager in twelve instances. Of the companies, whose shares were introduced to the German stock exchanges under our management, six were Japanese, four American, one British and one Swedish.

The Deutsche Beteiligungsgesellschaft mbH, in which the bank participates together with Incentive AB, Stockholm, and Bankgeschäft Karl Schmidt, Hof, was able to steadily expand its trade investment business in medium-sized companies. The company currently has 13 holdings totalling a balance sheet value of DM 50 m. in firms and groups of companies in eight branches of industry. These thirteen associated companies operate 40 production plants in this country and abroad, and achieved a total turnover of roughly DM 700 m. in 1974. Repurchases of holdings by the associated companies' existing shareholders and new acquisitions virtually balanced each other out. In view of the associated companies' overall performance in the 1974 business year the equity fund can be expected to close the year with a profit.

Purchase of Daimler-Benz shares, but trade investment policy remains unchanged

On January 14, 1975, the bank signed a contract with the Flick Group for the purchase of a 29% equity holding of Daimler-Benz AG, Stuttgart, with effect from the turn of the year 1975/76. The purchase of this share package represents the biggest financial deal in Deutsche Bank's history. The decision was taken in agreement with the management of Daimler-Benz AG after prior consultations with the Federal Government. The latter gave its express approval of the action taken by the bank.

The shares were taken over temporarily to prevent the package that was being offered for sale from going abroad – and thus blocking foreign ownership of the majority of the shares of one of West Germany's major companies – as well as to preserve the independence of the Daimler-Benz management. Moreover, this move was also unavoidable considering our former shareholding of 28.5%.

The bank does not intend to hold the newly acquired shares permanently in its possession but wishes to dispose of them as soon as possible. The aim of our trade investment policy is still not to hold any majority interests in industrial enterprises, nor exert any corporate influence on the companies in which the bank has a shareholding and to reduce such holdings as far as is reasonably possible.

In 1974, we again reduced the number of our trade investments. Our holdings of over 25% in Hoffmann's Stärkefabriken AG, Bad Salzuflen, and in Maschinenfabrik Moenus AG, Frankfurt (Main), were sold. At the beginning of 1975 the bank also disposed of its over 25% holding in Schuhfabrik Manz AG, Bamberg, and a shareholding of over 10% in Didier-Werke AG, Wiesbaden.

Reorganisation of the bank's branch network

In 1974 we decided to reorganise our branch structure. These plans are being put into effect as from January 1, 1975. It will, of course, be quite a while before all of the organisational and staff problems can be solved and the desired rationalisation fully realised.

The new model is intended to achieve even closer contact of the branches with the market and with the customers. In future one department is to be responsible for taking care of the individual corporate and private customers in all their relations with us, thus for providing all banking services.

This organisational structure means that strong regional head branches are needed with competent specialised departments. Based on a comprehensive scope of business activities these must be able to offer a well-informed customer service and also assist the branches grouped under them.

This was one of the major considerations for the concentration of the previous 23 regional head branches into the present 14. This tightening up of the branch organisation will make for greater similarity between the balance sheet totals and internal structure of the areas under the various regional head branches. This will make it easier for the bank's management to compare performances and will lend greater transparency to the cost structure. At the same time it is intended to extend the independence of the regional head offices as decentralised management and profit units and to delegate to them an increasing measure of responsibility.

In 1974 the bank opened 15 new offices; two were closed. The total number of offices thus rose to 1,121.

Foreign business still expanding

The development of our foreign business was influenced to a large degree by the substantial growth of the Federal Republic's foreign trade and by the repercussions of the higher oil prices on international movements of money and goods.

We were able to increase our share of the financial settlement of West German foreign trade. This was true of the export side and particularly true of imports. Steep growth rates were achieved in our business with the state-trading countries and with the Near and Middle East.

There was a further pleasing increase in our earnings from payments transactions with foreign countries. However, the hectic conditions that prevailed at times in the international money and foreign exchange markets caused control and labour expenses to increase with a resultant rise in costs.

World-wide project financing

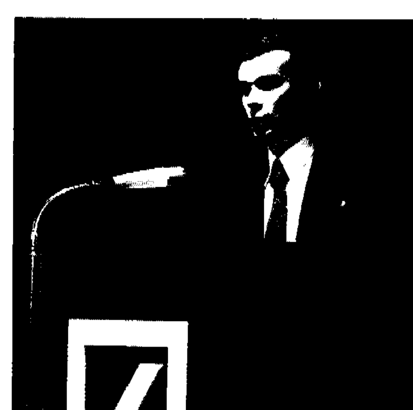
The efforts of the governments of the industrialised countries to secure their future supplies of raw materials and the growing tendency among the OPEC countries to develop their own infrastructure and expand their industries have led to a greater demand for project financing. We played a significant part in the financing and execution of many projects that were awarded to West Germany's export industry.

This applies also to the business with the state-trading countries. On October 29, 1974, a widely-based bank syndicate headed by us – as previously in 1970 and 1972 – extended a loan to the sum of DM 1.5 bn. to the Foreign Trade Bank of the USSR for financing the third pipeline transaction. The loan is to be repaid primarily out of the earnings from the sale of natural gas to the Federal Republic. Further projects valued at several billion D-Marks are currently being negotiated with the Soviet Union.

A bank syndicate under our management and the AKA Ausfuhrkredit-Gesellschaft mbH signed a loan agreement for roughly DM 790 m. with the Foreign Trade Bank of the USSR in 1974. The loan is to be used for financing deliveries of lorries from the Federal Republic. The AKA further expanded its volume of credit to German exporters, even though the latter at the same time sought to finance as many of their export transactions as possible through the Euromarket because of the high domestic interest rates. There was consequently a marked increase in the credit extended by AKA in the

1974 Foreign representative conference

In October 1974 a foreign representative conference was held once again after a period of 3 years in the Federal Republic of Germany. 28 representatives and senior members of the bank from all continents meant that the number of participants and countries represented was greater than ever before. These conferences have two aims: first of all the foreign representatives want to find out at first hand about the latest experience and current problems of our bank. They also want to pass on their observations and special knowledge from their particular host country to our customers direct. Following a press conference and a large meeting for customers from all over the Federal Territory there were numerous talks with individual customers in the course of the next few days. These talks, which are informative for both sides, are intended to help intensify the ties with our business friends involved in foreign trade. The top three photos show scenes from the press conference held jointly by the Board of Managing Directors and the foreign correspondents. Underneath are two pictures from the meeting with customers during which the representatives answered fundamental economic questions regarding the foreign countries.



second half of the year, when uncertainty and stagnation prevailed on the Euromarket.

There was also an increase in the volume of credit for financing consignments to the German Democratic Republic extended by the Gesellschaft zur Finanzierung von Industrieanlagen mbH, Frankfurt (Main), an associate company of AKA.

Besides providing finance for German exports, one of the main elements of our foreign business still remains the systematic servicing of and the supply of credit to first-rate international companies. In so far as this involved loans with interest adjustment clauses written in and without matching refinancing maturities – roll-over credits – we adhered to the ceiling on our overall volume because of the refinancing risks prevailing in this area. As regards country risks, account had to be taken of the consequences of the rise in oil prices. We have also set increasingly strict criteria where terms are concerned; in particular we did not enter into any more commitments with maturities of over seven years, even in exceptional cases, as we did not believe that the refinancing basis permitted this. We were able to meet our customers' financing requirements in every case where these complied with our criteria through our subsidiary, the Compagnie Financière de la Deutsche Bank AG (CFDB).

Growing earnings on foreign exchange dealings

Our cautious business policy in foreign exchange dealings also proved its worth in 1974. Against a background of flexible exchange rates there were again strong fluctuations in parities and a large measure of uncertainty in 1974. We were able to expand turnover in this sector of business by 11.7% and achieve a satisfactory profit. Customers' requirements for forward exchange cover were as high as ever. The advice of our foreign exchange dealers was in ever increasing demand.

The introduction of Principle Ia necessitated by the Herstatt case and the ceiling imposed therein on foreign exchange positions leaves us still sufficient room for manoeuvre in our foreign exchange dealings but it does involve an exceedingly large amount of work (due to statistical returns).

There were extremely sharp price fluctuations on the gold market in the course of the year. An exceptional jump in prices occurred as a result of the exaggerated expectations in connection with the lifting of the ban on private ownership of gold in the USA.

The bank was able to maintain its leading role on the German bullion and gold coin market. Although demand from the gold-processing industry declined, there was at the same time growing interest for gold among private investors. In the coin market we were able to double the high sales result of the previous year. The number of gold certificates issued by us more than trebled in 1974. We held back from the highly speculative silver market. With profits rising, the turnover in foreign notes and coin remained roughly at the same level as last year.

Successful performance of associated banks

In the year under review we were able to further expand our network of overseas bases. At the end of 1974 Deutsche Bank had a total of 67 representative offices, participations and subsidiaries in 46 countries.

The capital of the Iranian investment bank (Iran Overseas Investment Bank Ltd.), which has its headquarters in London, has now been fully paid up. The bank's business, with its emphasis on Euro-financing, developed well.

The multinational bank (International Mexican Bank Ltd.), which it was decided last year to set up in London on the initiative of Banco Nacional de Mexico, has now been established. The institution started to earn a profit already in the first nine months of operation. Roughly 70% of the business volume is transacted with Mexico and other countries in South America.

The Banco Bradesco de Investimento S.A. in Brazil, in which we and other EBIC partner banks have a total interest of 10%, achieved substantial growth in its lending business in 1974. The parent bank, Banco Brasileiro de Descontos S.A., can look back over an excellent business year, in which deposits expanded strongly.

Having due regard to the growing economic importance of the Pacific area and the position of the Philippines in this part of the world, we acquired a participation in the AEA Development Corporation, Manila. This investment bank, which was set up two years ago by ten Philippine banks, has enlarged the circle of its shareholders by including three American banks, one Japanese bank and Deutsche Bank. The bank extends short

Our bank in Luxembourg

Since the end of 1974 Compagnie Financière de la Deutsche Bank AG – our subsidiary in Luxembourg – has been included in the consolidated balance sheet of the Deutsche Bank. This company was only founded in 1970. After only four business years it is now, with a balance sheet total of DM 5.8 billion on 30.9.1974, one of the largest foreign financial institutions in Luxembourg even though it has always pursued a cautious business policy. Compagnie Financière is mainly active in international lending business and on the Euromoney market. One can no longer imagine the comprehensive range of services of the Deutsche Bank being complete without it.

The pictures show scenes at a press conference in Luxembourg shortly before the close of the fourth business year of Compagnie Financière and views of the city. At the press conference the Board of Managing Directors of Deutsche Bank AG, Frankfurt (Main), affirmed that the parent company regards itself as fully responsible for its offshoot.

and medium-term credit to Philippine trade and industry with special emphasis on the development aspect.

Together with other member banks of SWIFT (Society for Worldwide Interbank Financial Telecommunication) we have pushed further ahead with the international standardisation of the communications network for international payment transactions. Roughly 250 banks from 15 countries have now joined the computer association.

Lively activity of our subsidiary in Luxembourg

Despite difficult conditions on the Euromarket, the Compagnie Financière de la Deutsche Bank AG, Luxembourg, had a very satisfactory year. The balance sheet total in the 1973/74 business year (as per 30. 9.) rose by 39.3% to the equivalent of DM 5.8 bn. The institution was again chiefly engaged in money market and international lending business. The volume of credit extended increased by DM 1.7 bn. to DM 3.5 bn.

The steady expansion of its business has prompted us to make a further increase in our Luxembourg subsidiary's own funds. Following the allocation to the reserves out of the year's net earnings the company's capital and published reserves now amount to roughly DM 100 m.

Steady growth of EBIC

The importance and growth of EBIC – European Banks International – are reflected in the combined balance sheet total of the partner institutions amounting to US$ 107.4 bn. (end of 1973) as compared with US$ 87.7 bn. (end of 1972). At that time the EBIC banks – Amsterdam-Rotterdam Bank N.V., Amsterdam, Banca Commerciale Italiana S.p.A., Milan, Creditanstalt-Bankverein, Vienna, Midland Bank Ltd., London, Société Générale, Paris, Société Générale de Banque S.A., Brussels and Deutsche Bank AG – had over 9,450 (9,350) branches and employed a staff of more than 187,000 (178,000).

The Board of Directors of EBIC and the European Advisory Council – with identical membership – are made up of the following members:

J. R. M. van den Brink
C. F. Karsten
Amsterdam-Rotterdam Bank N.V.

A. Monti
A. Righi
Banca Commerciale Italiana S.p.A.

H. Treichl
G. N. Schmidt-Chiari
Creditanstalt-Bankverein

W. Guth
F. H. Ulrich
Deutsche Bank AG

L. C. Mather (until 19. 9. 1974)
Sir Archibald Forbes (from 20. 9. 1974)
E. J. W. Hellmuth (until 4. 12. 1974)
M. G. Wilcox (from 5. 12. 1974)
Midland Bank Limited

M. Lauré
J. Richard
Société Générale

R. Alloo
P. E. Janssen
Société Générale de Banque S.A.

EBICLEASE was introduced as a special service within Europe to supplement the EBICREDIT. This provides exporters in the partner countries with an additional method of financing in cross-frontier leasing business.

In the personnel sector, the joint training of young managerial staff for the international business of EBIC establishments was further expanded.

Gratifying development of EBIC joint ventures

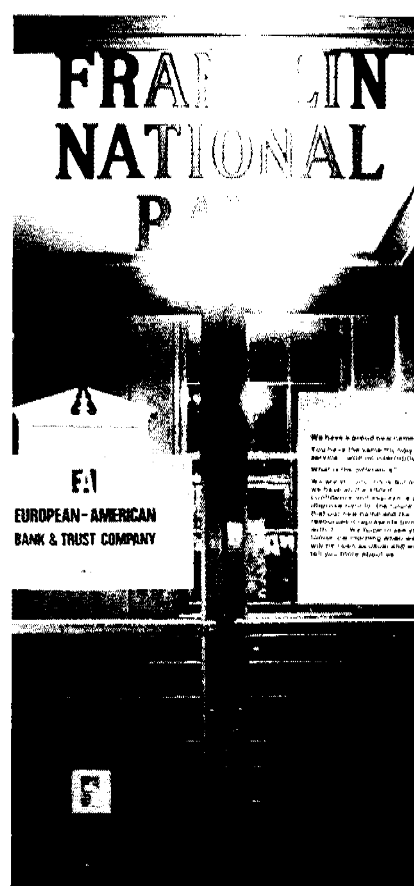
Over the past years cooperation within the EBIC Group has been directed towards joint expansion of its international presence. Today, this oldest group of leading European banks is represented in virtually every major international financial centre through 22 joint undertakings: subsidiaries with branch networks, participations and representative offices.

The combined balance sheet total of the two institutions in New York – the European-American Banking Corporation and the European-American Bank & Trust Company – amounted to US$ 4,032 m. in 1974. This was

US business on a broader basis

The two joint establishments of EBIC in New York – European-American Bank & Trust Company and European-American Banking Corporation – were able to increase their combined balance sheet total by 131% to US$ 4 bn. This expansion is largely due to the fact that a major part of the American commercial bank, Franklin National Bank, was taken over. This institute had become insolvent mainly due to extensive losses in foreign exchange dealings and was thus auctioned publicly in October 1974. The European-American Bank & Trust Company was the successful bidder.

The former Franklin National Bank employed about 3,500 members of staff and had more than 100 offices on Long Island and in Manhattan. It had more than half a million customers and was mainly active in deposits and small-scale lending business. The purchase of this bank permitted the business basis of European-American Bank & Trust Company to be extended considerably. Together the two institutions form the largest European-owned banking organisation in the United States and are now among the 25 largest banks in the US.



over twice the previous year's figure (US$ 1,742 m.). This increase is attributable chiefly to the acquisition of important sections of the American commercial bank "Franklin National Bank", New York, in October 1974. Under this transaction, which involved an increase in own funds of roughly US$ 100 m., about 100 branches of the Franklin National Bank were acquired.

Thus, the two institutions now have an extensive network of branches in New York and Long Island as well as branches in Los Angeles and San Francisco, which resulted from earlier initiatives. The European-American banks today represent an important banking partner for numerous US subsidiaries of European companies and, to an increasing extent, for American multinationals as well in American and international business.

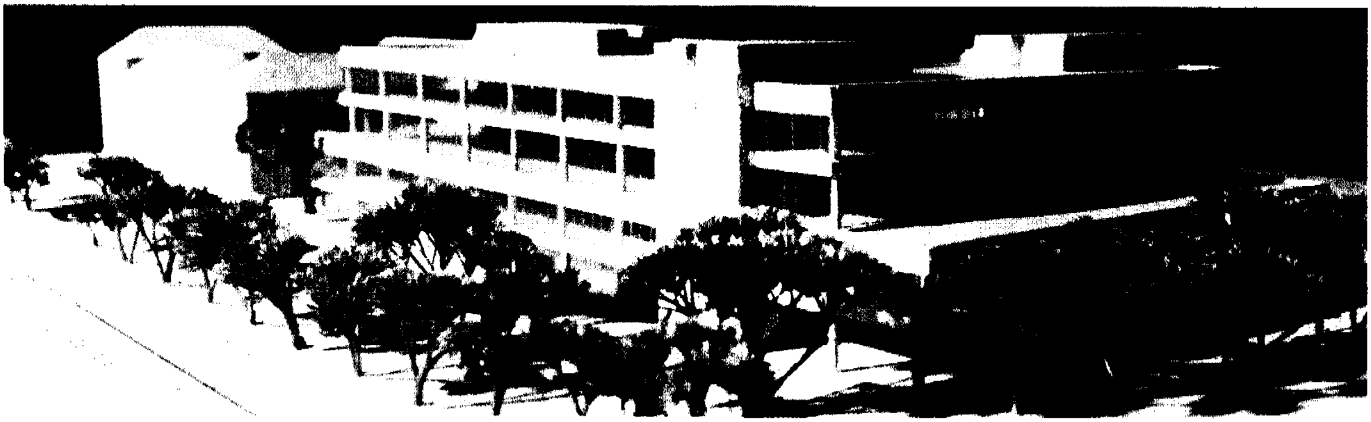
The Banque Européenne de Crédit S.A. (BEC), Brussels, was able to expand its business further. The balance sheet total rose 31% against 1973 to US$ 1,627 m. The emphasis of its activities was again on medium and long-term credit business. In the wake of changes on the Euromarket there has also been a reduction in the maturities of the credits extended by BEC. While loans of up to ten years were not uncommon in 1973, maturities since mid-1974 have generally only been between four and six years. Interest margins were improved. In the past year BEC managed or co-managed 16 international syndicate loans with a total volume of US$ 354 m.

The EBIC Group's London merchant bank, European Banking Company Ltd., which was established in 1973, ended its first full business year with a balance sheet total of US$ 403 m. It managed or co-managed six Euro-syndicate loans totalling roughly three billion dollars. In the last few months, following the improvement in the international capital market situation, the bank was able to concentrate more on its real sphere of business. Since its formation it has participated as underwriter in 31 issues and was co-manager in five instances.

The Europäisch Asiatische Bank AG, Hamburg, which specialises in fostering trade and financial relations between Europe and Asia and operates branches in Hong Kong, Jakarta, Karachi, Kuala Lumpur and Singapore, expanded its business volume by more than 25% and achieved strong growth in its lending business. The balance sheet total rose to DM 665 m. The bank was able to extend its business further, above all with European customers' and other international companies' subsidiaries operating in South-East Asia.

A second important base in the East-Asian/Pacific area, Euro-Pacific Finance Corporation Ltd. (EPFC), Melbourne, opened a branch in Port Vila (New Hebrides) in 1974. This will enable EPFC to operate in the market outside Australia as well. Its balance sheet total at the end of the 1973/74 business year rose by 32% to roughly 140 m. Australian dollars (DM 450 m.).

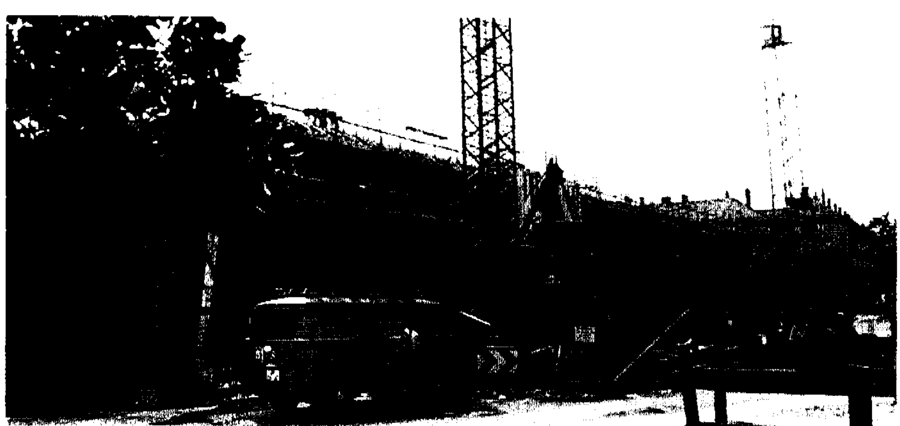
The Europäisch-Arabische Bank GmbH, Frankfurt (Main), and the European-Arab Bank (Brussels) S.A., Brussels – both subsidiaries of the European-Arab Holding S.A., Luxembourg, established in 1972 by the EBIC partners and leading Arab banks – was afforded good growth prospects as a result of the rapidly expanding economic importance of the Arab world. The Europäisch-Arabische Bank, which concentrates on commercial business with Arab countries, expanded its business volume by 54% to DM 360 m. The European-Arab Bank in Brussels, which is chiefly engaged in Eurodollar business with the Middle East, increased its business volume by 82.5% to US$ 460 m.



New administrative building in Munich

After a construction period of only ten months the Munich branch celebrated the completion of the shell of its new administrative building in Schwabing in November 1974. It is being erected on the outskirts of the city on a site covering 6,500 sq.m. and is to be occupied from the beginning of 1976. The new building, which will provide room for 600 members of staff, solves urgent space problems which have arisen owing to the gratifying expansion of the business of the branch. The new administrative building will accommodate mainly the computer centre which is being expanded as a major concentrator point. It will also house all the other departments which do not deal direct with the customers.

This will considerably ease the situation at the branch in the city centre. The separation of the administrative section will not only benefit our staff; the improvement in the space available will also provide more suitable surroundings for meetings with our customers. The new administrative building is located conveniently and furnished with up-to-date equipment, so that it offers good working conditions to the members of staff employed there.



Number of employees up 1.5%

As at the end of 1974 the bank employed 35,820 members of staff. That is 533 (1.5%) more than a year previously. Considering that the volume of business rose by 8.2% and that the branch network was extended by a further 13 offices, the results of our constant efforts to rationalise are again apparent here.

The number of full-time staff (total number of employees minus apprentices, part-time and temporary staff) rose by 3%. The stronger than average increase in this group is mainly due to the fact that the majority of the young people who completed their training in the course of the year stayed with our bank and were engaged as members of staff. In the interests of our customers we have always put great store on having staff with wide banking training. One of the most important areas of our personnel policy is providing young people with sound professional training. This policy is oriented towards the longer term and we pursue it despite fluctuations in the economic cycle.

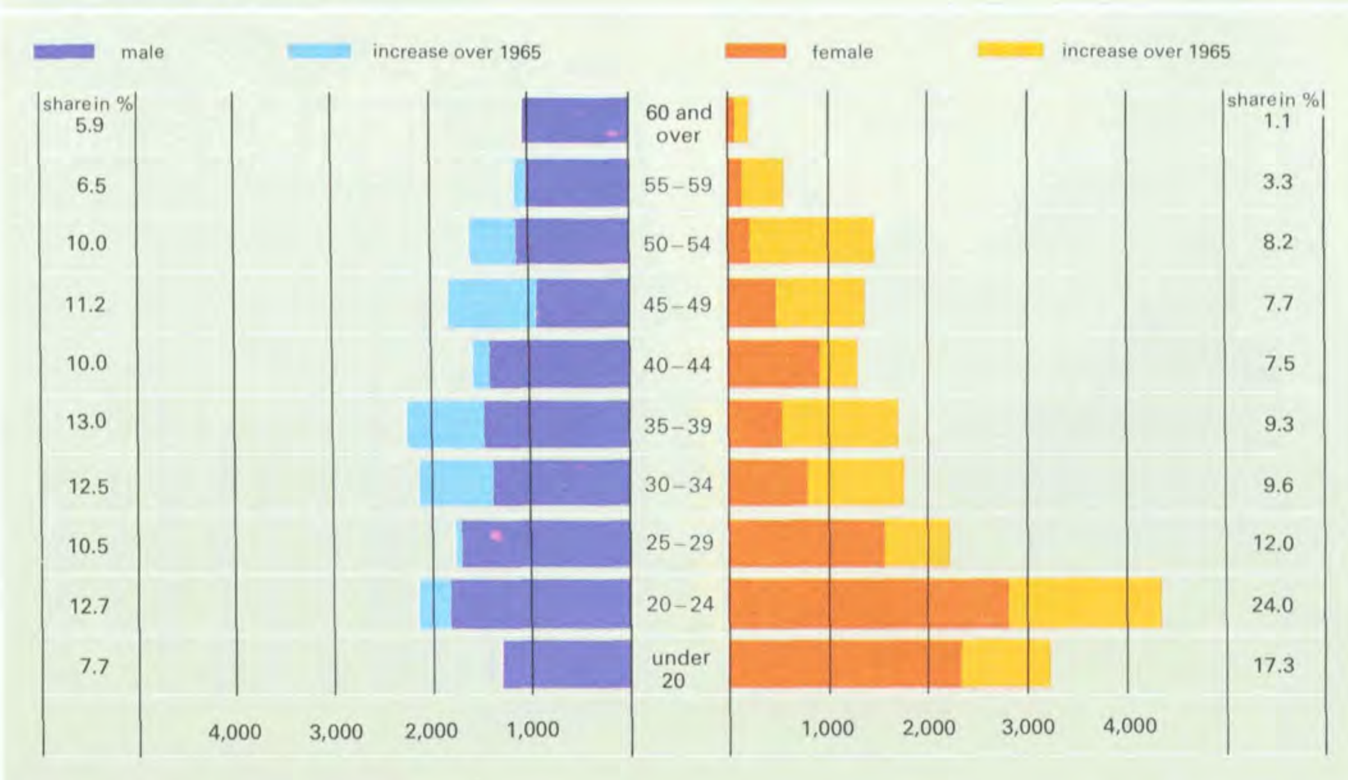
At the end of the year under review 3,220 apprentices were receiving training, 54% of these were young women.

The slackening of the labour market helped to bring about a noticeable cut in staff turnover. 38% fewer full-time members of staff covered by the collective salary agreements handed in their notice than in the preceding year.

In 1974, we once again took on more female staff than men. The proportion of women on the staff has hence increased further. At the end of 1974 it was 52.4%, and in the case of staff receiving agreed-scale salaries it was as high as 59.9%. We continued our efforts to encourage

Age structure of the staff as of 31. 12. 1974

including part-time employees and apprentices



women even more strongly in their career and to offer them better opportunities for promotion. Special internal training programmes were the main feature.

At the end of the period under review we looked after 8,138 retired members of staff and widows of former employees, and 116 orphans.

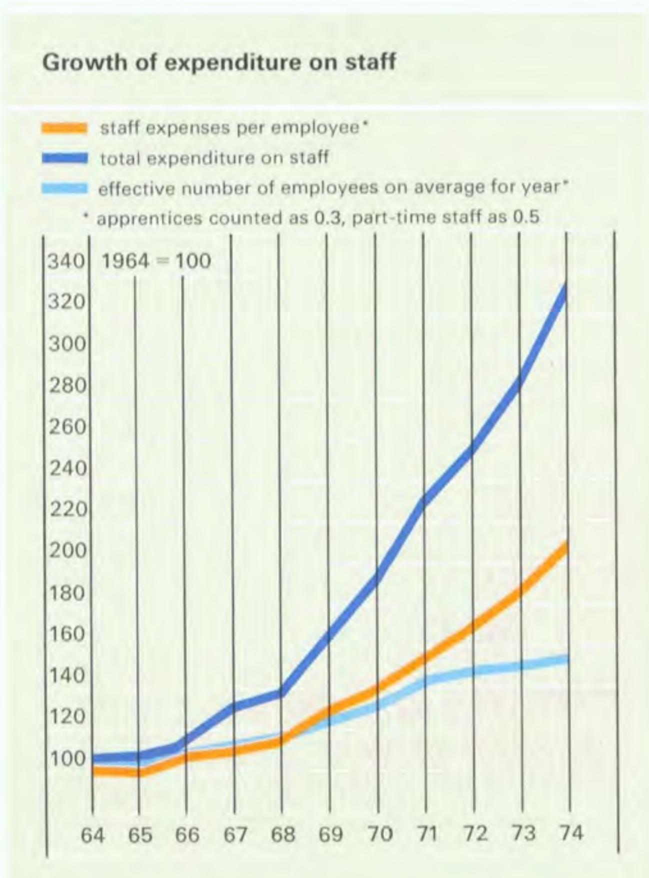
Staff shares again at a preference price

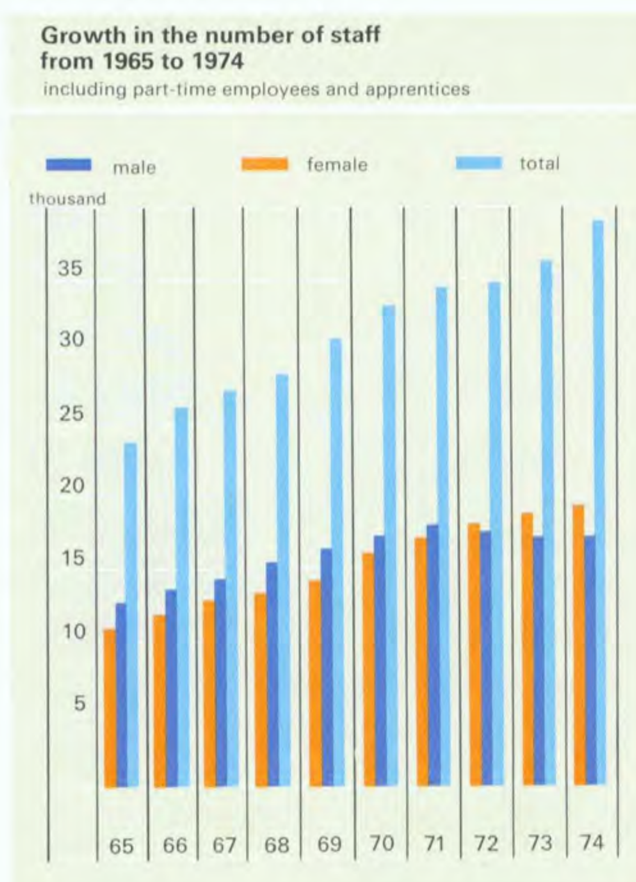
The issue of staff shares which was carried out for the first time in 1974 was very favourably received by the employees and retired members of staff of our bank and subsidiaries. 24,301 (68.7%) of the total number of 35,368 employees entitled to purchase staff shares took advantage of the offer; 47.8% of the retired members of staff made use of the opportunity to subscribe. The overall level of participation was 64.4%, which was higher than the average for comparable subscriptions.

As a result of this operation the number of the bank's shareholders increased to about 168,000. Wage and salary earners at present hold a total of 22.2% of the share capital. In order to help our staff build up personal assets we shall offer them shares of our bank at a preference price again this year.

Staff advancement and information

As our business activities expand and organisational structures alter the demands made upon our staff increase and change continuously. Staff development plans and the encouragement of individual potential have hence become tasks to which our staff policy de-





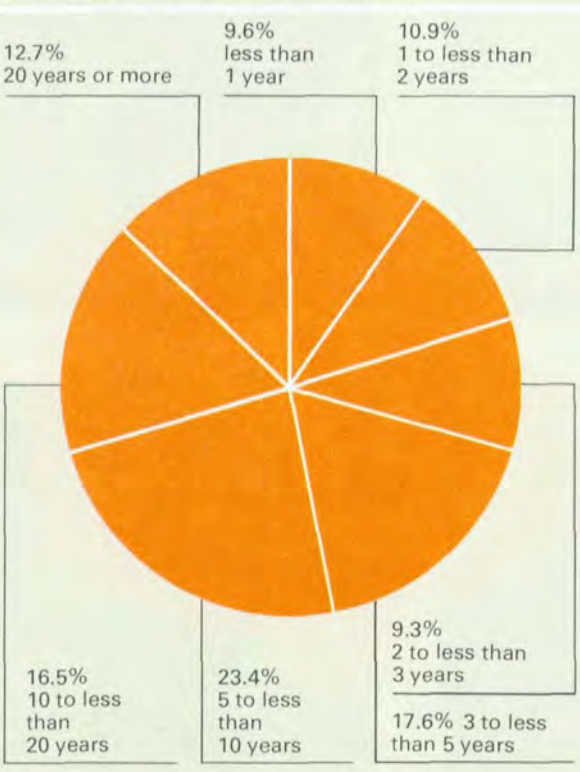
votes special attention. Our staff planning system, developed three years ago, has in the meantime proved its worth in this context. Our staff are engaged and deployed on the basis of this system, which enables us to advance them within the framework of the bank as a whole and to place them in positions best suited to their ability. Our assessment system pursues the same aim. In orders to encourage the staff it is essential to inform them about their company and the opportunities for promotion and development available to them. The essential details about our bank have been compiled as a brochure for applicants. Another complementary booklet provides further information to meet the interests of new members of staff.

In conjunction with the Staff Council of the whole bank and the Organisation Department the basis of the bank's suggestion scheme was revised and an internal agreement on it concluded. The main changes were made in the methods of assessment and the reward plan. We hope that this will stimulate the employees' initiative and their interest in our bank and provide additional ideas for internal rationalisation.

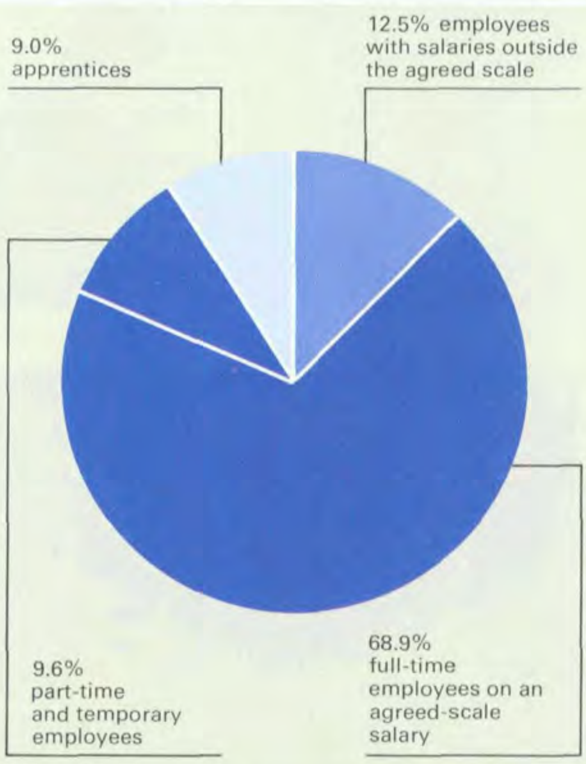
Intensive vocational and further training

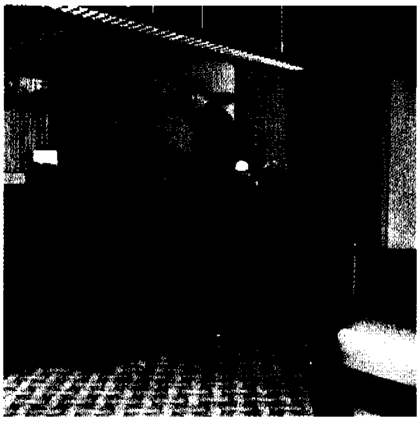
Our training centre in Kronberg was fully operational for the first time during the year under review. The architectural concept and functionally designed furnishings have passed the test. Moreover, as planned, the centre has developed into a place where people can meet and pool experience. Members of the Board of Managing Directors meet those attending the seminars regularly for discussions.

Duration of employment with the bank as of 31. 12. 1974
including part-time employees and apprentices



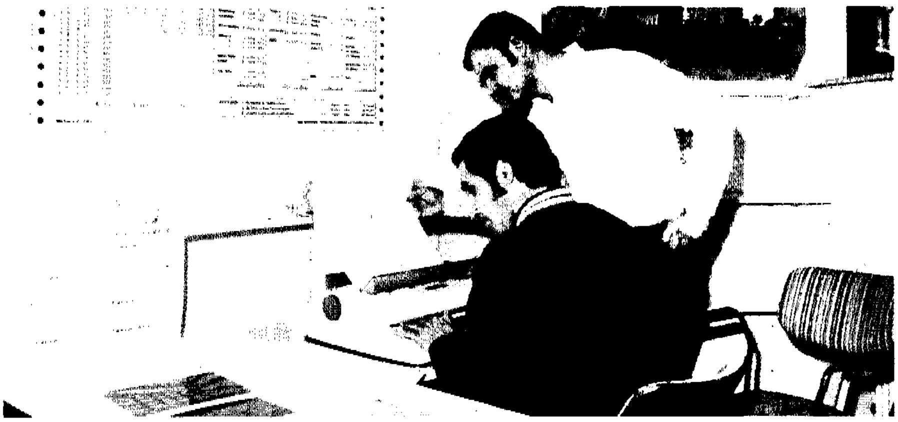
Staff structure as of 31. 12. 1974





A day in the Kronberg training centre

On November 13, 1974 the Kronberg training centre was one year old. It is a "learning hotel" which provides preparation for progressive banking. Kronberg combines the qualities of a modern hotel in charming country surroundings with the technical requirements of a modern school. About 4,000 men and women from our staff have in the meantime taken part in 200 seminars and have followed a daily programme similar to that shown in the photos.
Kronberg is not only a centre for modern training, it has also become a meeting place. Members of staff from all over the Federal Territory, from all sections of the bank and all levels of responsibility meet there; at the international seminars staff from our banking partners in EBIC come together with employees of the Deutsche Bank.
Kronberg is also a place for meetings between management and staff. Through this close contact oncoming members of the bank obtain more first-hand information on business policy than ever before.



The training of staff in more senior positions concentrated mainly on relations to junior staff. It also included seminars on questions concerning economic and social policy, rhetoric and argument techniques and other aspects of management. A total of 1,285 senior executives participated in these programmes, all of which were held in the Kronberg training centre.

7,302 members of staff attended courses providing specialised further training in the various sectors of business. These courses were held increasingly at a regional level. This was also the case with the sales training which is a standard component of our programme. 3,763 members of staff participated in it.

Last year a total number of 12,350 members of staff received training in 676 seminars. In addition, the Staff Council for the whole bank held 11 seminars in our training centres at which 236 members of the Staff Councils were informed about topical questions concerning labour relations.

Training is not an end in itself: it is tailored to meet the requirements of our practical business. This also means there is a close relationship between our training work and staff planning. The results of our staff planning allow us to check and adapt our training activities continuously.

Training during the year under review cost about DM 40 m., which was equivalent to 3% of total expenditure on staff. The greater part, about DM 26 m., was devoted to the training of apprentices.

Thanks to all the staff

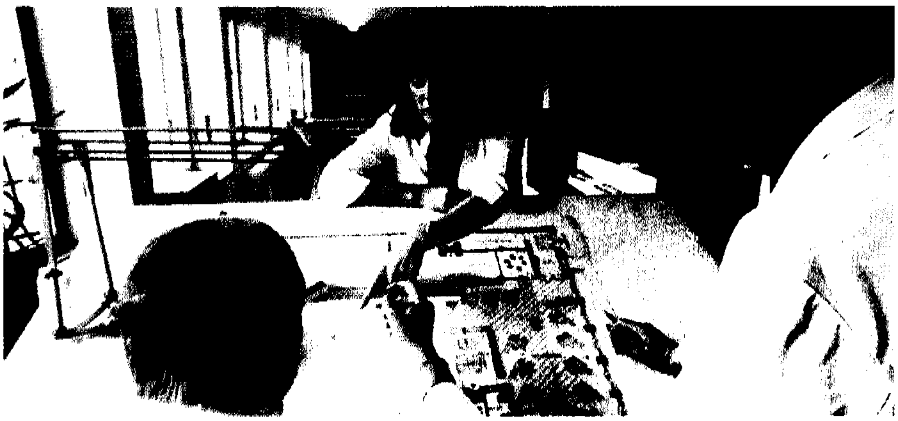
The performance we achieved through our joint efforts in the 1974 business year are apparent from this Report. We express our thanks to all the members of staff for their contribution. We are grateful to the members of the Staff Councils, the Staff Council of the whole bank and the Economic Committee for their practical and reliable cooperation.

People in the bank

The confidence of its customers and the ability of the staff are a bank's most important assets. But these do not appear in the balance sheet. In the future as well people will retain their central position in services enterprises, such as a bank. There is no computer which could act as a genuinely individual adviser to customers.

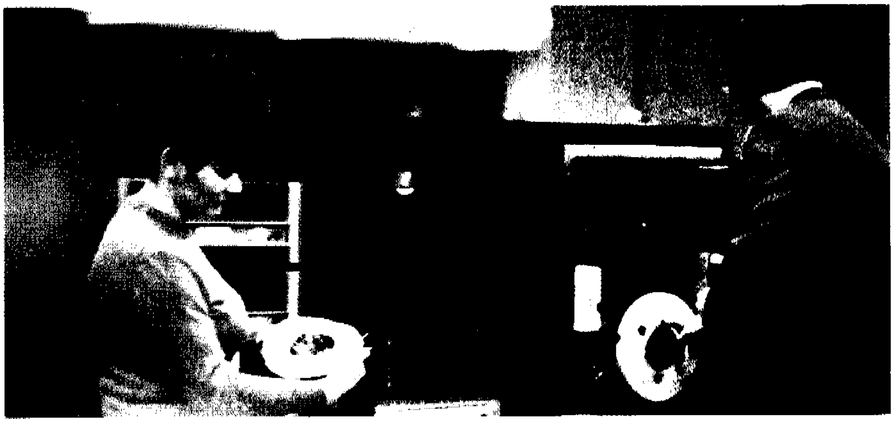
Over 35,000 members of our bank's staff – some visible to the customers, others not – ensure by day and by night as well that all the various operations function smoothly. In many cases it is the porter who gives the customer his first impression of the bank. The staff at the counter foster personal contact with the customers. They advise in questions concerning financing and investment, give orders for purchases and sales of securities, open accounts, help customers complete a wide variety of application forms, exchange currencies, accept deposits, pay money out and provide customers with information regarding questions on foreign business.

Then a glance behind the scenes. At the switchboard where thousands of calls are connected each day; in the despatch department where mail is prepared for posting throughout the world; in the data processing section where, round the clock, the electronic equipment – controlled by members of staff – ensures that statements of account and of securities held are issued for cus-



tomers as quickly as possible – about 10,000 per hour; in the organisation department where work procedures are rationalised, building matters settled, improvement suggestions dealt with, office equipment and materials are ordered; in the staff departments where specialists prepare corporate decisions, clarify legal questions and compile economic analyses; in the personnel department where decisions are taken on the staff required, on the efficient mobilisation of the bank's staff resources, training and last but not least on wage and salary questions. Nor is the staff's physical well-being forgotten: in the canteens of the central offices and branches cooks and assistants are at work.

Modern banking is the outcome of harmonious cooperation by all members of the bank. Besides specialised knowledge, it is important for staff to have wide general knowledge, a sympathetic attitude and to be able to adjust easily. The bank official of former days has given way to a dynamic services salesman. In order to retain the necessary insight into banking in general he has to widen and consolidate his knowledge constantly, as the economic scene and social conditions change continuously.



It is with deep regret that we report the death of the following members of our staff:

Hermann Ackermann, Remscheid
Brigitte Albers, Gronau
Albert Alscher, Hamburg
Franz Arens, Dortmund
Ursula Blau, Frankfurt (Main)
Ewald Bölte, Bochum
Wolfgang Derichs, Düsseldorf
Gabriele Drews, Alfeld
Erwin Drieske, Rendsburg
Otto Fangk, Dortmund
Karl Fertig, Mannheim
Kurt Geyler, Hamburg
Karl Gimbel, Darmstadt
Gerhard Glave, Hamburg
Paulheinz Grosse, Barmen
Wilhelm Güsgen, Düsseldorf
Hans Heidecker, Köln
Brigitte Hinzmann, Mannheim
Johann Kastenholz, Aachen
Heinz Keimburg, Düsseldorf
Ingrid Kempf, Stuttgart
Elfriede Köllner, Freiburg
Gerhard König, Frankfurt (Main)
Rolf Kunze, Gummersbach
Martin Landgrebe, Düsseldorf
Gerhard Lau, Lübeck
Kurt Lüder, Wuppertal
Heinz-Helmut Luiken, Bremen
Gerhard Mehlhorn, Köln
Karla Merklin, Hannover
Alfred Milsch, Düsseldorf
Fritz Morgenstern, Düsseldorf
Annegret Neitzel, Bremen
Leo Paulus, Köln
Ursula Pötzsch, Düsseldorf
Heinrich Raab, Frankfurt (Main)
Bruno Rademacher, Siegen
Werner Rhein, Frankfurt (Main)
Hans-Peter Rosen, Wittlich
Günther Rossrucker, Mannheim
Erna Schulze, Rheine
Horst Seelmann, Hamburg
Paul Spenna, Frankfurt (Main)
Herbert Spitzer, Wuppertal
Walter Stapel, Frankfurt (Main)
Ursula Stemmler, Frankfurt (Main)
Carola Stölzel, Hannover
Walter Sturm, Lippstadt
Eugen Thiele, Wuppertal
Karla Topf, Wiesbaden
Heinrich Träger, Frankfurt (Main)
Dr. Georg Vaerst, Bielefeld
Hubert Völker, Neheim-Hüsten
Willi Voges, Hannover
Herbert Wagner, Hamburg
Heinrich Walter, Frankfurt (Main)
Otto Wierny, Hamburg
Joachim Zeyer, Hamburg

Moreover, we mourn the passing of 283 retired employees of our bank.

We shall always honour their memory.

Balance sheet

Volume of business

The *balance sheet total* passed the DM 50 billion mark towards the end of 1974; it rose in the past year by DM 4.1 bn., or 8.8%, to DM 50.3 bn.

With an increase of DM 3.9 bn. (+8.2%), the bank's *volume of business* (balance sheet total plus endorsement liabilities) grew less in 1974 than in the previous year (+12.7%). Growth over the two years is shown in the diagram below.

Growth in the volume of business during the year

Changes in the most important items on the balance sheet in the year under review were as follows:

Assets		in millions of DM
Cash reserve	–	1,245.2
Cheques, items received for collection	–	11.4
Bills discounted	+	1,284.9
Claims on credit institutions	+	2,922.6
Bonds and debt instruments	+	208.3
Securities, so far as they have not to be included in other items	+	17.5
Claims on customers	+	547.7
with agreed life, or subject to agreed period of notice, of		
a) less than four years	+	695.1
b) four years or longer	–	147.4
Investments in subsidiaries and associated companies	+	151.0
Land and buildings, office furniture and equipment	+	128.5
Sundry assets	+	65.6
Balance sheet total	+	4,069.5

Liabilities		
Liabilities to credit institutions	+	2,477.9
Banking liabilities to other creditors	+	813.8
including: term deposits	–	1,837.0
savings deposits	+	1,486.5
Debt instruments	+	328.3
Provisions for special purposes	+	277.2
Published reserves (voluntary reserve fund)	+	90.0
Sundry liabilities	+	67.9
Disposable profit	+	14.4
Balance sheet total	+	4,069.5

15.5% higher *turnover* on our non-bank customers' accounts was recorded in 1974; it reached a total volume of DM 1,775 bn. against DM 1,537 bn. in 1973.

Liquidity

The bank's *liquid funds* showed the following ratios to total liabilities:

	December 31, 1974	1973
	– in millions of DM –	
Cash reserve		
Cash in hand	294.0	258.6
Balances with the Deutsche Bundesbank	4,856.8	6,156.1
Balances on postal cheque accounts	32.3	13.6
	5,183.1	6,428.3
Other liquid funds		
Cheques, items received for collection	406.9	418.3
Bills rediscountable at the Deutsche Bundesbank	4,251.0	2,965.4
Claims on credit institutions payable on demand	3,368.6	3,090.3
Bonds and debt instruments eligible as collateral for Bundesbank advances	1,003.2	1,042.7
Total liquid funds	14,212.8	13,945.0
Liabilities		
Liabilities to credit institutions	12,030.7	9,552.8
Banking liabilities to other creditors	33,904.7	33,090.9
Debt instruments	528.3	200.0
Own acceptances in circulation	34.0	33.3
Sundry liabilities	21.7	18.4
	46,519.4	42,895.4
Cash liquidity (ratio of cash reserve to liabilities)	11.1%	15.0%
Total liquidity (ratio of total liquid funds to liabilities)	30.6%	32.5%

The decline in cash liquidity against the preceding year reflects the various reductions of the minimum reserve ratios. On average for 1974 the balance to be maintained as minimum reserve with the Deutsche Bundesbank was roughly one fifth lower than a year ago.

The *principles* established by the Federal Banking Supervisory Office on the liquidity of credit institutions were always observed, neither were the maximum limits stipulated for credits and participations and open foreign exchange positions in relation to capital resources exceeded.

Securities

Bonds and debt instruments rose by DM 208.3 m. to DM 1,466.0 m. DM 1,003.2 m. of these were eligible as collateral at the Deutsche Bundesbank.

Shares and investment fund certificates increased only negligibly from DM 1,105.7 m. to DM 1,123.2 m. (+1.6%). Holdings which represent more than 10% of a company's capital are included at DM 865.8 m. and those bound by syndicate agreements at DM 197.6 m.

In valuing total securities holdings the bank continued to apply the minimum value principle.

Holdings of more than 25% of the capital were reported in accordance with § 20 Stock Corporation Act to the following companies:

Bayerische Elektrizitäts-Werke, München
Bergmann-Elektricitäts-Werke Aktiengesellschaft, Berlin
Daimler-Benz Aktiengesellschaft, Stuttgart
Didier-Werke Aktiengesellschaft, Wiesbaden
Hapag-Lloyd Aktiengesellschaft, Hamburg
Philipp Holzmann Aktiengesellschaft, Frankfurt (Main)
Karstadt Aktiengesellschaft, Essen
Pittler Maschinenfabrik Aktiengesellschaft, Langen (Hess)
Schitag Schwäbische Treuhand-Aktiengesellschaft, Stuttgart
Schuhfabrik Manz Aktiengesellschaft, Bamberg
Süddeutsche Zucker-Aktiengesellschaft, Mannheim

In the first half of 1974 the bank sold its holdings of more than 25% in Hoffmann's Stärkefabriken Aktiengesellschaft, Bad Salzuflen, and in Maschinenfabrik Moenus Aktiengesellschaft, Frankfurt (Main). A similar holding in Schuhfabrik Manz Aktiengesellschaft, Bamberg, was disposed of early in 1975, as was part of our holding in Didier-Werke Aktiengesellschaft, Wiesbaden, bringing our share down to below 25%.

In January 1975 the bank purchased a further 29% of the capital of Daimler-Benz Aktiengesellschaft in addition to its previous holding (cf.p. 34).

The bank acquired 32,591 *own shares* (average purchase price DM 275.67 per share) shown in the balance sheet at DM 9.0 m. with the intention of offering them to its staff for subscription.

40,415 own shares shown in last year's balance sheet at DM 9.0 m. and a further 14,691 own shares bought at an average price of DM 256.67 per share were purchased by the staff of the bank and of the German members of the Group at a price of DM 115 per share.

A further 666,500 Deutsche Bank shares were bought by the bank and the companies associated with it at current prices (average purchase price DM 254.46) and sold again (average selling price DM 255.89); such securities transactions must be reported in accordance with § 71, subpara. 1 No. 1 Stock Corporation Act. The sales proceeds remained in the working funds. 73,782 shares of Deutsche Bank AG had been pledged to the bank and the institutions associated with it as collateral for loans at the end of 1974.

Total credit extended

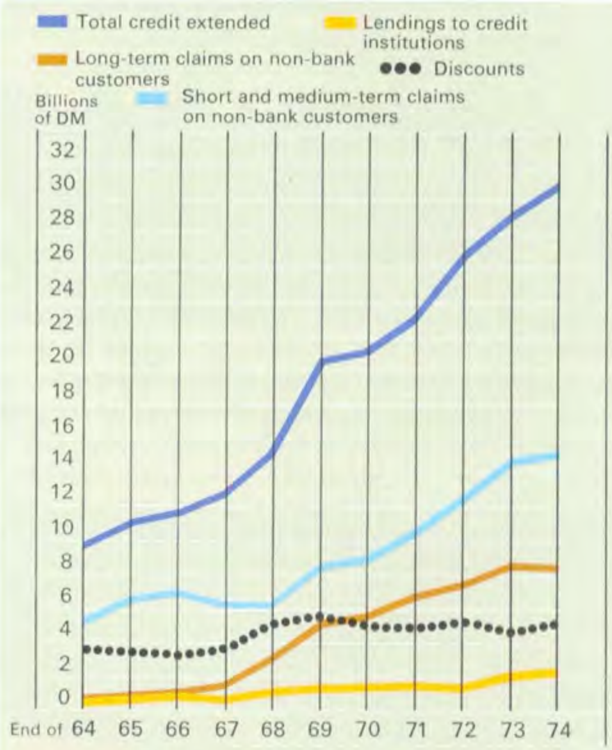
At DM 1.8 bn., or 6.3%, the increase in the volume of credit – for break-down see the table below – was smaller than a year ago (+DM 2.4 bn. or 8.9%). A revival of the credit business towards the end of the first half which followed a temporary decline did not continue in the second half of the year; since the middle of the year the volume has, apart from slight fluctuations at times, not materially changed.

Discounts rose most of all (+DM 1.1 bn. or 26.4%).

Claims on customers increased by DM 0.5 bn. or 2.4%, long-term credits declining slightly to DM 8.1 bn. (–1.8%).

The loans included in *claims on credit institutions* went up by DM 132 m. to DM 2.2 bn.; two loans totalling DM 45 m. have been taken up for increasing the borrowers' own funds.

Volume of credit 1964–1974



The diagram above shows the development of credits over the past ten years.

The break-down of the credits granted to our non-bank customers by *sectors of industry* is given in the

Volume of credit	End of 1974	End of 1973 – in millions of DM –	Change
Claims on customers			
short and medium-term	15,147.2	14,452.1	+ 695.1 = 4.8%
long-term	8,146.7	8,294.1	– 147.4 = 1.8%
	23,293.9	22,746.2	+ 547.7 = 2.4%
Discounts	5,488.0	4,340.6	+1,147.4 = 26.4%
Lendings to credit institutions	2,180.5	2,048.5	+ 132.0 = 6.4%
Total volume of credit	30,962.4	29,135.3	+1,827.1 = 6.3%

diagram below in accordance with the categories used in the Deutsche Bundesbank's statistics of borrowers.

By *amount* the credits taken up by more than 1 million borrowers are broken down as follows:

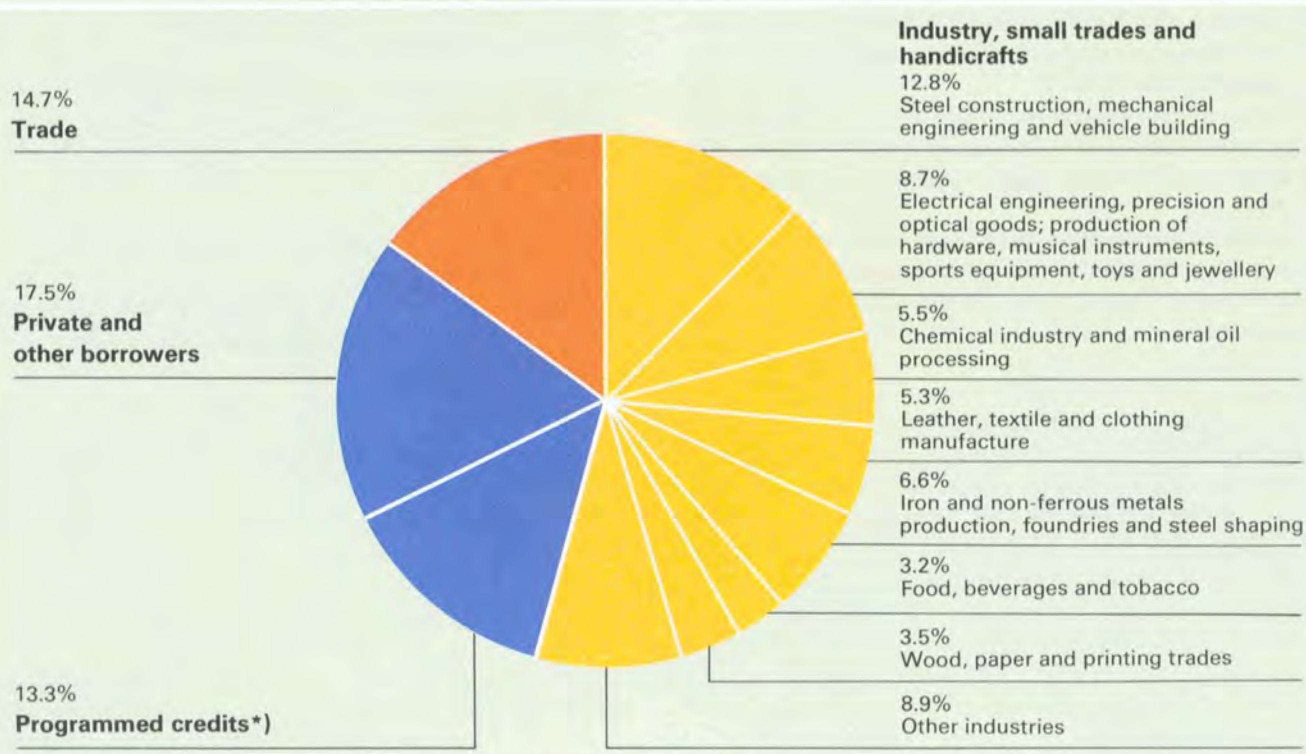
Number of credits			End of 1974
	up to DM	10,000	861,954 = 84.4%
more than DM	10,000 up to DM	100,000	140,098 = 13.7%
more than DM	100,000 up to DM	1,000,000	16,418 = 1.6%
more than DM 1,000,000			3,386 = 0.3%
			1,021,856 = 100.0%

Programmed Personal Credits totalled DM 3.7 bn. at the end of the year against DM 3.4 bn. at the end of 1973 (+7.2%). A revival occurred only in the second half of the year, after the bank was able to abandon its restraint in consumer credit business in compliance with the change in the Bundesbank's credit policy. Almost half the Programmed Credits are now accounted for by Personal Mortgage Loans, which recorded above-average growth of 13.8%; this is mainly due to the fact that this type of credit was increasingly offered to finance the modernisation of old buildings.

Of *long-term claims on customers* totalling DM 8.1 bn. DM 4.7 bn., or 57.3%, is due in less than four years. Altogether DM 973.8 m. funds taken up for specific purposes were provided by the Kreditanstalt für Wiederaufbau; these were passed on to the borrowers on the terms fixed by the lenders.

Guarantees and *letters of credit,* which are not included in the above-mentioned volume of credits, rose to

Break-down of lendings to customers by branches as at December 31, 1974



*) Instalment credits as listed in the Deutsche Bundesbank's statistics of borrowers = 8.8%

DM 9.0 bn. The increase of DM 2.9 bn. against the end of 1973 is almost exclusively due to higher contingent liabilities in foreign business. Allowance for discernible risks in the lending business has been made by higher individual adjustments and provisions. The prescribed overall adjustment provides for latent risks; its rates were reduced according to regulations by about a quarter as compared with the previous year. Further provision for the growing risks in the lending business has been made by a special allocation to published reserves.

Investments in subsidiaries and associated companies

These investments are shown in the balance sheet at DM 1,051.0 m. The increase of DM 151.0 m. results from additions of DM 162.0 m., sales of DM 6.8 m. and depreciation of DM 4.2 m. The *additions* stem largely from direct and indirect investments in credit institutions; they are mainly due to

capital increases

Badische Bank, Karlsruhe
Berliner Disconto Bank AG, Berlin
Gefa Gesellschaft für Absatzfinanzierung mbH, Wuppertal
Banco Bradesco de Investimento S.A., São Paulo (Brazil)
Banco Comercial Transatlántico, Barcelona (Spain)
HOSTRA Beteiligungsgesellschaft mbH, Düsseldorf
UBS-DB Corporation, New York

HOSTRA Beteiligungsgesellschaft, in which the bank has 33⅓% interest, holds the shares of Industriekreditbank AG – Deutsche Industriebank, Düsseldorf–Berlin, which were acquired in 1974.

additional purchases

Deutsche Centralbodenkredit-AG, Berlin–Köln
Frankfurter Hypothekenbank, Frankfurt (Main)
Banque Européenne de Crédit, Brussels
Nationale Investitionsbank für Industrieentwicklung AG, Athens

More than a quarter of the additions is due to *further payment* to German American Capital Corporation, Baltimore (USA), to finance the bank's share in the acquisition of Franklin National Bank by European-American Bank & Trust Company, New York.

Apart from a full payment to Iran Overseas Investment Bank Ltd., London, the additions also comprise our shares in the following *new establishments:*
Liquiditäts-Konsortialbank GmbH, Frankfurt (Main)
International Mexican Bank Ltd., London

Deductions refer mainly to our share in Bankhaus Bernhard Blanke, Düsseldorf, the assets and liabilities of which were transferred to Deutsche Bank AG with effect from January 1, 1974. Our interest in "Euralliance" Société de Gestion d'Investment Trusts S.A., Luxembourg, and a portion of the shares in European-Arab Holding S.A., Luxembourg, were sold to foreign banks.

The *depreciation,* almost exclusively on participations in foreign companies, fully takes into account the discernible risks. A list of the bank's investments is given on pages 99 to 101.

The Report of the Group provides information on the bank's relations with associated companies.

Fixed assets

The value of *land and buildings* shown in the balance sheet rose to DM 574.8 m. Additions amounted to DM 138 m. DM 7.6 m. of this is due to land and DM 130.4 m. to various new building and conversion projects, inter alia the administrative buildings under construction in Eschborn and Munich. New buildings were completed in Eschwege and Gronau. Apart from deductions of DM 0.2 m. depreciation in the amount of DM 19.2 m. was made; the latter contains DM 2.6 m. for extraordinary wear and tear. Moreover, special depreciation of DM 0.7 m. was effected in accordance with § 6b Income Tax Law, DM 0.4 m. stemming from the reserve and DM 0.3 m. from sales profits in 1974.

Office furniture and equipment is shown at DM 169.2 m. Additions amounted to DM 47.1 m. Minor items with a purchase price of DM 11.1 m. were immediately written off. The scheduled depreciation on goods included in this item in the balance sheet was DM 25.4 m.

Other asset items

Equalisation and covering claims on public authorities diminished from DM 422.3 m. to DM 402.1 m. Especially owing to normal redemption (DM 8.2 m.) and take-over by the Deutsche Bundesbank (DM 2.0 m.), equalisation claims declined to DM 354.0 m. Covering claims in accordance with § 252 Equalisation of Burdens Law and § 19 Old Savings Law decreased as a result of normal redemptions by DM 9.6 m. to DM 48.1 m.

Sundry assets (DM 779.5 m.) include in particular holdings in private limited companies (GmbH) and fund certificates, which are neither a participation nor, according to the balance sheet regulations, eligible for inclusion under securities. Moreover, gold and silver bullion – DM 91.2 m. was used as cover for registered gold and silver certificates issued – and down-payments on building costs should be mentioned.

The *transitory items* on the assets side represent expenses which relate to future accounting periods.

Funds from outside sources

Funds from outside sources reached a level of DM 46.5 bn. at the end of 1974 as compared with DM 42.8 bn. at the end of the year before. The composition on the two record dates is shown on a table on the next page. Of the increase of DM 3.6 bn., or 8.4%, DM 2.5 bn. is due to deposits from banks, DM 0.8 bn. to non-bank customers' deposits and DM 0.3 bn. to debt instruments.

DM 2.1 bn. of the growth in *bank deposits* is attributable to term deposits; the amount corresponds to an increase in funds deposited with other credit institutions.

The development of *non-bank customers' deposits* during the past ten years is shown in the diagram on the right.

Non-customers' demand deposits rose by DM 1.2 bn. or 13.9%. Savings deposits again rank first among the non-bank customers' deposits, after the large amount of term deposits noted at the end of the previous year was reduced by DM 1.8 bn. (–14.4%) to DM 10.9 bn.

The *savings business* took a more favourable course in 1974 than a year ago. The increase in savings deposits was DM 1.5 bn., or 12.4%, against DM 0.9 bn. (+8.2%) in 1973. Contrary to the year before, customers gave preference to the somewhat more liquid investment in savings deposits with legal period of notice; the latter show a growth of DM 846.5 m., or 14.7%, whereas other savings deposits rose slightly less, viz. by DM 640.0 m. or 10.3%. A break-down of the savings deposits by groups of savers is given on page 58.

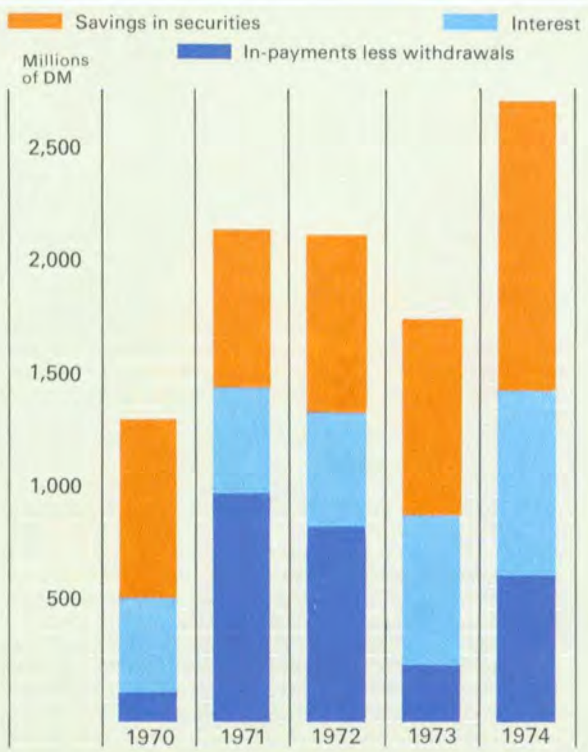
In addition to roughly DM 100 m. worth of savings bonds, which are shown in the balance sheet under non-bank customers' term deposits, our savings customers purchased a considerable amount of securities. *Total new savings* calculated from growth in savings deposits and securities purchased (net less securities sold) to the debit of savings accounts at DM 2.8 bn. reached a record level in the bank's history (see also the diagram opposite).

Debt instruments in circulation, which have risen from DM 200 m. to DM 528.3 m., were used to finance part of the long-term lendings.

Non-bank customers' deposits 1964–1974

Funds from outside sources	End of 1974 – in millions of DM –	End of 1973
Liabilities towards credit institutions		
demand deposits	4,752.4 = 10.2%	4,648.4 = 10.8%
term deposits	6,732.7 = 14.5%	4,659.3 = 10.9%
customers' drawings on credits opened at other institutions	545.6 = 1.2%	245.1 = 0.6%
	12,030.7 = 25.9%	9,552.8 = 22.3%
Liabilities towards non-bank customers		
demand deposits	9,545.4 = 20.6%	8,381.1 = 19.5%
term deposits	10,915.4 = 23.5%	12,752.4 = 29.8%
savings deposits	13,443.9 = 28.9%	11,957.4 = 27.9%
	33,904.7 = 73.0%	33,090.9 = 77.2%
Debt instruments	528.3 = 1.1%	200.0 = 0.5%
Total funds from outside sources	46,463.7 = 100.0%	42,843.7 = 100.0%

Total annual savings



Provisions for special purposes

Total provisions for special purposes rose from DM 695.7 m. to DM 972.9 m.

We made use of the possibility laid down in the law for the improvement of company pension schemes dt. December 19, 1974 to change the provisions for pensions from current value to the higher part value method already with effect from December 31, 1974. To cover the resultant additional requirement of DM 94 m., DM 65 m. was allocated in the 1974 financial year; the remaining DM 29 m. will be appropriated in 1975. Pursuant to the new law, provisions for pensions actuarially computed as of December 31, 1974, including higher current pensions, total DM 686.5 m. *Provisions for pensions,* after a net transfer of DM 172.2 m., is shown at DM 657.5 m.

Other provisions in the amount of DM 315.4 m. include provisions against taxes, the overall adjustment which cannot be offset against assets and provisions for risks arising from the lending business, for other contingent losses from pending business transactions and for uncertain liabilities.

Other liability items

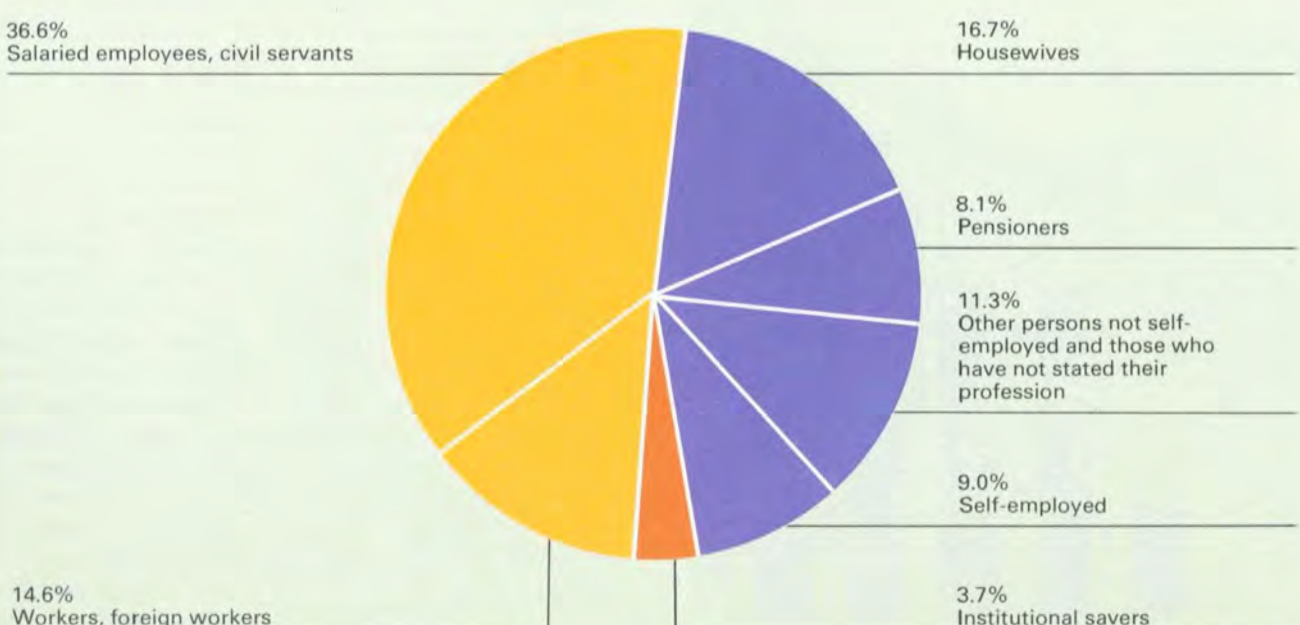
The item *sundry liabilities* (DM 21.6 m.) includes liabilities outside the banking business, inter alia wage and church tax and social security contributions payable.

The *special items including reserves* total DM 79.8 m. After allocating DM 1.2 m. and releasing DM 0.1 m., the special item in accordance with the *tax law for the promotion of private investment in developing countries* increased to DM 5.7 m. Book profits enjoying tax privileges, notably from the sale of securities in the amount of DM 6.2 m. were allocated to the special item in accordance with § 6b *Income Tax Law,* after DM 0.3 m. had been offset in advance against additions to the real estate account. DM 0.4 m. was released and written off as a special depreciation. This leaves a sum of DM 32.6 m. on the balance sheet. The other special item shown for the first time at DM 41.5 m. corresponds to the amount *written back as profit from overall adjustments* as a result of the prescribed reduction in the calculation rates, on which tax need only be paid in subsequent years, in accordance with Section V of the general administrative regulation on credit institutions' overall adjustments recognised for tax purposes dt. July 23, 1974. The *transitory items* on the liabilities side cover receipts which relate to future financial years.

Contingent liabilities, comments

Endorsement liabilities on rediscounted bills of exchange declined from DM 714.7 m. to DM 501.9 m. Bills

Break-down of savings deposits according to groups of savers as at December 31, 1974



to a total amount of DM 153.1 m. were in the process of collection on balance sheet date.

Liabilities arising from guarantees of various kinds and warranty contracts rose from DM 6.1 bn. to DM 9.0 bn., due especially to higher guarantees in foreign trade business and a larger volume of letters of credit.

Obligations to repurchase items assigned en pension came to DM 1.2 bn. as of December 31, 1974.

Liabilities for possible calls on shares not fully paid up in public and private limited companies were DM 28.7 m. as at the end of the year. Coupled with the share-holding in Liquiditäts-Konsortialbank GmbH is a contingent liability for other partners' obligations to pay up further capital when called, in addition to such an obligation up to DM 44.6 m.

A brief report on our statement in connection with our Luxembourg subsidiary, Compagnie Financière de la Deutsche Bank AG, is given on page 79.

Profit and Loss Account

Earnings on the volume of business

The average volume of business increased only half as much as in the preceding year; the rate of growth was merely 7.6%. Hence the increase in the interest surplus by 55.0% to DM 1,628.5 m. is largely due to the rise in the interest margin, which had fallen to the lowest level so far in 1973. This development reflected market conditions that had returned to normal and the Deutsche Bundesbank's credit relaxations, in particular the successive reductions in the minimum reserves.

Interest receipts from lending and money market transactions consequently rose by 25.5% against the previous year. At the same time, the increase in interest expenses could be limited to 10.1%.

Earnings on the volume of business, which for the first time since 1970 again more than cover staff and material expenditure, may be broken down as follows:

	1974	1973
	– in millions of DM –	
Interest and similar receipts from lending and money market transactions	3,979.6	3,171.0
Current receipts from securities, debt register claims, and investments in subsidiaries and associated companies	253.4	245.3
	4,233.0	3,416.3
Interest and similar expenses	2,604.5	2,365.6
Earnings on the volume of business (interest surplus)	1,628.5	1,050.7

Earnings on services

Commissions and other receipts from service transactions rose by DM 46.5 m. Apart from higher receipts resulting from an increase in account-handling fees with effect from April 1, 1974, this was mainly attributable to another strong growth of receipts on international business. The further decline in commissions received in securities business was primarily due to lower turnover in share dealings.

After deducting the expenditure on commissions (DM 11.7 m.), there remained a surplus of DM 453.0 m., this is DM 48.1 m., or 11.9%, more than in the year before.

Other receipts

The other receipts from ordinary and extraordinary business grouped in this item are shown at DM 211.9 m. A fairly large portion of the DM 92.8 m. increase is accounted for by the expansion of foreign exchange business and gold dealing, which was recorded in spite of the bank's cautious business policy.

Depreciation and adjustments on claims and securities, and allocations to provisions for possible loan losses have been offset against receipts on claims written off, on released adjustments and provisions for possible loan losses, as well as gains from the sale of securities and are shown at DM 117.5 m. (DM 5.9 m. in 1973). The depreciation required on securities and the provisions for risks arising from the lending business exceeded the corresponding amounts for the previous year.

Staff and material expenditure

Staff expenses (salaries and wages, compulsory social security contributions, expenditure on retirement pensions and other benefits) amounted to DM 1,280.8 m. The excessively great increase of DM 287.7 m., or 29%, over the previous year, together with salary rises, is due to a considerably higher allocation to the provisions for pensions to comply with § 6a Income Tax Law as amended by the law for the improvement of company pension schemes of December 19, 1974.

In the year under review, the agreed-scale salaries were raised by 11% effective March 1 and by another per cent in each case effective August 1 and October 1 with provision for minimum basic increases. The salaries outside the agreed scale were raised as well. The increase in staff was 533 employees (+1.5%) as at December 31, 1974, and 818, or 2.6%, on an annual average.

Taking individual items, salaries and wages rose by DM 136.9 m., or 17.8%, compulsory social security contributions by DM 15.6 m., or 17.1%, and expenditure on retirement pensions and other benefits by DM 135.2 m. or 103.5%.

The considerable increase in *material expenditure for the banking business* by 22.9% in 1974 reflects both the rise in prices and additional expenditure on bank premises and furniture and equipment. The bank's increased efforts to expand its market share by selective advertising measures also made themselves felt here.

Depreciation

DM 56.4 m. (DM 51.1 m. in 1973) was required for *depreciation and adjustments on land and buildings, and on office furniture and equipment.* DM 0.8 m. was written off pursuant to § 6b Income Tax Law. *Depreciation on investments in subsidiaries and associated companies* relates to value adjustments on foreign participations.

Taxes

The improvement in the operating result, i. e. the surplus in day-to-day business, exceeded the growth of extraordinary expenditure. In consequence of this development of the overall result, taxes for the year under report are shown at DM 206.6 m. (DM 100.8 m. in 1973), DM 195.1 m. of which as *taxes on income, earnings and property.*

Other expenses

A total of DM 48.9 m. was transferred to the *special item including reserves.* DM 41.5 m. of this amount is accounted for by the writing back of part of the overall adjustment under the prescribed reduction of the calculation rates and DM 6.2 m. by profits from the sale of land and buildings, and securities, which enjoy tax concessions pursuant to § 6b Income Tax Law. A further DM 1.2 m. was appropriated in accordance with the tax law for the promotion of private investment in developing countries.

Other expenses include DM 27.1 m. special contributions to the joint fund set up in connection with the closure of Bankhaus I. D. Herstatt KG a.A., Köln.

Total emoluments of the Board of Managing Directors amount to DM 8,599,584.50. Former members of the Board of Managing Directors or their surviving dependents received payments aggregating DM 1,988,000.–.

The Supervisory Board received DM 298,230.– as fixed emoluments; the Supervisory Board payments, which vary according to the annual dividend paid, amounted to

DM 777,174.95. Members of the Advisory Board received DM 282,020.– and the members of the Regional Advisory Councils DM 1,704,725.–.

Proposed appropriation of profits

The profit and loss account shows:

Receipts		DM 4,930,282,565.25
Expenses		DM 4,696,282,565.25
Year's net earnings ..		DM 234,000,000.—
Allocations to published reserves		
allocation from year's net earnings	DM 30,000,000.—	
special transfer from year's net earnings	DM 60,000,000.—	DM 90,000,000.—
Disposable profit		DM 144,000,000.—

It will be proposed to the shareholders that a dividend of DM 10.– per share of DM 50.– par value, i. e. DM 144 m., be paid on the capital of DM 720 m.

Capital and reserves

DM 90 m. out of the 1974 net earnings was allocated to the published reserves.

We propose to increase the capital by DM 180 m. so as to strengthen the bank's own funds further, through the issue of 3.6 million new bearer shares of DM 50.– entitled to dividend from January 1, 1975; the shares will be offered in the ratio of 1:4 at DM 175.– per share of DM 50.–.

After the capital increase, which the General Meeting has to resolve, is effected, the bank's *own funds* shown will be composed as follows:

Capital	DM 900.0 m.
Published reserves	
a) statutory reserve fund	DM 1,084.0 m.
b) other reserves	DM 915.0 m.
Total	DM 2,899.0 m.

Frankfurt (Main), March 1975

The Board of Managing Directors

Growth of Capital and Reserves

	Capital	Published Reserves	Capital and Reserves Total
	DM	DM	DM
January 1, 1952 (opening balance sheet)	100,000,000.—	40,500,000.—	140,500,000.—
Allocation from the Conversion Account		1,500,000.—	1,500,000.—
Allocations from the net earnings 1952–1956		108,000,000.—	108,000,000.—
Capital increase: 1955 (1 for 2 at par)	50,000,000.—		50,000,000.—
Capital increase: 1956 (1 for 3 at par)	50,000,000.—		50,000,000.—
December 31, 1956	200,000,000.—	150,000,000.	350,000,000.—
Allocation from the net earnings 1957		30,000,000.—	30,000,000.—
December 31, 1957	200,000,000.—	180,000,000.—	380,000,000.—
Capital increase: 1958 (1 for 4 at par)	50,000,000.—		50,000,000.—
Allocation from the net earnings 1958		35,000,000.—	35,000,000.—
December 31, 1958	250,000,000.—	215,000,000.—	465,000,000.—
Allocation from the net earnings 1959		35,000,000.—	35,000,000.—
December 31, 1959	250,000,000.—	250,000,000.—	500,000,000.—
Allocation from the net earnings 1960		50,000,000.—	50,000,000.—
December 31, 1960	250,000,000.—	300,000,000.—	550,000,000.—
Capital increase: 1961 (1 for 5 at par)	50,000,000.—		50,000,000.—
Allocation from the net earnings 1961		40,000,000.—	40,000,000.—
December 31, 1961	300,000,000.—	340,000,000.—	640,000,000.—
Allocation from the net earnings 1962		20,000,000.—	20,000,000.—
December 31, 1962	300,000,000.—	360,000,000.—	660,000,000.—
Allocation from the net earnings 1963		40,000,000.—	40,000,000.—
December 31, 1963	300,000,000.—	400,000,000.—	700,000,000.—
Allocation from the net earnings 1964		30,000,000.—	30,000,000.—
December 31, 1964	300,000,000.—	430,000,000.—	730,000,000.—
Capital increase: 1965 (1 for 6 at par)	50,000,000.—		50,000,000.—
Allocation from the net earnings 1965		70,000,000.—	70,000,000.—
December 31, 1965	350,000,000.—	500,000,000.—	850,000,000.—
Capital increase: 1966 (1 for 7 at par)	50,000,000.—		50,000,000.
Allocation from the net earnings 1966		100,000,000.—	100,000,000.—
December 31, 1966	400,000,000.—	600,000,000.—	1,000,000,000.—
Allocation from the net earnings 1967		50,000,000.—	50,000,000.—
December 31, 1967	400,000,000.—	650,000,000.—	1,050,000,000.—
Capital increase: 1968 (1 for 5 at 250)	80,000,000.—	120,000,000.—	200,000,000.—
Allocation from the net earnings 1968		50,000,000.—	50,000,000.—
December 31, 1968	480,000,000.—	820,000,000.—	1,300,000,000.—
Allocation from the net earnings 1969		30,000,000.—	30,000,000.—
December 31, 1969	480,000,000.—	850,000,000.—	1,330,000,000.—
Allocation from the net earnings 1970		30,000,000.—	30,000,000.—
December 31, 1970	480,000,000.—	880,000,000.—	1,360,000,000.—
Capital increase: 1971 (1 for 6 at 280)	80,000,000.—	144,000,000.—	224,000,000.—
Allocation from the net earnings 1971		40,000,000.—	40,000,000.—
December 31, 1971	560,000,000.—	1,064,000,000.—	1,624,000,000.—
Capital increase: 1972 (1 for 7 at 300)	80,000,000.—	160,000,000.—	240,000,000.—
Allocation from the net earnings 1972		50,000,000.—	50,000,000.—
December 31, 1972	640,000,000.—	1,274,000,000.—	1,914,000,000.—
Capital increase: 1973 (1 for 8 at 300)	80,000,000.—	160,000,000.—	240,000,000.—
Allocation from the net earnings 1973		25,000,000.—	25,000,000.—
December 31, 1973	720,000,000.—	1,459,000,000.—	2,179,000,000.—
Allocation from the net earnings 1974		90,000,000.—	90,000,000.—
December 31, 1974	720,000,000.—	1,549,000,000.—	2,269,000,000.—
Proposed capital increase: 1975 (1 for 4 at 350)	180,000,000.—	450,000,000.—	630,000,000.—
Position after capital increase 1975	900,000,000.—	1,999,000,000.—	2,899,000,000.—

Development of Reserves

Published reserves as per opening balance sheet of 1. 1. 1952	40,500,000.—
Allocation from the Conversion Account	1,500,000.—
Allocations from net earnings	923,000,000.—
Premium from the capital increases carried out	584,000,000.—
Premium from the proposed capital increase	450,000,000.—
Total published reserves	1,999,000,000.—

At the Supervisory Board meetings last year, and in numerous individual discussions, we obtained detailed reports concerning the bank's situation and the basic questions of business policy, and debated these together with the Board of Managing Directors. Apart from the development of the balance sheet and earnings the main topics discussed were the money and currency situation, questions concerning the interest rate structure and policy regarding conditions, the reorganisation of the branch network, the shape of our range of services in the future and the further expansion of our organisation abroad. The economic situation was the subject of detailed reports and discussion. We also debated important individual business transactions and dealt with those matters submitted to us for approval in accordance with legal or statutory requirements. Questions of staff policy were likewise discussed by the Supervisory Board.

The Credit Committee of the Supervisory Board exercised its powers of authorisation and called for reports to be given at its meetings of all major loans or those entailing increased risks and discussed them with the Board of Managing Directors.

The Treuverkehr AG Wirtschaftsprüfungsgesellschaft – Steuerberatungsgesellschaft, Frankfurt (Main), who were chosen as auditors of the annual accounts by the Annual General Meeting, have examined the Annual Statement of Accounts, the Report of the Board of Managing Directors and the accounting and have found these to be in conformity with the books, which were properly kept, and with the provisions of the applicable law. We accept the Report of the Auditors.

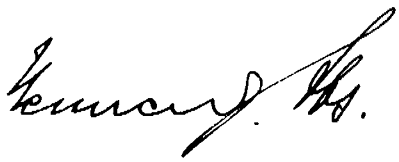
Furthermore, we have ourselves examined the Statement of Accounts as of December 31, 1974, the proposed appropriation of profits and the Report of the Board of Managing Directors. We do not raise any objections.

The Consolidated Annual Statement of Accounts, the Report of the Group and the Report of the Auditors of the Consolidated Annual Accounts have been submitted to the Supervisory Board.

We have approved the Annual Statement of Accounts drawn up by the Board of Managing Directors, which has thus been established. We agree to the proposed appropriation of profits.

Frankfurt (Main), April 1975

The Supervisory Board



Chairman

Annual Balance Sheet

as of December 31, 1974

Profit and Loss Account

for the period from
January 1 to December 31, 1974

The Growth of the Balance Sheet

from January 1, 1952
until December 31, 1974

Deutsche Bank Aktiengesellschaft

		DM	DM	31. 12. 1973 in 1,000 DM
Cash in hand			294,014,973.29	258,572
Balances with the Deutsche Bundesbank			4,856,792,178.78	6,156,057
Balances on postal cheque accounts			32,307,806.90	13,607
Cheques on other banks, matured bonds, interest and dividend coupons, and items received for collection			406,866,441.59	418,334
Bills discounted			4,741,709,259.95	3,456,804
including:				
a) rediscountable at the Deutsche Bundesbank	DM 4,251,040,703.80			
b) own drawings	DM 27,996,126.28			
Claims on credit institutions				
a) payable on demand		3,368,616,747.07		3,090,308
b) with agreed life, or subject to agreed period of notice, of				
ba) less than three months		2,124,933,510.53		1,123,950
bb) at least three months, but less than four years		4,855,532,355.79		3,148,577
bc) four years or longer		716,982,441.58		780,619
			11,066,065,054.97	8,143,454
Treasury bills and discountable Treasury bonds			—.—	—
Bonds and debt instruments				
a) with a life of up to four years				
aa) of the Federal Republic and the Länder	DM 214,173,666.24			
ab) of credit institutions	DM 341,647,814.24			
ac) others	DM 846,262.47	556,667,742.95		547,873
including: eligible as collateral for Bundesbank advances	DM 555,329,205.90			
b) with a life of more than four years				
ba) of the Federal Republic and the Länder	DM 189,065,637.70			
bb) of credit institutions	DM 450,794,006.59			
bc) others	DM 269,447,461.31	909,307,105.60		709,801
including:			1,465,974,848.55	1,257,674
eligible as collateral for Bundesbank advances	DM 447,906,134.40			
Securities, so far as they have not to be included in other items				
a) shares marketable on a stock exchange and investment fund certificates		1,099,823,893.33		1,098,812
b) other securities		23,374,864.15		6,865
including: holdings of more than one tenth of the shares in a joint stock corporation or mining company, excluding investments in subsidiaries and associated companies	DM 865,831,275.69		1,123,198,757.48	1,105,677
Claims on customers with agreed life, or subject to agreed period of notice, of				
a) less than four years		15,147,234,670.46		14,452,116
b) four years or longer		8,146,668,593.63		8,294,094
including:			23,293,903,264.09	22,746,210
ba) secured by mortgages on real estate	DM 767,160,458.26			
bb) communal loans	DM 126,878,804.10			
due in less than four years	DM 4,667,061,000.—			
Equalisation and covering claims on Federal and Länder authorities under the Currency Reform Laws			402,137,011.13	422,344
Loans on a trust basis at third party risk			61,257,009.66	64,422
Investments in subsidiaries and associated companies			1,051,005,200.—	900,023
including: in credit institutions	DM 896,378,300.–			
Land and buildings			574,753,600.—	456,877
Office furniture and equipment			169,233,900.—	158,606
Own shares			8,984,360.97	8,972
Par value:	DM 1,629,550.—			
Sundry assets			779,539,120.68	695,128
Transitory items			5,310,766.36	819
		Total Assets	50,333,053,554.40	46,263,580

The assets and the rights of recourse in respect of the liabilities shown below the liabilities side include		
a) claims on associated companies	2,236,629,220.66	2,097,271
b) claims which arise from credits falling under Article 15, paragraph 1, items 1 to 6, and paragraph 2, of the Banking Law, so far as they are not shown in a)	371,034,674.28	310,792

Balance Sheet as of December 31, 1974 — Liabilities

	DM	DM	DM	31.12.1973 in 1,000 DM
Liabilities to credit institutions				
a) payable on demand		4,752,449,024.10		4,648,394
b) with agreed life, or subject to agreed period of notice, of				
ba) less than three months	1,765,344,462.03			
bb) at least three months, but less than four years	3,940,465,823.60			
bc) four years or longer	1,026,882,860.71	6,732,693,146.34		4,659,261
including: due in less than four years DM 666,917,309.39				
c) customers' drawings on credits opened at other institutions		545,545,724.78		245,158
			12,030,687,895.22	9,552,813
Banking liabilities to other creditors				
a) payable on demand		9,545,394,854.29		8,381,126
b) with agreed life, or subject to agreed period of notice, of				
ba) less than three months	8,881,727,045.42			
bb) at least three months, but less than four years	1,829,496,739.48			
bc) four years or longer	204,220,265.87	10,915,444,050.77		12,752,351
including: due in less than four years DM 96,739,251.87				
c) savings deposits				
ca) subject to legal period of notice	6,612,508,341.44			
cb) others	6,831,374,830.93	13,443,883,172.37		11,957,415
			33,904,722,077.43	33,090,892
Debt instruments with a life of				
a) up to four years		—.—		—
b) more than four years		528,280,000.—		200,000
including: due in less than four years DM 100,000,000.—			528,280,000.—	200,000
Own acceptances and promissory notes in circulation			33,987,097.81	33,315
Loans on a trust basis at third party risk			61,257,009.66	64,422
Provisions for special purposes				
a) for pensions		657,456,800.—		485,309
b) others		315,431,403.81		210,410
			972,888,203.81	695,719
Sundry liabilities			21,633,636.09	18,311
Franz Urbig and Oscar Schlitter Endowment				
assets of the Endowment		1,511,848.51		1,445
less investments in securities		1,400,348.21		1,414
			111,500.30	31
Transitory items			286,715,631.28	268,093
Special items including reserves				
a) in accordance with the Tax Law regarding Developing Countries		5,691,076.24		4,577
b) in accordance with Article 6b of the Income Tax Law		32,579,426.56		26,807
c) in accordance with the tax regulation regarding overall adjustments		41,500,000.—		—
			79,770,502.80	31,384
Capital			720,000,000.—	720,000
Published reserves				
a) statutory reserve fund		634,000,000.—		634,000
b) other reserves (voluntary reserve fund)	825,000,000.—			
allocation from the year's net earnings	30,000,000.—			
special allocation from the year's net earnings	60,000,000.—	915,000,000.—		825,000
			1,549,000,000.—	1,459,000
Disposable profit			144,000,000.—	129,600
Total Liabilities			50,333,053,554.40	46,263,580
Endorsement liabilities on rediscounted bills of exchange			501,910,337.98	714,686
Liabilities arising from guarantees of various kinds and warranty contracts			9,007,163,497.26	6,081,442
Obligations to repurchase items assigned en pension, so far as these obligations have not to be shown on the liabilities side			1,172,266,060.16	689,503
Savings premiums under the Savings Premium Law			418,194,366.32	334,998
Comprised among the liabilities are those (including those shown below the balance sheet) to associated companies			888,273,324.43	1,217,006

Expenses

Profit and Loss Account

	DM	DM	1973 in 1,000 DM
Interest and similar expenses		2,604,441,406.88	2,365,582
Commissions and similar expenses in respect of service transactions		11,769,676.74	13,280
Depreciation and adjustments on claims and securities, and allocations to provisions for possible loan losses		117,501,764.02	5,905
Salaries and wages		907,925,762.77	771,038
Social security contributions		107,022,995.13	91,429
Expenditure on retirement pensions and other benefits		265,810,052.96	130,595
Material expenditure for the banking business		284,115,700.72	231,224
Depreciation and adjustments on land and buildings, and on office furniture and equipment		56,433,663.84	51,078
Depreciation and adjustments on investments in subsidiaries and associated companies		4,210,719.69	6,013
Taxes			
a) on income, earnings and property	195,066,039.81		82,638
b) others	11,517,317.68		18,216
		206,583,357.49	100,854
Expenditure arising from assumption of losses		118,621.90	592
Allocations to special items including reserves		48,901,197.60	19,883
Other expenses		81,447,645.51	24,678
Year's net earnings		234,000,000.—	154,600
Total Expenses		4,930,282,565.25	3,966,751

Year's net earnings

Allocations from the year's net earnings to published reserves

a) to the statutory reserve fund

b) to other reserves (voluntary reserve fund)

Allocation from the year's net earnings

Special allocation from the year's net earnings

Disposable profit

In the year under review the Bank effected payment of DM 67,959,515.14 representing pensions and contributions to the Beamtenversicherungsverein des Deutschen Bank- und Bankiergewerbes (a. G.), Berlin. The payments to be effected in the next five years will probably reach 113%, 124%, 136%, 148% and 160% of the above-mentioned amount.

Frankfurt (Main), March 1975

Deutsche Bank Aktiengesellschaft

The Board of Managing Directors

Burgard Christians Ehret

Feith Guth Herrhausen Kleffel

Leibkutsch Mertin Thierbach

Ulrich Vallenthin van Hooven

for the period from January 1 to December 31, 1974 Receipts

	DM	DM	1973 in 1,000 DM
Interest and similar receipts from lending and money market transactions		3,979,567,332.71	3,170,947
Current receipts from			
a) fixed-interest securities and debt register claims	111,310,891.79		107,147
b) other securities	102,438,205.10		102,178
c) investments in subsidiaries and associated companies	39,679,327.39		35,983
		253,428,424.28	245,308
Commissions and other receipts from service transactions		464,730,857.31	418,217
Other receipts, including those from the writing back of provisions for possible loan losses		211,869,657.15	119,087
Receipts from profit pooling agreements, and from agreements for transfer and for partial transfer of profits		7,238,472.81	1,935
Receipts from the writing back of provisions for special purposes, so far as they have not to be shown under "Other receipts"		12,932,857.32	10,800
Receipts from the writing back of special items including reserves		514,963.67	457
Total Receipts		4,930,282,565.25	3,966,751

DM	DM	1973 DM
	234,000,000.—	154,600,000.—
–.		
30,000,000.–		
60,000,000. –	90,000,000.—	25,000,000.—
	144,000,000.—	129,600,000.—

According to our audit, carried out in accordance with our professional duties, the accounting, the Annual Statement of Accounts and the Board of Managing Directors' Report comply with German law and with the Company's Articles of Association.

Frankfurt (Main), March 21, 1975

Treuverkehr AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Dr. Nebendorf
Wirtschaftsprüfer
(Chartered Accountant)

Fandré
Wirtschaftsprüfer
(Chartered Accountant)

The Growth of the Balance Sheet until December 31, 1974

– in millions of DM –

	31. 12. 1974	31. 12. 1973	31. 12. 1972	31. 12. 1971	31. 12. 1970
Assets					
Cash, balances with Deutsche Bundesbank and on postal cheque accounts	5,183	6,428	5,138	3,717	2,763
Bills discounted	4,742	3,457	3,743	3,877	4,095
Claims on credit institutions	11,066	8,143	5,911	5,450	4,303
Treasury bills and discountable Treasury bonds	—	—	249	725	408
Bonds and debt instruments	1,466	1,258	1,272	1,058	1,482
Securities, so far as they have not to be included in other items	1,123	1,106	1,148	1,147	1,325
Claims on customers	23,294	22,746	19,823	16,824	14,785
with agreed life, or subject to agreed period of notice, of					
a) less than four years	15,147	14,452	12,082	10,283	8,893
b) four years and longer	8,147	8,294	7,741	6,541	5,892
Equalisation and covering claims on Federal and Länder authorities	402	422	443	462	481
Loans on a trust basis	61	64	105	71	52
Investments in subsidiaries and associated companies	1,051	900	773	590	534
Land and buildings	575	457	389	332	345
Office furniture and equipment	169	159	142	123	101
Other assets	1,201	1,124	1,098	812	758
Balance Sheet Total	50,333	46,264	40,234	35,188	31,432
Liabilities					
Liabilities to credit institutions	12,031	9,553	8,901	7,391	6,776
Banking liabilities to other creditors	33,905	33,091	28,182	25,213	22,397
including: term deposits	10,915	12,752	8,450	7,750	7,331
savings deposits	13,444	11,957	11,048	9,667	8,187
Debt instruments	528	200	—	—	—
Own acceptances in circulation	34	33	96	33	70
Loans on a trust basis	61	64	105	71	52
Provisions for special purposes	973	696	666	558	522
a) for pensions	658	485	433	387	364
b) others	315	211	233	171	158
Capital	720	720	640	560	480
Published reserves	1,549	1,459	1,274	1,064	880
a) statutory reserve fund	634	634	474	314	170
b) other reserves (voluntary reserve fund)	915	825	800	750	710
Other liabilities	388	318	262	197	169
Disposable profit	144	130	108	101	86
Balance Sheet Total	50,333	46,264	40,234	35,188	31,432
Endorsement liabilities on rediscounted bills of exchange	502	715	1,432	780	640
Liabilities arising from guarantees of various kinds and warranty contracts	9,007	6,081	4,406	4,387	4,185
Year's net earnings	234	155	158	141	116
Allocations to published reserves	90	25	50	40	30
Disposable profit	144	130	108	101	86
Dividend in DM per share	10.—	9.—	9.—	9.—	9.—
Dividend in %	(20%)	(18%)	(18%)	(18%)	(18%)

*) including receipts from the appreciation in value of office furniture and equipment of DM 70 m.

**) including receipts from the appreciation in value of land and buildings of DM 35 m.

31. 12. 1969	31. 12. 1968	31. 12. 1967	31. 12. 1966	31. 12. 1965	31. 12. 1960	31. 12. 1956	1. 1. 1952
1,673	1,931	1,379	1,859	1,609	1,388	699	417
4,186	4,532	3,777	2,890	2,711	2,109	1,897	598
3,462	2,843	2,329	1,760	1,285	983	686	347
—	1,878	1,704	705	203	482	54	64
1,635	1,303	851	561	657	557	333	3
1,307	1,250	1,038	1,094	1,064	706	352	60
13,411	9,310	7,857	7,975	7,206	4,128	2,805	1,690
8,190	6,043	6,004	6,915	6,235	3,696	2,396	1,458
5,221	3,267	1,853	1,060	971	432	409	232
499	512	519	514	511	501	476	417
43	45	198	171	153	65	87	46
340	320	191	154	146	80	54	9
276	263	241	226	206	154	118	61
88	82	75	70	—	—	—	20
816	574	262	173	103	69	60	26
27,736	24,843	20,421	18,152	15,854	11,222	7,621	3,758

5,132	4,267	3,018	2,565	2,153	1,744	1,810	589
20,326	18,628	15,633	13,777	12,096	8,475	5,092	2,652
6,393	5,489	3,778	3,607	2,818	2,551	1,652	731
7,647	6,835	5,983	5,295	4,444	2,200	964	197
—	—	—	—	—	—	—	—
170	8	4	142	133	51	15	119
43	45	198	171	153	65	87	46
484	430	382	380	366	281	209	188
346	319	301	244	221	146	127	76
138	111	81	136	145	135	82	112
480	480	400	400	350	250	200	100
850	820	650	600	500	300	150	41
170	170	50	50	50	50	25	25
680	650	600	550	450	250	125	16
131	79	56	53	47	16	33	23
120	86	80	64	56	40	25	—
27,736	24,843	20,421	18,152	15,854	11,222	7,621	3,758

1,332	151	74	90	417	167	317	794
3,144	2,353	2,066	1,894	1,856	1,473	816	461
150	136	130	164*)	126**)	90	50	
30	50	50	100	70	50	25	
120	86	80	64	56	40	25	
12.50	9.—	10.—	8.—				
(18% + 7%)	(18%)	(16 + 4%)	16%	16%	16%	12%	

– until 31. 12. 1967 after adjustment to the new prescribed form –

Report of the Group for 1974

Deutsche Bank
Aktiengesellschaft

The following consolidated annual statement of accounts also includes Compagnie Financière de la Deutsche Bank AG, Luxembourg. The Board of Managing Directors of Deutsche Bank AG pointed out at press conferences held in Frankfurt (Main) and Luxembourg in the autumn of last year that Deutsche Bank AG of course feels fully responsible for its subsidiary, which it virtually wholly owns. This close relationship was the reason for incorporating the company in the Group.

The assets and liabilities of Bankhaus Bernhard Blanke, Düsseldorf, which was consolidated as of December 31, 1973, were transferred to Deutsche Bank AG with effect from January 1, 1974. Otherwise the number of consolidated companies remained unchanged against the year before.

The results of the following companies are hence incorporated in the consolidated annual statement of accounts of Deutsche Bank Aktiengesellschaft as of December 31, 1974:

	Proportion of capital held
Berliner Disconto Bank Aktiengesellschaft, Berlin	100 %
Compagnie Financière de la Deutsche Bank AG, Luxembourg	99.9%
Deutsche Centralbodenkredit-Aktiengesellschaft, Berlin-Köln	70.9%
Deutsche Gesellschaft für Fondsverwaltung mbH, Frankfurt (Main)	100 %
Deutsche Kreditbank für Baufinanzierung AG, Köln	75 %
Deutsche Gesellschaft für Immobilien-Leasing mbH, Köln	75 %
Deutsche Ueberseeische Bank, Berlin-Hamburg	97.3%
Frankfurter Hypothekenbank, Frankfurt (Main)	86.9%
Gefa Gesellschaft für Absatzfinanzierung mbH, Wuppertal	100 %
Efgee Gesellschaft für Einkaufs-Finanzierung mbH, Düsseldorf	100 %
Gefa-Leasing GmbH, Wuppertal	100 %
Saarländische Kreditbank Aktiengesellschaft, Saarbrücken	68.9%
Hessische Immobilien-Verwaltungs-Gesellschaft mbH, Frankfurt (Main)	100 %
Matura Vermögensverwaltung mbH, Düsseldorf	100 %
Süddeutsche Vermögensverwaltung GmbH, Frankfurt (Main)	100 %
Elektro-Export-Gesellschaft mbH, Nürnberg	100 %
Trinitas Vermögensverwaltung GmbH, Frankfurt (Main)	100 %

The following members of the Group have not been included in the consolidated statements because of their small importance (altogether they account for DM 117 m. = 1.5‰ of the Group's balance sheet total):

"Alwa" Gesellschaft für Vermögensverwaltung mbH, Hamburg
Burstah Verwaltungsgesellschaft mbH, Hamburg
Castolin Grundstücksgesellschaft mbH, Köln
CGT Canada Grundbesitz Treuhand GmbH, Frankfurt (Main)
Deutsche Beteiligungsgesellschaft mbH, Frankfurt (Main)
Deutsche Canada-Grundbesitzverwaltungsgesellschaft mbH, Frankfurt (Main)
Deutsche Gesellschaft für Anlageberatung mbH, Frankfurt (Main)
Deutsche Vermögensbildungsgesellschaft mbH, Bad Homburg v. d. Höhe
DIL Deutsche Gesellschaft für Bauplanung und -beratung mbh, Köln
DIL Deutsche Gesellschaft für Immobilien-Mietkauf mbH, Köln
DIL Grundstücksgesellschaft für Verwaltungs- und Lagergebäude mbH, Köln
Essener Grundstücksverwertung Dr. Ballhausen, Dr. Bruens, Dr. Möller KG, Essen
Frankfurter Gesellschaft für Vermögensanlagen mbH, Frankfurt (Main)
Gefi Gesellschaft für Finanzierungsvermittlung mbH, Berlin
Grundstücksgesellschaft Grafenberger Allee mbH, Köln
Grundstücksgesellschaft Otto-Hahn-Strasse mbH, Köln

Hochhaus und Hotel Riesenfürstenhof
Aufbaugesellschaft mbH, Frankfurt (Main)
Hypotheken-Verwaltungs-Gesellschaft mbH, Berlin
IZI Bielefeld Informations-Zentrum Immobilien GmbH, Bielefeld
IZI Dortmund Informations-Zentrum Immobilien GmbH, Dortmund
Jubiläumsstiftung der Deutschen Ueberseeischen Bank GmbH Unterstützungskasse, Hamburg
Heinz Langer Versicherungsdienst GmbH, Stuttgart
Nordhamburgische Bauträgergesellschaft mbH, Hamburg
Nordwestdeutscher Wohnungsbauträger GmbH, Braunschweig
Saarländische Immobilien-Gesellschaft mbH, Saarbrücken
SB-Bauträger GmbH, Frankfurt (Main)
SB-Bauträger GmbH & Co. Urbis Verwaltungs-KG, Frankfurt (Main)
SB-Bauträger GmbH & Co. Urbis Hochhaus-KG, Frankfurt (Main)
Schisa Grundstücksverwaltungsgesellschaft mbH, Köln
Süddeutsche Bank GmbH, Frankfurt (Main)
Tauernallee Grundstücksgesellschaft mbH, Berlin
Terraingesellschaft Gross-Berlin GmbH, Berlin
Franz Urbig- und Oscar Schlitter-Stiftung GmbH, Düsseldorf

Listed below are German-based associated companies which are not under the uniform direction of Deutsche Bank AG and hence are not eligible for consolidation:

Deutsche Eisenbahn Consulting GmbH, Frankfurt (Main)
Deutsche Gesellschaft für Anlageverwaltung mbH, Frankfurt (Main)
Exportkreditbank AG, Berlin
Kistra Beteiligungsgesellschaft mbH, Frankfurt (Main)
Rossma Beteiligungsgesellschaft mbH, Frankfurt (Main)

Deutsche Bank AG only maintains those business relations with these associated companies which are normal with bank customers. There are no business transactions capable of materially affecting the Deutsche Bank's situation to be noted in connection with these companies.

The results of the following foreign members of the Group have not been incorporated:

Compañia de Mandatos Inmobiliaria y Financiera S.A., Buenos Aires
German American Capital Corporation, Baltimore/USA
IMOBAL Imobiliária e Administradora Ltda., São Paulo
B.V. Matura Handelmaatschappij, Amsterdam
Société d'Exploitation Foncière Rebus S.A., Luxembourg

With regard to the associated companies belonging to the Group we report as follows:

Berliner Disconto Bank AG, Berlin, conducts all the banking operations of an all-round bank; it is represented in Berlin by 69 branches. The balance sheet total rose in the year under review by 13.5%. At DM 3,332 m. it passed the DM three billion mark for the first time. A higher dividend of 16% will be paid out of the net earnings of DM 12.98 m.; DM 4.5 m. will be employed to strengthen the published reserves.

Berliner Disconto Bank AG has leased the banking premises in Otto-Suhr-Allee 6/16, Berlin 10, from Trinitas Vermögensverwaltung GmbH, Frankfurt (Main). Normal banking relations are maintained with the other members of the Group.

Compagnie Financière de la Deutsche Bank AG, Luxembourg, successfully ended its fourth financial year as well (on September 30, 1974). It engages mainly in money dealings with banks and in international lending business.

Although market conditions were generally more difficult, the volume of business rose by 39.3% to the equivalent of DM 5.8 bn. This new expansion was primarily due to the growth in the volume of credit by 91.6% to DM 3.5 bn. The bank again devoted itself principally to establishing and managing international syndicates for medium and longer-term financing. After the heavy increase in the year before, interest arbitrage business did not grow any more.

The favourable development continued in the first months of the new financial year. After the critical signs which appeared on the Euro-market in 1974, prospects of the international finance markets are now appraised with more confidence.

DM 23 m. out of the profit was allocated to the reserves to strengthen the bank's own funds further. Capital and published reserves now total L. Francs 1,479 m. (= c. DM 100 m.).

Deutsche Centralbodenkredit-AG, Berlin–Köln, as a mortgage bank conducts all the business allowed under the Private Mortgage Banks Law in the Federal Republic and West Berlin; this comprises especially the granting of mortgage and communal loans as well as the issuing of mortgage and communal bonds. The bank was able in 1974 to expand its lending and borrowing business more strongly by comparison with the previous year, although conditions in the year reviewed did not always favour expansion; this applies especially to the financing of housing construction. The balance sheet total rose by DM 1,152 m. (or 17.8%) to DM 7,608 m. (1973: DM 627 m. or 10.8%). Out of the net earnings of DM 28.0 m., DM 13.5 m. was allocated to the published reserves. At the Shareholders' Meeting it will be proposed to transfer another DM 4.0 m. to the legal reserves. As a result the bank's own funds will total DM 211.7 m.

A dividend of DM 10 per share of DM 50 par value is planned for the 1974 financial year.

Deutsche Gesellschaft für Fondsverwaltung mbH (DEGEF), Frankfurt (Main), manages individual investment funds of institutional investors, such as insurance companies, company pension and welfare trusts, professional old-age pension schemes and those organised by associations as well as other institutional investors and staff funds. The number and total assets of the special funds established continued to rise. The assets of 64 funds totalled DM 1.0 bn. as at the end of 1974. The company increased its capital by DM 0.2 m. to DM 1.6 m. from the reserves and paid a dividend again of 8% on this higher capital for the 1973/74 financial year.

The declining trend in the building and construction market substantially affected business of *Deutsche Kreditbank für Baufinanzierung AG, Köln,* which specialises in the financing of housing construction. As a result of the fall in demand for the respective loans and the reserve the bank exercised last year in granting loans, the volume grew less rapidly in the year under review. The balance sheet total increased only negligibly to DM 1,569 m. With a capital of DM 42 m. the bank's own funds are shown unchanged at DM 60.7 m. as at the end of 1974. The bank will refrain from paying a dividend and use the net earnings to strengthen the inner reserves.

Its wholly-owned subsidiary, Deutsche Gesellschaft für Immobilien-Leasing mbH, Köln, engages in the financing of administrative buildings, department stores, factory buildings, warehouses, and other real property against leasing receipts. Demand in this sector has risen in spite of the general decline in business activity.

Deutsche Gesellschaft für Immobilien-Leasing mbH holds all the shares of:

DIL Deutsche Gesellschaft für Bauplanung und -beratung mbH, Köln

DIL Deutsche Gesellschaft für Immobilien-Mietkauf mbH, Köln

DIL Grundstücksgesellschaft für Verwaltungs- und Lagergebäude mbH, Köln

Grundstücksgesellschaft Grafenberger Allee mbH, Köln

Grundstücksgesellschaft Otto-Hahn-Strasse mbH, Köln

Schisa Grundstücksverwaltungsgesellschaft mbH, Köln

It has also a controlling interest in Castolin Grundstücksgesellschaft mbH, Köln, and Société d'Exploitation Foncière Rebus S.A., Luxembourg.

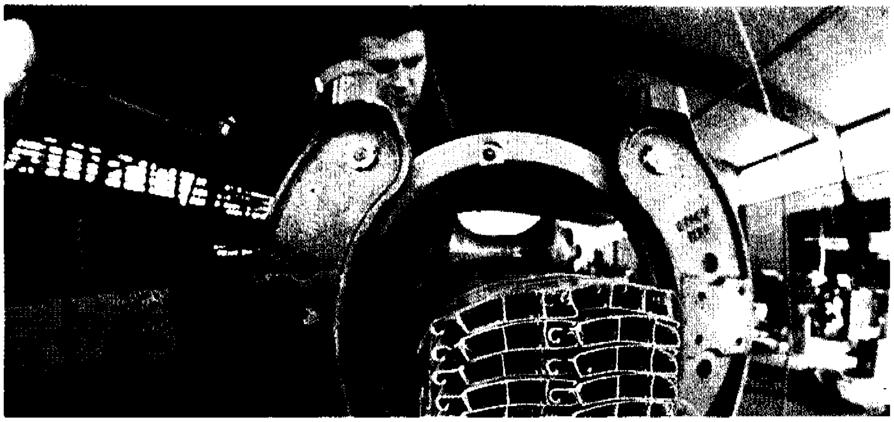
Deutsche Ueberseeische Bank, Berlin–Hamburg, in co-operation with Deutsche Bank AG and other banks of the Group, is chiefly engaged in financing foreign trade. Besides the central office in Hamburg and the branch in Berlin, the bank operates three other branches in the Federal Republic. Abroad it maintains legally dependent branches in Buenos Aires (Argentina), (with a subbranch in Rosario, Province of Santa Fé, and ten municipal branches in the greater Buenos Aires area), São Paulo (Brazil), Asunción (Paraguay), as well as in Tokyo (Japan) and Luxembourg.

Of the six foreign representative offices in Central and South America five are operated jointly with Deutsche Bank AG.

Authorised capital of DM 20.0 m. was created in the year reviewed. The balance sheet total rose from DM 1,406 m. to DM 1,759 m. Out of the net earnings of DM 4.7 m. a dividend of DM 4 per DM 50 share is to be paid on the capital of DM 40.0 m. After allocation of DM 1.5 m. to the other reserves, the bank's own funds amount to DM 59.5 m.

Partner for tomorrow's tasks

Under the motto "Your partner for tomorrow's tasks" the Deutsche Beteiligungsgesellschaft mbH provides medium-sized enterprises with both capital in the form of participations and an efficient advisory service. Deutsche Bank has a major holding in this specialised company which was founded in 1965. Through flexible handling of its models for self-financing Deutsche Beteiligungsgesellschaft mbH renders its partner enterprises independent of share issues, which are a method of obtaining capital not open to them; at the same time its services as an advisory partner with comprehensive knowledge of the situation and scope for small and medium-sized enterprises are available to the entrepreneur.



Three examples illustrate the principle:

Capital required for structural change

A participation in this firm (turnover DM 14 m.), which was originally a trading and assembly enterprise for synthetic sections in the building industry (top picture), was acquired by the Deutsche Beteiligungsgesellschaft mbH first of all to help strengthen the capital to permit further growth. Later it helped in overcoming the structural change from a trading firm to a production plant by participating in a capital increase.

Capital basis for further growth

The founder of this profitable and financially sound enterprise – manufacturer of components for air-conditioning and ventilation systems (middle picture) – took the company on as a capital-providing partner at a time when the firm's turnover was DM 36 m. The participation was intended to strengthen the financial basis for expected further growth. In the meantime the firm has achieved annual turnover of about DM 100 m.

Solution to problem of a successor

The founder of this enterprise (production of special fittings for furniture, DM 12 m. turnover; bottom picture), who did not have a successor, transferred the management and a share of the capital to a manager with experience in the industry, retaining for himself a minority share, and assumed the position of chairman in the newly formed advisory council. This solution, which ensured the continuity of an independent firm, was made possible by the fact that the company also acquired part of the capital.

The bank is the sole partner of Jubiläumsstiftung of the Deutsche Ueberseeische Bank GmbH Unterstützungskasse, Hamburg.

Frankfurter Hypothekenbank, Frankfurt (Main), engages in all the banking business conducted by a mortgage bank; it is the oldest and biggest private mortgage bank. It is active throughout the Federal territory and West Berlin. In addition communal loans are granted in the EC area. The increase in the balance sheet total by 13.3% to DM 10,772 m. (+7.0% in the previous year) was mainly due to the granting of communal loans, whereas lendings in mortgage business lagged behind those of the year before.

The capital is DM 63.4 m. After allocating DM 12.5 m. from the 1974 net earnings, the published reserves are shown at DM 251.4 m. A further DM 5.0 m. is to be added to the reserves by resolution of the Shareholders' Meeting. Own funds thus total DM 319.8 m. A dividend of DM 10 per share of DM 50 par value (DM 9 a year ago) is to be paid for the 1974 financial year.

The Frankfurter Hypothekenbank holds the shares of Frankfurter Gesellschaft für Vermögensanlagen mbH, Frankfurt (Main). The latter controls 95% of the capital of Hochhaus und Hotel Riesenfürstenhof Aufbaugesellschaft mbH, SB-Bauträger GmbH, SB-Bauträger GmbH & Co. Urbis Verwaltungs-KG and SB-Bauträger GmbH & Co. Urbis Hochhaus-KG, all of Frankfurt (Main), and 75% of the capital of Nordhamburgische Bauträgergesellschaft mbH, Hamburg.

Gefa Gesellschaft für Absatzfinanzierung mbH, Wuppertal, and its subsidiaries – Gefa-Leasing GmbH, Wuppertal, and Efgee Gesellschaft für Einkaufs-Finanzierung mbH, Düsseldorf – complement the services offered by the Deutsche Bank with special types of financing. These include medium-term financing of capital and consumer goods, leasing and factoring.

There are profit and loss transfer agreements between Gefa and its two subsidiaries.

Moreover, Gefa wholly owns Gefi Gesellschaft für Finanzierungsvermittlung mbH, Berlin, and Heinz Langer Versicherungsdienst GmbH, Stuttgart.

Early in 1974 Gefa's capital was increased by DM 12 m. to DM 30 m. After allocation of DM 2 m. to published reserves, DM 7.2 m. was transferred to Deutsche Bank AG under the existing profit and loss transfer agreement.

The combined balance sheet total of Gefa and its subsidiaries rose from DM 889 m. to DM 1,009 m. in the year under report.

The capital of *Saarländische Kreditbank AG, Saarbrücken,* is held jointly by Deutsche Bank AG and the French banking group Crédit Industriel et Commercial, the latter with 23.26%; c. 19% of this is attributable to Crédit Industriel d'Alsace et de Lorraine. The bank maintains 19 branches in the Saarland. It engages in all ordinary banking business. The balance sheet total rose by DM 40.0 m. (or 5.0%) to DM 839.3 m. A dividend of 12% (10% a year ago) is to be paid on the capital of DM 20 m.

The Saarländische Kreditbank has rented its bank premises from Deutsche Bank AG. Further developed property has been placed at its disposal by its subsidiary, Saarländische Immobilien-Gesellschaft mbH, Saarbrücken. There is a profit and loss transfer agreement between the two companies.

Hessische Immobilien-Verwaltungs-Gesellschaft mbH, Frankfurt (Main), owns buildings and land. The buildings, among them the training centre at Kronberg, have for the most part been rented to Deutsche Bank AG.

Matura Vermögensverwaltung mbH, Düsseldorf, and *Süddeutsche Vermögensverwaltung GmbH, Frankfurt (Main),* manage assets for their own and third account. *Elektro-Export-GmbH, Nürnberg,* whose sole partner is Süddeutsche Vermögensverwaltung GmbH, finances the export of electrical engineering products.

Trinitas Vermögensverwaltung GmbH, Frankfurt (Main), manages property for its own and third account in West Berlin jointly with its subsidiary, Tauernallee Grundstücksgesellschaft mbH, Berlin. The property is rented for the most part to Berliner Disconto Bank AG and its employees. The loss of DM 0.1 m., which was incurred in the 1974 financial year, was taken over by Deutsche Bank AG under the existing profit and loss transfer agreement.

Among the non-consolidated companies abroad the *German American Capital Corporation, Baltimore, USA,* may be mentioned. It holds the participations in the European-American Banking Corporation, New York (nom. US$ 3.8 m. or 20.1%) and the European-American Bank

& Trust Company, New York (nom. US$ 11.0 m. or 18.4%).

Transactions between the companies of the Group were conducted at market conditions.

The contribution of Deutsche Bank AG to the Group's balance sheet total (before consolidation) is 60.6% following 66.0% in the year before. The two mortgage banks account for 22.1%, the other credit institutions 16.8%; the remaining 0.5% is contributed by leasing and managing companies. The Group's course of business was again largely determined by the business trend of Deutsche Bank AG and the mortgage bank subsidiaries.

At the end of 1974 the consolidated companies employed a staff of 40,578 (including 3,713 part-time employees). The Group's banking institutions maintained 1,269 branches (1,255 at the end of the preceding year).

The consolidated annual statement of accounts was drawn up on the special sheets published for credit institutions with the legal form of an Aktiengesellschaft (public limited company) and for mortgage banks. We offer the following comments:

Consolidated Balance Sheet

The valuations of the individual balance sheets were taken over unchanged in the consolidated balance sheet. An interim statement of accounts prepared for Compagnie Financière de la Deutsche Bank AG, Luxembourg, was converted at the rate of DM 1 = L. Francs 15.0025. According to the share held, the book values of the participations in companies included in the consolidated statement were offset against their own funds (capital and published reserves). The difference on balance of DM 124.2 m. is shown as reserve arising from consolidation; it is a form of capital. The DM 41.5 m. increase in the reserve arising from consolidation against the last consolidated statement of accounts is attributable to allocations to reserves effected by members of the Group in addition to the incorporation of our Luxembourg subsidiary.

Claims and liabilities between members of the Group were not shown.

Volume of business

The *volume of business* of the Group (balance sheet total and endorsement liabilities) was DM 79.4 bn. at the end of 1974 against DM 67.2 bn. as of December 31, 1973. Including Compagnie Financière de la Deutsche Bank AG the comparable figure comes to DM 71.4 bn., which represents a growth of DM 8.0 bn. or 11.2% in 1974.

At DM 78.7 bn., the *consolidated balance sheet total* exceeds the balance sheet total of Deutsche Bank AG by DM 28.4 bn.

Liquidity

The *cash liquidity ratio* (DM 5.6 bn. cash reserve in relation to the total liabilities, excluding long-term mortgage bank business, of DM 56.8 bn.) was 9.9% on balance sheet date.

The Group's total liquid assets (cash reserve, items received for collection, bills rediscountable at the Bundesbank, demand claims on other credit institutions, Treasury bills and discountable Treasury bonds, and bonds and debt instruments eligible as collateral for Bundesbank advances) were DM 15.5 bn. as of December 31, 1974. In per cent of the liabilities mentioned, this corresponds to a *total liquidity ratio* of 27.2%.

Securities

Bonds and debt instruments are shown at DM 1.8 bn. DM 1.5 bn. of the total amount, or 80%, is eligible as collateral at the Deutsche Bundesbank.

The debt instruments of Deutsche Centralboden-kredit-AG and Frankfurter Hypothekenbank held by the Group totalling DM 553 m. are shown separately as *debt instruments issued by members of the Group.*

Other securities appear on the balance sheet at DM 1,128 m., DM 1,103 m., or 97.8%, of which are investment certificates and shares marketable on a stock exchange. DM 866 m. of the total amount are shares representing more than 10% of the capital of a company.

32,591 *own shares* shown with a book value of DM 9 m. were acquired by Deutsche Bank AG with the intention of offering them for sale to its employees.

The strict minimum value principle was applied for the valuation of the securities holdings.

Total credit extended

The Group's total credit extended was DM 55.8 bn. at the end of 1974. Its composition is shown in the table below; to allow for a truer comparison, the figures as at the end of 1973 have been adjusted to include those of the Luxembourg subsidiary. Accordingly, the expansion of total credit extended in 1974 was DM 5.9 bn. or 11.8%; it was mainly brought about by the increase in claims in respect of long-term mortgage bank loans, which is worth noting in view of the unfavourable conditions.

Moreover, the Group's banks made guarantees and letters of credit amounting to DM 9.5 bn. available to their clients.

Allowance has been made, through higher adjustments and provisions, for all discernible risks of the lending business. In addition to this the consolidated credit institutions have made the prescribed overall adjustments.

Fixed assets

Of the total amount of *land and buildings* of DM 776 m. 84% is property that is used for banking purposes. Another DM 112 m. of this amount covers property rented out by the Deutsche Gesellschaft für Immobilien-Leasing or to be rented out after completion.

Office furniture and equipment totalling DM 357 m. also includes movable equipment of Gefa-Leasing GmbH at DM 173 m. which is rented out.

The Group's funds from outside sources were DM 73.3 bn. on balance sheet date; its composition is shown in the table overleaf giving the comparable figures as of December 31, 1973 including our Luxembourg subsidiary. Of the increase of DM 7.5 bn., or 11.4%, deposits from banks account for DM 3.4 bn., customers' deposits for DM 1.2 bn. and debt instruments and long-term loans taken up in mortgage bank business for DM 2.8 bn.

With regard to *non-bank customers' deposits,* which rose by DM 1.2 bn., or 3.4%, the gratifying increase in savings deposits at the commercial banks of DM 1.7 bn., or 12.5%, should be mentioned. The large amount of term deposits was reduced by DM 1.6 bn. in 1974.

The mortgage banks' *circulation of debt instruments* rose by DM 2.3 bn. or 17.1%; another DM 0.3 bn. of the increase is attributable to debt instruments of Deutsche Bank AG.

Total credit extended	End of 1974 – in millions of DM –		End of 1973 – in millions of DM –	
Discounts		6,301 = 11.3%		5,111 = 10.2%
Lendings to credit institutions		2,089 = 3.7%		1,756 = 3.5%
Claims on non-bank customers				
short and medium-term claims	19,634 = 35.2%		18,152 = 36.4%	
long-term claims	11,225 = 20.1%	30,859 = 53.3%	10,606 = 21.2%	28,758 = 57.6%
		39,249 = 70.3%		35,625 = 71.3%
Long-term claims in mortgage bank business, including interest		16,570 = 29.7%		14,323 = 28.7%
Total credit extended		55,819 = 100.0%		49,948 = 100.0%

Investments in subsidiaries and associated companies

Holdings of the Group in non-consolidated companies are shown at DM 358 m., including DM 198 m. participations in credit institutions. The item as a whole comprises mainly direct and indirect minority interests in foreign-based credit institutions.

The rise in *bank deposits* by DM 3.4 bn. is partly matched on the assets side by higher funds invested.

Funds taken up for specific purposes were passed on to the borrowers on the conditions fixed by the lenders.

Funds from outside sources	End of 1974		End of 1973	
Liabilities towards credit institutions				
demand deposits	DM 4,829 m. =	6.6%	DM 4,882 m. =	7.4%
term deposits	DM 12,246 m. =	16.7%	DM 9,006 m. =	13.7%
customers' drawings on credits opened at other institutions	DM 464 m. =	0.6%	DM 211 m. =	0.3%
	DM 17,539 m. =	23.9%	DM 14,099 m. =	21.4%
Liabilities towards non-bank customers				
demand deposits	DM 10,460 m. =	14.3%	DM 9,246 m. =	14.0%
term deposits	DM 12,724 m. =	17.3%	DM 14,359 m. =	21.8%
savings deposits	DM 14,964 m. =	20.4%	DM 13,298 m. =	20.2%
	DM 38,148 m. =	52.0%	DM 36,903 m. =	56.0%
Debt instruments issued (including debt instruments deliverable)	DM 16,517 m. =	22.5%	DM 13,854 m. =	21.1%
Long-term loans taken up in mortgage bank business	DM 792 m. =	1.1%	DM 724 m. =	1.1%
Interest	DM 345 m. =	0.5%	DM 275 m. =	0.4%
	DM 17,654 m. =	24.1%	DM 14,853 m. =	22.6%
Total funds from outside sources	DM 73,341 m. =	100%	DM 65,855 m. =	100%

Consolidated companies have secured loans taken up to the sum of DM 28.6 m. by mortgages on real estate.

Included under liabilities towards credit institutions is DM 0.8 m. and under liabilities towards other creditors arising from banking business DM 170.5 m., which were deposited by banks and customers with the branch of Deutsche Ueberseeische Bank in compliance with Argentina's regulations on Peso deposits.

Contingent liabilities, comments

The Group's *endorsement liabilities* on rediscounted bills amounted to DM 710 m. on balance sheet date. Bills outstanding for collection totalled DM 174 m.

Liabilities arising from guarantees of various kinds and warranty contracts were shown at DM 9,456 m. *Obligations to repurchase items assigned en pension* stood at DM 1,200 m. as of December 31, 1974.

Liabilities for possible calls on shares in public and private limited companies not fully paid up amounted to DM 31.4 m. as at the end of 1974. Coupled with the shareholding in Liquiditäts-Konsortialbank GmbH is a contingent liability for other partners' obligations to pay up further capital when called, in addition to the Group's own obligation up to DM 49.5 m.

Liabilities towards consolidated companies have not been included in the above items. Claims on and liabilities towards associated companies shown below the balance sheet refer to companies that are not included in the consolidated accounts.

Consolidated Profit and Loss Account

The consolidated profit and loss account incorporates the expenses and receipts shown in the individual statements of accounts of the consolidated companies. Receipts for inter-Group services, almost exclusively interest and commissions, were offset against the corresponding expenses. Receipts during the year under review from holdings in member companies of the Group, which represent distributions from the 1973 profits, were included under profit brought forward.

The increase in the number of consolidated companies should be taken into consideration, when a comparison is made with the figures for the preceding year which have not been adjusted in the profit and loss account.

Earnings on the volume of business

By comparison with the previous year – the figures below are given including those of our Luxembourg subsidiary – the earnings on balance are as follows:

	1974 – in millions of DM –		1973 – in millions of DM –	
Interest and similar receipts from lending and money market transactions	5,013		3,880	
Current receipts from securities, debt register claims, and investments in subsidiaries and associated companies	298	5,311	295	4,175
Interest and similar expenses		3,368		2,819
		1,943		1,356
Interest earned in mortgage bank business	1,138		979	
Interest paid in mortgage bank business	1,054	84	939	40
Earnings on the volume of business (interest surplus)		2,027		1,396

The expansion in the volume of the Group's commercial banks was smaller than in the year before. Owing to more favourable developments at the mortgage banks and an improvement in the interest margin at the commercial banks, which was primarily due to a normalisation of market conditions and credit relaxations, earnings on the volume of business increased by 45.2%.

Earnings on services

Commissions earned (DM 529 m.) less commissions paid (DM 15 m.) give a surplus of DM 514 m. for 1974. This is an increase of DM 62 m., or 13.7%, over the adjusted comparable figure for the previous year. A strong increase in earnings in international business has materially contributed to this result.

Other receipts

Non-recurrent receipts from the mortgage banks' issue and loan business are shown at DM 87 m., whereas the corresponding non-recurrent expenses amount to DM 90 m.

Other receipts totalling DM 295 m. cover receipts from ordinary and extraordinary business which cannot be incorporated under other items insofar as they do not have to be offset according to present regulations in the individual member companies' accounts against depreciation and adjustments on claims and securities, and against allocations to provisions for possible loan losses.

Staff and material expenditure

The Group's *staff expenses* totalled DM 1,450 m. in the past year, salaries and wages accounting for DM 1,029 m., compulsory social security contributions for DM 123 m. and expenditure on retirement pensions and other benefits for DM 298 m. Salary rises and considerably higher allocations to the provisions for pensions, caused by the change from current value to the higher part value method in the banks' scheme for prospective pensioners, may be cited as the main reasons for the increase against the previous year's expenditure.

Material expenditure for the banking business amounted to DM 332 m.

Other expenses

Depreciation on land and buildings, and on office furniture and equipment arose in the amount of DM 105 m.

The Group had to pay *taxes* to the sum of DM 305 m., DM 291 m. of which are taxes on earnings and property. Not accounted for here is DM 9.0 m. additional tax on dividends distributable in 1975 by member companies. Neither were extra expenses of DM 2.4 m. shown by two companies in accordance with § 170 subpara. 2 Stock Corporation Act included in this amount.

Profit, capital and reserves

With total receipts of DM 7,380.5 m. and total expenses of DM 7,060.1 m. the Group's *net earnings for the year* stand at DM 320.4 m. DM 124.2 m. was allocated to the published reserves (DM 34.2 m. by subsidiaries). DM 7.8 m. is attributable to outside shareholders. Including the DM 32.3 m. profit brought forward, the resulting *profit of the Group* is DM 220.7 m.

As per December 31, 1974, the *Group's own funds* are as follows:

Capital	DM	720.0 m.
Published reserves	DM	1,549.0 m.
Reserve arising from consolidation ..	DM	124.2 m.
Total	DM	2,393.2 m.

Outside shareholders of Deutsche Centralboden-kredit-AG, Deutsche Kreditbank für Baufinanzierung AG, Deutsche Ueberseeische Bank, Frankfurter Hypothekenbank and Saarländische Kreditbank AG account for DM 130.9 m. of the own funds; this is shown, together with the outside share in the profits of DM 7.8 m., as *compensatory item for shares held by others.*

Frankfurt (Main), March 1975

Deutsche Bank Aktiengesellschaft

The Board of Managing Directors

Burgard *Christians* *Ehret*

Feith *Guth* *Herrhausen* *Kleffel*

Leibkutsch *Mertin* *Thierbach*

Ulrich *Vallenthin* *van Hooven*

Consolidated Balance Sheet

as of December 31, 1974

Consolidated Profit and Loss Account

for the period from
January 1 to December 31, 1974

		DM	DM	31. 12. 1973 in 1,000 DM
Cash in hand			329,846,849.67	286,226
Balances with the Deutsche Bundesbank			5,256,892,246.49	6,713,291
Balances on postal cheque accounts			38,430,740.84	21,565
Cheques on other banks, matured bonds, interest and dividend coupons and items received for collection			420,260,329.64	423,340
Bills discounted			5,299,723,175.44	3,975,019
including:				
a) rediscountable at the Deutsche Bundesbank	DM 4,539,100,822.58			
b) own drawings	DM 92,751,298.13			
Claims on credit institutions				
a) payable on demand		3,354,710,843.33		3,048,558
b) with agreed life, or subject to agreed period of notice, of				
ba) less than three months		2,234,797,681.19		1,017,858
bb) at least three months, but less than four years		6,423,093,395.51		2,985,327
bc) four years or longer		885,078,804.50		457,929
including:			12,897,680,724.53	7,509,672
used as cover in mortgage bank business	DM 85,000,000.—			
Treasury bills and discountable Treasury bonds				
a) of the Federal Republic and the Länder		45,468,819.45		16,591
b) others		3,364,962.36		6,598
			48,833,781.81	23,189
Bonds and debt instruments				
a) with a life of up to four years				
aa) of the Federal Republic and the Länder	DM 355,774,374.58			
ab) of credit institutions	DM 364,677,057.58			
ac) others	DM 8,558,381.97	729,009,814.13		753,185
including:				
eligible as collateral for Bundesbank advances	DM 717,833,157.58			
used as cover in mortgage bank business	DM 114,134,250.—			
b) with a life of more than four years				
ba) of the Federal Republic and the Länder	DM 379,639,811.52			
bb) of credit institutions	DM 404,936,227.23			
bc) others	DM 332,056,263.68	1,116,632,302.43		944,767
including:			1,845,642,116.56	1,697,952
eligible as collateral for Bundesbank advances	DM 759,724,571.78			
used as cover in mortgage bank business	DM 106,213,923.36			
Securities, so far as they have not to be included in other items				
a) shares marketable on a stock exchange and investment fund certificates		1,103,387,357.57		1,102,009
b) other securities		24,975,631.07		10,725
including: holdings of more than one tenth of the shares in a joint stock corporation or mining company, excluding investments in subsidiaries and associated companies	DM 866,428,729.37		1,128,362,988.64	1,112,734
carried forward			27,265,672,953.62	21,762,988

Consolidated Balance Sheet as of December 31, 1974

Liabilities

	DM	DM	DM	31. 12. 1973 in 1,000 DM
Liabilities to credit institutions				
a) payable on demand		4,828,787,122.61		4,495,787
b) with agreed life, or subject to agreed period of notice, of				
ba) less than three months	3,080,066,215.77			
bb) at least three months, but less than four years	7,810,305,948.28			
bc) four years or longer	1,356,121,945.10	12,246,494,109.15		5,633,896
including: due in less than four years .. DM 815,957,393.10				
c) customers' drawings on credits opened at other institutions		464,369,463.84		274,583
			17,539,650,695.60	10,404,266
Banking liabilities to other creditors				
a) payable on demand		10,459,734,139.10		9,228,806
b) with agreed life, or subject to agreed period of notice, of				
ba) less than three months	9,911,432,765.04			
bb) at least three months, but less than four years	2,590,142,453.53			
bc) four years or longer	222,804,702.15	12,724,379,920.72		13,971,828
including: due in less than four years .. DM 102,932,988.81				
c) savings deposits				
ca) subject to legal period of notice	7,541,505,385.79			
cb) others	7,421,916,121.12	14,963,421,506.91		13,298,112
			38,147,535,566.73	36,498,746
Debt instruments with a life of				
a) up to four years		-.—		—
b) more than four years		528,280,000.—		200,000
including: due in less than four years .. DM 100,000,000.—			528,280,000.—	200,000
Debt instruments issued by the mortgage banks				
a) mortgage bonds		8,670,460,769.58		7,963,855
including: registered bonds .. DM 1,443,510,473.38				
b) communal bonds		6,501,491,536.67		5,477,612
including: registered bonds .. DM 1,929,798,656.97				
c) other debt instruments in accordance with Article 5, para. 1 item 4c of the Mortgage Bank Law		180,000,000.—		—
d) bonds drawn and called for redemption		571,944.39		488
including: to fall due in less than four years or to be taken back .. DM 2,715,549,138.14			15,352,524,250.64	13,441,955
further: registered bonds handed to lender to secure loans taken up .. DM 278,727,306.51				
and registered communal bonds .. DM 214,784,037.84				
Debt instruments deliverable			636,652,975.83	212,395
carried forward			72,204,643,488.80	60,757,362

	DM	DM	31. 12. 1973 in 1,000 DM
carried forward		27,265,672,953.62	21,762,988
Claims on customers with agreed life, or subject to agreed period of notice, of			
a) less than four years	19,633,643,537.10		17,608,642
including: used as cover in mortgage bank business .. DM 207,271,050.74			
b) four years or longer	11,224,860,815.99		9,477,388
including:		30,858,504,353.09	27,086,030
ba) secured by mortgages on real estate .. DM 809,844,526.38			
bb) communal loans .. DM 629,598,622.87			
due in less than four years .. DM 5,076,562,000.—			
Mortgage bank lendings with agreed life of four years or longer			
a) mortgages	8,987,856,034.77		8,135,456
used as cover .. DM 8,420,298,713.62			
b) communal loans	7,276,993,045.53		5,930,822
used as cover .. DM 6,774,692,532.63			
c) others	135,480,884.62		125,566
including: to credit institutions .. DM 741,699,945.86		16,400,329,964.92	14,191,844
Interest on long-term mortgage bank lendings			
a) pro rata interest	123,938,023.48		98,196
b) interest due after October 31, 1974 and on January 2, 1975	45,318,787.33		33,340
c) interest arrears	—.—		—
		169,256,810.81	131,536
Equalisation and covering claims on Federal and Länder authorities under the Currency Reform Laws		540,561,073.67	571,153
including: used as cover in mortgage bank business .. DM 94,298,392.68			
Loans on a trust basis at third party risk		583,405,583.32	449,786
Investments in subsidiaries and associated companies		357,975,738.74	313,861
including: in credit institutions .. DM 197,714,353.52			
Land and buildings		775,649,356.39	608,478
including: taken over in mortgage business .. DM —.—			
Office furniture and equipment		357,397,554.62	281,763
Own shares		8,984,360.97	8,972
nominal amount .. DM 1,629,550.—			
Debt instruments issued by a member of the Group		552,782,581.84	250,970
nominal amount: .. DM 591,554,940.–			
Sundry assets		805,695,953.82	712,294
Transitory items		22,210,104.97	4,231
Total Assets		78,698,426,390.78	66,373,906

The assets and the rights of recourse in respect of the liabilities shown below the liabilities side include

a) claims on associated companies	107,005,929.32	326,388
b) claims which arise from credits falling under Article 15, paragraph 1, items 1 to 6, and paragraph 2, of the Banking Law, so far as they are not shown in a)	397,191,029.52	343,560

	DM	DM	DM	31. 12. 1973 in 1,000 DM
carried forward			72,204,643,488.80	60,757,362
Loans taken up in mortgage bank business with agreed life, or subject to agreed period of notice, of four years or longer				
a) from credit institutions		375,084,615.73		342,353
b) others		417,015,087.37		381,468
including:			792,099,703.10	723,821
with partial liability ... DM 2,760,321.67				
due in less than four years ... DM 151,620,573.22				
Interest on debt instruments issued and loans taken up in mortgage bank business				
a) pro rata interest		236,144,820.73		166,383
b) interest due (including that due on January 2, 1975)		109,246,183.02		108,583
			345,391,003.75	274,966
Own acceptances and promissory notes in circulation			171,059,083.33	187,307
Loans on a trust basis at third party risk			583,405,583.32	449,786
Provisions for special purposes				
a) for pensions		745,411,591.43		550,397
b) others		552,686,356.20		430,438
			1,298,097,947.63	980,835
Sundry liabilities			39,691,108.04	33,209
Endowments and benevolent funds				
assets of the endowments		1,796,445.28		1,753
less investments in securities		1,670,475.29		1,713
Transitory items			125,969.99	40
a) in accordance with Article 25 of the Mortgage Bank Law				45,656
b) others		66,328,122.76		323,798
Special items including reserves		356,115,809.88	422,443,932.64	369,454
a) in accordance with the Tax Law regarding Developing Countries		9,100,576.24		7,807
b) in accordance with Article 6b of the Income Tax Law		32,766,211.64		27,153
c) in accordance with the tax regulation regarding overall adjustments		46,971,651.—		—
			88,838,438.88	34,960
Capital			720,000,000.—	720,000
Published reserves				
a) statutory reserve fund		634,000,000.—		634,000
b) other reserves (voluntary reserve fund)		915,000,000.—		825,000
			1,549,000,000.—	1,459,000
Reserve arising from consolidation			124,174,810.78	82,647
Compensatory item for shares held by others			138,706,195.19	139,073
including: from profit ... DM 7,811,913.51				
Profit of the Group			220,749,125.33	161,446
Total Liabilities			78,698,426,390.78	66,373,906

	DM	31. 12. 1973 in 1,000 DM
Own drawings in circulation	3,073,871.73	4,128
including those discounted for borrowers' account ... DM 944,349.94		
Endorsement liabilities on rediscounted bills of exchange	709,533,076.75	841,724
Liabilities arising from guarantees of various kinds and warranty contracts	9,456,549,422.05	6,496,955
Obligations to repurchase items assigned en pension, so far as these obligations have not to be shown on the liabilities side	1,200,100,453.16	718,649
Savings premiums under the Savings Premium Law	464,457,783.29	372,152
Comprised among the liabilities are those (including those shown below the balance sheet) to associated companies	17,327,722.93	323,757

	DM	DM	1973 in 1,000 DM
Interest and similar expenses		3,368,243,423.25	2,641,816
Interest expenditure in mortgage bank business on			
a) mortgage bonds	571,291,438.44		508,589
b) communal bonds	419,189,789.21		376,872
c) bonds in accordance with Article 5, para. 1, item 4 c of the Mortgage Bank Law	4,115,000.01		—
d) loans taken up	58,995,283.81		53,599
		1,053,591,511.47	939,060
Commissions and similar expenses in respect of service transactions		14,627,612.20	26,654
Non-recurrent expenses in respect of the mortgage banks' issue and loan business		89,915,283.81	75,443
Depreciation and adjustments on claims and securities, and allocations to provisions for possible loan losses		186,379,886.92	64,708
Salaries and wages		1,028,635,762.13	874,866
Compulsory social security contributions		123,075,912.78	104,916
Expenditure on retirement pensions and other benefits		298,088,977.73	147,234
Material expenditure for the banking business		332,396,523.14	272,057
Depreciation and adjustments on land and buildings and on office furniture and equipment		104,814,449.62	85,750
Depreciation and adjustments on investments in subsidiaries and associated companies		4,756,022.29	6,151
Taxes			
a) on income, earnings and property	291,034,579.73		150,533
b) others	13,709,942.83		23,015
		304,744,522.56	173,548
Allocations to special items including reserves		54,835,358.02	21,350
Other expenses		96,007,545.08	36,890
Year's net earnings		320,390,525.75	191,535
Total Expenses		7,380,503,316.75	5,661,978

Year's net earnings

Profit brought forward from the previous year

Allocations to published reserves

Profit attributable to outside shareholders

Profit of the Group

Frankfurt (Main), March 1975

Deutsche Bank Aktiengesellschaft

The Board of Managing Directors

Burgard Christians Ehret

Feith Guth Herrhausen Kleffel

Leibkutsch Mertin Thierbach

Ulrich Vallenthin van Hooven

for the period from January 1 to December 31, 1974 — Receipts

	DM	DM	1973 in 1,000 DM
Interest and similar receipts from lending and money market transactions		5,013,082,976.56	3,663,623
Current receipts from			
a) fixed-interest securities and debt register claims	181,078,445.50		173,652
b) other securities	102,997,154.04		102,740
c) investments in subsidiaries and associated companies	14,143,891.75		12,105
		298,219,491.29	288,497
Interest earned in mortgage bank business from			
a) mortgages	662,012,901.67		572,955
b) communal loans	476,163,887.44		405,693
		1,138,176,789.11	978,648
Commissions and other receipts from service transactions		528,711,143.92	479,062
Non-recurrent receipts from the mortgage banks' issue and loan business		87,431,315.63	71,603
Other receipts, including those from the writing back of provisions for possible loan losses		295,169,557.63	163,264
Receipts from the writing back of provisions for special purposes, so far as they have not to be shown under "Other receipts"		18,754,834.60	13,799
Receipts from the writing back of special items including reserves		957,208.01	3,482
Total Receipts		7,380,503,316.75	5,661,978

DM	1973 DM
320,390,525.75	191,535,431.69
32,370,513.09	24,042,454.07
352,761,038.84	215,577,885.76
124,200,000.—	46,750,000.—
228,561,038.84	168,827,885.76
7,811,913.51	7,381,769.17
220,749,125.33	161,446,116.59

According to our audit, carried out in accordance with our professional duties, the Consolidated Statement of Accounts and the Report of the Group comply with the statutory provisions.

Frankfurt (Main), March 25, 1975

Treuverkehr AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Dr. Nebendorf
Wirtschaftsprüfer
(Chartered Accountant)

Fandré
Wirtschaftsprüfer
(Chartered Accountant)

List of the Deutsche Bank's Investments in Subsidiaries and Associated Companies

German credit institutions

		capital	our holding
AKA Ausfuhrkredit-Gesellschaft mbH, Frankfurt (Main)	DM	40.0 m.	27.0%
Badische Bank, Karlsruhe	DM	22.0 m.	25.1%
Berliner Disconto Bank Aktiengesellschaft, Berlin	DM	53.0 m.	100 %
Deutsche Centralbodenkredit-Aktiengesellschaft, Berlin – Köln	DM	48.0 m.	70.8%
Deutsche Gesellschaft für Fondsverwaltung mbH, Frankfurt (Main)	DM	1.4 m.	100 %
Deutsche Gesellschaft für Wertpapiersparen mbH, Frankfurt (Main)	DM	10.0 m.	34.0%
Deutsche Grundbesitz-Investmentgesellschaft mbH, Köln	DM	3.0 m.	37.5%
Deutsche Kreditbank für Baufinanzierung Aktiengesellschaft, Köln	DM	42.0 m.	75.0%
Deutsche Schiffahrtsbank Aktiengesellschaft, Bremen	DM	33.0 m.	25.2%
Deutsche Schiffspfandbriefbank Aktiengesellschaft, Berlin – Bremen	DM	1.0 m.	25.3%
Deutsche Ueberseeische Bank, Berlin – Hamburg	DM	40.0 m.	97.3%
Deutsche Vermögensbildungsgesellschaft mbH, Bad Homburg v d H	DM	1.0 m.	60.0%
Europäisch Asiatische Bank Aktiengesellschaft, Hamburg	DM	28.0 m.	14.3%
Frankfurter Bodenkreditbank Aktiengesellschaft, Frankfurt (Main)	DM	3.0 m.	25.0%
Frankfurter Hypothekenbank, Frankfurt (Main)	DM	63.4 m.	86.9%
Gefa Gesellschaft für Absatzfinanzierung mbH, Wuppertal	DM	30.0 m.	100 %
Gesellschaft zur Finanzierung von Industrieanlagen mbH, Frankfurt (Main)	DM	1.0 m.	27.0%
Industriebank von Japan (Deutschland) Aktiengesellschaft – The Industrial Bank of Japan (Germany) –, Frankfurt (Main)	DM	40.0 m.	25.0%
Liquiditäts-Konsortialbank GmbH, Frankfurt (Main)	DM	250.0 m.	8.1%
Lombardkasse Aktiengesellschaft, Berlin – Frankfurt (Main)	DM	1.0 m.	14.2%
Privatdiskont-Aktiengesellschaft, Frankfurt (Main)	DM	5.0 m.	13.2%
Rheinische Kapitalanlagegesellschaft mbH, Köln	DM	1.0 m.	37.5%
Saarländische Kreditbank Aktiengesellschaft, Saarbrücken	DM	20.0 m.	68.9%
Schiffshypothekenbank zu Lübeck Aktiengesellschaft, Lübeck	DM	26.0 m.	28.9%

Foreign credit institutions

AEA Development Corporation, Manila/Philippines	Phil. Pes.	30.0 m.	6.0%
Branco Bradesco de Investimento, S.A., São Paulo	Cr$	341.9 m.	5.0%
Banco Comercial Transatlántico, Barcelona	Ptas	801.0 m.	25.5%
Banco del Desarrollo Económico Español S.A., Madrid	Ptas	899.8 m.	1.9%
Banco Español en Alemania S.A., Madrid	Ptas	165.0 m.	15.0%
Banque Commerciale Congolaise, Brazzaville/Congo	CFA-Francs	700.0 m.	3.1%
Banque Commerciale du Maroc, Casablanca/Morocco	Dirham	19.5 m.	7.2%
Banque Européenne de Crédit, Brussels	B. Francs	1,425.3 m.	14.3%
Banque Nationale pour le Développement Economique, Rabat/Morocco	Dirham	32.4 m.	0.7%
Banque Tchadienne de Crédit et de Dépôts, N'Djamena/Chad	CFA-Francs	330.0 m.	7.5%
H. Albert de Bary & Co. N.V., Amsterdam	D. Fls	15.0 m.	20.0%
Compagnie Financière de la Deutsche Bank AG, Luxembourg	L. Francs	900.0 m.	99.9%

		capital	our holding
Corporación Financiera Colombiana, Bogotá/Colombia	Col. Pesos	156.9 m.	0.4%
Euro-Pacific Finance Corporation Ltd., Melbourne/Australia	A$	5.0 m.	8.0%
European Banking Company Ltd., London	£	10.0 m.	14.3%
European Brazilian Bank Ltd., London	£	4.2 m.	10.4%
Foreign Trade Bank of Iran, Tehran/Iran	Rials	700.0 m.	11.8%
Industrial and Mining Development Bank of Iran, Tehran/Iran	Rials	3,150.0 m.	0.9%
The Industrial Credit and Investment Corporation of India Ltd., Bombay/India	Ind. Rupees	150.0 m.	1.5%
The Industrial Finance Corporation of Thailand, Bangkok/Thailand	Baht	150.0 m.	2.9%
International Mexican Bank Ltd., London	£	5.0 m.	7.2%
Iran Overseas Investment Bank Ltd., London	£	5.0 m.	10.0%
Korea Development Finance Corporation, Seoul/South Korea	Won	3,000.0 m.	2.5%
Malaysian Industrial Development Finance Berhad, Kuala Lumpur/Malaysia	M$	74.1 m.	0.5%
Nationale Investitionsbank für Industrieentwicklung AG, Athens	Drachmae	450.0 m.	5.3%
The Pakistan Industrial Credit and Investment Corporation Ltd., Karachi/Pakistan	Pak. Rupees	66.4 m.	4.8%
Private Development Corporation of the Philippines, Makati, Rizal/Philippines	Phil. Pesos	40.2 m.	1.8%
Société Camerounaise de Banque, Yaoundé/Cameroons	CFA-Francs	1,500.0 m.	5.0%
Société Ivoirienne de Banque, Abidjan/Ivory Coast	CFA-Francs	1,000.0 m.	12.0%
Teollistamisrahasto Oy-Industrialization Fund of Finland Ltd., Helsinki	Fmk	48.0 m.	0.7%
Union Gabonaise de Banque, Libreville/Gabon	CFA-Francs	750.0 m.	10.0%
Union Sénégalaise de Banque pour le Commerce et l'Industrie, Dakar/Senegal	CFA-Francs	1,000.0 m.	3.8%
Union Togolaise de Banque, Lomé/Togo	CFA-Francs	400.0 m.	18.0%

Other German enterprises

"Alwa" Gesellschaft für Vermögensverwaltung mbH, Hamburg	DM	0.5 m.	95.0%
CGT Canada Grundbesitz Treuhand GmbH, Frankfurt (Main)	DM	0.1 m.	55.0%
Deutsche Beteiligungsgesellschaft mbH, Frankfurt (Main)	DM	1.0 m.	82.5%
Deutsche Canada-Grundbesitzverwaltungsgesellschaft mbH, Frankfurt (Main)	DM	0.1 m.	55.0%
Deutsche Gesellschaft für Anlageberatung mbH, Frankfurt (Main)	DM	0.5 m.	100 %
Deutsche Grundbesitz-Anlagegesellschaft mbH, Köln	DM	0.04 m.	37.5%
Hessische Immobilien-Verwaltungs-Gesellschaft mbH, Frankfurt (Main)	DM	1.0 m.	95.0%
HOSTRA Beteiligungsgesellschaft mbH, Düsseldorf	DM	30.0 m.	33.3%
Matura Vermögensverwaltung mbH, Düsseldorf	DM	0.3 m.	100 %
Nordwestdeutscher Wohnungsbauträger GmbH, Braunschweig	DM	0.2 m.	100 %
Süddeutsche Vermögensverwaltung GmbH, Frankfurt (Main)	DM	2.0 m.	100 %
Trinitas Vermögensverwaltung GmbH, Frankfurt (Main)	DM	1.0 m.	100 %

Other foreign enterprises

		capital	our holding
Adela Investment Company S.A., Luxembourg/Lima (Peru)	US$	61.3 m.	0.7%
EDESA Société Anonyme Holding, Luxembourg	US$	11.0 m.	4.6%
European-Arab Holding S.A., Luxembourg	L. Francs	1,000.0 m.	5.7%
European Banks' International Company S.A., Brussels	B. Francs	175.0 m.	14.3%
European Financial Associates N.V., The Hague	D. Fls	0.4 m.	14.3%
European Hotel Corp. (EHC) N.V., Amsterdam	D. Fls	41.2 m.	5.4%
German American Capital Corporation, Baltimore/USA	US$	0.01 m.	100 %
International Investment Corporation for Yugoslavia, Luxembourg	US$	13.5 m.	1.2%
Private Investment Company for Asia S.A., Panama-City/Panama	US$	28.2 m.	0.7%
Promotora de Edificios para Oficinas S.A., Barcelona	Ptas	180.0	25.2%
Société Internationale Financière pour les Investissements et le Développement en Afrique S.A. (SIFIDA), Luxembourg	US$	12.5 m.	0.8%
UBS – DB Corporation, New York	US$	0.1 m.	50.0%

Security Issuing and other Syndicate Transactions as well as Introductions on the Stock Exchange

Domestic Loans of Public Authorities

9½%, 10% and 9½% Loans of the Bundesrepublik Deutschland of 1974
9½% and 10% Loans of the Deutsche Bundesbahn of 1974
10% and 9½% Loans of the Deutsche Bundespost of 1974
10% Loan of the Land Berlin of 1974
10% and 9½% Loans of the Land Nordrhein-Westfalen of 1974
10% Loan of the Land Schleswig-Holstein of 1974
9% and 10% Annuity and Communal Bonds as well as Mortgage Bonds of the Deutsche Siedlungs- und Landesrentenbank – Series 126–131, 133–140 and 143, Series 17–22 –

Other Domestic Loans, Mortgage and Communal Bonds

Braunschweig-Hannoversche Hypothekenbank
Deutsche Centralbodenkredit-Aktiengesellschaft
Deutsche Hypothekenbank
Deutsche Hypothekenbank (Actien-Gesellschaft)
Deutsche Schiffahrtsbank Aktiengesellschaft
Schiffshypothekenbank zu Lübeck Aktiengesellschaft

Convertible and Optional Loans of Domestic and Foreign Issuers

expressed in Deutsche Mark:
BASF Aktiengesellschaft
Girmes-Werke Aktiengesellschaft
Wells Fargo International Investment Corporation

expressed in foreign currencies:
Asia Navigation International Ltd.
Canon Inc.
Juvena Holding AG
Mitsui & Co., Ltd.
Pioneer Electronic Corporation

Loans of Foreign Issuers

expressed in Deutsche Mark:
Australien
Stadt Bergen
Brascan International B. V.
Königreich Dänemark
Europäische Gemeinschaft für Kohle und Stahl
Fischer N. V.
Foreningen Danske Olieberedskabslagre
Industrial and Mining Development Bank of Iran
Jydsk Telefon – Aktieselskab
Mitsubishi Heavy Industries, Ltd.
Republik Österreich
Österreichische Kontrollbank
Société Concessionnaire des Autoroutes Paris-Est-Lorraine A.P.E.L.
Tauernautobahn Aktiengesellschaft
Unilever N.V.

expressed in foreign currencies:
The Agricultural Mortgage Corporation Limited
American Motors Corporation
The Australian Industry Development Corporation
Brisa – Auto-Estradas de Portugal, S.A.R.L.
British Steel Corporation
City of Copenhagen
Curaçao Tokyo Holding N.V.
Electricity Supply Commission (Escom)

EUROFIMA
European Coal and Steel Community
European Investment Bank
Finnish Municipalities
Ford Motor Company
Ford Motor Credit Company
Groupement de l'Industrie Sidérurgique
G.U.S. International N.V.
International Securities Company
John Deere Credit Company
Mitsubishi Heavy Industries, Ltd.
The Nippon Fudosan Bank, Limited
City of Oslo
Pacific Lighting Overseas Finance, N.V.
Péchiney Ugine Kuhlmann International N.V.
City of Quebec
Quebec Hydro-Electric Commission
Skandinaviska Enskilda Banken

Domestic Shares

Aachener und Münchener Versicherung Aktiengesellschaft
AEG-TELEFUNKEN Kabelwerke Aktiengesellschaft
Aktien-Brauerei Beckmann Aktiengesellschaft
Aktiengesellschaft für Industrie und Verkehrswesen
Aktiengesellschaft für Licht- und Kraftversorgung
Aktien-Gesellschaft für Steinindustrie
Aktien-Gesellschaft "Weser"
Allgäuer Alpenmilch Aktiengesellschaft
Allgäuer Brauhaus Aktiengesellschaft
Allgemeine Deutsche Credit-Anstalt
Allianz Lebensversicherungs-AG.
Allianz Versicherungs-Aktiengesellschaft
Badische Bank
BASF Aktiengesellschaft
Bayerische Brauerei-Schuck-Jaenisch Aktiengesellschaft
Bayerische Elektricitäts-Lieferungs-Gesellschaft Aktiengesellschaft
Bayerische Motoren Werke Aktiengesellschaft
Bayerische Vereinsbank
Berliner Kraft- und Licht (Bewag)-Aktiengesellschaft
Berlinische Feuer-Versicherungs-Anstalt
H. Berthold Aktiengesellschaft
Bill-Brauerei A.G.
Braunschweig-Hannoversche Hypothekenbank
Bremer Vulkan Schiffbau und Maschinenfabrik
Büttner-Schilde-Haas Aktiengesellschaft
Burbach-Kaliwerke Aktiengesellschaft
Butzke-Werke Aktiengesellschaft
Chemische Fabrik Helfenberg Aktiengesellschaft vorm. Eugen Dietrich
Dahlbusch Verwaltungs-Aktiengesellschaft
Daimler-Benz Aktiengesellschaft
DEMAG Aktiengesellschaft
Deutsche Babcock & Wilcox Aktiengesellschaft
Deutsche Continental-Gas-Gesellschaft
Deutsche Dampfschifffahrts-Gesellschaft "Hansa"
Deutsche Spiegelglas Aktiengesellschaft
Deutsche Steinzeug- und Kunststoffwarenfabrik Verwaltungs-Aktiengesellschaft
Deutscher Eisenhandel Aktiengesellschaft
Didier-Werke AG
Die blauen Quellen Fritz Meyer & Co. Aktiengesellschaft
Dierig Holding Aktiengesellschaft
Dortmunder Stifts-Brauerei Carl Funke Aktiengesellschaft
Eichbaum-Brauereien Aktiengesellschaft
Einkaufskontor Stuttgart des südwestdeutschen Nahrungsmittelgroßhandels – Aktiengesellschaft
Eisen- und Drahtwerk Erlau AG
Eisenwerk Weserhütte Aktiengesellschaft
Elektricitäts-Lieferungs-Gesellschaft
Enka Glanzstoff AG
ERBA Aktiengesellschaft für Textilindustrie
Erdölwerke Frisia Aktiengesellschaft
Flensburger Schiffsbau-Gesellschaft
Frankona Rück- und Mitversicherungs-Aktien-Gesellschaft
Geestemünder Bank
Gelsenberg Aktiengesellschaft
Arn. Georg Aktiengesellschaft
Gerresheimer Glas Aktiengesellschaft
Gerling-Konzern Allgemeine Versicherungs-Aktiengesellschaft
Gildemeister Aktiengesellschaft
Girmes-Werke Aktiengesellschaft
Th. Goldschmidt Aktiengesellschaft
Hamburger Getreide-Lagerhaus-Aktiengesellschaft
Hanfwerke Oberachern Aktiengesellschaft
Hannoversche Papierfabriken Alfeld-Gronau vorm. Gebr. Woge

Hessen-Nassauische Gas-Aktiengesellschaft
Holsten-Brauerei
Industriekreditbank Aktiengesellschaft – Deutsche Industriebank
"KERAMAG" Keramische Werke Aktiengesellschaft
Klein, Schanzlin & Becker Aktiengesellschaft
Kleinbahn Kassel-Naumburg Aktiengesellschaft
Kochs Adler Aktiengesellschaft
Konkordia Aktiengesellschaft für Druck und Verlag
Kölner Bürgergesellschaft Aktiengesellschaft
Kölnische Rückversicherungs-Gesellschaft
Kölsch-Fölzer-Werke Aktiengesellschaft
Leonische Drahtwerke Aktiengesellschaft
Linde Aktiengesellschaft
Lüneburger Kronen-Brauerei Aktiengesellschaft zu Lüneburg
Maehler & Kaege Aktiengesellschaft
Magdeburger Feuerversicherungs-Gesellschaft
Magdeburger Rückversicherungs-Actien-Gesellschaft
Mannesmann Aktiengesellschaft
MEZ Aktiengesellschaft
Mineralbrunnen Überkingen-Teinach-Ditzenbach AG
Münchener Rückversicherungs-Gesellschaft
Nordstern Allgemeine Versicherungs-Aktiengesellschaft
Nordwestdeutsche Kraftwerke Aktiengesellschaft
Oelmühle Hamburg Aktiengesellschaft
PWA Papierwerke Waldhof-Aschaffenburg Aktiengesellschaft
G. M. Pfaff AG
Rheinisch-Westfälische Boden-Credit-Bank
Rheinische Hypothekenbank
Rheinstahl Aktiengesellschaft
Ruberoidwerke Aktiengesellschaft
Rütgerswerke Aktiengesellschaft
Scheidemandel Aktiengesellschaft
Siemens Aktiengesellschaft
Stern-Brauerei Carl Funke Aktiengesellschaft
Stöhr & Co. Aktiengesellschaft
Strabag Bau-Aktiengesellschaft
Stuttgarter Hofbräu Aktiengesellschaft
Thüringer Gasgesellschaft
August Thyssen-Hütte Aktiengesellschaft
Triton-Belco Aktiengesellschaft
Überlandwerk Oberfranken Aktiengesellschaft
Überlandwerk Unterfranken Aktiengesellschaft
VARTA Aktiengesellschaft
VEBA Aktiengesellschaft
Vereinigte Altenburger und Stralsunder Spielkarten-Fabriken Aktiengesellschaft
Vereinigte Werkstätten für Kunst im Handwerk Aktiengesellschaft
Vereins- und Westbank Aktiengesellschaft
Wintershall Aktiengesellschaft
Otto Wolff Aktiengesellschaft
Württembergische Feuerversicherung Aktiengesellschaft in Stuttgart

Foreign Shares

AKZO N. V.
Atlas Copco AB
Gio. Buton & C. S. p. A.
Colgate-Palmolive Company
Columbia Broadcasting System, Inc.
Compagnie Bruxelles Lambert pour la Finance et l'Industrie
Consolidated Gold Fields Limited
Continental Can Company, Inc.
Control Data Corporation
Japan Line, Ltd.
Juventa Holding AG
Komatsu, Ltd.
Marubeni Corporation
Mitsubishi Electric Corporation
The Mitsui Bank, Limited
Mitsui O. S. K. Lines, Ltd.
Mitsui Shipbuilding & Engineering Co., Ltd.
Nestlé Alimentana A. G.
Nippon Electric Company, Limited
Nissho-Iwai Co., Ltd.
Otis Elevator Company
The Rio Tinto-Zinc Corporation Limited
Rotterdamsch Beleggingsconsortium N. V.
The Sanko Steamship Company Limited
Thomson – CSF
Tokyo Shibaura Electric Co., Ltd.
TRW Inc.
Aktiebolaget Volvo

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NINO AG, Nordhorn

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Messrs. Hermann Windel, Windelbleiche

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Germania-Epe Spinnerei AG, Epe (Westf.)

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Member of the Board of Managing Directors,
C. Deilmann AG, Bentheim

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Partner in Gerrit van Delden & Co., Gronau (Westf.)

Rembert van Delden,
Member of the Board of Managing Directors,
Textilwerke Ahaus AG, Ahaus (Westf.)

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F. H. Hammersen GmbH, Osnabrück

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Messrs. Dyckhoff & Stoeveken, Baumwoll-Spinnerei,
Rheine (Westf.)

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Erdgas-Verkaufs-Gesellschaft mbH,
Münster (Westf.)

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Managing Director,
Felix Schoeller jr. Feinpapierfabrik,
Osnabrück

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Messrs. Windmöller & Hölscher, Lengerich (Westf.)

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Messrs. A. Friedr. Flender & Co., Bocholt, Neitersen

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Chairman of the Board of Managing Directors,
Gildemeister AG, Bielefeld

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Managing Director,
Messrs. Bischof & Klein, Lengerich (Westf.)

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Wilhelm Karmann GmbH, Osnabrück

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Hoffmann's Stärkefabriken AG, Bad Salzuflen

Claus Kümpers,
Personally-liable partner of
F. A. Kümpers KG, Rheine (Westf.)

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HORNITEX WERKE Gebr. Künnemeyer, Horn-Bad Meinberg

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Westfalia Separator AG, Oelde (Westf.)

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Partner in Westfälische Metall
Industrie KG Hueck & Co., Lippstadt

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General Manager of Erica Rössler/
Modische Strickerei GmbH/Heinz Rössler & Söhne KG,
Osnabrück

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Bekleidungswerke Erwin Hucke oHG, Nettelstedt (Westf.)

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Rudolf A. Oetker Zentralverwaltung, Bielefeld

Max Wilbrand,
Partner in Gebr. Rath, Kammgarn-Spinnerei
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Deutsche Schiffahrtsbank AG, Bremen

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Dampfschiffahrts-Gesellschaft "Hansa", Bremen

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Co.), Bremen

Werner Klemeyer,
of Scipio & Co., Bremen

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Managing Director of DESMA-Werke GmbH, Achim Bez.
Bremen

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Stahlwerke Röchling-Burbach GmbH, Völklingen

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Martin Brinkmann AG, Bremen/Hamburg

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Werke AG, Wilhelmshaven

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Rundfunk KG, Bremen

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Noé & Co., Bremerhaven

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BTF-TEXTILWERKE Tecklenborg & Co., Bremen

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Theodor Wuppermann GmbH, Leverkusen

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Bergisch Gladbach

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Düsseldorf

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Essen

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Kettwig

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Hochtief AG für Hoch- und Tiefbauten
vorm. Gebr. Helfmann, Essen

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Stern-Brauerei Carl Funke AG, Essen

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Essen

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Dyckerhoff Zementwerke AG, Wiesbaden

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W. C. Heraeus GmbH, Hanau

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Fulda

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President of the Administrative Board of CELFA AG,
Schwyz, and FOLEX Dr. H. Schleussner AG, Zurich,
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Managing Director of Dunloplan GmbH, Hanau

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Chairman of the Board of Managing Directors,
Veith-Pirelli AG, Höchst (Odenwald),
and Partner and Managing Director of
Ph. Ludwig Arzt, Michelstadt (Odenwald)

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Partner in Mayser's Hutfabriken
and in Max Zechbauer, Tabakwaren, Munich

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Partner and Managing Director,
Messrs. J. Eberspächer, Esslingen

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Member of the Board of Managing Directors,
Zahnradfabrik Friedrichshafen AG, Friedrichshafen

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Member of the Management Board,
Wacker-Chemie GmbH, Munich

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Chairman of the Supervisory Board,
Schachenmayr, Mann & Cie. GmbH, Salach

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Chairman of the Supervisory Board,
Gebr. Boehringer GmbH, Göppingen

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Chairman of the Management Board,
IBM Deutschland GmbH – Hauptverwaltung –, Stuttgart

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Honorary Chairman of DEUTSCHE FIAT
Aktiengesellschaft, Heilbronn

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Spokesman of the Management Board,
Motoren- und Turbinen-Union (MTU) München GmbH,
and of the Management Board, Motoren- und Turbinen-Union (MTU) Friedrichshafen GmbH, Friedrichshafen

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Württembergische Metallwarenfabrik, Geislingen (Steige)

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Stuttgart

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Member of the Board of Managing Directors,
Standard Elektrik Lorenz AG, Stuttgart

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Württembergische Metallwarenfabrik,
Geislingen (Steige), Friedenfels (Oberpfalz)

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Messrs. Theodor Groz & Söhne & Ernst Beckert
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Weinessig-, Sauerkonserven- und Feinkostfabriken,
Esslingen

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Ravensburg

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Managing Director of Mahle GmbH, Stuttgart

S. H. Friedrich Wilhelm Fürst von Hohenzollern,
Sigmaringen

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Deutscher Bücherbund KG, Stuttgart

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BIZERBA-Werke Wilhelm Kraut KG, Balingen (Württemberg)

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and Partner in C. A. Leuze (oHG), Owen (Teck)

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Otto Maier Verlag KG, Ravensburg

Ekhard Freiherr von Maltzahn,
Hubbelrath

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Member of the Board of Managing Directors,
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P. Jenisch & Co. Strickwarenfabrik, Nürtingen

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DLW Aktiengesellschaft, Bietigheim

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Papierfabrik Scheufelen, Oberlenningen (Württemberg)

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Stuttgart

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Member of the Board of Managing Directors,
Aesculap-Werke AG formerly Jetter & Scheerer,
Tuttlingen

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Schloss Wolfegg

S. D. Georg Fürst von Waldburg zu Zeil und Trauchburg,
Schloss Zeil

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Managing Director, Bausparkasse Gemeinschaft der Freunde Wüstenrot, gemeinnützige GmbH, Ludwigsburg

S. K. H. Herzog Philipp von Württemberg,
Schloss Altshausen nr. Saulgau

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Wuppertal

Walter Kaiser, *Deputy Chairman*,
Partner and Managing Director,
Gebr. Kaiser & Co. Leuchten KG Arnsberg (Westf.)

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Partner and Managing Director,
Schwelmer Eisenwerk Müller & Co. GmbH, Schwelm

Manfred von Baum,
Partner in von Baum
Verwaltung KG, Wuppertal

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Partner and Managing Director, Vossloh-Werke GmbH, Werdohl

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Bremshey AG, Solingen

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Partner and Managing Director,
Bergische Stahl-Industrie, Remscheid

Hans Colsman,
of Gebrüder Colsman, Essen

Rechtsanwalt Dr. Heinz Frowein,
Wuppertal

Hans Joachim Fuchs,
Senator E. h., Partner and Managing Director
of the Otto Fuchs Metallwerke, Meinerzhagen (Westf.)

Dr. Michael Girardet,
Partner in W. Girardet, Wuppertal

Dipl.-Kfm. Hartwig Göke,
Chairman of the Board of Managing Directors,
Rheinisch-Westfälische Kalkwerke AG,
Wuppertal

Wilhelm Hardt,
Partner in Messrs. Johann Wülfing & Sohn,
Remscheid

Kurt Henkels,
Partner and Managing Director,
Stocko Metallwarenfabriken Henkels & Sohn, Wuppertal

Professor Dr.-Ing. Dr. h. c. Kurt Herberts,
Senator E. h., Partner in Dr. Kurt Herberts & Co. GmbH
formerly Otto Louis Herberts, Wuppertal

Dipl.-Volkswirt Kurt Honsel,
Member of the Board of Managing Directors,
Honsel-Werke AG, Meschede

Dr. Arnold Hueck,
Partner in Eduard Hueck KG,
Metallwalz- und Presswerk, Lüdenscheid

Paul Jagenberg,
Partner in Jagenberg & Cie., Solinger Papierfabrik, Solingen

Dipl.-Kfm. Günter Kind,
Partner in Steinmüller Verwaltungsgesellschaft mbH,
Gummersbach

Dr.-Ing. Jochen Kirchhoff,
Partner and Managing Director,
Stephan Witte & Co., Iserlohn

Dipl.-Wirtsch.-Ing. Diether Klingelnberg,
Partner and Managing Director,
W. Ferd. Klingelnberg Söhne, Remscheid

Dipl.-Ing. Kurt Krawinkel,
Chairman of the Advisory Council,
Leop. Krawinkel, Bergneustadt

Dr. Manfred Luda,
Lawyer and Notary, Meinerzhagen (Westf.)

Dipl.-Ing. Dieter Metzenauer,
Partner and Managing Director,
Metzenauer & Jung GmbH, Wuppertal

Dr.-Ing. Erich Mittelsten Scheid,
Chairman of the Advisory Council of Vorwerk & Co.,
Wuppertal

Dipl.-Ing. Günter Peddinghaus,
Senator E. h., Partner and Managing Director,
Carl Dan. Peddinghaus KG, Ennepetal

Hans Walter Pfeiffer,
Owner of Ohler Eisenwerk Theob. Pfeiffer, Plettenberg

Albrecht R. Pickert,
Managing Director of R. & G. Schmöle Metallwerke,
Menden (Sauerland)

Konsul Albert Rampelberg,
Managing Director, Deutsche Solvay-Werke GmbH, Solingen

Dr. Walter Salzer,
Member of the Board of Managing Directors,
Bayer AG, Leverkusen

Hans Joachim Schlange-Schöningen,
Deputy Chairman of the Board of Managing Directors,
AKZO N.V., Arnheim (Netherlands)

Dr. Christian F. Schmidt-Ott,
Partner and Managing Director,
Messrs. Jung & Simons, Haan (Rhld.)

Georg H. Schniewind,
Partner in H. E. Schniewind, Haan (Rhld.)

Hans Vaillant,
Chairman of the Advisory Council,
Joh. Vaillant KG, Remscheid

Dr. Hans Günther Zempelin,
Spokesman of the Board of Managing Directors, Enka
Glanzstoff AG, Wuppertal

It is our sad duty to announce the deaths of the following members of our Regional Advisory Councils:

Dr. Otto Happich,
Chairman of the Supervisory Board,
Gebr. Happich GmbH, Wuppertal

Helmut Harms,
Partner in G. L. Peine, Hildesheim

Claus-Gottfried Holthusen,
of R. Petersen & Co., Hamburg

Konsul Ernst Middendorff,
Principal Partner and Managing Director,
Brauerei Herrenhausen GmbH,
Hannover-Herrenhausen

Dr. Hans Pahl,
Partner and Managing Director,
Pahl'sche Gummi- und Asbest-Gesellschaft
"PAGUAG", Düsseldorf

Gerhard W. Schulze,
Principal Partner,
NSM-Apparatebau GmbH KG, Bingen

Heinz Vögele,
Chairman of the Supervisory Board,
Joseph Vögele AG, Mannheim

We shall always remember them with respect and gratitude.

Branches at the following places:

Aachen
with 5 Sub-Branches
Aalen (Württ)
Achim (Bz Bremen)
Ahaus
Ahlen (Westf)
Ahrensburg (Holst)
Albstadt
with 1 Sub-Branch
Aldenhoven (Kr Düren)
Alfeld (Leine)
Alsdorf (Rheinl)
Alsfeld (Oberhess)
Altena (Westf)
Altenkirchen (Westerw)
Alzey
Amberg
Andernach
Ansbach
Aschaffenburg
Asperg
Attendorn
Augsburg
with 8 Sub-Branches
Aurich
Backnang
Bad Berleburg
Bad Driburg (Westf)
Bad Dürkheim
Baden-Baden
Bad Harzburg
Bad Hersfeld
Bad Homburg v d Höhe
Bad Honnef
Bad Iburg
Bad Kreuznach
Bad Lauterberg
Bad Münstereifel
Bad Neuenahr
Bad Oeynhausen
Bad Oldesloe
Bad Pyrmont
Bad Sachsa (Südharz)
Bad Salzuflen
with 1 Sub-Branch
Bad Segeberg
Bad Tölz
Bad Wildungen
Bad Wörishofen
Bad Zwischenahn
Balingen
Bamberg
Barsinghausen
Baunatal
Bayreuth
Beckum (Bz Münster)
Bendorf (Rhein)
Bensberg
Bensheim
Bergen-Enkheim
Bergheim (Erft)
Bergisch Gladbach
Bergneustadt
Bernkastel-Kues
Betzdorf (Sieg)
Beverungen
Biberach (Riss)
Biedenkopf
Bielefeld
with 7 Sub-Branches
Bietigheim (Württ)
Bingen (Rhein)
Blomberg (Lippe)
Bocholt
Bochum
with 5 Sub-Branches
Bockum-Hövel
Böblingen (Württ)
Bonn
with 6 Sub-Branches
Bonn-Bad Godesberg
Boppard
Borghorst (Westf)
now: Steinfurt
Borken
Bottrop
Brackwede (Westf)
now: Bielefeld
Bramsche (Bz Osnabrück)
Braunschweig
with 12 Sub-Branches
and 1 Paying Office
Bremen
with 14 Sub-Branches
Bremen-Vegesack
Bremerhaven
with 3 Sub-Branches
and 1 Paying Office
Bretten (Baden)
Brilon
Bruchsal
Brühl (Bz Köln)
Brunsbüttel
Buchholz i d Nordheide
Bühl (Baden)
Bünde
Burgdorf (Han)
Burgsteinfurt
now: Steinfurt
Burscheid (Rheinl)
Buxtehude
Castrop-Rauxel
with 1 Sub-Branch
Celle
Clausthal-Zellerfeld
Cloppenburg
Coburg
Coesfeld
Crailsheim
Cuxhaven
Dachau
with 1 Sub-Branch
Darmstadt
with 5 Sub-Branches
Datteln (Westf)
Deggendorf
Deidesheim
Delmenhorst
Detmold
Dietzenbach
Dillenburg
Dinslaken (Niederrhein)
with 1 Sub-Branch
Dormagen (Niederrhein)
Dorsten
Dortmund
with 14 Sub-Branches
Dülmen
Düren (Rheinl)
with 1 Sub-Branch
Düsseldorf
with 32 Sub-Branches
Düsseldorf-Benrath
with 1 Sub-Branch
Duisburg
with 19 Sub-Branches
Duisburg-Hamborn
with 3 Sub-Branches
Duisburg-Rheinhausen
Duisburg-Ruhrort
Ebingen (Württ)
now: Albstadt
Einbeck
Eiserfeld (Sieg)
Eislingen
Eitorf
Ellwangen (Jagst)
Elmshorn
Elten
Eltville
Emden
Emmendingen
Emmerich
Emsdetten
Engelskirchen
Ennepetal (Westf)-Milspe
with 1 Sub-Branch
Ennigerloh
Erkelenz
Erkrath (Bz Düsseldorf)
Erlangen
Eschwege
Eschweiler
Espelkamp
Essen
with 23 Sub-Branches
Esslingen (Neckar)
Ettlingen (Baden)
Euskirchen
Eutin
Fellbach (Württ)
Flensburg
with 3 Sub-Branches
Forchheim
Frankenthal (Pfalz)
Frankfurt (Main)
with 23 Sub-Branches
Frankfurt (Main)-Höchst
Frechen

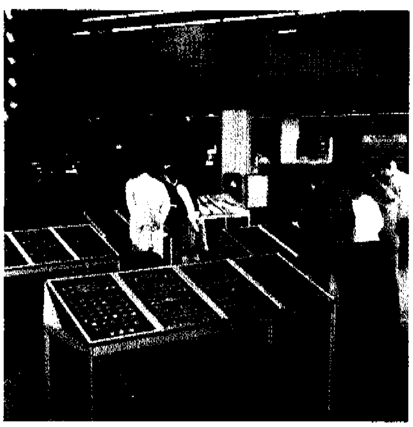
Freiburg (Breisgau)
with 7 Sub-Branches
Freising
Freudenberg (Kr Siegen)
Friedberg (Hess)
Friedrichsfeld
Friedrichshafen
Fürstenfeldbruck
Fürth (Bay)
with 1 Sub-Branch
Fulda
with 1 Sub-Branch
Gaggenau (Murgtal)
Garmisch-Partenkirchen
Geesthacht
Geislingen (Steige)
with 1 Sub-Branch
Geldern
Gelsenkirchen
with 5 Sub-Branches
Gengenbach
Georgsmarienhütte
with 1 Sub-Branch
Gerlingen (Württ)
Germering
Gernsbach (Murgtal)
Gersthofen
Geseke (Westf)
Gevelsberg
Giengen (Brenz)
Giessen
Gifhorn
with 1 Sub-Branch
Ginsheim-Gustavsburg
Gladbeck (Westf)
with 1 Sub-Branch
Goch
Göppingen
Göttingen
with 1 Sub-Branch
Goslar
with 1 Sub-Branch
Grefrath
Grenzach-Wyhlen
Greven (Westf)
Grevenbroich
Griesheim ü / Darmstadt
Gronau (Leine)
Gronau (Westf)
Gross-Gerau
Gütersloh
with 1 Sub-Branch
Gummersbach
Haan (Rheinl)
Hagen (Westf)
with 6 Sub-Branches
Haiger
Halle (Westf)
Hamburg
with 44 Sub-Branches
and 1 Paying-Office
Hamburg-Altona
Hamburg-Bergedorf
Hamburg-Harburg
with 1 Sub-Branch
Hameln
Hamm (Westf)
with 1 Sub-Branch
Hanau
Hannover
with 18 Sub-Branches
Hann. Münden
Harsewinkel ü / Gütersloh
Haslach (Kinzigtal)
Hattingen (Ruhr)
Hausen ü / Offenbach
Heepen
now: Bielefeld
Heessen (Westf)
Heidelberg
with 4 Sub-Branches
Heidenheim (Brenz)
Heilbronn (Neckar)
with 1 Sub-Branch
Heiligenhaus (Düsseldorf)
Helmstedt
Hemer
Hennef (Sieg)
Heppenheim
Herborn (Dillkr)
Herdecke (Ruhr)
Herford
Herne
with 2 Sub-Branches
Herten (Westf)
Herzberg (Harz)
Herzogenrath
with 1 Sub-Branch
Heusenstamm
Hilden
with 1 Sub-Branch
Hildesheim
with 3 Sub-Branches
Hiltrup
now: Münster
Hockenheim (Baden)
Höhr-Grenzhausen
Höxter
Hohenlimburg
with 1 Sub-Branch
Hohenlockstedt
Holzminden
Homberg (Niederrhein)
now: Duisburg
Horn – Bad Meinberg
Hückelhoven
Hückeswagen
Hürth (Bz Köln)
Hüttental
with 1 Sub-Branch
Husum (Nordsee)
Ibbenbüren
Idar-Oberstein
with 1 Sub-Branch
Ingelheim (Rhein)
Ingolstadt (Donau)
with 2 Sub-Branches
Iserlohn
Itzehoe
Jever
Jülich
Kaarst
Kaiserslautern
with 1 Sub-Branch
Kamp-Lintfort
Karlsruhe
with 6 Sub-Branches
Kassel
with 5 Sub-Branches
Kehl
Kempen (Niederrhein)
Kempten (Allgäu)
with 1 Sub-Branch
Kettwig
Kevelaer
Kiel
with 7 Sub-Branches
Kierspe (Westf)
Kirchheim unter Teck
Kirchhellen
Kleve (Niederrhein)
with 1 Sub-Branch
Koblenz
with 1 Sub-Branch
Köln
with 21 Sub-Branches
Köln-Mülheim
Königsbrunn
Königstein (Taunus)
Konstanz
with 1 Sub-Branch
Konz ü / Trier
Korbach
Kornwestheim (Württ)
Korschenbroich
Krefeld
with 7 Sub-Branches
Krefeld-Uerdingen
Kreuzau
Kreuztal (Kr Siegen)
Kronberg (Taunus)
Kulmbach
Laasphe
Laatzen
Lage (Lippe)
Lahnstein
Lahr (Schwarzw)
Landau (Pfalz)
Landsberg (Lech)
Landshut
Landstuhl
Langen (Hess)
Langenfeld (Rheinl)
Langenhagen (Han)
with 1 Sub–Branch
Lauenburg
Lauterbach (Hess)
Leer (Ostfriesl)
Leichlingen (Rheinl)
Leimen
Leinfelden
Lemgo
Lengerich (Westf)
Lennestadt

Exhibitions and fair stands for many purposes

In 1974 the 10th Football World Cup was held in the Federal Republic of Germany. The Deutsche Bank's collection of autographs is a reminder of this great sporting event. Original signatures of all the players in the 16 teams which participated can be seen on footballs and display boards. Since 1974 this exhibition has been moving round the branches of the bank (middle picture left).

The bank's exhibition of coins and banknotes interests not only coin experts but also a wide section of the general public. The coins on display are a reflection of the history, art and economy of our country.

At fairs of a local or supra-regional nature the bank is represented by a convertible stand (see the pictures from the exhibition "You and your world" in Hamburg, top and below right). At the fair in Hanover the EBIC banks were represented by a joint office. In future EBIC will appear more frequently at international fairs with joint stands, EBIC houses.



Leonberg (Württ)
Lethmathe (Sauerl)
Leutkirch
Leverkusen
with 2 Sub-Branches
Limburg
Limburgerhof
Lindau (Bodensee)
Lingen
Lintorf
now: Ratingen
Lippstadt
Löhne (Westf)
Lörrach
with 1 Sub-Branch
Lohne (Oldb)
Ludwigsburg (Württ)
with 1 Sub-Branch
Ludwigshafen (Rhein)
with 6 Sub-Branches
Lübeck
with 6 Sub-Branches
Lüdenscheid
Lüneburg
Lünen
with 1 Sub-Branch
Maikammer
Mainz
with 5 Sub-Branches
Mannheim
with 18 Sub-Branches
Marbach
Marburg (Lahn)
Marl (Kr Recklinghausen)
Mayen
Meckenheim (Rheinl)
Meerbusch
with 1 Sub-Branch
Meinerzhagen (Westf)
Melle
with 1 Sub-Branch
Memmingen
Menden (Sauerl)
Meppen
Mettmann
Metzingen (Württ)
Minden (Westf)
Misburg
now: Hannover

Mönchengladbach
with 8 Sub-Branches
Mönchengladbach-Rheydt
Moers
with 2 Sub-Branches
Monheim (Rheinl)
now: Düsseldorf
Mosbach (Baden)
Mühlacker (Württ)
Mühldorf (Inn)
Mühlheim (Main)
Mülheim (Ruhr)
with 1 Sub-Branch
Müllheim (Baden)
München
with 44 Sub-Branches
Münster (Westf)
with 9 Sub-Branches
Munster
Nagold
Neckarsulm
Neheim-Hüsten
with 1 Sub-Branch
Nettetal
with 1 Sub-Branch
Neuburg (Donau)
Neuenrade
Neu Isenburg
Neumünster
Neunkirchen (Kr Siegen)
Neuss
with 4 Sub-Branches
Neustadt (b Coburg)
Neustadt (Weinstr)
Neu-Ulm
Neuwied
with 1 Sub-Branch
Neviges
Nieder-Roden
Nienburg (Weser)
Norden
Norderney
Norderstedt
Nordhorn
Norf
now: Neuss
Nürnberg
with 13 Sub-Branches
Nürtingen

Oberhausen (Rheinl)
with 9 Sub-Branches
Oberkirch (Baden)
Oberursel (Taunus)
Oelde
Öhringen
Oerlinghausen
Offenbach (Main)
with 3 Sub-Branches
Offenburg (Baden)
Oldenburg (Oldbg)
with 1 Sub-Branch
Olpe (Westf)
Opladen
Osnabrück
with 5 Sub-Branches
Osterholz-Scharmbeck
Osterode (Harz)
Ottobrunn
Paderborn
Papenburg
Peine
Pforzheim
with 3 Sub-Branches
Pfullingen (Württ)
Pinneberg
Pirmasens
with 1 Sub-Branch
Planegg
Plettenberg
Plochingen
Porz
Quakenbrück
Radolfzell
Rastatt
Ratingen
with 3 Sub-Branches
Raunheim
Ravensburg
with 1 Sub-Branch
Recklinghausen
Regensburg
with 4 Sub-Branches
Reinbek (Bz Hamburg)
Remagen
Remscheid
with 4 Sub-Branches
Remscheid-Lennep
Rendsburg

Reutlingen
with 1 Sub-Branch
Rheinbach
Rheinberg (Rheinl)
Rheine (Westf)
with 2 Sub-Branches
Rheinfelden (Baden)
Rheinhausen
now: Duisburg
Rheinkamp-Meerbeck
now: Moers
Rheydt
now: Mönchengladbach
Rinteln (Weser)
Rodenkirchen (Bz Köln)
Rosenheim (Bay)
Rottenburg
Rottweil
Rüsselsheim (Hess)
with 1 Sub-Branch
Säckingen
Salzgitter-Bad
with 2 Sub-Branches
Salzgitter-Lebenstedt
with 1 Sub-Branch
Salzgitter-Watenstedt
St. Georgen (Schwarzw)
Schmallenberg (Sauerl)
Schopfheim
Schorndorf (Württ)
Schüttorf
Schwäbisch Gmünd
with 1 Sub-Branch
Schwäbisch Hall
Schweinfurt
Schwelm
Schwenningen (Neckar)
now: VS-Schwenningen
Schwerte (Ruhr)
Schwetzingen
Seesen
Sennestadt
now: Bielefeld
Siegburg
Siegen
with 1 Sub-Branch
Siegertsbrunn
Sindelfingen
Singen (Hohentwiel)

Soest
Solingen
with 2 Sub-Branches
Solingen-Ohligs
Solingen-Wald
Soltau
Sonthofen
Spenge
Speyer
Sprendlingen (Hess)
Sprockhövel (Westf)
Stade
Stadtlohn
Starnberg
Steinfurt
with 1 Sub-Branch
Stolberg (Rheinl)
Straubing
Stuttgart
with 14 Sub-Branches
Stuttgart-Bad Cannstatt
Sundern (Sauerl)
Tailfingen
now: Albstadt
Titisee-Neustadt
Tönisvorst
Traben-Trarbach
Triberg (Schwarzw)
Trier
with 1 Sub-Branch
Troisdorf

Tübingen
with 1 Sub-Branch
Tuttlingen
Übach-Palenberg
Überlingen (Bodensee)
Uelzen
Ulm (Donau)
with 1 Sub-Branch
Unna
Vechta
Velbert (Rheinl)
Verden (Aller)
Verl
Viernheim (Hess)
Viersen
with 3 Sub-Branches
Villingen (Schwarzw)
now: VS – Villingen
Vohburg
Vreden (Westf)
Wahlstedt
Waiblingen
Waldbröl
Waldkirch (Breisgau)
Waldshut
Walsum
now: Duisburg
Waltrop
Wangen (Allgäu)
Wanne-Eickel
with 1 Sub-Branch

Warendorf
Wasseralfingen (Württ)
Wattenscheid
with 1 Sub-Branch
Wedel (Holst)
Weener (Ems)
Wegberg
Wehr (Baden)
Weiden (Opf)
Weiden (Bz Köln)
Weil (Rhein)
Weilheim
Weingarten (Württ)
Weinheim (Bergstr)
with 1 Sub-Branch
Weissenthurm
Wenden
now: Braunschweig
Werdohl
Werl (Westf)
Wermelskirchen
Wernau
Werne
Wesel (Niederrhein)
with 1 Sub-Branch
Wesseling (Bz Köln)
Westerland
Wetzlar
Wickrath
now: Mönchengladbach

Wiesbaden
with 6 Sub-Branches
Wiesloch
Wilhelmshaven
with 1 Sub-Branch
Willich (Bz Düsseldorf)
with 1 Sub-Branch
Wipperfürth
Wissen (Sieg)
Witten
with 2 Sub-Branches
Wittlich
Wörth am Rhein
Wolfenbüttel
Wolfsburg
with 4 Sub-Branches
Worms
Wülfrath
Würselen (Kr Aachen)
Würzburg
with 2 Sub-Branches
Wuppertal-Elberfeld
with 15 Sub-Branches
and 1 Paying Office
Wuppertal-Barmen
Wuppertal-Cronenberg
Wuppertal-Ronsdorf
Wyler (Kr Kleve)
Xanten
Zell (Mosel)
Zirndorf
Zweibrücken

Holdings in German Banks

Berliner Disconto Bank Aktiengesellschaft, Berlin · 69 Offices

Saarländische Kreditbank Aktiengesellschaft, Saarbrücken · 7 Sub-Branches
Further Offices in the Saar: Bexbach, Dillingen, Homburg · 1 Sub-Branch, Lebach, Merzig, Neunkirchen · 1 Sub-Branch, Saarlouis, St. Ingbert, Völklingen

Deutsche Centralbodenkredit-Aktiengesellschaft, Berlin – Köln

Frankfurter Hypothekenbank, Frankfurt (Main)

Deutsche Kreditbank für Baufinanzierung Aktiengesellschaft, Köln

GEFA Gesellschaft für Absatzfinanzierung mbH, Wuppertal
Further Offices: Berlin · 2 Sub-Branches, Frankfurt (Main), Hamburg, Hannover, München, Nürnberg, Stuttgart, Ulm
Subsidiary GEFA-Leasing GmbH, Wuppertal

Deutsche Ueberseeische Bank, Berlin – Hamburg · Seat of Administration: Hamburg
Further Offices: Düsseldorf, Köln, Stuttgart

Foreign Offices of the Deutsche Ueberseeische Bank

Argentina:	Buenos Aires and Rosario (Banco Alemán Transatlántico)
Brazil:	São Paulo (Banco Alemão Transatlântico)
Japan:	Tokyo (Deutsche Ueberseeische Bank – Deutsche Bank Group –)
Luxembourg:	Luxembourg (Deutsche Ueberseeische Bank — Succursale de Luxembourg)
Paraguay:	Asunción (Banco Alemán Transatlántico)

Industriebank von Japan (Deutschland) Aktiengesellschaft, Frankfurt (Main)
(together with The Industrial Bank of Japan)

Compagnie Financière de la Deutsche Bank AG, Luxembourg

Joint institutions of the EBIC banks*

Federal Republic of Germany:	Europäisch-Arabische Bank GmbH, Frankfurt (Main)
	Europäisch Asiatische Bank AG, Hamburg
Asia:	Offices of the Europäisch Asiatische Bank AG, Hamburg: Hong Kong, Jakarta, Karachi, Kuala Lumpur, Singapore
Australia:	Euro-Pacific Finance Corporation Ltd., Melbourne
Belgium:	Banque Européenne de Crédit (BEC), Brussels
	European-Arab Bank (Brussels) S. A., Brussels
	European Banks' International Company S. A. (EBIC), Brussels
Great Britain:	European Banking Company Ltd., London
USA:	European-American Banking Corporation, New York, Los Angeles and San Francisco
	European-American Bank & Trust Company, New York
	European Banking Company Ltd., Chicago Branch, Chicago

UBS-DB Corporation, New York (together with the Union Bank of Switzerland)

Banco Bradesco de Investimento S. A., São Paulo

European Brazilian Bank Ltd., London

International Mexican Bank Ltd., London

Iran Overseas Investment Bank Ltd., London

Further participations in banks in

Europe:	Amsterdam – Athens – Barcelona – Helsinki – Madrid
Africa:	Abidjan – Brazzaville – Casablanca – Dakar – Libreville – Lomé – N'Djamena – Rabat – Yaoundé
America:	Bogotá
Asia:	Bangkok – Bombay – Karachi – Kuala Lumpur – Manila – Seoul – Teheran

Representative offices abroad

A. R. Egypt:	Cairo	(Dr. Gerhard Behrens)
Australia:	Sydney	(Detlev Staecker)
Brazil:	Rio de Janeiro	(Hartwig Krieg)
Canada:	Toronto (European Banks International)	
Chile:	Santiago	(Jan Martens)
Colombia:	Bogotá D. E.	(Alberto Veciana)
France:	Paris	(Hermann Josef Schmidt)
Great Britain:	London	(Dr. Harald O. Witte)
Iran:	Teheran	(Günther F. W. Dicke)
Lebanon:	Beirut	(Siegfried Brunnenmiller)
Mexico:	Mexico 1, D. F.	(Norberto S. Neckelmann)
Republic of South Africa:	Johannesburg (European Banks International)	
Soviet Union:	Moscow	(Dr. Klaus W. Dintelmann)
Spain:	Madrid	(Dr. Thomas Feske)
Turkey:	Istanbul	(Wolfgang Hahn)
Venezuela:	Caracas	(Claus Peter Tillmanns)

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* EBIC Banks:
Amsterdam-Rotterdam Bank N.V., Amsterdam · Banca Commerciale Italiana, Milan · Creditanstalt-Bankverein, Vienna · Deutsche Bank AG, Frankfurt (Main) · Midland Bank Ltd., London · Société Générale, Paris · Société Générale de Banque S.A., Brussels