Report for the Year 1977

Deutsche Bank
Aktiengesellschaft

Deutsche Bank at a glance

	1977	1976
Business volume	DM 78.7 bn.	DM 67.8 bn.
Balance sheet total	DM 78.6 bn.	DM 67.4 bn.
Funds from outside sources	DM 72.4 bn.	DM 62.0 bn.
Total credit extended	DM 45.3 bn.	DM 41.7 bn.
Own funds	DM 3,450.0 m.	DM 3,100.0 m.
Earnings on business volume	DM 1,943.7 m.	DM 1,696.2 m.
Earnings on services	DM 590.8 m.	DM 534.8 m.
Staff and other operating expenses	DM 1,920.9 m.	DM 1,776.0 m.
Taxes	DM 332.6 m.	DM 292.8 m.
Net income for the year	DM 282.8 m.	DM 280.0 m.
Transfers to disclosed reserves	DM 110.0 m.	DM 100.0 m.
Total dividend payment	DM 172.8 m.	DM 180.0 m.
Dividend per share of DM 50 par value	DM 9.–	DM 10.–
Shareholders	205,300	203,400
Staff	36,034	36,319
Customers (excl. banks)	5,000,000	4,900,000
Offices	1,127	1,134

Group

	1977	1976
Business volume	DM 124.5 bn.	DM 105.9 bn.
Balance sheet total	DM 124.2 bn.	DM 105.2 bn.
Funds from outside sources	DM 115.7 bn.	DM 97.9 bn.
Total credit extended	DM 83.7 bn.	DM 73.7 bn.
Own funds	DM 4,003.0 m.	DM 3,522.4 m.
Staff	40,614	40,772
Offices	1,279	1,281

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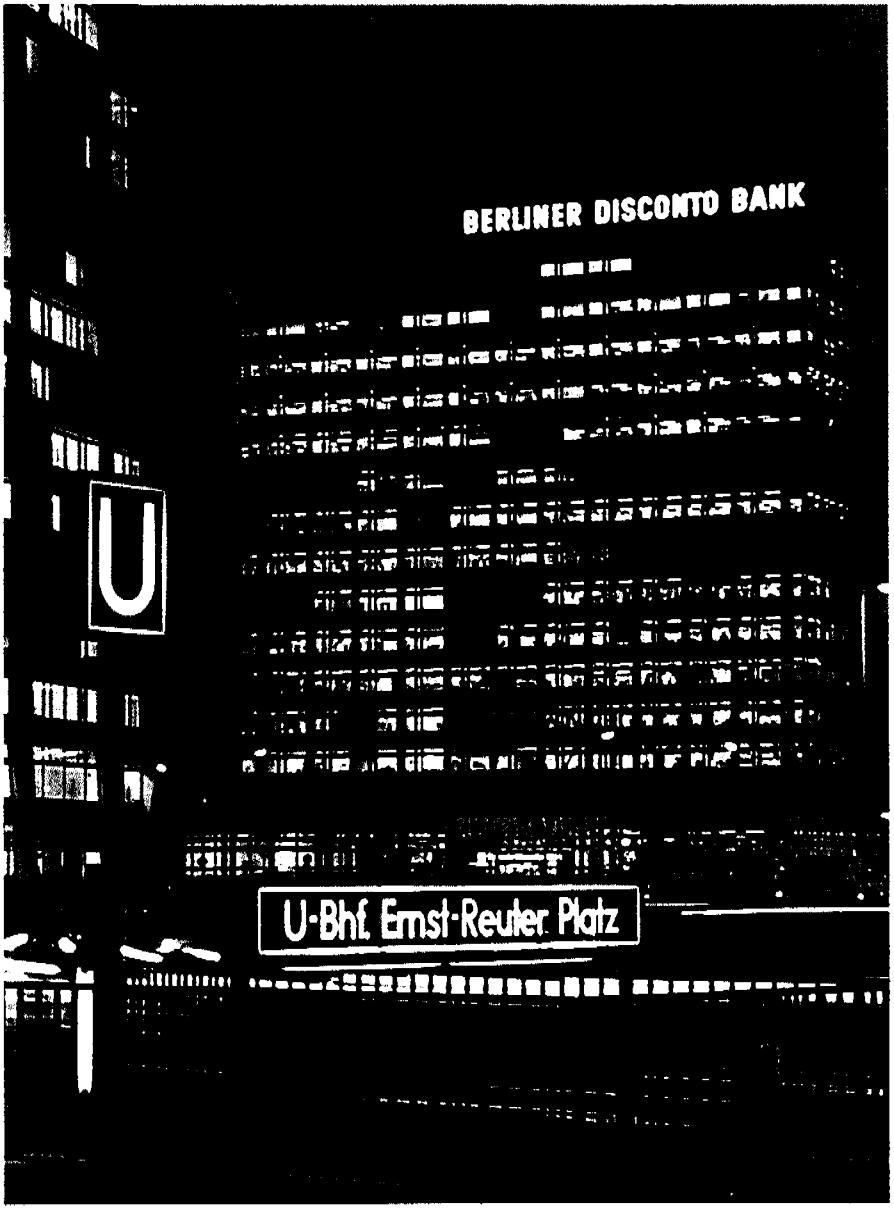

General Meeting in Berlin

Berlin, the city where our General Meeting is being held in May 1978, means more than just memories to Deutsche Bank. The bank was founded there in 1870. In Französische Strasse Georg Siemens had his office as first manager of Deutsche Bank. It was in Berlin that the bank grew in the course of 75 years to become the largest German bank. But since the end of the war the old name has no longer been used officially in Berlin. According to a decision by the Allies the three big banks may no longer transact business under their own names in the former capital of the Reich. So in Berlin Deutsche Bank's new logo stands alongside the name "Berliner Disconto Bank". This is a wholly-owned subsidiary of Deutsche Bank and like the latter it provides its customers in Berlin with a universal range of services.

On August 20, 1949 Berliner Disconto Bank was founded with a share capital of DM 500,000. Today its own funds are DM 255 m. When the bank opened for business in Potsdamer Strasse 131 on October 1, 1949 it had a staff of 17. At present it has about 1,800. The Central Office is located in a 16-storey, 60 m. high building on Ernst-Reuter-Platz (top picture). The first annual report showed a balance sheet total of DM 3.6 m. and savings deposits of no less than DM 21,169. By the end of 1977 the balance sheet total had risen to approx. DM 5 bn. Savings deposits accounted for almost one third of this. Berliner Disconto Bank now has 72 offices – the lower photos show the sub-branch at Tauentzienstrasse 1 – in all parts of West Berlin. That is 8 more than the number of deposit-taking branches Deutsche Bank formerly had in the whole of Berlin.

for the

Ordinary General Meeting

to be held on Thursday, May 18, 1978, 10 a.m.,
at the Kongresshalle Berlin, John-Foster-Dulles-Allee 10,
Berlin 21.

1.
Presentation of the established Statement of Accounts and the Reports of the Board of Managing Directors and the Supervisory Board for the 1977 financial year

Presentation of the Consolidated Statement of Accounts and the Report of the Group for the 1977 financial year

2.
Resolution on the appropriation of profits

3.
Ratification of the acts of management of the Board of Managing Directors for the 1977 financial year

4.
Ratification of the acts of management of the Supervisory Board for the 1977 financial year

5.
Election of the auditor for the 1978 financial year

6.
Alteration of the Articles of Association

7.
Election of the Supervisory Board

Honorary President

Hermann J. Abs, Frankfurt (Main)

Supervisory Board

Franz Heinrich Ulrich, Düsseldorf, *Chairman*

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

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

Jutta Binner, Berlin*
Berliner Disconto Bank AG

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

Dr. Helmut Fabricius, Weinheim (Bergstrasse)
Chairman of the Partners' Committee
of Freudenberg & Co.

Dr. Hans Feith, Frankfurt (Main)

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

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

Dr.-Ing. E. h. Heinz P. Kemper, Düsseldorf
Honorary President of VEBA AG

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

Josef Pfaff, Cologne*
Deutsche Bank AG

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

Konrad Reeb, Munich*
Deutsche Bank AG

Marion Schardt, Essen*
Deutsche Bank AG

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

Gisela Töffling, Hamburg*
Deutsche Bank AG

Dipl.-Kfm. Günter Vogelsang, Düsseldorf

Lothar Wacker, Cologne*
Deutsche Bank AG

Hannelore Winter, Düsseldorf
Housewife

Gerhard Zietsch, Mannheim*
Deutsche Bank AG

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* *elected by the staff*

Advisory Board

Otto Wolff von Amerongen, Cologne,
Chairman
Chairman of the Board of Managing Directors of Otto Wolff AG

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

Wilfrid Baumgartner, Paris (up to May 11, 1977)
Honorary President of Rhône-Poulenc S.A.

Rudolf von Bennigsen-Foerder, Düsseldorf
Chairman of the Board of Managing Directors of VEBA AG

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

Roger Fauroux, Neuilly-sur-Seine (from May 11, 1977)
President and Managing Director, Saint-Gobain Industries

Professor Dr. Dipl.-Chem. Herbert Grünewald, Leverkusen
Chairman of the Board of Managing Directors of BAYER AG

Dr.-Ing. Dr. rer. nat. h. c. Konrad Henkel, Düsseldorf
Partner and Chairman of the Management of Henkel KGaA

Dr.-Ing. Günther Klätte, Essen
Member of the Board of Managing Directors of Rheinisch-Westfälisches Elektrizitätswerk AG

Reinhard Mohn, Gütersloh
Chairman of the Board of Managing Directors of Bertelsmann AG

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

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

Professor Dr. rer. nat. Matthias Seefelder, Ludwigshafen (Rhein)
Chairman of the Board of Managing Directors 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

Wilfried Guth

Alfred Herrhausen

Eckart van Hooven

Andreas Kleffel

Hans Leibkutsch

Klaus Mertin

Hans-Otto Thierbach

Hilmar Kopper, Deputy (from January 25, 1977)

Herbert Zapp, Deputy (from January 25, 1977)

Assistant General Managers

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

Managers of the Central Office

Georg Behrendt
Dr. Helmut Bendig
Helmut von der Bey
Erich Bindert
Michael von Brentano
Dr. Rolf-Ernst Breuer
Ulrich Cutik
Robert Dörner
Helmut Eckermann
Dr. Klaus Gaertner
Dr. Peter Grasnick
Rudolf Habicht
Dr. Ulrich Hoppe
Eberhard Knorr
Gerhard Koenig
Paul Körtgen
Ernst Georg Kummer
Richard Lehmann
Klaus Leukert
Dr. Walter Lippens
Dr. Theo Loevenich
Hermann Marx
Dr. Hans Otto Mehl
Günter Meissner
Karl Miesel
Axel Osenberg
Dr. Hans-Joachim Panten
Karlheinz Pfeffer
Werner Römer
Hans Rosentalski
Wilhelm Schlaus,
Syndic
Dr. Hans Walter Schlöter
Dr. Ernst Schneider,
Syndic
Dr. Karl Schneiders
Dr. Werner Schwilling
Dr. Georg Siara
Günter Sonnenburg
Dr. Ernst Taubner
Dr. Franz-Josef Trouvain
Christian Vontz
Walther Weber
Dr. Olaf Wegner
Johann Wieland
Claus Wreth

Managers of the Regional Head Branches

Bielefeld
Ernst Cremer
Dr. Lothar Gruss
Ulrich Stucke
Lothar Zelz

Bremen
Dr. Roland Bellstedt
Peter Hartmann

Cologne
Dr. Walter Barkhausen
Dr. Franz von Bitter
Dr. Karl-Heinz Böhringer
Wilhelm Clemens
Karl-Heinz Fink
Dr. Wolfgang-Dieter Lange

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

Essen
Dr. Herbert F. Jacobs
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. Ulrich Weiss

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

Hanover
Wolfgang Büsselberg
Dr. Heyko Linnemann
Werner Rissmann
Dr. Dieter Wefers

Mainz
Dr. Jan Hiemsch
Dr. Hans Pütz

Mannheim
Karlheinz Albrecht
Dr. Michael Endres
Dr. Fritz Lamb
Karlheinz Reiter
Heinz G. Rothenbücher

Munich
Dr. Siegfried Gropper
Dr. Bernt W. Rohrer
Dr. Hans-Joachim Schniewind
Dr. Hans Sedlmayr

Stuttgart
Hellmut Ballé
Norbert Elsen
Dr. Nikolaus Kunkel
Paul Leichert

Wuppertal
Dr. Hans Hinrich Asmus
Dr. Walter A. Blum
Dr. Gerd Weber

A year of unfulfilled expectations

The development of economic activity in the Federal Republic of Germany in 1977 was disappointing. Even the dampened expectations with which the German business community had gone into the new year at the end of 1976 were not fulfilled. The real rise in national product, at 2.4%, was well below projected levels. Economic growth was thus considerably weaker than in the previous year.

At the beginning of 1977 still, cyclical upward forces caused a rise in demand and production. However, these impulses receded increasingly as the year progressed. A prolonged and very pronounced summmer slack period resulted in a stagnation in the growth of national product. Not until the final months of the year did business activity revive slightly, above all owing to increasing domestic demand. At the turn of the year, the mood of the German business community had improved somewhat, but prospects for the new year were assessed very cautiously, a major factor here being the decline in the dollar exchange rate which had taken place in the meantime. The slower growth of national product was not sufficient to bring the German economy closer to full employment. On the labour market, the number of jobless did not fall far short of the million mark, even in the seasonally favourable months. The unemployment ratio remained on average at 4.5% almost as high as in 1976.

Capacity utilization in industry rose slightly to begin with, but then fell to previous year levels. At close on 80% at the end of 1977, it was far below optimal utilization. This applies above all to the primary and producer goods sectors.

Inflation further reduced

It was again possible to curb the rate of inflation. This became particularly clear at the producer level, although there was again stronger pressure from the wage cost side. From May to December, industrial producer prices did not increase. At the consumer level, there was a slowdown in the rate at which inflation was falling. With an average rise in the cost of living of 3.9% (previous year 4.5%), the prices situation eased further in this sector too.

Exports – no longer the driving force behind economic activity

The projections for world trade in 1977 and for German exports proved to be far too optimistic. Overall, German exports increased by only 6.6% (in the previous year the figure had still been 16%). Foreign demand acted less and less as the driving force behind economic growth – above all in the second half of the year. The reasons for this development were the worldwide slackness in business activity and the stabilization programmes of important trade partners of the Federal Republic. Besides this, the continuous revaluation of the D-Mark probably took its toll on the competitiveness of German products. Nevertheless, the export surplus in 1977 increased by roughly 11.5% to DM 38.4 bn., because imports, at 5.8%, rose by even less than exports.

In the German balance of payments, the DM 3.9 bn. increase in the visible trade surplus was offset by a DM 4.2 bn. rise in the deficit on services and transfers. Thus, in overall terms, the surplus on current transactions again declined slightly.

Stimulus from private consumption

In the course of the year, private consumption acted more and more as a stimulus to demand. After mid-year, above all, consumers' propensity to purchase increased. It was helped by the funds released from maturing long-term savings agreements. An additional amount of roughly DM 7 bn. flowed from premium savings balances into consumption. Where larger purchases were concerned, consumers also made use in many cases of the consumer credits offered by the banks at favourable rates of interest. All in all, consumer spending increased more strongly again than disposable income.

Consumer interest continued to centre on motor vehicles, though purchasers also showed a greater preference for other consumer durables. High growth rates were recorded, for example, in the furniture business.

Public finances: another policy adjustment

At the beginning of 1977, consolidation was the declared target for public finances. The process of reducing the high deficits – begun in 1976 – was to be continued. The state was in fact able to make progress here relatively quickly. Its economy policy was underpinned by an unexpectedly rapid increase in tax revenues, stemming mainly from wages tax. This was the effect of a progressive tax scale and a continuous rise in incomes. Corporation Tax also generated higher revenues as a result of companies' improved profit situation in 1976. In 1977, the growth rate of state consumption, at 5.6%, remained below that of national product (6.2%). Public investments were even slightly lower than preceding year levels and thus were again primarily affected by the policy of spending restraint.

As the slowdown in business activity continued, however, the public authorities saw themselves compelled to give economic policy objectives priority again over financial policy requirements. The adjustment was made in autumn. However, the opportunity to take measures quickly and massively under the Stability Act to revive private investment activity above all was missed. In the parliamentary discussion, the economic policy objectives were displaced in part by distribution policy considerations. The result was a number of legislative measures with benefits intended for a variety of groups but, by virtue of this, in danger of not having the expected stimulative effect on business activity.

In the social insurance field, it was partially owing to low economic growth and the persistently high unemployment that relatively optimistic predictions with regard to a solution of the financing problems in the pension insurance area proved to be unrealistic. "Gentle" treatment will not suffice to put social insurance back on a healthy financial footing. More incisive measures will prove necessary in the future.

Revival in private investment interrupted

In 1976, private investment had recovered markedly with the improved profit situation in the corporate sector. In 1977, this process did not continue to the desired extent. In the first half-year, investments increased at a significantly higher pace than national product. In the second half, however, this impetus was lost.

A major factor behind this development was the renewed deterioration in companies' profits. The adjustment to incomes policy, which had taken place in 1976 in favour of profits after a period of years in which the wage ratio had risen steadily, proved to be only a short-lived breathing space. Wages and salaries (+7.0%) once again increased more strongly than national income (+5.9%). With productivity rising by only 3%, this led to an increase in unit labour costs. Since there was only a small rise in producer prices, companies' profits fell. The excessive wage increases, based on over-optimistic projections and not justified by actual developments, impaired investment activity and thus the creation of new jobs. In addition, citizens' actions for environmental protection, against nuclear power stations, etc., held up sizeable investment projects by interventions of all kinds. Finally, administrative obstacles – the consequence of legislative and administrative perfectionism – were partly to blame for an investment backlog estimated at about DM 25 bn.

More growth needed to reduce unemployment

With respect to the four major objectives of economic policy, the Federal Republic made further progress in 1977 in price stability and balance of payments equilibrium. On the other hand, developments in the fields of growth and employment remained unsatisfactory. The slowdown in business activity in the course of the year showed in all clarity that self-supporting forces were unable to develop in the German economy under the existing conditions. Additional impulses had to come from the public sector to counter the threat of stagnation.

Though the limited growth is confirmation that the Federal Republic can no longer expect the high growth rates of past years, many problems in our economy cannot be solved if the growth rate is too low: above all, unemployment cannot be effectively reduced. That was shown by experiences in 1977. Only real growth in national product in the order of 4 to 5% could bring us closer again to full employment of our labour force and full utilization of our industrial capacities.

A solution to structural problems through market economy methods

Government and parliament have passed a number of measures to stimulate business activity. They are intended to boost economic demand by roughly DM 25 bn. Thus the scope for fiscal policy is probably exhaust-

Credit, financial and economic policy survey

1977

1.1 Corporation Tax reform takes effect. Tobacco duty increased by 18%, spirits duty by 20%.

26.1. Federal budget for 1977 (draft) and finance plan for 1976–1980 approved by Federal Government.

27.1. Annual economic report submitted.

3.2 With effect from 1.3, Bundesbank changes method of calculating minimum reserves. Reserve requirement thereby lowered by about DM 1 bn.

3.3 Rediscount quotas increased by DM 2.5 bn. with effect from 4.3.

9.3. Bundesbank purchases trade-bills with repurchase agreement after 20 days or (from 13.4) after 10 days on the open market (interest rate 4%).

23.3 "Programme for investments for the future", lasting several years, agreed by the Federal Government – volume DM 16 bn., of which DM 3.5 bn. are to be applied in 1977. At the same time, fiscal programme – Tax Amendment Act 1977 – approved: increase of VAT from 1.1.78 to 13% and 6.5% as well as tax relief measures and improvements to child allowance.

1.4 Exchange rates of Scandinavian currencies in European Currency Association adjusted by devaluation of Swedish krona by 6%, Danish and Norwegian krone by 3% with effect from 4.4.77.

28.4 Five economic research institutes publish joint diagnosis (spring report): estimated real growth in 1977: 4.5%, minority (Ifo, RWI) expects 3 to 4%. Federal Government publishes report on experiences with voluntary redemption of low-interest-bearing bonds by issuing institutions. Institutions prematurely redeemed low-interest-bearing bonds with nominal value of DM 840 m. from 1974 to 1976.

18.5 With effect from 1.6, minimum reserves reduced by 5%; DM 2.3 bn. of central bank money thereby released. Rediscount quotas raised by DM 2.5 bn. with effect from 1.6.

27.5 Act concerning tax allowances on construction or purchase of certain types of residential building passed by Bundestag (Lower House).

16.6 Bundestag adopts Tax Amendment Act 1977; Bundesrat (Upper House) approval on 15.7. Main points take effect on 1.1.78.

24.6 Federal Budget for 1977 approved by Bundestag: expenditure DM 171.3 bn. (+6%), net borrowing requirement DM 20.7 bn.

1.7 Customs tariffs between original EC members and new member countries (United Kingdom, Denmark, Ireland) abolished with the exception of certain agricultural tariffs. Between EC and EFTA states, tariffs on industrial goods – with certain exceptions – abolished, in so far as original goods.

5.7. "Concerted action" for the first time without representatives of the German Trade Unions' Federation.

14.7 Act concerning tax allowances on construction or purchase of certain residential buildings extends tax allowance under § 7b Income Tax Act and exemption from land transfer duty to existing dwellings.

15.7 Lombard rate reduced from 4½% to 4%.

25.8. Rediscount quotas increased by DM 2 bn. with effect from 26.8. – Minimum reserve ratios reduced by 10% with effect from 1.9. As a result of these two measures, banks' liquidity increased by roughly DM 6.5 bn.

28.8 Sweden leaves European Currency Association (snake) and links skr to a basket of important currencies, at the same time devaluing by up to 10%. Norway and Denmark devalue their buying and selling rates for interventions by 5%, but remain in the snake.

14.9 Federal Government takes decisions on the promotion of economic growth and employment, also on the Federal budget for 1978 (draft) and finance plan up to 1981. Draft budget: expenditure +10.1%, financing deficit roughly DM 28 bn.; tax relief: strengthening of mass purchasing power by DM 5.7 bn.; improvement of depreciation possibilities: promotion of private investments, tax relief roughly DM 1.5 bn.; investment bonuses: improvement of research and development; grants for investments in residential buildings aimed at energy conservation: volume about DM 4.35 bn. for 1978–1981. Also measures relating to state-assisted home-building, Bundespost, self-employed persons, employment and social insurance.

30.9 Cash deposit obligation for certain foreign liabilities finally abolished.

4–6.10 Presentation and first reading of draft budget for 1978; expenditure DM 188.6 bn. (+10.1%).

24.10 Five economic research institutes publish their joint diagnosis (autumn report): estimated growth of real national product in 1977 and 1978 3% in each case.

4.11 Bundesrat approves the Act concerning tax relief and investment promotion, adopted by the Bundestag on 27.10, which is intended to help revive growth and reduce unemployment. Measures include: improvement and in part re-introduction of reducing-balance depreciation, increase of Christmas allowance, raising of personal allowance, introduction of a tariff equalization amount.

22.11 Council of Economic Experts for the Assessment of Overall Economic Trends submits annual report for 1977/78: growth in real national product in 1977 estimated at 2½%, in 1978 at 3½%.

15.12. With effect from 16.12, Bundesbank reduces discount rate from 3½% to 3% and Lombard rate from 4% to 3½%. Minimum reserve ratios for liabilities to non-residents increased with effect from 1.1.78 as follows: sight liabilities to 20%, time liabilities to 15%, savings deposits to 10%. – As from the same date, additional minimum reserve of 80% imposed on growth in a bank's liabilities to non-residents (hence 100% together for balance and growth). Bundesbank also decides not to give permission (as hitherto) for purchase of domestic securities with life of more than 2 and up to 4 years by non-residents. Announcement of money supply target for 1978: Bundesbank intends to pursue monetary policy such that central bank money stock will grow at a rate at which, on average, it will be about 8% higher in 1978 than in 1977.

1978

19.1 Bundesbank decides on following technical measures: witheffect from 1.3.78, banks can set off their domestic legal tender against minimum reserve, at the same time forfeiting their "Nebenplatz" privilege. To balance out the reduction in reserve obligations resulting from this new regulation, minimum reserve ratios on liabilities to residents are increased by 8%. – For banks whose reserve requirement for liabilities to residents increases by more than 5% as a result of this new regulation, a transitional regulation is foreseen.

11.2 Norwegian krone devalued by 8%. Despite devaluation, Norway remains in European Currency Association.

17.2 Bundesrat approves Federal budget for 1978 of DM 188.6 bn.; net borrowing requirement almost DM 31 bn.

ed for the time being. An increase in expenditure would again intensify inflationary pressures and further delay the consolidation of the budgets. To begin with, one should wait and see how effective the various programmes to stimulate economic activity will be.

It is a good thing that the Government has so far rejected all "static" conceptions that amount to a redistribution of available jobs. Most of these plans would entail an additional cost burden for the economy and that in a situation in which the reduction of costs is imperative. The redistribution of jobs would thus, in practice, be linked with a loss of jobs.

Over and above the cyclical difficulties, our economy is confronted with structural problems that have accumulated over the last few years and have grown more acute. Structural changes have taken place in the foreign trade and payments field as a result of the continuous revaluation of the D-Mark since 1969, the rise in crude oil prices and the competitive pressure from countries with low wage levels. On the domestic economy front, the growing demands for environmental protection and production methods less harmful to the environment have confronted companies with new tasks involving steadily increasing cost burdens.

An experience repeated time and again since the currency reform applies to most structural difficulties, namely that they can be most rapidly solved with market economy methods. Through measures that accord with market principles, the state can underpin necessary processes of change; but it should avoid everything that restricts the flexibility of market participants or attempts to replace it by state planning. The "necessary supplements to the market system", called for in many cases, would probably tend to hold back growth rather than help reduce unemployment.

The most important structural change during the last decade has been the development of the Federal Republic into a "top wage" country with a perfectionistically constructed "social security net". Ancillary staff costs in industry today amount on average to more than 60% of wages as such. These changes have made steadily growing demands on national product. They have been accompanied by growing threats to jobs. The more expensive the factor of production labour became – relative to the factor capital also – the more were companies compelled to cut back on labour through rationalization and speed up the process of mechanization and automation in which labour is replaced by capital. The pace of social progress must be adapted in future to what the economy can bear.

Greater mobility required on the labour market

In conditions of persistently high unemployment, the qualitative imbalance between the abilities and wishes of the unemployed and companies' labour requirements increased further in 1977. The labour market proved more and more to be a market split up by occupation and region, in which, at one and the same time, labour was scarce and in over-supply. In many occupations, such as mining and construction, but also in catering, there have been vacancies for some time now, without any prospective candidates. Strongly marked also is the regional differentiation in the supply of jobs between structurally weak areas and established conurbations. So far, however, a thorough and reliable analysis of the actual supply of labour and jobs has not been carried out. Such a study would make for a more precise discussion of the unemployment problem.

A particularly high proportion of the unemployed has not completed a course of vocational training or has little specialized ability. Here, only further occupational training or re-training can help.

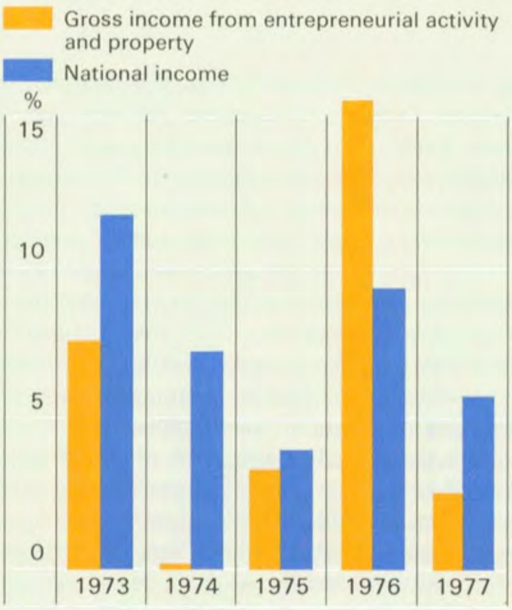
Poor mobility is proving to be a major impediment to a better regional balance in the labour market. In many cases, there is little readiness to accept a job offer if it entails a change of location. The Federal Government has already helped, by means of mobility grants, to considerably ease the financial burden of relocation. Making it easier for people to purchase their own homes could create additional incentives to change location and help to overcome the immobility which is intensified by adherence to existing residential structures.

Wage policy must be reoriented

During the last few years, the formula for calculating the minimum acceptable wage increase has been: probable productivity growth plus expected inflation. In the phase of rising inflation, which is now behind us, it was one of the reasons why the price increases assumed in the calculations were not avoided but actually realized. Furthermore, it also led to a steady shift in the distribution ratios from the beginning of the 70's – with the ex-

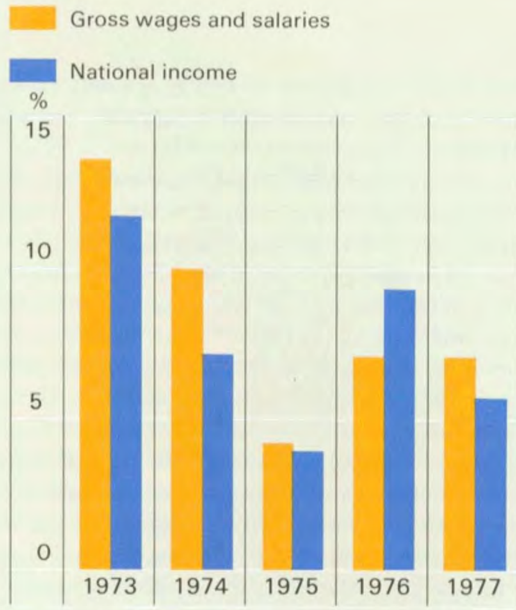
Profits

Annual growth rate in %



Wages and salaries

Annual growth rate in %

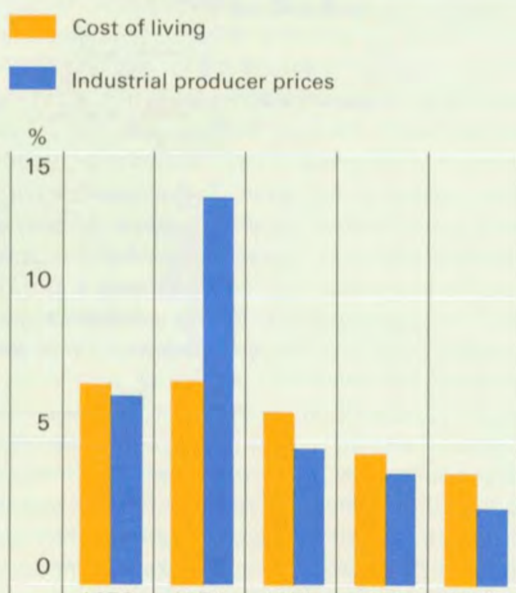


Wage costs and productivity

Annual growth rate in %

Prices

Annual growth rate in %



ception of 1976 – in favour of the wage ratio, with income from entrepreneurial activity lagging behind the general growth in national income. Parallel with the rise in the wage ratio from 68% to 72%, real gross investments fell in total and the unemployment ratio rose over this period from 0.7% to 4.8%. This parallel development is not a statistical coincidence but proves, on the contrary, that there is a close link between wage trends and employment.

The perception that, in the medium term, only limited growth in national income is to be expected must now be reflected in wage policy too. The scope for wage increases has become very small in the Federal Republic as well, because German wage levels – including ancillary costs – are today amongst the highest in the world. Further wage rises in excess of productivity gains would directly impair our international competitiveness – particularly with the D-Mark continuously appreciating. Such wage increases lead to rising export prices or reduce profits and thus investments.

Wage policy will thus play the key role in the future development of business activity. A fundamental reorientation is necessary. Wage policy must again be closely geared to productivity growth. It is reasonably certain that less in terms of wage rises would mean more in terms of growth and jobs.

Only recovery in investment will secure sufficient growth

All discussions about how unemployment can be combatted and the slack state of business activity overcome lead ultimately to the realization that investments have decisive importance for future growth and thus for an increased supply of jobs. At the same time, investment expenditures are a major determinant of overall demand.

The main precondition for a lasting recovery in private investment activity is sufficient profits that also include an appropriate risk premium. Over the last decade, investment risks have increased considerably for a variety of reasons – above all owing to the abovementioned shift in important structural components. However, growing risks could only have been covered by better profit opprtunities. In reality, investment activity was caught between rising costs and increasing risks on the one hand and deteriorating profit opportunities on the other. In the 70's, the share of gross capital investments in national product fell from 25.6% to 20.8%. In 1977, these investments, in real terms, were only slightly above their 1970 level. For a long time, the public authorities reacted partly incorrectly, partly insufficiently to this development. Not until very recently did the state go some way towards meeting investment requirements by introducing certain tax relief measures, e.g. higher depreciation rates.

It has often been stressed that, over the last few years, the general public has again come to appreciate the functions of profits in the economy. The ideologically coloured, negative interpretation of the word "profit" has received less and less emphasis. However, there is still only limited readiness to translate the verbal acknowledgement of profits and their importance into practical terms. This can be seen, for example, when the purchasing power effect of wage increases is overemphasized in wage discussions and their cost effect neglected. A genuine change in the attitude to profit and its functions would be an important precondition for a lasting improvement in the investment climate in our country.

In 1978, the Federal Government's comprehensive programme to stimulate economic activity will take effect. It will only achieve lasting success if it is able to revive investment. The preconditions for this include a determined effort on the part of the state to reduce excessive legal and administrative obstacles to investment. Both a quicker processing and issuance of permits as well as a restriction of the, at present, almost unlimited possibilities for administrative court actions are urgently required. The "ballast" that could perhaps be carried along in this area in times of strong economic activity should now, in a period of slack business activity, be jettisoned. This does not mean that sensible objectives, such as environmental protection, should be renounced.

Stimulate construction sector by improved financing for home purchases

The German construction industry is one of the business sectors which were excessively inflated up to 1972, with inflation mentality becoming more and more widespread, by the search for real assets as an investment. The decline in this area was all the more severe as the fight for price stability achieved the desired success. With the swing in the opposite direction came a crisis in the construction industry in which about 3,000 companies collapsed. Roughly 400,000 employees lost their jobs. The danger then arose that capacities in the construction industry would be cut back much more strongly than necessary in the light of probable medium-term demand.

Since 1976, the demand for residential building work has increased again, above all because the interest in own homes has grown and construction financing has become considerably cheaper as a result of falling interest rates. Measured against conditions in other industrial nations, however, the ratio of home owners to total population in the Federal Republic, at about 40%, is still relatively low. On the other hand, 80% of the population have a strong desire to live in their own four walls. There is considerable potential demand here that could be realized in the market by a joint programme of the public authorities and the banking industry.

Up to now, the disproportionate rise in the cost, above all, of building land, but also of construction work, has often caused prospective buyers in the lower and also medium income brackets to shelve their construction plans. In spite of increasing monetary wealth formation on the part of private households, the own capital amount required under the financing methods usual today is often not available and – particularly in the case of young families – cannot be saved because, at the same time, high rental payments have to be made. In addition, the relatively high initial burden of a credit financing – in terms of income – has proved to be a major hurdle.

Both obstacles could be surmounted if the banking industry could offer improved financing, extending beyond the 80% usual at present to cover total acquisition costs. Here, the borrower's initial burden should be kept as low as possible. The precondition for such a service on the part of the institutions engaged in construction financing would be a public sector guarantee for that part of the financing replacing the own capital portion, which could thus be raised both at favourable interest rates and at rates fixed in the long term. An initial burden lower than interest costs could be achieved by incorporating in the joint programme the "interest and redemption loans" granted by the public authorities. A not insignificant effect of this extension of public sector promotion measures beyond capital and annuity assistance to include the provision of guarantees would be to ease the liquidity pressure on the public budgets. This financing programme should be supplemented by a number of other state measures, particularly with regard to the acquisition of building land.

The realization of these suggestions would contribute to an effective promotion of home building, and thus to a stimulation of business activity, and also to private wealth formation. 100,000 additional dwellings per year would secure about 200,000 jobs in the building industry. In addition, there would be a considerable boost to sub-contractor companies and suppliers of furniture and fittings. From the point of view of capital formation policy, a rising proportion of own homes would be especially desirable because it would spread out wealth formation and help to stabilize our economic and social order.

Bundesbank supported falling trend in interest rates

In December 1976, the Deutsche Bundesbank – as in the previous year – had resolved to allow annual average growth of 8% in the central bank money stock during 1977, compared with the annual average in 1976. This target was based on projected growth of 5% in real national product, with a further reduction in the rate of inflation. When it became apparent later on that such a high rate of growth in national product could not be achieved, the Bundesbank saw no reason to "tighten the monetary belt". It did not consider the danger of a strong rise in prices to be acute.

Nor did the acceleration in monetary expansion, which set in from about mid-year – due, amongst other things, to funds released from premium-carrying savings agreements – cause the central bank to alter its money stock target. In view of the slack state of business activity, it did not consider restrictive measures to be appropriate. At the end of the year, the money stock growth target set for 1977 had again been exceeded.

Through its monetary policy, the central bank helped to allow autonomous market forces to influence interest rates. With continued weak demand for credit, the falling trend in interest rates – apparent for some time already – became more pronounced. At the end of the year, both short and long-term interest levels in the Federal Republic were as low as at the beginning of the 60's. By reducing the discount rate – unchanged for more than two years – from 3.5% to 3% on December 16, 1977, the Bundesbank again made a conscious effort to underpin the declining interest rate process. It reacted here primarily to the fall in the US-dollar and the connected appreciation of the D-Mark.

Saving ratio declined again

The private propensity to save weakened again markedly in 1977, above all in the second half of the year. This reflected the spending of some previously blocked, premium-carrying savings deposits on consumption. For the year as a whole, the saving ratio fell from a good 15% to 14.5%.

The structure of investments changed again considerably. Only about 20% of private savings went into savings accounts. In the previous year, almost 30% and in 1975 more than half had gone into this type of account. Increased investment in savings certificates and fixed-interest securities corresponded to the desire for a higher return.

Demand for credit remained dull

In 1977, advances to domestic customers grew less strongly, at +9%, than in 1976 (+11%). The main reason for this was that growth in lendings to the public sector declined considerably. In contrast to the year before, they were no higher, at +9%, than growth in advances to domestic companies and private individuals.

Companies did not increase their borrowing by more than in the previous year, although their credit requirements expanded owing to their greater investment spending. The manufacturing sector cut back its credit drastically at the beginning of the year, showing no increase on the end-1976 position until the last quarter. Almost all other business sectors, such as construction, trade, agriculture and forestry, had already exceeded their end-1976 credit volume by the first quarter.

Private households again exhibited strong demand for consumer credits on favourable conditions. The volume of advances to employed private persons topped the 100 billion mark – reached towards the end of the preceding year – by 22%.

A good stock market year

1977 was a good year for share-owners. At 103.9 at the end of the year, the official share price index (29.12.72 = 100) was 7.4% up on the corresponding level in the previous year (96.7).

At the beginning of the year, the slight upturn in share prices continued initially, with strongish fluctuations, but was then displaced by price losses. Thus, the year's low (10.3) and current peak (3.5) were recorded within a relatively short space of time. A longer consolidation phase then followed. The absolute peak for the year was noted on November 17. It was a good 10% up on the end-1976 position. In December, part of the rise was lost again.

On the whole, the overall performance of the stock market was pleasing, although cyclical developments justified a rather more sceptical assessment of price prospects and hopes of an improvement in companies' profits were not fulfilled.

Positive impulses came from monetary factors – plentiful liquidity combined with the falling trend in interest rates. Owing to the slide in capital market rates, the differences in yield between bonds and shares largely contracted. Additional stimulus came from the corporation tax reform which had come into force. As a result of this reform, the dividend yield on shares will probably be raised by about one quarter. From the point of view of yield, investment in shares – with a simultaneous decline in the earnings from alternative investments – became more interesting.

**Corporation tax reform:
eliminate the disadvantage to foreign shareholders**

With the passing of the corporation tax reform in 1976, the double taxation of distributed profits was eliminated by the allowance of the corporation tax payable by the company against the shareholder's personal income tax liability. First to be affected were business years ending with 1977. By the end of December 1977, the 457 dividends declared for all quoted ordinary shares included 43 dividends in accordance with the new corporation tax law. For all shares, the average dividend was DM 15.28, including tax credit, and DM 13.87, excluding tax credit (end of December 1976: DM 12.77).

The corporation tax reform's first benefits to shareholders are reflected in this difference. In 1978, residents will feel the full benefit of the tax credit system.

It is thus becoming more and more urgent to find solutions whereby the discrimination of non-resident shareholders can be avoided. In contrast to residents with unlimited income tax liability, non-residents cannot apply the tax credit. For them, the dividend yield on German shares will diminish in all those cases where companies reduce their cash dividends owing to the higher tax burden from the corporation tax reform. This can be expected from the majority of companies.

The disadvantage to non-resident shareholders could be avoided by bilateral agreements with foreign countries. Negotiations on the relevant provisions in double taxation conventions are difficult, but, for the sake of preserving an efficient and liberal German capital market, the present efforts to find solutions at the international level should be stepped up and, where feasible, other possibilities developed as well. This renewed appeal to the Federal Government is made not least because 14% of all German shares in circulation are owned by foreign private shareholders or foreign companies. In the case of Deutsche Bank, no less than 20% of the company's capital is held by investors in about 100 countries.

Bond market: fall in interest rates with high turnover

In 1977, the bond market again displayed great efficiency. With net sales of fixed-interest securities of domestic issuers totalling DM 50.5 bn., the previous record achieved in 1975 was surpassed. Gross sales were DM 80.5 bn. In addition, foreign borrowers also made greater use of the German capital market. Sales of bonds of foreign issuers rose from roughly DM 8 bn. to about DM 11 bn.

This good sales performance was achieved under conditions of falling interest rates. Average yield fell in 1977 by more than one percentage point and thus more strongly than in the preceding year. Current yield, 6% at the end of 1977, reached the average level of 1962.

The principal borrower on the capital market, with a share of more than three quarters, was again the public sector. A substantial rise – in absolute and percentage terms – was recorded by mortgage bonds with the second largest net sales figure since the currency reform. Industry's recourse to the capital market remained low.

Amongst the purchasers of bonds, credit institutions moved into first place again. They purchased more than half of net sales volume. The share of domestic non-banks declined substantially from more than two thirds to roughly 41%. On balance, residents bought fixed-interest securities on a smaller scale only, after their purchases had totalled a good DM 3 bn. in the previous year.

Domestic issuers' fixed-interest securities in circulation passed the 400 billion mark in August. Thus, for the first time, the current volume of the bond market in the Federal Republic approached the total volume of savings deposits.

Record year for investment saving

In 1977, the very good sales performance of German investment companies in the preceding year was exceeded by almost 70%. At DM 7.6 bn., funds invested were DM 3 bn. up on 1976. Most of them – DM 6.3 bn. – went into bond funds. The assets of these funds rose by more than 76% to DM 14.9 bn., with a higher volume of certificates in circulation (+82%). Thus, for the first time, they overtook the assets of share-based funds at DM 11.2 bn. The assets of open-end property funds grew by a good 11% to DM 3.3 bn.

Peak results on the Eurocapital market

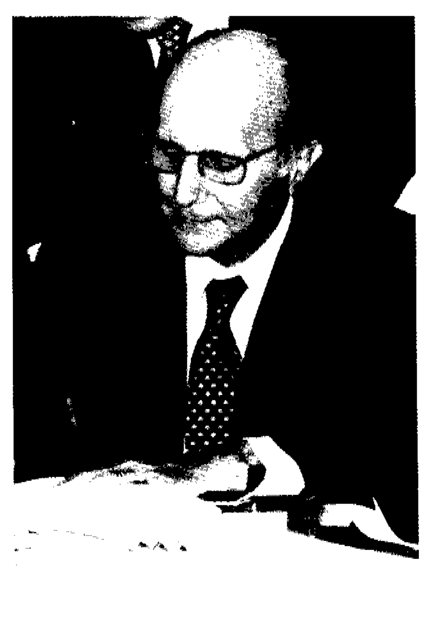
Every year since 1975, issuing activity on the Eurocapital market has set new and hitherto more or less unexpected records. In 1977, with a new issue volume of more than US$ 22 bn., the preceding year's all-time record performance was exceeded by almost a quarter. However, the extremely brisk issuing activity – particularly in the first half of the year – was dampened in the final months by the persistent Dollar weakness.

There was strong interest in foreign DM bonds. At DM 12.75 bn., the volume of these bond issues doubled; their market share rose from 20% to 25%. Of course, it had already been 30% in 1975. The falling interest rate trend in the Federal Republic had a positive effect. The

Meeting point Deutsche Bank

Its international activities have made Deutsche Bank a meeting point for leading political and business personalities from all over the world. International guests not only expect advice and assistance in financing and investment problems, they also want to be informed about the latest developments.

Our pictures (clockwise from the top) show Hazim Hasić, President of Privredna Banka Sarajevo, Joseph N. Garba, Nigeria's Commissioner for External Affairs, Dr. Pietro Sette, President of ENI, signing a loan agreement, Chang Tung, Ambassador of the People's Republic of China, in conversation with Members of the Board of Managing Directors, and Dr. Martínez de Hoz, Argentina's Economics Minister.



firmness of the German currency also enlivened demand.

In the course of the year, the volume of new dollar issues fell from quarter to quarter, particularly in the final quarter. Consequently, the share of dollar bond issues in the market as a whole declined. On average for the full year, however, it was still slightly over 50%.

The Japanese yen, a new currency in the bond issue field, played a more important role. Following the stabilization of the Pound Sterling, this currency returned to the group of issue currencies. So far, however, Yen and Pound Sterling, like bond issues in various Arab currencies, have only made a limited contribution to total market volume.

The high productiveness of the Eurocapital market in 1977 is also reflected in the fact that, on average, the nominal amounts of bond issues floated rose markedly. Every fourth issue had a volume of between US$ 100 and 150 m. And even large bond issues of US$ 250 m. or over were more than just the exception.

Strong growth in lendings on the Eurocredit market

In 1977, the Euromoney and Eurocredit markets contributed to a growing extent to covering worldwide financing requirements. Again, there was a large inflow of funds into the market – with longer maturities too. By the end of December 1977, the volume of the Euromarkets (including the so-called "offshore" centres) had risen by roughly 20% to US$ 370 bn. Interbank claims and liabilities are not included in this figure. The European financial centres probably accounted once again for a good three quarters of this.

The ample liquidity on the Euromarket was furthered by the slowdown in world economic growth and the weak propensity to invest in the industrial countries. The main sources of the inflowing funds proved to be the OPEC states, with persistent export surpluses, and the industrial nations with high domestic liquidity, above all the U.S.A. and some West European countries.

Demand for funds at longer terms continued to be strong. The high liquidity of the market suited borrowers' desire for longer maturities. Though the majority of lendings continued to be in the 5 to 7-year range, there was an unmistakable increase in the importance of credits with longer maturities.

As a result of the tough competition for first-class borrowers between the banks active in these markets, conditions were frequently stretched to the limits.

In the statistics for borrowers on the Euromarkets, the 32% share of non-oil exporting developing countries was markedly lower than in the previous year (38%). The share of the state-trading nations too (7%) declined, compared with 1976 (9%). On the other hand, the OPEC countries' share in total lendings increased from 12% to 18%. Most of the credits (42%) went to the industrial countries (1976: 39%).

World business activity – weak tendencies again

In 1977, after the brief recovery phase in the preceding year, world economic activity slackened off again markedly. In most industrial countries, growth targets were not achieved. Production – contrary to expectations at the London economic summit in May – did not expand steadily during the year. In fact, the cyclical upward movement began to flag in the summer, in several countries there was even a decline. Not until the closing months of the year, were there again signs, in some countries, of more positive tendencies.

The cyclical upward forces slackened off most markedly in West Europe. Here, the 4.2% real growth in national product in 1976 fell to 2% in 1977, a decline of more than 50%. It was not possible to reduce the high unemployment. The unemployment ratio in West Europe rose from 4.3% to 5.1%.

The reasons for the disappointing development of business activity lay almost everywhere in a weak propensity to invest on the part of companies. Even in the countries that had already switched to a more expansionary economic course in 1976, unsatisfactory capacity utilization, persistent cost pressure and inadequate profits proved to be obstacles of too great a magnitude to permit a lasting recovery in investment. In addition, there was also, in many cases, a deep-rooted lack of confidence on the part of companies in future political and economic developments. A number of countries, such as France, the United Kingdom and Denmark, also found themselves compelled by high inflation rates and considerable balance of payments problems to continue initially in 1977 with the restrictive course pursued since the first half of 1976.

To the extent that it was possible to reduce the balance of payments deficits and curb inflation, the basis for switching to a more expansive course improved. First of all, the monetary restrictions were relaxed increasingly in some countries. Some governments also decided to implement special programmes to stimulate business activity and tried to promote investment by financial policy measures.

At the end of 1977, the basic economic policy trend in most countries of West Europe was to combat unemployment and promote growth. There was agreement that progress on the stability front – in most cases achieved only at the cost of sacrifices – should not be jeopardized by excessively strong measures to promote growth. In the long run, inflation cannot create new jobs; on the contrary, it endangers existing jobs. This insight has largely prevailed and is the counterweight to a massive global expansion of demand. For this reason, most European governments only agree to "non-inflationary" cyclical programmes. Any overstepping of the limits here would soon necessitate another policy of restriction and lead to a "stop-go" policy with ever decreasing intervals.

With an increase of 5% in real national product, Japan achieved a high growth rate on an international comparison. However, measured in terms of growth in earlier Japanese business cycles, it is relatively low. It was achieved above all by stepping up deliveries to foreign customers. Private investments remained considerably lower than usual.

In the U.S.A., on the other hand, strong stimulus for production and employment emanated in particular from the brisk investment activity. At the same time, demand for passenger cars and the private home construction sector turned out to be supports for economic activity. Real growth in national product, at 5%, was not far short of the preceding year's performance. However, inflation gathered pace again. The central problem – caused in particular by the greater expenditure on crude oil imports – proved to be the foreign trade deficit and the related weakness of the US-dollar.

Questionable "locomotive" theory

The weak state of world economic activity and the clear margin by which the German economy failed to achieve original growth expectations has led to criticism of our country for not having done enough to revive its own and world business activity. Certain important facts are overlooked here: since 1974, the Federal Republic has drastically reduced its surplus on current account. In the basic balance for 1977, it showed a deficit of DM 4.2 bn. – resulting from an increase in net capital exports to more than DM 12 bn. The Deutsche Bundesbank has pursued a monetary policy which has brought interest rates down to their lowest level for 15 years. The Federal Government accepted budget deficits which, compared with national product, were markedly higher than those of comparable countries.

The much-quoted "locomotive" theory overestimates the manageability of economic activity. It overlooks the structural difficulties of the German economy and the consequent reduction in the overall scope for growth, as well as the limited possibilities to correct this state of affairs in the short term by economic policy measures. The – in the recent past, excessive – revaluation of the D-Mark is acting as an additional brake on the upswing. Finally, the quantitative effects of an acceleration of growth in the Federal Republic on the world economy are also overestimated. Even for such close trade partners as France and Italy, for example, the gains in business activity to be expected from further stimulative measures in Germany would be small. At any rate, they would not be in any reasonable proportion to the monetary dangers involved for the Federal Republic.

It is certainly true that surplus countries have a special responsibility for world business activity. But it would be wrong to take a one-sided view of this responsibility and see it only in the promotion of expansion; it is equally right to see it as the preservation of monetary stability. Stimulative measures are therefore only appropriate in the surplus countries as long and in so far as they do not contribute to a renewed increase in inflation.

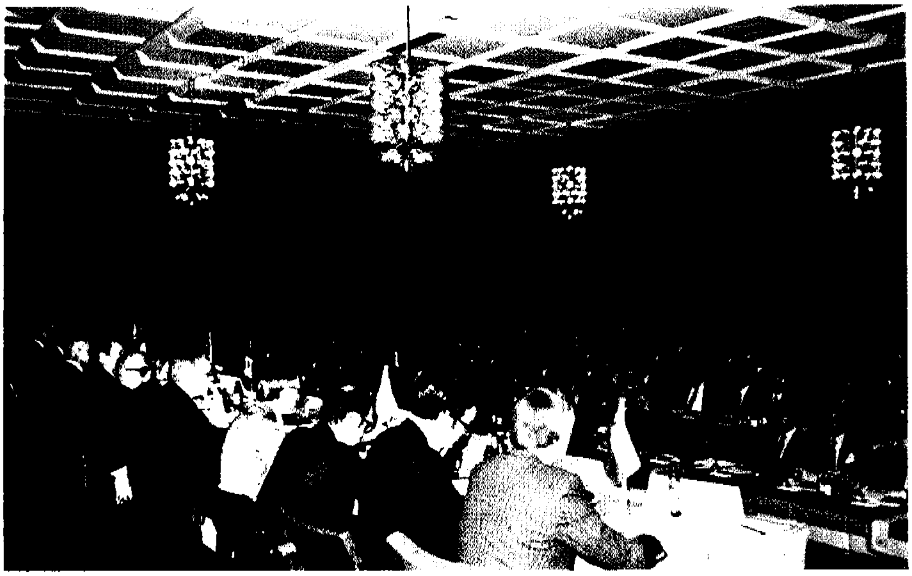
This attitude does not stem from excessive sensitivity to a falling value of money. It is rooted primarily in the perception that – particularly under present-day conditions – inflation does not solve problems but only creates new ones.

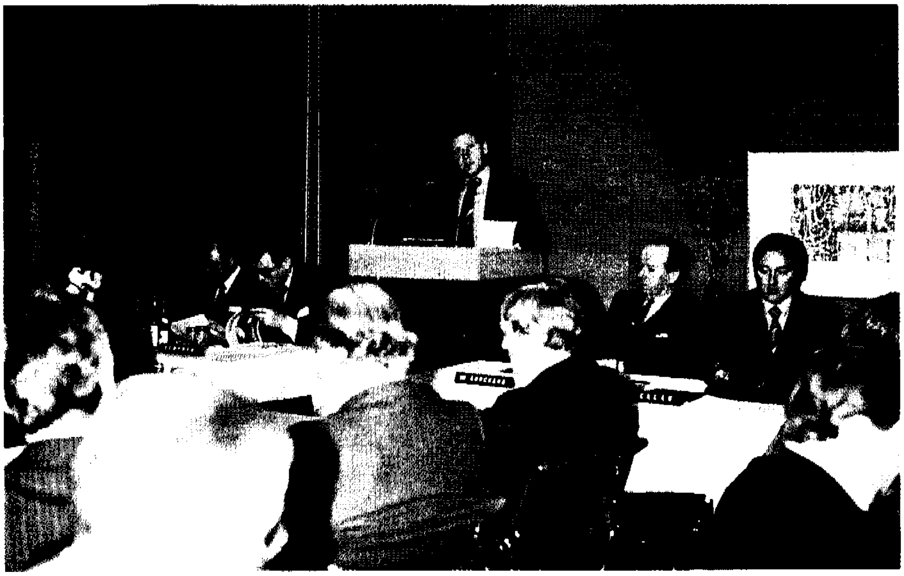
Strong changes in the balance of payments situation

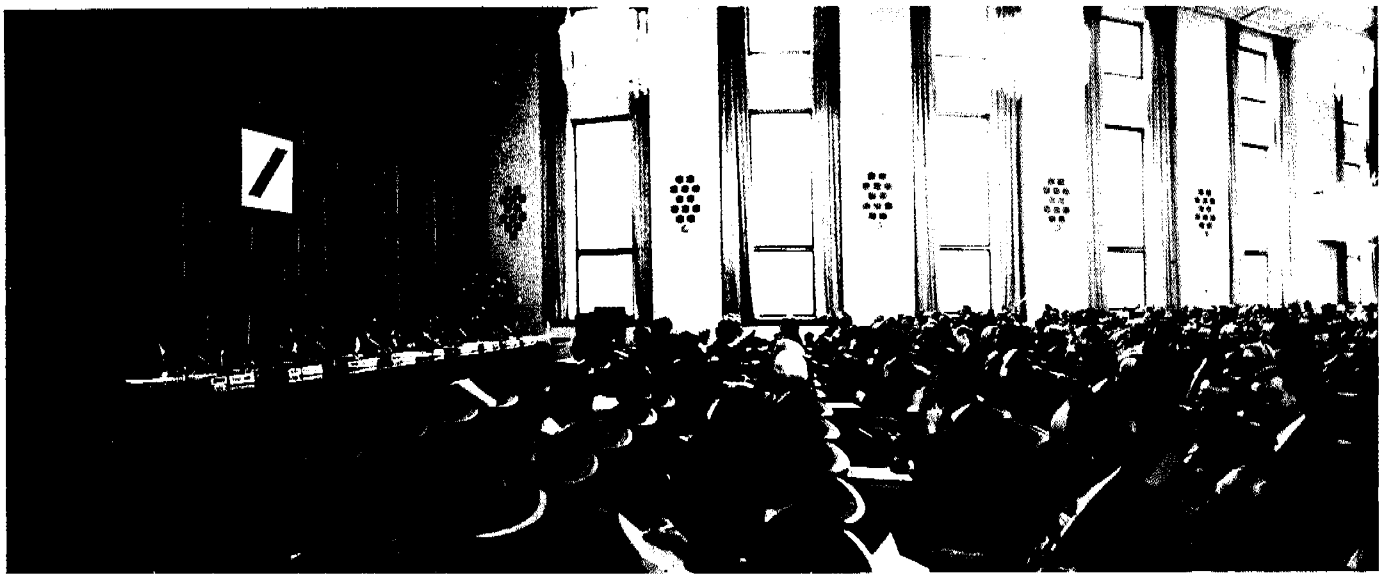
The balance of payments disequilibria in the world remained high in 1977 too. Deficits on current account,

Latin American days

Our foreign representative conferences in the Federal Republic meet with a good response among our customers. This is shown by the lively attendance at the large-scale meetings held in different Deutsche Bank branch regions and by the customers' interest in speaking personally with our foreign representatives. The last meeting of this kind was held at the end of January/beginning of February 1978 with bank managers and foreign representatives from Latin America. The Federal Republic is today Latin America's most important European trading partner. Our pictures show the press conference at the beginning of the representatives' conference (small photo), and the customer meetings, with reports and discussions, held in Stuttgart (top), Hamburg (centre) and Frankfurt (Main).







taken together, amounted to US$ 77 bn. They were thus no lower than in the preceding years since the oil crisis. However, there were considerable shifts within the individual countries and country-groups.

The OPEC states' surpluses continued to fall more slowly than expected. The state-trading nations reduced their deficit vis-à-vis the West by 2 bn. to US$ 6 bn. The decline was achieved both by a rise in exports – frequently via barter transactions – and by a cutback in imports.

Conspicuous changes took place in the payments balances of the western industrial nations. The United States' current deficit increased from US$ 1.5 bn. to roughly US$ 19 bn. In Japan, however, the surplus rose from just under US$ 4 bn. to US$ 10 bn. Growth in Japanese exports was almost twice as high as in imports, which, in addition, were mainly restricted to raw materials and energy.

In Europe, the United Kingdom and Italy were not only able to reduce their substantial deficits, via a policy of demand restriction, but actually achieved surpluses. The United Kingdom benefited here from the reduction – due to North Sea oil – in its dependence on imports. Considerable stability policy efforts enabled France to reduce its deficit by half.

The balance of payments situation in the still less industrialized Mediterranean countries and in Scandinavia remained unsatisfactory. Here, the external economic positions deteriorated, in some cases drastically.

The non-European developing countries, taken as a whole, reduced their deficit by US$ 3 bn. to US$ 21 bn. This development was assisted by a strong rise in export revenues, to which the higher raw material prices contributed – particularly in the first half of 1977.

Slower growth in developing countries' debt

The foreign debt of the non-oil exporting developing countries outside Europe increased further in 1977, but markedly less than in the preceding year. On a provisional estimate, it rose by about 15% to roughly US$ 200 bn. As before, most of this amount was concentrated on a small number of countries. Almost one half of total indebtedness was accounted for by five states: Brazil, Mexico, India, Egypt and the Republic of Korea. Two thirds of the foreign debt consisted of medium and long-term public or publicly-guaranteed indebtedness. Borrowings by private companies (without public sector guarantees) made up only 10%–15% of total indebtedness.

Even after this further rise, there is no reason to dramatize the developing countries' debt as a whole. In the current year, the deficits of this country-group will probably increase again. But since there are limits to the growth in credits from private banks – for risk-distribution reasons – a higher proportion of public financing funds seems necessary. An urgent task, therefore, continues to be the – at least gradual – raising of public development aid to the figure of 0.7% of national product which has long been the target.

Even closer cooperation between the international financing institutions (World Bank, IMF) and the commercial banks seems necessary. Here, freedom of decision and independent responsibility should be fully retained by both sectors which have different tasks to perform.

Growing protectionism must be combatted

A liberal import policy on the part of the industrial nations is imperative in the long run for the necessary reduction of the wealth differential in the world. With persistently high unemployment and relatively low growth, however, there is a growing tendency throughout the world for countries to protect domestic jobs against supposed or real dangers by keeping foreign competition away. The greater the pressure on the industrial nations to adjust to the rapid change in the international division of labour, the louder the appeals to their governments become, from within the countries, to balance out unequal conditions of competition in international trade by state intervention. The growing protectionism is still limited to exhortations to "buy national" and ad hoc, mostly time-limited, protective actions of a direct or indirect nature, in branches of industry that are suffering from particularly tough competition.

Protectionism – as illustrated above all by experiences during the world economic crisis in the thirties – tends to have a paralyzing effect on world trade and this in itself causes countries to tend to strengthen their own positions. Measures by one country provide arguments in favour of counter-measures by others. Self-destructive chain reactions are the consequence. Increased protectionism cannot help to solve existing world economic problems. Ultimately, everybody loses.

To preserve, secure and expand as far as possible the freedom of world trade is therefore not only in the interest of the industrial nations with a high export component in national product, but also serves the needs of the developing countries.

Currency unrest in the second half of the year

After a comparatively quiet first half, there were considerable exchange rate movements in the further course of 1977. At the centre of the currency unrest was the US-dollar. In 1977, it depreciated by 12% against the D-Mark, 7% of which came in the last two months. Whilst the Lira more or less followed the falling Dollar rate, the Pound Sterling gained as much in value against the Dollar as the D-Mark. Vis-à-vis the Yen and the Swiss franc, the US-dollar devaluation even reached 22%. The average fall in the U.S. currency against all other currencies – except the very weak Canadian dollar – was close on 8% in 1977.

The exchange rate movements occurred in spite of considerable Dollar purchases by important European central banks and the Japanese central bank. The fall in the Dollar rate vis-à-vis most European currencies went considerably beyond a balancing out of the price and cost differential. For the first time in decades, the US-dollar is clearly undervalued in terms of some European currencies.

The Dollar weakness resulted primarily from the quadrupling of the U.S. trade deficit to US$ 27 bn. The principal reason for this was the sharp rise in American oil imports by a good third to US$ 42 bn. A further role was played by the different rates of cyclical growth in the U.S.A. and most western industrial nations, as well as the U.S.A.'s growing trade deficit vis-à-vis Japan. In 1977, it increased from US$ 5.4 bn. to US$ 8 bn. On the other hand, the EC countries still recorded an import surplus of about US$ 4 bn. in their trade with the U.S.A.

The – at times rapid – slide of the Dollar on the foreign exchange markets triggered off new discussions on the question of intervention rules under a floating rate regime. The correct principle of not intervening against the market should not be taken to mean the acceptance of any market price. The central banks should not intervene against underlying trends that conform with the economic base data. They should, however, and can counteract – through concerted action – the tendency for certain price movements to be exaggerated in the market and to "snowball".

It was therefore of great importance that, at the end of 1977/beginning of 1978, the U.S.A. announced its vital interest in stabilizing the currency situation. The President of the United States issued a programme statement on this subject. By a reactivation of swap lines and an additional credit agreement between the Treasury and the Deutsche Bundesbank, the U.S.A. created substantial facilities for foreign exchange market interventions. As a support measure, the U.S. discount rate was raised, the first time this had been done for external economic reasons. In March 1978, the swap lines between the Bundesbank and the Federal Reserve System were doubled; over and above this, the U.S. Treasury has used 600 million Special Drawing Rights from its own reserves for the purchase of D-Mark.

In the meantime, a more active American intervention policy is no longer sufficient to restore confidence in the Dollar. Necessary above all are new energy policy measures. But even if an effective energy programme is passed by Congress, there is no question of a rapid reduction of the U.S.A.'s current deficit. Despite this, a recovery of the US-dollar does seem possible if a fundamental change of trend becomes apparent and the U.S. deficits remain in magnitudes that can be financed by voluntary capital inflows.

A strong US-dollar is decisively important for the world economy, the functioning of the international monetary system and for the efficiency of the international capital markets. On the other hand, a persistent weakness of the Dollar would tend to boost the protectionist tendencies in the world economy. It would cause new problems for oil price policy and presumably discourage the investment of private capital in U.S. securities. This cannot be in the interest of the U.S.A.

European Currency Association stands the strain

In the European currency "snake", the currencies of the Scandinavian members had to be devalued in April and August 1977. In February 1978, there was a further devaluation of the Norwegian krone. Such realignments are compatible with the nature of a currency association if they are carried out quickly, silently and, finally, not too often. In every case, there must be a willingness on the part of the member countries to get a permanent grip on their price and cost developments.

On August 29, Sweden left the snake. This decision had become inevitable owing to the country's increasing domestic and external economic difficulties. From a European point of view, it is regrettable. It reduced the zone of relative exchange rate stability. From September to the end of the year, the Swedish krona devalued by a good 10% vis-à-vis the rest of the currency association.

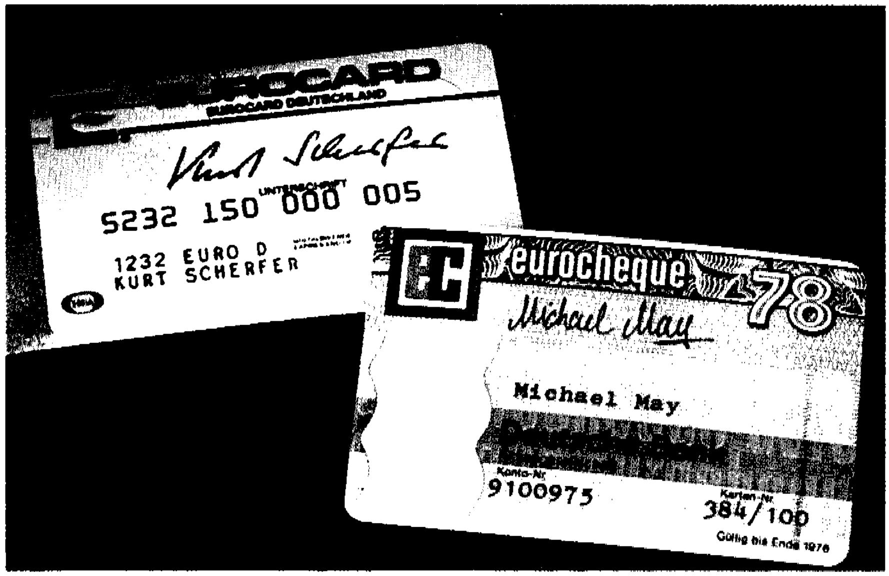
Seen as a whole, however, the currency snake showed remarkable strength under the pressures of the Dollar weakness and the D-Mark appreciation. The members demonstrated their determination to hold on to the association under difficult conditions too.

The experiences of the last few months should be an incentive to strengthen monetary policy cooperation in Europe. Certainly, the time does not seem ripe for the direct transition to monetary union as proposed by the President of the EC Commission. Despite the impressive balance of payments achievements of the United Kingdom, Italy and France, there are still big differences between the individual partner countries as far as stability and economic objectives are concerned.

Under present conditions, a pragmatic policy, in the sense of a "policy of small steps", is called for in European politics. In the medium term, efforts should be directed initially towards recreating from the "mini-snake" a currency association encompassing all the EC member countries. A major precondition for this is the further harmonization of monetary policy within the Community.

Ten years of eurocheque

Ten years ago, in January 1968, the first uniform cheque card was issued in the Federal Republic. Only a year later it became valid internationally. From the start, 15 countries took part in the Eurocheque System, which grew out of a Deutsche Bank initiative. Today 39 countries are involved (cf. table). The picture shows a meeting of the Eurocheque Working Group in London in 1977. The eurocheque has become the most important payment medium in cross-frontier payments by private customers. Since April 1977 a new service has been available, under the name Eurocard, to business and private customers who travel worldwide. This special credit card rounds off the Eurocheque Service.



Encashing bank offices

Countries in which cheque-guarantee cards are issued and accepted	Number of offices
Andorra	21
Austria	3,700
Belgium	5,000
Denmark	3,500
Fed. Rep. of Germany	58,000
Finland	3,300
France incl. Monaco	28,545
Great Britain	15,800
Ireland	1,300
Italy incl. San Marino	9,890
Luxembourg	300
Netherlands	8,000
Spain	9,200
Switzerland incl. Liechtenstein	3,507
All countries	150,063

Countries in which card-guaranteed cheques are encashed	Number of offices
Albania	10
Bulgaria	400
Cyprus	100
Czechoslovakia	610
Egypt	56
Gibraltar	100
Greece	1,500
Hungary	700
Iceland	40
Israel	1,200
Lebanon	80
Malta	100
Morocco	216
Norway	2,900
Poland	519
Portugal	1,400
Romania	550
Soviet Union	40
Sweden	5,500
Tunisia	143
Turkey	3,200
Yugoslavia	1,600
All countries	20,964

Consolidated balance sheet DM 124.2 bn. (+18.0%)

The balance sheet total and business volume rose substantially in the past business year, though the rates of growth did not match those of the previous year. The balance sheet total of Deutsche Bank AG expanded by 16.7% to DM 78.6 bn. and business volume by 16.1% to DM 78.7 bn.

Business volume contracted slightly to begin with in the first half-year so that the December 1976 level was not achieved again until the end of August. However, owing to accelerated growth in the last few months, the previous year's result was exceeded at the end of the year by DM 10.9 bn.

The Group's consolidated balance sheet total amounted to DM 124.2 bn. (+18.0%) at the end of 1977. Roughly 60% of the growth of DM 19.0 bn. is due to the development of Deutsche Bank AG. Further major contributions to the growth of the Group's consolidated balance sheet total were made by the expansion of our Luxembourg subsidiary and the lively business of our two mortgage banks.

Good operating result – overall result satisfactory

With an expansion of 15.5% in average business volume and slower growth of staff and other operating expenses, the operating result showed an increase of 23.4%. The decline in the previous year (–12.3%) was thus more than offset. All earnings sectors of the bank contributed to this result. The profit ratio, i.e. the operating result as a percentage of average business volume, improved again slightly in contrast to the previous two years. However, the decline since 1974 was not recovered. Business volume has increased since then by 39%, the operating result by only 6%.

Decisive for the positive development in 1977 was the fact that the strong expansion of average business volume (+15.5%) was also reflected in the interest surplus (+14.6%). After a marked narrowing of the interest margin the year before, it was more or less maintained at the lower level in 1977. The increase in the interest surplus is thus due entirely to the growth in volume.

In the services sector, all areas of business recorded higher earnings. However, at 10.5%, the commission surplus rose less strongly than the interest surplus. The services sector's contribution to the operating result declined again.

With strong growth in turnover, the securities business again registered an improved result. Income in the international business also showed a gratifying upward trend. In the domestic payments sector, on the other hand, the increased earnings were not sufficient to prevent a further rise in the deficit. In international payments the shortfall even doubled.

Staff and other operating expenses grew in 1977 by 8.2%. Staff expenses rose by 8.7%, chiefly as a result of the increase in agreed-scale wages and salaries. The number of employees remained virtually unchanged.

The growth in other operating expenses was kept within limits, at 6.4%, compared with the year before (17.8%), a contributing factor here being the slowdown in the general rate of price increase.

In contrast to the previous year, staff and other operating expenses were again more than covered overall by the interest surplus in 1977.

In view of the favourable development of the operating result, we felt it appropriate to make greater provision for risks in the credit business. This business policy objective was reflected in a higher cover requirement on extraordinary account. Overall, the increase in the operating result was more than offset by the higher cover requirement so that pre-tax profit was slightly down on 1976.

Increased risks necessitate higher reserves

Each year the bank has to face more or less automatically rising costs in both the personnel and materials sectors. On the personnel side each percentage point increase in agreed-scale wages and salaries currently means an annual rise of about DM 11 million in staff expenses. This cost pressure can only be offset to a limited extent through rationalisation.

On the other hand, the prices for banking services can only be partly adjusted to the increased costs. For many years therefore the bank has only been able to find compensation through growing volumes of business. Expansion of business, however, also means a corresponding rise in risks, for which provision has to be made.

In addition, risks are increasing because of the continued weak growth of the economy. At home there are several sectors which give cause for concern. Latent risks are emerging here which cannot be provided for simply by adjustments for individual borrowers.

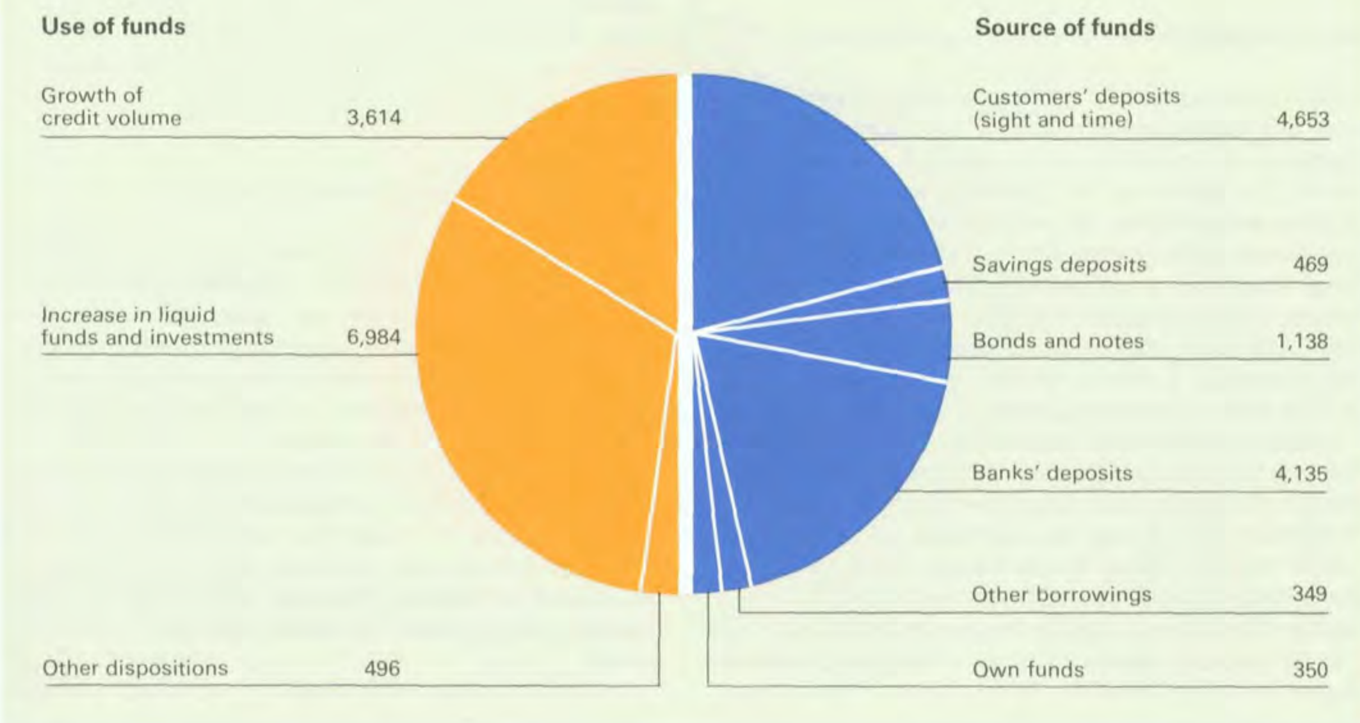
In the international business it is clear that several countries have reached the limits of their borrowing capacity and that their solvency cannot be absolutely guaranteed in the long term. Thus, besides individual adjustments, provision has also to be made for country risks.

This risk situation in both domestic and foreign business calls more than ever for cautious accounting which makes full use of every possibility for providing against unforeseen events.

Structural shift in financing balance

The bank's financing balance in 1977 shows changes which – in the long-term view – point to a structural shift. Incoming funds amounted to DM 11.1 bn. At year's end roughly one third of this had been used to expand credit volume, almost entirely in the long-term sector. The trend towards longer maturities in the credit business, discernible since 1974, thus strengthened visibly in the year under review. In three years long-term claims on customers have more than doubled and caught up, in absolute terms, with the short and medium-term sector. At the end of 1974 long-term claims on customers were only about 54% of short and medium-term claims. In 1977 long-term business accounted for roughly one quarter of average business volume; a year earlier it had been only one fifth.

Financing balance 1977
Amounts in millions of DM



In recent years increasing use has been made of new instruments with congruent maturities and matched interest rates for long-term refinancing, especially own bonds and savings certificates. In the year under review DM 1.1 bn. – and thus over one tenth of total funds – was raised through the issue of own bonds. DM 0.65 bn. was obtained from the sale of savings certificates. In 1977 the contribution of savings deposits as a source of funds was lower than in previous years at just under DM 0.5 bn.

The inflow of banks' and other credit institutions' sight and time deposits expanded in the last quarter of 1977, accelerating strongly in December. Factors of influence here were the weakness of the US-dollar and speculation about a further DM revaluation. At the same time this reflects Deutsche Bank's strong market position. A major part of these funds was channelled abroad again in international interbank business. In the financing balance these transactions are reflected in the "Increase in liquid funds and investments" on the use-of-funds side.

Slower growth in savings deposits

Savings deposits rose in 1977 by just under DM 0.5 bn. to DM 18.1 bn. At 2.7%, growth was markedly lower than in previous years. There were several reasons for this development. For instance, in 1977 savings worth a total of DM 1.4 bn. were released under premium-carrying and state-sponsored wealth formation savings agreements and under the bonus savings scheme. About half of this was spent on consumption. Longer-term savings thus declined by 3.1%, while short-term savings deposits with a legal period of notice rose by 8.0%. In addition, our savings customers again switched a substantial proportion of their savings balances to higher-yielding forms of investment. In spite of these influences the share of savings deposits in total customers' deposits remained high at 40%.

The average balance per savings account, at DM 3,520, has risen slightly against the previous year. The number of savings accounts increased by just under 1% to about 5.15 million.

There was lively demand again for the cash savings plan with bonus. A total of 120,000 new bonus savings agreements were concluded. At the end of the year the total contract value of all savings and investment plans included under our "Erfolgssystem 100" scheme amounted to DM 5.5 bn.

Sales of savings certificates rose to DM 650 m. The volume of savings certificates in circulation reached DM 1.3 bn. The discounted savings certificate, introduced in June to complete our offering, met with a good response. These savings certificates are sold at a price which is discounted for interest and compound interest and are repurchased at par after a period of four years. The interest rate is fixed for four years as in the case of normal interest-bearing savings certificates where the interest is paid annually.

Our customers took advantage on a substantial scale of the possibilities for investing in securities at favourable rates of interest. No less then DM 1.7 bn. was invested in securities (balance of sales and purchases) to the debit of savings accounts. The growth of savings deposits, new purchases of savings certificates and the net transfer from savings accounts to securities produced a total inflow of new savings by our customers of DM 2.9 bn. compared with DM 3.6 bn. the year before. The levelling-off of total new savings is due above all to the stronger propensity to consume of private households.

Credit volume up DM 3.6 bn.

Credit volume (claims on customers, credit on bills, advances to banks and other credit institutions) rose by DM 3.6 bn. to DM 45.3 bn. At 8.7%, the rate of growth has fallen off appreciably compared with the previous year (21.9%). The expansion of credit volume was almost entirely in claims on customers (+DM 3.5 bn.), while the rise in advances to banks and other credit institutions (+DM 0.7 bn.) and the decline in credit on bills (–DM 0.6 bn.) virtually balanced each other out.

With regard to claims on customers there was a marked increase in long-term claims (+23.9%) compared with only a slight rise in short and medium-term claims (+1.3%). The degree to which existing credit lines were utilised in the latter sector remained extremely low.

The decline of 8.9% in credit on bills neutralised the growth of the previous year. The bill of exchange lost importance as a financing instrument with the growth in corporate customers' liquidity and relatively favourable alternative sources of credit.

Differentiated development in corporate finance business

In the first few months of 1977 corporate lending business was marked by the repayment, through recourse to Eurocredits, of part of the loans taken up by our large customers at the end of 1976 so that our claims on customers declined slightly at first. However, by mid-year, as a result of the special efforts of our corporate finance staff and a revival of credit demand, the volume of advances to the corporate sector was again well up on the end-1976 level. The upturn in business continued in the second half of the year. However, a large part was still financed through the Euromarket so that corporate customers' credit demand was reflected mainly in the claims on customers of our Luxembourg subsidiary, Compagnie Financière de la Deutsche Bank AG.

Our corporate customers took advantage of the favourable credit terms, chiefly for further consolidation through long-term borrowing, but also, to a certain extent, for financing previously shelved investment projects.

Our "Small Business Loan" programme, developed at the end of 1976 specifically for small and medium-sized industrial, craft and commercial businesses and the professions for fixed-annuity investment financing, met with strong interest. Close on 4,000 customers made use of the new credit model to finance expansion and modernisation projects or to set up a business or practice. The main incentive here was the favourable rate of interest which is fixed for a period of five years.

Strong growth again in advances to private households

The strong upward trend in lending to private households continued. Despite keen competition, Small Personal Loans (PKK) and Personal Loans for Specified Purposes (PAD) rose by DM 490 m. (+19.5%) to DM 3 bn. The low interest rates and our regular advertising contributed to this result. In line with the continued good business situation in the motor industry, demand was centred on car financings. The average credit amount under the PKK and PAD programmes increased by almost 11% to DM 5,800.

At the end of the year over 500,000 private customers had utilised the PKK and PAD credit programmes. To meet customers' higher requirements, the ceiling for Personal Loans for Specified Purposes has meanwhile been raised from DM 25,000 to DM 30,000.

There was also lively demand for Personal Overdraft Credits (PDK) to cover short-term money needs; PDK volume rose by 20%.

Year of building financing

In 1977 the building financing business, which had already been brisk the year before, recorded further substantial growth. Interest focused on loans for building or purchasing own homes. The favourable terms on the capital market fostered this development and made it possible for mortgages to be granted again with interest rates fixed for periods up to 15 years. Roughly 48,000 loans were concluded under the "BauKreditSystem", which offers individual solutions through the combination of separate financing elements. Including the business of our subsidiaries, Deutsche Centralbodenkredit-Aktiengesellschaft and the Frankfurter Hypothekenbank, new commitments for building financing loans worth about DM 5.7 bn. were given in 1977.

Partnerlike cooperation with the mortgage banks and the building and loan associations we work with, together with a further simplification of handling procedures, contributed significantly to the expanded business volume.

Good growth rates in the securities business

Turnover in securities for our non-bank customers rose in 1977 by almost 19% to over DM 35 bn. The previous year's growth of 11% was thus clearly surpassed.

With continuing high liquidity and declining capital market interest rates, investor interest was concentrated chiefly on the bond market. Business for our customers' account rose by over 20% in this sector. The rate was even slightly higher in the case of certificates of indebtedness.

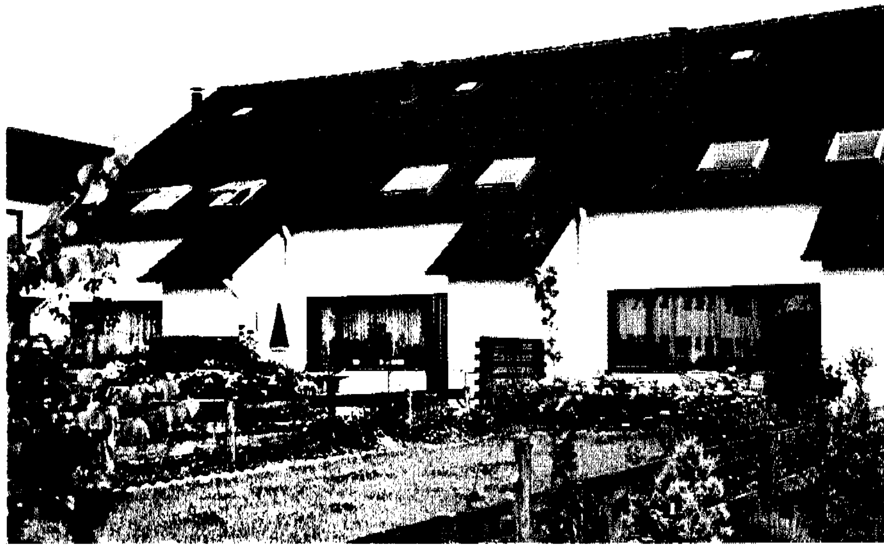
Despite protracted periods of uncertainty on the stock market, turnover in shares for our non-bank customers rose by a good 13%. Yield considerations in connection with the corporation tax reform probably led to heavier buying by private customers. We expect that this trend will increase in the future and that it will also

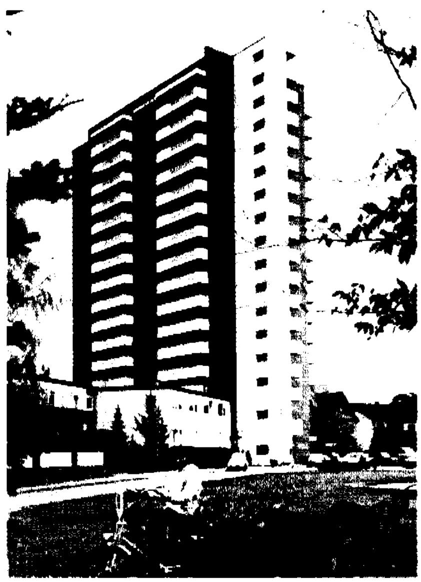
About DM 20 bn. for building financing

In recent years Deutsche Bank has steadily extended the service it offers in the building financing sector and has adapted it, under the name "BauKredit-System", increasingly to customers' needs. With low interest rates and individual solutions it was thus possible to fulfil customers' wishes for a home of their own or to renovate old properties. This did not fail to show results. At the end of 1977 the bank had lent about DM 6.7 bn. for building financing. Last year alone new loan commitments amounted to about DM 2.5 bn.

There was also strong demand in 1977 for mortgages from our related companies – Deutsche Centralbodenkredit-Aktiengesellschaft, Frankfurter Hypothekenbank and Deutsche Kreditbank für Baufinanzierung AG. The low capital market interest level acted as a special incentive. New business of about DM 3.3 bn. at these three institutions brought their engagement in this sector up to DM 12.8 bn. This meant that in the Deutsche Bank Group a total of about DM 20 bn. had been lent for building financing. The top pictures show some properties we financed.

Working together with building and loan associations, manufacturers of pre-fabricated houses and real estate agents, Deutsche Bank tries to give interested parties a clearer picture of the local property market. Real estate information centres, founded for this purpose in 1972, can now be found in 13 cities (picture below left). Real estate exhibitions, held in many towns at weekends (picture below right), show our customers ways of acquiring a home of their own.





be possible to attract new groups of investors to the share as a form of longer-term wealth formation.

We participated fully in the record investment results in 1977; business for our customers' account (excluding banks) rose by 28%.

There was further strong growth in our customers' demand for foreign securities. Interest was clearly centred on fixed-interest paper.

Our securities business with banks and other credit institutions developed gratifyingly again in 1977. However, after the previous year's excellent result, growth was slightly down.

The number of safe-custody accounts that we maintain for our customers increased in 1977 by 4.2% to close on 930,000. The market value of our non-bank customers' safe-custody accounts rose at the same time by 12% to DM 60.4 bn. The share of bonds in the total market value increased. Medium-sized safe-custody accounts with a market value of DM 10,000 to DM 100,000 have grown in importance in recent years.

The "portfolio management service" offered to our customers has developed satisfactorily in terms of both number and volume. This has been due above all to the comprehensive, individual and long-term character of the service. It has been expanded further with a view to providing the customer with a range of services encompassing the whole of his assets, including the administration of the estate on death and the execution of the will. Today, the special management of large security portfolios by our portfolio management service already occupies an important place within the framework of our private investment counselling.

The investment company, Deutsche Gesellschaft für Fondsverwaltung mbH (DEGEF), Frankfurt (Main) – a wholly-owned subsidiary of Deutsche Bank AG – again recorded a substantial inflow of new funds in 1977 from institutional investors, such as insurance companies, company pension and welfare funds, associations and professional organisations, for investment in securities under its special funds. The total assets of the special funds administered by DEGEF rose in 1977 by 25% to DM 2.5 bn. The number of institutional investors which make use of special funds for all or part of their security investments has risen steadily in recent years.

DEGEF also manages staff funds which have been set up on the initiative of individual companies within the framework of their internal wealth formation schemes. The asset volume of these funds also expanded. Staff funds are a particularly suitable instrument for introducing employees of a company – whatever its legal form – to securities saving. The good response that this form of company-fostered wealth formation has found among employees should encourage the legislator in future to grant the same privileges on the participation in staff funds as on the issue of staff shares.

The investment funds of DWS Deutsche Gesellschaft für Wertpapiersparen mbH, Frankfurt (Main), in which we and the Berliner Disconto Bank AG now have an interest of 51%, recorded new unit sales worth DM 2,127.8 m. in 1977. The total assets of the funds managed by DWS rose by 44% to DM 6,856,9 m. as per 31. 12. 1977. DWS thus administers almost 27% of the aggregate assets of all the security investment funds offered to the general public which are covered by the Bundesverband Deutscher Investment-Gesellschaften (BVI).

The DWS funds INVESTA, INTERVEST, INRENTA and INTER-RENTA distributed a total of DM 574.8 m., 67.4% of which, including bonus units on share funds, was reinvested by the end of the year. The previous year's reinvestment ratio of 63% was thus exceeded.

The DWS bond funds recorded the highest sales with an inflow of new funds totalling DM 1.6 bn. In terms of price appreciation RE-INRENTA ranked first among the DWS funds (+12%), ahead of the largest DWS fund INRENTA (+11.4%) and INTER-RENTA (+10.7%).

At DM 521.0 m., the share funds registered a slightly lower inflow of new funds than the year before; however, their share in DWS' total new funds was above the sectoral average. The largest and oldest DWS share fund INVESTA alone took in funds worth DM 482.6 m. Its value appreciated by 8.5%.

The open-end property fund "grundbesitz-invest" managed by our affiliate, the Deutsche Grundbesitz-Investmentgesellschaft mbH, Cologne, and sold by Deutsche Bank and Wüstenrot, registered an inflow of new funds worth DM 69.6 m. No units were returned to the fund. The fund's assets rose by 16% to DM 860 m.; 82% of these assets were invested in property. The price of the "grundbesitz-invest" unit gained 6.4%.

The property assets are widely dispersed regionally in terms of property size and the business of the tenants. 55 properties are held in 43 cities and towns; 86% are commercial, 9% rented dwellings and 5% mixed properties.

Gratifying result in domestic issuing business

The bank again played a substantial part in the floating of domestic companies' share issues, which showed a slight decline overall. Over 50 companies which made use of the bank's services for their share issues raised new equity capital amounting to more than DM 2.1 bn. in the year under review. Noteworthy from the point of view of volume were the capital increase of BASF AG and the capital increases – carried out in parallel – of Daimler-Benz AG and Mercedes-Automobil-Holding AG. The bank also participated in scrip issues for over 20 companies and numerous other equity-related transactions, in most cases as manager.

For the first time in many years the names of several new domestic issuers appeared again on the quotation lists. For instance, under the bank's management or co-management – in some cases in connection with a placement – the shares of Herlitz AG, Leffers AG and Standard Elektrik Lorenz AG were introduced to official trading and the shares of ASKO Deutsche Kaufhaus AG to semi-official trading. Following the division of VARTA AG, the shares of ALTANA AG and CEAG AG were also quoted for the first time on the stock exchanges. Thus, several interesting specialities have been added to the list of quoted companies.

This represents a promising start on the way to greater variety in the range of German shares on offer. We would welcome it if, in the coming years, a growing number of partnerships and limited companies were to go to the market, particularly since the first step – the conversion to a public limited company – has been made easier by the corporation tax reform.

On the bond market, public authorities and individual industrial companies profited from the falling interest rates and the continued high productiveness of the market. The issues were placed without difficulty, with our bank playing a leading role. However, their volume did not equal that of the previous year.

International business – expansion continues

The further – though weaker – growth of the Federal Republic's foreign trade and the continuing strong demand on the world financial markets influenced the development of our bank's international business in 1977.

The growth rates in turnover in our foreign commercial business with export and import customers levelled out, but we managed nevertheless to achieve above-average growth in foreign turnover compared with the development of the Federal Republic's foreign trade and were thus able to increase our market share slightly. Commission income, however, did not increase to the same extent. This reflects the steadily growing competition, particularly from foreign banks.

In credit business with foreign customers, a sharp rise was recorded in cash credits. In many instances borrowers were foreign governments or state enterprises. Besides financing for goods and services, they also called on German exporters to make Eurocredits available on an increasing scale for additional local costs.

The further growth in export volume led to corresponding demand for medium and long-term buyer credits. These are replacing exporter credits to an increasing extent. At the same time there was a decline in demand for export prefinancings during production time. Since January 1977 this trend has been further strengthened by the government agreement – the so-called "consensus" – on minimum interest rates. As a result the AKA Ausfuhrkredit-Gesellschaft mbH, Frankfurt (Main), whose consortium we lead, registered a decline in its credits under Ceiling B.

With regard to export financings for large-scale projects we also made long-term credits available again in 1977, both from domestic funds – chiefly under Federal government export guarantees – and with supporting Eurocredits.

Strong growth of Luxembourg business

In 1977 important parts of Deutsche Bank's Eurofinancings were again transacted by our subsidiary, Compagnie Financière de la Deutsche Bank AG (CFDB), Luxembourg. This bank's balance sheet volume rose to Lux. frs. 195.9 bn. (DM 12.5 bn.) as per 31. 12. 1977. With a strong increase in its capital and disclosed reserves the bank was able to expand its business base further.

Following the opening of our branches in London and Paris we are also active in the Euro-business at these centres, our activities here being focused chiefly on meeting local customers' financing requirements.

Owing to borrowers' strong demand for longer-term funds the maturity structure at Compagnie Financière also continued to shift towards longer terms. Countries were again the main borrowers. Private companies in the industrialised nations, on the other hand, only took up loans on a comparatively small scale owing to the restrained level of investment activity and high liquidity reserves.

There remained a marked trend towards large syndicated loans. We participated as manager in major transactions, for instance in Europe for the United Kingdom, Sweden and Spain and overseas for Mexico, Venezuela and Australia.

International issuing business further expanded

With strong growth again in issuing business in the Euromarket the bank was able to enlarge its market share in the management groups and thus maintain its No. 1 position among the issuing houses. It managed or co-managed a total of 133 issues, 55 of which were international DM issues.

As lead manager of issues for international organisations the bank again made a major contribution towards the financing of these issuers. Worthy of special mention is the second large bond issue for the European Economic Community in the amount of US$ 500 m. We also floated nine issues worth DM 1.35 bn. and US$ 175 m., five for the World Bank and four for the European Investment Bank. Among the issues of individual countries two Eurobond issues floated under our management for Australia for DM 500 m. and US$ 250 m. stand out in terms of volume.

Foreign exchange dealing under more difficult conditions

During the first half-year the foreign exchange markets were largely quiet. However, in the second half of the year the slide of the US-dollar gave rise to crisis-like developments at times. The short, hectic price fluctuations were more disruptive than ever before owing to their magnitude and unpredictability. Such market conditions made foreign exchange arbitrage and particularly spot dealing extremely difficult.

However, we managed to record a slight improvement against the previous year in income on foreign exchange and precious metals business and on Euromoney dealings at our arbitrage offices. The volume of turnover rose further.

Expansion of our international presence

In 1977 we expanded our international presence by one branch and two representative offices.

After London and Tokyo we opened a third foreign branch in Paris. It started business on July 1, 1977. In 1978 we plan to open branches in Brussels, Antwerp and New York. After the merger planned for 1978 the South American branches of the Deutsche Ueberseeische Bank in Asunción, Buenos Aires and São Paulo will operate as branches of Deutsche Bank.

Our network of representative offices was enlarged on May 17, 1977, with the opening of our representative office in Milan.

In East Asia we opened a representative office in Osaka on October 4. It will advise customers of Deutsche Bank in Kansai and South-West Japan, foster the traditional issuing and securities business with this region and assist the Tokyo branch in new business acquisition.

At the end of 1977 we obtained permission to open a representative office in Lagos, Nigeria. It will be commencing its activities shortly. The purpose of this representative office will be to foster contacts with Nigerian authorities and companies and promote German-Nigerian trade.

At the end of the year the bank maintained 73 bases in 46 countries.

Successful foreign branches

Our largest foreign branch – London – continued to develop briskly. It concentrated on expanding business with international companies and British firms. In addition, it was able to open up new financing possibilities for German customers. Efforts to attract new business were also centred on international export and import financing, especially for commodity transactions. Business with foreign banks and foreign exchange dealing were also important.

Our Tokyo branch enlarged its business again in the year under review. However, owing to the slacker economic growth in Japan the high rates of expansion customary in the past were not achieved. Low credit demand from Japanese industry and ever keener competition between Japanese, American and, lately, German banking institutions have led to a pronounced borrowers' market. In view of the resulting pressure on spreads it is all the more gratifying that the development of our branch's operating result kept pace with the expansion of business volume.

Our Paris branch almost broke even in the first six months of business. However, its possibilities for extending loans to French companies and German subsidiaries in France and for financing German-French trade continued to be restricted by French statutory regulations (the so-called "encadrement").

The branches of Deutsche Ueberseeische Bank in South America recorded a further upturn despite the slightly lower growth of their respective countries, Argentina, Brazil and Paraguay. The business of the São Paulo branch was particularly favourable; its capital was increased again to take account of this development. This improved the branch's capacity to meet the credit requirements of German companies' subsidiaries in Brazil.

Development of related banks

Since October 1, 1977, Deutsche Bank and Amsterdam-Rotterdam Bank N.V., Amsterdam, have each held a 50% interest in the banking house H. Albert de Bary & Co. N.V., Amsterdam, instead of 20% as previously.

This institution, which was established in 1919, is engaged primarily in the financing and settlement of foreign trade. The restructuring of the shareholders' interests is an important step towards strengthening our position in the Netherlands, one of the Federal Republic's major trade partners.

Banco Comercial Transatlántico, Barcelona, increased its capital during the year under review from Ptas. 1,296.4 m. to Ptas. 1,452 m. (roughly DM 37.9 m.). Some of the new shares were offered for the first time to members of staff on preferential terms. Our holding remained unchanged at 25.2%.

In 1977 the National Investment Bank for Industrial Development S.A., Athens, took up its first international syndicated loan in two tranches in the amount of US$ 40 m. to refinance its long-term lendings to Greek private industry. Compagnie Financière de la Deutsche Bank AG was lead manager for the Eurocredit tranche for US$ 35 m. The German Kreditanstalt für Wiederaufbau granted the institution a loan in the amount of US$ 20 m. In the reporting period we increased our holding through additional purchases from 5.3% to 5.8%.

Al-Bank Al-Saudi Al-Alami Ltd., London (Saudi International Bank), established in 1975, was able to expand its balance sheet volume substantially. The shareholders contributed new funds to take account of the growing volume of business. We participate in this bank, whose largest shareholder is the Saudi Arabian Monetary Agency (SAMA), along with a number of other international banks, with a shareholding of 5%.

European Brazilian Bank Ltd., London, strengthened its position in the syndication of medium-term loans for the Brazilian business sector. Among others, a syndicated loan for US$ 210 m. was placed in the Euromarket under its management for Companhie do Metropolitano do Rio de Janeiro. We have a 13.7% holding in this institution.

The International Mexican Bank Ltd., London, together with the newly established Intermex International Bank Ltd., was brought into the Intermex Holding S.A., Luxembourg, in mid-1977. The capital of the holding company, in which our institution has a 14.5% interest, amounted to US$ 16.2 m. at the end of 1977. The Intermex Group is engaged primarily in lending to Mexico and other Latin American states.

The Iran Overseas Investment Bank Ltd., London, in which we participate together with two Iranian banks and seven other non-Iranian banks – our interest is 6.3% – has further strengthened its position on the Euromarket. In particular it acted as manager or co-manager in the placement of syndicated credits for Iranian borrowers worth a total of US$ 442 m.

The shares of the Foreign Trade Bank of Iran, Tehran – we have a 10% holding –, were listed on the Tehran Stock Exchange in 1977. At the same time the institution doubled its share capital from Rls. 2.1 bn. to Rls. 4.2 bn. (roughly DM 124.8 m.).

Banque Commerciale du Maroc S.A., Casablanca, the second largest commercial bank in Morocco with about 70 offices in all parts of the country, expanded gratifyingly again in 1977. It continues to have a high earning power. The capital was increased by Dirhams 8.125 m. to Dirhams 32.5 m. (roughly DM 15.9 m.). We have a 7.1% shareholding in this institution.

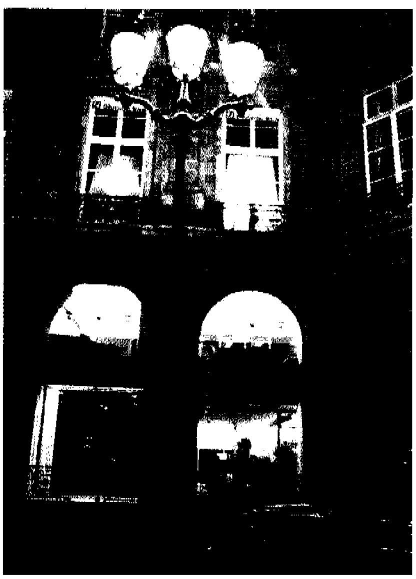
The UBS-DB Corporation, New York, in which the Union Bank of Switzerland and our bank each have a 50% capital interest, closed the financial year with a profit again. The company carried out various financing oper-

10, Place Vendôme, 75 Paris 1er

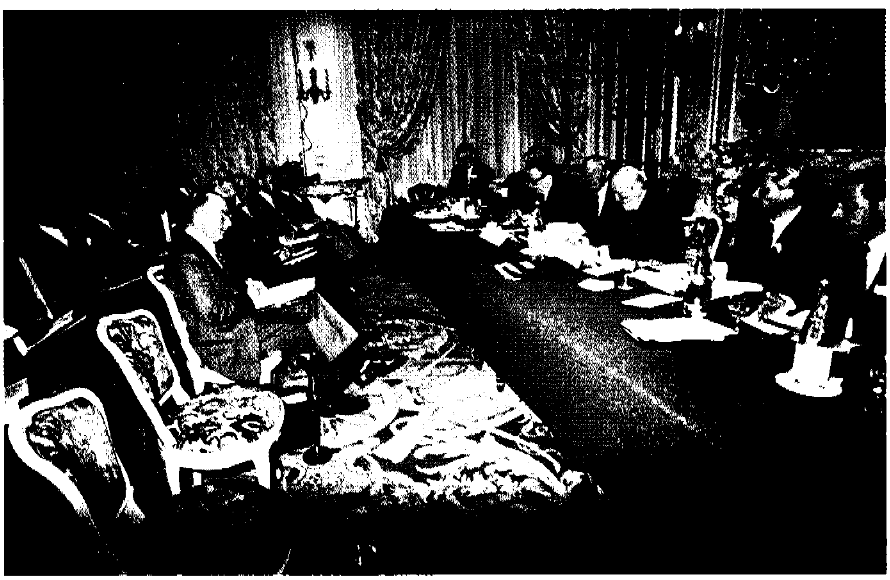
On October 18, 1977 Deutsche Bank's representative office in Paris, which had been operating since December 1970, was officially converted into a branch. The address, Place Vendôme, is the same as before. This represented a further step in the expansion of our international business. As a result of the conversion the comprehensive service of a "banque de dépôts" (with the exception of stock exchange business) can now be offered especially to customers involved in Franco-German business. The shares of Deutsche Bank have been officially listed on the Paris Bourse since February 1974.

The pictures on the left-hand page show the entrance and interior of our branch, and Place Vendôme at night. In the top picture final preparations are being made before the opening.

The day of the opening in Paris was celebrated as a festive occasion. In the morning the Board of Managing Directors of Deutsche Bank held one of its regular meetings in the Seine metropolis (right-hand page, picture bottom right). At mid-day a luncheon was held with leading executives of French and German companies in France (picture top right). A press conference with representatives of the French and international press (centre left) was the prelude to a grand evening reception with about 900 guests in the rooms of the Ritz Hotel. The two Spokesmen of Deutsche Bank's Board of Managing Directors are shown welcoming their guests (picture centre right).




Deutsche



ations for German companies' subsidiaries in the USA. It participated in the floating of 287 new issues and was thus able to maintain its leading position among the non-American investment houses in New York. In the trade investment brokerage sector it also acted as intermediary between Bertelsmann AG and the largest American paperback publisher, Bantam Books, Inc.

On March 31, 1978, the Union Bank of Switzerland and Deutsche Bank decided to end their partnership in the UBS-DB Corporation by friendly agreement. We have taken over the remaining 50% of the capital of this company which has been operated jointly by the two institutions since the beginning of 1972. This step was prompted by the different development of the national and international capital markets and the resultant structural changes in the securities business. As from April 1, 1978, the company is continuing its activities under the new name Atlantic Capital Corporation.

EBIC: continued lively development

Twenty years ago we held first discussions with European banking partners about closer cooperation. After regular meetings at Board level between Amsterdam-Rotterdam Bank N.V., Amsterdam, Deutsche Bank AG, Frankfurt (Main), Société Générale de Banque, Brussels, and later Midland Bank Ltd., London, the "European Advisory Committee" was set up in 1963. In 1971 EBIC was enlarged by another two members, Creditanstalt-Bankverein, Vienna, and Société Générale, Paris. In 1973 Banca Commerciale Italiana, Milan, joined as the seventh EBIC institution.

In line with the continuing political and economic development of the European Community, EBIC's objective was to strengthen the cooperation between leading European banks and at the same time to operate jointly in important regions in the world. Today, we can say that this objective has been realised with notable success, even though European integration has not progressed on anywhere near the scale that had been hoped for and the banking landscape has changed considerably compared with the situation when EBIC was first conceived.

Part of EBIC's "formula for success" was that it did not stick to rigid concepts but adapted flexibly to the changing international situation. Thus it was soon agreed that it would be beneficial to the group as a whole if the partner banks were to build up a presence of their own in important international financial centres in addition to their active participation in the joint ventures in order to be able to keep pace with growing international competition. As reported earlier, Deutsche Bank has been pursuing such a "two-tier strategy" consistently for years.

In 1977 some points of the EBIC organisation were changed. The "European Advisory Committee" was renamed the "Board of Ebic". This, the highest body of EBIC, is responsible for general policy. Day-to-day business is the responsibility of the "Management Committee". In addition, there are a number of committees and working groups concerned with marketing, training, organisation, etc. In the foreground of their work is the exchange of views and ideas on practical banking matters. The European Banks' International Company S.A. (EBIC S.A. for short) in Brussels is the coordinating body for the EBIC banks.

Continued growth of the EBIC joint ventures

The European American Banking Corporation and the European American Bank & Trust Company, both domiciled in New York, were combined in 1977 into a holding company, the European American Bancorp, which is also located in New York. Deutsche Bank (with 20.1% via the German American Capital Corporation, Baltimore) and five other EBIC banks participate in this company with the same shares as before.

The business of the European American Banking Corporation and European American Bank & Trust Company expanded gratifyingly again. Noteworthy was the growth in demand and time deposits at the 97 branches in the city of New York and on Long Island. As per December 31, 1977, the consolidated balance sheet total of the European American Banks amounted to US$ 5.4 bn. Deposits and amounts due to customers rose to US$ 4.55 bn. and advances to US$ 3.0 bn.

The European Asian Bank AG (Eurasbank), Hamburg, expanded its activities in South-East Asia substantially in 1977. At the end of the bank's fifth financial year the balance sheet total amounted to about DM 1.4 bn. (1976: DM 1.1 bn.). Business volume topped DM 1.8 bn. (1976: DM 1.4 bn.). In autumn 1977 the bank opened a new office in Manila. At the end of 1977 the Hong Kong branch opened its third sub-branch in the Kowloon district.

Eurasbank took a growing share in the syndication of international credits for borrowers in South-East Asia – in many instances in the interest of European exporters of plant and machinery. Among other transactions, it managed a syndicated Euroloan in the amount of US$ 105 m. for the Philippine Long Distance Telephone Company for extending the telephone network in Manila.

In 1978 it is planned to open branches in Seoul and Bangkok. The necessary licence has been issued for both branches. Eurasbank will then be represented by its own offices in all five member states of the expanding ASEAN Community (Indonesia, Malaysia, the Philippines, Singapore and Thailand).

Banque Européenne de Crédit (BEC), Brussels, which specialises chiefly in medium and long-term Euromarket financings, continued to develop well in 1977, its tenth year of business. Despite the restrained level of investment activity in Europe, there was still very brisk demand for international financings, especially in the Eurocredit market. Balance sheet volume rose by 17% to Belg. frs. 85.8 bn. (US$ 2.6 bn.). In the course of the year medium-term credits totalling the equivalent of Belg. frs. 18.7 bn. (US$ 567 m.) were extended. They were used mainly for financing investment projects in Europe and overseas. BEC acted as lead manager or co-manager in 39 international credit syndicates with a volume of US$ 6.4 bn. It participated in a further 51 syndicated loans worth the equivalent of US$ 3.1 bn. In line with the growth of business volume, the capital was increased on December 27, 1977, by Belg. frs. 616 m., with a 25% premium, to Belg. frs. 2,856 m. (US$ 86.7 m.).

The business of European Banking Company Limited (EBC), the merchant bank operating internationally from London, recorded continued steady growth in 1977. EBC was manager or co-manager of 30 international issues. The bank was able to further strengthen its position especially in the market for floating rate bond issues with the management or co-management of 12 such issues. It also took a lead position in a number of medium-term syndicated Euroloans. Particularly noteworthy is the setting up of a department for project financing which is working worldwide on a number of important project-related credits. The balance sheet total rose by 23.7% to £ 318 m. (DM 1,275 m.).

The Europäisch-Arabische Bank GmbH, Frankfurt (Main), and the European Arab Bank (Brussels) S.A., Brussels, expanded their activities further in 1977. The European Arab Bank Ltd., London, was already able to establish a position in the local Euromarket during its first year of business. While the emphasis at Europäisch-Arabische Bank GmbH, Frankfurt (Main) is on the settlement and financing of German exports to Arab countries, its sister institutions in Brussels and London are chiefly engaged in syndicated Eurobusiness. In addition, the EURAB Group expanded its activities with the establishment of a branch in Bahrain and the acquisition of an asset management company, European Arab Financial Services S.A., Geneva. At the end of 1977 the consolidated balance sheet total amounted to US$ 914 m. (1976: US$ 631 m.).

The business of Euro-Pacific Finance Corporation Limited, Melbourne, whose shareholders include one Australian, one Japanese and one North American bank, besides five EBIC banks, took a positive course in 1976/77. The favourable development was achieved despite lower demand for medium-term credit in the Australian private business sector and growing competition.

The bank took a larger part in international syndicated loans through its offshore branch in Port Vila, New Hebrides. The bank performed well in other sectors of business as well, such as corporate finance counselling, money dealing and bill business. The balance sheet total as per June 30, 1977, had risen by 3.7% to A$ 198 m. (DM 473 m.).

Staff level almost unchanged

At the end of the year under review we had 36,034 employees. So the number of staff remained almost the same as in the previous year (36,319). The trend towards greater numbers of staff with salaries in the middle and top salary-scale groups or slightly above the agreed scale continued, while the number of employees in the lower salary groups declined further. This change in structure reflects our growing need for qualified staff. We support this development and actively encourage it by providing intensive further training for our staff and by training an increasing number of young people as qualified bank clerks.

Qualified bank clerk: a popular career

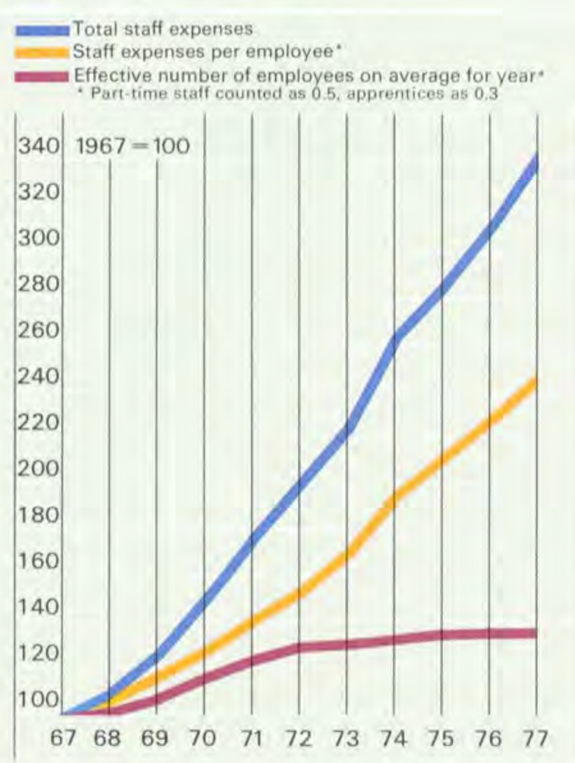
It was again our aim in 1977 to make as many training places as possible available to young people. About one third of all apprentices in the private banking sector are equipped for their later career in our branches and sub-branches. Nevertheless, demand in the past year for training places in our bank was once again several times higher than the supply. In the year reviewed we took on 1,459 young people for vocational training, about 40% of whom had the junior school-leaving certificate or an equivalent qualification. The proportion of those who had passed the "Abitur" showed a further slight increase to about 60%.

About 51% of the new apprentices were female. The results achieved in the final training examinations showed a gratifying improvement. We were able to take on about three quarters of the 1,360 apprentices who passed the examination in 1977 as regular members of staff. 13% left us at their own request. We found positions with other companies for approximately one in ten of the successful candidates.

Rising number of applications from university graduates

In order to obtain some of the specialist and managerial staff we require, we engaged university graduates once again last year. With high standards to be met, a total of 70 persons (including 10 women) with a university background were selected. We have observed a steadily increasing number of applications from this sector. The university graduates – if they are not employed immediately in a staff department – receive about two years' training to prepare them for their later work in banking business. There is no fixed scheme, the training is tailored in each case to the particular circumstances. The main emphasis is on practical experience within the bank to enable the young graduate to assume functions on his own responsibility as quickly as possible. The proportion of graduates to total staff is 3.2%; among staff outside the salary scale the proportion is about 15%. These figures show that, with equal performance, staff with a practical banking background, whom we provide with intensive basic and further training, have no less favourable development prospects than university graduates.

Growth of staff expenses



Staff requirements for international business

Our staff requirements for international business increased further in 1977. Owing to the growth of our London and Tokyo branches and the opening of our Paris branch and representative offices in Milan and Osaka the number of employees working abroad rose to 225 (previous year: 147). In the Group, 1,196 members of staff were working abroad at the end of the year, 1,021 of whom were of other nationalities. There are interesting opportunities open to staff who would like to work abroad. We strongly promote the learning of foreign languages and the bank pays most of the cost. In addition, we are sending increasing numbers of employees to spend some time in other countries: we arrange for them to stay with our own foreign branches, related companies or correspondent banks. Those who wish to work in the Federal Republic again after a number of years will be able to put the experience gained in other countries to good use here too.

Extension of our advanced training range

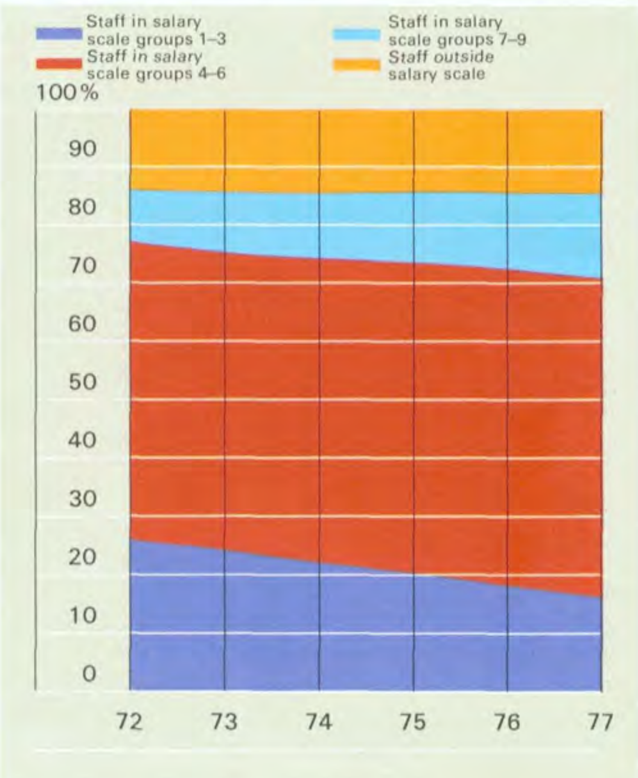
Last year 14,750 employees attended a total of 806 seminars held by Deutsche Bank; this included 148 seminars for 2,442 managerial staff.

Our aim is to provide our employees with advanced training designed to suit actual business requirements. Each employee should have the opportunity to widen his knowledge and his skills and to develop his personality fully. He can find information about the entire range of seminars and training courses in a brochure issued in 1977.

Our advanced training system, which is divided up according to special fields and different functional levels, was extended again in 1977.

Growth in number of staff 1968–1977
including part-time employees and apprentices

Qualitative staff structure

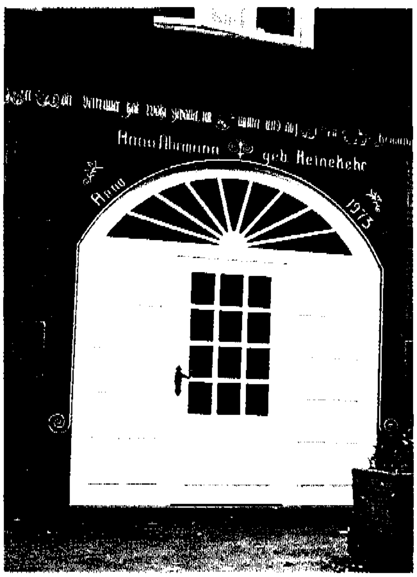


Development of our foreign employees

The number of foreign members of staff at our bank has risen continuously with the growth of our international business. Our aim here is to develop our foreign employees according to their abilities and performance. Those with appropriate qualifications spend periods at our domestic branches to familiarise themselves with our philosophy and with the bank's business and organisational structure. The pictures show some of our foreign employees during training at domestic branches of our bank. In addition to these activities, we offer trainees from our foreign correspondent banks the opportunity to become acquainted with banking business at our bank.

Further training at the branches

About two thirds of our further training seminars are carried out on a decentralised basis by the regional head branches. The courses are held at selected hotels, frequently some distance away from large cities. The peaceful and, in most cases, beautiful countryside surroundings create a good atmosphere and encourage work. Lecturers specially trained for this task, programmed material and the use of audio-visual teaching aids ensure that all our staff receive the same effective training – even when it is provided decentrally. In addition, experienced specialists from the bank help with the training and ensure that practical knowledge is transmitted.
The pictures show staff seminars in the Cologne (top), Bremen (centre) and Mannheim (bottom) branch areas.



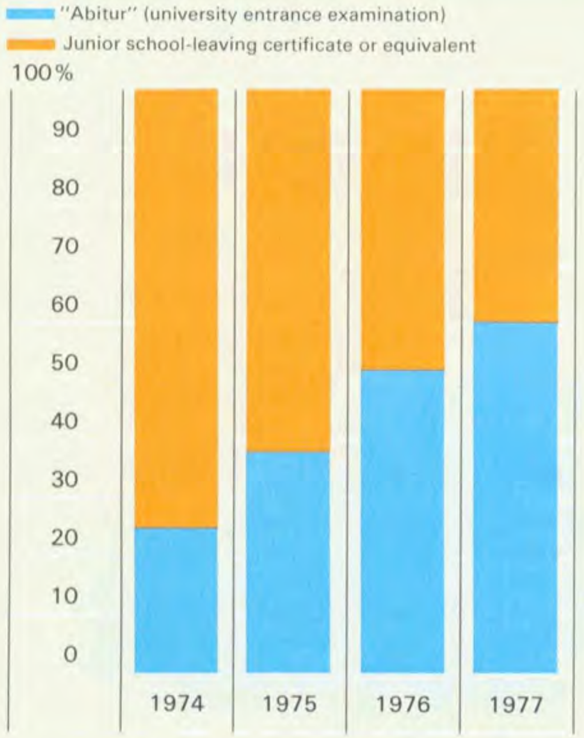
About two thirds of the seminars are carried out by the branches at regional level, and about one third are held at our training centres in Kronberg, Jugenheim, Düsseldorf and Hamburg. The content of about 100 seminars has now been programmed. More than 800 members of staff kindly agreed to act as lecturers.

In the year under review we spent a total of about DM 57 m. on basic and advanced training; that is equivalent to 5.9% of current salary payments. At roughly DM 34 m., vocational training accounted for about 60% of the costs.

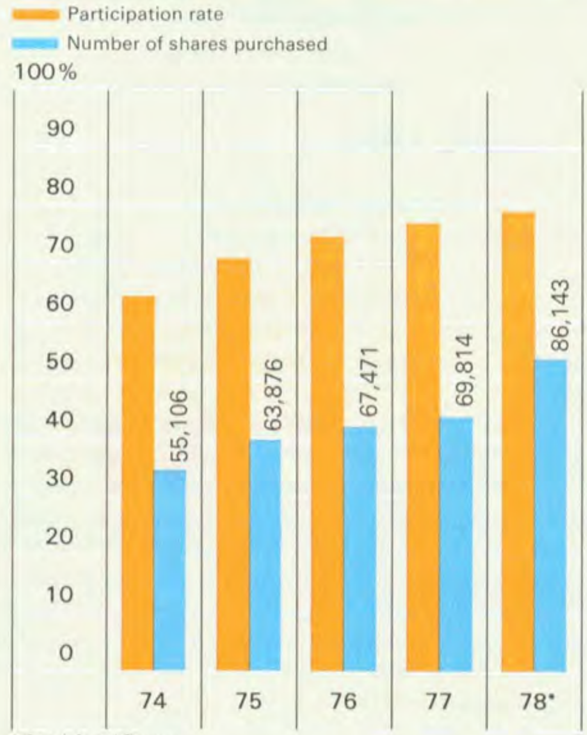
Constructive cooperation with the Staff Councils

In 1977 the work with the Staff Councils and their various committees continued in a spirit of cooperation and understanding at all levels. In order to discuss personnel, social and organisational matters the management met regularly with the General Staff Council, the Youth Representatives of the entire bank and the General Staff Committee. Economic questions were discussed at meetings with the Economic Committee. Work with the local Staff Councils was also carried out in an equally fair manner. We owe our thanks to the members of the Staff Councils, the General Staff Council and the Economic Committee for this constructive and understanding cooperation.

School background of new apprentices



Purchase of staff shares by employees and retired members of staff



* Provisional figures

Capital formation promoted

19.4% of our shareholders own staff shares. In the past year we offered employees and retired staff of our bank and our domestic subsidiaries staff shares for the fourth time. Once again the subscription figures were increased. Approximately 83% of our employees purchased up to two staff shares with a nominal value of DM 50 at a preferential price of DM 133.– per share. Including retired members of staff and the domestic subsidiaries we achieved an overall participation rate of 77%. The very positive response to our offers so far has induced us to offer staff shares again in 1978. The bank has so far spent a total of DM 33.8 m. on issuing staff shares. Including the relevant savings balances our staff have saved around DM 251 m. under the state capital formation scheme since 1963. The bank's total contributions towards capital formation by the staff amounted to DM 141.6 m. as at the end of 1977.

In order to assist our employees in acquiring their own homes we have, for years, been giving them mortgage loans at favourable conditions. Lively use is made of this offer too. As at the end of 1977 5,879 mortgage loans for a total amount of DM 321.3 m. had been taken up.

Staff expenses +8.7%

With the number of staff almost unchanged, expenses for salaries and compulsory social security contributions rose by 7.6% during the year under review to DM 1,308.5 m. Total staff expenses (salaries, compulsory social security contributions, expenses for retirement pensions and other employee benefits) increased by 8.7% to DM 1,504.1 m.

The growth in staff expenses is increased in some areas by legislation. We have met the requirements of the Act on Company Doctors, Safety Engineers and Specialists for Work Safety by appointing a specialist for work safety and a doctor at the Central Office. At the larger offices there are also work safety specialists, and doctors who perform the duties required by law on a part-time basis. In accordance with the Federal Data Protection Act, a data protection officer was appointed punctually as of July 1, 1977.

During the year 424 members of staff retired. At the end of the year we looked after 8,381 retired members of staff and widows, and 168 orphans. Last year 431 members of staff had been 25 years with the bank. 80 employees celebrated 40 years of service; 1 member of staff was able to look back on 50 years of service with the bank.

Thanks to the staff

The bank's performance in the 1977 financial year is the result of the successful work and cooperation of all members of staff. We wish to thank our employees for their contribution.

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

Georg Bronhuber, Munich
Karl-Heinz Brunhöber, Hamburg
Hermann Bürner, Karlsruhe
Horst Cordewinus, Düsseldorf
Waldemar Credé, Kassel
Gertrud Eder, Munich
Ingeborg Ehrlich, Frankfurt
Hermann Enssle, Schwäbisch Gmünd
Lotte Erbe, Düsseldorf
Peter Fischer, Stuttgart
Rudolf Focht, Hamburg
Maria Fronk, Düsseldorf
Hubert Gerstberger, Hamburg
Roland Grah, Wuppertal
Sylvia Grube, Dortmund
Werner Grün, Duisburg
Hans Gube, Munich
Manfred Haar, Essen
Hannelore Hanke, Dortmund
Karl August Heinsen, Hamburg
Alfons Helfreich, Düsseldorf
Werner Helms, Hamburg
Wolfgang Hettich, Cologne
Maria Hipp, Stuttgart
Erich Kiesler, Kiel
Günter Klöppelt, Dortmund
Karlheinz Klose, Hamburg
Bernd Klubert, Amberg
Heinz Klumpe, Osnabrück
Helga Köring, Bochum
Jutta Konschak, Düsseldorf
Karl-Heinz Kröll, Düsseldorf
Ernst Krohn, Hamburg
Günther Kunkel, Frankfurt
Fritz Kuss, Gronau
Sigrid Lehmann, Hagen
Walter Lehmann, Ludwigshafen (Rhein)
Monika Lietzau, Cologne
Siegfried Mager, Karlsruhe
Werner Marquardt, Frankfurt
Richard Meyer, Lüneburg
Heinz Nitz, Frankfurt
Stefan Oswald, Mannheim
Ludwig Petersohn, Taunus-Zentrum Eschborn
Erwin Pfaff, Kassel
Diether Puls, Hamburg
Manfred Renwrantz, Hamburg
Johann Rölker, Hamburg
Aloysius Sack, Bonn
Günter Seibert, Heiligenhaus
Hans-Joachim Semerau, Munich
Elsbeth Sester, Ausbildungszentrum Kronberg
Heinrich Siebler, Munich
Emanuel Smereczynski, Frankfurt
Theodor Scherdel, Würzburg
Hermann Schniedewind, Bremen
Heinz Schnitzler, Lahr
Helmut Schütze, Taunus-Zentrum Eschborn
Gert Stendel, Hamburg
Alois Stubenrauch, Ludwigshafen (Rhein)
Karlheinz Sturm, Pforzheim
Carl Teske, Hamburg
Ilse Thiel, Hamburg
Grete Umschaden, Taunus-Zentrum Eschborn
Heinz-Otto Vaerst, Frankfurt
Manfred Vollmar, Frankfurt
Karl-Heinz Winderstein, Hamburg
Edith Winkler, Krefeld
Norbert Witt, Frankfurt
Kurt Zahneisen, Ludwigshafen (Rhein)

We mourn the passing away of 263 retired employees of our bank.

We shall always honour their memory.

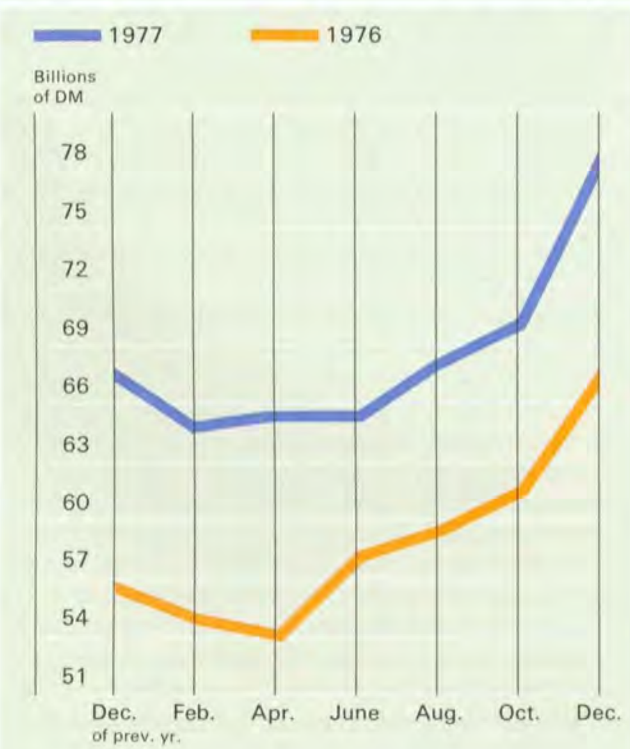
Balance Sheet

Volume of business

In 1977 the bank's *volume of business* rose by DM 10.9 bn. = 16.1% to DM 78.7 bn.; at DM 78.6 bn. (+16.7%), the balance sheet total is only a little lower. In absolute terms, the increase still slightly exceeded the especially high growth of the year before; one quarter of this was contributed by our branches abroad, including the Paris branch which was opened in mid-year.

The development of the volume of business in 1977 as compared with the preceding year is shown in the graph below. Following a decline in the first months, the volume of business remained at a level of almost DM 66 bn. up to the middle of the year. Expansion in the second half of the year accelerated during the last two months which account for three quarters of 1977 growth.

Growth in the volume of business during the year



Expansion in the volume of business was accompanied by a change in the bank's balance sheet structure, which is shown in the "Financing balance" on p. 30 broken down by source and use of funds.

Changes in the most important items on the balance sheet against the end of 1976 are as follows:

Assets	in millions of DM
Cash reserve	+ 878.3
Cheques and other items received for collection	+ 128.5
Bills of exchange	− 406.1
Claims on banks and other credit institutions	+ 6,015.2
Treasury bills and discountable Treasury bonds	− 152.5
Bonds and notes	+ 843.0
Other securities	− 29.2
Claims on customers	+ 3,533.9
short and medium-term	+ 216.8
long-term (4 years or longer)	+ 3,317.1
Subsidiaries, associated companies and trade investments	+ 145.9
Land and buildings, office furniture and equipment	+ 75.2
Other assets	+ 142.9
Remaining assets	+ 71.3
Balance sheet total	+ 11,246.4

Liabilities	in millions of DM
Liabilities to banks and other credit institutions	+ 4,134.4
Liabilities to customers	+ 5,122.1
including: time deposits	+ 3,733.2
savings deposits	+ 469.4
Bonds and notes	+ 1,138.4
Provisions	+ 154.8
Own funds (Capital and Disclosed reserves)	+ 350.0
Remaining liabilities	+ 346.7
Balance sheet total	+ 11,246.4

Turnover on our customers' accounts rose by 10.7% to DM 2,333.7 bn. In the past year, turnover of DM 72 m. and 15,600 business transactions were recorded per employee.

Liquidity

The bank's liquidity ratios only showed a negligible change against the year before.

At the end of 1977, the *Cash reserve* amounted to DM 5.4 bn. and thus covered 7.4% of Total liabilities of DM 72.7 bn. after 7.3% a year earlier (cash liquidity).

Overall liquidity as the ratio of Total liquid funds of DM 19.7 bn. to Liabilities was 27.1% (27.0% at the end of 1976).

The following table shows the composition of Total liquid funds and Liabilities:

	End of 1977	End of 1976
	– in millions of DM –	
Cash reserve		
Cash on hand	260.3	301.7
Balances with the Deutsche Bundesbank	5,094.3	4,194.4
Balances on postal cheque accounts	46.0	26.2
	5,400.6	4,522.3
Other liquid funds		
Cheques, items received for collection	534.1	405.6
Bills of exchange rediscountable at the Deutsche Bundesbank	5,453.2	6,053.4
Claims on banks and other credit institutions payable on demand	5,070.4	2,976.6
Treasury bills and discountable Treasury bonds	95.9	248.4
Bonds and notes eligible as collateral for Bundesbank advances	3,156.3	2,595.2
Total liquid funds	19,710.5	16,801.5
Liabilities		
Liabilities to banks and other credit institutions	23,419.3	19,284.9
Liabilities to customers	44,949.6	39,827.5
Bonds and notes	3,982.4	2,844.0
Own acceptances in circulation	361.9	140.0
Other liabilities	26.7	24.2
Total liabilities	72,739.9	62,120.6

Holdings of *Bills of exchange* decreased by DM 0.4 bn. to DM 6.2 bn.; DM 5.5 bn. or 87.7% of them were, according to Deutsche Bundesbank regulations, rediscountable or eligible as collateral.

During the past year the bank at all times observed the *principles* concerning capital resources and liquidity laid down by the Federal Banking Supervisory Office in accordance with Sections 10 and 11 Banking Act.

We limited the interest risks assumed in connection with fixed conditions in our lending business through increased long-term refinancing via borrowing at matching maturities and corresponding interest rates, particularly through issue of our own bonds.

Assets

Securities

Bonds and notes increased by DM 843 m. to DM 3,940.5 m.; almost half the rise is due to long-term bonds and notes of banks and other credit institutions.

Securities, so far as they do not have to be shown elsewhere, at DM 1,846.3 m. are shown slightly lower than the figure for the year before. These are almost exclusively *shares and investment fund certificates;* of this item, DM 1,025.3 m. represents holdings in companies in which the bank has a more than 10% capital interest. A major part of the Mercedes-Automobil-Holding shares held as cover at the end of 1976 was drawn last year against exercise of the subscription rights on our own bonds. As of 31. 12. 1977 our portfolio contained shares from syndicate transactions in the amount of DM 259.8 m.

The following shareholdings of more than 25%, which we regard purely as a financial investment and hence do not show as Subsidiaries, associated companies and trade investments, had to be reported in accordance with Section 20 Joint Stock Corporation Act:

Bergmann-Elektricitäts-Werke Aktiengesellschaft, Berlin
Daimler-Benz Aktiengesellschaft, Stuttgart
Hapag-Lloyd Aktiengesellschaft, Hamburg
Philipp Holzmann Aktiengesellschaft, Frankfurt (Main)

Total credit extended	End of 1977 DM m.	End of 1976 DM m.	Change DM m.	%
Claims on customers				
short and medium-term	17,120.1	16,903.3	+ 216.8 =	1.3
long-term (4 years or longer)	17,180.7	13,863.6	+3,317.1 =	23.9
	34,300.8	30,766.9	+3,533.9 =	11.5
Discounts	6,653.1	7,300.8	− 647.7 =	8.9
Lendings to banks and other credit institutions	4,342.8	3,614.3	+ 728.5 =	20.2
Total credit extended	45,296.7	41,682.0	+3,614.7 =	8.7

Karstadt Aktiengesellschaft, Essen
Pittler Maschinenfabrik Aktiengesellschaft, Langen (Hessen)
Schitag Schwäbische Treuhand-Aktiengesellschaft, Stuttgart
Süddeutsche Zucker-Aktiengesellschaft, Mannheim

For information on the development of these companies we refer you to their annual and interim reports.

All the bank's securities were valued as usual according to the minimum value principle.

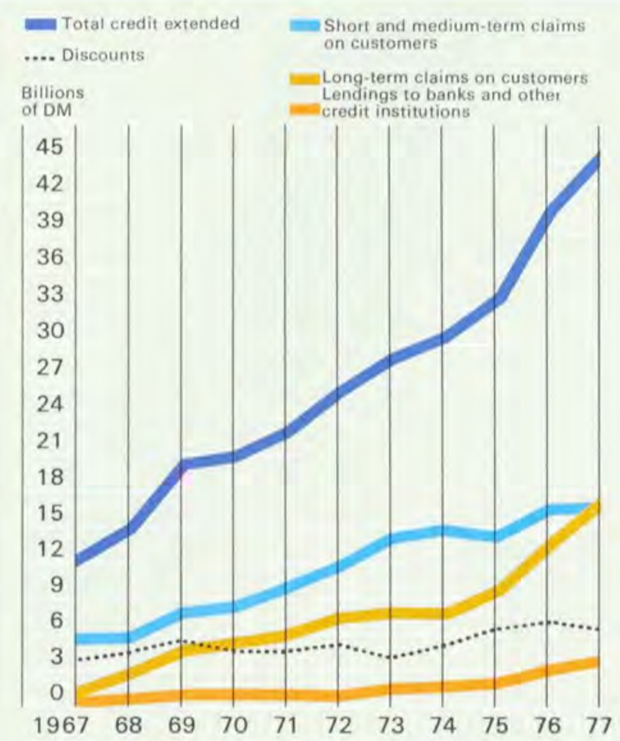
Total credit extended

With an increase of DM 3.6 bn. = 8.7%, *Total credit extended* grew only half as much as in 1976 (DM 7.5 bn. = 21.9%); one third of the growth was due to business transacted by our branches abroad. The increase is almost exclusively attributable to the rise in cash advances to customers, since *Discounts* fell by DM 0.6 bn. = 8.9% to DM 6.7 bn., the level of two years previously, and Lendings to banks and other credit institutions rose by DM 0.7 bn., = one fifth, to DM 4.3 bn. Together with funds invested and credit balances on clearing accounts, lendings to banks are shown in *Claims on banks and other credit institutions* which grew by DM 6.0 bn. or 37.7% to a total of DM 22.0 bn. Three quarters of this relate to claims on foreign credit institutions.

Claims on customers went up by 11.5% to DM 34.3 bn. Short and medium-term credits rose only slightly by DM 216.8 m. = 1.3% to DM 17.1 bn. The expansion was predominantly accounted for by the long-term Claims on customers which climbed by DM 3.3 bn. = 23.9% to DM 17.2 bn. and hence made up half the Claims on customers.

The development was mainly due to lendings to our private customers. Our standardised lending business

Total credit extended



rose strongly again in the past year, by DM 2.2 bn. or 26.2%, reaching DM 10.4 bn. at the end of the year, i.e. 30% of our total claims on customers. The *Programmed Personal Credits* contributed DM 0.8 bn. or nearly 40% to the increase, whilst DM 1.4 bn. was accounted for by *credits for building financing.*

Influenced by the low interest level and the utilisation of short-term credit by our customers abroad, the structural change reflected in the graph of the development of Total credit extended intensified in the past year. Long-term claims on customers more than doubled within a period of three years.

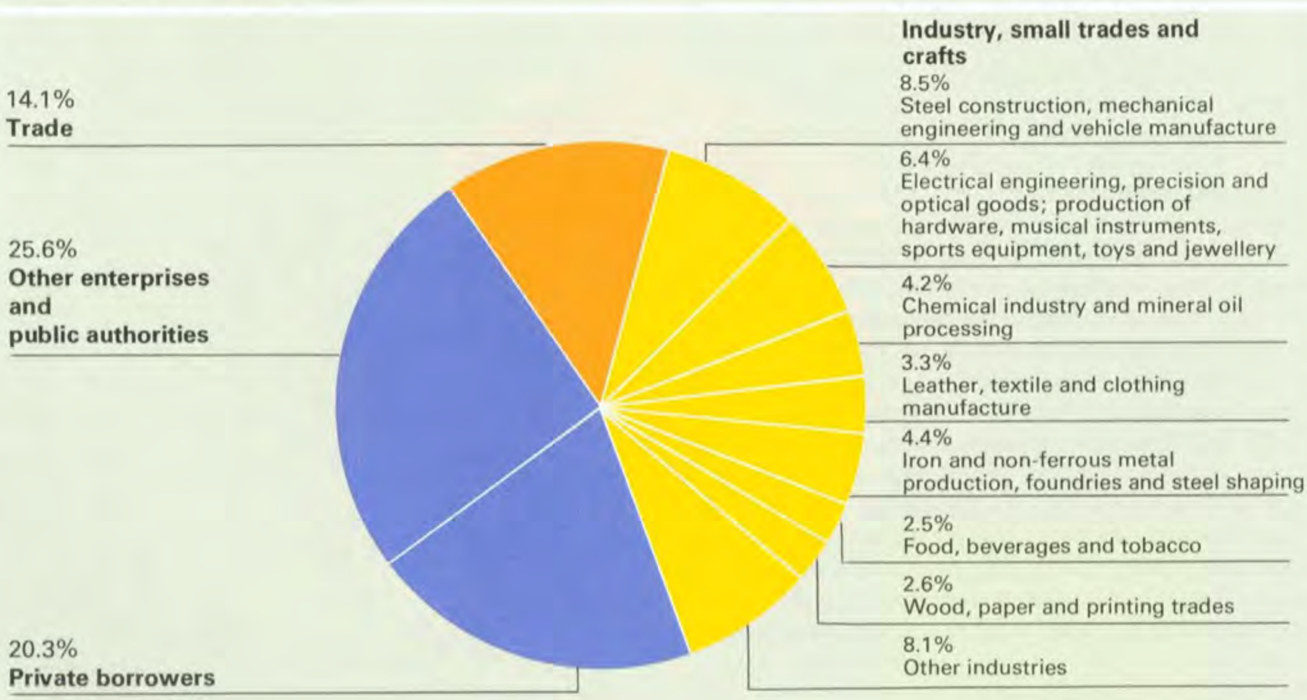
On balance-sheet date, long-term claims on customers included DM 9.0 bn. or 52% with a remaining life of less than 4 years.

We transmitted funds amounting to DM 1.3 bn. from public lending programmes for specific purposes, provided mainly by the Kreditanstalt für Wiederaufbau, to the borrowers on the terms fixed by the lenders (DM 1.1 bn. at the end of 1976).

Number of credits	End of 1977	
up to DM 10,000	983,644 =	77.0%
more than DM 10,000 up to DM 100,000	254,567 =	19.9%
more than DM 100,000 up to DM 1,000,000	35,660 =	2.8%
more than DM 1,000,000	4,196 =	0.3%
	1,278,067 =	100.0%

The wide spread of our credit risks can be seen from the above breakdown of our lendings by size and from the diagram of our lendings to customers by sector.

Breakdown of lendings to customers (claims and discounts) by sector as at December 31, 1977



The credits extended to our customers are within the limits for large credits laid down by Section 13 Banking Act.

Allowance was made for all discernible risks in lending business through individual adjustments and provisions. In addition, general provisions in the prescribed and allowable amount were made for latent risks.

Subsidiaries, associated companies and trade investments

In this item of the balance sheet we continue to show holdings in associated banks and credit institutions, whose range of financial services is similar to or materially supplements that of our bank, and holdings in administrative companies which, as independent auxiliary operations, relieve the bank of administrative work not of a typical banking nature. We ensure in the above-mentioned cases, in proportion to our holding, that these firms are able to meet their liabilities.

The item also includes smaller capital holdings in foreign banks and finance companies, especially in developing countries, to which we make capital and advice available – often together with other international banks.

Holdings which do not fall into the categories indicated above, and are hence not intended as business participations, especially the blocks of shares listed on pp. 52 and 53 are shown in the balance sheet under securities or – if they are not documented in security form – under Other assets.

A complete list of Deutsche Bank AG's subsidiaries, associated companies and trade investments indicating the bank's holdings is given on pp. 109–111 of this report. We comment on the business development and position of the companies included in the consolidated statement of accounts in our Report of the Group, which also gives information on the bank's relations with related companies.

Subsidiaries, associated companies and trade investments are shown in the balance sheet as of the end of 1977 at DM 1,396.1 m. The increase of DM 145.9 m. stems from additions of DM 152.3 m., transfers of securities of DM 0.5 m. as well as disposals of DM 0.9 m. and write-downs of DM 6.0 m. The write-downs exclusively concern holdings abroad, taking into account the fall in value due to exchange rate changes.

The additions mainly relate to capital increases and purchases; the following transactions should be mentioned in particular:

Capital increases
Berliner Disconto Bank AG, Berlin
DWS Deutsche Gesellschaft für Wertpapiersparen mbH, Frankfurt (Main)
Deutsche Schiffahrtsbank AG, Bremen
Schiffshypothekenbank zu Lübeck AG, Kiel
Al-Bank Al-Saudi Al-Alami Ltd., London
Banco Comercial Transatlántico, Barcelona
Banque Européenne de Crédit, Brussels
Banque Nationale pour le Développement Economique, Rabat/Morocco
Compagnie Financière de la Deutsche Bank AG, Luxembourg
European Banking Company Ltd., London
Foreign Trade Bank of Iran, Tehran/Iran
The Industrial Credit and Investment Corporation of India Ltd., Bombay/India
Deutsche Wagnisfinanzierungs-Gesellschaft mbH, Frankfurt (Main)

Capital payments
Deutsche Wagnisfinanzierungs-Gesellschaft mbH, Frankfurt (Main)
European Arab Holding S.A., Luxembourg

Purchases
AKA Ausfuhrkredit-Ges. mbH, Frankfurt (Main)
Deutsche Centralbodenkredit-AG, Berlin – Cologne
Frankfurter Hypothekenbank, Frankfurt (Main)
Gesellschaft zur Finanzierung von Industrieanlagen mbH, Frankfurt (Main)
Handelsbank in Lübeck, Lübeck
Handelsbank Heilbronn AG, Heilbronn
Liquidations-Casse in Hamburg AG, Hamburg
Privatdiskont-AG, Frankfurt (Main)
Banco Comercial Transatlántico, Barcelona
H. Albert de Bary & Co. N.V., Amsterdam
European Brazilian Bank Ltd., London
National Investment Bank for Industrial Development S.A., Athens

New establishments
DB Finance (Hong Kong) Ltd., Hong Kong
Rhein-Neckar Bankbeteiligung GmbH, Stuttgart
Intermex Holding S.A., Luxembourg

In the year under review a merger took place between Badische Bank, Karlsruhe, Handelsbank Heilbronn AG, Heilbronn, and Württembergische Bank, Stuttgart. To effect the merger, we purchased shares of Handelsbank Heilbronn AG and, together with our shares in Badische Bank, brought them into the merged institution. The shares of Baden-Württembergische Bank AG, Stuttgart, acquired from the merger, were brought by us into the intermediate holding company Rhein-Neckar Bankbeteiligung GmbH, Stuttgart. The firm, in which we have a 50% interest, has a holding of one quarter in the capital of Baden-Württembergische Bank AG.

Our interest of 20% in Bankhaus H. Albert de Bary & Co. N.V., Amsterdam, which we have held for many years, was increased to 50% in the past year.

The holding of just over 25% in Handelsbank in Lübeck, which was purchased in 1976, was expanded in 1977. After having acquired further shares early in 1978, we now have a majority holding in this institution.

Our holding in DWS Deutsche Gesellschaft für Wertpapiersparen mbH, Frankfurt (Main), was raised in connection with a capital increase of that company. Together with our subsidiary Berliner Disconto Bank AG, Berlin, we now hold the majority of that company's capital.

We increased our interest in Liquidations-Casse in Hamburg AG, Hamburg, to 25% of the company's capital.

Under Subsidiaries, associated companies and trade investments we also show our holding in the Society for Worldwide Interbank Financial Telecommunication – SWIFT –, Brussels, which started operations for handling international payments in 1977.

After further purchases, we brought our holding in International Mexican Bank Ltd., London, last year into the newly established Intermex Holding S.A., Luxembourg.

Early in 1978 we bought the remaining shares of Deutsche Kreditbank für Baufinanzierung AG, Cologne, which we now wholly own.

At the end of March 1978, the bank will take over the remaining 50% of the capital of UBS-DB Corporation, New York, up to now managed jointly with Union Bank of Switzerland; in future UBS-DB Corporation will operate under the name of Atlantic Capital Corporation.

The Ordinary General Meeting of Deutsche Ueberseeische Bank on March 15, 1978 resolved on the merger with our bank, pursuant to Sections 15 and 3 Transformation Act. Its branches in Latin America will continue as branches of Deutsche Bank.

Fixed assets

Land and buildings are shown in the balance sheet at DM 741.6 m., DM 60.8 m. higher than a year earlier. Whilst there are additions of DM 97.0 m., disposals amount to DM 0.5 m. and depreciation to DM 35.7 m. DM 87.6 m. of the additions relate to capitalised construction costs for new buildings, extensions and conversion measures which were mainly carried out by our branches. Major new buildings are being erected in Bielefeld, Düsseldorf and Duisburg; larger-scale modernisation schemes were completed in Essen and Munich.

Office furniture and equipment, after additions of DM 64.4 m. and depreciation of DM 50.0 m., is entered at DM 239.8 m. Depreciation includes DM 13.7 m. for minor items written off immediately in accordance with Section 6 (2) Income Tax Act.

Other asset items

Amounts due from Federal and Länder authorities under Currency Reform Acts declined by DM 20.3 m. from DM 363.5 m. to DM 343.2 m. Of this DM 323.7 m. is still accounted for by equalisation claims following scheduled payment of DM 8.9 m. and assumption of DM 2.6 m. by the Deutsche Bundesbank. Covering claims in accordance with Section 252 Equalisation of Burdens Act and Section 19 Old Savings Act are still DM 19.5 m. after scheduled payment of DM 8.8 m.

In the balance sheet item *Other assets* we primarily show share rights not documented by securities which we do not regard as business participations.

We indirectly hold blocks of shares through the holding companies mentioned opposite, our interest exceeding 25% in only one case.

With effect from the end of 1977/beginning of 1978 we sold a 25% share in Stella Automobil-Beteiligungsgesellschaft mbH, Frankfurt (Main), to the newly founded holding company Star-Automobil-Beteiligungsgesellschaft mbH, Frankfurt (Main), in which we hold a 50% interest.

Other assets also cover gold and silver, especially DM 93.0 m. held as cover for gold and silver certificates we

Holding company	holds at least 25% of:
Allgemeine Verwaltungsgesellschaft für Industriebeteiligungen mbH, Munich – our share 33⅓% –	Metallgesellschaft AG, Frankfurt (Main)
Corona Beteiligungsgesellschaft mbH, Frankfurt (Main) – our share 33⅓% –	Continental Gummi-Werke AG, Hanover Phoenix Gummiwerke AG, Hamburg
Deutsche Gesellschaft für Anlageverwaltung mbH, Frankfurt (Main) – our share 75% –	Horten AG, Düsseldorf-Niederkassel
Energie-Verwaltungs-Gesellschaft mbH, Düsseldorf – our share 25% –	Vereinigte Elektrizitätswerke Westfalen AG, Dortmund
Groga Beteiligungsgesellschaft mbH, Frankfurt (Main) – our share 50% –	Leonische Drahtwerke AG, Nuremberg
Kistra Beteiligungsgesellschaft mbH, Frankfurt (Main) – our share 75% –	Hutschenreuther AG, Selb (Bay.)
Rossma Beteiligungsgesellschaft mbH, Frankfurt (Main) – our share 60% –	Didier-Werke AG, Wiesbaden
Stella Automobil-Beteiligungsgesellschaft mbH, Frankfurt (Main) – our share 50% –	Mercedes-Automobil-Holding AG, Frankfurt (Main)
Stern Automobil-Beteiligungsgesellschaft mbH, Frankfurt (Main) – our share 25% –	Mercedes-Automobil-Holding AG, Frankfurt (Main)

have issued to customers, coins and medallions and claims outside the banking business.

Own shares

At the end of the year we held 57,737 *Own shares* totalling DM 16.8 m.; the average purchase price was DM 290.58. They were offered to the employees of the bank and its domestic subsidiaries as staff shares in January 1978, in accordance with Section 71 (1) 2 Joint Stock Corporation Act, at a price of DM 150 per share which took into account the relevant tax possibilities.

During the year under review the 28,100 shares held at the end of 1976 and 41,714 Deutsche Bank shares purchased at an average price of DM 278.81 were passed on to our employees and our domestic Group companies at DM 133 per share.

Within the scope of securities dealings which we have to report in accordance with Section 71 (1) 1 Joint Stock Corporation Act, in 1977 we and our related companies purchased 1,265,484 Deutsche Bank shares at current prices, at an average price of DM 288.81, and sold them again at an average price of DM 289.56. The sales proceeds remained in the working funds.

120,952 Deutsche Bank shares had been pledged to the bank and its related companies as credit security at the end of 1977.

Liabilities

Funds from outside sources

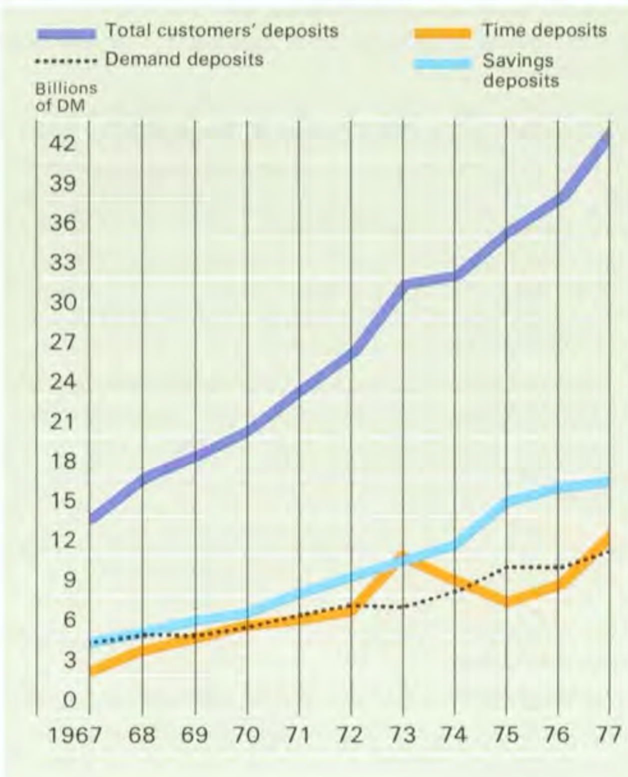
Funds from outside sources expanded by DM 10.4 bn. = 16.8% to DM 72.4 bn. in 1977. One quarter of the expansion was due to our branches abroad.

Liabilities to banks and other credit institutions grew by DM 4.1 bn. = 21.4% to DM 23.4 bn. The increase is due almost exclusively to time deposits; funds at longer terms were taken in to a larger extent, whilst time deposits with a life or period of notice of less than three months were reduced. Liabilities to foreign banks and other foreign credit institutions at the end of 1977 amounted to DM 18.4 bn., i.e. about three quarters of all liabilities to banks and other credit institutions.

At the end of 1977 *Liabilities to customers* were DM 44.9 bn. as compared with DM 39.8 bn. in the year before. Almost three quarters of the growth of DM 5.1 bn. was attributable to time deposits (+DM 3.7 bn.), which at DM 14.3 bn. again exceeded the peak level at the end of 1973 (DM 12.8 bn.). Demand deposits rose by DM 0.9 bn. or 7.9% to DM 12.5 bn.

Growth of *Savings deposits* was appreciably smaller. At DM 469.4 m. or 2.7% the increase, including interest, was only half as much as in the previous year; this is the lowest account saving volume for more than a decade.

Customers' deposits 1967–1977



Funds from outside sources	End of 1977 DM m.	%	End of 1976 DM m.	%	Change DM m.	%
Liabilities to banks and other credit institutions						
payable on demand	5,996.8	8.3	5,864.9	9.5	+ 131.9	2.2
time deposits	16,900.4	23.4	12,963.4	20.9	+ 3,937.0	30.4
customers' drawings on credits opened at other institutions	522.1	0.7	456.6	0.7	+ 65.5	14.3
	23,419.3	32.4	19,284.9	31.1	+ 4,134.4	21.4
Liabilities to customers						
payable on demand	12,544.3	17.3	11,624.8	18.8	+ 919.5	7.9
time deposits	14,281.9	19.7	10,548.7	17.0	+ 3,733.2	35.4
savings deposits	18,123.4	25.1	17,654.0	28.5	+ 469.4	2.7
	44,949.6	62.1	39,827.5	64.3	+ 5,122.1	12.9
Bonds and notes	3,982.4	5.5	2,844.0	4.6	+ 1,138.4	40.0
Total funds from outside sources	72,351.3	100.0	61,956.4	100.0	+ 10,394.9	16.8

Total saving, including securities purchased with funds from savings accounts (after deduction of sales) and savings certificates sold, fell by one fifth in 1977 to DM 2,860.0 m., of which 39% (36% in 1976) stems from growth (+DM 652.1 m.) in savings deposits and savings certificates shown under time deposits.

The graph overleaf shows the development of total savings in the past 5 years. A breakdown of savings deposits by groups of savers is shown in the diagram below.

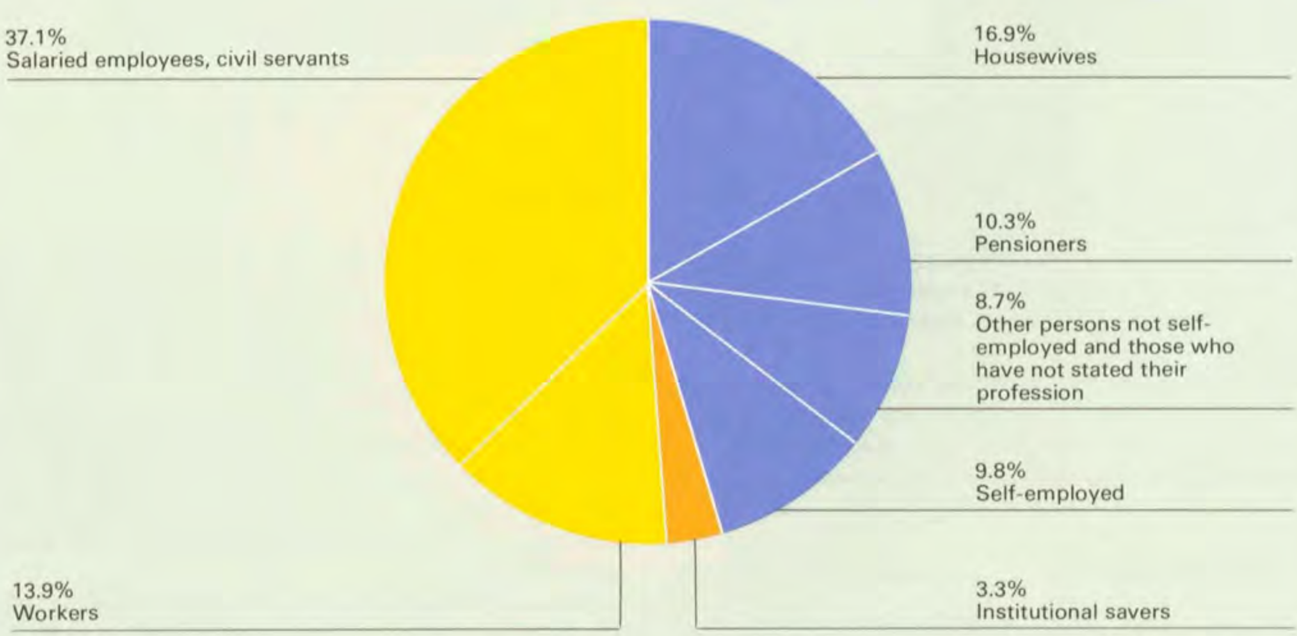
The development and position of customers' deposits in the past 10 years is depicted in the graph on the opposite page. Since 1967 the volume of savings deposits has trebled. On the other hand, over the same period, demand deposits have only slightly more than doubled, their share in customers' deposits declined appreciably from 38% to 28%. Time deposits again have a higher proportion of nearly one third.

Bonds and notes

The bank's own *Bonds and notes* in circulation rose by DM 1.1 bn. to nearly DM 4.0 bn. in 1977. They serve to refinance long-term fixed-interest credits with corresponding interest rates and matching maturities. With DM 114.4 m., we also show the remaining bonds which were issued bearing a subscription right to Mercedes-Automobil-Holding AG shares under this item.

Liabilities from *Own acceptances and promissory notes* in circulation totalled DM 361.9 m. They are mainly promissory notes of our Tokyo branch which were issued in accordance with Japanese practice to refinance claims on customers.

Breakdown of savings deposits by groups of savers as at December 31, 1977



Provisions

Provisions for contingent liabilities rose to DM 1,453.5 m. at the end of 1977.

Another DM 71.4 m. had to be provided for *Provisions for pensions* as a result of the actuarial opinion; they are now shown on the balance sheet with their part value of DM 876.8 m.

Other provisions increased by DM 83.4 m. to DM 576.7 m. In addition to provisions for taxes and risks from guarantee business, the item also includes the general provisions for rights of recourse.

Other liability items

Other liabilities of DM 26.7 m. relate to liabilities which have arisen outside the scope of banking business, especially wage tax and compulsory social security contributions payable.

Special items with partial reserve character are shown at a total of DM 19.4 m. (1976: DM 46.0 m.). The decline is due primarily to the tax-affecting dissolution of the special item in accordance with the administrative tax regulation on general provisions. DM 1.9 m. of capital gains on sales earned in 1977 was transferred by us to the special item pursuant to Section 6b Income Tax Act.

Transitory items of DM 491.6 m. on the liabilities side include income received but only imputable to future financial years, in particular discounts on long-term loans as well as interest and handling fees in programmed credit business.

Comments

Endorsement liabilities on rediscounted bills of exchange amounted to DM 127.4 m. at the end of the year. Furthermore, bills valued at DM 202.7 m. were in the process of collection.

Contingent liabilities from guarantees, including guarantees for bills and cheques, and from indemnity agreements dropped by DM 0.9 bn. to DM 15.5 bn.

Repurchase commitments fell by DM 0.4 bn. to DM 0.8 bn.

Other liabilities

Liabilities for possible calls on shares not fully paid up in public and private limited companies were DM 60.4 m., and our share of liability for third-party obligations in accordance with Section 24 "GmbH" Act was DM 28.1 m. at the end of the year.

In respect of our interest in Liquiditäts-Konsortialbank GmbH, Frankfurt (Main), there is an obligation to pay further capital of up to DM 44.6 m., and a contingent liability to meet the capital obligations of other partners also belonging to the Bundesverband deutscher Banken e. V., Cologne.

Pursuant to Section 5 (10) of the Statute of the Deposit Insurance Fund, we have undertaken to indemnify the Bundesverband deutscher Banken e. V., Cologne, for any losses that may be incurred through measures in favour of banks and other credit institutions in which we have a majority holding.

We bear a statutory joint liability (Section 322 Joint Stock Corporation Act) for the obligations of the Deutsche Ueberseeische Bank, now integrated into our bank.

Profit and Loss Account

Earnings on the volume of business

The interest surplus improved by 14.6% over the previous year. The increase was based on the strong growth in the average volume of business by 15.5%. After the marked contraction in the year before, there was only a slight decline in the interest margin.

Owing primarily to the further expansion of Total credit extended, Interest and similar income from lending and money market transactions climbed by DM 518.9 m. = 16.4%. As a result of the increase in our holdings of bonds and notes, current income from fixed-interest securities and debt register claims went up by DM 27.0 m. The current income from shares, and subsidiaries, associated companies and trade investments rose by DM 29.5 m. Interest expenses grew by DM 327.9 m. = 17.7%. The increase was primarily caused by the rise in the cost price of time deposits, with the volume growing considerably at the same time.

The *Interest surplus* of DM 1,943.7 m. is DM 247.5 m. higher than that of the preceding year. It again more than covers staff and other operating expenses.

Earnings on the volume of business developed as follows:

	1977 in millions of DM	1976 in millions of DM
Interest and similar income from lending and money market transactions	3,687.9	3,169.0
Current income from securities, debt register claims, and subsidiaries, associated companies and trade investments	439.9	383.4
	4,127.8	3,552.4
Interest and similar expenses	2,184.1	1,856.2
Earnings on the volume of business *(Interest surplus)*	1,943.7	1,696.2

Earnings on services

The increase of DM 58.7 m. in *Commissions and service charges received* derived from all sectors of banking business. After a decline in the year before, a larger contribution was again made by securities business due to a considerable expansion in turnover. The volume of foreign trade continued to grow; hence there was another rise in foreign turnover and – although not to the same extent – in income from international business as well.

After deduction of commissions paid, service transactions produced a surplus of DM 590.8 m. The improvement of DM 56.0 m. = 10.5% covers 39% of the growth in staff and other operating expenses of DM 144.9 m.

Other income

The income from ordinary business covered by this item showed a satisfactory development in the past year. The result from dealings in securities, foreign exchange and precious metals surpassed that of the preceding year. As regards extraordinary income, there was a decline especially in profits from the sale of securities. However, the requirement for writing down securities was also smaller.

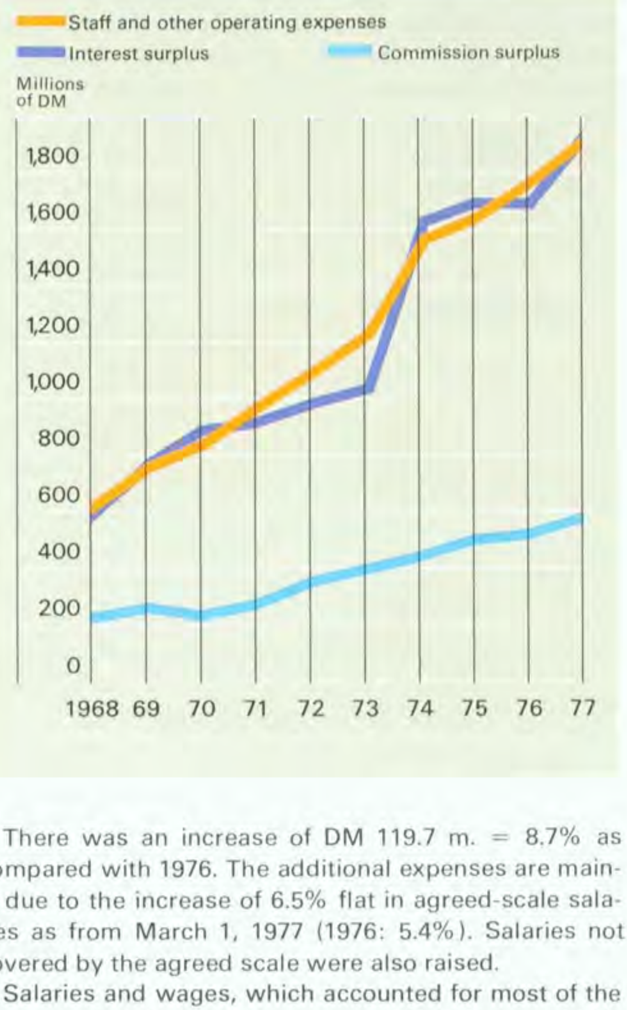
On the other hand, we considered it appropriate to provide a larger amount than in the year before for the higher risks in lending business. In line with the expansion of Total credit extended, DM 24.9 m. was transferred to the general provision. The remaining special item with partial reserve character of DM 27.7 m. was written back in 1977 in accordance with the administrative tax regulation for general provisions.

After the allowed offsetting of profits and earnings against *Write-downs of and adjustments to claims and securities, transfers to provisions for possible loan losses,* the *Other income* is shown at DM 137.6 m. (1976: DM 347.9 m.).

Staff and other operating expenses

Staff expenses (Salaries and wages, Compulsory social security contributions, Expenses for retirement pensions and other employee benefits) came to DM 1.5 bn. They had barely amounted to DM 1 bn. in 1973. The 50% rise within four years is a genuine cost increase, as the annual average number of staff employed grew by only 5% during the same period.

Staff and other operating expenses in relation to interest surplus and commission surplus



There was an increase of DM 119.7 m. = 8.7% as compared with 1976. The additional expenses are mainly due to the increase of 6.5% flat in agreed-scale salaries as from March 1, 1977 (1976: 5.4%). Salaries not covered by the agreed scale were also raised.

Salaries and wages, which accounted for most of the increase in staff expenses, rose by DM 79.9 m. = 7.5%. The growth rate of Compulsory social security contributions at 8.3% was half as much as a year earlier; this item again accounts for 10.5% of total staff expenses. DM 27.8 m. = 16.6% more had to be spent on retirement pensions and other employee benefits.

Other operating expenses grew less owing partly to a slower rise in material input prices. The additional expenditure was DM 25.2 m. following DM 59.2 m. in the previous year.

Incremental costs in the year under review were incurred above all in respect of rents for bank premises and data-processing equipment. Higher expenses were also caused by our intensified advertising campaigns.

Depreciation

Depreciation on land and buildings and office furniture and equipment amounted to DM 85.8 m.

Write-downs of subsidiaries, associated companies and trade investments required DM 6.0 m. They refer exclusively to value adjustments on foreign holdings, due to exchange rate changes.

Remaining expenses

Other expenses of DM 99.4 m. include, amongst other things, our contribution to the Deposit Insurance Fund of the Bundesverband deutscher Banken e. V., Cologne (DM 13.5 m.), the provision for 1977 holidays not yet taken, and write-downs of securities held through holding companies.

Total emoluments of the Board of Managing Directors amount to DM 8,684,838.76. Former members of the Board of Managing Directors of Deutsche Bank AG or their surviving dependants received payments aggregating DM 2,723,994.50.

The Supervisory Board received DM 297,120 as fixed emoluments. If the General Meeting accepts the proposals in connection with § 14 (2) of the Articles of Association, the dividend-related emoluments of the Supervisory Board will come to DM 766,281.25.

Members of the Advisory Board received DM 372,486.66 and members of the Regional Advisory Councils DM 2,915,865.

Taxes

The *operating result,* i.e. the surplus on current business, rose by 23.4%. The increase was, however, not reflected in pre-tax profit, as we used it mainly to improve provisions for risks.

The rise in *Taxes on income and assets* by DM 36.0 m. to DM 315.0 m. reflects the higher burden imposed by the new Corporation Tax Act on profit distribution, which provides all eligible shareholders with a much higher yield in the form of a tax credit.

Other taxes of DM 17.6 m. include DM 2.4 m. company tax arising from the 1977 capital increase. Taxes shown total DM 332.6 m. as compared with DM 292.8 m. a year earlier.

Proposed appropriation of profits

The Profit and Loss Account closes as follows:

Income	DM	4,936,465,823.45
Expenses	DM	4,653,665,823.45
Net income for the year	DM	282,800,000.—
Transfer to Disclosed reserves	DM	110,000,000.—
Disposable profit	DM	172,800,000.—

It will be proposed to the shareholders that a dividend of DM 9 per share of DM 50 par value, i.e. DM 172.8 m., be paid on the capital of DM 960 m. The shares issued under the capital increase in November 1977 are entitled to dividend for the whole of 1977.

Together with the imputable corporation tax of DM 5.06 per share, the overall dividend our domestic shareholders will receive amounts to DM 14.06 per DM 50 share or 28.12% (1976: 20%).

Capital and reserves

The Ordinary General Meeting on May 11, 1977 authorised the Board of Managing Directors to increase the share capital by up to a total of DM 200 m. with the consent of the Supervisory Board once or more than once until April 30, 1982 through the issue of new shares against cash payment; in that event preemptive rights would be given to the shareholders. The authorisation was utilised in November 1977 for a partial amount of DM 60 m. so as to adjust the capital and reserves to the higher volume of business. The shareholders were offered new shares in the ratio of 1:15 at a price of DM 200 per DM 50 share. The respective premium of DM 180 m. was transferred to the legal reserve.

We have transferred another DM 110.0 m. (1976: DM 100.0 m.) from the *Net income for the year* to Disclosed reserves.

As compared with December 31, 1976, the bank's *own funds* were hence increased by DM 350.0 m. to DM 3,450.0 m.; they are made up as follows:

Capital	DM 960.0 m.
Disclosed reserves	
a) legal reserve	DM 1,265.0 m.
b) other reserves	DM 1,225.0 m.
Total	DM 3,450.0 m.

Moreover, there is, pursuant to a resolution of the last General Meeting, a conditional capital of DM 56,250,000 from the giving of subscription rights, in accordance with the conditions of subscription, to the holders of warrants from the bond issue with subscription rights of US$ 125,000,000 issued by Compagnie Financière de la Deutsche Bank AG, Luxembourg, in June 1977. The subscription right can be exercised until May 31, 1987.

Frankfurt (Main), March 1978

The Board of Managing Directors

Growth of Capital and Reserves

	Capital DM	Disclosed Reserves DM	Capital and Reserves Total DM
January 1, 1952 (opening balance sheet)	100,000,000.—	40,500,000.—	140,500,000.—
Transfers from the Conversion Account and from net income 1952–1956		109,500,000.—	109,500,000.—
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.—
Transfer from net income 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.—
Transfer from net income 1958		35,000,000.—	35,000,000.—
December 31, 1958	250,000,000.—	215,000,000.—	465,000,000.—
Transfer from net income 1959		35,000,000.—	35,000,000.—
December 31, 1959	250,000,000.—	250,000,000.—	500,000,000.—
Transfer from net income 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.—
Transfer from net income 1961		40,000,000.—	40,000,000.—
December 31, 1961	300,000,000.—	340,000,000.—	640,000,000.—
Transfer from net income 1962		20,000,000.—	20,000,000.—
December 31, 1962	300,000,000.—	360,000,000.—	660,000,000.—
Transfer from net income 1963		40,000,000.—	40,000,000.—
December 31, 1963	300,000,000.—	400,000,000.—	700,000,000.—
Transfer from net income 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.—
Transfer from net income 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.—
Transfer from net income 1966		100,000,000.—	100,000,000.—
December 31, 1966	400,000,000.—	600,000,000.—	1,000,000,000.—
Transfer from net income 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.—
Transfer from net income 1968		50,000,000.—	50,000,000.—
December 31, 1968	480,000,000.—	820,000,000.—	1,300,000,000.—
Transfer from net income 1969		30,000,000.—	30,000,000.—
December 31, 1969	480,000,000.—	850,000,000.—	1,330,000,000.—
Transfer from net income 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.—
Transfer from net income 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.—
Transfer from net income 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.—
Transfer from net income 1973		25,000,000.—	25,000,000.—
December 31, 1973	720,000,000.—	1,459,000,000.—	2,179,000,000.—
Transfer from net income 1974		90,000,000.—	90,000,000.—
December 31, 1974	720,000,000.—	1,549,000,000.—	2,269,000,000.—
Capital increase: 1975 (1 for 4 at 350)	180,000,000.—	450,000,000.—	630,000,000.—
Transfer from net income 1975		101,000,000.—	101,000,000.—
December 31, 1975	900,000,000.—	2,100,000,000.—	3,000,000,000.—
Transfer from net income 1976		100,000,000.—	100,000,000.—
December 31, 1976	900,000,000.—	2,200,000,000.—	3,100,000,000.—
Capital increase: 1977 (1 for 15 at 400)	60,000,000.—	180,000,000.—	240,000,000.—
Transfer from net income 1977		110,000,000.—	110,000,000.—
December 31, 1977	960,000,000.—	2,490,000,000.—	3,450,000,000.—

Development of Reserves

Disclosed reserves as per opening balance sheet of 1. 1. 1952 *)	40,500,000.—
Transfers from net income and from the Conversion Account *)	1,235,500,000.—
Premium from capital increases	1,214,000,000.—
Total disclosed reserves	2,490,000,000.—

*) Transfers from the Conversion Account total DM 41,766,357.28.

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. Besides the balance sheet and earnings account, the subjects discussed included the international lending and issuing business, the expansion of our range of services as well as the extension of our bank's foreign organizations. The state of business activity and the international monetary situation were the subject of detailed reports and discussion. We also examined important individual business transactions and dealt with those matters submitted to us for approval in accordance with legal requirements and the bank's Articles of Association. Questions of staff policy were also discussed by the Supervisory Board.

The Credit Committee of the Supervisory Board called for reports to be given at its meetings of all major loans and those entailing increased risks in order to discuss them with the Board of Managing Directors.

The Treuverkehr AG Wirtschaftsprüfungsgesellschaft – Steuerberatungsgesellschaft, Frankfurt (Main), who were elected auditors of the annual accounts by the Ordinary General Meeting, have examined the Annual Statement of Accounts, the Report of the Board of Managing Directors and the accounts and have found these to be in conformity with the books, which were properly kept, with legal requirements and with the Articles of Association. We accept the Report of the Auditors.

Furthermore, we have ourselves examined the Statement of Accounts as of December 31, 1977, the proposed appropriation of the 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.

The Annual Statement of Accounts drawn up by the Board of Managing Directors has been approved by us and has thus been established. We agree to the proposed appropriation of profits.

Frankfurt (Main), April 4, 1978

The Supervisory Board

Chairman

Annual Balance Sheet

as of December 31, 1977

Profit and Loss Account

for the period from
January 1 to December 31, 1977

Development of the Balance Sheet

from January 1, 1952
until December 31, 1977

		DM	DM	31. 12. 1976 in DM 1,000
Cash on hand			260,300,584.76	301,697
Balances with the Deutsche Bundesbank			5,094,275,563.84	4,194,390
Balances on postal cheque accounts			45,988,039.60	26,237
Cheques, matured bonds, interest and dividend coupons and items received for collection			534,076,378.96	405,656
Bills of exchange			6,219,520,108.13	6,625,637
including:				
a) rediscountable at the Deutsche Bundesbank	DM 5,453,192,799.17			
b) own drawings	DM 25,557,206.16			
Claims on banks and other credit institutions				
a) payable on demand		5,070,362,713.23		2,976,642
b) for original periods or with agreed periods of notice of				
ba) less than three months		3,279,303,020.68		5,186,591
bb) at least three months, but less than four years		11,641,497,625.07		5,947,520
bc) four years or longer		1,996,619,825.95		1,861,838
			21,987,783,184.93	15,972,591
Treasury bills and discountable Treasury bonds				
a) of the Federal Republic and the Länder		91,949,444.44		239,458
b) others		3,954,816.84		8,921
			95,904,261.28	248,379
Bonds and notes				
a) with a life of up to four years				
aa) of the Federal Republic and the Länder	DM 1,828,851,186.50			
ab) of banks and other credit institutions	DM 35,613,767.34			
ac) others	DM 5,582.–	1,864,470,535.84		1,688,038
including: eligible as collateral for Bundesbank advances	DM 1,862,737,160.71			
b) with a life of more than four years				
ba) of the Federal Republic and the Länder	DM 332,450,303.57			
bb) of banks and other credit institutions	DM 1,270,262,459.62			
bc) others	DM 473,335,223.42	2,076,047,986.61		1,409,483
including: eligible as collateral for Bundesbank advances	DM 1,293,631,903.03		3,940,518,522.45	3,097,521
Securities, so far as they do not have to be shown elsewhere				
a) shares marketable on a stock exchange and investment fund certificates		1,789,009,142.77		1,819,313
b) other securities		57,346,318.44		56,172
including: holdings of more than one tenth of the shares of a joint stock corporation or a mining company, excluding subsidiaries, associated companies and trade investments	DM 1,025,341,599.76		1,846,355,461.21	1,875,485
Claims on customers for original periods or with agreed periods of notice of				
a) less than four years		17,120,109,977.04		16,903,310
b) four years or longer		17,180,719,339.63		13,863,582
including:			34,300,829,316.67	30,766,892
ba) secured by mortgages on real estate	DM 1,772,663,308.03			
bb) communal loans	DM 864,994,782.96			
due in less than four years	DM 8,973,030,000.—			
Amounts due from Federal and Länder authorities under Currency Reform Acts			343,242,825.12	363,496
Loans on a trust basis at third party risk			280,558,091.98	199,003
Subsidiaries, associated companies and trade investments			1,396,089,200.—	1,250,164
including: investments in banks and other credit institutions	DM 1,199,220,000.—			
Land and buildings			741,572,900.—	680,755
Office furniture and equipment			239,760,808.60	225,421
Own shares			16,777,474.–	7,861
nominal amount:	DM 2,886,850.—			
Other assets			1,261,099,870.73	1,118,207
Transitory items			3,156,179.80	1,979
		Total Assets	78,607,808,772.06	67,361,371

Total assets and the rights of recourse in respect of the contingent liabilities shown below the line on the liabilities side include		
a) claims on related companies	2,015,160,159.17	1,971,852
b) claims arising from loans falling under Section 15 (1) 1–6 and (2) of the Banking Act, unless included under a)	562,747,035.58	515,361

Balance Sheet as of December 31, 1977

Liabilities

	DM	DM	DM	31. 12. 1976 in DM 1,000
Liabilities to banks and other credit institutions				
a) payable on demand		5,996,848,479.43		5,864,882
b) for original periods or with agreed periods of notice of				
ba) less than three months	3,814,451,016.35			
bb) at least three months, but less than four years	10,925,603,984.07			
bc) four years or longer	2,160,303,116.11	16,900,358,116.53		12,963,352
including: due in less than four years DM 1,361,967,065.56				
c) customers' drawings on credits opened at other institutions		522,128,420.46		456,605
			23,419,335,016.42	19,284,839
Liabilities to customers				
a) payable on demand		12,544,259,933.81		11,624,835
b) for original periods or with agreed periods of notice of				
ba) less than three months	9,031,435,632.17			
bb) at least three months, but less than four years	3,379,296,666.88			
bc) four years or longer	1,871,194,611.03	14,281,926,910.08		10,548,687
including: due in less than four years DM 1,395,243,729.32				
c) savings deposits				
ca) subject to legal period of notice	9,886,309,511.66			
cb) others	8,237,072,222.73	18,123,381,734.39		17,654,014
			44,949,568,578.28	39,827,536
Bonds and notes with a life of				
a) four years or less		1,283,098,000.—		907,927
b) more than four years		2,699,317,900.—		1,936,122
including: maturing in less than four years DM 1,805,727,000.—			3,982,415,900.—	2,844,049
Own acceptances and promissory notes in circulation			361,855,629.57	139,945
Loans on a trust basis at third party risk			280,558,091.98	199,003
Provisions				
a) provisions for pensions		876,786,400.—		805,369
b) other provisions		576,771,951.57		493,308
			1,453,558,351.57	1,298,677
Other liabilities			26,593,541.07	24,035
Franz Urbig and Oscar Schlitter Endowment				
assets of the Endowment		1,991,634.04		1,791
less investments in securities		1,870,813.38		1,600
			120,820.66	191
Transitory items			491,619,352.17	417,104
Special items with partial reserve character				
a) in accordance with the Tax Act regarding Developing Countries		13,475,389.—		14,305
b) in accordance with Section 6b of the Income Tax Act		5,908,101.34		4,020
c) in accordance with the tax regulation regarding general provisions		—.—		27,667
			19,383,490.34	45,992
Capital Conditional capital DM 56,250,000.—			960,000,000.—	900,000
Disclosed reserves				
a) legal reserve		1,265,000,000.—		1,085,000
b) other reserves (voluntary reserve)	1,115,000,000.—			
Transfer from "Net income for the year"	110,000,000.—	1,225,000,000.—		1,115,000
			2,490,000,000.—	2,200,000
Disposable profit			172,800,000.—	180,000
Total Liabilities			78,607,808,772.06	67,361,371
Endorsement liabilities on rediscounted bills of exchange			127,430,190.41	436,872
Contingent liabilities from guarantees, including guarantees for bills and cheques, and from indemnity agreements			15,514,700,677.62	16,444,644
Repurchase commitments that do not have to be shown under liabilities			824,777,055.—	1,249,564
Savings premiums under the Savings Premium Act			337,252,681.04	499,664
Total liabilities, together with contingent liabilities and other commitments			[illegible]	[illegible]

	DM	DM	1976 in DM 1,000
Interest and similar expenses		2,184,127,830.48	1,856 176
Commissions and service charges paid		22,173,330.47	19,520
Salaries and wages		1,151,317,138.37	1,071,392
Compulsory social security contributions		157,182,518.91	145,161
Expenses for retirement pensions and other employee benefits		195,629,705.25	167,787
Other operating expenses		416,833,073.72	391,614
Depreciation on and adjustments to land and buildings and office furniture and equipment		85,735,092.58	111,863
Write-downs of and adjustments to subsidiaries, associated companies and trade investments		5,980,124.39	16,765
Taxes			
a) on income and assets	314,999,711.89		278,997
b) others	17,577,949.94		13,810
		332,577,661.83	292,807
Transfers to "Special items with partial reserve character"		2,689,408.—	11,467
Other expenses		99,419,939.45	130,697
Net income for the year		282,800,000.—	280,000
Total Expenses		4,936,465,823.45	4,495,249

Net income for the year	
Transfers to Disclosed reserves from Net income for the year	
a) to the legal reserve	
b) to other reserves (voluntary reserve)	
Disposable profit	

In the year under review the Bank effected payment of DM 90,917,178.55 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 109%, 122%, 134%, 147% and 162% of the above amount.

Frankfurt (Main), February 28, 1978

Deutsche Bank Aktiengesellschaft

The Board of Managing Directors

Burgard *Christians* *Ehret* *Guth*

Herrhausen *van Hooven* *Kleffel* *Leibkutsch*

Mertin *Thierbach* *Kopper* *Zapp*

	DM	DM	1976 in DM 1,000
Interest and similar income from lending and money market transactions		3,687,955,903.31	3,169,007
Current income from			
a) fixed-interest securities and debt register claims	218,516,991.95		191,481
b) other securities	159,064,436.97		139,530
c) subsidiaries, associated companies and trade investments	62,306,545.46		52,356
		439,887,974.38	383,367
Commissions and service charges received		613,019,028.61	554,321
Other income, including income from the writing back of provisions for possible loan losses		137,607,302.32	347,895
Income from profit-pooling, profit-transfer and partial profit-transfer agreements		10,761,281.71	11,797
Income from the writing back of provisions, so far as it does not have to be shown under "Other income"		17,936,185.92	14,609
Income from the writing back of special items with partial reserve character		29,298,147.20	14,253
Total Income		4,936,465,823.45	4,495,249

DM	DM	1976 DM
	282,800,000.	280,000,000.—
—.—		
110,000,000.—	110,000,000.—	100,000,000.—
	172,800,000.—	180,000,000.—

The accounts, the annual statement of accounts and the annual report, which we have examined with due care, comply with law and the company's Articles of Association.

Frankfurt (Main), March 22, 1978

Treuverkehr AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Dr. Nebendorf — Chartered Accountant

Fandré — Chartered Accountant

Development of the Balance Sheet up to December 31, 1977

– Amounts in DM millions –

	31. 12. 1977	31. 12. 1976	31. 12. 1975	31. 12. 1974	31. 12. 1973	31. 12. 1972
Assets						
Cash reserve	5,401	4,522	4,735	5,183	6,428	5,138
Bills of exchange	6,219	6,626	6,279	4,742	3,457	3,743
Claims on banks and other credit institutions	21,988	15,973	13,274	11,066	8,143	5,911
Treasury bills and discountable Treasury bonds	96	248	147	—	—	249
Bonds and notes	3,940	3,098	2,027	1,466	1,258	1,272
Securities, so far as they do not have to be shown elsewhere	1,846	1,875	1,530	1,123	1,106	1,148
Claims on customers	34,301	30,767	25,002	23,294	22,746	19,823
for original periods or with agreed periods of notice of						
a) less than four years	17,120	16,903	14,859	15,147	14,452	12,082
b) four years or longer	17,181	13,864	10,143	8,147	8,294	7,741
Amounts due from Federal and Länder authorities under Currency Reform Acts	343	363	388	402	422	443
Loans on a trust basis at third party risk	281	199	72	61	64	105
Subsidiaries, associated companies and trade investments	1,396	1,250	1,173	1,051	900	773
Land and buildings	742	681	643	575	457	389
Office furniture and equipment	240	225	191	169	159	142
Other assets	1,261	1,118	891	780	695	639
Remaining assets	554	416	487	421	429	459
Balance Sheet Total	78,608	67,361	56,839	50,333	46,264	40,234
Liabilities						
Liabilities to banks and other credit institutions	23,419	19,285	13,401	12,031	9,553	8,901
including: time deposits	17,422	13,420	8,324	7,278	4,904	4,328
Liabilities to customers	44,950	39,828	37,395	33,905	33,091	28,182
including: time deposits	14,282	10,549	9,123	10,915	12,752	8,450
savings deposits	18,123	17,654	16,613	13,444	11,957	11,048
Bonds and notes	3,982	2,844	1,220	528	200	—
Own acceptances and promissory notes in circulation	362	140	21	34	33	96
Loans on a trust basis at third party risk	281	199	72	61	64	105
Provisions	1,453	1,298	1,131	973	696	666
a) pension provisions	877	805	742	658	485	433
b) other provisions	576	493	389	315	211	233
Capital	960	900	900	720	720	640
Disclosed reserves	2,490	2,200	2,100	1,549	1,459	1,274
a) legal reserve	1,265	1,085	1,085	634	634	474
b) other reserves (voluntary reserve)	1,225	1,115	1,015	915	825	800
Remaining liabilities	538	487	419	388	318	262
Disposable profit	173	180	180	144	130	108
Balance Sheet Total	78,608	67,361	56,839	50,333	46,264	40,234
Endorsement liabilities on rediscounted bills of exchange	127	437	125	502	715	1,432
Contingent liabilities from guarantees, including guarantees for bills and cheques, and from indemnity agreements	15,515	16,445	11,927	9,007	6,081	4,406
Net income for the year	283	280	281	234	155	158
Transfers to Disclosed reserves	110	100	101	90	25	50
Disposable profit	173	180	180	144	130	108
Dividend in DM per share	9.—	10.—	10.—	10.—	9.—	9.—
Dividend in %	(18%)	(20%)	(20%)	(20%)	(18%)	(18%)

*) including income from appreciation in value of Office furniture and equipment of DM 70 m.

**) including income from appreciation in value of Land and buildings of DM 35 m.

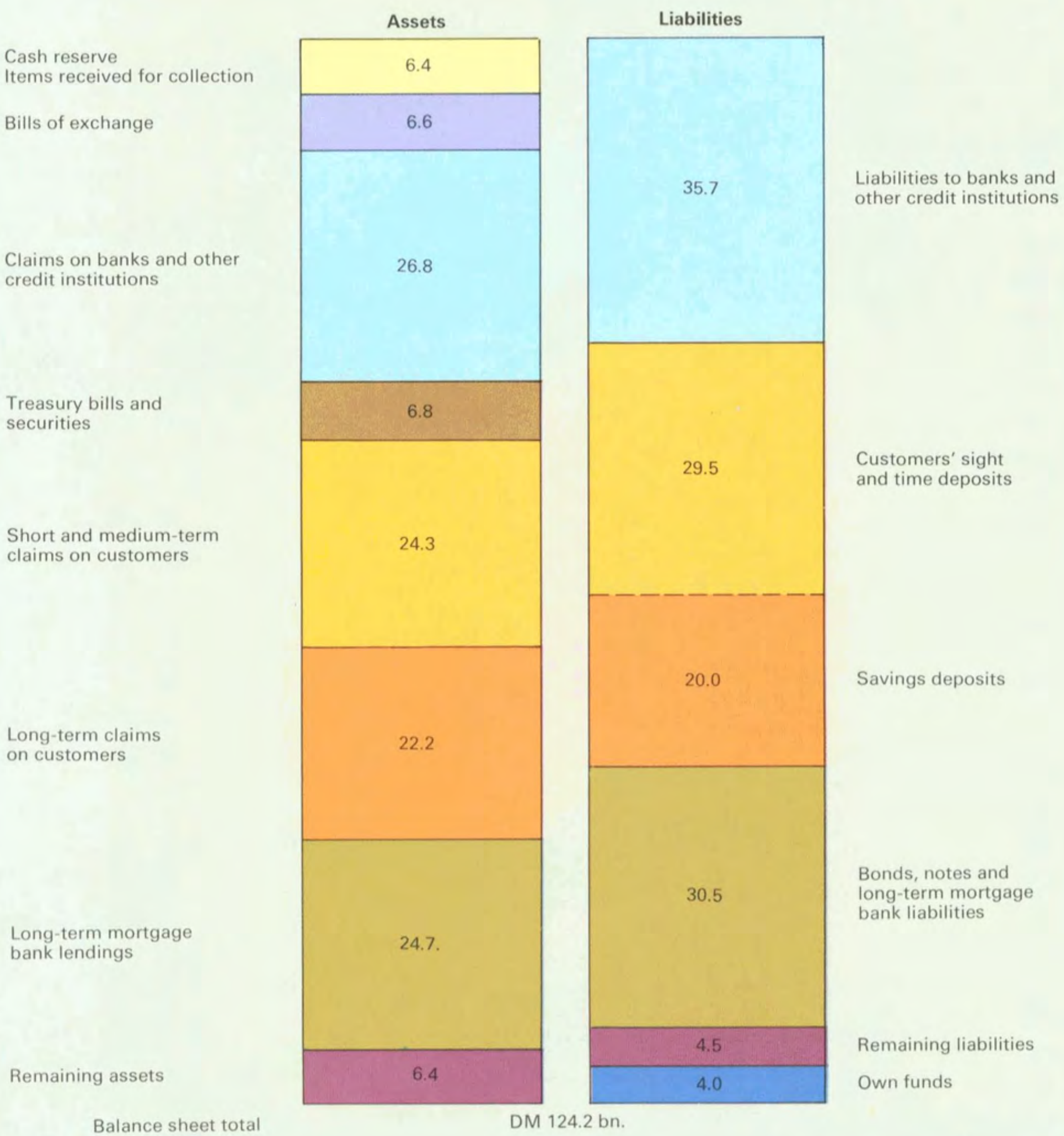
31. 12. 1971	31. 12. 1970	31. 12. 1969	31. 12. 1968	31. 12. 1967	31. 12. 1966	31. 12. 1965	31. 12. 1960	31. 12. 1956	1. 1. 1952
3,717	2,763	1,673	1,931	1,379	1,859	1,609	1,388	699	417
3,877	4,095	4,186	4,532	3,777	2,890	2,711	2,109	1,897	598
5,450	4,303	3,462	2,843	2,329	1,760	1,285	983	686	347
725	408	—	1,878	1,704	705	203	482	54	64
1,058	1,482	1,635	1,303	851	561	657	557	333	3
1,147	1,325	1,307	1,250	1,038	1,094	1,064	706	352	60
16,824	14,785	13,411	9,310	7,857	7,975	7,206	4,128	2,805	1,690
10,283	8,893	8,190	6,043	6,004	6,915	6,235	3,696	2,396	1,458
6,541	5,892	5,221	3,267	1,853	1,060	971	432	409	232
462	481	499	512	519	514	511	501	476	417
71	52	43	45	198	171	153	65	87	46
590	534	340	320	191	154	146	80	54	9
332	345	276	263	241	226	206	154	118	61
123	101	88	82	75	70	—	—	—	20
559	462	463	328	39	12	9	10	33	1
253	296	353	246	223	161	94	59	27	25
35,188	31,432	27,736	24,843	20,421	18,152	15,854	11,222	7,621	3,758
7,391	6,776	5,132	4,267	3,018	2,565	2,153	1,744	1,810	589
3,470	3,618	2,367	1,446	1,282	955	849	692	1,149	391
25,213	22,397	20,326	18,628	15,633	13,777	12,096	8,475	5,092	2,652
7,750	7,331	6,393	5,489	3,778	3,607	2,818	2,551	1,652	731
9,667	8,187	7,647	6,835	5,983	5,295	4,444	2,200	964	197
—	—	—	—	—	—	—	—	—	—
33	70	170	8	4	142	133	51	15	119
71	52	43	45	198	171	153	65	87	46
558	522	484	430	382	380	366	281	209	188
387	364	346	319	301	244	221	146	127	76
171	158	138	111	81	136	145	135	82	112
560	480	480	480	400	400	350	250	200	100
1,064	880	850	820	650	600	500	300	150	41
314	170	170	170	50	50	50	50	25	25
750	710	680	650	600	550	450	250	125	16
197	169	131	79	56	53	47	16	33	23
101	86	120	86	80	64	56	40	25	—
35,188	31,432	27,736	24,843	20,421	18,152	15,854	11,222	7,621	3,758
780	640	1,332	151	74	90	417	167	317	794
4,387	4,185	3,144	2,353	2,066	1,894	1,856	1,473	816	461
141	116	150	136	130	164*)	126**)	90	50	
40	30	30	50	50	100	70	50	25	
101	86	120	86	80	64	56	40	25	
9.—	9.—	12.50	9.—	10.—	8.—				
(18%)	(18%)	(18% +7%)	(18%)	(16% +4%)	(16%)	16%	16%	12%	

– until 31. 12. 67 after adjustment to new prescribed form –

Report of the Group for 1977

Deutsche Bank
Aktiengesellschaft

Structure of Deutsche Bank's Consolidated Balance Sheet as of 31. 12. 1977



Survey

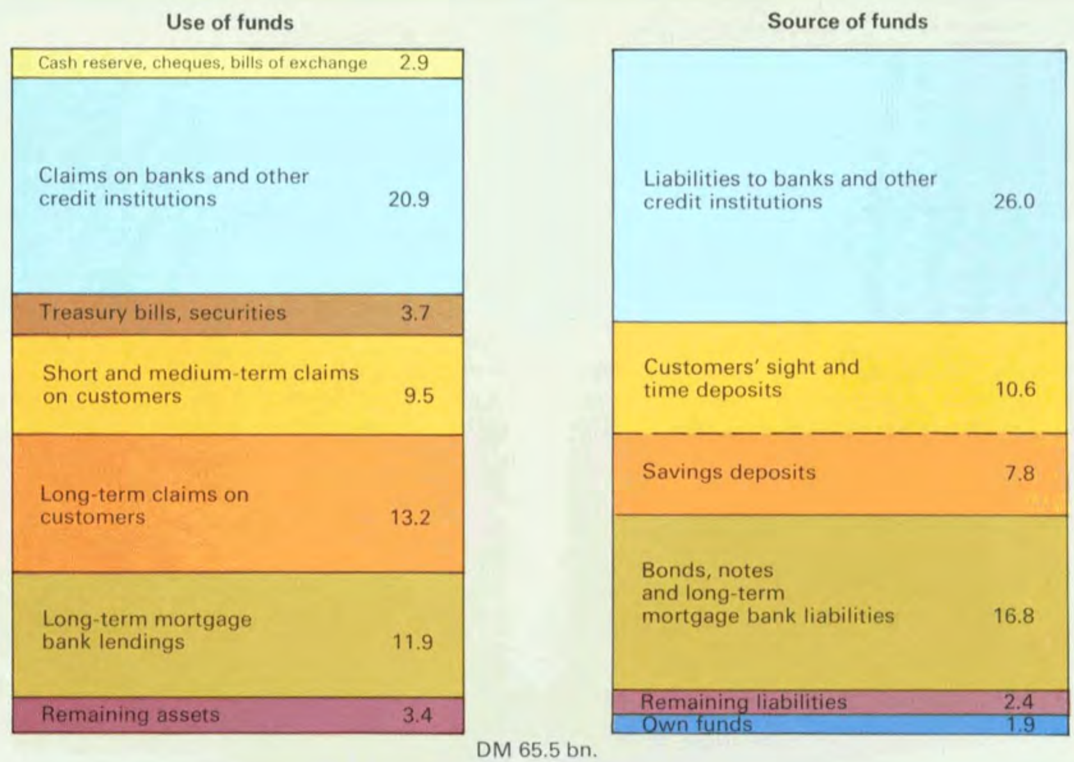
The Deutsche Bank Group's *Balance sheet total* rose in the past year by DM 19.0 bn., or 18.0%, to DM 124.2 bn.; the *Business volume* was DM 124.5 bn. as compared with DM 105.9 bn. at the end of 1976.

This means that the volume of business has more than doubled in the past five years. In the past 10 years, since Deutsche Bank AG began to present a consolidated statement of accounts, the business volume has expanded by more than DM 100 bn. – not least as a result of the inclusion of the two mortgage banks, Deutsche Centralbodenkredit-Aktiengesellschaft, Berlin–Cologne, and the Frankfurter Hypothekenbank, Frankfurt (Main), and the rapidly growing Compagnie Financière de la Deutsche Bank AG, Luxembourg.

The structure of the Group's balance sheet as at the end of 1977 and the changes in the past five years are shown in the two diagrams. Long-term claims on customers and long-term mortgage bank lendings rose by DM 25.1 bn. (= +115%), i.e. 38% of the expansion in the Group balance sheet total; growth in the long-term sector was financed by an inflow of DM 7.8 bn. savings deposits (+64%) and the DM 16.8 bn (+123%) higher volume of mortgage bonds, bonds and notes in circulation – including bonds to be delivered and long-term loans taken up.

The Group employed 40,614 *members of staff* at the end of 1977; 36,034 of these were employed at Deutsche Bank AG. At the end of the year there were 1,279 *offices*, including 18 abroad.

Development of Deutsche Bank's Consolidated Balance Sheet 1972–1977



Consolidated companies

The consolidated annual statement of accounts per December 31, 1977 includes the results of the following companies in addition to Deutsche Bank Aktiengesellschaft:

	Proportion of capital held
Berliner Disconto Bank AG, Berlin	100 %
Compagnie Financière de la Deutsche Bank AG, Luxembourg	99.9%
Deutsche Centralbodenkredit-Aktiengesellschaft, Berlin–Cologne	79 %
Deutsche Gesellschaft für Fondsverwaltung mbH, Frankfurt (Main)	100 %
DWS Deutsche Gesellschaft für Wertpapiersparen mbH, Frankfurt (Main)	51 %
Deutsche Kreditbank für Baufinanzierung AG, Cologne	75 %
Deutsche Gesellschaft für Immobilien-Leasing mbH, Cologne	71.3%
Deutsche Ueberseeische Bank, Frankfurt (Main)	100 %
Frankfurter Hypothekenbank, Frankfurt (Main)	88.4%
Gefa Gesellschaft für Absatzfinanzierung mbH, Wuppertal	100 %
Efgee Gesellschaft für Einkaufs-Finanzierung mbH, Düsseldorf	100 %
Gefa-Leasing GmbH, Wuppertal	100 %
Saarländische Kreditbank AG, 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, Nuremberg	100 %
Trinitas Vermögensverwaltung GmbH, Frankfurt (Main)	100 %

DWS Deutsche Gesellschaft für Wertpapiersparen mbH, Frankfurt (Main), was included for the first time, now that the majority in the company is held by the Group. The consolidated companies are otherwise the same as last year. The Group's development was substantially influenced again in the past year by the course of business at Deutsche Bank AG, which continues to account for 60.7% of the Group's non-consolidated balance sheet total. Apart from this, the two mortgage banks make up 21.3%, Compagnie Financière de la Deutsche Bank AG 9.7% and other credit institutions 7.6%. Property management, leasing and finance companies account for less than 1%.

With regard to the companies included in the consolidated statements there is the following to report:

Berliner Disconto Bank AG, Berlin, conducts all the business of a universal bank through its 72 branches in West Berlin. In the year under review the volume of business, at DM 5,081 m., passed the five billion mark. All sectors of banking business contributed to the expansion. Total credit extended grew by DM 463 m. (+19.7%) to DM 2,810 m.; Funds from outside sources expanded by DM 641 m. to DM 4,550 m. (+16.4%).

In the interest of maintaining an adequate own capital base the bank raised its capital by DM 10 m. to DM 70 m. in December 1977 at an issue price of 300%.

In order to further strengthen the own funds it is planned to transfer DM 15 m. from the Net income for the year to Disclosed reserves. It is also to be proposed to the General Meeting that, besides paying a dividend, reduced from 18% to 17%, a further DM 5 m. should be transferred to Disclosed reserves from Disposable profit. Own funds will then amount to DM 255 m. or 5.1% of Balance sheet total.

The bank's premises at Otto-Suhr-Allee 6/16, Berlin 10, are rented from Trinitas Vermögensverwaltung GmbH, Frankfurt (Main).

Compagnie Financière de la Deutsche Bank AG, Luxembourg, concluded the 1976–77 financial year, ended on 30. 9. 1977, successfully. The Balance sheet total increased by 5.6% to the equivalent of DM 12.0 bn., mainly as a result of the again lively lending business. Total credit extended expanded by 39.7% to the equivalent of DM 9.0 bn. and thus amounted to 75% of Balance sheet total. The bank devoted itself primarily to the syndication of international financings; it participated in the management or co-management of numerous syndicated loans. Money deposits in inter-bank business were reduced.

Compagnie Financière de la Deutsche Bank AG, Luxembourg, founded a wholly-owned subsidiary, VAMOGEST Société de gestion de valeurs mobilières S.A., Luxembourg, with the object of acquiring and utilising holdings and securities. It also took up a 5% holding in Banque de Luxembourg S.A., Luxembourg.

The proceeds from the issue of US$ 125 m. bearer bonds with subscription rights for the purchase of shares of Deutsche Bank AG serve as long-term financing for the business activities of our Luxembourg subsidiary on the international credit and capital markets.

To further strengthen the bank's own capital base the Capital was increased in March 1977 by Lux.frs. 750 m. (DM 48 m.) to Lux.frs. 2,250 m. (DM 145 m.) and almost the entire profit of Lux.frs. 509 m. (DM 33 m.) for the financial year ended on 30. 9. 1977 was transferred to the reserves. Capital and Disclosed reserves now amount to Lux.frs. 4,582 m. (about DM 300 m.).

In the first months of the new financial year the business of our Luxembourg subsidiary continued to develop satisfactorily.

Deutsche Centralbodenkredit-Aktiengesellschaft, Berlin–Cologne, operates as a mortgage bank in the Federal Territory and West Berlin, conducting all the business allowed under the Mortgage Bank Act, especially the granting of mortgage and communal loans, as well as the issuing of mortgage and communal bonds to refinance these loans.

In 1977 lending and borrowing business picked up considerably owing to the strongly reduced interest level. The bank restricted its activities in communal loan business as it was not always possible to achieve adequate margins.

Mortgage commitments rose in 1977 to DM 1,300 m. (DM 593 m. in the previous year); commitments for communal loans amounted to DM 1,022 m. (DM 900 m. in the previous year). Loan commitments in 1977 totalled DM 2,322 m. (+56%).

The Balance sheet total increased by DM 1,798 m. (= 17.2%) to DM 12,283 m. Out of the DM 38.5 m. Net income for the year DM 19.0 m. is to be transferred to Disclosed reserves. It is also planned to propose to the General Meeting that a further DM 11.0 m. be allocated to the legal reserve. If this proposal is carried out, the bank's reported own funds will total DM 287.0 m.

Payment of a dividend of DM 10.– per share of DM 50.– par value is planned for the 1977 financial year (previous year: DM 10.– + DM 1.– bonus).

Deutsche Gesellschaft für Fondsverwaltung mbH (DEGEF), Frankfurt (Main), manages individual investment funds (special funds) for institutional investors, such as insurance companies, company pension and welfare trusts, professional old-age pension schemes and those organised by associations, and for other institutional investors. The company also looks after staff funds. The number and total assets of the special funds increased further. Total assets of the 86 funds managed at the end of 1977 amounted to DM 2.5 bn. (DM 2.0 bn. in the previous year).

The Shareholders' Meeting resolved to increase the Capital by DM 1.5 m. to DM 4 m. from reserves and to make a distribution of 6% on this capital for the 1976–77 financial year.

DWS Deutsche Gesellschaft für Wertpapiersparen mbH, Frankfurt (Main), manages 11 public investment funds, comprising 5 share funds and 6 bond funds, with total assets of about DM 6.9 bn. as at 31. 12. 1977.

In terms of the inflow of funds of DM 2.1 bn., DWS can look back on 1977 as its most successful financial year so far.

Through a resolution of the Shareholders' Meeting the Capital was increased in November 1977 by DM 2.3 m. from company funds to DM 15.3 m. and 6% was distributed on this capital for the financial year ended on 30. 9. 1977. Following a further cash increase of DM 4.7 m. the Capital amounts to DM 20.0 m. The new capital created by the cash contribution was taken up entirely by Deutsche Bank AG; as a result 51% of the shares are held by the Group. Liable own funds total DM 30.3 m.

At the end of 1977 we held 75% of *Deutsche Kreditbank für Baufinanzierung AG, Cologne,* and acquired the remaining shares with effect from the end of 1977/beginning of 1978. The bank acts as a specialist institution in housing construction financing and grants loans for real estate purchases and builders' loans, as well as providing preliminary and interim financing for mortgages and building savings agreements. In addition to these short-term loans the bank also offers long-term financings, such as flexible-interest-rate mortgages and bridging loans in conjunction with building savings agreements or life assurance policies, and comprehensive building loans as financing combinations.

The bank was able to further consolidate its position in the building financing market during the year under review. Compared with the previous year short-term building loans approved rose by 17% to DM 497 m. As a result of somewhat more lively business with building firms average total credit expanded by more than one third. The bank succeeded in increasing loans approved in the long-term sector by 24% to DM 310 m.

The Balance sheet total grew by 13.9% to DM 2,229 m. With capital of DM 42.0 m., own funds are shown at DM 61.0 m. The bank's results for the year were gratifying. Besides distributing a dividend of 10% it is planned to transfer DM 1.5 m. to Disclosed reserves.

The bank's subsidiary, *Deutsche Gesellschaft für Immobilien-Leasing mbH, Cologne,* manages its property according to plan and was also able to achieve positive results in 1977. Since October 1, 1976 active business operations have been continued by Deutsche Gesellschaft für Immobilien- und Anlagen-Leasing mbH in Düsseldorf, in which Deutsche Bank AG and Commerzbank AG each hold 50%.

Deutsche Ueberseeische Bank, which was integrated in accordance with Sections 319ff. of the Joint Stock Corporation Act, has moved its domicile from Hamburg to Frankfurt (Main) following a resolution by its General Meeting on March 21, 1977. It now conducts business operations in Latin America only, through legally dependent offices under the name Banco Alemán Transatlántico in Buenos Aires, Argentina (with a subordinate branch in Rosario, Prov. de Sta. Fé, and 10 city sub-branches/deposit-taking branches in the greater Buenos Aires area) and in Asunción, Paraguay, and under the name Banco Alemão Transatlântico in São Paulo, Brazil.

The branches in S. America also developed satisfactorily in 1977. The Balance sheet total grew by 21.8% to DM 494.0 m.

The DM 7.5 m. Net income for the year was transferred to Disclosed reserves. With capital of DM 60.0 m., total own funds amount to DM 99.0 m. At the company's General Meeting on March 15, 1978 it was resolved to merge Deutsche Ueberseeische Bank with Deutsche Bank AG in accordance with Sections 15 and 3 of the Transformation Act. When this resolution is entered in the Commercial Register the Latin American branches will become branches of Deutsche Bank AG.

Frankfurter Hypothekenbank, Frankfurt (Main), conducts all the business of a mortgage bank; it is the oldest and largest private mortgage bank. It operates throughout the Federal Territory and West Berlin. It also grants communal loans to customers in EC countries. Loan commitments in 1977 came to DM 2,716 m., DM 1,415 m. of which was attributable to mortgage business and DM 1,301 m. to communal loans. The Balance sheet total rose by 14.4% to DM 15,284 m. (+7.5% a year earlier).

The capital is DM 63.4 m. After transferring DM 15 m. from the 1977 Net income for the year, as planned, the Disclosed reserves will be shown at DM 309.4 m. A further DM 5 m. is to be added to the reserves by resolution of the General Meeting. Own funds will then total DM 377.8 m.

A dividend of DM 10.– per share of DM 50.– par value is to be paid again for the 1977 financial year.

The Frankfurter Hypothekenbank holds all the shares of Frankfurter Gesellschaft für Vermögensanlagen mbH, Frankfurt (Main). The latter in turn has holdings in companies which have assumed functions in the interest of the bank's loan business.

Gefa Gesellschaft für Absatzfinanzierung mbH, Wuppertal, together with its subsidiaries, *Gefa-Leasing GmbH, Wuppertal,* and *Efgee Gesellschaft für Einkaufs-Finanzierung mbH, Düsseldorf,* supplements the services offered by Deutsche Bank AG with special forms of financing. The lines of business include medium-term financing of capital and consumer goods, leasing of movables, hire purchase and factoring.

The Gefa Group expanded its business volume once again in 1977. The combined Balance sheet total of the three companies rose by DM 225 m. to DM 1,746 m.

Deutsche Bank AG, Frankfurt (Main)

Capital and disclosed reserves DM 3,450.0 m.

Included in the Group statement of accounts were:

Commercial banks

	Capital	Holding
Berliner Disconto Bank AG Berlin	DM 70.0 m.	100%
Saarländische Kreditbank AG Saarbrücken	DM 25.0 m.	68.9%

Mortgage banks

	Capital	Holding
Deutsche Central-bodenkredit-AG Berlin–Cologne	DM 48.0 m.	79%
Frankfurter Hypothekenbank Frankfurt (Main)	DM 63.4 m.	88.4%

Specialised banks

	Capital	Holding
Compagnie Financière de la Deutsche Bank AG Luxembourg	LF 2,250 m.	99.9%
Deutsche Gesellschaft für Fondsverwaltung mbH Frankfurt (Main)	DM 2.5 m.	100%
DWS Deutsche Gesellschaft für Wertpapiersparen mbH Frankfurt (Main)	DM 20.0 m.	51%
Deutsche Kreditbank für Baufinanzierung AG Cologne	DM 42.0 m.	75%
Deutsche Ueber-seeische Bank Frankfurt (Main)	DM 60.0 m.	100%
Gefa Gesellschaft für Absatzfinanz mbH Wuppertal	DM 30.0 m.	100%

Property management companies

	Capital	Holding
Hessische Immobilien-Verwaltungs-GmbH Frankfurt (Main)	DM 1.0 m.	100%
Matura Vermögens-verwaltung mbH Düsseldorf	DM 0.3 m.	100%
Süddt. Vermögens-verwaltung GmbH Frankfurt (Main)	DM 4.0 m.	100%
Trinitas Vermögens-verwaltung GmbH Frankfurt (Main)	DM 1.0 m.	100%

From Gefa's Net income for the year, DM 4 m. was transferred to Disclosed reserves. Gefa's own funds are now shown at DM 64 m. Under the existing profit and loss transfer agreement DM 9.8 m. was transferred to Deutsche Bank AG.

Gefa is still linked with Gefa-Leasing by a profit and loss transfer agreement; the agreement with Efgee was cancelled during the year under review. Gefa continues to hold all the shares in Gefi Gesellschaft für Finanzierungsvermittlung mbH, Berlin, and in Heinz Langer Versicherungsdienst GmbH, Stuttgart.

Deutsche Bank AG holds 68.9% of the DM 25 m. capital of *Saarländische Kreditbank AG, Saarbrücken.* Of the remainder, 23.3% is held by the French banking group Crédit Industriel et Commercial.

The bank has 19 offices in the Saar area. It engages in the usual types of banking business. The Balance sheet total rose by DM 71.9 m. (= 8.1%) to DM 963.7 m. It is planned to distribute a 10% dividend for the 1977 financial year. Own funds (Capital and Disclosed reserves) totalled DM 50 m. as at December 31, 1977.

Saarländische Kreditbank AG has rented its bank premises in Saarbrücken from Deutsche Bank AG; the site of the bank building in St. Ingbert was leased to the Saarländische Kreditbank by Deutsche Bank AG for a long term. Further developed property is placed at the disposal of Saarländische Kreditbank AG 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 and administers land and buildings which are mainly let to Deutsche Bank AG; they include the training centre at Kronberg.

Matura Vermögensverwaltung mbH, Düsseldorf, and *Süddeutsche Vermögensverwaltung GmbH, Frankfurt (Main),* manage property for their own and third account. The object of *Elektro-Export-GmbH, Nuremberg,* is financing the export of electrical engineering products. All the company's shares are held by Süddeutsche Vermögensverwaltung GmbH.

Trinitas Vermögensverwaltung GmbH, Frankfurt (Main), and its subsidiary, Tauernallee Grundstücksgesellschaft mbH, Berlin, manage property for their own and third account in West Berlin. The buildings are rented for the most part to Berliner Disconto Bank AG and its employees. There is a profit and loss transfer agreement between Deutsche Bank AG and Trinitas Vermögensverwaltung GmbH, Frankfurt (Main).

Non-consolidated companies

Being of little significance to the Group's asset and earnings position, the following *domestic members of the Group* have not been included in the consolidated statement pursuant to Section 329 (2) Joint Stock Corporation Act. The combined Balance sheet total of these companies as at the end of 1977 was DM 228 m.; their inclusion would have increased the Group's Balance sheet total by less than 1.8‰.

Wilh. Ahlmann GmbH, Kiel
"Alwa" Gesellschaft für Vermögensverwaltung mbH, Hamburg
AV America Grundbesitzverwaltungsgesellschaft mbH, Frankfurt (Main)
BAMUS Vermietungsgesellschaft mbH, Düsseldorf
BARIS Vermietungsgesellschaft mbH, Düsseldorf
BATOR Vermietungsgesellschaft mbH, Düsseldorf
BELUS Vermietungsgesellschaft mbH, Düsseldorf
BEO Vermietungsgesellschaft mbH, Düsseldorf
Beteiligungsgesellschaft für Flugzeugleasing mbH, Frankfurt (Main)
BONUS Vermietungsgesellschaft mbH, Düsseldorf
Burstah Verwaltungsgesellschaft mbH, Hamburg
CADMUS Vermietungsgesellschaft mbH, Düsseldorf
Castolin Grundstücksgesellschaft mbH, Cologne
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 vdH

DIL Deutsche Gesellschaft für Immobilien-Mietkauf mbH, Cologne
DIL Grundstücksgesellschaft für Verwaltungs- und Lagergebäude mbH, Düsseldorf
Civil law association between Deutsche Kreditbank für Baufinanzierung AG, Cologne, and Deutsche Grundbesitz-Anlagegesellschaft mbH, Cologne
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, Düsseldorf
Grundstücksgesellschaft Otto-Hahn-Strasse mbH, Düsseldorf
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
Peina Grundstücksverwaltungsgesellschaft mbH, Düsseldorf
Saarländische Immobilien-Gesellschaft mbH, Saarbrücken
SB Bauträger GmbH, Frankfurt (Main)
SB Bauträger GmbH & Co. Urbis Hochhaus-KG, Frankfurt (Main)
SB Bauträger GmbH & Co. Urbis Verwaltungs-KG, Frankfurt (Main)
Schisa Grundstücksverwaltungsgesellschaft mbH, Düsseldorf
Süddeutsche Bank GmbH, Frankfurt (Main)
Tauernallee Grundstücksgesellschaft mbH, Berlin
Terraingesellschaft Gross-Berlin GmbH, Berlin
Transgermania Verwaltungs GmbH, Hamburg
Franz Urbig- und Oscar Schlitter-Stiftung GmbH, Düsseldorf

The following related German companies are *not under the uniform management of Deutsche Bank AG,* and hence are not eligible for consolidation.

Deutsche Eisenbahn Consulting GmbH, Frankfurt (Main)
Deutsche Gesellschaft für Anlageverwaltung mbH, Frankfurt (Main)
Deutsche Gesellschaft für Immobilien-Anlagen "America" mbH, Bad Homburg vdH
Exportkreditbank AG, Berlin
Kistra Beteiligungsgesellschaft mbH, Frankfurt (Main)
Rossma Beteiligungsgesellschaft mbH, Frankfurt (Main)

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

Business between the companies of the Group was transacted at normal market conditions.

Principles of consolidation

The consolidated annual statement of accounts was based on the special sheets published for credit institutions with the legal form of an "Aktiengesellschaft" (public limited company) and for mortgage banks.

The valuations in the individual balance sheets were taken over unchanged into the consolidated balance sheet. Interim statements as at 31. 12. 1977 were drawn up for three companies whose financial year differs from the remainder of the Group. The interim report of our Luxembourg subsidiary was not formally established, but it was approved by its Board of Directors for inclusion in the consolidated statement of accounts according to Section 331 (3) 3 Joint Stock Corporation Act; conversion was made at the rate of DM 1 = Lux.frs. 15.675.

The book values of the holdings in the consolidated companies were offset against the subsidiaries' proportionate own funds (Capital and Disclosed reserves). The difference is shown as Reserve arising from consolidation; it is a form of own capital.

Claims and liabilities between the consolidated members of the Group were offset.

In the consolidated profit and loss account the income shown in the individual statements of accounts, as far as it presents compensation for mutual services of the consolidated companies – almost exclusively interest and commissions – has been offset against the respective expenses. There were no inter-company profits to be reported. Amounts received by the parent company during the year under review from holdings in member companies of the Group, which represent distributions from the 1976 profits, were included under profit brought forward.

Since the majority of the capital in DWS Deutsche Gesellschaft für Wertpapiersparen mbH, Frankfurt (Main) was only acquired in November 1977 we have refrained from including this company in the consolidated profit and loss accounts.

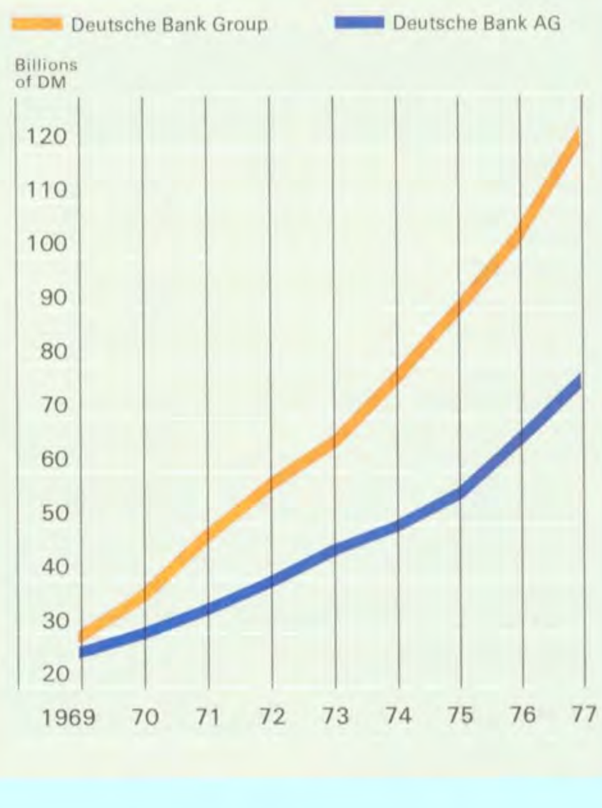
Notes on the Consolidated Balance Sheet

Liquidity

At the end of 1977 the *Cash reserve* (Cash on hand, Balances with the Deutsche Bundesbank and on postal cheque accounts) amounted to DM 5.8 bn. *Cash liquidity,* as a percentage of the Group liabilities of DM 90.7 bn. – excluding long-term mortgage bank liabilities – then comes to 6.4%, following 6.3% a year previously.

Total liquid assets (Cash reserve, Items received for collection, Bills of exchange rediscountable at the Deutsche Bundesbank, Claims on banks and other credit institutions payable on demand, Treasury bills and discountable Treasury bonds, and Bonds and notes eligible as collateral for Bundesbank advances) are DM 22.4 bn., so that the *Overall liquidity ratio,* at 24.7% of liabilities, is almost unchanged from the previous year (24.8%).

Growth of the balance sheet total 1969–1977



Assets

Securities

Bonds and notes were increased by DM 0.9 bn. to DM 4.8 bn. Of this, DM 3.8 bn. (= 80%) was eligible as collateral for advances from the Deutsche Bundesbank.

As at 31. 12. 1977 holdings included DM 973 m. *Bonds and notes issued by Group members;* they were issued by the two mortgage banks and by Deutsche Bank AG.

Holdings of *Securities, so far as they do not have to be shown elsewhere,* were reduced slightly to DM 1,857 m. These included shares of more than 10% of the capital of a company amounting to DM 1,026 m.

The securities were valued according to the minimum value principle.

Total credit extended

Total credit extended by the Group amounted to DM 83.7 bn. as at the end of the year. Almost three quarters of the expansion of DM 10.0 bn. = 13.6% is attributable to *long-term claims on customers* and *Mortgage bank lendings.* So the long-term sector accounts for DM 47.0 bn., or 56.2%, of Total credit extended (end of 1976: 53.8%).

Short and medium-term claims on customers rose by DM 2.5 bn. = 11.7% to DM 24.3 bn., while *Discounts* were reduced by DM 0.6 bn. = 7.7% to DM 7.2 bn. *Lendings to banks and other credit institutions* increased by DM 0.7 bn. = 15.9% to DM 5.2 bn.

Subsidiaries, associated companies and trade investments

Investments in companies not included in the consolidated statement of accounts rose by DM 163.6 m. to DM 598.4 m. This includes investments of DM 284.7 m. = 48% in banks and other credit institutions.

Fixed assets

Land and buildings are valued at DM 842 m.; of this DM 792 m. is used for banking business. *Office furniture and equipment* is shown at DM 257 m.

Leasing equipment is booked at DM 752 m. This includes DM 197 m. for real estate of Deutsche Gesellschaft für Immobilien-Leasing mbH and DM 555 m. for movable leasing equipment of Gefa-Leasing GmbH.

Other asset items

The *Other assets* amount to DM 1,362 m. They include, in addition to gold and silver holdings, primarily share rights, not in security form, which do not represent longer-term holdings.

Total credit extended	End of 1977 in millions of DM	End of 1976 in millions of DM	Change in millions of DM	%
Claims on customers				
short and medium-term claims	24,268	21,729	+ 2,539	= 11.7
long-term (4 years or longer)	22,253	18,073	+ 4,180	= 23.1
	46,521	39,802	+ 6,719	= 16.9
Long-term claims in mortgage bank business	24,768	21,578	+ 3,190	= 14.8
Discounts	7,225	7,825	− 600	= 7.7
Lendings to banks and other credit institutions	5,178	4,469	+ 709	= 15.9
Total credit extended	83,692	73,674	+ 10,018	= 13.6

Liabilities

Funds from outside sources

Group *Funds from outside sources* amounted to DM 115.7 bn. as at the end of the year, which was DM 17.8 bn., or 18.2%, more than at the end of 1976.

Banks' deposits grew by DM 7.2 bn. = 25.2% to DM 35.8 bn.

Liabilities to customers increased by DM 5.4 bn., with time deposits showing especially high growth of DM 3.9 bn. Whereas customers' sight deposits rose by DM 1.0 bn. (+8.1%), growth in savings deposits (+ DM 0.5 bn. = 2.7%) slackened off appreciably as compared with the previous years.

Own bonds and notes in circulation (including those to be delivered) were raised in 1977 by DM 4.9 bn. = 20.9% to DM 28.6 bn. They were mostly issued by the two mortgage banks, and otherwise by commercial banks in the Group, Deutsche Bank AG, Berliner Disconto Bank AG, and Compagnie Financière de la Deutsche Bank AG.

Other liability items

As at balance sheet date *Provisions* totalled DM 1,843 m. *Provisions for pensions,* shown at their actuarially computed part value, account for DM 989 m. of this. *Other provisions* amount to DM 854 m.; these include general provisions for rights of recourse which cannot be offset against assets.

In the *Transitory items* on the liabilities side, amounting to DM 745 m., items in the amount of DM 117 m. are shown separately in accordance with Section 25 of the Mortgage Bank Act.

Comments

At the end of 1977 there were *Endorsement liabilities* on rediscounted bills of exchange and own drawings of DM 257 m. (DM 605 m. in the previous year).

Group *Contingent liabilities from guarantees, including guarantees for bills and cheques, and from indemnity agreements* increased by DM 363 m. = 2.5% to DM 14.7 bn., thus no longer reaching the growth rates of the past years.

Repurchase commitments were DM 810 m. at the end of 1977 (end of 1976: DM 1,245 m.).

Funds from outside sources	End of 1977 in millions of DM	% share	End of 1976 in millions of DM	% share
Liabilities to banks and other credit institutions				
payable on demand	5,974	5.2	5,958	6.1
time deposits	29,271	25.3	22,154	22.6
customers' drawings on credits opened at other institutions	526	0.4	462	0.5
	35,771	30.9	28,574	29.2
Liabilities to customers				
payable on demand	13,581	11.7	12,568	12.8
time deposits	15,954	13.8	12,064	12.3
savings deposits	19,972	17.3	19,441	19.9
	49,507	42.8	44,073	45.0
Bonds and notes issued (including bonds to be delivered)	28,570	24.7	23,638	24.1
Long-term loans taken up for mortgage bank business	1,151	1.0	1,012	1.0
Pro rata interest and interest due in mortgage bank business	746	0.6	633	0.7
	30,467	26.3	25 283	25.8
Total funds from outside sources	115,745	100.0	97,930	100.0

Liabilities for possible calls on shares in public and private limited companies stood at DM 61 m. on balance sheet date; joint liabilities pursuant to Section 24 "GmbH" Act amount to DM 28 m. In respect of the investment of the Group member banks in Liquiditäts-Konsortialbank GmbH, Frankfurt (Main), there are obligations to pay further capital of up to DM 50 m. and a quota in the contingent liability to meet the capital obligations of other partners.

Tied funds taken up were passed on to the borrowers on the conditions stipulated by the lenders. Loans amounting to DM 36.5 m. taken up by consolidated companies were secured on real estate; in addition securities were pledged in connection with Berlin order financings.

We also refer to the declaration of backing which appears in the parent company's Notes for certain related banks and other credit institutions and for managing companies, which, as independent auxiliary operations, relieve the bank of administrative work not of a typical banking nature.

Claims on and liabilities to related companies refer to non-consolidated companies.

Consolidated Profit and Loss Account

Earnings on the volume of business

Interest income from lending and money market transactions, from mortgage bank business and current income from securities, debt register claims and subsidiaries, associated companies and trade investments grew by DM 858 m. to DM 7,061 m. *Interest expenses* increased by DM 579 m. *Earnings on the volume of business* (= interest surplus) improved by DM 279 m. or 12.9% to DM 2,445 m. and, broken down, developed as follows:

	1977 in millions of DM	1976 in millions of DM
Interest and similar income from lending and money market transactions	4,701	4,084
Interest in mortgage bank business	1,853	1,659
Current income from securities etc.	507	460
Total interest income	7,061	6,203
Interest and similar expenses	2,880	2,494
Interest in mortgage bank business	1,736	1,543
Total interest expenses	4,616	4,037
Earnings on the volume of business (interest surplus)	2,445	2,166

Earnings on services

Commissions and service charges received increased by DM 61 m. to DM 685 m., so that after deduction of *Commission expenses,* which rose from DM 22 m. to DM 33 m., there was a *surplus on services* of DM 652 m. (+8.3%).

Other income

Non-recurrent income from the mortgage banks' issue and loan business amounted to DM 101 m. in 1977 (previous year: DM 104 m.); *Non-recurrent expenses* of a similar nature were DM 82 m. (1976: DM 91 m.).

The *Other income* of the Group including income from the writing back of provisions for possible loan losses is shown at DM 323 m. (1976: DM 482 m.). After permissible offsetting against income, *Write-downs of and adjustments to claims and securities, transfers to provisions for possible loan losses* were entered in the Profit and Loss Account at DM 17 m.

Staff and other operating expenses

Group *staff expenses* rose by DM 122 m. = 7.9% to DM 1,675 m., including a DM 82 m. increase (+6.8%) in Salaries and wages to DM 1,284 m.

Other operating expenses amounted to DM 478 m. The increase of DM 31 m. = 7.1% was lower than in the previous year (+15.8%).

Remaining expenses

Depreciation on and adjustments to land and buildings and office furniture and equipment are shown at DM 238 m. (previous year: DM 233 m.). *Other expenses* amount to DM 131 m. after DM 149 m. in 1976.

The increase of DM 77 m. in Group *tax expenses* to DM 532 m. reflects both the improved results and the higher corporation tax on profits distributed.

Taxes on income and assets amount to DM 511 m. after DM 439 m. in 1976.

The tax expenses do not include additional expenses incurred pursuant to Section 170 (2) Joint Stock Corporation Act or additional income arising from subsidiaries' resolutions on the distribution of profits; the 20% or DM 11.2 m. additional corporation tax relating to subsidiaries' profits being distributed to the parent company in 1978 is not included either.

Profit, capital and reserves

Group *Net income for the year* amounts to DM 408.0 m. (previous year: DM 440.0 m.). From this DM 168.7 m. was transferred to Disclosed reserves, including DM 58.7 m. at subsidiaries. After allowing for the profit of DM 9.9 m. attributable to minority interests, *Group profit,* including the DM 65.7 m. brought forward, amounts to DM 295.1 m.

After offsetting the book values of the subsidiaries, associated companies and trade investments against the relevant portions of the companies' own capital resources, the *Reserve arising from consolidation* is DM 403.6 m. as at December 31, 1977. *Minority interests* of DM 159.3 m. include minority profit interests of DM 9.9 m. and the proportion of own funds attributable to the outside shareholders of Deutsche Centralboden-kredit-AG, Deutsche Kreditbank für Baufinanzierung AG, Frankfurter Hypothekenbank and Saarländische Kreditbank AG.

The Group's total *own funds,* including the consolidation items, rose in 1977 by DM 480.6 m. – DM 240 m. of which resulted from the 1977 capital increase of Deutsche Bank AG – from DM 3,522.4 m. to DM 4,003.0 m.

Capital	DM 960.0 m.
Disclosed reserves	DM 2,490.0 m.
Reserve arising from consolidation	DM 403.6 m.
Minority interests	DM 149.4 m.
Total	DM 4,003.0 m.

There is also conditional capital of Deutsche Bank AG amounting to DM 56.25 m.

Frankfurt (Main), March 1978

The Board of Managing Directors

Burgard *Christians* *Ehret* *Guth*

Herrhausen *van Hooven* *Kleffel* *Leibkutsch*

Mertin *Thierbach* *Kopper* *Zapp*

Consolidated Balance Sheet

as of December 31, 1977

Consolidated Profit and Loss Account

for the period from
January 1 to December 31, 1977

Assets

Deutsche Bank Aktiengesellschaft

		DM	DM	31. 12. 1976 in DM 1,000
Cash on hand			299,354,218.67	335,703
Balances with the Deutsche Bundesbank			5,456,201,832.09	4,469,245
Balances on postal cheque accounts			57,619,261.88	40,060
Cheques, matured bonds, interest and dividend coupons and items received for collection			572,337,880.24	419,567
Bills of exchange			6,623,456,266.71	6,951,772
including:				
a) rediscountable at the Deutsche Bundesbank	DM 5,603,956,019.60			
b) own drawings	DM 130,846,006.65			
Claims on banks and other credit institutions				
a) payable on demand		6,467,120,910.28		3,971,035
b) for original periods or with agreed periods of notice of				
ba) less than three months		4,414,126,197.25		6,176,141
bb) at least three months, but less than four years		13,013,085,854.98		7,611,593
bc) four years or longer		2,877,479,288.11		2,574,912
including:			26,771,812,250.62	20,333,681
used as cover in mortgage bank business	DM 31,200,000.—			
Treasury bills and discountable Treasury bonds				
a) of the Federal Republic and the Länder		138,252,347.22		258,421
b) others		14,070,033.56		16,838
			152,322,380.78	275,259
Bonds and notes				
a) with a life of up to four years				
aa) of the Federal Republic and the Länder	DM 2,043,863,461.56			
ab) of banks and other credit institutions	DM 110,122,409.62			
ac) others	DM 6,185,749.71	2,160,171,620.89		2,081,453
including: eligible as collateral for Bundesbank advances	DM 2,015,364,972.15			
used as cover in mortgage bank business	DM 157,575,000.—			
b) with a life of more than four years				
ba) of the Federal Republic and the Länder	DM 618,276,214.45			
bb) of banks and other credit institutions	DM 1,388,061,179.99			
bc) others	DM 592,885,883.68	2,599,223,278.12		1,778,750
including:			4,759,394,899.01	3,860,203
eligible as collateral for Bundesbank advances	DM 1,777,987,753.49			
used as cover in mortgage bank business	DM 120,919,950.40			
Securities, so far as they do not have to be shown elsewhere				
a) shares marketable on a stock exchange and investment fund certificates		1,798,098,701.44		1,823,377
b) other securities		58,609,417.92		57,176
including: holdings of more than one tenth of the shares of a joint stock corporation or a mining company, excluding subsidiaries, associated companies and trade investments	DM 1,026,204,595.01		1,856,708,119.36	1,880,553
Carried forward			46,549,207,109.36	38,566,043

Consolidated Balance Sheet as of December 31, 1977 — Liabilities

	DM	DM	DM	31. 12. 76 in DM 1,000
Liabilities to banks and other credit institutions				
a) payable on demand		5,974,493,033.31		5,957,991
b) for original periods or with agreed periods of notice of				
ba) less than three months	7,585,640,594.45			
bb) at least three months, but less than four years	19,086,550,937.19			
bc) four years or longer	2,598,489,333.96	29,270,680,865.60		22,153,771
including: due in less than four years DM 1,642,559,302.77				
c) customers' drawings on credits opened at other institutions		525,654,160.52		462,602
			35,770,828,059.43	28,574,364
Liabilities to customers				
a) payable on demand		13,580,968,289.96		12,567,722
b) for original periods or with agreed periods of notice of				
ba) less than three months	10,201,342,735.01			
bb) at least three months, but less than four years	3,770,933,078.91			
bc) four years or longer	1,982,279,523.40	15,954,555,337.32		12,064,027
including: due in less than four years DM 1,489,310,544.44				
c) savings deposits				
ca) subject to legal period of notice	11,084,329,090.72			
cb) others	8,887,646,853.27	19,971,975,943.99		19,441,142
			49,507,499,571.27	44,072,891
Bonds and notes with a life of				
a) four years or less		1,283,098,000.—		907,927
b) more than four years		3,000,348,875.06		1,936,122
including: maturing in less than four years DM 1,805,727,000.—			4,283,446,875.06	2,844,049
Bonds issued by the mortgage banks				
a) mortgage bonds		10,925,941,482.59		9,773,316
including: registered bonds DM 2,209,899,309.29				
b) communal bonds		12,318,025,575.56		10,703,828
including: registered bonds DM 2,806,684,821.56				
c) other bonds in accordance with Section 5 (1) 4c of the Mortgage Bank Act		568,529,700.—		260,000
d) bonds drawn and called for redemption		444,352.36		463
including: maturing or to be taken back in less than four years DM 8,080,176,316.38			23,812,941,110.51	20,737,607
further: registered mortgage bonds given to lender as security for loans taken up DM 343,970,700.42				
and registered communal bonds DM 285,786,777.88				
Bonds to be delivered			473,534,700.—	56,983
Carried forward			113,848,250,316.27	96,285,894

		DM	DM	31. 12. 1976 in DM 1,000
Brought forward			46,549,207,109.36	38,566,043
Claims on customers for original periods or with agreed periods of notice of				
a) less than four years		24,268,295,159.12		21,728,539
including: used as cover in mortgage bank business	DM 696,969,241.—			
b) four years or longer		22,252,855,164.56		18,073,411
including:			46,521,150,323.68	39,801,950
ba) secured by mortgages on real estate	DM 1,906,671,420.93			
bb) communal loans	DM 1,345,990,801.39			
due in less than four years	DM 9,443,189,000.—			
Mortgage bank lendings for original periods of four years or longer				
a) mortgages		11,739,885,832.65		10,359,851
used as cover	DM 10,597,648,136.38			
b) communal loans		12,553,336,720.81		10,789,716
used as cover	DM 12,180,945,244.53			
c) others		59,072,495.30		85,926
including: to banks and other credit institutions	DM 1,967,116,413.73		24,352,295,048.76	21,235,493
Accrued interest on long-term mortgage bank lendings				
a) pro rata interest		375,042,362.93		302,281
b) interest due after October 31, 1977 and on January 2, 1978		40,612,503.75		40,433
c) interest arrears		—.—		—
			415,654,866.68	342,714
Amounts due from Federal and Länder authorities under Currency Reform Acts			450,903,974.73	474,990
including: used as cover in mortgage bank business	DM 9,779,986.78			
Loans on a trust basis at third party risk			1,145,902,165.55	947,317
Subsidiaries, associated companies and trade investments			598,361,749.24	434,846
including: investments in banks and other credit institutions	DM 284,747,733.84			
Land and buildings			842,477,280.27	801,140
including: taken over in mortgage business	DM 19,862,057.60			
Office furniture and equipment			256,504,857.17	241,420
Leasing equipment				
a) land and buildings		196,799,909.34		186,119
b) movables		554,718,552.83		449,700
			751,518,462.17	635,819
Own shares			16,777,474.—	7,861
nominal amount:	DM 2,886,850.—			
Bonds and notes issued by Group members			972,959,015.58	582,759
nominal amount:	DM 983,381,650.—			
Other assets			1,361,780,036.33	1,167,456
Transitory items			7,046,752.29	7,479
Total Assets			124,242,539,115.81	105,247,287

	DM	31. 12. 1976 in DM 1,000
Total assets and the rights of recourse in respect of the contingent liabilities shown below the line on the liabilities side include:		
a) claims on related companies	563,847,229.—	241,604
b) claims arising from loans falling under Section 15 (1) 1–6 and (2) of the Banking Act, unless included under a)	606,344,182.93	548,099

as of December 31, 1977

Liabilities

	DM	DM	DM	31. 12. 1976 in DM 1,000
Brought forward			113,848,250,316.27	96,285,894
Loans for mortgage bank business, for original periods or with agreed periods of notice of four years or longer				
a) from banks and other credit institutions		533,461,724.03		485,356
b) others		617,205,111.84		526,400
including: with partial liability .. DM 2,259,836.64; due in less than four years .. DM 618,695,214.89			1,150,666,835.87	1,011,756
Interest accrued on bonds and loans for mortgage bank business				
a) pro rata interest		523,694,633.72		433,351
b) interest due (including interest due on January 2, 1978)		222,316,132.60		199,436
			746,010,766.32	632,787
Own acceptances and promissory notes in circulation			367,664,136.27	158,923
Loans on a trust basis at third party risk			1,145,902,165.55	947,317
Provisions				
a) provisions for pensions		988,688,538.54		906,949
b) other provisions		853,642,998.18		721,750
			1,842,331,536.72	1,628,699
Other liabilities			59,257,094.67	61,911
Endowments and benevolent funds				
assets of the endowments		2,154,534.05		1,994
less: investments in securities		2,029,159.76		1,782
			125,374.29	212
Transitory items				
a) in accordance with Section 25 of the Mortgage Bank Act		117,399,464.14		106,480
b) others		627,276,711.92		522,340
			744,676,176.06	628,820
Special items with partial reserve character				
a) in accordance with the Tax Act regarding Developing Countries		17,834,729.—		17,658
b) in accordance with Section 6b of the Income Tax Act		11,005,911.11		4,050
c) in accordance with the tax regulation regarding general provisions		767,182.—		29,201
			29,607,822.11	50,909
Capital			960,000,000.—	900,000
conditional capital DM 56,250,000.—				
Disclosed reserves				
a) legal reserve		1,265,000,000.—		1,085,000
b) other reserves (voluntary reserve)		1,225,000,000.—		1,115,000
			2,490,000,000.—	2,200,000
Reserve arising from consolidation			403,625,951.43	293,269
Minority interests			159,318,054.19	138,615
including: from profit .. DM 9,949,195.12				
Group profit			295,102,886.06	308,175
Total Liabilities			124,242,539,115.81	105,247,287

Own drawings in circulation	2,584,311.30	2,269
including: those discounted for borrowers' account .. DM 2,584,311.30		
Endorsement liabilities on rediscounted bills of exchange	254,002,483.33	603,060
Contingent liabilities from guarantees, including guarantees for bills and cheques, and from indemnity agreements	14,688,336,408.28	14,325,835
Repurchase commitments that do not have to be shown under liabilities	810,220,332.—	1,245,120
Savings premiums under the Savings Premium Act	375,511,897.16	554,386
Total liabilities, together with contingent liabilities and other commitments shown below the line, include liabilities to related companies of	30,063,435.71	24,087

Expenses

Consolidated Profit and Loss Account

	DM	DM	1976 in DM 1,000
Interest and similar expenses		2,880,176,586.94	2,494,186
Interest expenses in mortgage bank business for			
a) mortgage bonds	730,133,836.66		684,640
b) communal bonds	888,899,677.99		752,345
c) other bonds in accordance with Section 5 (1) 4c of the Mortgage Bank Act	25,704,564.82		25,601
d) loans taken up	90,658,124.67		79,964
		1,735,396,204.14	1,542,550
Commissions and service charges paid		32,753,635.90	22,172
Non-recurrent expenses in the mortgage banks' issue and loan business		82,232,509.50	90,592
Write-downs of and adjustments to claims and securities, transfers to provisions for possible loan losses		16,882,769.35	—
Salaries and wages		1,284,404,714.76	1,202,577
Compulsory social security contributions		176,756,770.26	163,390
Expenses for retirement pensions and other employee benefits		214,025,607.20	186,808
Other operating expenses		477,595,323.10	446,104
Depreciation on and adjustments to land and buildings and office furniture and equipment		237,860,488.10	232,531
Write-downs of and adjustments to subsidiaries, associated companies and trade investments		6,125,326.42	16,765
Taxes			
a) on income and assets	510,939,166.29		438,564
b) others	21,108,509.17		16,676
		532,047,675.46	455,240
Transfers to "Special items with partial reserve character"		9,035,765.02	11,691
Other expenses		131,351,448.09	148,518
Net income for the year		408,006,325.54	440,038
Total Expenses		8,224,651,149.78	7,453,162

Net income for the year	
Profit brought forward from the previous year	
Transfers to Disclosed reserves	
Profit attributable to minority interests	
Group profit	

Frankfurt (Main) March 14, 1978

Deutsche Bank Aktiengesellschaft

The Board of Managing Directors

Burgard *Christians* *Ehret* *Guth*

Herrhausen *van Hooven* *Kleffel* *Leibkutsch*

Mertin *Thierbach* *Kopper* *Zapp*

for the period from January 1 to December 31, 1977 — Income

	DM	DM	1976 in DM 1,000
Interest and similar income from lending and money market transactions		4,701,338,136.78	4,084,526
Current income from			
a) fixed-interest securities and debt register claims	325,525,785.88		298,161
b) other securities	159,608,100.91		139,947
c) subsidiaries, associated companies and trade investments	21,412,951.71		21,763
		506,546,838.50	459,871
Interest earned in mortgage bank business from			
a) mortgages	862,755,242.76		799,325
b) communal loans	990,473,293.06		859,295
		1,853,228,535.82	1,658,620
Commissions and service charges received		684,600,974.44	623,976
Non-recurrent income from the mortgage banks' issue and loan business		100,864,822.55	103,913
Other income, including income from the writing back of provisions for possible loan losses		323,372,148.69	481,731
Income from the writing back of provisions, so far as it does not have to be shown under "Other income"		24,362,248.78	24,747
Income from the writing back of special items with partial reserve character		30,337,444.22	15,778
Total Income		8,224,651,149.78	7,453,162

DM	1976 DM
408,006,325.54	440,038,108.89
65,695,755.64	39,776,392.59
473,702,081.18	479,814,501.48
168,650,000.—	162,100,000.—
305,052,081.18	317,714,501.48
9,949,195.12	9,539,391.21
295,102,886.06	308,175,110.27

The consolidated financial statements and the report of the group, which we have examined with due care, comply with law.

Frankfurt (Main), March 28, 1978

Treuverkehr AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Dr. Nebendorf — Chartered Accountant

Fandré — Chartered Accountant

Development of the Consolidated Balance Sheet

1967–1977

Development of the Consolidated Balance Sheet 1967–1977

– Amounts in DM millions –

End of	1977	1976	1975
Assets			
Cash reserve	5,813	4,845	5,106
Bills of exchange	6,624	6,952	7,076
Claims on banks and other credit institutions	26,772	20,334	15,587
Treasury bills and discountable Treasury bonds	152	275	189
Bonds and notes	4,759	3,860	2,433
Other securities	1,857	1,881	1,538
Claims on customers	46,521	39,802	35,160
short and medium-term	24,268	21,729	21,052
long-term (4 years or longer)	22,253	18,073	14,108
Long-term mortgage bank lendings	24,768	21,578	19,528
Subsidiaries, associated companies and trade investments	598	435	374
Land and buildings	843	801	739
Office furniture and equipment	256	241	208
Leasing equipment	752	636	468
Bonds and notes issued by Group members	973	583	411
Other assets	1,362	1,167	916
Remaining assets	2,193	1,857	1,806
Balance Sheet Total	124,243	105,247	91,539
Liabilities			
Liabilities to banks and other credit institutions	35,771	28,574	21,574
Liabilities to customers	49,508	44,073	41,571
including: time deposits	15,955	12,064	10,469
savings deposits	19,972	19,441	18,367
Commercial bank bonds	4,283	2,844	1,220
Long-term mortgage bank liabilities	26,183	22,439	20,444
Own acceptances and promissory notes in circulation	368	159	217
Provisions	1,842	1,629	1,460
provisions for pensions	989	907	844
other provisions	853	722	616
Group own funds	4,003	3,522	3,325
Capital	960	900	900
Disclosed reserves	2,490	2,200	2,100
Reserve arising from consolidation	404	293	192
Minority interests	149	129	133
Remaining liabilities	1,990	1,699	1,450
Group profit	295	308	278
Balance Sheet Total	124,243	105,247	91,539
Endorsement liabilities	254	603	138
Contingent liabilities from guarantees, including guarantees for bills and cheques, and from indemnity agreements	14,688	14,326	12,429

1974	1973	1972	1971	1970	1969	1968	1967
5,625	7,021	5,575	3,985	3,021	1,881	2,163	1,553
5,300	3,975	4,122	4,150	4,332	4,396	4,800	4,009
12,898	7,510	5,871	5,358	4,317	3,300	2,716	2,269
49	23	250	725	409	1	1,878	1,704
1,846	1,698	1,679	1,304	1,803	1,859	1,500	943
1,128	1,113	1,156	1,154	1,331	1,313	1,261	1,047
30,859	27,086	23,806	19,582	17,186	15,431	10,824	9,015
19,634	17,609	14,789	12,163	10,353	9,493	7,084	6,861
11,225	9,477	9,017	7,419	6,833	5,938	3,740	2,154
16,570	14,323	12,854	10,760	3,517	–	–	–
358	314	261	235	302	249	225	138
776	609	514	413	407	340	320	286
357	282	228	172	133	104	87	77
553	251	272	271	67	–	–	–
806	712	653	568	472	469	332	43
1,573	1,457	1,517	1,110	1,101	1,002	902	1,049
78,698	66,374	58,758	49,787	38,398	30,345	27,008	22,133

17,540	10,404	9,812	7,829	7,598	5,602	4,630	3,168
38,147	36,499	31,124	27,483	24,460	22,178	20,242	17,010
12,724	13,972	9,346	8,384	7,976	6,944	5,927	4,133
14,963	13,298	12,215	10,672	9,030	8,399	7,493	6,542
528	200	–	–	–	–	–	–
17,127	14,653	13,659	11,208	3,656	–	–	–
171	187	172	85	110	248	17	15
1,298	981	899	724	626	538	479	431
745	551	491	439	408	377	347	327
553	430	408	285	218	161	132	104
2,524	2,394	2,099	1,815	1,462	1,397	1,363	1,111
720	720	640	560	480	480	480	400
1,549	1,459	1,274	1,064	880	850	820	650
124	83	63	80	45	56	52	53
131	132	122	111	57	11	11	8
1,142	895	852	517	388	255	182	310
221	161	141	126	98	127	95	88
78,698	66,374	58,758	49,787	38,398	30,345	27,008	22,133
710	842	1,633	974	875	1,525	187	143
9,457	6,497	4,721	4,669	4,482	3,439	2,568	2,222

List of Deutsche Bank's subsidiaries, associated companies and trade investments

German banks and credit institutions	Capital		Our holding
AKA Ausfuhrkredit-Gesellschaft mbH, Frankfurt (Main)	DM	40.0 m.	27.2%
Berliner Disconto Bank Aktiengesellschaft, Berlin	DM	70.0 m.	100 %
Deutsche Centralbodenkredit-Aktiengesellschaft, Berlin – Cologne	DM	48.0 m.	79.0%
Deutsche Gesellschaft für Fondsverwaltung mbH, Frankfurt (Main)	DM	2.5 m.	100 %
DWS Deutsche Gesellschaft für Wertpapiersparen mbH, Frankfurt (Main)	DM	20.0 m.	49.5%
Deutsche Grundbesitz-Investmentgesellschaft mbH, Cologne	DM	3.0 m.	37.5%
Deutsche Kreditbank für Baufinanzierung Aktiengesellschaft, Cologne	DM	42.0 m.	75.0%
Deutsche Schiffahrtsbank Aktiengesellschaft, Bremen	DM	35.0 m.	25.7%
Deutsche Schiffspfandbriefbank Aktiengesellschaft, Berlin – Bremen	DM	1.0 m.	25.3%
Deutsche Ueberseeische Bank, Frankfurt (Main)	DM	60.0 m.	100 %
Deutsche Vermögensbildungsgesellschaft mbH, Bad Homburg vdH	DM	1.0 m.	60.0%
European Asian Bank Aktiengesellschaft, Hamburg	DM	56.0 m.	14.3%
Frankfurter Bodenkreditbank Aktiengesellschaft, Frankfurt (Main)	DM	5.0 m.	25.0%
Frankfurter Hypothekenbank, Frankfurt (Main)	DM	63.4 m.	88.4%
Gefa Gesellschaft für Absatzfinanzierung mbH, Wuppertal	DM	30.0 m.	100 %
Gesellschaft zur Finanzierung von Industrieanlagen mbH, Frankfurt (Main)	DM	1.0 m.	27.2%
Handelsbank in Lübeck, Lübeck	DM	12.0 m.	28.1%
Industriebank von Japan (Deutschland) Aktiengesellschaft – The Industrial Bank of Japan (Germany) –, Frankfurt (Main)	DM	40.0 m.	25.0%
Liquidations-Casse in Hamburg AG, Hamburg	DM	1.2 m.	25.0%
Liquiditäts-Konsortialbank GmbH, Frankfurt (Main)	DM	250.0 m.	5.9%
Lombardkasse Aktiengesellschaft, Berlin – Frankfurt (Main)	DM	4.5 m.	14.2%
Privatdiskont-Aktiengesellschaft, Frankfurt (Main)	DM	5.0 m.	13.8%
Saarländische Kreditbank Aktiengesellschaft, Saarbrücken	DM	25.0 m.	68.9%
Schiffshypothekenbank zu Lübeck Aktiengesellschaft, Kiel	DM	35.0 m.	28.9%
Süddeutsche Bank GmbH, Frankfurt (Main)	DM	3.0 m.	100 %

Foreign banks and credit institutions			
AEA Development Corporation, Manila/Philippines	Phil. pes.	34.6 m.	5.5%
Al-Bank Al-Saudi Al-Alami Ltd., London	£	25.0 m.	5.0%
Banco Bradesco de Investimento, S.A., São Paulo	Cr$	769.3 m.	5.0%
Banco Comercial Transatlántico, Barcelona	Ptas.	1,452.0 m.	25.2%
Banco del Desarrollo Económico Español S.A., Madrid	Ptas.	929.8 m.	1.8%
Banco Español en Alemania S.A., Madrid	Ptas.	165.0 m.	15.0%
Banque Commerciale Congolaise, Brazzaville/Congo	CFA-francs	850.0 m.	3.1%
Banque Commerciale du Maroc, Casablanca/Morocco	Dirham	32.5 m.	7.1%
Banque Européenne de Crédit, Brussels	Belg. frs.	2,856.0 m.	14.3%

		Capital	Our holding
Banque Nationale pour le Développement Economique, Rabat/Morocco	Dirham	140.0 m.	0.4%
Banque Tchadienne de Crédit et de Dépôts, Ndjamena/Chad	CFA-francs	440.0 m.	7.5%
H. Albert de Bary & Co. N.V., Amsterdam	Dutch guil.	15.0 m.	50.0%
Compagnie Financière de la Deutsche Bank AG, Luxembourg	Lux. francs	2,250.0 m.	99.9%
Corporación Financiera Colombiana, Bogotá/Colombia	Col. pesos	198.4 m.	0.4%
DB Finance (Hong Kong) Ltd., Hong Kong	HK$	5.0 m.	99.9%
Euro-Pacific Finance Corporation Ltd., Melbourne/Australia	A$	10.0 m.	8.0%
European Asian Finance (HK) Ltd., Hong Kong	HK$	10.0 m.	10.0%
European Banking Company Ltd., London	£	12.2 m.	14.1%
European Brazilian Bank Ltd., London	£	11.0 m.	13.7%
Foreign Trade Bank of Iran, Tehran/Iran	Rials	4,200.0 m.	10.0%
Industrial and Mining Development Bank of Iran, Tehran/Iran	Rials	12,000.0 m.	3.0%
The Industrial Credit and Investment Corporation of India Ltd., Bombay/India	Ind. rupees	225.0 m.	1.5%
Iran Overseas Investment Bank Ltd., London	£	8.0 m.	6.3%
Korea Development Finance Corporation, Seoul/South Korea	Won	5,000.0 m.	2.5%
Malaysian Industrial Development Finance Berhad, Kuala Lumpur/Malaysia	M$	79.6 m.	0.5%
National Investment Bank for Industrial Development S.A., Athens	Drachmae	450.0 m.	5.8%
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	60.4 m.	1.8%
Société Camerounaise de Banque, Yaoundé/Cameroon	CFA-francs	2,500.0 m.	5.0%
Société Ivoirienne de Banque, Abidjan/Ivory Coast	CFA-francs	1,500.0 m.	12.0%
Teollistamisrahasto Oy-Industrialization Fund of Finland Ltd., Helsinki	Fmk	71.0 m.	0.4%
Union Gabonaise de Banque, Libreville/Gabon	CFA-francs	937.5 m.	8.0%
Union Sénégalaise de Banque pour le Commerce et l'Industrie, Dakar/Senegal	CFA-francs	2,000.0 m.	1.9%
Union Togolaise de Banque, Lomé/Togo	CFA-francs	1,000.0 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.	92.5%
Deutsche Canada-Grundbesitzverwaltungsgesellschaft mbH, Frankfurt (Main)	DM	0.1 m.	55.0%
Deutsche Gesellschaft für Anlageberatung mbH, Frankfurt (Main)	DM	0.5 m.	85.0%

		Capital	Our holding
Deutsche Gesellschaft für Immobilien- und Anlagen-Leasing mbH, Düsseldorf	DM	10.0 m.	50.0%
Deutsche Grundbesitz-Anlagegesellschaft mbH, Cologne	DM	0.04 m.	37.5%
Deutsche Wagnisfinanzierungs-Gesellschaft mbH, Frankfurt (Main)	DM	15.0 m.	14.0%
Eurocard Deutschland Internationale Kreditkarten-Organisation GmbH, Frankfurt (Main)	DM	0.03 m.	12.0%
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 %
Rhein-Neckar Bankbeteiligung GmbH, Stuttgart	DM	15.0 m.	50.0%
Süddeutsche Vermögensverwaltung GmbH, Frankfurt (Main)	DM	4.0 m.	100 %
Trinitas Vermögensverwaltung GmbH, Frankfurt (Main)	DM	1.0 m.	100 %

Other foreign enterprises

Adela Investment Company S.A., Luxembourg/Lima (Peru)	US$	61.8 m.	0.7%
Deutsche Bank (U.K.) Finance Ltd., London	£	0.2 m.	99.9%
EDESA Société Anonyme Holding, Luxembourg	US$	11.0 m.	4.6%
European Arab Holding S.A., Luxembourg	Lux. francs	2,000.0 m.	5.5%
European Banks' International Company S.A., Brussels	Belg. frs.	175.0 m.	14.3%
European Financial Associates N.V., The Hague	Dutch guil.	0.4 m.	14.3%
European Hotel Corp. (EHC) N.V., Amsterdam	Dutch guil.	33.5 m.	3.5%
German American Capital Corporation, Baltimore/USA	US$	0.01 m.	100 %
Intermex Holding S.A., Luxembourg	US$	16.2 m.	14.5%
International Investment Corporation for Yugoslavia S.A., Luxembourg	US$	13.5 m.	1.2%
Private Investment Company for Asia S.A., Panama City/Panama	US$	29.0 m.	0.7%
SIFIDA Investment Company S.A., Luxembourg	US$	15.8 m.	0.6%
Society for Worldwide Interbank Financial Telecommunication – SWIFT –, Brussels	Belg. frs.	104.7 m.	3.8%
UBS – DB Corporation, New York	US$	0.1 m.	50.0%

Domestic bond issues of public authorities

7%, 6¾%, 6½% and 6% bond issues of the Bundesrepublik Deutschland of 1977
7%, 6½% and 6% bond issues of the Deutsche Bundesbahn of 1977
7% bond issue of the Land Berlin of 1977
6¼% bond issue of the Freie und Hansestadt Hamburg of 1977

7½%, 7%, 6½%, 6¼%, 6% and 5½% communal bond issues and mortgage bonds of the Deutsche Siedlungs- und Landesrentenbank – Issue 156, Series 34–39 –
6½% bond issue of the Lastenausgleichsbank of 1977 – Issue 18 –

Other domestic bond issues, mortgage and communal bonds

Kaufhof Aktiengesellschaft
Schiffshypothekenbank zu Lübeck Aktiengesellschaft

Thyssen Aktiengesellschaft vorm. August Thyssen-Hütte
Vereinigte Elektrizitätswerke Westfalen Aktiengesellschaft

Convertible and option bonds of domestic and foreign issuers

denominated in Deutsche Mark:
Canon Inc.
Jujo Paper Co., Ltd.
Minolta Camera Co., Ltd.

Sekisui Prefab Homes, Ltd.
Tokyo Sanyo Electric Co., Ltd.

denominated in foreign currencies:
Beecham Financiering B.V.
Compagnie Financière de la Deutsche Bank AG
Ennia nv
I.C.I. International Finance Limited
INA Overseas Finance N.V.
Inchcape (Bermuda) Limited
Kao Soap Co., Ltd.

Mitsubishi Gas Chemical Company, Inc.
Nitto Electric Industrial Co., Ltd.
Sandvik AB
Sumitomo Electric Industries, Ltd.
Thomson-CSF S.A.
Tokyo Shibaura Electric Co., Ltd.
Union Bank of Switzerland (Luxembourg)

Bonds of foreign issuers

denominated in Deutsche Mark:
ARBED FINANCE S.A.
A/S Ardal og Sunndal Verk
Republik Argentinien
Asiatische Entwicklungsbank
AUMAR Autopistas del Mare Nostrum, S.A., Concesionaria del Estado
Australien
Banco Nacional de Obras y Servicios Públicos, S.A.
Banco Nacional do Desenvolvimento Econômico (BNDE)
Banque Extérieure d'Algérie
Banque Française du Commerce Extérieur

Stadt Bergen
Borregaard A.S
Föderative Republik Brasilien
Caisse Centrale de Coopération Economique
Centrais Elétricas Brasileiras S.A.
CESP-Companhia Energética de São Paulo
Comisión Federal de Electricidad (CFE)
Compagnie Française des Pétroles
Companhia Vale do Rio Doce
Crédit National
Königreich Dänemark

Dansk Eksportfinansierungsfond
Den Danske Bank af 1871 Aktieselskab
A/S Den Norske Industribank
ESTEL NV
EUROFIMA Europäische Gesellschaft für die Finanzierung von Eisenbahnmaterial
Europäische Atomgemeinschaft (EURATOM)
Europäische Investitionsbank
Genossenschaftliche Zentralbank Aktiengesellschaft
Girozentrale und Bank der österreichischen Sparkassen Aktiengesellschaft
Grand Metropolitan (Finance) Limited
Hydro-Québec
I.C.I. International Finance Limited
Industrial and Mining Development Bank of Iran
Inter-Amerikanische Entwicklungsbank
Internationale Bank für Wiederaufbau und Entwicklung (Weltbank)
Republik Island
Stadt Kobe
The Korea Development Bank
Light-Serviços de Eletricidade S.A.
Malaysia
Provinz Manitoba
Megal Finance Company Limited
Stadt Montreal
Nacional Financiera S.A.
Neuseeland
Nippon Telegraph & Telephone Public Corporation
Norges Hypotekforening for Naeringslivet
Norges Kommunalbank
Norpipe a.s
Norsea Gas A/S
Norsk Hydro a.s
Königreich Norwegen
Republik Österreich
Österreichische Kontrollbank Aktiengesellschaft
Österreichische Länderbank Aktiengesellschaft
Petróleo Brasileiro S.A.-PETROBRÁS
Petroleos Mexicanos
Philippinen
Privatbanken Aktieselskab
Pyhrn Autobahn Aktiengesellschaft
Provinz Québec
Red Nacional de los Ferrocarriles Españoles
The Sanko Steamship Co., Ltd.
Königreich Schweden
Shell International Finance N.V.
Republik Singapur
Königreich Spanien
Standard Chartered Bank Limited
Statsföretag AB
United Arab Emirates Currency Board
Vereinigte Mexikanische Staaten
VOEST Alpine AG
Wiedereingliederungsfonds des Europarates für die nationalen Flüchtlinge und die Überbevölkerung in Europa

denominated in foreign currencies:
AKZO N.V.
Alcan Australia Ltd.
American Hospital Supply International Finance N.V.
N.V. Amev
Ashland Oil (G.B.) Limited
Australian Mining and Smelting Limited
Australien
Babcock Nederland B.V.
Banco Nacional do Desenvolvimento Econômico (BNDE)
Bank Mees & Hope N.V.
Bank of Tokyo (Curaçao) Holding N.V.
Banque Canadienne Nationale
Banque Extérieure d'Algérie
Banque Nationale de Paris
Barclays Overseas Investment Company B.V.
Bayer International Finance N.V.
Bell Canada
BM-RT Ltd.
Bouguainville Copper Finance N.V.
The Bowater Corporation Limited
Föderative Republik Brasilien
British Columbia Hydro and Power Authority
British Shipbuilders
The Broken Hill Proprietary Company Limited
Caisse Nationale des Télécommunications
Canadian National Railway Company
Citicorp Overseas Finance Corporation N.V.
Consolidated-Bathurst Limited
Corporation of London
Courtaulds International Finance N.V.
Creditanstalt-Bankverein
Crédit Foncier Franco-Canadien

Deere & Company
Den Danske Provinsbank A/S
Denki Kagaku Kogyo Kabushiki Kaisha
Development Finance Corporation of New Zealand
DSM (Naamloze Vennootschap DSM)
EMI Finance B.V.
Ennia nv
Esselte AB
ESTEL NV
EUROFIMA Europäische Gesellschaft für die
Finanzierung von Eisenbahnmaterial
Europäische Atomgemeinschaft (EURATOM)
Europäische Gemeinschaft für Kohle und Stahl
Europäische Investitionsbank
Europäische Wirtschaftsgemeinschaft
Fiat Finance Corporation B.V.
Finance for Industry Limited
Fisons International Finance N.V.
Ford Motor Credit Company
Ford Motor Credit Company of Canada, Limited
General Foods, Limited
Gist-Brocades International N.V.
AB Götaverken
Stadt Göteborg
Greater London Council
Gulf and Western International Finance N.V.
Henkel International Finance N.V.
Hitachi Shipbuilding & Engineering Company Limited
Hydro-Québec
IC Industries Finance Corporation N.V.
I.C.I. International Finance Limited
Imatran Voima Osakeyhtiö
Inchcape (Bermuda) Limited
Inco Limited
The Industrial Bank of Japan Finance Company N.V.
Industrialization Fund of Finland Ltd.
Internationale Bank für Wiederaufbau und
Entwicklung (Weltbank)
International Harvester Credit Corporation
of Canada Limited
Ishikawajima-Harima Heavy Industries Co., Ltd.
Jardine Matheson (Bermuda) Ltd.
Kajima Overseas (Curaçao) N.V.
Light-Serviços de Eletricidade S.A.
City of Liverpool
MacMillan Bloedel Limited
Mafina B.V.
Manufacture Française des Pneumatiques Michelin
Manufacturers Hanover Leasing Canada Limited
Midland International Financial Services B.V.
Mitsui Petrochemical Industries, Ltd.
National Coal Board
Nationale-Nederlanden N.V.
N.V. Nederlandsche Scheepvaart Unie
Provinz New Brunswick
Provinz Newfoundland
The Nippon Fudosan Bank, Limited
Nippon Mining Company, Limited
Nordiska Investeringsbanken
Norges Kommunalbank
Norpipe a.s
Norsk Hydro a.s
Königreich Norwegen
Österreichische Kontrollbank Aktiengesellschaft
Olivetti International S.A.
Ontario Hydro
Orient Leasing (Caribbean) N.V.
Stadt Oslo
Republik Panama
Petroleos Mexicanos
Pierson, Heldring & Pierson N.V.
Provinz Québec
Rank Overseas Holdings Limited
Redpath Industries Limited
Reed International Limited
R. J. Reynolds Overseas Finance Co. N.V.
RHM Overseas Finance B.V.
The Royal Bank of Canada
Saab-Scania Aktiebolag
Königreich Schweden
Selection Trust Limited
Shell International Finance N.V.
Société Générale
Société Nationale Elf Aquitaine
Statsföretag AB
Sumitomo Heavy Industries, Ltd.
AB Svenska Kugellagerfabriken
Tauernautobahn Aktiengesellschaft
Telefonaktiebolaget LM Ericsson
Tenneco International N.V.
TNT Overseas Finance N.V.
Toray Industries, Inc.
Total Oil Marine Limited
Uddevallavarvet AB
United Biscuits (UK) Limited
Republik Venezuela

Volkswagen Overseas Finance N.V.
AB Volvo
Walter Kidde Overseas Finance N.V.
Western Mining Corporation Limited
Stadt Winnipeg

Domestic shares

Aachener Rückversicherungs-Gesellschaft
Ackermann-Göggingen Aktiengesellschaft
Adt Aktiengesellschaft
AEG-TELEFUNKEN Kabelwerke Aktiengesellschaft
Aktiengesellschaft Kühnle, Kopp & Kausch
Allgäuer Alpenmilch Aktiengesellschaft
Allgemeine Rentenanstalt Lebens- und Rentenversicherungs-Aktiengesellschaft
Allianz Versicherungs-Aktiengesellschaft
Allweiler Aktiengesellschaft
ALTANA Industrie-Aktien und Anlagen Aktiengesellschaft
ASKO Deutsche Kaufhaus Aktiengesellschaft
BABCOCK-BSH Aktiengesellschaft vorm. Büttner-Schilde-Haas AG
Baden-Württembergische Bank Aktiengesellschaft
Balcke-Dürr Aktiengesellschaft
BASF Aktiengesellschaft
Bayerische Elektricitäts-Lieferungs-Gesellschaft Aktiengesellschaft
Bayerische Hypotheken- und Wechsel-Bank
Bayerische Motoren Werke Aktiengesellschaft
Bayerische Vereinsbank
Berliner Handels- und Frankfurter Bank
Brauerei Feldschlösschen Aktiengesellschaft
Braun Aktiengesellschaft
Bremer Vulkan Schiffbau und Maschinenfabrik
Brown, Boveri & Cie Aktiengesellschaft
Buderus Aktiengesellschaft
CEAG Industrie-Aktien und Anlagen Aktiengesellschaft
Concordia-Chemie Aktiengesellschaft
Daimler-Benz Aktiengesellschaft
Deutsche Babcock Aktiengesellschaft
Die Blauen Quellen Fritz Meyer & Co. Aktiengesellschaft
Einkaufskontor Stuttgart des südwestdeutschen Nahrungsmittelgrosshandels – Aktiengesellschaft
Eisen- und Drahtwerk Erlau Aktiengesellschaft
Elektrische Licht- und Kraftanlagen Aktiengesellschaft
FRANKONA Rückversicherungs-Aktien-Gesellschaft
Geestemünder Bank
Arn. Georg Aktiengesellschaft
Girmes-Werke Aktiengesellschaft
Glas- und Spiegel-Manufactur Aktien-Gesellschaft
Gutehoffnungshütte Aktienverein
Hamborner Bergbau Aktiengesellschaft
Hamburgische Electricitäts-Werke Aktiengesellschaft
Herlitz Aktiengesellschaft
HOCHTIEF Aktiengesellschaft für Hoch- und Tiefbauten vorm. Gebr. Helfmann
Hoffmann's Stärkefabriken Aktiengesellschaft
Holsten-Brauerei
Philipp Holzmann Aktiengesellschaft
Hussel Holding Aktiengesellschaft
Industrie-Werke Karlsruhe Augsburg Aktiengesellschaft
Isar-Amperwerke Aktiengesellschaft
Kabel- und Metallwerke Gutehoffnungshütte Aktiengesellschaft
Kaiser-Brauerei Aktiengesellschaft
Klöckner-Werke Aktiengesellschaft
Kochs Adler Aktiengesellschaft
Kölsch-Fölzer-Werke Aktiengesellschaft
Koepp Aktiengesellschaft
Fried. Krupp Hüttenwerke Aktiengesellschaft
KWS Kleinwanzlebener Saatzucht Aktiengesellschaft vorm. Rabbethge & Giesecke
Lech-Elektrizitätswerke Aktien-Gesellschaft
Leffers Aktiengesellschaft
Leonische Drahtwerke AG
Liquidations-Casse in Hamburg Aktiengesellschaft
Mannesmann Aktiengesellschaft
Maschinenfabrik Augsburg-Nürnberg Aktiengesellschaft
Mechanische Seidenweberei Viersen Aktiengesellschaft
Mercedes-Automobil-Holding Aktiengesellschaft
Metallgesellschaft Aktiengesellschaft
Motorenwerke Mannheim Aktiengesellschaft vorm. Benz Abt. stat. Motorenbau
Neckarwerke Elektrizitätsversorgungs-Aktiengesellschaft
Nixdorf Computer Aktiengesellschaft
O&K Orenstein & Koppel Aktiengesellschaft
G. M. Pfaff Aktiengesellschaft
Pittler Maschinenfabrik Aktiengesellschaft
F. Reichelt Aktiengesellschaft

Rheinelektra Aktiengesellschaft
RHENAG Rheinische Energie Aktiengesellschaft
Rösler Draht Aktiengesellschaft
Schering Aktiengesellschaft
Schiffshypothekenbank zu Lübeck Aktiengesellschaft
Schramm Aktiengesellschaft
SECURITAS Bremer Allgemeine Versicherungs-Aktiengesellschaft
Siemens Aktiengesellschaft
Spinnerei Kolbermoor
SR Beteiligungen Aktiengesellschaft
Stahlwerke Peine-Salzgitter Aktiengesellschaft
Stahlwerke Südwestfalen Aktiengesellschaft
Standard Elektrik Lorenz Aktiengesellschaft
Stolberger Zink Aktiengesellschaft
Stollwerck Aktiengesellschaft
Strabag Bau-Aktiengesellschaft
Otto Stumpf Aktiengesellschaft
Stuttgarter Hofbräu Aktiengesellschaft
Südwestdeutsche Salzwerke Aktiengesellschaft
Thyssen Aktiengesellschaft vorm. August Thyssen-Hütte
Überlandwerk Unterfranken Aktiengesellschaft
VARTA Aktiengesellschaft
Vereins- und Westbank Aktiengesellschaft
Westdeutsche Handelsgesellschaft Gebr. Sinn Aktiengesellschaft
Württembergisches Portland-Cement-Werk zu Lauffen am Neckar

Foreign shares

Algemene Bank Nederland N.V.
Amsterdam-Rotterdam Bank N.V.
Asahi Chemical Industry Co., Ltd.
Beatrice Foods Co.
The Bowater Corporation Limited
The British Petroleum Company Limited
Canon Inc.
Coca-Cola Company
Commercial Union Assurance Co. Ltd.
Compagnie de Saint-Gobain-Pont-à-Mousson
Compagnie Financière de Paris et des Pays-Bas
Compagnie Financière de Suez
Consolidated Gold Fields Ltd.
Ford Motor Company
Gillette International Capital Corporation
Groupe Bruxelles Lambert S.A.
Imperial Metal Industries Ltd.
International Business Machines Corporation
J. L. de Ball Canada Ltd./Ltée
London and Scottish Marine Oil Company Limited
Minolta Camera Co., Ltd.
Mitsui & Co., Ltd.
Mitsumi Electric Co., Ltd.
National Westminster Bank Limited
Nichii Co., Ltd.
Nissan Motor Co., Ltd.
Océ-van der Grinten N.V.
Pakhoed Holding N.V.
Pirelli S.p.A.
Renown Incorporated
ROLINCO N.V.
RORENTO N.V.
Rotterdamsch Beleggingsconsortium N.V.
Sekisui Prefab Homes, Ltd.
Thomson-Brandt S.A.
Thomson-CSF S.A.
Thorn Electrical Industries Limited
Tokyo Sanyo Electric Co., Ltd.
Tube Investments Ltd.
United Biscuits (Holdings) Ltd.

Advisory Council of Bielefeld

Wilhelm Karmann, *Chairman,*
Partner and Managing Director,
Wilhelm Karmann GmbH, Osnabrück

Hendrik E. van Delden, *Deputy Chairman,*
Partner in Gerrit van Delden & Co.,
Gronau (Westf.)

Dipl.-Kfm. Hans A. Barthelmeh,
Chairman of the Board of Managing Directors,
Gildemeister AG, Bielefeld

Joe Bierbaum,
Partner and Managing Director,
Bierbaum KG, Textilwerke, Borken

Dipl.-Kfm. Ehrenfried Brandts,
Partner and Managing Director,
Messrs. Hermann Windel GmbH & Co., Bielefeld

Erich Coenen,
Member of the Supervisory Board,
Germania-Epe Spinnerei AG, Epe (Westf.)

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

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

Victor Dierig,
Managing Director,
F. H. Hammersen GmbH, Osnabrück

Richard Dohse,
Partner in Richard Dohse & Sohn oHG, Bielefeld

Horst Frenzel,
Managing Director,
Erdgas-Verkaufs-Gesellschaft mbH,
Münster (Westf.)

Jürgen Frömbling,
Partner and Managing Director,
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Professor Dr.-Ing. Dr. h. c. Kurt Herberts,
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Proprietor of Ohler Eisenwerk Theob. Pfeiffer, Plettenberg

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Managing Director of R. & G. Schmöle Metallwerke GmbH & Co. KG,
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Konsul Albert Rampelberg,
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Deutsche Solvay-Werke GmbH, Solingen

Dr. Franz J. Rankl,
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Dr. Walter Salzer,
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Hans Vaillant,
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Hans Martin Wälzholz-Junius,
Co-proprietor of Messrs. C. D. Wälzholz, Hohenlimburg

Dr. Hans Günther Zempelin,
Chairman of the Board of Managing Directors,
Enka Group, Wuppertal

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

Dr.-Ing. Klaus Geissler,
Chairman of the Board of Managing Directors,
Kabel- und Metallwerke Gutehoffnungshütte AG, Hanover

Dr. Richard Hengstenberg,
Senior Partner, Messrs. Rich. Hengstenberg,
Weinessig-, Sauerkonserven- und Feinkostfabriken, Esslingen

Gustav Schürfeld,
Messrs. G. Schürfeld & Co., Hamburg

We shall always remember them with respect and gratitude.

Wiesbaden jubilee

Our Wiesbaden branch was able to celebrate its 75th year in June 1977. When it started business as a deposit-taking branch in Wilhelmstrasse with a staff of five in 1902 it was Deutsche Bank's 7th office in the territory which then made up the Reich. Four years later the number of Deutsche Bank employees in Wiesbaden had already tripled. For a time the branch was nicknamed the "Jungfernkasse" (maidens' branch) as all the staff – except the messenger – were unmarried. In 1911 Wiesbaden became a sub-branch, and in 1920 a branch. The picture, bottom right, shows the renovated "Jugendstil" façade of the branch.

To mark its jubilee the branch invited guests to attend a special celebration. Long before this, the public had been asked in advertisements to show how Wiesbaden had looked (around 1902). The response was good, with over 3,600 contributions received. A display in the banking hall (pictures, top and centre left) combined the best 600 items. Special attractions were an early roulette table from Wiesbaden casino and a touring motorcycle from 1914. For several days, customers were served by branch employees wearing original costumes from the period around 1902.

Our other photos show scenes from the special celebration, which was attended by over 200 persons from Wiesbaden public life. Dr. Burgard, Member of the Board of Managing Directors (centre right), held the welcoming address. Below left, Wiesbaden's Lord Mayor, Mr. Schmitt, is shown presenting a city plaque to Mr. Eras, the branch manager.

Domestic branches:

Aachen
with 5 sub-branches
Aalen (Württ)
with 1 sub-branch
Achim (Bz Bremen)
Ahaus
Ahlen (Westf)
Ahrensburg (Holst)
Albstadt
with 1 sub-branch
Alfeld (Leine)
Alsdorf (Rheinl)
Alsfeld (Oberhess)
Altena (Westf)
Altenkirchen (Westerw)
Alzey
Amberg
Andernach
Ansbach
Arnsberg
with 1 sub-branch
Aschaffenburg
Asperg
Attendorn
Augsburg
with 7 sub-branches
Aurich
Backnang
Bad Berleburg
Bad Driburg (Westf)
Bad Dürkheim
Baden-Baden
Bad Harzburg
Bad Hersfeld
Bad Homburg v d H
Bad Honnef
Bad Iburg
Bad Kreuznach
Bad Lauterberg
Bad Lippspringe
Bad Mergentheim
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
now: Bergisch Gladbach
Bensheim
Bergen-Enkheim
now: Frankfurt
Bergheim (Erft)
Bergisch Gladbach
with 1 sub-branch
Bergneustadt
Bernkastel-Kues
Betzdorf (Sieg)
Beverungen
Biberach (Riss)
Biedenkopf
Bielefeld
with 7 sub-branches
Bietigheim (Württ)
Bingen (Rhein)
Blomberg (Lippe)
Bocholt
Bochum
with 7 sub-branches
Bockum-Hövel
now: Hamm
Böblingen (Württ)
Bonn
with 6 sub-branches
Bonn-Bad Godesberg
Boppard
Borken
Bottrop
with 1 sub-branch
Bramsche (Bz Osnabrück)
Braunschweig
with 12 sub-branches
Bremen
with 14 sub-branches
Bremen-Vegesack
Bremerhaven
with 3 sub-branches
and 1 paying office
Bretten (Baden)
Brilon
Bruchsal
Brühl (Bz Cologne)
Brunsbüttel
Buchholz i d Nordheide
Bühl (Baden)
Bünde
Burgdorf (Han)
Burscheid (Rheinl)
Buxtehude
Castrop-Rauxel
with 1 sub-branch
Celle
Clausthal-Zellerfeld
Cloppenburg
Coburg
Coesfeld
Cologne
with 26 sub-branches
Crailsheim
Cuxhaven
Dachau
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
Dreieich
Dülmen
Düren (Rheinl)
with 1 sub-branch
Düsseldorf
with 31 sub-branches
Düsseldorf-Benrath
with 1 sub-branch
Duisburg
with 19 sub-branches
Duisburg-Hamborn
with 3 sub-branches
Duisburg-Rheinhausen
Duisburg-Ruhrort
Einbeck
Eiserfeld (Sieg)
now: Siegen
Eislingen
Eitorf
Ellwangen (Jagst)
Elmshorn
Elten
Eltville
Emden
Emmendingen
Emmerich
Emsdetten
Engelskirchen
Ennepetal (Westf)-Milspe
with 1 sub-branch
Erkelenz
Erkrath (Bz Düsseldorf)
Erlangen
Eschborn
Eschwege
Eschweiler
Espelkamp
Essen
with 25 sub-branches
Esslingen (Neckar)
Ettlingen (Baden)
Euskirchen
Eutin
Fellbach (Württ)
Flensburg
with 3 sub-branches
Forchheim
Frankenthal (Pfalz)

Frankfurt (Main)
with 23 sub-branches
and 1 paying office
Frankfurt (Main)-Höchst
Frechen
Freiburg (Breisgau)
with 7 sub-branches
Freising
Freudenberg (Kr Siegen)
Friedberg (Hess)
Friedrichsfeld
now: Voerde
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
now: Lahn
Gifhorn
with 1 sub-branch
Ginsheim-Gustavsburg
Gladbeck (Westf)
with 1 sub-branch
Goch
Göppingen
with 1 sub-branch
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
with 1 sub-branch
Haan (Rheinl)
Hagen (Westf)
with 8 sub-branches
Haiger
Halle (Westf)
Hamburg
with 44 sub-branches
Hamburg-Altona
Hamburg-Bergedorf
Hamburg-Harburg
Hameln
Hamm (Westf)
with 3 sub-branches
Hanau
Hanover
with 18 sub-branches
Hann. Münden
Harsewinkel ü/Gütersloh
Haslach (Kinzigtal)
Hattingen (Ruhr)
Hausen ü/Offenbach
Heidelberg
with 5 sub-branches
Heidenheim (Brenz)
Heilbronn (Neckar)
with 1 sub-branch
Heiligenhaus (Düsseldorf)
Helmstedt
Hemer
Hennef (Sieg)
Heppenheim
Herborn (Dillkr)
Herdecke (Ruhr)
Herford
Herne
with 4 sub-branches
Herten (Westf)

Herzberg (Harz)
Herzogenrath
with 1 sub-branch
Heusenstamm
Hilden
with 1 sub-branch
Hildesheim
with 2 sub-branches
Hockenheim (Baden)
Höhr-Grenzhausen
Höxter
Holzminden
Horn – Bad Meinberg
Hückelhoven
Hückeswagen
Hürth (Bz Cologne)
Husum (Nordsee)
Ibbenbüren
Idar-Oberstein
with 1 sub-branch
Ingelheim (Rhein)
Ingolstadt (Donau)
with 2 sub-branches
Iserlohn
with 1 sub-branch
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)
Kettwig
now: Essen
Kevelaer
Kiel
with 7 sub-branches
Kierspe (Westf)
Kirchheim unter Teck
Kirchhellen
now: Bottrop

Kleve (Niederrhein)
with 1 sub-branch
Koblenz
with 1 sub-branch
Königsbrunn
Königstein (Taunus)
Konstanz
with 2 sub-branches
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)
Lahn-Giessen
Lahn-Wetzlar
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
Leonberg (Württ)
Leutkirch
Leverkusen
with 2 sub-branches
Leverkusen-Opladen

Limburg
Limburgerhof
Lindau (Bodensee)
Lingen
Lippstadt
Löhne (Westf)
Lörrach
with 1 sub-branch
Lohne (Oldb)
Ludwigsburg (Württ)
with 1 sub-branch
Ludwigshafen (Rhein)
with 6 sub-branches
Lübeck
with 5 sub-branches
Lüdenscheid
Lüneburg
with 1 sub-branch
Lünen
with 1 sub-branch
Maikammer
Mainz
with 4 sub-branches
Mannheim
with 18 sub-branches
Marbach
Marburg (Lahn)
Marl (Kr Recklinghausen)
Mayen
Meckenheim (Rheinl)
Meerbusch
with 1 sub-branch
Meinerzhagen (Westf)
Melle
Memmingen
Menden (Sauerl)
Meppen
Mettmann
Metzingen (Württ)
Minden (Westf)
Mönchengladbach
with 8 sub-branches
Mönchengladbach-Rheydt
Moers
with 2 sub-branches
Monheim (Rheinl)
Mosbach (Baden)
Mühlacker (Württ)
Mühldorf (Inn)
Mühlheim (Main)
Mülheim (Ruhr)
with 1 sub-branch
Müllheim (Baden)
Münster (Westf)
with 8 sub-branches
Munich
with 46 sub-branches
Munster
Nagold
Neckarsulm
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
Nieder-Roden
now: Rodgau
Nienburg (Weser)
Nördlingen
Norden
Norderney
Norderstedt
Nordhorn
Northeim
Nürtingen
Nuremberg
with 13 sub-branches
Oberhausen (Rheinl)
with 9 sub-branches
Oberkirch (Baden)
Oberursel (Taunus)
Öhringen
Oelde
Oerlinghausen
Offenbach (Main)
with 2 sub-branches
Offenburg (Baden)
Oldenburg (Oldbg)
with 1 sub-branch
Olpe (Westf)
Opladen
now: Leverkusen
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
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 5 sub-branches
Rendsburg
Reutlingen
with 1 sub-branch
Rheda-Wiedenbrück
Rheinbach
Rheinberg (Rheinl)
Rheine (Westf)
with 2 sub-branches
Rheinfelden (Baden)
Rheinhausen
now: Duisburg
Rheydt
now: Mönchengladbach
Rinteln (Weser)
Rodgau
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
Siegburg
Siegen
with 4 sub-branches
Siegertsbrunn
Sindelfingen
Singen (Hohentwiel)
Soest
Solingen
with 4 sub-branches
Soltau
Sonthofen
Spaichingen
Spenge
Speyer
Sprendlingen (Hess)
now: Dreieich
Sprockhövel (Westf)
Stade
Stadthagen
Stadtlohn
Starnberg

Steinfurt
with 1 sub-branch
Stolberg (Rheinl)
Straubing
Stuttgart
with 14 sub-branches
Stuttgart-Bad Cannstatt
Sundern (Sauerl)
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)
with 1 sub-branch
Verden (Aller)
Verl
Viernheim (Hess)
Viersen
with 3 sub-branches
Villingen (Schwarzw)
now: VS–Villingen
Voerde
Vohburg
Vreden (Westf)
Waiblingen
Waldbröl
Waldkirch (Breisgau)
Waldshut
Waltrop
Wangen (Allgäu)
Warendorf
Wattenscheid
now: Bochum
Wedel (Holst)
Weener (Ems)

Wegberg
Wehr (Baden)
Weiden (Opf)
Weil (Rhein)
Weilheim
Weingarten (Württ)
Weinheim (Bergstr)
with 1 sub-branch
Weissenthurm
Werdohl
Werl (Westf)
Wermelskirchen
Werne
Wesel (Niederrhein)
with 1 sub-branch
Wesseling (Bz Cologne)
Westerland
Wetzlar
now: Lahn
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 3 sub-branches
Wuppertal
with 17 sub-branches
and 1 paying office
Xanten
Zell (Mosel)
Zirndorf
Zweibrücken

Berliner Disconto Bank Aktiengesellschaft, Berlin · 72 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 – Cologne

Frankfurter Hypothekenbank, Frankfurt (Main)

Deutsche Kreditbank für Baufinanzierung Aktiengesellschaft, Cologne

GEFA Gesellschaft für Absatzfinanzierung mbH, Wuppertal
Further offices: Berlin · 2 sub-branches, Bielefeld, Düsseldorf, Frankfurt (Main), Hamburg, Hanover, Munich, Nuremberg, Saarbrücken, Stuttgart, Ulm
Subsidiary: GEFA-Leasing GmbH, Wuppertal

Our bases throughout the world

Foreign branches

Argentina:	Buenos Aires and Rosario
Brazil:	São Paulo
France:	Paris
Japan:	Tokyo
Paraguay:	Asunción
United Kingdom:	London

Atlantic Capital Corporation,
New York

Compagnie Financière de la Deutsche Bank AG,
Luxembourg

DB Finance (Hong Kong) Ltd.,
Hong Kong

Deutsche Bank (U.K.) Finance Ltd.,
London

Representative offices abroad

Africa:	Cairo	Dr. Gerhard Behrens
	Lagos	Michael Rücker
America:	Bogotá	Alberto Veciana
	Caracas	Konrad Zimmermann
	Mexico	Manfred Hamburger
	Rio de Janeiro	Rüdiger Zaddach
	Santiago de Chile	Winfried Kreklau
	Toronto	Klaus Bartels
Asia:	Beirut	
	Hong Kong	Paul von Benckendorff
	Osaka	Peter Ehrenspeck
	Tehran	Friedrich Otto Wolfensteller
Australia:	Sydney	Joachim Hans Lawonn
Europe:	Istanbul	Siegfried Brunnenmiller
	Madrid	Karl-Otto Born
	Milan	Dr. Hartmut Jerosch
	Moscow	Matthias Hofmann-Werther

Associated companies

Brazil:	Banco Bradesco de Investimento S.A., São Paulo
Netherlands:	H. Albert de Bary & Co. N.V., Amsterdam (together with Amsterdam-Rotterdam Bank N.V.)
Spain:	Banco Comercial Transatlántico, Barcelona
United Kingdom:	Al-Bank Al-Saudi Al-Alami Ltd. (Saudi International Bank), London European Brazilian Bank Ltd., London International Mexican Bank Ltd., London Iran Overseas Investment Bank Ltd., London

Further holdings in banks in

Africa:	Abidjan – Brazzaville – Casablanca – Dakar – Libreville – Lomé – Ndjamena – Rabat – Yaoundé
America:	Bogotá – Montevideo
Asia:	Bombay – Karachi – Kuala Lumpur – Manila – Seoul – Tehran
Europe:	Athens – Helsinki – Madrid

EBIC banks	Board of EBIC
Amsterdam-Rotterdam Bank N.V.	J. R. M. van den Brink C. F. Karsten
Banca Commerciale Italiana	A. Monti A. Righi
Creditanstalt-Bankverein	H. Treichl G. N. Schmidt-Chiari
Deutsche Bank AG	F. W. Christians W. Guth
Midland Bank Limited	Lord Armstrong of Sanderstead M. G. Wilcox
Société Générale de Banque S.A.	P. E. Janssen R. Alloo
Société Générale (France)	M. Lauré M. Viénot

EBIC Secretariat
European Banks' International Company S.A. (EBIC S.A.), Brussels

Joint ventures

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

Joint representative office

Republic of South Africa	European Banks' International Company (Pty) Ltd., Johannesburg