

Deutsche Bank at a glance

| Deutsche Bank Group | 1987 | 1986 |
|--|---------|---------|
| | DM m. | DM m. |
| Business volume | 272,300 | 261,900 |
| Balance sheet total | 268,300 | 257,200 |
| Funds from outside sources | 244,000 | 233,800 |
| Total credit extended | 191,500 | 179,800 |
| Capital and reserves | 10,849 | 10,043 |
| Income on business volume | 6,072 | 6,888 |
| Income on services business | 1,910 | 1,848 |
| Staff and other operating expenses | 5,664 | 5,088 |
| Taxes | 971 | 1,624 |
| Net income for the year | 670 | 1,068 |
| Staff | 54,579 | 50,590 |
| Customers (excl. banks) | 7.07 m. | 6.57 m. |
| Offices | 1,498 | 1,410 |

| Deutsche Bank AG | 1987 | 1986 |
|--|---------|---------|
| | DM m. | DM m. |
| Business volume | 168,700 | 164,100 |
| Balance sheet total | 165,200 | 159,900 |
| Funds from outside sources | 144,600 | 140,300 |
| Total credit extended | 103,300 | 94,400 |
| Capital and reserves | 9,776 | 8,282 |
| Income on business volume | 4,366 | 5,465 |
| Income on services business | 1,502 | 1,581 |
| Staff and other operating expenses | 4,379 | 4,264 |
| Taxes | 547 | 1,243 |
| Net income for the year | 425 | 824 |
| Allocations to revenue reserves | — | 272 |
| Total dividend payment | 425 | 389 |
| Bonus | — | 163 |
| Dividend per share of DM 50 | DM 12 | DM 12 |
| Bonus per share of DM 50 | — | DM 5 |
| Shareholders | 320,000 | 245,000 |
| Staff | 43,951 | 42,928 |
| Customers (excl. banks) | 5.59 m. | 5.55 m. |
| Offices | 1,165 | 1,167 |

Report for the Year 1987

Deutsche Bank AG



On August 21, 1987

Mr. Werner Blessing

passed away at the age of 56.

He joined our bank in 1965 and devoted to it all his energies and great personal commitment. With his broadly based knowledge, clarity of judgment and his warm personality, he worked to the lasting benefit of our bank and we are greatly indebted to him. He enjoyed high esteem in the business community and the banking industry worldwide, and was a wise and experienced counsellor to many.

The all too early loss of this outstanding man was a great shock to us. His memory will always be treasured in our bank.

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Dispersion on canvas, from a 14 part series

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Deutsche Bank AG

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Deutsche Bank Berlin AG

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Chairman of the Supervisory Board of Robert Bosch GmbH

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(until 24. 3. 1988)

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Irene Rodermund, Salzgitter*
Deutsche Bank AG

Lorenz Schwegler, Düsseldorf*
Member of the Main Executive Committee of Gewerkschaft
Handel, Banken und Versicherungen

Dipl.-Kfm. Günter Vogelsang, Düsseldorf

Lothar Wacker, Cologne*
Deutsche Bank AG

Hannelore Winter, Düsseldorf

* elected by the staff

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Chairman of the Supervisory Board
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Deputy Chairman
Chairman of the Board of Management of
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Stuttgart

Werner Dieter, Düsseldorf
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Roger Fauroux, Paris
Directeur de l'Ecole Nationale d'Administration

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Leverkusen
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Chairman of the Board of Managing Directors of
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Industrie-Aktien und Anlagen AG

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Hans Jakob Kruse, Hamburg
Spokesman of the Board of Managing Directors
of Hapag-Lloyd AG

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(from 24. 3. 1988)

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Frankfurt am Main
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President and Chief Executive Officer of Bertelsmann AG

Board of Managing Directors

Werner Blessing (1 August 21, 1987)

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Horst Burgard

Ulrich Cartellieri

F. Wilhelm Christians

Alfred Herrhausen

Eckart van Hooven

Hilmar Kopper

Georg Krupp

Klaus Mertin

Ulrich Weiss

Herbert Zapp

Michael Endres, Deputy (from January 1, 1988)

Jürgen Krumnow, Deputy (from January 1, 1988)

Ellen R. Schneider-Lenné, Deputy
(from January 1, 1988)

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Senior Vice Presidents

Executive Vice Presidents

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 Rudolf Habicht
 Dr. Frank Heintzoler
 Dr. Klaus Juncker
 Dr. Hanns Kippenberger
 Christoph Könneker
 Heinrich Kunz
 Günter Olf
 Axel Osenberg
 Barthold von Ribbentrop
 Hans Rosentalski
 Dr. Hans Walter Schlöter
 Gerd Schmitz-Morkramer
 Dr. Werner Schwilling
 Günter Sonnenburg
 Christian L. Vontz
 Johann Wieland
 Dr. Karl Friedrich Woeste

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 Wilhelm Schlaus

Chief Economist
 Dr. Franz-Josef Trouvain

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 Michael Altenburg
 Peter Beitel
 Claus-Werner Bortram
 Dr. Fritz Bessell
 Helmut von der Bey
 Detlef Bindert
 Dr. Rainer W. Boden
 Dr. Ulrich Bosch
 Michael von Brentano
 Hans Buskase
 Ulrich Cutik
 Dr. Jürgen Delbrück
 Robert Dörner
 Dr. Hans-Peter Ferslev
 Hans Joachim Funck
 Josef Gerhard
 Karl-Heinz Gersemsky
 Dr. Peter Grasnick
 Dr. Gernot von Grawert May
 Paul B. Grosse
 Dr. Ulrich Hoppe
 Dr. Martin Hüfner
 Henning Jess
 Hans-Joachim Kespe
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 Gerhard O. Koenig
 Paul Körtgen
 Dr. Klaus Kohler,
 Deputy General Counsel
 Dr. Siegfried Kümpel
 Gisela Kurtz
 Peter Laube
 Klaus Leukert
 Dr. Theo Loevenich
 Dr. Hans Otto Mehl

Günter Meissner
 Dr. Niels Minners
 Dr. Martin Murtfeld
 Klaus Nagel
 Dr. Knut Neuss
 Dr. Manfred Obermüller
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 Helmut Pottgiesser
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 Hansgünter Römhild
 Dr. Peter Rösler
 Max Schläger
 Heinz Kurt Schulz
 Rolf Sexauer
 Adolf Sievers
 Dr. Hans-Joachim Spranger
 Heinz Starzinski
 Dr. Rudolf Stützle
 Helmut Trötscher
 Alexander Trog
 Erhard Ullrich
 Alexander von Ungern-Sternberg
 Jörg Vetter
 Hans-Werner Voigt
 Horst Volke
 Gerd Volkemer
 Prof. Dr. Norbert Walter
 Dr. Siegfried Weber
 Walther Weber
 Dr. Olaf Wegner
 Wolfgang Wendt
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Dr. Harald Link
Dr. Axel Wiesener
Lothar Zelz

Frankfurt
Carl-Ludwig von Boehm-Bezing
Dr. Bernhard Klaus Dott
Lutz Gebser
Karlheinz Pfeffer
Dr. Hugo Graf von Walderdorff

Mannheim
Dr. Günter Frowein
Dr. Fritz Lamb
Karlheinz Reiter
Michael Prinz von Sachsen-Weimar

Bremen
Dr. Roland Bellstedt
Peter Hartmann
Dr. Tessen von Heydebreck

Freiburg
Ernst Bareiss
Dr. Dieter Eisele
Dr. Hans-Peter Hirner

Munich
Dr. Hans-Peter Binder
Hans J. Buhr
Dr. Hans-Joachim Schniewinkel
Dr. Hans Sedlmayr
Hans Siegburg

Cologne
Dr. Wolf-Roderich Bringewald
Wilhelm Clemens
Dr. Klaus Dintelmann
Karl-Heinz Fink
Friedhelm Wolff

Hamburg
Dr. Hanns Kippenberger
Christoph Könneker
Dr. Hans-Dieter Bartels
Dr. Jan Hiemisch
Günther Hoops
Christoph Woermann

Stuttgart
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Norbert Elsen
Dr. Wolfram Freudenberg
Michael Osterwind
Dr. Burkhardt Pauluhn

Düsseldorf
Günter Geller
Wolfgang Möller
Günter Sengpiel
Dr. Rüdiger Weber

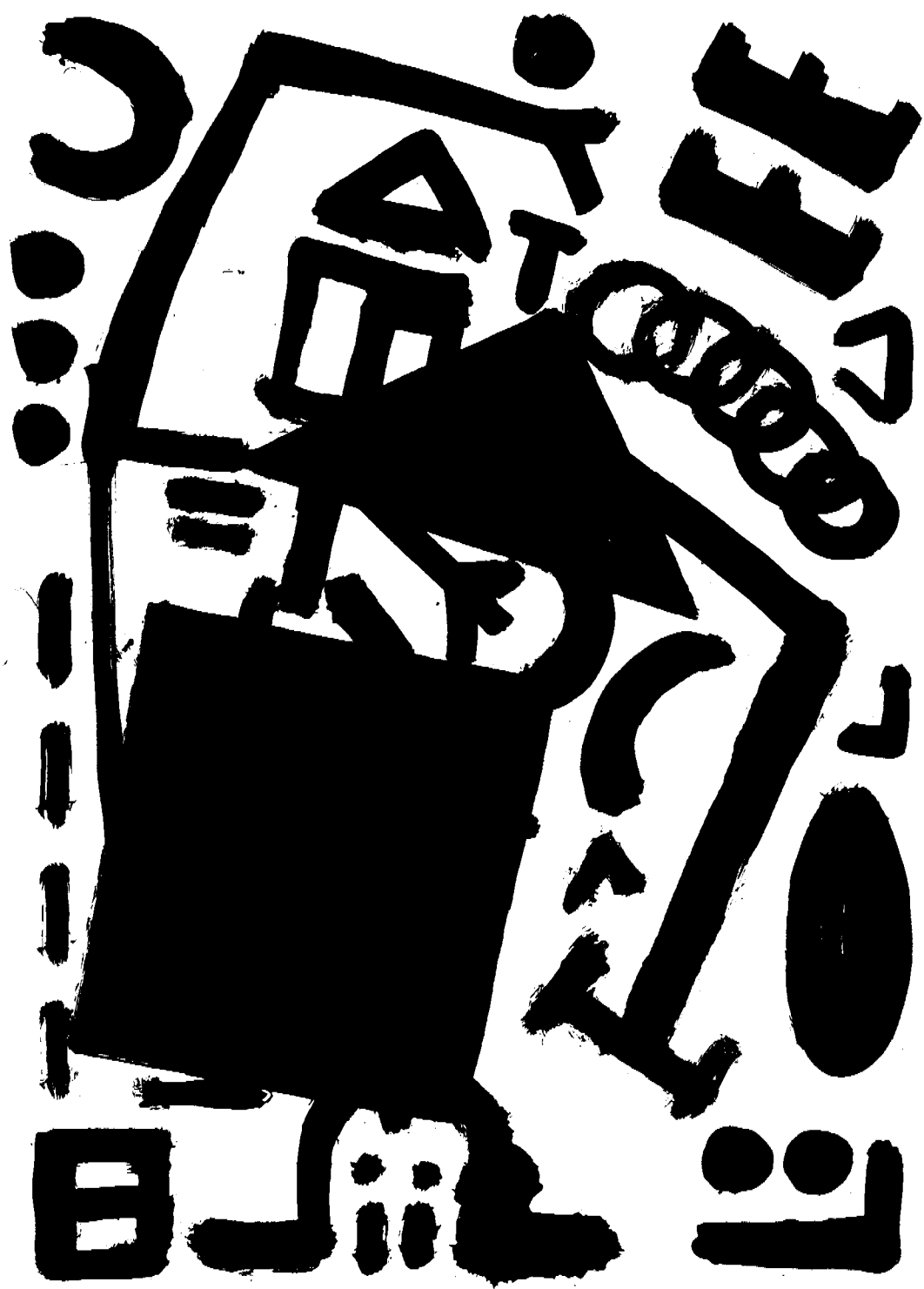
Hanover
Wolfgang Büsselberg
Dr. Heyko Linnemann
Horst Risse
Werner Rissmann
Dr. Dieter Wefers

Wuppertal
Dr. Walter A. Blum
Rolf-Peter Rosenthal
Dr. Gerd Weber

Essen
Wolfgang Kellert
Dr. Theodor E. Pietzcker
Karl Ernst Thiemann
Dr. Wolfgang Tillmann

Mainz
Rolf-Dieter Plantholz
Dr. Klaus Stapper

Report of the Board of Managing Directors



Greater Reliance on Market Mechanisms

*With the following remarks, we continue the series of articles in which Deutsche Bank has commented since 1980 on problems of general socio-political significance. * We hope to contribute in this way to constructive discussion.*

If an observer cares to look around, he will easily establish that keeping the state as far as possible out of people's economic decisions and letting markets rather than governments steer economic developments is becoming a binding political tenet in a growing number of countries. Not only mature, industrialized nations like the U.S.A., England, France and Italy are freeing their economies by privatizing public corporations and public-sector activities, eliminating restrictive rules and regulations and cutting subsidies – the economic success achieved by the newly industrialized countries of South-east Asia was closely connected with pruning bureaucratic controls.

The socialist countries, too, are beginning to discover the merits of a market economy. The willingness of countries like China, Hungary and others to try market structures and mechanisms on a selective basis shows how attractive the model is. Even the Soviet Union is introducing market instruments in guiding its economy. Joint ventures, price-based steering in many enterprises, coordination using supply-and-demand ratios as well as prices, the possibility of bankruptcy, performance incentives through varied remuneration – all this and much more shows that "perestroika" and "glasnost" ultimately imply less state involvement and greater emphasis on market mechanisms.

What is the situation in the Federal Republic? This is the country which achieved such outstanding success with reconstruction and made such striking progress after the Second World War with a free-market policy that its amazing performance was dubbed the "German economic miracle" by the rest of the world. In the Western part of Germany – in direct proximity to the socialist competing system – it was demonstrated how superior markets are to centrally administered systems when it comes to increasing prosperity. It turned out that Ludwig Erhard, Germany's first post-war minister for economic affairs, was right when, in reply to General Lucius D. Clay who expostulated

** 1980: On Competitiveness. 1981: Less State Influence. 1982: Do We Need Elites? 1984: We, Ourselves, Are the State. 1984: On the Middle Classes. 1985: On Taxes and Public Debt. 1986: On the Power and Influence of Banks*

with him in 1948 "How can you dream of relaxing our system of rationing in the face of such a dire shortage of foodstuffs? Your market economy will lead to chaos and plundering", he said, "General Clay, I have not relaxed the system of rationing, I have abolished it. From now on, the Deutsche Mark alone will take care of rationing and people will work hard to get it. Just wait and see."

Erhard's prediction came true. The '50s, the '60s and also the early '70s were years of economic upswing – thanks to the expansion which markets stimulate if one only lets them. But this effect diminished to the extent that successive governments gave markets less and less free rein and interfered more and more in their functioning, tried to steer them directly by means of statutory regulations, replaced markets by dirigisme. Economic policy in the '70s was not, in principle, anti-market, let alone socialist, but within the "social market economy" it emphasized the redistribution aspect rather than the market aspect. The reason lay in the deep-rooted and long-standing scepticism in many parts of German society about the chances of achieving not only prosperity, but also justice in a free-market economy. It was asserted that a free-market economy, when left to its own devices, was never "social", which was probably intended to mean that it was inequitable. The legislator believed it had to make up for this defect by means of even more regulations and redistributive agencies.

This was overdone in many areas. Soon, only cognoscenti could find their way through the thicket of new laws, which embraced the economy like a net, restricting its flexibility. Conspicuous among the many fetters are the following:

- A comprehensive system protecting employees from dismissal puts persons actually in employment in a privileged position as compared with the unemployed. If it becomes de facto impossible to dismiss an employee or if doing so is going to be very costly, then employers will think twice before taking on additional personnel.
- Young couples have difficulties in finding inexpensive rented accommodation if excessive rent controls and subsidized housing reduce the mobility of present tenants who profit from both.

- *A presumption that a considerable number of Germans are in a situation characterized by deprivation or even emergency has led to benefits under the health service, the cost effects of which are threatening to literally inundate the system if exploitation of the given scope for abuse by uninformed or irresponsible insured persons is not curbed.*
- *Notions of distributive justice are typical of our tax system. They have created a labyrinth of legislation whose outcome is that the link between tax burden and a person's or entity's objective ability to pay is very difficult to detect. Tax liability is largely the net result of much cunning arithmetic destined to get the maximum benefit out of originally well-meant tax concessions and not so much the consequence of a system of clear and simple rules.*
- *The retirement pension system was not conceived as a matter for private capital formation, i. e. providing for the future by saving, but as a state-reglemented "pay-as-you-go" system which, in a contract between the generations, imposes on the active population an obligation to pay for those in retirement. If the labour force decreases, this leads either to steadily rising contributions to the state pension system, to growing tax burdens or to an appreciable deterioration in retirement benefits.*

These are just a few examples. The list could be extended almost at will. Moreover, all the rules and interventions must, as time goes on, be increased in severity if the original intentions behind them are to be achieved. People usually behave rationally: they try to come to terms with laws in such a way that they obtain the maximum individual benefit. Privileges conferred are interpreted generously, restrictions are circumvented. The legislator counters with more regulations: acts, statutory orders, amendments are implemented one after another and supplemented by a soon unmanageable plethora of court judgements and rulings. All this takes place with perfectly good intentions. But the consequences give cause for concern: the unavoidable retrenchment in the domain of private responsibility ultimately leads, even among citizens of good will, to a feeling of frustration with the state and a rejection of politics, the feelings with which one reacts to an Orwellian "Big Brother". As Abraham Lincoln once said, you will not generate any

interest in public affairs and mobilize enthusiasm if you deprive the individual of initiative and freedom.

This probably explains the 1983 election result. The electorate decided in favour of a coalition which had promised to govern according to the principle of "less state involvement, more reliance on market mechanisms".

And the government has done so in many respects. Privatization of state-owned companies, deregulation, for example, in the fields of tenancy law and labour law, simplification of tax provisions and the reduction of tax burdens – all this has been resolved or begun. In the meantime, though, one has the growing impression that the process has lost momentum and got stuck halfway. Commitment to a market economy is again being tempered with doubts about its "social acceptability". Is a market economy a just economy? Does it lead to an equitable distribution of national product among individuals and households?

The free market system cannot indeed be regarded as an ethically neutral system. The income structure it leads to does call for critical scrutiny, all the more so as this income structure also gives rise to a power structure. The latter can, in turn, influence the economic and political decision-making process and, in some areas, drastically reduce the scope for redistribution.

But precisely because the production and allocation results in a market economy are demonstrably better than in all the other social systems we know¹⁾ – the historic attempt to refute this which was launched in 1917 is not convincing – a free-market model is always preferable, provided socially unacceptable repercussions within the distribution process can be avoided.

Where is this feasible? Where is it legitimate to risk a free-market solution, i.e. where must we do so?

– On the labour market, first of all, in the interests of the unemployed. The economic disadvantages of not having the necessary abilities or of having them in the wrong

place are obvious. Excessive protection against dismissal, insufficient wage differentiation by industry and region, high fringe benefits (social security contributions, paid vacation, sick leave, etc.) have the effect of more or less barring the unemployed from returning to the official economy. In Germany, the Employment Promotion Act was a step in the right direction. It should be extended beyond 1990 and its scope considerably widened; one possibility would be to lengthen the maximum period for the employment of temporary personnel, or to lengthen the admissible duration of limited-time employment contracts and reduce redundancy compensation. Greater flexibility in recruiting and shedding labour would come at the right time. Not only are problem industries and regions having to make some employees redundant to secure the majority of jobs, prosperous sectors and companies are also hesitating to take on new personnel. "Small is beautiful" is the rational counter-strategy – an alternative hardly conducive to alleviating unemployment problems. Wage tariff policies aggravate this "inside-outside" problem when they push through elevated levels of pay for persons entering working life and relatively high remuneration for the less qualified.

- Greater reliance on market mechanisms also means confining social benefits solely to the real needs of beneficiaries, so that those who finance the social security system are not unjustly burdened. The principle of subsidiarity, i.e. state intervention only where absolutely necessary, must be reintroduced. If social legislation would concentrate on those cases where costs are likely to exceed the resources of the individual, then the combined burden of tax and contributions would remain at such a level that the motivation to work and the willingness to shoulder risk in the economy are not seriously impaired. This would also clearly diminish the incentive to migrate into the shadow economy.
- Greater reliance on market mechanisms means cutting subsidies at long last. This "political taboo" must be overcome, if necessary by means of a proportional reduction of all payments. Those affected would then learn that it is more profitable to act in accordance with market signals than to devote energy and resources to obtaining state assistance. The advantage of such a reorientation would lie in its budgetary relief

for the state and at the same time its revitalizing effect on the economy. It would also complement the broadening of the tax base under the tax reform planned for 1990.

- Greater reliance on market mechanisms also implies having the courage to make drastic changes in the social security system. As the population ages, expenditure on retirement pensions and health insurance is increasing steadily. Contribution rates, already the highest internationally, will have to rise even further if the system is not overhauled. Therefore: coinsurance as part of health insurance (with ceilings, of course) is indispensable. Only by returning a substantial portion of the superannuation burden to private responsibility will the high volume of savings be forthcoming that is necessary to ensure the sound financing of retirement pensions beyond the turn of the century. The transition to a funding approach for pensions would also channel additional long-term capital from domestic sources into the Federal German capital market. Furthermore, the number of retirement age options should be increased. An appropriate system of actuarial deductions or increments in pensions for earlier or later retirement, as the case may be, would then have to be introduced.*
- Conventional development aid has led, in the judgement of many observers, to dependence instead of independence and dynamism in developing countries. The Federal Republic of Germany must open its markets to exports from developing countries, it must translate the guiding principle of "aid by trade" into reality. Such an approach measures up to the criterion of utility whilst maintaining human dignity and underpinning the process of social development in the countries which urgently need to export — countries which will never be able to liberate themselves from their over-indebtedness unless they gain access to overseas markets.*

In the five areas mentioned as examples, the market solution offers a way out of a dead-end street. The well-meant protective arrangements for developing countries, for supposedly vulnerable employees, for ailing industries, for collective retirement and health insurance schemes have not achieved the socially desirable ends they were intended to. The interventionist approach in economic policy resulted in such deplorable phenomena as slums and agricultural decline in many countries of the Third World

due to aid in the form of foodstuffs. It also led to an inside-outside split in our own labour markets, immovable economic structures with companies and employees devoid of pride or motivation and many members of society degraded to the status of dependents. A market solution would recreate the appropriate scope for freedom and responsibility.

Moreover, the superior production and allocation performance of the market economy – not forgetting its innovativeness – also provides an argument in its favour in terms of distributive justice; competition tends to spread a greater measure of economic success further afield and this, in turn, means that all participants in the market economy eventually benefit from such enhanced economic results.

It is undisputed that they do so to different degrees, depending on their relative performance and their willingness to assume risk. But justice has never meant: to each the same. To quote Abraham Lincoln again, you will not help the poor by doing away with the rich. However: the argument of “maintaining the status quo”, so frequently met with in political discussion, is a departure from the notion of justice. Nor, in a market framework, is it sound economics: if we are not prepared to question given income and wealth structures, we will not be able to understand evolutionary processes such as the development of the world economy, let alone steer them.

The economic and ethical maxim must be: maximum prosperity for the maximum number. This was the idea of justice embodied in Erhard’s fundamental decision in favour of a market approach. It embraces those who, under market conditions, are temporarily or permanently unable to earn a socially acceptable income by themselves. The funds needed to alleviate their lot can be provided more efficiently and reliably by a market system than by any of the alternatives: in other words, it is in the interest of those not actively participating in the market process that we must actually risk greater reliance on market mechanisms.

However: if – as is very necessary – the market economy and competition are no longer to be understood and treated as a static equilibrium but as an evolutionary process, it is essential that all participants have scope for independent action. This brings

us to the fundamental need for freedom, coupled with the problem of how to use it. Our economic life, in particular, must conform to the moral standard which the triad of freedom, power and responsibility exacts. The rule of conduct there – balance and equity – is of enhanced urgency in an economy in which output is exchanged on anonymous markets.

A call for greater reliance on market forces therefore includes the call for improved standards of conduct motivated by a social obligation on the part of each individual – not only towards one's neighbour, but also towards one's environment. Freedom for markets and on markets does not, in fact, conflict with the principle of social and environmental acceptability. Such freedom presupposes the latter, as responsible and humane interaction with one's fellow citizens, as the price of freedom. We must not sacrifice freedom of the markets for fear that such freedom might be abused.

So let us subscribe to greater reliance on market mechanisms, to a greater reliance on more individual responsibility; as Abraham Lincoln, again, pointed out, you cannot help people in the long run if you do for them what they should and could be doing for themselves.

1) See Annual Report for 1981: Less State Influence.



10/10/10

General Economic Situation

Economy under pressure to adjust

Business activity in the Federal Republic did not meet expectations in 1987. Certainly, the domestic fundamentals were still favourable. Prices remained stable, interest rates low, employment rose by 177,000. But real GNP expanded by only 1.7%.

Lower net exports of goods and services were one reason for this: imports grew by 4.8% in real terms, exports by only 0.8%. While this reduced overall economic expansion by more than one percentage point, it was at the same time a significant contribution to winding down the high international imbalances.

Increase in domestic demand

Domestic demand grew more strongly (2.9%) than GNP. Private consumption rose roughly parallel to the 3.1% expansion of real incomes, investment in machinery and equipment increased 4%. Building investment was unchanged (+0.1%). One-family houses and commercial construction were the only sectors to develop more positively.

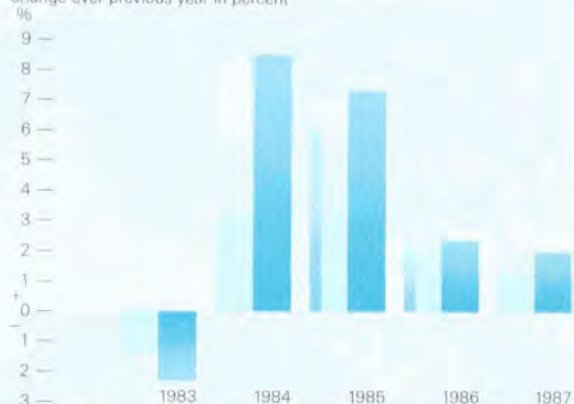
No reduction of unemployment

Overall economic growth was not high enough in the year under review to reduce unemployment. As in 1986, an annual average of 2.23 million people were out of work in 1987. The regional differences on the labour market have tended to become more pronounced. Whereas there was almost full employment in Baden-Württemberg (unemployment rate: 5.1%), the jobless rate was 11% in North Rhine-Westphalia and 11.8% in Schleswig-Holstein/Hamburg. The current rate of growth is also hampering the necessary structural changes in industry. In 1987

Industry under pressure to adjust

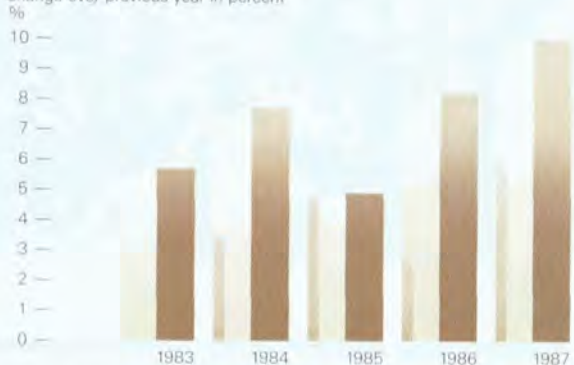
Fewer exports...

Change over previous year in percent



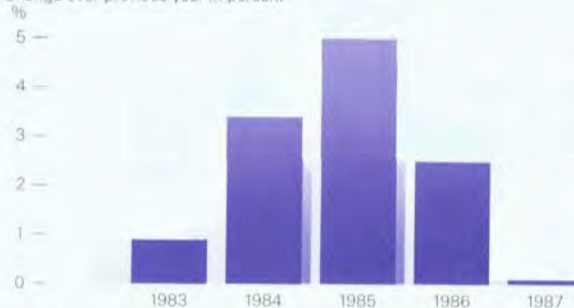
...and more imports...

Change over previous year in percent



...curb industrial production

Change over previous year in percent



Exports and imports: finished manufactures (real)

the steel industry was among the sectors that again came under greater pressure.

Improvement of growth conditions necessary

In order to steady the level of business activity, the Federal Government decided that from 1988 to 1990 Kreditanstalt für Wiederaufbau will provide funds of DM 6 bn. at reduced rates of interest for capital-spending projects of small and medium-sized companies, and DM 15 bn. for communal investment.

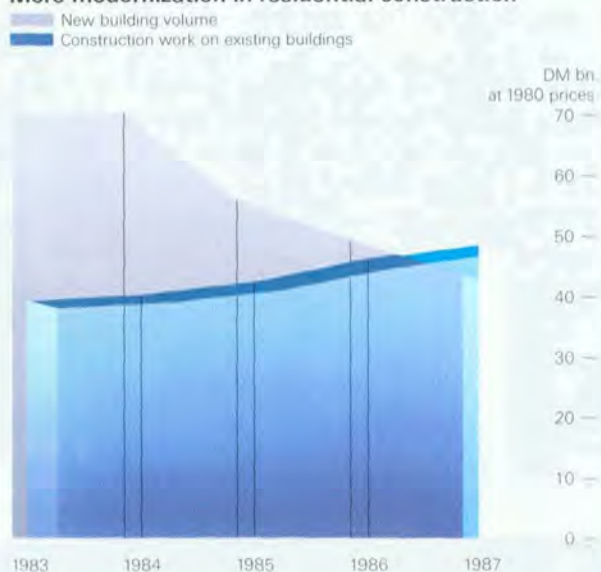
But further-reaching measures to reduce regulation and administrative barriers are needed in order to strengthen market dynamic and permit higher growth.

Larger public deficit

The budget deficit of the Federal and Länder Governments and local authorities increased by approx. DM 10 bn. in 1987 to c. DM 52 bn. This was due to the fact that while public spending was roughly 3 ½% higher, public revenue rose only approx. 2% owing partly to the lower Bundesbank profit.

In the reporting year, the Government presented the draft for a comprehensive reform of the income tax scale for 1990. It represents a major step towards a lower tax burden and a tax system with fewer concessions and a simplified tax base. The slight progress with reducing spending subsidies was disappointing. It is still important that corporate taxation be lowered further. Since the tax cuts in many other countries, the Federal Republic has more than ever been one of the industrial countries with the highest burden on company income.

More modernization in residential construction



Flexible monetary policy

To help stabilize exchange rates and support the domestic economy, the Bundesbank tolerated money supply growth that overran its target again. Over the year, central bank money stock rose 8.1% (1986: 7.7%). The discount rate was lowered in two stages to 2 ½%, the lowest level ever since the Deutsche Reichsbank was founded in 1875.

By cutting rediscount quotas and making flexible use of securities repurchase agreements, the Bundesbank restricted liquidity growth and made it clear that it takes the danger of re-emerging inflation expectations seriously.

Slump on the German equity market...

Prices on the German equity market fell by an average of 35% in 1987 mainly in connection with the crash of October 19. That was the largest drop in one year since the Second World War.

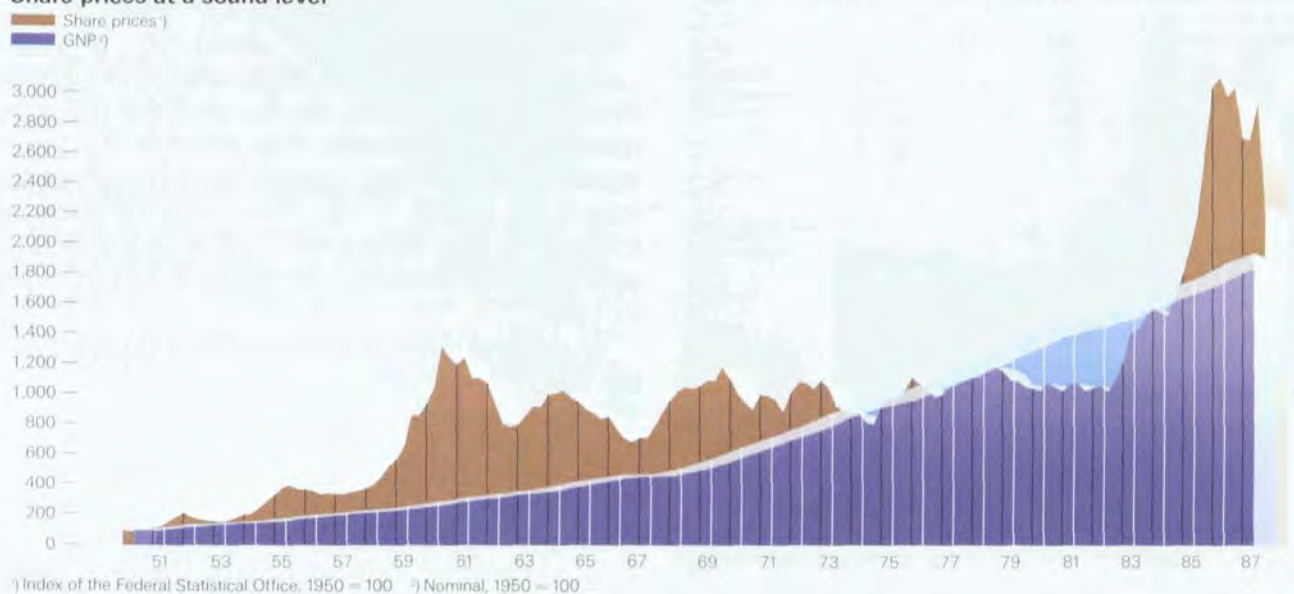
...stronger than at other centres

The slump was more pronounced than on other world stock markets, although the level of German share prices was by no means high compared internationally. The main reason was the very large proportion of foreign investors, but this was compounded by the fact that, unlike other centres, the German market had particularly high liquidity and technical settlement capacities that allowed foreign investors to sell off German shareholdings quickly.

Share-based retail investment funds recorded a net inflow of money in 1987 for the first time since 1983. Institutional investors had expanded their commitment strongly in previous years. There was a substantial increase in 1986/87 in the number of special funds, which invest roughly one-quarter of fund assets in German equities. But the important task of establishing shares more strongly as a form of investment among the German population in general has so far remained unsolved.

The fall in share prices reduced the scope for raising equity financing on the stock exchange. At DM 10.1 bn., the total volume of new listed shares was down by roughly one-quarter from the pre-year level. The number of companies going public decreased from 27 in 1986 to 19 in 1987. The placement volume fell to DM 1.8 bn. (1986: DM 4.4 bn.).

Share prices at a sound level



"Regulated Market" for small and medium-sized companies

The Regulated Market was opened on the German share market on May 4, 1987. Through simpler admission criteria and less stringent reporting requirements, it offers small and medium-sized companies better conditions for raising equity on the stock market through share issues.

The introduction of this market segment was a success. At the end of 1987, the shares of 78 domestic and two foreign companies as well as eleven domestic warrants and participatory notes were listed on the Regulated Market. Roughly three-quarters of the securities originally traded solely over the counter were included in the Regulated Market, in which institutional investors are also permitted to invest funds.

Volatility on the bond market

The German bond market was subject to exceptionally strong interest rate fluctuations, as shown by the chart.

At DM 245 bn., gross sales of new fixed-income securities of domestic issuers stayed slightly below the pre-year level. Although the volume of new public-sector issues continued to rise, there was a slight decrease in the floatation of other longer-term bank bonds, which are issued mainly to refinance fixed-rate bank lending to companies.

Again high foreign investment

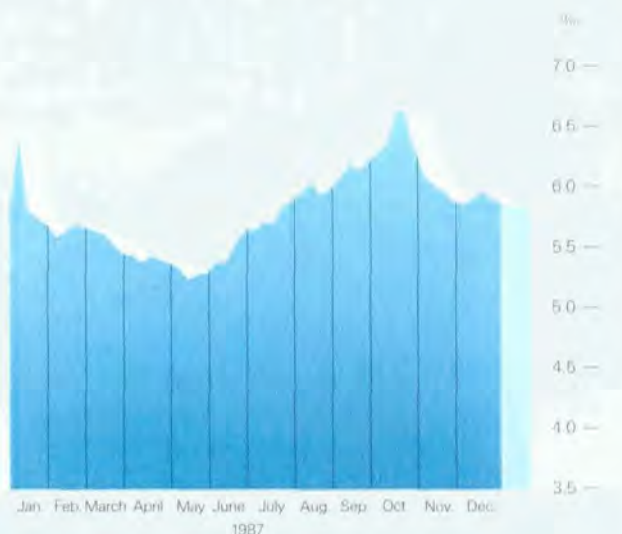
On balance, foreign investors purchased German fixed-income securities worth DM 35 bn. in the reporting year. That was much less than in 1986 (DM 59 bn.), but was still equivalent to roughly 40% of total net sales of new paper. Resi-

dent buyers (excluding banks) increased their bond commitments sharply to DM 11.2 bn. The deciding factor here was probably the relatively low return on short-term forms of investment; the interest advantage of longer-running paper increased tangibly compared with the previous year.

The planned introduction of a withholding tax on interest paid by domestic issuers put a strain on the bond market during a phase already marked by uncertainty. The efforts to strengthen Germany's position as a financial centre have suffered a severe setback.

The switch by major investors to DM bonds issued by non-residents, which are to remain exempt from withholding tax in future, is already producing a new segmentation of the market and a tendency towards higher interest rates on domestic bonds. Apart from many other disadvanta-

Interest fluctuations on the bond market
Yield on public-sector bonds outstanding



geous effects, this also undermines the fiscal-policy intention behind the withholding tax. As the continuing debate shows, its introduction, or at least the shape it is to take, needs to be reviewed in the light of economic and fiscal policy.

Germany's position as financial centre needs strengthening

Moreover, the efforts to strengthen the Federal Republic as a financial centre must be continued regardless of the turbulence on the financial markets. The German market has the advantage of a stable currency, an internationally oriented economy, and a prudent policy on the part of market participants that avoids exaggerations in the use of financial innovations.

The institutional setup should be arranged in a way that also allows trading activities to benefit from these strong points.

The further development of computer-backed inter-bank trade for dealings outside stock exchange hours with large-scale investors and in securities with large transaction volumes is particularly important. A substantial proportion of turnover with international and national institutional investors is already settled outside bourse hours.

In addition, the plans for an options and futures exchange should be implemented soon to give investors in the Federal Republic as well adequate hedging possibilities.

World economy: persistent imbalances

The external imbalances among the large industrial countries increased in part in 1987. In the U.S.A., the current account deficit climbed to approx. \$ 160 bn. In Japan, the surplus – expressed in dollars – expanded slightly to \$ 87 bn. Only in

Europe did the combined surplus decrease (to \$ 43 bn.).

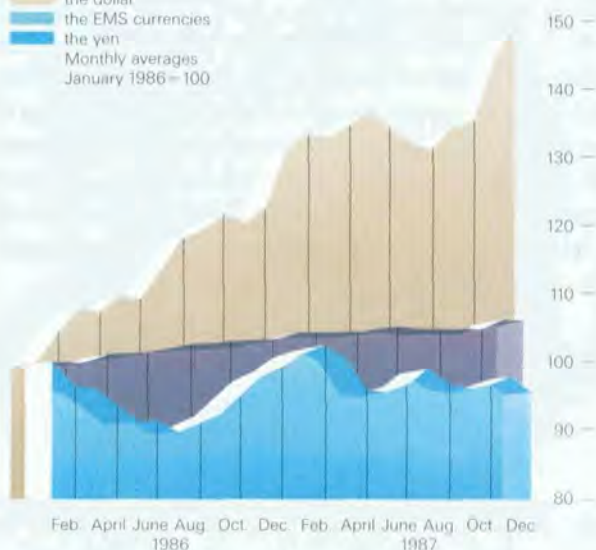
Never before had there been imbalances on this scale and of this duration in the industrialized world. The largest Western industrial country became the country with the highest external debt. A substantial portion of the U.S. current account deficit had to be covered by central bank intervention.

Financial markets in transition

The financial markets were heavily strained by movements in exchange rates and interest rates. The whirlwind expansion of international financings and the pronounced trend towards securitization came to a standstill. Rising interest rates at a time when some share yields were falling precipitated a price collapse on October 19 on the world

Differing valuations of the D-Mark

Value of the D-Mark against
 the dollar
 the EMS currencies
 the yen
 Monthly averages
 January 1986 = 100



stock markets, many of which had previously been booming. The subsequent turnaround in American monetary and interest rate policy in order to strengthen liquidity, combined with emerging doubts about monetary-policy cooperation among the major industrial countries, led to a marked weakening of the dollar.

Earnings setbacks in securities business caused a number of banks and investment companies to review their business policy and adjust their capacities. This should help the stable long-term development of the international financial markets.

Avoiding recession and inflation...

Economic policy in the large industrial countries still has the task of reducing the imbalances without risking recession and inflation in the countries concerned. Conditions are favourable. Inflation is within narrow bounds. Real trade flows are reacting in line with market forces to the change in price levels caused by the dollar devaluation. In the U.S.A., the stock market crash has produced a healthier relationship between private consumption, domestic savings and imports.

...through better growth conditions in Japan and Europe

The necessary reduction of the U.S. budget and current account deficits must be compensated and made possible by stronger economic growth in other major world trading countries if the world economy as a whole is not to slide into recession.

Japan increased its domestic growth to an impressive 5% in 1987. It strengthened its competitiveness through rationalization, further product innovations and improvements, high direct in-

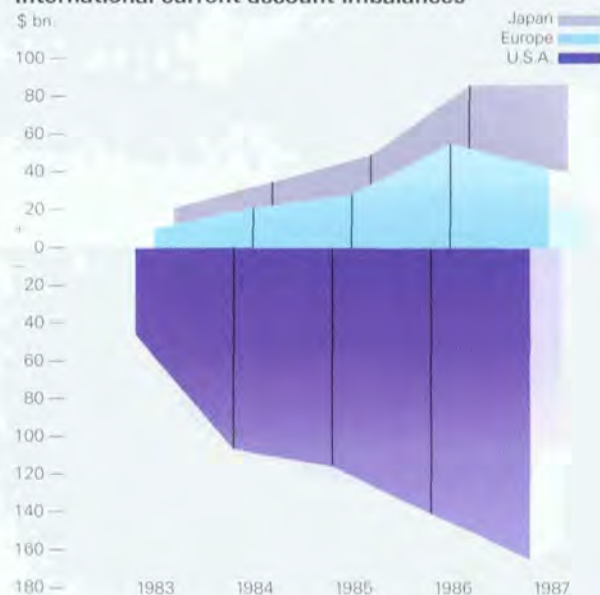
vestment in the U.S.A., Southeast Asia and Europe. Imports of finished goods are, however, still low (44% of total imports compared with 73% in the Federal Republic).

Europe has still not adjusted sufficiently to the changed world economic situation. Expansion of domestic demand weakened in 1987 to approx. 3 ½%. In order to achieve higher growth on a long-term basis, supply-side conditions will have to be improved in the European countries and the markets will have to be kept open by fending off protectionism.

Cohesion in Europe

The process of monetary integration in Europe made further progress in the reporting year: on March 1, 1987 a directive for the liberalization of

International current account imbalances



capital movements came into force in the EC as the first of two stages. In the Federal Republic, residents have been permitted since June to assume domestic ECU liabilities as well, especially to hold ECU accounts with domestic banks and to take up certain types of credit in ECU.

The dollar unrest at the beginning of 1987 and the resulting upward pressure on the D-Mark made it necessary to carry out a realignment (as of 12. 1.) within the European Monetary System, in which the D-Mark central rates were raised by about 2% on a weighted average.

Stubborn debt problems

Higher growth and freely accessible markets in the industrial countries are also in the interest of

the highly indebted countries of the Third World. They can only regain creditworthiness if they succeed in selling more products in the industrial countries. North America, Japan and Europe take up about two thirds of Third World exports.

In the reporting year, the creditor banks gained greater scope for more flexible treatment of the debt problems and a longer-term orientation through increased provisioning. Nevertheless, the situation of the banks varies greatly with regard to the extent of their individual risk provisions and the supervisory and tax regulations that apply in each case. It is therefore all the more important that the so called "menu approach" to support for the debtor countries be further developed; this approach provides the individual banks with alternatives in line with their specific possibilities and interests.



Group Companies and Affiliates

The services of Deutsche Bank Group are provided in particular by the following companies throughout the world:

Commercial banks

| | | | |
|--|--|--|--|
| Deutsche Bank AG, Frankfurt am Main | Deutsche Bank, Berlin AG, Berlin | Deutsche Bank, Saar AG, Saarbrücken | Handelsbank in Lübeck AG, Lübeck |
| Capital and reserves DM 9,776.5 m | Capital and reserves DM 572.0 m Holding 100% | Capital and reserves DM 83.0 m Holding 69.2% | Capital and reserves DM 85.0 m Holding 90.2% |

Mortgage banks

| | | |
|--|--|--|
| Deutsche Central- bodenkredit-AG, Berlin – Cologne | Frankfurter Hypothekenbank AG, Frankfurt am Main | Lübecker Hypothekenbank AG, Lübeck |
| Capital and reserves DM 700.0 m Holding 89.9% | Capital and reserves DM 696.8 m Holding 92.2% | Capital and reserves DM 199.0 m Holding 100% |

Investment banking and capital investment companies

| | | | | |
|---|--|---|---|--|
| Deutsche Gesellschaft für Fondsverwaltung mbH, Frankfurt am Main | DWS Deutsche Gesellschaft für Wertpapieranlagen mbH, Frankfurt am Main | degab Deutsche Gesellschaft für Anlageberatung mbH, Frankfurt am Main | Deutsche Vermögens- bildungsgesellschaft mbH, Bad Homburg v.d.H. | Capital Management International GmbH of Deutsche Bank, Frankfurt am Main |
| Capital and reserves DM 21.2 m Holding 100% | Capital and reserves DM 114.0 m Holding 57% | Capital and reserves DM 0.6 m Holding 85% | Capital and reserves DM 5.0 m Holding 100% | Capital and reserves DM 5.0 m Holding 100% |

Installment financing companies and specialized institutions

| | | | |
|---|---|---|--|
| Deutsche Bank Bauspar-AG, Frankfurt am Main | EFGE Gesellschaft für Einkaufs-Finanzierung mbH, Düsseldorf | GEFA Gesellschaft für Absatzfinanzierung mbH, Wuppertal | Deutsche Beteiligungs- gesellschaft mbH, Frankfurt am Main |
| Capital and reserves DM 30.0 m Holding 100% | Capital and reserves DM 16.0 m Holding 100% | Capital and reserves DM 125.0 m Holding 100% | Capital and reserves DM 4.5 m Holding 92.5% |

Leasing companies

| | | | | |
|---|---|---|---|--|
| DB Export- Leasing GmbH, Frankfurt am Main | Deutsche Gesellschaft für Immobilien- Leasing mbH, Cologne | GEFA-Leasing GmbH, Wuppertal | ComCo Datenanlagen GmbH & Co. KG, Kornthal-Münchingen | Deutsche Immobilien Leasing GmbH (DIL), Düsseldorf |
| Capital and reserves DM 0.05 m Holding 100% | Capital and reserves DM 8.1 m Holding 95% | Capital and reserves DM 55.0 m Holding 100% | Capital and reserves DM 9.1 m Holding 81% | Capital and reserves DM 55.0 m Holding 50% |

Consultancy companies

| | | | |
|--|--|---|--|
| Roland Berger Verwaltungs- gesellschaft mbH, Munich | DB Consult GmbH, Frankfurt am Main | Deutsche Gesellschaft für Mittelstands- beratung mbH, Munich | Immobilien- gesellschaft der Deutschen Bank mbH Frankfurt am Main |
| Capital and reserves DM 1.7 m Holding 75.1% | Capital and reserves DM 1.0 m Holding 100% | Capital and reserves DM 1.0 m Holding 100% | Capital and reserves DM 5.0 m Holding 100% |



| | | | | | |
|--|--|--|--|---|---|
| <p>Banca d'America e d'Italia S.p.A., <i>Milan</i></p> <p>Capital and reserves Lit 410.9 bn. Holding 99.3%</p> | <p>Deutsche Bank Australia Ltd., <i>Melbourne</i></p> <p>Capital and reserves A\$ 76.0 m. Holding 100%</p> | <p>Deutsche Bank (Canada), <i>Toronto</i></p> <p>Capital and reserves Can\$ 27.0 m. Holding 100%</p> | <p>Deutsche Bank Luxembourg S.A., <i>Luxembourg</i></p> <p>Capital and reserves LF 10.9 bn. Holding 100%</p> | <p>DB (Belgium) Finance S.A./N.V., <i>Brussels</i></p> <p>Capital and reserves BF 200.9 m. Holding 100%</p> | <p>DB U.K. Finance Ltd., <i>London</i></p> <p>Capital and reserves £ 16.5 m. Holding 100%</p> |
|--|--|--|--|---|---|

Commercial banks

| | |
|---|--|
| <p>Banco Comercial Transatlántico, <i>Barcelona</i></p> <p>Capital and reserves Ptas. 9.1 bn. Holding 34.7%</p> | <p>H. Albert de Bary & Co. N.V., <i>Amsterdam</i></p> <p>Capital and reserves Guilder 117.7 m. Holding 50%</p> |
|---|--|

| | | | | | |
|--|---|--|---|---|---|
| <p>Deutsche Bank Capital Corp., <i>New York</i></p> <p>Capital and reserves \$ 105.0 m. Holding 100%</p> | <p>Deutsche Bank Capital Markets Ltd., <i>London</i></p> <p>Capital and reserves £ 40.0 m. Holding 100%</p> | <p>Deutsche Bank (Suisse) S.A., <i>Geneva</i></p> <p>Capital and reserves SF 110.1 m. Holding 100%</p> | <p>DB Capital Markets (Asia) Ltd., <i>Hong Kong</i></p> <p>Capital and reserves HK\$ 190.8 m. Holding 60.0%</p> | <p>Internationale Investment Management Gesellschaft S.A., <i>Luxembourg</i></p> <p>Capital and reserves DM 12.0 m. Holding 100%*</p> | <p>MDM Sociedade de Investimentos, S.A., <i>Lisbon</i></p> <p>Capital and reserves Esc. 844.7 m. Holding 100%</p> |
|--|---|--|---|---|---|

| |
|---|
| <p>Deutsche Credit Corp., <i>Deerfield/Illinois</i></p> <p>Capital and reserves \$ 13.9 m. Holding 100%</p> |
|---|

| |
|--|
| <p>BAI Leasing S.p.A., <i>Milan</i></p> <p>Capital and reserves Lit 6.3 bn. Holding 100%</p> |
|--|

| |
|---|
| <p>Vaubel & Partners Ltd., <i>Tokyo</i></p> <p>Capital and reserves Yen 75.0 m. Holding 33.3%</p> |
|---|

International financing companies

| | |
|--|--|
| <p>Deutsche Bank Finance N.V., <i>Curaçao</i></p> <p>Capital and reserves \$ 1.0 m. Holding 100%</p> | <p>Deutsche Bank Financial Inc., <i>Dover/Delaware</i></p> <p>Capital and reserves \$ 0.02 m. Holding 100%</p> |
|--|--|

The companies shown in white boxes were not included in the Consolidated Statement of Accounts for 1987.

* indirectly held

Not shown in the table, but included in the Consolidated Statement of Accounts:

Alma Beteiligungsgesellschaft mbH, Düsseldorf · Deutsche Kreditbank für Baufinanzierung AG, Cologne
Elektro-Export-Gesellschaft mbH, Nuremberg
Hessische Immobilien-Verwaltungs-Gesellschaft mbH, Frankfurt am Main
Matura Vermögensverwaltung mbH, Düsseldorf · Süddeutsche Vermögensverwaltung GmbH, Frankfurt am Main
Trinitas Vermögensverwaltung GmbH, Frankfurt am Main
Deutsche Bank (Asia) AG, Hamburg · Deutsche Bank (Asia Credit) Ltd., Singapore
Deutsche Capital Management Australia Ltd., Melbourne · Deutsche Capital Markets Australia Ltd., Sydney
Deutsche Credit Services Inc., Dover/Delaware · Deutsche Portfolio Corporation, New York

Development of Deutsche Bank Group

We preface our notes on the 1987 financial year with the report below on the development of Deutsche Bank Group. We have applied the unchanged relevant provisions of company law to the Consolidated Statement of Accounts and the Report of the Group. The Annual Statement of Accounts of Deutsche Bank AG was drawn up in accordance with the Balance Sheet Directives Act, which came into force on January 1, 1986, and the revised version of the Order concerning Banks' Statements of Accounts of September 14, 1987.

A. Review

Competitive position strengthened in more difficult environment

In 1987, we further reinforced the competitive position of Deutsche Bank Group. We augmented our office network and expanded our range of services and products above all in areas where we see income potential in a generally more difficult environment. In major business areas we intensified cooperation among our Group companies in order to achieve additional synergistic effects on income and expenses and at the same time to enable our customers to benefit more strongly from the advantages of international universal-banking activities.

In June 1987, we raised our capital and reserves strongly through a capital increase. It widens our scope for business expansion and for flexible continuation of our long-term capital expenditure to consolidate our position above all in view of the completion of the European domestic market in 1992. Particularly with markets now more volatile, we give high business-policy prior-

ity to a visible reinforcement of the Group's capital base alongside the measures to strengthen the bank internally.

Development of the operating result

After uninterrupted growth in the preceding ten years, the Group's operating result decreased in 1987, particularly as a result of the fall in profits on own-account trading in securities. They were tangibly reduced by the slump in prices on the equity markets on and after October 19. The interest surplus rose slightly as, in terms of income, the growth of average business volume more than compensated the effect of the narrowing of the overall interest margin.

Priority again given to strengthening the Group internally

As in the past, we gave top priority in the 1987 Annual Statement of Accounts to strengthening the Group internally.

Attention was focussed on:

- A further increase in our adjustments and provisions for country risks, distinguishing between individual debtor countries where the economic and political situation and thus the prospects for repayment of the loans have deteriorated.
- Valuation of our entire securities holdings uniformly throughout the Group in accordance with the strict "lower of cost and market" principle as in the past. In this connection, the substantial write-downs of dealers' securities holdings were included in the calculation of the operating result.
- An allocation of DM 146 m. to special items with partial-reserve character in accordance

with Section 6b of the Income Tax Act at the parent company. If these funds are used for capital expenditure, we shall achieve sizeable tax savings.

Besides exhausting the measures to strengthen the Group internally, we strongly augmented capital and reserves through the capital increase in 1987, which generated DM 1,254 m., and through the transfer of a further DM 241 m. being the premium on issues of bonds with stock warrants. In addition, DM 280 m. is being allocated to the revenue reserves by Group subsidiaries from the result earned for the financial year, DM 170 m. of this after the General Meetings of the respective companies have given their approval. We have therefore improved the Group's capital base by DM 1.8 bn.; this is the second-largest reinforcement of capital and reserves we have ever undertaken in one financial year.

Unchanged distribution to the shareholders of the parent company

The Group recorded net income for the year of DM 670 m. We propose to the General Meeting of Deutsche Bank AG that the parent company's entire net income for the year of DM 425 m. be distributed to the shareholders. That corresponds to an unchanged dividend of DM 12 per DM 50 share. The total dividend payment increased by DM 36 m. as a result of the new shares from the capital increase in 1987 being entitled to the full dividend.

B. Overall development of the Group

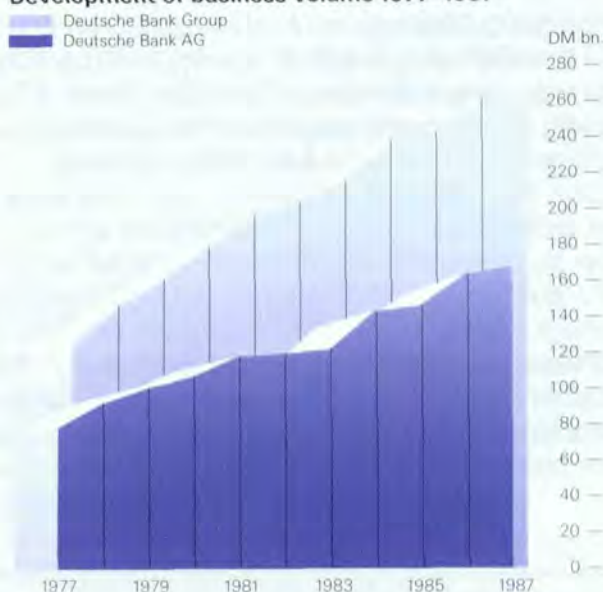
Comprehensive service range expanded further

We continued expanding the Group into a multinational services enterprise and streamlined some areas appreciably.

Banca d'America e d'Italia S.p.A. (BAI), Milan, which with its 99 branches in Italy had been acquired in December 1986, was integrated into the Group. This means that now, for the first time, we have a wide network of bases outside the Federal Republic of Germany in a major country of the European Community.

In order to strengthen our European presence, we took up the remaining shares in MDM Sociedade de Investimentos S.A., Lisbon, at the beginning of 1988. We had previously only had a 33.3% stake in this Portuguese merchant bank.

Development of business volume 1977-1987



In Spain, we have a participation in Banco Comercial Transatlántico (BCT), Barcelona. BCT, with which we have traditional ties, engages in universal banking business through 103 branches concentrated mainly in Catalonia.

In spring 1987 we increased our holding in Deutsche Bank (Asia) AG, Hamburg, from 75% to 100%. The company is being integrated into Deutsche Bank AG in April 1988. In Singapore, we are currently setting up a Regional Head Office with responsibility for the branches in Southeast Asia. This enables us to reform our presence in that region, enhance the efficiency of the branches there, and to penetrate more effectively the markets with high growth potential. The activities of our subsidiary Deutsche Bank (Asia Credit) Ltd., Singapore, were transferred to the Singapore Branch of Deutsche Bank (Asia) AG.

We increased the capital of our subsidiary Deutsche Bank Australia Ltd., Melbourne and Sydney, to A\$ 75 m. to take account of the growing business volume of this institution, which is developing positively in a difficult environment.

To widen our range of investment-banking services, our subsidiary Deutsche Bank (Canada), Toronto, will take over the Canadian securities broker McLean McCarthy, Toronto.

In the domestic sector, our subsidiary Deutsche Bank Bauspar-AG, Frankfurt am Main, now complements our range of services for private customers. With approx. 67,000 building savings contracts and a total contract amount of approx. DM 1.7 bn., it achieved a position in the middle field among the building and loan institutions in the Federal Republic of Germany within nine months of commencing operations.

Deutsche Kreditbank für Baufinanzierung AG, Cologne, is being integrated into Deutsche Bank AG probably in April 1988. We want in this way to rationalize and effectively coordinate the Group's

activities in building financing and real estate business.

Consultancy business expanded

In view of the growing customer demand for counselling in many fields, we acquired an initial stake of 24% in the consultancy company Roland Berger Verwaltungsgesellschaft mbH, Munich. The original agreement to raise the holding to a qualified majority of 75.1% by the end of 1988 has meanwhile been fulfilled.

The main activities of Roland Berger and partners are

- "classical" management consultancy on issues relating to business policy, organization, business management and marketing, also abroad;
- individual counselling for small and medium-sized corporate customers; Deutsche Gesellschaft für Mittelstandsberatung mbH, Munich, was founded for this purpose.

Advisory services and support for customers buying or selling companies or parts of companies are provided by our subsidiary DB Consult GmbH, Frankfurt am Main. It is a leader in its field in the Federal Republic of Germany.

We shall make every effort to expand our consultancy business and to establish it as a standard part of our Group's range of services.

Investment in modern technology

Since the terminalization project was completed in the year under review, all domestic branches have been equipped with a total of 15,000 multifunctional terminals. This equipment gives our staff rapid access to data needed to provide our

customers with comprehensive professional counselling.

We use the EDP equipment not only to process large quantities of data, e.g. in payments business, but also increasingly to upgrade the quality of our customer service. We are aware that in the long run the competitive position of Deutsche Bank Group depends very much on our being able to offer customers reliable, favourably priced service that is available at all times.

Stock market crash

There were considerable capital losses in securities business as a result of the sudden slump in prices on the international equity markets. Nevertheless, we shall continue to expand the personnel and material resources on which our securities business is based in the Federal Republic and abroad in order to take advantage of future earnings opportunities.

Business volume higher

The Group's business volume increased by DM 10 bn. in the year under review to DM 272 bn., with two-thirds of the expansion resulting from the inclusion of BAI. If the dollar exchange rate had remained constant, business volume would have risen by DM 16 bn.

Lending business was brisk in the Group, particularly in the long-term sector owing to the relatively low level of interest rates. We advised customers on many occasions to convert short and medium-term loans into long-term funds so as to lock in a low interest burden for times when interest rates rose again.

Long-term refinancing

In order to limit interest rate risks arising from the strongly expanded volume of fixed-rate lending at the Group's commercial banks, we took up mainly long-term funds. They increased by an aggregate DM 8.6 bn. in the Group. Roughly half stems from bonds issued by our international financing company Deutsche Bank Finance N.V., Curaçao. These funds – frequently in conjunction with interest or currency swaps – guarantee us a firm costing basis, free of interest rate risks, for our long-term fixed-rate lending business.

C. Group result

For the sake of better comparability, we report on the development of our regular business in 1987, excluding the portion of the result contained in the pre-year figures that stemmed from the acquisition and further placement of the Flick holdings.

Interest surplus increased

The comparable overall interest margin in the Group contracted by 0.11 percentage points to 2.27%. Owing to the expansion of average business volume, the interest surplus increased by 2.8% to DM 6.1 bn.

The decrease in the interest spread was connected mainly with the reduction of rates in short and medium-term lending business. But margins

in long-term business also declined. The interest margin did not narrow any further in the second half of 1987.

Commission surplus up 3.4%

The commission surplus on services business rose 3.4% in the period under review. Commission on payments business grew strongly owing to the inclusion of BAI. Profits from commission business in foreign exchange, foreign note and coin, and precious metals developed gratifyingly. By contrast, commissions from securities business weakened.

Growth of staff and other operating expenses

Staff and other operating expenses rose DM 713 m. to DM 5.7 bn. in the period under review; excluding BAI, it would have been up by DM 308 m. (= 6.2%). Staff expenses were DM 459 m. higher in total owing to recruitment, salary increases and the inclusion of BAI.

General operating expenses (DM 1.5 bn.) were DM 196 m. above the pre-year figure. The incremental expenditure relates chiefly to higher rentals and maintenance costs for installations. The higher depreciation of office furniture and equipment was caused by our extensive investment in EDP equipment to modernize the technological standard of our business operations.

Cost management in the Group was streamlined further, and measures were introduced to cut costs and increase efficiency. We are also taking advantage here of all possibilities offered by modern technology. The primary objective behind this is to relieve our staff of routine technical

work, to deploy them instead with the closest possible customer contact and to gain additional time for personal counselling of customers.

Partial operating result down 15.7%

The partial operating result (excluding own-account trading) in the Group decreased as a result by 15.7% to DM 2.5 bn. In the second half of 1987 the rate of decline in the partial operating result was lower than in the first six months.

Own-account trading

Owing to the slump in prices on the international equity markets, profits from own-account trading in securities were far below the very good results of the preceding years. This affected our commercial and investment banks.

The good pre-year income from own-account trading in foreign exchange was surpassed. The contribution by the foreign branches was gratifying.

Operating result

The Group's operating result (surplus on current business, including own-account trading) fell 32.6% in 1987. Whereas aggregate income on securities business — especially own-account trading — had supported the operating result strongly in previous years, the slump in prices on the international securities markets in the 1987 financial year led to a decrease in our result from current business.

Provision for risk

In 1987 we adhered to our policy of cautious valuation. In international business, we considered it necessary, because of the strained debt situation of the Third World countries, to raise further our provisions for country risks. Aggregate liabilities of the highly indebted countries climbed once again. A number of countries did not fulfil their interest obligations towards official and private creditors. Inflation remained high in many of the problem countries. Only in a few cases was there tangible progress towards solving the debt problem. In addition, we classified a number of countries as risks for the first time.

In order to keep our provisioning ratio for commitments involving country risks, most of which are denominated in dollars, independent of exchange rate fluctuations, dollar paper was purchased in an amount equivalent to the adjustments and provisions formed in D-Marks.

The fact that the number of company failures decreased slightly in 1987 had a positive effect on the valuation of domestic lending risks.

Pre-tax profit DM 1.6 bn.

Pre-tax profit comes to DM 1.6 bn. It is 39% lower than in the previous year. After deduction of tax expense amounting to DM 971 m., this leaves net income for the year of DM 670 m.

D. Individual business sectors

1. Corporate customers: sizeable growth rates

Lending by Deutsche Bank Group to domestic corporate customers rose 10% to DM 50.1 bn. in the year under review.

The largest growth was achieved in long-term fixed-rate lending (+ 30%). Our customers were interested above all in fixed-interest periods of four or five years. We offered small and medium-sized firms standardized business loans in particular and acted as intermediary in providing them with funds on quite a large scale under Federal and Länder Government programmes.

There was less demand among domestic enterprises for short-term eurofunds because of the only slight difference in interest rates between the domestic and euromarkets.

Deposits business with domestic corporate customers profited from the good liquidity situation of many companies. DM 12.3 bn. of our corporate customers' deposits was payable on demand, and DM 14.1 bn. was in the form of time deposits.

More information and counselling

In our db-Corporate Advisory Service we offer our corporate customers a wide range of tailor-made services.

During the year under review, we expanded our electronic banking service:

- "db-connect" enables our customers' EDP systems to be linked directly to our computer centres.

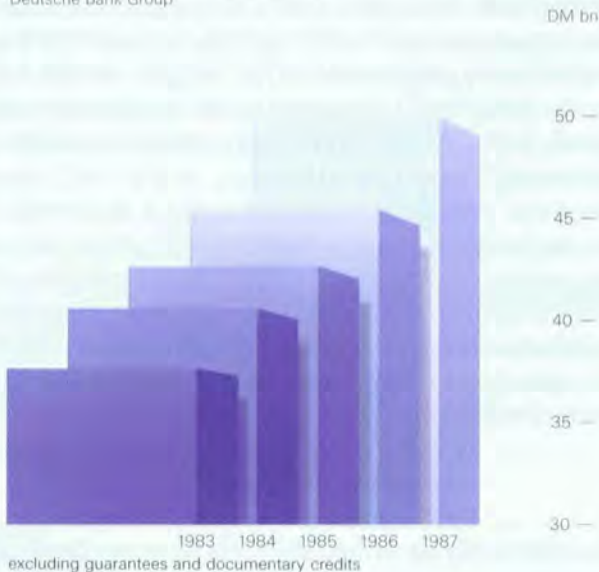
- “db-select” provides information about all public-sector business promotion schemes funded by the EC, Federal or Länder Governments and can be used to work out individual interest and redemption schedules.
- “db-export finance” offers users a comparison of the cost of medium and long-term forms of export financing.

Since our database service “db-data” was introduced at the beginning of 1986 we have carried out more than 6,000 searches for our customers.

We are currently setting up Electronic Banking Centers at our Regional Head Branches to provide our customers with greater information about our entire range of services in this field.

Loans to domestic companies

Deutsche Bank Group



Leasing and instalment financing business

At the end of 1987, the leasing volume of GEFA-Leasing GmbH, Wuppertal, stood at approx. DM 1.7 bn. (+ 9%). Contracts for vehicles and machinery increased in particular. Business in EDP equipment remained high.

GEFA Gesellschaft für Absatzfinanzierung mbH, Wuppertal, which grants longer-term fixed-rate loans for investment financing and purchases claims from deliveries of goods and services and from leasing transactions, expanded its receivables by 9% to DM 2 bn.

Deutsche Immobilien Leasing GmbH (DIL), Düsseldorf, in which we hold half of the capital, concluded more than 50 new real-estate leasing agreements. Purchase or construction costs of the entire investment portfolio exceeded DM 8 bn. Business premises used in the high-tech sector accounted for roughly one-third of the value.

Our international leasing business, which is carried on chiefly by our subsidiary DB Export-Leasing GmbH, Frankfurt am Main, was expanded above all in Australia, China and North America. In Europe, a cooperation agreement was concluded with a Bulgarian leasing company for the first time. In the U.S.A., our subsidiary Deutsche Credit Corporation, Deerfield, Illinois, supports sales efforts, especially of customers of Deutsche Bank Group, by providing long-term fixed-rate loans or leasing alternatives.

Equity finance from one source

Our range of equity finance products for small and medium-sized businesses was amalgamated in the hands of a single team at Deutsche Beteiligungsgesellschaft mbH, Frankfurt am Main, at

the beginning of 1988. The portfolio managed by the company at the end of 1987 had an aggregate value of DM 137 m. and comprised stakes in 37 enterprises. The aim is in future to cover the full spectrum of equity participation business for the entire Group and to expand capacities for this service.

To this end, we bought up the remaining shares in WFG Deutsche Gesellschaft für Wagniskapital mbH, Frankfurt am Main. The former WFG shareholders retain their interests in the portfolio, which has been made legally independent; as from 1988, WFG is not acquiring any new stakes.

In the course of the year under review, there was another marked rise in demand for equity capital. WFG Deutsche Gesellschaft für Wagniskapital mbH increased its commitments by DM 23.7 m. to DM 74.4 m. At the end of the year it was serving 36 companies.

Deutsche Beteiligungs AG Unternehmensbeteiligungsgesellschaft, Königstein (Taunus), in which we together with Schmidt-Bank in Hof (Saale) have a 50% interest, had holdings amounting to DM 56 m. in 14 small and medium-sized firms at the end of 1987. The firms recorded sales of DM 850 m. and had more than 5,300 employees. To date, the company is the only business participation company, as defined in the legislation which came into force on 1.1.1987, whose shares are quoted on the stock exchange (Regulated Market).

2. Brisk retail business

Loans granted to domestic private customers rose 4.4% to DM 68 bn. Out of this total, DM 23 bn. was in the form of long-term mortgage bank lendings.

Building finance: emphasis on modernization

Despite the weak level of business in the construction industry, building loans provided by the Group expanded by 4.1% in 1987 to approx. DM 58 bn. The new lendings were used mainly for modernization and the purchase of residential properties.

In view of the relatively low level of interest rates, our customers preferred long-term loans; some short and medium-term bridging financings were rescheduled.

There is close cooperation between the Group's commercial and mortgage banks in offering our customers building financing loans. At the end of the year under review, the mortgage banks accounted for 58% of aggregate lendings. The branches of the domestic commercial banks referred loans totalling DM 1.5 bn. to the mortgage-bank subsidiaries during the year under review.

Successful Bauspar-AG

The modern scale system with flexible variants offered by Deutsche Bank Bauspar-AG was well received, particularly by younger customers. Roughly half of all the building savings contracts were concluded by customers under 30 years of age.

We shall include building saving as an application in our EDP terminal scheme, so that our customers can obtain advice from one source in this sector, too.

Consumer loans: further growth

Demand for consumer loans developed positively. Personal loans increased by 9.9% to DM 5.6 bn.

There was also brisk demand for overdraft facilities that can be utilized as required within a committed limit up to a maximum of DM 50,000.

Deposits business: prudential saving remains in demand

Deposits of domestic private customers expanded 5.5% to DM 49 bn. Despite a large volume of maturing paper, the value of savings certificates outstanding in the Group rose DM 0.6 bn. to DM 7.5 bn. Aggregate savings deposits grew to DM 31.9 bn. partly as a result of the inclusion of BAI.

Demand for our savings plan with insurance cover remained lively, despite the tax disadvantage for this form of prudential saving. More than 335,000 agreements with a contract volume of

DM 6.2 bn. have been concluded since its introduction in 1983.

In the middle of 1987 we added a capital withdrawal plan to our line of prudential products. It is designed for customers who, apart from a secure long-term return, are seeking regular and systematic capital withdrawals to supplement their retirement pension arrangements. Securities investment funds can also be incorporated into the scheme through a DWS investment account (savings/withdrawal).

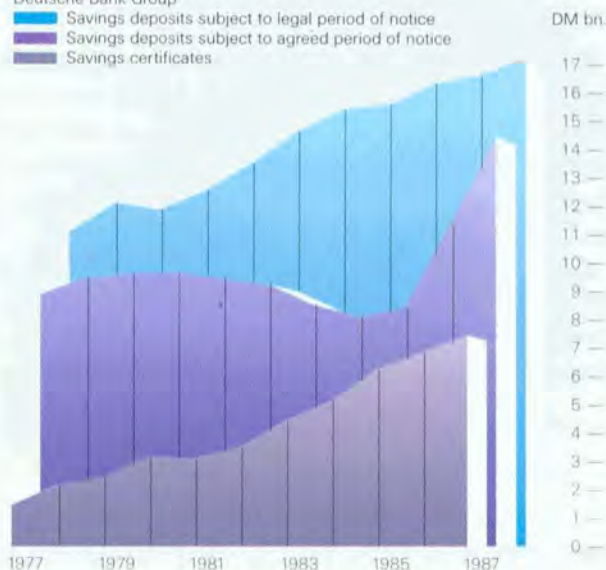
More services for the self-employed

Great use was made in 1987 of our "Banking Service for the Self-Employed" — a package of products and services that covers all sectors of banking. We augmented it by adding, among other products, further electronic services for more rational and efficient settlement of payment business.

Savings deposits and savings certificates

Deutsche Bank Group

- Savings deposits subject to legal period of notice
- Savings deposits subject to agreed period of notice
- Savings certificates



International business with private customers

Once again, the internationally oriented business of Deutsche Bank (Suisse) S.A. in Geneva and Zürich showed a gratifying development.

Our subsidiary Deutsche Bank Luxembourg S.A., Luxembourg, stepped up its activities in private customer business.

Our subsidiary BAI has traditionally had a strong position in retail banking in Italy; in the '60s it was the first bank to introduce personal loans for the purchase of consumer goods. Today, it serves more than 450,000 customers.

It is also successful in portfolio investment business. With approx. 1.2 million bank credit cards in circulation, it is Italy's largest credit card company.

In December 1987 we formed DB Finanziaria S.p.A., Milan, which will cooperate with BAI in offering long-term real-estate financing etc. to our Italian customers.

3. Securities business: renewed rise in turnover

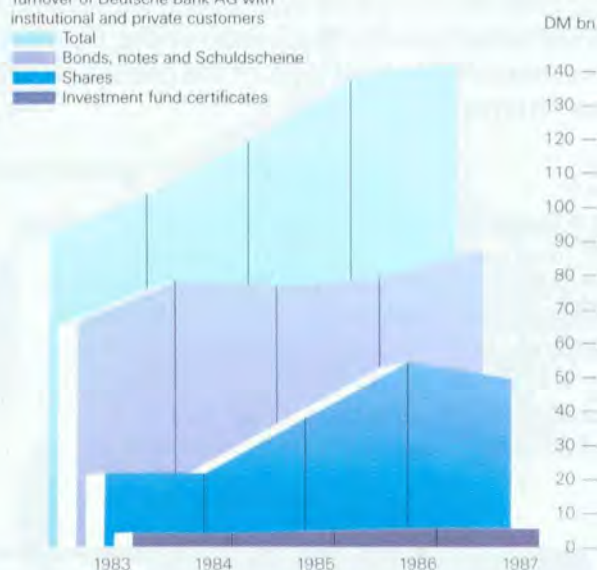
Securities turnover with private and institutional clients rose again slightly. The domestic members of the Group alone registered turnover of DM 149 bn.

We increased the number of investment counsellors further in order to be able to provide our customers with comprehensive and balanced advice even in the more difficult environment. We also expanded our capacity in international investment research for institutional investors.

Securities business

Turnover of Deutsche Bank AG with institutional and private customers

Legend:
Total
Bonds, notes and Schuldscheine
Shares
Investment fund certificates



More bonds, fewer shares

The domestic Group companies' turnover in fixed-income securities with private and institutional customers was 7.8% higher. Business in foreign-currency issues was a major contributor. Turnover in *Schuldscheindarlehen* increased by 23.2%. Equity turnover with our non-bank customers declined by 10.4%. That was due to the lower volume of business in domestic shares. By contrast, turnover in foreign equities continued to expand. U.S. stocks received most attention. There was also brisk demand for Swiss paper. French shares profited from the Government's privatization operations. There was further lively turnover in selected Japanese shares.

1.5 million customers' safe-custody accounts

The number of safe-custody accounts managed for customers rose 6% to nearly 1.5 million. At the end of 1987 they had a market value of approx. DM 160 bn.

Foreign subsidiaries in a difficult environment

We continued to build up securities business at the major international financial centres.

In Tokyo, our subsidiary Deutsche Bank Capital Markets (Asia) Ltd., Hong Kong and Tokyo, obtained a seat on the Tokyo Stock Exchange.

In Paris, our branch acquired a seat on the Bourse to deal in bond futures.

In London, Deutsche Bank Capital Markets Ltd., London, maintained its position as a leading institution at this important financial centre.

In Switzerland, Deutsche Bank (Suisse) S.A. will open a branch in Lugano in April 1988; we are already represented in Geneva and Zürich.

Our New York investment bank Deutsche Bank Capital Corporation strengthened its market position further.

New customers in portfolio management

Portfolio management on behalf of our private and institutional clients was expanded. Capital Management International GmbH of Deutsche Bank, Frankfurt am Main, won new customers in 1987 both on the difficult market for American pension funds and in the Pacific region.

Deutsche Bank Luxembourg S.A., Luxembourg, now also manages safe-custody accounts for customers. The new service met with a good response.

Investment funds continue to climb

Our subsidiary DWS Deutsche Gesellschaft für Wertpapiersparen mbH, Frankfurt am Main, received a net inflow of DM 2.5 bn. from new sales of investment fund certificates. The international bond fund INTER-RENTA was again the most popular. Total assets of the 21 retail securities funds administered by DWS increased in 1987 to DM 17 bn. Approx. DM 1.3 bn. was distributed to unit holders.

Together with Deutsche Bank Luxembourg S.A., DWS set up Internationale Investment Management Gesellschaft S.A., Luxembourg, in April 1987. In November, the latter launched the first European bond fund, EURORENTA, whose units can also be sold to the public in the Federal German market. EURORENTA invests exclusively in bonds denominated in European currencies; by the end of February 1988, the fund's assets had

already passed the equivalent of one billion D-Marks.

Our subsidiary Deutsche Gesellschaft für Fondsverwaltung mbH (DEGEF), Frankfurt am Main, which manages special funds for institutional investors (insurance companies, company pension and benevolent funds, professional associations' pension schemes, social insurance and other institutions) and staff funds succeeded in raising the fund assets it manages to DM 12.8 bn. in 1987 (pre year: DM 11.3 bn.).

The open-end property fund "grundbesitz invest", which is managed by our subsidiary Deutsche Grundbesitz-Investmentgesellschaft mbH, Frankfurt am Main, recorded its highest ever inflow of funds in the financial year ended on September 30 (DM 694 m.). The fund's assets rose to DM 2.8 bn.

4. Issuing business: high volumes again

Substantial volumes were again registered in domestic and foreign issuing business; however, the exceptionally high level of the preceding year was not maintained.

39 capital increases for cash...

On the domestic equity market, we participated in 39 capital increases for cash which raised funds totalling DM 7.5 bn. The largest transactions were for Allianz AG Holding (DM 542 m.) and Deutsche Lufthansa AG (DM 497 m.).

We lead-managed the placement of the remaining Federal Government holding in VEBA AG, worth DM 2.5 bn.

For the first time in years, we floated an issue of conventional domestic industrial bonds. These

were DM 150 m. fixed-income bonds of VIAG AG. We lead-managed an issue of participatory notes for the Gerling Group.

We took part in scrip issues for 18 companies.

...and five new listings

In the year under review, we introduced five companies to the stock market with a placement volume of DM 280 m. (previous year: DM 3.7 bn.). They were BBS Kraftfahrzeugtechnik AG, Biotest AG, Glunz AG, Jagenberg AG and SABO-Maschinenfabrik AG. We also participated as co-manager or syndicate member in five other first issues. Four of the ten "newcomers" chose the Regulated Market set up in 1987.

We remain confident that in future, too, companies of different sizes will decide to have their shares listed on the stock exchange. The basic need for such a step and the arguments in its favour have not changed. We shall therefore continue to do all we can to support companies wishing to go public and to promote investment in shares.

International equity placements

In the course of the privatization programmes in France, Japan and the United Kingdom, we participated in several cases in a management capacity. We were also involved in the international placement of capital increases for several European companies.

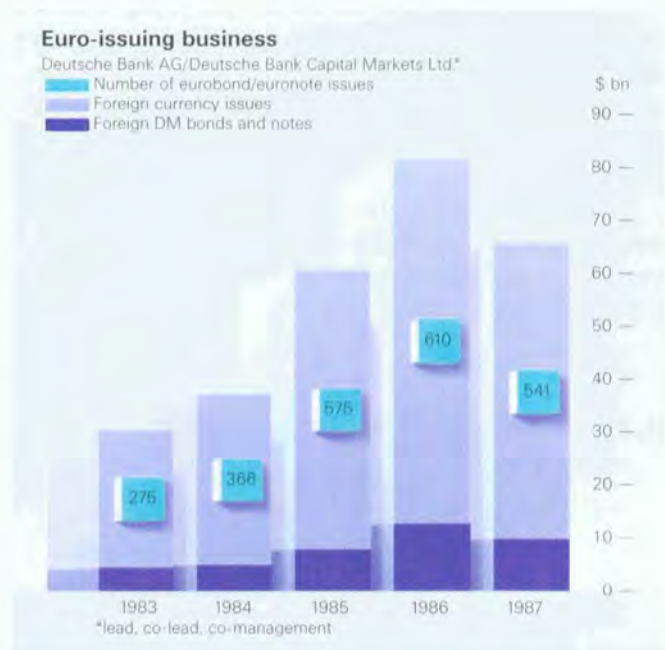
Swap business expanding

In the year under review we widened our capacity for swap business in Frankfurt, London,

New York and Tokyo. Liability and asset swaps are used both in the interest of customers and in the bank's own interest. The primary objective is to hedge interest rate and exchange rate risks in an increasingly volatile environment.

Decrease in euro-issues

The volume of new issues on the eurocapital market was lower in 1987 than in the preceding year. We participated in a management capacity in a total of 541 issues (previous year: 610) for an aggregate amount of approx. \$ 66 bn. 85 issues were denominated in D-Marks, 175 in dollars, and 281 in other currencies. In the sector comprising innovative financing instruments, we floated a



DM 200 m. bond issue with U.S. dollar currency warrants for Ford Motor Credit Company. For BMW Finance N.V., we issued annuity bonds in five tranches totalling approx. DM 324 m.

In Switzerland, our subsidiary Deutsche Bank (Suisse) S.A. lead-managed a foreign public issue in Swiss francs for the first time; it was the SF 200 m. issue of Deutsche Bank Finance N.V., Curaçao.

Our institution also participated in the shorter-term eurocapital market in 1987. We arranged eurocommercial paper facilities for roughly \$ 400 m. for German and international issuers, and took part in other programmes totalling \$ 1.8 bn.

German companies in the euromarket

German companies and banks in 1987 again took up considerable funds on the international capital markets. Their foreign financing subsidiaries issued 23.5% of all DM eurobonds. We managed eurodollar issues for subsidiaries of Daimler-Benz AG and Continental AG, and for the first time for Kreditanstalt für Wiederaufbau.

Our financing company Deutsche Bank Finance N.V., Curaçao, took advantage of the favourable market conditions until autumn to float a DM 750 m. issue of bonds with warrants.

5. International business: strong market position maintained

We maintained our traditionally strong market position in the financial settlement of the Federal Republic of Germany's exports and imports.

Demand for medium and long-term export finance picked up. Unlike in previous years, atten-

tion centred on small and medium-sized transactions.

Forfaiting business expanded particularly strongly in 1987. We registered high growth, above all, in non-recourse purchases of short-term foreign claims. Forfaiting now accounts for almost half of our entire export finance.

There was a further rise in demand for counselling and support in countertrades in 1987, particularly with problem countries. We offered customers our "Commodity Trade Finance/Countertrade", a financing service created for this purpose.

In May we concluded an agreement with the State Bank of the U.S.S.R. and the Bank for Foreign Trade of the U.S.S.R. on cooperation between firms and organizations from both countries.

More euroloans again

Business in medium and longer-term euro loans, which we handle mainly via our subsidiary Deutsche Bank Luxembourg S.A., increased again in 1987. We participated, in some cases as lead manager, in the syndication of international lendings to European companies and governments. In October we arranged a one billion D-Mark loan to the National Bank of Hungary.

Project finance

We strengthened our market position in project finance. We have a leading role in two of the most important transactions undertaken in 1987 – the financing of the Eurotunnel and the restructuring

of the credit facility for the Norwegian Saga Petroleum a.s.

Industry Center in Yokohama

The German Industry Center in Yokohama was opened in November. The entire planning, rental and financing of this DM 100 m. project was in the hands of Deutsche Bank. We asked Japanese

general contractors to build and manage the complex. It is the first German industrial centre in Japan. Over 20 firms from the Federal Republic, chiefly small and medium-sized businesses, have rented office and factory space in the Center on favourable terms. The financing was raised via a closed-end real-estate fund; it permitted German investors to invest in Japanese real estate in this form for the first time and was very soon oversubscribed.

Deutsche Bank Group's international presence





Our Staff

More staff to serve customers

In the year under review, the number of persons working for the Group rose by 3,989 to a total of 54,579. This expansion was largely determined by the inclusion of Banca d'America e d'Italia S.p.A. (BAI), Milan, (staff of 2,880) in our consolidated accounts. Furthermore, 1,109 employees were taken on both at home and abroad in line with the expansion of our business activities.

The parent company hired 1,023 persons, bringing total staff to 43,951. The new employees were required mainly in corporate and private customer business, as well as in portfolio investment and investment banking.

There was growth of 3,234 to 7,393 in staff at the Group's foreign offices. This figure includes 478 people seconded by the domestic bank. Our staff numbers abroad have more than tripled since 1982, especially through the acquisition of BAI.

Nearly 2,300 new apprentices

In the year under review, our domestic Group companies hired a total of 2,291 new apprentices. The parent company accounted for 2,114 of them; this constitutes a rise of 2.8% against the previous year. At the end of the reporting year, the Group counted a total of 5,254 apprentices undergoing vocational training.

In 1987, with a training ratio of 13%, in terms of domestic staff excluding apprentices, the parent bank matched the previous year's high level. The share of school leavers with university entrance qualifications in the total number of apprentices rose to 70%. The good grades obtained in the final examination reflect the quality of our training: 60% of the young bankers passed with "distinction" or "merit" (previous year: 56.2%). As in 1986, more than 1,450 fully-trained apprentices

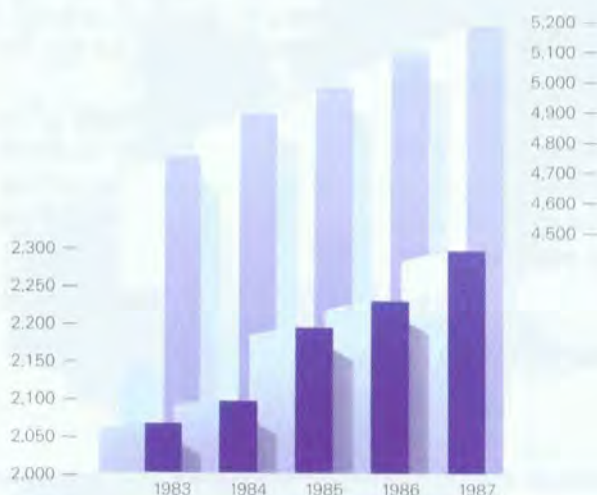
became regular members of staff. This means that over the past five years more than 7,200 promising young people have joined our ranks.

The basic banking or comparable commercial training carried out abroad along the lines of the German dual system proved a valuable basis for the career development of our local staff. In the year under review, our Paris and Tokyo Branches and the Djakarta Branch of Deutsche Bank (Asia) AG, Hamburg, became part of this vocational training scheme. Training places already exist at our branches in Brussels, Buenos Aires, Madrid, São Paulo as well as at Deutsche Bank (Suisse) S.A., Geneva. At the end of the reporting period, 64 local apprentices were receiving solid basic training (pre-year: 48).

Rising number of training places

Deutsche Bank Group (domestic)
New recruitments

Total number
of apprentices



Management trainees at home and abroad

Last year, 216 university graduates joined the parent company's management training programme. Since 1982, the annual recruitment figure has more than doubled. To allow professional responsibilities to be assumed earlier, we have shortened the management training programme to one year, but continue to apply the same high standards. Immediately after the basic training, our trainees take up positions of responsibility either in operational or staff departments of our Central Office, or at one of our domestic or foreign branches or subsidiaries. Most of our management trainees have a degree in economics or law. Nearly one-third of the university graduates completed a banking or similar commercial apprenticeship before taking up their university studies.

To satisfy the Group's worldwide demand for qualified personnel, our foreign offices have been recruiting more and more local university graduates. At four of our foreign branches (Brussels, Buenos Aires, London, New York), several offices of Deutsche Bank (Asia) AG, at Deutsche Bank Capital Corporation, New York, and Deutsche Bank Capital Markets Ltd., London, a total of 73 foreign university graduates were being trained in the reporting year.

By creating a reservoir of young people of various nationalities who in the long term will be able to assume specialist and managerial positions, we are coming closer to our target of achieving a more international personnel structure.

Personnel development intensified

In view of the growing need for qualified staff, the Supraregional Development Group was increased to 250 young bankers with above-average development potential. In addition, the spe-

cial training programmes covering lending and portfolio investment business were continued in view of their past success. The main component is on-the-job training coupled with instruction in the theoretical foundations. With the advent of new technologies, more and more capable staff members who combine a knowledge of banking business and EDP expertise are needed both in organizational fields as well as in our operational departments. This prompted us to establish an EDP Development Group in the year under review. Young bankers participating in the 18-month scheme undergo practical training in the bank's organizational fields, accompanied by intensive tuition by EDP manufacturers.

**Increased spending
on basic and further training**
Deutsche Bank AG



*of total wages and salaries

Career opportunities for our female staff

We continue to attach great importance to promoting the upward mobility of our female staff. At our bank, women have the same chances for advancement as their male counterparts. For years, around 50% of our apprentices have been young women. The share of women in important career development groups has risen steadily. The fact that women are increasingly assuming managerial responsibilities reflects the progress achieved: over the past ten years, the number of women employed as non-tariff personnel has more than doubled.

Further training: more than 1,600 in-house seminars

In the year under review, a total of 26,434 staff members attended 1,620 further-training seminars. More than 1,300 specialists and managers from all parts of our bank acted as lecturers. The emphasis was on seminars dealing with customer counselling and service in business with corporate and private clients.

Our foreign offices have also stepped up their further-training efforts. Besides the supraregional training centres in Singapore and Buenos Aires, a new training unit was established in 1987 in New York for our North American offices. Above and beyond this, our foreign branches and subsidiaries have developed their own further-training programmes locally. Moreover, an increasing number of staff members from our European offices attended seminars in Germany.

In 1987, a total of DM 157 m. was spent on basic and further training in the parent company, which is equivalent to 6.9% of wages and salaries. Basic training accounted for DM 75 m. of the total, and further training for DM 82 m.

More flexible working hours

One outcome of the 1987 wage and salary negotiations was the introduction of a trial phase of more flexible working hours. Greater flexibility in this respect will allow us to improve our service to customers since our staff in customer counselling and business acquisition will be on hand to provide advice and assistance outside normal banking hours. Experience has shown that our staff is willing to accept more flexible working hours.

In the year under review, 259 of our staff members went into early retirement under the scheme for tariff employees. Since this plan took effect in 1984, 803 members of our staff (or roughly 65% of those eligible) have opted for early retirement.

Women increasingly successful

Deutsche Bank AG (domestic)

■ 1977
■ 1987



Staff shares

In 1987 we offered our employees staff shares which again took full advantage of the price deduction allowable for tax purposes. At 75.5%, the rate at which the offer was taken up corresponded roughly to the previous year's figure (76.7%). In the reporting year, the bank's expenses for the issue of staff shares were DM 27.4 m.

At the end of 1987, 48,000 staff shareholders held 3.0% of the share capital.

Staff council elections

In spring of 1987, the regular staff council elections took place. At the parent company, 1,026 staff council members were elected. 79.2% of all eligible staff went to the polls; 60.1% of the incumbents were re-elected. We see this as a sign that our employees are satisfied with the work of the staff councils in our bank. At the same time, 109 staff council members were elected at our domestic subsidiaries.

In the meetings between the Group Staff Council, the General Staff Council, its committees and the Board of Managing Directors, all personnel and social questions up for discussion were dealt with in an atmosphere of mutual trust and cooperation. Among the most important issues discussed were flexible working hours and the personnel and organizational impact of growing technological applications in banking. Regular meetings with the Economic Committee dealt at length with the bank's business development and general economic problems.

We would like to thank all members of the Staff Councils, the General Staff Council, the Economic Committee and the Group Staff Council, the Youth Representatives and the Spokesmen for

the Severely Disabled for their good, constructive cooperation.

Committee of Spokesmen for Senior Executives

The Board of Managing Directors and the Committee of Spokesmen for Senior Executives discussed the bank's business development, questions relating to corporate policy, as well as matters specifically concerning senior executives. The Committee of Spokesmen has proved to be a valuable forum for the exchange of views between the Board of Managing Directors and senior executive staff. We would like to thank all Committee members for the commitment displayed and the open-minded, gratifying cooperation that ensued.

Thanks to our staff

We owe special thanks to all our members of staff for their personal endeavours. The experience, knowledge and energies they contributed helped to shape the bank's business success. Particular thanks also go to those members of staff who have proven their loyalty in their many years with us. In 1987, 481 employees looked back on 25 years of employment, 42 celebrated 40 years with the bank, and 2 staff members celebrated their 50th year of service.

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

Herbert Abrecht, Pforzheim
Roswitha Adelhof, Hagen
Otto Amesberger, Munich
Hans-Jörg Amling, Minden
Dora Bayer, Stuttgart
Hildegard Becker, Essen
Dr. Jürgen Böhmer, Aachen
Annegrete Borchers, Bremen
Marlen Born, Hanover
Gerhard Burk, Stuttgart
Bernd Cziesla, Wiesbaden
Erika Föll, Frankfurt
Karl Albrecht Ganss, Stuttgart
Robert Herbrich, Taunus-Zentrum Eschborn
Max Hilgers, Düsseldorf
Günter Janas, Braunschweig
Hans Jeismann, Düsseldorf
Gudrun Jürgensen, Husum
Hartmut Kampa, Düsseldorf
Eckhardt Kiep, Duisburg
Ernst Kirsch, Hamburg
Erwin Kitzmann, Frankfurt
Rainer Knust, Mainz/Bingen
Sandra Koch, Darmstadt

Werner Kuhlmann, Essen
Heinrich Lindemann, Essen
Erika Luchini, Esslingen
Horst-W. Märten, Wuppertal
Hans-Georg Mahnke, Bremen
Juan Carlos Martinez, Buenos Aires
Karin Melchior, Bremen
Helmuth Müller, Frankenthal
Lieselotte Odendahl, Düsseldorf
Eveline Pakulla, Soltau
Therese Pläthli, Konstanz
Peter Pierick, Frankfurt
Birgit Pinhammer, Neuwied
Arnold Reichenberger, Stuttgart
Siegfried Reis, Frankfurt
Gerhard Scharff, Mannheim
Joachim Schmitter, Neuss
Reinhard Scholz, Flensburg
Elisabeth Tritschler, Freiburg
Wolfgang Warschun, Kiel
Heinz Wegener, Düsseldorf
Kurt Würtele, Frankfurt
Irene Wulff, Offenbach
Wolfgang Zöllner, Tübingen

We mourn the passing away of 306 retired employees of our bank.
We shall always honour their memory.

Management Report of Deutsche Bank AG

Review

The expansion of business volume at Deutsche Bank AG in 1987 was determined chiefly by the growth of long-term lending to our corporate and private customers. In order to limit interest rate risks, the bank took up long-term funds on the whole. The bank's capital and reserves were strengthened in the year under review by DM 1.5 bn. to DM 9.8 bn.

In terms of income, the substantial increase in total credit extended almost compensated the decline in the overall interest margin. The slump in prices on the international stock markets led to lower income on our securities business. After an unbroken rise lasting 10 years, the operating result fell in the 1987 financial year.

It is proposed to the General Meeting that an unchanged dividend of DM 12 per DM 50 share be distributed on the increased share capital.

Business volume

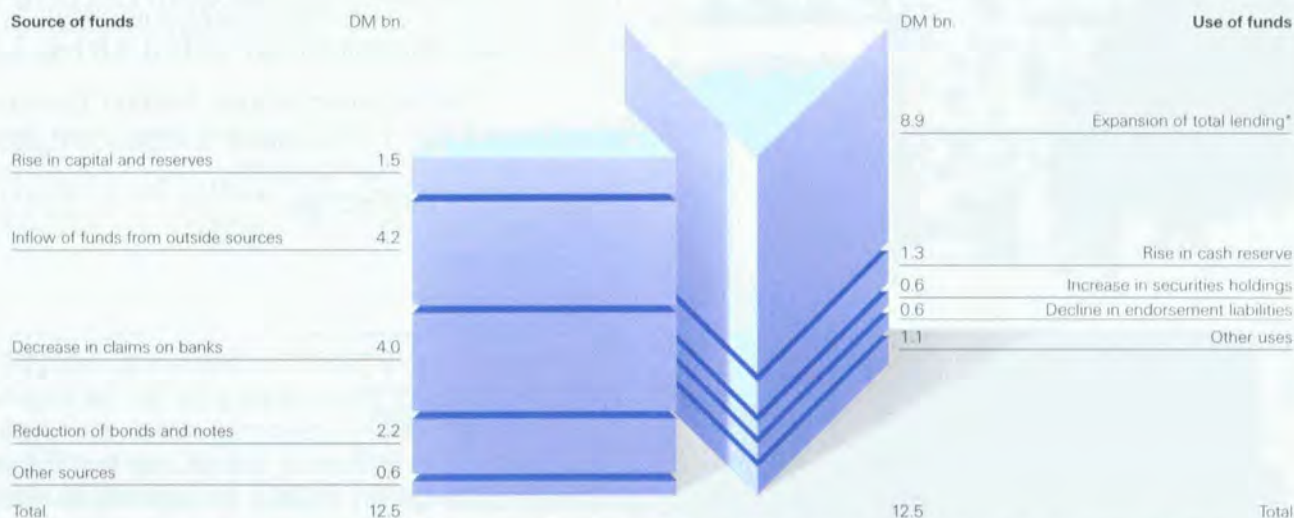
The bank's *business volume* rose DM 4.6 bn. in 1987 to DM 168.7 bn. Growth of the business volume was once again impaired by the decline in the dollar; adjusted for exchange rate movements, the increase in volume would have been approx. DM 9 bn.

The *foreign branches* expanded their business volume by 3.5%.

Balance sheet total increased DM 5.3 bn. to DM 165.2 bn. The growth was due particularly to

Financing balance 1987

Deutsche Bank AG



* Short and medium-term claims on customers + DM 0.4 bn., long-term claims on customers + DM 6.6 bn., lendings to banks + DM 2.5 bn., discounts – DM 0.6 bn.

brisk long-term lending business. The bank raised most of the necessary funds through its subsidiaries abroad and by issuing bonds and notes and through savings deposits. Moreover, the bank broadened its capital base considerably.

Lending business

Total credit extended by the bank (excluding guarantees and letters of credit) grew by DM 8.9 bn. (+ 9.4%) in the year under review to over DM 100 bn. (DM 103.3 bn.). In view of the lower level of interest rates, both corporate and private customers restructured their liabilities on a long-term basis. The proportion of long-term lending rose to 54.5% of total claims on customers. 46% of long-term loans to customers were due in less than four years. In order to limit the interest rate risk, most of the increase in long-

term lending business was refinanced at matching maturities.

Short/medium-term claims on customers rose DM 0.4 bn. to DM 39.4 bn.

Loans granted to *non-residents* expanded by 30% as a result of larger availments at our foreign branches.

Credit provided to *domestic corporate customers* was up DM 2.7 bn. at DM 33.7 bn. In addition, domestic companies took up DM 3.3 bn. by way of euro-facilities.

Our lending to *domestic private customers* grew DM 1.9 bn. = 5.5% to DM 37.0 bn. Building financings contained in this item rose 8.2% to DM 20.5 bn. In 1987, new building financing commitments came to DM 9.6 bn. chiefly for the purchase of residential properties, and modernization and refurbishment projects. We referred DM 1.3 bn. of this to our mortgage banks.

Consumer loans and overdraft facilities were in brisk demand. Lendings rose 9% to DM 6.0 bn.

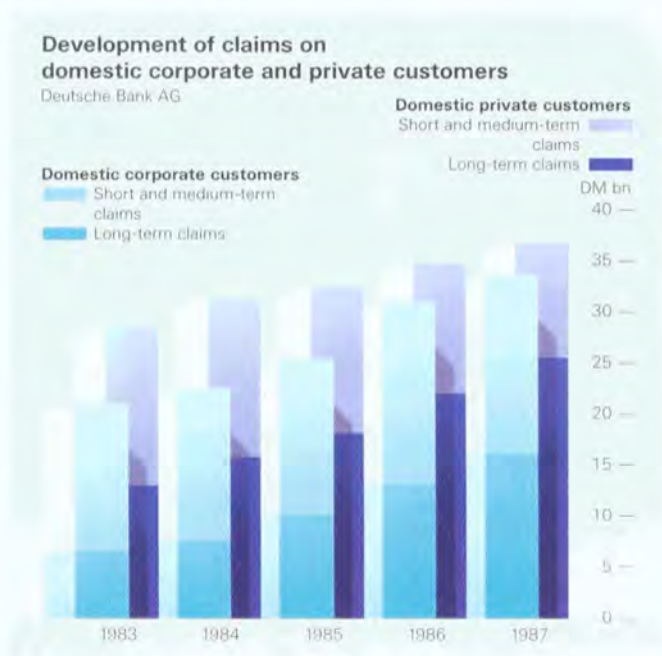
Discounts fell DM 0.6 bn. to DM 5.5 bn.

Tied funds provided under Federal Government and Länder Government promotion programmes grew substantially, by DM 0.9 bn. (+ 20.5%) to DM 5.3 bn.

Guarantees increased DM 2.1 bn. to DM 21.0 bn. mainly in connection with the expansion of foreign business.

Interbank business

In *interbank business*, claims on banks declined by DM 1.4 bn. to DM 44.7 bn. Most of the decrease was in funds payable by foreign banks on demand. At the end of 1987, roughly one-



| <i>Total credit extended</i> | End of 1987 DM m. | % share | End of 1986 DM m. | % share | Change DM m. | % |
|------------------------------|----------------------|---------|----------------------|---------|-----------------|--------|
| Claims on customers | | | | | | |
| short and medium-term | 39,402 | 38.1 | 38,978 | 41.3 | + 424 | = 1.1 |
| long-term (4 years or more) | 47,267 | 45.8 | 40,712 | 43.1 | + 6,555 | = 16.1 |
| | 86,669 | 83.9 | 79,690 | 84.4 | + 6,979 | = 8.8 |
| Discounts | 5,452 | 5.3 | 6,094 | 6.5 | - 642 | = 10.5 |
| Lendings to banks | 11,168 | 10.8 | 8,634 | 9.1 | + 2,534 | = 29.4 |
| <i>Total credit extended</i> | 103,289 | 100.0 | 94,418 | 100.0 | + 8,871 | = 9.4 |

quarter of our claims on banks were claims on Group institutions.

Lendings to banks rose as a result of increased credit granted by our foreign branches and securitized dollar claims which are shown under claims on banks.

Banks' deposits increased by DM 2.7 bn. to DM 55.0 bn. The major factor here was the taking up of long-term bank funds, which were DM 4.4 bn. higher at DM 20.0 bn. Most of this growth stems from the proceeds of bonds issued by our subsidiary Deutsche Bank Finance N.V., Curaçao.

Funds from outside sources

Funds from outside sources expanded by DM 4.2 bn. (+ 3.0%) in the year under review to DM 144.6 bn.

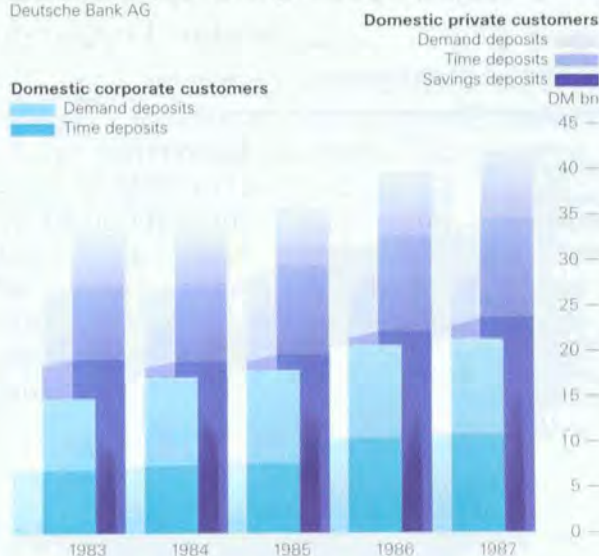
Customers' deposits came to DM 82.2 bn. Funds payable on demand increased to approx. DM 22 bn. at the end of 1987; that is more than one-quarter of aggregate customers' deposits. *Customers' time deposits* were reduced by DM 2.0 bn. to DM 34.2 bn. The decrease was mainly in short-term funds. The savings certificates included under long-term time deposits were DM 0.6 bn. higher at DM 7.2 bn. (+ 9.5%).

More than half of customers' deposits (DM 42.3 bn.) come from domestic private customers, and approx. 26% (DM 21.7 bn.) from domestic companies.

Savings deposits, encouraged by special forms of saving, climbed DM 1.7 bn. to DM 26.3 bn. Other savings deposits increased by

Development of deposits of domestic corporate and private customers

Deutsche Bank AG



DM 1,155 m., while an unchanged high volume of savings matured under state premium and capital formation schemes and cash savings plans (DM 1.2 bn.). At DM 839 m., fixed-rate saving made a major contribution to the growth. Payments received under DB savings plans with insurance cover came to DM 1.4 bn. at year's end, with a total contract volume of DM 5.6 bn. Savings deposits subject to legal period of notice are shown at DM 14.8 bn., or DM 560 m. higher. The total volume of savings (savings deposits and savings certificates) reflected in the balance sheet grew DM 2.3 bn. to DM 33.4 bn.

We stepped up the sale of *own bonds and notes*; they increased by DM 1.7 bn. to DM 7.3 bn.

Capital and reserves

On the basis of the authorization (authorized capital) given at the Ordinary General Meeting on May 18, 1983, the Board of Managing Directors,

with the consent of the Supervisory Board, resolved in May 1987 to increase the share capital by DM 130.0 m.

The new shares were offered for subscription in the ratio of 1 for 15 to the shareholders and bearers of the warrants from the bonds with warrants issued by subsidiaries and in the ratio of 1 for 75 to the bearers of our bank's convertible bonds at a price of DM 450 per DM 50 share. The premium of DM 1,046.0 m. (including DM 6.0 m. additional proceeds from shares not subscribed) obtained here was transferred to the capital reserve pursuant to Section 272 (2) 1 of the Commercial Code. In addition, the premium of DM 240.6 m. on the bond issues with warrants, floated in 1987 through our subsidiary Deutsche Bank Finance N.V., Curaçao, was also booked to the capital reserve.

A total of 385,329 Deutsche Bank shares, corresponding to a nominal amount of DM 19.3 m., were subscribed from conditional capital on presentation of warrants from the bonds with warrants issued in 1977 and 1983 by Deutsche Bank

| <i>Funds from outside sources</i> | End of 1987 | | End of 1986 | | Change | |
|---|----------------|--------------|----------------|--------------|----------------|--------------|
| | DM m. | % share | DM m. | % share | DM m. | % |
| Liabilities to banks | | | | | | |
| payable on demand | 10,031 | 6.9 | 12,498 | 8.9 | - 2,467 | = 19.7 |
| time deposits | 44,857 | 31.0 | 39,721 | 28.3 | + 5,136 | = 12.9 |
| customers' drawings on other banks | 139 | 0.1 | 141 | 0.1 | - 2 | = 1.7 |
| | <u>55,027</u> | <u>38.0</u> | <u>52,360</u> | <u>37.3</u> | <u>+ 2,667</u> | <u>- 5.1</u> |
| Liabilities to customers | | | | | | |
| payable on demand | 21,819 | 15.1 | 21,705 | 15.4 | + 114 | = 0.5 |
| time deposits | 34,160 | 23.6 | 36,164 | 25.8 | - 2,004 | = 5.5 |
| savings deposits | 26,266 | 18.2 | 24,551 | 17.5 | + 1,715 | = 7.0 |
| | <u>82,245</u> | <u>56.9</u> | <u>82,420</u> | <u>58.7</u> | <u>- 175</u> | <u>0.2</u> |
| Bonds and notes | 7,305 | 5.1 | 5,561 | 4.0 | + 1,744 | = 31.4 |
| <i>Total funds from outside sources</i> | <u>144,577</u> | <u>100.0</u> | <u>140,341</u> | <u>100.0</u> | <u>+ 4,236</u> | <u>= 3.0</u> |

Luxembourg S.A., Luxembourg. The premium of DM 58.9 m. obtained here was added to the capital reserve.

By doing so, the bank strengthened its capital and reserves by DM 1.5 bn. in the 1987 financial year to DM 9.8 bn. The capital ratio (capital and reserves as a percentage of balance sheet total) increased to 5.9%. This puts us in a position to expand our business activities further and creates the preconditions for our long-term capital expenditure policy.

Subsidiaries, associated companies and trade investments

During the year under review, we increased our holding in Deutsche Bank (Asia) AG, Hamburg, from 75% to 100%. This institution is being integrated into Deutsche Bank AG in April 1988. The merger is intended to strengthen the bank's direct presence in the Asian region through a branch network of its own. In addition, we took a 24% stake in Roland Berger Verwaltungsgesellschaft mbH, Munich; in February 1988 we increased our share to 75.1%. We carried out relatively large capital increases at Deutsche Bank Bauspar-AG, Frankfurt am Main, and Deutsche Bank Australia Ltd., Melbourne.

Deutsche Kreditbank für Baufinanzierung AG, Cologne, is to be integrated into Deutsche Bank AG probably in April 1988. This will streamline further our activities in building financing and real estate business.

Securities business

Turnover in securities with private and institutional customers climbed to DM 143 bn. This was largely due to the increased turnover in foreign-

currency bonds, Schuldscheindarlehen and foreign shares. After expanding rapidly in the preceding years, business in domestic shares contracted by 16%. Demand for investment fund certificates almost matched the high pre-year level.

At the end of 1987, Deutsche Bank AG managed 1.2 million customers' safe-custody accounts with a market value of DM 143 bn. Once again, portfolio management for our customers met with lively interest.

Issuing business

Deutsche Bank AG acted mainly in a management capacity in capital increases for cash and new listings with a volume of DM 7.8 bn. In addition, we took part in the floatation of participatory notes and the issue of scrip shares for a number of well-known companies. In 1987 we were again a major participant in the issue of international shares and bonds.

International business

Despite unabating competition, we maintained our traditionally strong market position in foreign commercial business. The renewed increase in 1987 in foreign orders placed with the capital goods industry boosted demand for medium and long-term export finance. Almost half of our total export finance is in the strongly expanded forfaiting sector. We participated in a management capacity in the financing of major international projects.

Foreign exchange and precious metals

With market conditions still uncertain, we devoted special attention to advising our customers

on all questions concerning foreign exchange. Our customers made increasing use of currency options.

We were able to increase our position in precious metals business further under difficult market conditions. We were the sole German bank engaged by the Royal Mint to act as distributors for the new gold coin, the Britannia.

Organizational measures

In 1987, the computer systems of our investment banking offices throughout the world were linked with a new international computer centre with central databases for customer counselling and dealing.

The range of self-service equipment was augmented. Statement printers, which were quickly accepted by customers, are available at all branches of the bank. By installing more cash dispensers, which can now also be used by customers of foreign banks under the eurocheque system, we have widened international cooperation in customer service.

Income situation

For the sake of better comparability, we report on the development of our regular business in 1987 excluding the portion of the result contained in the pre-year figures that stemmed from the acquisition and further placement of the Flick holdings.

Comparable *income on business volume* (interest surplus) contracted in 1987 by DM 117.9 m. = 2.6% to DM 4,366.4 m.

Annual average business volume was DM 14.9 bn. = 10.1% higher at DM 163.0 bn. In terms of income, the growth of lending volume,

above all, made it possible to absorb almost the full effect of the narrowing of the overall interest margin by 0.32 percentage points to 2.56%. The decline in the overall interest margin took place in the first half of 1987. It was due to two main influences, which were also partly responsible for the decline in the operating result. Firstly, to eliminate the interest rate risk, the bank refinanced most of the strongly increased long-term lending business at matching maturities. And, secondly, investments in subsidiaries, associated companies and trade investments did not at first produce any income for the parent company. Profits were left at the Group subsidiaries to strengthen them internally; they are, however, included in the Consolidated Statement of Accounts.

Following the cuts in the discount rate, interest rates on loans and deposits were reduced. Despite the lower level of interest rates, interest income from lending and money market transactions rose by DM 394.4 m. and interest expenditure by DM 445.8 m. because of the increased volumes. Current income from fixed-interest securities decreased by DM 175.0 m. mainly as a result of reductions in the holdings. Dividend income from shares and subsidiaries, associated companies and trade investments (including profit-transfer agreements) rose DM 108.5 m. compared with 1986.

The *surplus from commissions and other service charges received* was DM 79.0 m. lower in 1987 at DM 1,502.0 m. Weaker commission and placement business in domestic shares was the main reason for the decline. The other sectors of securities business and commission trading in foreign exchange and foreign note and coin increased their income substantially.

In the following notes on staff and other operating expenses, the non-recurrent special pay

ment to the employees, which is contained in the pre-year figures, has not been taken into account.

On that basis, comparable *staff and other operating expenses* rose 6.1% in 1987 to DM 4,379.3 m. The increase in 1987 was lower than the comparable figure for the previous year (8.4%).

In the year under review, *staff expenses* were over DM 3 billion for the first time. The rise of DM 159.9 m. was due mainly to the flat overall increase by 3.8% (1986: 4.2%) in tariff salaries in the first half of 1987, the salary increase for non-tariff staff and the 2.8% growth in the average number of staff. *Salaries and wages* and *compulsory social security contributions* rose by an aggregate DM 143.1 m. to DM 2,603.8 m. *Expenses for pensions and other employee benefits* came to DM 408.7 m. (+ 4.3%).

Within the item *general operating expenses*, which grew by DM 62.0 m., there were incremental expenses above all for continuing technical modernization, maintenance and operating costs, and rentals for banking premises.

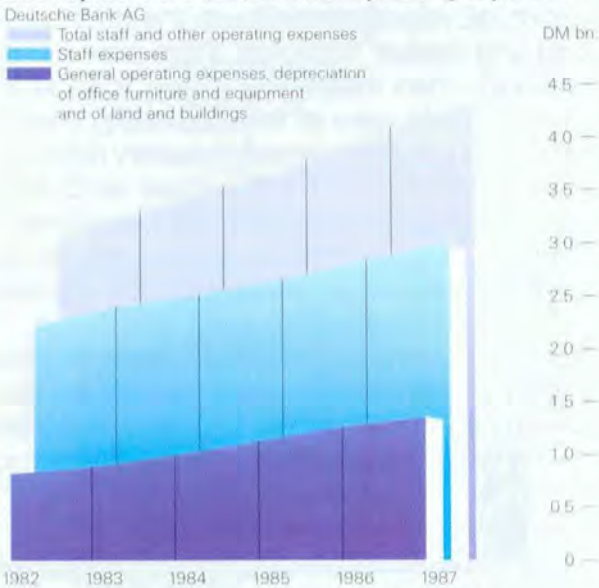
The buildings leased by the bank were worth DM 238.9 m. at year's end. Total leasing rentals of DM 22.2 m. were paid for these 8 properties. Rent for the building at Taunusanlage 12, Frankfurt am Main, which is rented from Deutsche Grundbesitz-Beteiligungsgesellschaft Dr. Rühl & Co. – Anlagefonds 1 – KG, Frankfurt am Main, amounted to DM 35.9 m.

Depreciation of and adjustments to land and buildings and office furniture and equipment came to DM 348.8 m. (1986: DM 299.9 m.). The increase by DM 30.1 m. to DM 299.3 m. in the normal depreciation this item includes was largely connected with declining-balance depreciation on purchased EDP equipment. Special depreciation came to DM 49.5 m.

Owing to the lower interest and commission surplus and the higher staff and other operating expenses, the comparable *partial operating result*, excluding the bank's own-account trading, declined by 23.2% in 1987.

Profits on own-account trading in securities were considerably lower than the exceptionally high figures for the previous years, above all as a result of the slump in prices on the international stock markets in October 1987. In the preceding ten years, this sector – together with the successful commission and placement business in securities – had played a major part in the unbroken improvement of the operating result. Following a gratifying increase in 1987, profits from own-account trading in foreign exchange reached a new high. Income from precious metals trading stabilized at the notable level of the preceding year.

Development of staff and other operating expenses



The overall *operating result* of Deutsche Bank AG (surplus on current business, including own-account trading) fell 41.0% compared with 1986. As in the past, the write-downs required as of balance sheet date on trading holdings of securities have been offset against capital gains, and hence in the operating result.

In the year under review, the bank again made full use of the possibility provided under Section 4 of the Order concerning Banks' Statements of Accounts to offset profits from securities and income from adjustments no longer required against write-downs of and adjustments to claims and securities. "*Other income*" is then reported at DM 503.4 m. (1986: DM 347.8 m.).

After the offsetting described above, *write-downs of and adjustments to claims and securities, transfers to provisions for possible loan losses* amounted to DM 534.5 m. All securities holdings are, as usual, valued according to the strict "lower of cost and market" principle. Total provisioning for possible loan losses was lower than in the previous year. In view of the continuing international debt crisis, provisions for country risks were increased further. The bank hedged all D-Mark provisions for dollar-denominated commitments in the matching currency, so that exchange rate fluctuations no longer influence our provisioning ratio for country risks.

Commitments in lending business were valued with the usual care. Appropriate adjustments and provisions were formed for all discernible risks. The bank in no case exceeded the limits to cautious valuation permissible under tax law. The general provisions prescribed by the Federal Banking Supervisory Office were made for latent risks. In addition, there is a taxed valuation reserve

pursuant to Section 26a of the German Banking Act.

The *other expenses* of DM 279.9 m. (1986: DM 426.3 m.) contain depreciation of leasing equipment and allocations to provisions not relating to lending business.

Pre-tax profit amounted to DM 972.4 m. in 1987.

As in past years, the bank took advantage of all possibilities to allocate funds to the special items with partial-reserve character in accordance with Section 6b of the Income Tax Act (1987: DM 146.5 m.).

Taxes on income and assets fell to DM 529.2 m.

Proposed appropriation of profits

It is proposed to the shareholders that a dividend of DM 12 per share of DM 50 par value be resolved, i.e. DM 425,431,512, on the share capital of DM 1,772,631,300. The new shares from the capital increase are entitled to the full dividend for the 1987 financial year. The total dividend payment is therefore DM 35.8 m. higher.

Together with imputable corporation tax of DM 6.75 per share, the total income for our domestic shareholders is DM 18.75 per DM 50 share.

Outlook for 1988

The 1988 result will depend above all on the further development of interest business and on the situation on the international stock markets. In

our lending business, there are signs of continuing brisk demand. In the first weeks of the current financial year, the price recovery on the international equity markets produced an improved result on securities business as a whole. We will

maintain our efforts to limit the rise in staff and other operating expenses.

We are confident that our business endeavours will lead to a satisfactory Annual Statement of Accounts for 1988.

Report of the Supervisory Board



Report of the Supervisory Board

At the Supervisory Board meetings last year, and in individual conversations, we obtained detailed information on the bank's situation and on the fundamental questions of business policy and discussed them with the Board of Managing Directors. Besides the development of the balance sheet and the profit and loss account, the matters discussed included the Group's lending business with its risks at home and abroad, securities business and the stock market situation, new services, the further development of payment business and new directions in management consultancy, both in the national and international sectors.

The cyclical and monetary situation was the subject of extensive reports and discussion. We examined important individual business transactions and dealt with the matters submitted to us for approval in accordance with legal requirements or the Articles of Association. Furthermore, general and specific questions of personnel policy were discussed by the Supervisory Board.

At its meetings, the Credit Committee of the Supervisory Board discussed, with the Board of Managing Directors, loans that had to be submitted in accordance with law and the Articles of Association as well as all larger-sized loans and those entailing greater risks and – where necessary – gave its approval.

Treuverkehr Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, which was elected auditor of the annual accounts by the

General Meeting, has inspected the accounting, the annual financial statements and the Management Report and given them its unqualified certificate. We agree with the result of this inspection.

Furthermore, we have examined the Annual Statement of Accounts as of December 31, 1987, the Management Report and the proposed appropriation of profits. We had no objections.

The Consolidated Statement of Accounts, the Report of the Group and the Report of the Auditor of the Consolidated Statement of Accounts have been submitted to us.

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

At a special meeting on December 1, 1987, Dr. Rolf-E. Breuer and Mr. Georg Krupp, until then Deputy Members of the Board of Managing Directors, were appointed full Members of the Board of Managing Directors.

At the same meeting Dr. Michael Endres, until then Managing Director of Deutsche Bank Capital Markets Limited, London, Dr. Jürgen Krumnow, until then Executive Vice President of the bank, and Ms. Ellen R. Schneider-Lenné, until then Senior Vice President of the bank, were appointed Deputy Members of the Board of Managing Directors.

Frankfurt am Main, March 28, 1988

The Supervisory Board



Chairman



Annual Balance Sheet as of December 31, 1987

**Profit and Loss Account
for the period from January 1 to December 31, 1987**

**Tables on the development of the bank
from January 1, 1952 to December 31, 1987*)**

- Figures from the Balance Sheet and
Profit and Loss Account**
- Growth of Capital and Reserves**

*) not part of the Annual Statement of Accounts

Assets

Deutsche Bank Aktiengesellschaft

| | DM | DM | 31. 12. 1986 in DM 1,000 |
|---|-------------------|------------------------|-----------------------------|
| Cash on hand | | 611,066,752 | 620,691 |
| Balance with Deutsche Bundesbank | | 6,926,407,751 | 5,592,579 |
| Balances on postal giro accounts | | 9,746,941 | 17,360 |
| Cheques, matured bonds, interest and dividend coupons, items received for collection | | 196,058,605 | 277,639 |
| Bills of exchange | | 1,785,134,025 | 1,784,050 |
| including: | | | |
| a) rediscountable at Deutsche Bundesbank | DM 1,037,869,725 | | |
| b) own drawings | DM 67,537,796 | | |
| Claims on banks | | | |
| a) payable on demand | 6,401,999,926 | | 9,826,122 |
| b) with original periods or periods of notice of | | | |
| ba) less than three months | 12,637,653,508 | | 14,554,100 |
| bb) at least three months, but less than four years | 19,924,157,225 | | 16,294,819 |
| bc) four years or more | 5,697,686,549 | | 5,423,357 |
| | | 44,661,497,208 | 46,098,398 |
| Treasury bills and discountable Treasury notes | | | |
| a) of the Federal and Länder Governments | 1,924,080 | | 20,767 |
| b) of other issuers | 2,284,814,901 | | 2,118,513 |
| | | 2,286,738,981 | 2,139,280 |
| Bonds and notes | | | |
| a) with a life of up to four years | | | |
| aa) of the Federal and Länder Governments | DM 978,228,974 | | |
| ab) of banks | DM 910,936,265 | | |
| ac) of other issuers | DM 77,924,982 | 1,967,090,221 | 2,071,714 |
| including: | | | |
| eligible as collateral for | | | |
| Deutsche Bundesbank advances | DM 1,562,949,963 | | |
| b) with a life of more than four years | | | |
| ba) of the Federal and Länder Governments | DM 1,833,226,187 | | |
| bb) of banks | DM 2,347,852,783 | | |
| bc) of other issuers | DM 1,400,959,249 | 5,582,038,219 | 7,701,036 |
| including: | | | |
| eligible as collateral for | | | |
| Deutsche Bundesbank advances | DM 3,481,788,931 | 7,549,128,440 | 9,772,750 |
| Securities not to be shown elsewhere | | | |
| a) shares marketable on a stock exchange and investment fund certificates | 4,953,343,710 | | 4,607,665 |
| b) other | 132,921,791 | | 29,335 |
| including: holdings of more than one tenth of the shares of a joint stock corporation or a mining company, unless shown as Subsidiaries, associated companies and trade investments | DM 97,487,733 | 5,086,265,501 | 4,637,000 |
| Claims on customers with original periods or periods of notice of | | | |
| a) less than four years | 39,401,725,199 | | 38,978,247 |
| b) four years or more | 47,266,765,271 | | 40,712,059 |
| including: | | | |
| ba) secured by mortgages on real estate | DM 9,821,802,770 | 86,668,490,470 | 79,690,306 |
| bb) communal loans | DM 1,993,117,973 | | |
| due in less than four years | DM 21,583,869,000 | | |
| Recovery claims on Federal and Länder authorities under Currency Reform Acts | | 169,354,105 | 184,824 |
| Loans on a trust basis at third party risk | | 177,924,461 | 172,881 |
| Subsidiaries, associated companies and trade investments | | 6,430,120,131 | 6,452,704 |
| including: investments in banks | DM 4,106,405,670 | | |
| Land and buildings | | 1,039,110,900 | 912,267 |
| Office furniture and equipment | | 656,195,000 | 641,310 |
| Own bonds and notes | | 42,479,661 | 98,862 |
| nominal amount | DM 33,015,750 | | |
| Other assets | | 768,140,275 | 745,258 |
| Deferred items | | | |
| a) Difference in accordance with Section 250 (3) of the Commercial Code | 102,255,676 | | 69,714 |
| b) other deferred items | 31,473,515 | | 19,883 |
| | | 133,729,191 | 89,597 |
| Total Assets | | 165,197,588,398 | 159,927,756 |
| Total Assets and the recourse claims from the contingent liabilities shown below the line on the liabilities side include: | | | |
| a) claims on related companies | | 15,331,634,360 | 14,742,366 |
| b) claims arising from loans falling under Section 15 (1) 1- 6 and (2) of the Banking Act, unless included under a) | | 617,028,435 | 585,904 |

Balance Sheet as of December 31, 1987

Liabilities

| | DM | DM | DM | 31. 12. 1986 in DM 1,000 |
|--|-------------------|----------------|-----------------|-----------------------------|
| Liabilities to banks | | | | |
| a) payable on demand | | 10,030,689,096 | | 12,498,346 |
| b) with original periods or periods of notice of | | | | |
| ba) less than three months | 8,329,848,909 | | | |
| bb) at least three months, but less than four years | 16,480,678,620 | | | |
| bc) four years or more | 20,046,642,366 | 44,857,169,895 | | 39,720,535 |
| including: due in less than four years | DM 10,478,677,000 | | | |
| c) customers' drawings on other banks | | 138,909,432 | | 141,329 |
| | | | 55,026,768,422 | 52,360,210 |
| Liabilities to customers | | | | |
| a) payable on demand | | 21,818,881,706 | | 21,705,214 |
| b) with original periods or periods of notice of | | | | |
| ba) less than three months | 18,128,117,041 | | | |
| bb) at least three months, but less than four years | 5,468,666,254 | | | |
| bc) four years or more | 10,563,770,565 | 34,160,553,860 | | 36,163,561 |
| including: due in less than four years | DM 9,419,905,000 | | | |
| c) savings deposits | | | | |
| ca) subject to legal period of notice | 14,782,628,312 | | | |
| cb) other | 11,483,348,315 | 26,265,976,627 | | 24,551,162 |
| | | | 82,245,412,193 | 82,419,937 |
| Bonds and notes with a life of | | | | |
| a) up to four years | | 497,500 | | 522 |
| b) more than four years | | 7,304,276,500 | | 5,560,655 |
| including: maturing in less than four years | DM 5,465,995,500 | | 7,304,774,000 | 5,561,177 |
| Own acceptances and promissory notes outstanding | | | 2,815,314,274 | 2,570,667 |
| Loans on a trust basis at third party risk | | | 177,924,461 | 172,881 |
| Provisions | | | | |
| a) for pensions | | 1,921,195,800 | | 1,789,961 |
| b) other | | 4,288,607,346 | | 5,041,524 |
| | | | 6,709,803,146 | 6,831,485 |
| Other liabilities | | | 203,451,754 | 191,274 |
| Endowments and benevolent funds | | | | |
| Endowment assets | | 7,173,572 | | 7,221 |
| less investments in securities | | 6,997,938 | | 7,198 |
| | | | 175,634 | 23 |
| Deferred items | | | 881,500,793 | 950,223 |
| Special items with partial reserve character | | | | |
| a) in accordance with the Tax Act regarding Developing Countries | | 4,298,932 | | 5,818 |
| b) in accordance with Section 6b of the Income Tax Act | | 125,313,630 | | 27,526 |
| c) replacements reserve | | | | 774 |
| d) in accordance with Section 3 of the Foreign Investment Act | | 966,000 | | 2,234 |
| | | | 130,578,562 | 36,352 |
| Subscribed capital (bearer shares) | | | 1,772,631,300 | 1,623,365 |
| Conditional capital DM 599,579,900 | | | | |
| Capital reserve | | 4,144,836,599 | | |
| Allocations in accordance with Section 272 (2) of the Commercial Code | | 1,345,604,825 | 5,490,441,424 | 4,144,837 |
| Revenue reserves | | | | |
| a) legal reserve | | 25,000,000 | | 25,000 |
| b) other revenue reserves | | 2,488,380,923 | | 2,488,381 |
| | | | 2,513,380,923 | 2,513,381 |
| Distributable profit | | | 425,431,512 | 551,944 |
| | | | | |
| Total Liabilities | | | 165,197,588,398 | 159,927,756 |
| | | | | |
| Own drawings in circulation | | | 18,890,200 | 18,351 |
| including: those discounted for borrowers' account | DM 18,890,200 | | | |
| Endorsement liabilities on rediscounted bills of exchange | | | 3,506,837,576 | 4,148,097 |
| Contingent liabilities from guarantees, including guarantees for bills and cheques, and from indemnity agreements (cf. also the Notes to the Annual Statement of Accounts) | | | 21,023,301,908 | 18,939,782 |
| Commitments (not to be shown under liabilities) from the sale of assets subject to repurchase agreements | | | 52,173,666 | 86,783 |
| Total Liabilities, together with contingent liabilities and other commitments shown below the line, include liabilities to related companies of | | | 21,423,907,702 | 15,955,549 |

Expenses

Deutsche Bank Aktiengesellschaft

| | DM | DM | 1986 in 1,000 DM |
|--|-------------------|-----------------------|---------------------|
| Interest and similar expenses | | 5,754,959,597 | 5,309,185 |
| Commissions and similar service charges paid | | 67,124,653 | 55,230 |
| Write-downs of and adjustments to claims and securities, transfers to provisions for possible loan losses | | 534,533,540 | 503,969 |
| Salaries and wages | | 2,260,178,235 | 2,265,662 |
| Compulsory social security contributions | | 343,621,705 | 331,986 |
| Expenses for pensions and other employee benefits | | 408,652,330 | 391,967 |
| General operating expenses | | 1,067,545,192 | 1,005,530 |
| Depreciation of and adjustments to land and buildings and office furniture and equipment | | 348,754,950 | 299,845 |
| Write-downs of and adjustments to subsidiaries, associated companies and trade investments | | 115,036,064 | 112,036 |
| Taxes | | | |
| a) on income and assets | 529,241,905 | | 1,237,076 |
| b) other | <u>17,752,714</u> | | <u>5,917</u> |
| | | 546,994,619 | 1,242,993 |
| Expenses from assumption of loss | | 97,965,539 | 28,926 |
| Allocations to Special items with partial reserve character | | 146,486,764 | 29,718 |
| Other expenses | | 279,960,774 | 426,265 |
| Net income for the year | | 425,431,512 | 823,697 |
| Total Expenses | | 12,397,245,474 | 12,827,009 |

| | |
|--|--|
| Net income for the year | |
| Withdrawals from revenue reserves from the reserve for own shares | |
| Allocations to revenue reserves | |
| a) legal reserve | |
| b) other revenue reserves | |
| Distributable profit | |

Income

| DM | DM | 1986 DM | 1986 DM |
|----|--------------------|--------------------|--------------------|
| | 425,431,512 | | 823,696,549 |
| | <u>425,431,512</u> | | <u>28,247,500</u> |
| | | | 851,944,049 |
| | - | - | |
| | <u>-</u> | <u>300,000,000</u> | <u>300,000,000</u> |
| | <u>425,431,512</u> | | <u>551,944,049</u> |

Figures from the Balance Sheet of Deutsche Bank AG

Amounts in DM millions

| Balance Sheet | End of | 1987 | 1986 | 1985 | 1984 | 1983 | 1982 |
|--|--------|----------------|----------------|----------------|----------------|----------------|----------------|
| Assets | | | | | | | |
| Cash reserve | | 7,547 | 6,231 | 7,266 | 5,940 | 5,235 | 5,455 |
| Bills of exchange | | 1,785 | 1,784 | 1,812 | 2,050 | 2,119 | 1,994 |
| Claims on banks | | 44,662 | 46,098 | 41,000 | 43,186 | 31,598 | 34,608 |
| Treasury bills and discountable Treasury notes | | 2,287 | 2,139 | 1,866 | 1,111 | 1,189 | 1,144 |
| Bonds and notes | | 7,549 | 9,773 | 10,183 | 10,765 | 9,436 | 7,709 |
| Securities not to be shown elsewhere | | 5,086 | 4,637 | 2,711 | 3,080 | 2,739 | 2,327 |
| Claims on customers | | 86,669 | 79,690 | 69,556 | 65,721 | 59,409 | 56,572 |
| short and medium-term | | 39,402 | 38,978 | 36,091 | 38,241 | 35,939 | 34,655 |
| long-term (four years or more) | | 47,267 | 40,712 | 33,465 | 27,480 | 23,470 | 21,917 |
| Loans on a trust basis at third party risk | | 178 | 173 | 154 | 218 | 207 | 212 |
| Subsidiaries, associated companies and trade investments | | 6,430 | 6,453 | 4,567 | 2,692 | 2,507 | 2,048 |
| Land and buildings | | 1,039 | 912 | 862 | 816 | 784 | 765 |
| Office furniture and equipment | | 656 | 641 | 558 | 415 | 324 | 308 |
| Other assets | | 768 | 746 | 671 | 1,434 | 1,424 | 1,341 |
| Remaining assets | | 542 | 651 | 699 | 460 | 813 | 1,013 |
| Balance Sheet Total | | 165,198 | 159,928 | 141,905 | 137,888 | 117,784 | 115,496 |
| Liabilities | | | | | | | |
| Liabilities to banks | | 55,027 | 52,360 | 44,149 | 45,899 | 38,226 | 37,396 |
| including: time deposits | | 44,996 | 39,862 | 32,437 | 35,331 | 29,411 | 28,621 |
| Liabilities to customers | | 82,745 | 82,420 | 76,687 | 73,599 | 64,425 | 63,080 |
| including: time deposits | | 34,160 | 36,164 | 34,593 | 33,100 | 27,130 | 26,614 |
| savings deposits | | 26,266 | 24,551 | 21,582 | 20,656 | 20,934 | 21,114 |
| Bonds and notes | | 7,305 | 5,561 | 3,407 | 2,553 | 1,545 | 2,659 |
| Own acceptances and promissory notes outstanding | | 2,815 | 2,571 | 2,017 | 2,122 | 1,662 | 1,395 |
| Provisions | | 6,210 | 6,831 | 6,190 | 5,615 | 4,382 | 3,618 |
| for pensions | | 1,921 | 1,790 | 1,678 | 1,569 | 1,453 | 1,291 |
| other | | 4,289 | 5,041 | 4,512 | 4,046 | 2,929 | 2,327 |
| Capital and reserves | | 9,776 | 8,282 | 7,745 | 6,235 | 5,518 | 5,374 |
| Subscribed capital | | 1,773 | 1,624 | 1,599 | 1,469 | 1,356 | 1,356 |
| Capital reserve | | 5,490 | 4,145 | 3,904 | 2,903 | 2,449 | 2,448 |
| Revenue reserves | | 2,513 | 2,513 | 2,242 | 1,863 | 1,713 | 1,570 |
| Remaining liabilities | | 1,395 | 1,351 | 1,326 | 1,512 | 1,701 | 1,676 |
| Distributable profit | | 425 | 552 | 384 | 353 | 325 | 298 |
| Balance Sheet Total | | 165,198 | 159,928 | 141,905 | 137,888 | 117,784 | 115,496 |
| Own drawings in circulation (discounted) | | 19 | 18 | 12 | 10 | 13 | 49 |
| Endorsement liabilities | | 3,506 | 4,148 | 4,914 | 5,520 | 4,960 | 4,525 |
| Business Volume | | 168,723 | 164,094 | 146,831 | 143,418 | 122,757 | 120,070 |

| | | | | | | |
|--|--------|--------|--------|--------|--------|--------|
| Contingent liabilities from guarantees, etc. | 21,023 | 18,940 | 19,817 | 21,039 | 21,005 | 21,013 |
|--|--------|--------|--------|--------|--------|--------|

Figures from the Profit and Loss Account of Deutsche Bank AG

| | for the year | 1987 | 1986 | 1985 | 1984 | 1983 | 1982 |
|--|--------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Income on business volume (Interest surplus) | | 4,366 | 5,465 | 4,317 | 4,217 | 4,146 | 3,810 |
| Income on services business (Commission surplus) | | 1,502 | 1,581 | 1,394 | 1,167 | 1,076 | 941 |
| Staff and other operating expenses | | 4,379 | 4,264 | 3,809 | 3,545 | 3,316 | 3,076 |
| Taxes | | 547 | 1,243 | 1,324 | 937 | 940 | 757 |
| Net income for the year | | 425 | 824 | 762 | 503 | 469 | 302 |
| Allocations to revenue reserves | | | 272 | 378 | 150 | 144 | 4 |
| Distributable profit | | 425 | 552 | 384 | 353 | 325 | 298 |
| Dividend in DM per share or in % ¹⁾ | | 12. | 12 | 12. | 12.— | 12. | 11.— |
| bonus | | | 5.— | | | | |
| ¹⁾ plus tax credit for shareholders with unlimited domestic tax liability | | (6.75) | (9.56) | (6.75) | (6.75) | (6.75) | (6.19) |
| Number of staff at year's end | | 43,951 | 42,928 | 41,674 | 41,126 | 40,570 | 40,325 |

| 1981 | 1980 | 1979 | 1978 | 1977 | 1975 | 1970 | 1960 | 1956 | 1.1. 1952 |
|---------|---------|--------|--------|--------|--------|--------|--------|-------|--------------|
| 6,679 | 7,524 | 9,722 | 6,723 | 5,401 | 4,735 | 2,763 | 1,388 | 699 | 417 |
| 2,462 | 2,939 | 2,359 | 6,311 | 6,219 | 6,279 | 4,095 | 2,109 | 1,897 | 598 |
| 34,246 | 26,165 | 26,261 | 26,433 | 21,988 | 13,274 | 4,303 | 983 | 686 | 347 |
| 614 | 612 | 524 | 387 | 96 | 147 | 408 | 482 | 54 | 64 |
| 6,569 | 6,374 | 4,949 | 5,243 | 3,940 | 2,077 | 1,482 | 557 | 333 | 3 |
| 2,249 | 2,158 | 2,005 | 1,774 | 1,846 | 1,530 | 1,325 | 706 | 352 | 60 |
| 56,089 | 52,874 | 47,710 | 40,406 | 34,301 | 25,002 | 14,785 | 4,128 | 2,805 | 1,690 |
| 31,161 | 26,995 | 23,326 | 19,281 | 17,120 | 14,859 | 8,893 | 3,696 | 2,396 | 1,458 |
| 24,928 | 25,879 | 24,384 | 21,125 | 17,181 | 10,143 | 5,892 | 432 | 409 | 232 |
| 227 | 233 | 238 | 272 | 281 | 72 | 52 | 65 | 87 | 46 |
| 1,829 | 1,681 | 1,554 | 1,463 | 1,396 | 1,173 | 534 | 80 | 54 | 9 |
| 731 | 757 | 759 | 765 | 742 | 643 | 345 | 154 | 118 | 61 |
| 293 | 276 | 269 | 266 | 240 | 191 | 101 | — | — | 20 |
| 1,471 | 1,760 | 1,348 | 1,152 | 1,261 | 891 | 462 | 10 | 33 | 1 |
| 1,014 | 893 | 1,079 | 935 | 897 | 875 | 777 | 560 | 503 | 442 |
| 114,473 | 104,246 | 98,777 | 92,130 | 78,608 | 56,839 | 31,432 | 11,222 | 7,621 | 3,758 |

| | | | | | | | | | |
|---------|---------|---------|--------|--------|--------|--------|--------|-------|-------|
| 35,732 | 34,016 | 32,708 | 30,245 | 23,419 | 13,401 | 6,776 | 1,744 | 1,810 | 589 |
| 27,153 | 26,752 | 26,392 | 24,358 | 17,422 | 8,324 | 3,618 | 692 | 1,149 | 391 |
| 64,698 | 57,157 | 53,264 | 50,215 | 44,950 | 37,395 | 22,397 | 8,475 | 5,092 | 2,652 |
| 30,654 | 23,296 | 20,411 | 17,210 | 14,282 | 9,123 | 7,331 | 2,551 | 1,652 | 731 |
| 20,353 | 19,628 | 18,912 | 19,055 | 18,123 | 16,613 | 8,187 | 2,200 | 964 | 197 |
| 3,081 | 3,635 | 4,725 | 4,663 | 3,982 | 1,220 | — | — | — | — |
| 1,382 | 1,133 | 585 | 336 | 362 | 21 | 70 | 51 | 15 | 119 |
| 2,867 | 2,292 | 1,959 | 1,673 | 1,453 | 1,131 | 522 | 281 | 209 | 188 |
| 1,269 | 1,148 | 1,038 | 961 | 877 | 742 | 364 | 146 | 127 | 76 |
| 1,598 | 1,144 | 921 | 712 | 576 | 389 | 158 | 135 | 82 | 112 |
| 4,873 | 4,398 | 4,278 | 3,890 | 3,450 | 3,000 | 1,360 | 550 | 350 | 141 |
| 1,232 | 1,114 | 1,114 | 1,040 | 960 | 900 | 480 | 250 | 200 | 100 |
| 2,075 | 1,720 | 1,720 | 1,496 | 1,256 | 1,076 | 161 | 41 | 41 | 39 |
| 1,566 | 1,564 | 1,444 | 1,354 | 1,234 | 1,024 | 719 | 259 | 109 | 2 |
| 1,599 | 1,392 | 1,064 | 921 | 819 | 491 | 221 | 81 | 120 | 69 |
| 241 | 223 | 194 | 187 | 173 | 180 | 86 | 40 | 25 | — |
| 114,473 | 104,246 | 98,777 | 92,130 | 78,608 | 56,839 | 31,432 | 11,222 | 7,621 | 3,758 |
| 73 | 31 | 7 | 7 | — | — | — | — | — | — |
| 3,604 | 3,165 | 2,231 | 158 | 127 | 125 | 640 | 167 | 317 | 794 |
| 118,150 | 107,442 | 101,015 | 92,295 | 78,735 | 56,964 | 32,072 | 11,389 | 7,938 | 4,552 |

| | | | | | | | | | |
|--------|--------|--------|--------|--------|--------|-------|-------|-----|-----|
| 21,182 | 18,245 | 16,307 | 16,503 | 15,515 | 11,927 | 4,185 | 1,473 | 816 | 461 |
|--------|--------|--------|--------|--------|--------|-------|-------|-----|-----|

| 1981 | 1980 | 1979 | 1978 | 1977 | 1975 | 1970 | 1960 | 1956 | 1952 |
|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| 3,412 | 2,812 | 2,385 | 2,099 | 1,955 | 1,697 | 901 | | | |
| 892 | 807 | 698 | 655 | 591 | 515 | 249 | | | |
| 2,868 | 2,687 | 2,398 | 2,197 | 2,007 | 1,647 | 884 | | | |
| 553 | 482 | 448 | 423 | 333 | 279 | 96 | | | |
| 242 | 343 | 284 | 307 | 283 | 281 | 116 | 90 | 50 | |
| 1 | 120 | 90 | 120 | 110 | 101 | 30 | 50 | 25 | |
| 241 | 223 | 194 | 187 | 173 | 180 | 86 | 40 | 25 | |
| 10.— | 10.— | 9.— | 9.— | 9. | 10. | 9.— | 16% | 12% | |
| (5.63) | (5.63) | (5.06) | (5.06) | (5.06) | | | | | |
| 39,836 | 39,242 | 39,081 | 37,729 | 36,034 | 35,994 | 33,070 | 19,106 | 16,597 | 12,080 |

Growth of Capital and Reserves

Deutsche Bank AG



| | Subscribed capital DM | Capital reserve DM | Revenue reserves DM | Capital and reserves DM |
|---|-----------------------------|-----------------------------|-----------------------------|-------------------------------|
| January 1, 1952 (opening balance sheet) | 100,000,000 | 39,118,794 | 1,381,206 | 140,500,000 |
| 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 |
| Allocations from net income 1952-1956 and from the Conversion Account | | 1,500,000 | 108,000,000 | 109,500,000 |
| December 31, 1956 | 200,000,000 | 40,618,794 | 109,381,206 | 350,000,000 |
| Capital increase: 1958 (1 for 4 at par) | 50,000,000 | | | 50,000,000 |
| Capital increase: 1961 (1 for 5 at par) | 50,000,000 | | | 50,000,000 |
| Capital increase: 1965 (1 for 6 at par) | 50,000,000 | | | 50,000,000 |
| Capital increase: 1966 (1 for 7 at par) | 50,000,000 | | | 50,000,000 |
| Capital increase: 1968 (1 for 5 at DM 125 per share of DM 50) | 80,000,000 | 120,000,000 | | 200,000,000 |
| Capital increase: 1971 (1 for 6 at DM 140 per share of DM 50) | 80,000,000 | 144,000,000 | | 224,000,000 |
| Capital increase: 1972 (1 for 7 at DM 150 per share of DM 50) | 80,000,000 | 160,000,000 | | 240,000,000 |
| Capital increase: 1973 (1 for 8 at DM 150 per share of DM 50) | 80,000,000 | 160,000,000 | | 240,000,000 |
| Capital increase: 1975 (1 for 4 at DM 175 per share of DM 50) | 180,000,000 | 450,000,000 | | 630,000,000 |
| Capital increase: 1977 (1 for 15 at DM 200 per share of DM 50) | 60,000,000 | 180,000,000 | | 240,000,000 |
| Capital increase: 1978 (1 for 12 at DM 200 per share of DM 50) and exercise of option rights | 80,132,900 | 240,427,359 | | 320,560,259 |
| Capital increase: 1979 (1 for 15 at DM 200 per share of DM 50) | 74,000,000 | 223,249,108 | | 297,249,108 |
| Capital increase: 1980 by exercise of option rights | 1,000 | 3,334 | | 4,334 |
| Allocations from net income 1957-1980 | | 1,147,563 | 1,451,852,437 ¹⁾ | 1,456,000,000 |
| December 31, 1980 | 1,114,133,900 | 1,719,446,158 | 1,564,233,643 | 4,397,813,701 |
| Capital increase: 1981 (1 for 10 at DM 200 per share of DM 50) | 118,000,000 | 355,649,340 | | 473,649,340 |
| Allocation from net income 1981 for own shares | | | 1,440,396 | 1,440,396 |
| December 31, 1981 | 1,232,133,900 | 2,075,095,498 | 1,565,674,039 | 4,872,903,437 |
| Capital increase: 1982 (1 for 10 at DM 200 per share of DM 50) | 124,000,000 | 373,372,489 | | 497,372,489 |
| Allocation from net income 1982 for own shares | | | 3,977,474 | 3,977,474 |
| December 31, 1982 | 1,356,133,900 | 2,448,467,987 | 1,569,651,513 | 5,374,253,400 |
| Withdrawals for own shares | | | 6,270,590 | 6,270,590 |
| Allocation from net income 1983 (after withdrawals for own shares) | | | 150,000,000 | 150,000,000 |
| December 31, 1983 | 1,356,133,900 | 2,448,467,987 | 1,713,380,923 | 5,517,982,810 |
| Capital increase: 1984 (1 for 12 at DM 250 per share of DM 50) and sale of convertible bonds not subscribed | 113,011,200 | 454,224,326 | | 567,235,526 |
| Allocation from net income 1984 | | | 150,000,000 | 150,000,000 |
| December 31, 1984 | 1,469,145,100 | 2,902,692,313 | 1,863,380,923 | 6,235,218,336 |
| Capital increase: 1985 (1 for 15 at DM 450 per share of DM 50) and exercise of option rights | 129,917,800 | 1,001,497,382 | | 1,131,415,182 |
| Allocation from net income 1985 | | | 350,000,000 | 350,000,000 |
| Allocation from net income 1985 for own shares | | | 28,247,500 | 28,247,500 |
| December 31, 1985 | 1,599,062,900 | 3,904,189,695 | 2,241,628,423 | 7,744,881,018 |
| Premium from bonds with warrants issued by DB Finance N.V., Curaçao, in 1986 | | 142,000,000 | | 142,000,000 |
| Capital increase in 1986 by exercise of option rights and sale of shares not subscribed from the capital increase in 1985 | 24,301,950 | 98,646,904 | | 122,948,854 |
| Withdrawals for own shares | | | - 28,247,500 | - 28,247,500 |
| Allocation from net income 1986 (after withdrawals for own shares) | | | 300,000,000 | 300,000,000 |
| December 31, 1986 | 1,623,364,850 | 4,144,836,599 | 2,513,380,923 | 8,281,582,372 |
| Capital increase: 1987 (1 for 15 at DM 450 per share of DM 50) and exercise of option rights plus sale of shares not subscribed from the capital increase | 149,266,450 | 1,104,957,225 | | 1,254,223,675 |
| Premium from bonds with warrants issued by DB Finance N.V., Curaçao, in 1987 | | 240,647,600 | | 240,647,600 |
| December 31, 1987 | 1,772,631,300 | 5,490,441,424 ²⁾ | 2,513,380,923 | 9,776,453,647 |

¹⁾ included therein: Reserve for own shares DM 852,720

²⁾ included therein: Allocations from the Conversion Account DM 41,766,357

Notes to the Annual Statement of Accounts

Subsidiaries, associated companies and trade investments

At DM 6.4 bn., our *subsidiaries, associated companies and trade investments* are shown almost unchanged from the preceding year (– DM 23 m.).

Additions came to DM 434.6 m.; DM 205.3 m. of this relates to purchases and DM 192.2 m. to capital increases and capital payments.

Sales and other divestments amounted to DM 342.2 m. Subsidiaries, associated companies and trade investments had to be written down by DM 115.0 m.

The shareholdings of Deutsche Bank AG pursuant to Section 285 No.11 of the Commercial Code are published on pages 125 – 131 of the Annual Report as a separate list which forms part of the Notes.

Fixed and intangible assets

Land and buildings are reported DM 126.8 m. higher at DM 1,039.1 m. The total additions of DM 235.2 m. contained DM 143.3 m. in building costs for new buildings and conversions for which capitalization is compulsory, and DM 80.6 m. for land purchases. These include purchases of DM 12.1 m. to save mortgage rights; in addition, DM 11.3 m. was rebooked to land and buildings. Depreciation came to DM 53.4 m. A sum of DM 49.5 m. was withdrawn from the special item with partial reserve character and offset against the additions, DM 48.7 m. of this pursuant to Section 6b of the Income Tax Act and DM 0.8 m. in accordance with the Directives on Replacements Reserves. Disposals of land and buildings amounted to DM 5.5 m.

Office furniture and equipment is shown at DM 656.2 m. (+ DM 14.9 m.). The additions of DM 261.0 m. relate primarily to extensive investment in the EDP sector. Minor items written off immediately account for DM 13.7 m. Total depreciation came to DM 245.9 m., disposals to DM 0.2 m.

In the year under review, expenditure on user software, amounting to DM 3.2 m., was capitalized for the first time under *other assets*. After offsetting depreciation of DM 0.5 m., the figure at year's end was DM 2.7 m.

Own shares

The 115,598 Deutsche Bank shares of DM 50 each which we bought in the first months of 1987 at an average price of DM 584.91 were used in May 1987 for the issue of staff shares at a preferential price of DM 319 each. The purchases also include shares which we bought and settled on behalf of and for the account of our domestic subsidiaries for issue by them.

The difference of DM 27.4 m., which is borne by the bank, is included in staff expenses.

Over and above this, we and companies related to us bought and resold 3,862,233 Deutsche Bank shares of DM 50 each at current market prices in the course of 1987 pursuant to Section 71 (1) 1 of the Joint Stock Corporation Act to protect the efficiency of the market in our shares. The average purchase price was DM 637.77, the average selling price was DM 635.05.

The shares of our bank bought and sold in this connection during 1987 correspond to 10.89% of our share capital; the largest holding on any one day was 0.34%, the average daily holding was 0.09% of our share capital.

At the end of 1987, the bank held none of its own shares.

As of 31.12.1987, 195,360 Deutsche Bank shares of DM 50 each were pledged to the bank and its related companies as security for loans; they represent 0.55% of our share capital.

Capital and reserves

In June 1987, capital was increased by a nominal amount of DM 130 m. from authorized capital at a subscription price of DM 450 per DM 50 share. On December 31, 1987, subscribed capital (bearer shares) comes to DM 1,772,631,300. It is divided into 300,000 shares in the nominal amount of DM 1,000; 500,000 shares in the nominal amount of DM 100; and 28,452,626 shares in the nominal amount of DM 50. On December 31, 1987 there was – in addition to the DM 40 m. unutilized authorized capital resulting from the authorization of May 1983 – further authorized capital amounting to DM 75 m. from the authorization of May 1987. In the latter case, the shareholders' pre-emptive rights are excluded.

The balance sheet item "Bonds and notes" includes DM 750 m. convertible bonds which can be exchanged for Deutsche Bank shares during the period from 2.1.1990 – 15.12.1994 at a subscription price of DM 250 per DM 50 share; the conditional capital for this purpose amounts to DM 150.0 m. The convertible bond issue is divided into 65,000 bonds in the nominal amount of DM 10,000; 80,000 bonds in the nominal amount of DM 1,000; and 80,000 bonds in the nominal amount of DM 250.

The following bonds with stock warrants were issued through our subsidiaries Deutsche Bank Luxembourg S.A., Luxembourg, and Deutsche Bank Finance N.V., Curaçao; the attached warrants entitle the holder to subscribe to Deutsche

Bank shares. For this purpose there was conditional capital of DM 449.6 m. at year's end:

4½% bonds with warrants of 1977 issued by Deutsche Bank Luxembourg S.A., Luxembourg, in the amount of \$ 125 m.; the period for the exercise of the subscription rights ended on March 31, 1987; in 1987, 385,307 Deutsche Bank shares = DM 19.3 m. (nominal) were acquired pursuant to subscription rights.

3¾% and 6¼% bonds with warrants of 1983 issued by Deutsche Bank Luxembourg S.A., Luxembourg, in the amount of DM 240 m. and \$ 100 m. respectively; warrants are attached to each DM 1,000 bond and each \$ 1,000 bond, entitling the bearer to subscribe for 3 or 7 Deutsche Bank shares respectively at a subscription price of DM 321.33 per DM 50 share. The subscription period ends on 18.6.1991; in 1987, 22 Deutsche Bank shares = DM 1,100 (nominal) were acquired pursuant to subscription rights.

6¼% bonds with warrants of 1986 issued by Deutsche Bank Finance N.V., Curaçao, in the amount of DM 710 m.; 2 warrants are attached to each DM 5,000 bond, entitling the bearer to subscribe for 1 and 6 Deutsche Bank shares at a subscription price of DM 793 per DM 50 share. The subscription period ends on 28.2.1996.

5% and 4¼% bonds with warrants of 1987 issued by Deutsche Bank Finance N.V., Curaçao, in the amount of DM 750 m. and SF 200 m. respectively; warrants are attached to each DM 5,000 bond and each SF 5,000 bond, entitling the bearer to subscribe for 9 Deutsche Bank shares at a subscription price of DM 680 per DM 50 share. The subscription period ends on 15.12.1992.

Liabilities not shown in the balance sheet

In proportion to our holdings in associated banks whose business is similar to ours or materially supplements our range of services, as well as holdings in companies which, as independent auxiliary business entities, relieve the bank of administrative work not of a typically banking nature, we ensure, except in the case of political risk, that the companies concerned are able to meet their liabilities.

Liabilities for possible calls on not fully paid-up shares in public and private limited companies and on other shares amounted to DM 103 m. at the end of 1987. There were joint liabilities pursuant to Section 24 of the GmbH Act amounting to DM 50 m. Where we have other joint liabilities, the standing of the co-shareholders is beyond doubt in all cases.

There is an obligation arising out of our holding in Liquiditäts-Konsortialbank GmbH, Frankfurt am Main, to pay further capital of up to DM 57.0 m. and a proportional contingent liability to fulfil the capital obligations of other shareholders who are also members of 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 might be incurred through measures in favour of banks in which we have a majority holding.

At the end of 1987, assets and security items provided to us in the sum of DM 121 m. were tied in connection with loans taken up.

Legal stipulations required the provision of security amounting to DM 117 m. in connection with the business of our foreign branches.

Emoluments of Board of Managing Directors, Supervisory Board, Advisory Board and Advisory Councils

The total emoluments of the Board of Managing Directors amounted to DM 13,274,755.81. Former members of the Board of Managing Directors of Deutsche Bank AG or their surviving dependents received DM 5,758,478.04. The Supervisory Board received a fixed payment of DM 294,120. The dividend-related emoluments of the Supervisory Board amount to DM 1,140,000. The Advisory Board was paid DM 465,120 and the members of the Regional Advisory Councils received DM 3,503,178.

Provisions for pension commitments to former members of the Board of Managing Directors or their surviving dependents total DM 39,522,119.

Average number of staff during the year

On average for the year, a total of 39,064 members of staff were employed at the bank. There were 19,721 female and 19,343 male employees. 1,964 members of staff were employed abroad.

Honorary President

Hermann J. Abs

Corporate bodies of Deutsche Bank AG

| | | |
|-----------------------------|--------------------------------|--|
| Board of Managing Directors | Werner Blessing (f. 21.8.1987) | Georg Krupp |
| | Rolf-E. Breuer | Klaus Martin |
| | Horst Burgard | Ulrich Weiss |
| | Ulrich Cartellieri | Herbert Zapp |
| | F. Wilhelm Christians | Michael Endres, Deputy (from 1.1.1988) |
| | Alfred Herrhausen | Jürgen Krumnow, Deputy (from 1.1.1988) |
| | Eckart van Hooven | Ellen R. Schneider-Lenné, Deputy (from 1.1.1988) |
| | Hilmar Kopper | |
| Supervisory Board | Dr. Wilfried Guth, Chairman | Hans L. Merkle |
| | Konrad Reeb, Deputy Chairman | Karl Messing |
| | Dr. Robert Ehret | Josef Pfaff |
| | Hagen Findeisen | Dipl.-Ing. Dr.-Ing. E. h. Bernhard Plettner |
| | Dr. Friedrich Karl Flick | Gerhard Renner |
| | Jörg A. Henle | Irene Rodermund |
| | Gerd Hirsbrunner | Lorenz Schwegler |
| | H. Frans van den Hoven | Dipl. Kfm. Günter Vogelsang |
| | Karlheinz Krippendorf | Lothar Wacker |
| | Dr. Hellmut Kruse | Hannelore Winter |

Frankfurt am Main, March 1, 1988

The Board of Managing Directors

[Handwritten signatures of the Board of Managing Directors]

Auditor's Certificate

The accounting and the annual financial statements, which we have audited in accordance with professional standards, comply with the German legal provisions and the Articles of Association. With due regard to the generally accepted

accounting principles the annual financial statements give a true and fair view of the company's assets, liabilities, financial position and profit or loss. The Management Report is consistent with the annual financial statements.

Frankfurt am Main, March 17, 1988

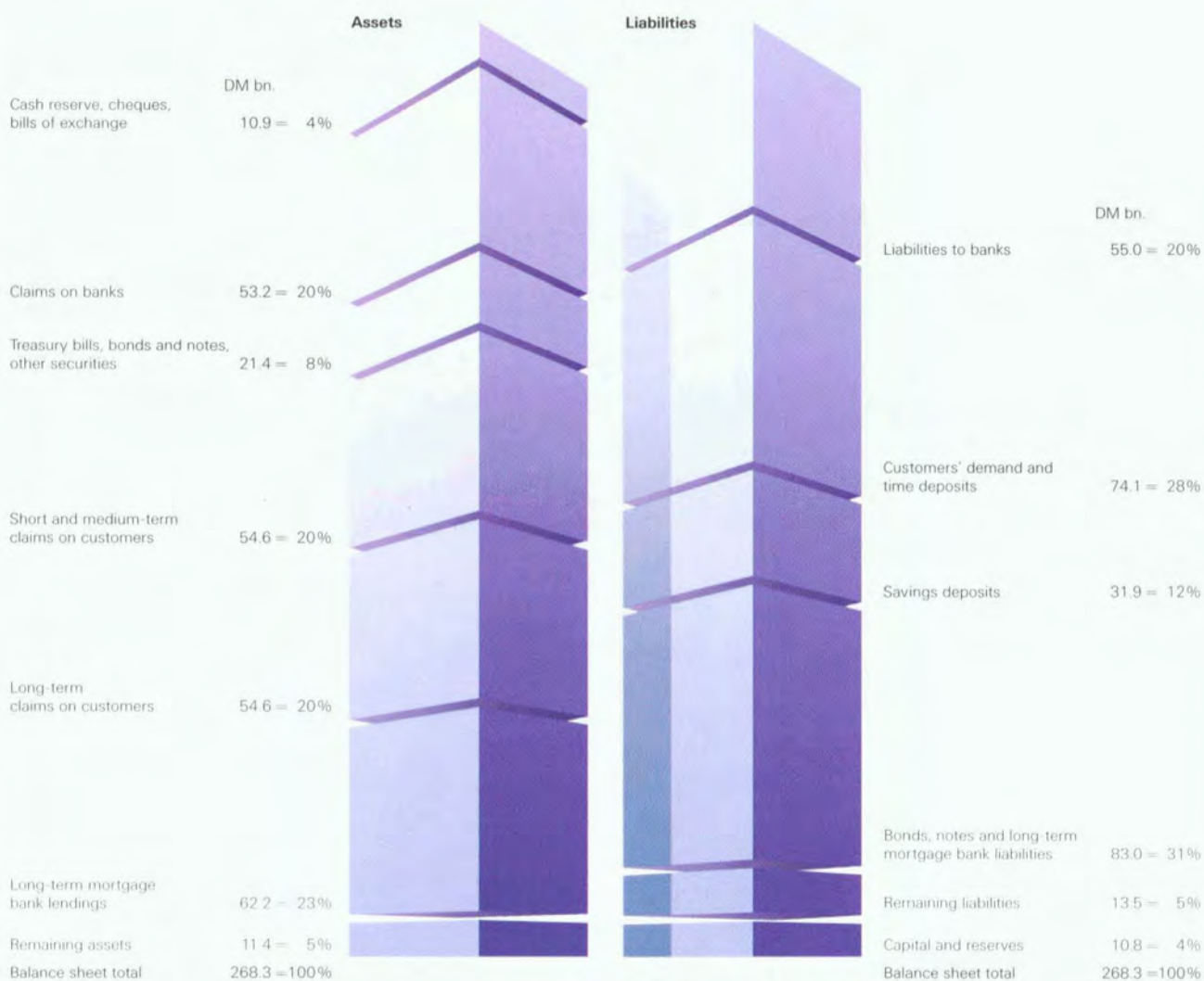
TREUVERKEHR
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft
Fandré *Dr. Fliess*
Wirtschaftsprüfer Wirtschaftsprüfer



Report of the Group for 1987



Balance sheet structure of Deutsche Bank Group, end of 1987



Report of the Group for 1987

Deutsche Bank Group

General survey

The following remarks give a survey of the activities of consolidated subsidiaries and of the quantitative development of the Group.

The three *domestic commercial bank subsidiaries* Deutsche Bank Berlin AG, Deutsche Bank Saar AG and Handelsbank in Lübeck AG operate as universal banks and as independent regional banks supplement in their respective markets the range of services of Deutsche Bank AG. The worldwide network of Deutsche Bank Group, with its branches, subsidiary banks and affiliated banks, as well as its representative offices, is at the disposal of their customers.

Of the *foreign commercial banks*, Banca d'America e d'Italia S.p.A. (BAI), Milan, which is consolidated for the first time this year, serves primarily small and medium-sized corporate and private customers. Deutsche Bank (Canada), Toronto, and Deutsche Bank Australia Ltd., Melbourne and Sydney, operate in their respective countries of domicile as full-service banks engaging in lending and deposits business with corporate and private customers, foreign exchange dealing, settlement of foreign trade business and payments business. Our subsidiary in Luxembourg, Deutsche Bank Luxembourg S.A., concentrates in its activities on syndicated lending business

and corporate customer business with German and foreign clients and on money market business and foreign exchange trading. In the course of the 1987 financial year it began to transact private-customer business.

DB (Belgium) Finance S.A./N.V., Brussels, and DB U.K. Finance Ltd., London, supplement in lending and money market business the activities of our branches in Belgium and the United Kingdom.

Comprehensive financial services for private and commercial buildings are offered – partly in cooperation with other Group companies – by our three *mortgage bank subsidiaries* Frankfurter Hypothekenbank AG, Deutsche Centralbodenkredit-AG and Lübecker Hypothekenbank AG.

Investment banking business is handled in the Group not only by the domestic and foreign commercial banks, but also by the specialized *investment banking and capital investment companies*. Investment fund activities in the domestic sector are carried out by DWS Deutsche Gesellschaft für Wertpapiersparen mbH, Frankfurt am Main, by the establishment of retail investment funds and Deutsche Gesellschaft für Fondsverwaltung mbH (DEGEF), Frankfurt am Main, by the administration of individual investment funds (special funds) for institutional investors.

Abroad, the following companies – besides the non-consolidated DB Capital Markets (Asia) Ltd., Hong Kong, and its Tokyo branch – transact investment banking business:

Deutsche Bank Capital Corporation in New York and Deutsche Bank Capital Markets Ltd. in London engage in new issuing and securities business mainly for international customers. On the Continental European market, Deutsche Bank (Suisse) S.A., Geneva and Zürich, offers an internationally oriented clientele its services in investment counselling and portfolio administration. It

also engages in foreign exchange and precious metals business. In addition, its universal bank licence allows it to transact lending business. Furthermore, Deutsche Bank Australia Ltd., Melbourne, contributes, together with its subsidiaries Deutsche Capital Markets Australia Ltd., Sydney, and Deutsche Capital Management Australia Ltd., Melbourne, to the Group's securities business.

The product range of Deutsche Bank Group is extended by *consultancy companies*. The Group's corporate advisory service was supplemented by classical management consultancy at home and abroad through the acquisition of a meanwhile 75% participation in Roland Berger Verwaltungsgesellschaft mbH, Munich. The company's subsidiary, Deutsche Gesellschaft für Mittelstandsberatung mbH, Munich, advises small and medium-sized customers. DB Consult GmbH, Frankfurt am Main, specializes in assisting customers in the sale and acquisition of companies or parts of companies.

Instalment financing companies and specialized institutions fulfil supplementary and specialized duties within the Group. The range of building financing services offered by the Group was extended by the commencement of business operations by Deutsche Bank Bauspar-AG in spring 1987. GEFA Gesellschaft für Absatzfinanzierung mbH, Wuppertal, offers commercial customers financings for capital investment projects as well as instalment financing programmes, dealer buying loans, higher purchase and factoring business. EFGEE Gesellschaft für Einkaufs-Finanzierung mbH, Düsseldorf, is active in consumer loan business.

In order to streamline our activities in the building financing sector, Deutsche Kreditbank für

Baufinanzierung AG, Cologne, will be integrated into Deutsche Bank AG probably in April 1988.

In the U.S.A., our subsidiary Deutsche Credit Corporation, Deerfield, Illinois, transacts buyers' financing in the form of long-term fixed-rate loans or leasing alternatives.

Among the *leasing companies*, GEFA-Leasing GmbH, Wuppertal, offers industrial clients and private persons a broad range of leasing financings; for car and EDP leasing, direct selling is offered via the branches of Deutsche Bank. International leasing business is transacted largely by DB Export-Leasing GmbH, Frankfurt am Main. In Italy, BAI Leasing S.p.A., Milan, a 100% subsidiary of Banca d'America e d'Italia S.p.A., is active in leasing business.

The objective of the *international financing companies* Deutsche Bank Finance N.V., Curaçao, and Deutsche Bank Financial Inc., Dover/Delaware, is chiefly to raise refinancing funds in D-Marks and other currencies and to pass them on to Group companies.

The consolidated *business volume* of the Group rose by DM 10.3 bn. to DM 272.3 bn. The expansion is due chiefly to the consolidation of BAI.

The increase in assets was largely the result of the strong growth in claims on customers (+ DM 9.7 bn.); long-term mortgage bank lendings rose by DM 1.8 bn. and claims on banks by DM 1.5 bn.

The expansion on the liabilities side was caused by the growth in customers' deposits (+ DM 5.9 bn.) and in bonds and notes (+ DM 5.3 bn.).

Of the Group's aggregate business volume of DM 314.8 bn. (previous year DM 298.6 bn.), 70.9% is attributable to the domestic and foreign commercial banks and 21.3% to the mortgage banks. The instalment financing companies and specialized institutions as well as the international financing companies account for shares of 2.4% and 3.8% respectively in the aggregate business volume; the remaining 1.6% is distributed among the investment banking and capital investment companies, the leasing companies and the consolidated property management companies.

The *operating result* decreased 32.6% compared with the previous year (excluding the profit contribution from the acquisition and placement of the Flick holdings). The main reason was the decline in income on securities business, above all after the collapse of share prices on domestic and foreign bourses in October 1987.

Breakdown of aggregate business volume, end of 1987

Deutsche Bank Group

Commercial banks DM 223.2 bn. = 70.9%

Mortgage banks
DM 67.0 bn. = 21.3%

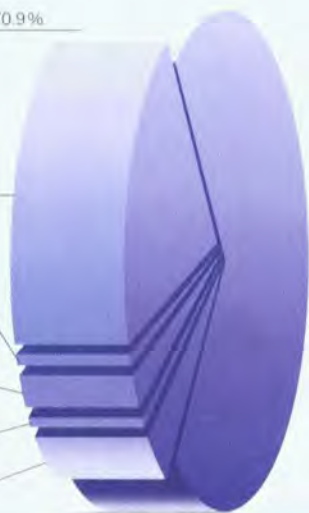
Investment banking
and capital investment
companies DM 2.7 bn. = 0.8%

Instalment financing companies
and specialized institutions
DM 7.4 bn. = 2.4%

Leasing companies
and others DM 2.5 bn. = 0.8%

International financing
companies DM 12.0 bn. = 3.8%

Total DM 314.8 bn. = 100%



At the end of 1987, the Group employed 54,579 persons (previous year 50,590), of whom 47,186 (previous year 46,431) were employed in the Federal Republic. Our customers were served by 1,498 offices, of which 1,336 were in our domestic German network and 162 abroad. After inclusion of Banca d'America e d'Italia S.p.A., Milan, the number of offices abroad increased by 97.

Consolidated companies

The following companies were included with Deutsche Bank AG in the Consolidated Statement of Accounts as of December 31, 1987:

Group's capital
share pursuant
to § 16 Joint Stock
Corp. Act

Commercial banks

| | |
|---|-------|
| Deutsche Bank Berlin AG, Berlin | 100 % |
| Deutsche Bank Saar AG, Saarbrücken | 69.2% |
| Handelsbank in Lübeck AG, Lübeck | 90.2% |
| Banca d'America e d'Italia S. p. A., Milan | 98.3% |
| Deutsche Bank (Asia) AG, Hamburg | 100 % |
| Deutsche Bank (Asia Credit) Ltd., Singapore | 100 % |
| Deutsche Bank Australia Ltd., Melbourne | 100 % |
| Deutsche Bank (Canada), Toronto | 100 % |
| Deutsche Bank Luxembourg S. A., Luxembourg | 100 % |
| DB (Belgium) Finance S. A./N. V., Brussels | 100 % |
| DB U. K. Finance Ltd., London | 100 % |

Mortgage banks

| | |
|---|-------|
| Deutsche Centralbodenkredit-AG, Berlin-Cologne | 89.9% |
| Frankfurter Hypothekenbank AG, Frankfurt am Main | 92.2% |
| Lübecker Hypothekenbank AG, Lübeck | 100 % |

| | Group's capital share pursuant to § 16 Joint Stock Corp. Act |
|--|---|
|--|---|

Investment banking and capital investment companies

| | |
|--|-------|
| Deutsche Gesellschaft für Fondsverwaltung mbH, Frankfurt am Main | 100 % |
| DWS Deutsche Gesellschaft für Wertpapiersparen mbH, Frankfurt am Main | 57 % |
| Deutsche Bank Capital Corporation, New York | 100 % |
| Deutsche Bank Capital Markets Ltd., London | 100 % |
| Deutsche Bank (Suisse) S. A., Geneva | 100 % |
| Deutsche Capital Management Australia Ltd., Melbourne | 100 % |
| Deutsche Capital Markets Australia Ltd., Sydney | 100 % |

Instalment financing companies and specialized institutions

| | |
|---|-------|
| Deutsche Bank Bauspar-AG, Frankfurt am Main | 100 % |
| Deutsche Kreditbank für Baufinanzierung AG, Cologne | 100 % |
| EFGEE Gesellschaft für Einkaufs-Finanzierung mbH, Düsseldorf | 100 % |
| GEFA Gesellschaft für Absatzfinanzierung mbH, Wuppertal | 100 % |
| Deutsche Credit Corporation, Deerfield/Illinois | 100 % |

Leasing companies

| | |
|--|-------|
| Deutsche Gesellschaft für Immobilien-Leasing mbH, Cologne | 95 % |
| GEFA Leasing GmbH, Wuppertal | 100 % |
| DB Export-Leasing GmbH, Frankfurt am Main | 100 % |
| BAI Leasing S. p. A., Milan | 100 % |

International financing companies

| | |
|--|-------|
| Deutsche Bank Finance N. V., Curaçao | 100 % |
| Deutsche Bank Financial Inc., Dover/Delaware | 100 % |

| | Group's capital share pursuant to § 16 Joint Stock Corp. Act |
|--|---|
|--|---|

Other domestic and foreign companies

| | |
|---|-------|
| Alma Beteiligungsgesellschaft mbH, Düsseldorf | 100 % |
| Elektro-Export-Gesellschaft mbH, Nuremberg | 100 % |
| Hessische Immobilien-Verwaltungs-Gesellschaft mbH, Frankfurt am Main | 100 % |
| Matura Vermögensverwaltung mbH, Düsseldorf | 100 % |
| Süddeutsche Vermögensverwaltung GmbH, Frankfurt am Main | 100 % |
| Trinitas Vermögensverwaltung GmbH, Frankfurt am Main | 100 % |
| Deutsche Credit Services Inc., Dover/Delaware | 100 % |
| Deutsche Portfolio Corporation, New York | 100 % |

In accordance with Section 329 (2) Joint Stock Corporation Act, we have not included in the Consolidated Statement of Accounts the Group companies domiciled in the Federal territory or Berlin which are listed on page 100 f. owing to their minor importance for the presentation of the Group's assets and income. Their combined balance sheet total comes to DM 1,000 m., which corresponds to 3.7 ‰ of the consolidated balance sheet total.

Foreign Group companies with an aggregate balance sheet total of DM 1,359 m. (5.1 ‰ of consolidated balance sheet total) were also not consolidated owing to their minor importance. The Consolidated Statement of Accounts of Deutsche Bank AG fulfils, thanks to the comprehensive insight it affords into the Group's assets and income position, the demands which a world statement of accounts should satisfy.

Commercial banks

The business volume of *Deutsche Bank Berlin AG, Berlin*, was increased by 6.6% to DM 8,490 m., balance sheet total by 6.5% to DM 8,227 m.

At DM 4,240 m., total credit extended was 0.7% below the comparable figure for the previous year. Claims on customers declined by 6.2% to DM 3,402 m.; this fall is due largely to maturing *Schuldscheindarlehen* to the public sector. Claims on domestic private customers increased by 4.7% to DM 2,250 m., of which 60.2% stemmed from the "Baukreditsystem", Deutsche Bank's building loan system. Cash advances to corporate customers as at the reporting date were below the level on 31. 12. 1986.

The 30.7% increase in claims on banks to DM 3,217 m. was due chiefly to short-term deposits with banks.

Funds from outside sources increased by 6.9% to DM 7,308 m.; customers' deposits contained in this figure grew by 5.7% to DM 5,160 m.

A narrower interest margin, reduced securities commission income and a further rise in staff and other operating expenses led to a decrease in the partial operating result by 13.7%. As own-account trading profits were depressed by write-downs of securities, the operating result fell by 24.6%.

Provision was made for all discernible risks.

Of the net income for the year in the sum of DM 70 m., DM 35 m. was added to revenue reserves; it is proposed to the General Meeting that a further DM 15 m. be added to revenue reserves. The bank's capital and reserves will then amount to DM 587 m.

The parent company, Deutsche Bank AG, will receive a dividend of 20% on the share capital of DM 100 m.

Deutsche Bank Berlin AG has 78 business offices and employed 1,800 persons at the end of the year.

Deutsche Bank Saar AG, Saarbrücken, increased its business volume by 7.2% to DM 1,998 m. and its balance sheet total by 8.1% to DM 1,925 m.

At the end of 1987, the bank's total credit extended, at DM 1,056 m., was 0.9% above the pre-year figure. Claims on customers increased 4.4% to DM 922 m. In business with domestic private customers, the greater demand for long-term consumer and building financing loans resulted in growth. Loans to domestic corporate customers increased by 5.8%. There was a fall in short and medium-term claims on corporate customers and at the same time a strong rise in long-term lendings.

Adequate provision was made for all discernible risks in lending business through the formation of adjustments and provisions.

Funds from outside sources rose by 10% to DM 1,676 m.; customers' deposits, at DM 1,064 m., were 8.8% above the pre-year level.

The reduced interest margin, the weaker securities business and a rise in staff and other operating expenses led to a 14.6% decline in the operating result.

DM 4.0 m. was transferred to revenue reserves from the net income for the year amounting to DM 8.9 m. Capital and reserves then came to DM 83 m.

It is proposed to the General Meeting that a dividend of DM 7 per share of DM 50 par value be distributed.

As at the end of the year, Deutsche Bank Saar AG employed 496 persons at 17 business offices.

Handelsbank in Lübeck AG, Lübeck, raised its business volume by 2.1% to DM 2,142 m., its balance sheet total increased by 2.3% to DM 2,112 m.

Total credit extended rose by 0.5% to DM 1,156 m. Customers' efforts to secure long-term fixed-interest periods were reflected in the 9.3% growth of long-term fixed-rate loans to DM 728 m.; the short and medium-term claims on customers decreased, on the other hand, by 12.6% to DM 375 m. Provision was made for all discernible risks in lending business. Total funds from outside sources, at DM 1,911 m., were 1% above the comparative figure for the previous year. Savings deposits rose by 3.1% to DM 713 m.; at the centre of interest was medium and long-term contractual saving.

High expenditure on capital investment with a long-term benefit in EDP technology and banking premises and the pressure on the interest margin led to a decline of 46.1% in the operating result.

Of the net income for the year in the sum of DM 6.0 m., DM 2.0 m. was added to revenue reserves. Capital and reserves then amounted to DM 85.0 m. It is proposed to the General Meeting that an unchanged dividend of DM 10 per share of DM 50 par value be distributed.

As at year's end, *Handelsbank in Lübeck AG* employed 722 persons at 37 business offices.

Banca d'America e d'Italia S.p.A., Milan, our Italian subsidiary bank taken over in December 1986, completed the past financial year successfully.

The bank's balance sheet total grew by Lit 749.4 bn. (DM 1.0 bn.) or 12.1% compared with the end of 1986, chiefly as a result of an increase in loans to customers. They rose by 18.9% to Lit 2,912.6 bn. (DM 3.9 bn.).

Points to be emphasized are that private customer business (*Prestitempo*) expanded by about 25%, and lendings to credit card holders showed above-average growth.

In the course of the financial year, holdings of fixed-income securities were reduced.

Customers' deposits increased by 10.0% to Lit 4,061.4 bn. (DM 5.5 bn.).

Fixed assets rose by 10.6% owing to new capital investments, particularly in the EDP area.

The operating result was 13.4% above the pre-year figure.

After taking into account the necessary provision for possible loan losses and for income taxes, a net income for the year of Lit 35.2 bn. (DM 47.6 m.) is reported, which is to be added to reserves. Total capital and reserves will then amount to Lit 446.1 bn. (DM 603.1 m.).

At the end of 1987 the company employed 2,880 persons.

Within the framework of the restructuring of the Group's activities in the Southeast Asian area (page 36 of this Annual Report), substantial portions of the business of *Deutsche Bank (Asia) AG, Hamburg Branch*, and *Deutsche Bank (Asia Credit) Ltd., Singapore*, were transferred to the branches of *Deutsche Bank AG* and *Deutsche Bank (Asia) AG* at the respective centres.

The Singapore Branch of *Deutsche Bank (Asia) AG*, which took over the business, will – just like the other branches in the Southeast Asian region – be operated as a branch of *Deutsche Bank AG* in the course of 1988 as a result of the integration.

Deutsche Bank (Asia) AG and *Deutsche Bank (Asia Credit) Ltd.* contributed DM 6,703 m. and DM 526 m., respectively, to the aggregate business volume of the Group at the end of 1987.

Deutsche Bank Australia Ltd., Melbourne, — together with its consolidated subsidiaries Deutsche Capital Markets Australia Ltd. and Deutsche Capital Management Australia Ltd. — successfully completed its first full financial year. The combined balance sheet total increased strongly to A\$ 848.8 m. (DM 969.8 m.) (previous year: A\$ 324.3 m.). Net income for the year rose to A\$ 1.0 m. (DM 1.1 m.). After a capital increase of A\$ 25 m., capital and reserves amount to A\$ 76.0 m. (DM 86.8 m.) as at the end of the year.

The positive development took place in commercial business and in investment banking. Customer relationships with leading Australian, German and multinational corporations were further expanded. Special mention may be made of the floatation of two A\$ eurobond issues for a total amount of A\$ 250 m., which were successfully placed in the euromarket and which served to fund lending business. In addition, several significant cross-border leasing transactions were handled for the financing of German-Australian exports. Finally, the bank's subsidiary Deutsche Capital Markets Australia Ltd. achieved further brisk expansion of its fund and portfolio management business for Australian institutions.

As at year's end, the bank had 91 employees.

Deutsche Bank (Canada), Toronto, again successfully completed the financial year ended on 31. 10. 1987. With an almost unchanged balance sheet total of Can.\$ 754.1 m. (DM 994 m.), lending and deposits business with corporate and private customers was expanded. After increasing provision for risk, there remained net income for the year of Can.\$ 1.2 m. (DM 1.6 m.), which was carried forward to new account. The top rating given to our subsidiary bank for its funding paper

was confirmed again. After receiving the necessary permits, our subsidiary company will take over shares in the securities broker McLean McCarthy, Toronto. As of year's end, capital and reserves amounted to Can.\$ 27 m. (DM 32.8 m.). The number of staff was 40.

Our subsidiary in Luxembourg extended its activities beyond the traditional framework of a bank operating exclusively in international financing business by entering private customer business in 1987. The firm name was changed in March 1987 from "Deutsche Bank Compagnie Financière Luxembourg" to "Deutsche Bank Luxembourg S.A."

- As in the past, the bank engages in
- the provision of euroloans to domestic and foreign borrowers and the management and co-management of syndicated loans,
 - the obtainment of funds on the euromarket, and
 - money market business, and foreign exchange and securities dealing.

Balance sheet total declined by 2.1% to LF 496 bn. (DM 23.6 bn.). The decline is to be attributed to the change in the exchange rate of the dollar.

Lending business, both in the short/medium-term and long-term sectors, decreased by a total of 15.0% to LF 310 bn. (DM 14.8 bn.). In international lending business, the bank continued to behave very selectively overall in view of the market and risk situation.

Together with DWS Deutsche Gesellschaft für Wertpapiersparen mbH, Frankfurt am Main, our subsidiary set up Internationale Investment Management Gesellschaft S.A., Luxembourg, which floated the investment fund "Eurorenta".

Funds taken up in the euromarket from banks represented, at LF 313 bn. (DM 14.9 bn.), the principal source of funding. A large part of the funding requirement was also covered in 1987 by customers' deposits, which rose to LF 107 bn. (DM 5.1 bn.) as of year's end primarily as a result of deposits from industrial companies.

The operating result of LF 4,835 m. (DM 229.8 m.) in the past financial year did not match the high level of the previous years. Be that as it may, after comprehensive provision for risk and after tax payments amounting to LF 715 m. (DM 34.0 m.), distributable profit of LF 1.56 bn. (DM 74.1 m.) was reported. It is proposed to the Ordinary General Meeting that the profit be used in roughly equal parts for the distribution of a dividend (24%) and for the further increase of the free reserve. Share capital and disclosed reserves will then amount to LF 11.7 bn. (DM 557 m.).

In 1987, *DB (Belgium) Finance S.A./N.V., Brussels*, was involved in forfeiting business and the extension of longer-term loans to Belgian companies, besides transacting international lending business. Furthermore, the company also engages in securities trading. With a marked expansion of business volume as of 31. 12. 1987 by 47.5% to BF 11,445 m. (DM 542.9 m.), net income for the year was BF 31.2 m. (DM 1.5 m.). Capital and reserves amounted to BF 200.9 m. (DM 9.5 m.).

The activities of *DB U.K. Finance Ltd., London*, were centred, as in the past, on international lending. Precious metals trading was begun. Business volume, which was influenced in 1987, too, by the weak exchange rate of the dollar, fell 17.6% to £ 506.7 m. (DM 1.5 bn.). After-tax profit came to £ 3.4 m. (DM 10.0 m.), of which £ 3.0 m.

(DM 8.9 m.) is to be distributed. Capital and reserves as of the end of 1987 amounted to £ 16.5 m. (DM 48.9 m.) compared with £ 16.1 m. in the previous year.

Mortgage banks

Against the background of strong interest rate fluctuations on the capital market, a continuing weak level of activity in new homebuilding and slightly higher capital investment by companies, the course of business at the Group's three mortgage banks was satisfactory.

At *Deutsche Centralbodenkredit-AG, Berlin – Cologne*, loan commitments rose in total by 1.6% to DM 3,727 m., of which mortgage loans accounted for DM 1,835 m. (+ 6.9%) and communal loans DM 1,892 m. (– 3.0%). Mortgage commitments for new residential projects came to DM 182 m. (– 48%), for existing properties DM 455 m. (– 33%) and for commercial building DM 1,198 m. (+ 75%). Overall, the bank achieved the second-highest volume of new business since it was founded.

Of the mortgage loans in the sum of DM 1,641 m., the terms and conditions of which were due for revision, loans for DM 1,300 m. were prolonged (79%).

Loans outstanding amounted to DM 27,496 m. (+ 2.1%), of which mortgage loans accounted for DM 12,277 m. (+ 4.0%) and communal loans for DM 15,202 m. (+ 0.6%).

For the funding of new business and for the adjustment of terms and conditions, bonds were sold in a total amount of DM 4.1 bn. Of total bond

sales, DM 2.0 bn. related to mortgage bonds and DM 1.9 bn. to communal bonds.

Balance sheet total rose 2.6% to DM 29.2 bn.

At DM 160.9 m., the partial operating result was 8.9% above the comparative figure for the previous year.

After the formation of provision for risk, net income for the year was DM 45.2 m. Of this, DM 22.0 m. was allocated to revenue reserves. It is proposed to the General Meeting that a further DM 3.0 m. from distributable profit of DM 23.2 m. be added to revenue reserves, and that an unchanged dividend of DM 12 per share of DM 50 par value be paid on the share capital which is to be increased by DM 12.0 m. from company funds to DM 84 m. Capital and reserves will then amount to DM 703.0 m.

At year's end, Deutsche Centralbodenkredit-AG had 451 employees at 10 business offices.

Frankfurter Hypothekenbank AG, Frankfurt am Main, which celebrated its 125th anniversary in 1987, continued its cautious and income-oriented lending policy.

Balance sheet total remained almost unchanged compared with the previous year at DM 29.4 bn.

The total volume of commitments came to DM 3,710 m. (-6.8%), with mortgage business substantially lower at DM 1,566 m. (-21.2%). This development was influenced to a large extent by the falling financing volume for residential building, which declined by 35.1% to DM 614 m. (new homebuilding: DM 116 m., existing residential properties: DM 498 m.).

New business in the commercial financing sector stood at DM 951 m. (-8.7%), reaching a share of 60.8% of new mortgage lending.

Commitments in communal loan business increased by DM 151 m. (+ 7.6%) to DM 2,144 m.

In the mortgage sector, a volume of DM 2.6 bn. required the adjustment of terms and conditions; DM 2.0 bn. was prolonged (79%).

Gross sales of bonds and loans taken up reached DM 4,418 m. (+ 1.3%) and consisted of mortgage bonds for DM 1,742 m., communal bonds for DM 1,925 m., uncollateralized bonds for DM 381 m. and loans for DM 370 m. Through presentations in London, Geneva and Zürich, the bank continued its activities to intensify sales of its securities abroad.

Adequate provision was made for all discernible risks.

With a slight rise in the overall interest surplus, the partial operating result increased by DM 5.9 m. (+ 3.1%) to DM 194.7 m.

Of the net income for the year of DM 51.5 m., DM 25.0 m. was added to revenue reserves. It is proposed to the General Meeting that revenue reserves be increased by a further DM 5 m. Capital and reserves will then amount to DM 701.8 m. For the 1987 financial year, it is intended to pay a dividend of DM 12 per share of DM 50 par value on the share capital which is to be increased by DM 12.8 m. from company funds to DM 89.6 m.

Frankfurter Hypothekenbank AG employs 439 persons at 11 business offices.

Lübecker Hypothekenbank AG, Lübeck, continued its steady growth in the 1987 financial year, too. Balance sheet total increased 8.5% to DM 8.4 bn. Loan commitments in the new business sector, at DM 1,166 m., were 9.6% below the pre-year level.

New mortgage business reached a commitment volume of DM 782 m. (-6.1%), of which DM 296 m. (-6.0%) was in new homebuilding, DM 421 m. (-6.0%) related to existing properties and DM 65 m. (-7.1%) to commercial construction. In communal loan business, the bank exer-

cised restraint for margin reasons, and so the year's volume of DM 384 m. was DM 73 m. lower than the pre-year figure.

Of the loans in the sum of DM 557 m., the terms and conditions of which were due for revision, loans for DM 419 m. (75.3%) were prolonged.

Loans outstanding expanded by 6.6% to DM 7,723 m., of which DM 5,546 m. related to mortgage loans (+ 6.3%) and DM 2,177 m. to communal loans (+ 7.3%).

For the funding of its lending business, the bank sold mortgage bonds for DM 959 m. (+ 40.8%) and communal bonds for DM 518 m. (-17.8%).

The partial operating result stood at DM 74.4 m. (+ 2.9%).

Net income for the year in the amount of DM 26.2 m. remaining after formation of provisions for risk permits an increase of revenue reserves by DM 20 m. — of which DM 8 m. stems from distributable profit after resolution of the General Meeting. The reported capital and reserves of the bank then amount to DM 207 m.

For the 1987 financial year, it is intended to distribute a dividend raised to 24% (1986: 22%) on the share capital which is to be increased by DM 3.7 m. from company funds to DM 25.7 m.

Lübecker Hypothekenbank AG employs 221 persons at 10 business offices.

Investment banking and capital investment companies

The number and assets of the investment funds administered by *Deutsche Gesellschaft für Fondsverwaltung mbH (DEGEF)*, Frankfurt am Main, increased in the past financial year. At the end of 1987, the total assets of the 195 funds

(previous year: 168) administered by DEGEF were DM 12.8 bn. (end of 1986: DM 11.3 bn.).

By resolution of the shareholders' meeting, a profit distribution in the sum of DM 12.0 m. has been effected for the 1986/87 financial year.

The number of employees was 25.

DWS Deutsche Gesellschaft für Wertpapier-sparen mbH, Frankfurt am Main, booked a net inflow of DM 2.5 bn. (previous year: DM 3.2 bn.) from new sales of certificates of the 21 retail securities funds which it administers. Investors again showed special interest in the internationally investing bond fund INTER-RENTA.

The total assets of all DWS funds increased in 1987 by a further DM 1.0 bn. to DM 17.0 bn. Roughly DM 1.3 bn. was distributed to certificate holders in the year under review.

The capital of DWS is unchanged at DM 50.0 m. Including the DM 4.0 m. increase in revenue reserves from the result for the year, the capital and reserves of DWS amounted to DM 114 m. as of December 31, 1987. For the 1986/87 financial year, which ended on September 30, a dividend of 6% was distributed.

As at year's end, 85 persons were employed.

Deutsche Bank Capital Corporation, New York, achieved a satisfactory after-tax result of \$ 4.3 m. (DM 6.8 m.) in 1987 despite difficult conditions on the international securities markets. Contributions to this performance came in particular from complex financings for customers and from portfolio management as well as property administration. Balance sheet total decreased from \$ 393 m. to \$ 320 m. (DM 505 m.). Capital and reserves, which have been increased in the meantime, amounted to \$ 105 m. (DM 166 m.) at the end of the financial year. The company had 187 employees.

In its third year of activity, *Deutsche Bank Capital Markets Ltd., London*, again achieved its objective of securing Deutsche Bank Group's leading position in eurobond and equity-issuing business, and further expanding its involvement in international securities trading and placement at and via the London centre. Adverse developments on the international bond markets and subsequently on the equities markets, in conjunction with strong competitive pressure on margins in primary and secondary-market business, led – despite a pronounced restrictive portfolio policy – to an overall negative result of £ 13.2 m. (DM 39.0 m.). At the end of the year the company had 186 employees.

At *Deutsche Bank (Suisse) S.A., Geneva and Zürich*, the balance sheet total increased by 8.3% from SF 672 m. to SF 728 m. (DM 900 m.). The after-tax result rose from SF 6.6 m. to SF 9.1 m. (DM 11.3 m.).

After payment of a 6% dividend and the addition of SF 3.1 m. to reserves, capital and reserves will amount to SF 110.1 m. (DM 136.1 m.). In the wake of the steady development of the bank, the number of its employees increased in the course of the year from 149 to 181.

Instalment financing companies and specialized institutions

Deutsche Kreditbank für Baufinanzierung AG, Cologne, which will be integrated into Deutsche Bank AG probably in April 1988, reduced its business volume by 12.4% in 1987 to DM 3,925 m. The decrease resulted largely from a decline in claims on banks and in the securities portfolio, and from a slight fall in claims on customers. The

volume of newly committed loans fell by DM 988 m. (– 23.4%). Provision was made for all discernible risks. The financial year closed with a positive result. Capital and reserves amounted, as before, to DM 190 m. At the end of 1987 the bank employed 426 persons.

EFGEE Gesellschaft für Einkaufs-Finanzierung mbH, Düsseldorf, reported new business almost unchanged on 1986. Total credit extended amounted to DM 242 m. Profits, which were slightly higher than in the previous year, were distributed to GEFA Gesellschaft für Absatzfinanzierung mbH, with which there is a profit-transfer agreement.

GEFA Gesellschaft für Absatzfinanzierung mbH, Wuppertal, increased its new lendings by 4% to DM 1.26 bn.

The demand for credit was centred on commercial vehicles and building equipment; in factoring business, the financing volume saw a gratifying increase. Taken in total, receivables grew by 9% to DM 2,025 m. Provision was made for all discernible risks.

Balance sheet total increased by DM 140 m. to DM 2,190 m.

The operating result declined by 12.7%. DM 5 m. was transferred from the result to revenue reserves. Capital and reserves then amounted to DM 125 m. The profit of DM 20.3 m. was transferred to Deutsche Bank AG under the profit-transfer agreement.

At the 20 business offices, 309 persons were employed.

Deutsche Bank Bauspar-AG, Frankfurt am Main, which began its activities in March 1987, reports a balance sheet total of DM 111 m. In its 9 1/2 months of business activity, 66,750 building savings agreements were concluded for a total contract volume of DM 1.7 bn., with customers largely preferring long-term saving. With regard to new business, therefore, the company already attained a position in the middle field among the building and loan associations. At the end of 1987, building savings deposits were reported in the sum of DM 71 m.

In its first financial year the company incurred a slight start-up loss, which was within the scope of planning.

The capital and reserves of Deutsche Bank Bauspar-AG are DM 30 m.

As at year's end, the company employed 46 persons.

In the U.S.A., our 100% subsidiary *Deutsche Credit Corporation, Deerfield/Illinois*, operates in the fields of leasing and asset-based end-user financing. Especially important is the support of the sales efforts of customers of Deutsche Bank AG in the American market. Balance sheet total rose by 38.9% to \$ 543 m. (DM 859.5 m.) as of year's end, capital and reserves amounted to \$ 13.9 m. (DM 22.0 m.). The operating result was \$ 2.6 m. (DM 4.1 m.) and was used largely for the formation of provision for risk.

The company's employees numbered 168.

Leasing companies

GEFA-Leasing GmbH, Wuppertal, was again able to expand its business in the year under review. New commitments increased compared

with the previous year by 6% to DM 711 m., the leasing volume increased to DM 1,702 m. (end of 1986: DM 1,567 m.). The leasing equipment reported in the balance sheet rose by DM 131 m. to DM 1,352 m. As before, a substantial portion of new business was accounted for by equipment in the information technology sector and motor vehicles.

Tighter margins and the rise in administrative costs led to a reduction of the operating result (-21.5%).

Appropriate provision was made for all discernible risks. The reported capital and reserves amounted to DM 55 m.

Under the existing profit transfer agreement, profits of DM 19.9 m. were transferred to GEFA Gesellschaft für Absatzfinanzierung mbH. The number of employees was 136.

Deutsche Gesellschaft für Immobilien-Leasing mbH, Cologne, manages its portfolio of properties according to plan and achieved a satisfactory result in 1987, too.

DB Export-Leasing GmbH, Frankfurt am Main, recorded a strong increase in business volume as a result of new commitments in the sum of DM 345 m. The growth stemmed chiefly from large-scale projects. At the same time, international vendor leasing was steadily expanded by the conclusion of further cooperation agreements with foreign leasing companies.

Balance sheet total rose from DM 75 m. to DM 419 m. There is a profit-transfer agreement between DB Export-Leasing GmbH and Deutsche Bank AG.

BAI Leasing S.p.A., Milan, serves commercial customers above all and also engages in factoring business. With a balance sheet total of Lit 374.1 bn. (DM 505.8 m.), capital and reserves of Lit 6.3 bn. (DM 8.6 m.) are reported.

As at year's end, the company employed 70 persons.

International financing companies

The volume of funds passed on by the international financing companies within the Group increased again.

In the past financial year, *Deutsche Bank Finance N.V., Curaçao*, floated 14 bond issues in various currencies. The total volume of funds passed on to Group banks amounted to DM 9.3 bn. as at year's end.

By issuing commercial paper, *Deutsche Bank Financial Inc., Dover/Delaware*, raises short-term funds on the U.S. market which are passed on to Group companies in the U.S.A. The outstanding volume of \$ 1,337 m. (DM 2,114 m.) showed an increase of \$ 171 m. compared with the balance sheet reporting date in the previous year.

Other domestic and foreign companies

The object of *Alma Beteiligungsgesellschaft mbH, Düsseldorf*, is the acquisition, administration and sale of participations in the Federal Republic of Germany and abroad. As of 31. 12. 1987, capital of DM 1 m. and a balance sheet total of DM 27.4 m. were reported.

Hessische Immobilien-Verwaltungs-Gesellschaft mbH, Frankfurt am Main, is the owner of land and buildings let primarily to Deutsche Bank AG; these properties include the training centre of Deutsche Bank AG in Kronberg (Taunus). There is a profit-transfer agreement between Hessische Immobilien-Verwaltungs-Gesellschaft mbH and Deutsche Bank AG.

Matura Vermögensverwaltung mbH, Düsseldorf, and *Süddeutsche Vermögensverwaltung GmbH, Frankfurt am Main*, manage property for their own and third-party account.

Elektro-Export-GmbH, Nuremberg, a 100% subsidiary of *Süddeutsche Vermögensverwaltung GmbH*, finances the export of products of the electrical industry.

Trinitas Vermögensverwaltung GmbH, Frankfurt am Main, together with its subsidiary *Tauernallee Grundstücksgesellschaft mbH, Berlin*, manages its own and third-party property, which is let chiefly to Deutsche Bank Berlin AG and its employees. There is a profit-transfer agreement between Trinitas and Deutsche Bank AG.

Deutsche Portfolio Corporation, New York, a 100% subsidiary of Deutsche Bank Capital Corporation, New York, exercises functions which supplement the latter's business activities.

Non-consolidated companies

In accordance with Section 329 (2) Joint Stock Corporation Act, the following domestic Group companies, the aggregate balance sheet total of which amounts to DM 1,000 m., are not

included in the Consolidated Statement of Accounts owing to their minor importance for the assets and income situation of the Group:

Wilh. Ahlmann GmbH, Kiel
 "Alwa" Gesellschaft für Vermögensverwaltung mbH, Hamburg
 BACUL Vermietungsgesellschaft mbH, Düsseldorf
 BAMUS Vermietungsgesellschaft mbH, Düsseldorf
 BARIS Vermietungsgesellschaft mbH, Düsseldorf
 BATOR Vermietungsgesellschaft mbH, Düsseldorf
 BELUS Vermietungsgesellschaft mbH, Düsseldorf
 Beteiligungsgesellschaft für Flugzeugleasing mbH, Frankfurt am Main
 BGEG-Grundstückförderungs- und Entwicklungsgesellschaft mbH, Munich
 BONUS Vermietungsgesellschaft mbH, Düsseldorf
 Business Datenbank GmbH, Heidelberg
 CADMUS Vermietungsgesellschaft mbH, Düsseldorf
 CALOR Vermietungsgesellschaft mbH, Düsseldorf
 CAMPANIA Vermietungsgesellschaft mbH, Düsseldorf
 CANDOR Vermietungsgesellschaft mbH, Düsseldorf
 Capital Management International GmbH of Deutsche Bank, Frankfurt am Main
 CGT Canada Grundbesitz Treuhand GmbH, Frankfurt am Main
 ComCo Datenanlagen GmbH & Co. KG, Kornthal-Münchingen
 ComCo Verwaltungsgesellschaft mbH, Kornthal Münchingen
 DB Consult GmbH, Frankfurt am Main
 Deutsche Beteiligungs AG Unternehmensbeteiligungsgesellschaft, Königstein/Taunus
 Deutsche Beteiligungsgesellschaft mbH, Frankfurt am Main
 Deutsche Canada-Grundbesitzverwaltungsgesellschaft mbH, Frankfurt am Main
 degab Deutsche Gesellschaft für Anlageberatung mbH, Frankfurt am Main
 Deutsche Grundbesitz-Anlagegesellschaft mbH & Co. Löwenstein Palais, Cologne
 Deutsche Vermögensbildungsgesellschaft mbH, Bad Homburg v.d.H.
 Deutsche Wirtschaftsdatenbank GmbH, Frankfurt am Main
 Deutscher Beteiligungsfonds I GbR, Frankfurt am Main

DIL Grundstücksgesellschaft für Verwaltungs- und Lagergebäude mbH, Düsseldorf
 "Domshof" Beteiligungs-Gesellschaft mbH, Bremen
 MS "Essen" Schifffahrts Gesellschaft mbH, Bremen
 Essener Grundstücksverwaltung Dr. Ballhausen, Dr. Bruens, Dr. Möller KG, Essen
 Frankfurter Gesellschaft für Vermögensanlagen mbH, Frankfurt am Main
 GADES Grundstücks Vermietungsgesellschaft mbH, Düsseldorf
 GEFI Gesellschaft für Mobilien-Leasing und Finanzierungsvermittlung mbH, Berlin
 gr Grundstücks GmbH Objekt Corvus, Frankfurt am Main
 gr Grundstücks GmbH Objekt Corvus & Co. Besitzgesellschaft Westend-Center, Frankfurt am Main
 gr Grundstücks GmbH Objekt Lyra i. L., Frankfurt am Main
 Grundstücksgesellschaft Grafenberger Allee mbH, Düsseldorf
 Grundstücksgesellschaft Otto-Hahn Strasse mbH, Düsseldorf
 Grundstücksvermietungsgesellschaft Wilhelmstrasse mbH, Cologne
 Grundstücksverwaltungsgesellschaft Objekt Geislingen mbH, Frankfurt am Main
 Gütermann GmbH & Co. Beteiligungs-KG, Gutach
 Hochhaus und Hotel Riesenfürstenhof Aufbaugesellschaft mbH, Frankfurt am Main
 Hypotheken Verwaltungs Gesellschaft mbH, Berlin
 Immobiliengesellschaft der Deutschen Bank mbH, Frankfurt am Main
 Immobilien-Gesellschaft in Lübeck GmbH, Lübeck
 IZI Bielefeld Informations Zentrum Immobilien GmbH, Bielefeld
 IZI Dortmund Informations-Zentrum Immobilien GmbH, Dortmund
 JG Japan Grundbesitzverwaltungsgesellschaft mbH, Frankfurt am Main
 Kapital-Beteiligungs- und Verwaltungsgesellschaft Norden mbH, Lübeck
 Heinz Langer Versicherungsdienst GmbH, Stuttgart
 Mago Beteiligungsgesellschaft mbH, Frankfurt am Main
 "modernes Frankfurt" private Gesellschaft für Stadtentwicklung mbH, Frankfurt am Main
 Nordhamburgische Bauträgergesellschaft mbH, Hamburg
 Nordwestdeutscher Wohnungsbau-träger GmbH,

Braunschweig (profit-transfer agreement with Deutsche Bank AG)
 Peina Grundstücksverwaltungsgesellschaft mbH, Düsseldorf
 Saarländische Immobilien-Gesellschaft mbH, Saarbrücken
 SB Bauträger GmbH, Frankfurt am Main
 SB Bauträger GmbH & Co. Urbis Hochhaus-KG, Frankfurt am Main
 SB Bauträger GmbH & Co. Urbis Verwaltungs KG, Frankfurt am Main
 Schisa Grundstücksverwaltungsgesellschaft mbH, Düsseldorf
 Selekt Grundstücksverwaltungsgesellschaft mbH, Düsseldorf
 Süddeutsche Bank GmbH, Frankfurt am Main
 Tauernallee Grundstücksgesellschaft mbH, Berlin
 Terraingesellschaft Gross-Berlin GmbH, Berlin
 Franz Urbig und Oscar Schlitter-Stiftung GmbH, Frankfurt am Main
 Westend Grundstücksgesellschaft mbH, Lübeck
 WINWE Beteiligungsgesellschaft mbH, Frankfurt am Main
 Wohnbau-Beteiligungsgesellschaft mbH, Lübeck
 Wohnungsbaugesellschaft Lubeca GmbH, Lübeck

The following domestic companies (aggregate balance sheet total at the end of 1987: DM 882 m.), in which a direct or indirect majority shareholding is held, are not under the uniform direction of Deutsche Bank AG and are therefore not eligible for consolidation:

AV America Grundbesitzverwaltungsgesellschaft mbH, Frankfurt am Main
 Bavaria Filmkunst GmbH, Munich
 Bavaria Filmverleih- und Produktions-GmbH, Munich
 Burstah Verwaltungsgesellschaft mbH, Hamburg
 Deutsche Canada-Grundbesitz GmbH & Co., Frankfurt am Main
 Deutsche Eisenbahn Consulting GmbH, Frankfurt am Main
 Deutsche Gesellschaft für Anlageverwaltung mbH, Frankfurt am Main
 Deutsche Gesellschaft für Immobilienanlagen "America" mbH, Bad Homburg v.d.H.
 Futura Beteiligungs-GmbH, Bielefeld

GFI-Industriemontagen GmbH & Co.
 Leasing und Service OHG, Düsseldorf
 Kistra Beteiligungsgesellschaft mbH, Frankfurt am Main
 Pima Beteiligungsgesellschaft mbH, Bielefeld
 Rossmann Beteiligungsgesellschaft mbH, Frankfurt am Main
 Stöckl GmbH & Co. Poligrat-Immobilien KG, Düsseldorf

No business transactions capable of materially affecting the situation of Deutsche Bank AG were registered in connection with these companies. Business relations with these companies do not go beyond normal business relations with bank customers.

All business between the companies in the Group was transacted at normal market conditions.

Principles of consolidation

The Consolidated Balance Sheet and Consolidated Profit and Loss Account are based on the special sheets published for banks with the legal form of "Aktiengesellschaft" (joint stock corporation) and for mortgage banks.

The Consolidated Statement of Accounts was drawn up in accordance with the provisions of the Joint Stock Corporation Act 1965 in the version in effect before the Balance Sheet Directives Act of 19. 12. 1985 came into force, while the individual statements of accounts of domestic subsidiaries were drawn up in accordance with the provisions of the Commercial Code in the version as amended by the Balance Sheet Directives Act, and those of foreign Group companies in accordance with the provisions in force in the respective country of domicile.

The figures shown in the individual balance sheets were taken over unchanged into the Consolidated Balance Sheet unless, in individual cases, adjustments to German accounting provi-

sions were required. Interim statements as at 31. 12. 1987 were drawn up pursuant to Section 331 (3) Joint Stock Corporation Act for three companies with a different financial year. Their structure, insofar as the companies concerned are domestic enterprises, complies with the provisions of the Commercial Code. In one case, the lower valuation admissible pursuant to the provisions in effect before the Balance Sheet Directives Act came into force was retained. The statements of our foreign companies were converted at the exchange rates valid on balance sheet date (Frankfurt mid-rates).

The book values of the holdings in consolidated companies were offset against the respective proportions of the subsidiaries' capital and reserves. The difference is shown as the reserve arising from consolidation and is included in capital and reserves.

Claims and liabilities between consolidated members of the Group were offset. Insofar as consolidated companies' balance sheets contain provisions which represent adjustments for the Group, these amounts were converted and the corresponding assets adjusted accordingly. In the Consolidated Profit and Loss Account, the income shown in the individual statements of accounts insofar as it represents compensation for mutual services of the consolidated companies – almost exclusively interest and commissions – has been offset against the respective expenses. Inter-company profits were eliminated.

Amounts received by the parent company during the year under review on holdings in consolidated members of the Group and representing distributions on the profits of the preceding year were included under profit brought forward; the tax credits received were not taken into account in these distributed profits or in the Group's tax expenses.

Notes on the Consolidated Balance Sheet

Liquidity

The *cash reserve* (cash on hand, balances with Deutsche Bundesbank and on postal giro accounts) increased by DM 1.3 bn. to DM 8.2 bn. as a result of the growth of the balance with Deutsche Bundesbank. With liabilities 5.0% higher (excluding long-term mortgage bank liabilities), *cash liquidity* (cash reserve as a percentage of liabilities) reached 4.4% compared with 3.9% at the end of 1986.

At DM 30.5 bn., *total liquid assets* (cash reserve, items received for collection, bills of exchange rediscountable at Deutsche Bundesbank, claims on banks payable on demand, Treasury bills and Treasury notes, as well as fixed-income securities eligible as collateral for Bundesbank advances) were slightly above the comparable figure for 1986 (DM 30.0 bn.). *Overall liquidity* (total liquid assets as a percentage of liabilities) declined to 16.4% as of 31. 12. 1987 (end of 1986: 17.0%).

Assets

Treasury bills, securities

Securities holdings, including Treasury bills, declined by DM 919 m. to DM 21.4 bn. at the end of 1987.

Treasury bills and discountable Treasury notes rose DM 792 m. to DM 3.1 bn. The holdings consist mainly of paper of foreign issuers.

The decline in securities related to *bonds and notes* which, at a total of DM 13.0 bn. (of which DM 7.4 bn. = 56.9% was eligible as collateral for Deutsche Bundesbank advances), were DM 2,072 m. below the pre-year figure. Foreign issuers' paper accounted for 42.6% of the total holdings of bonds and notes.

Securities not to be shown elsewhere – shares and investment fund certificates – increased by DM 361 m. to DM 5.3 bn.

Group securities holdings were valued uniformly in accordance with the strict "lower of cost and market" principle.

Total credit extended

Total credit extended by the Group was increased by DM 11.7 bn. (+ 6.5%), compared with 31. 12. 1986, to DM 191.5 bn. The growth stemmed largely from Deutsche Bank AG and from the Italian subsidiary, BAI, which was consolidated for the first time. The Group mortgage banks' business also contributed to the increase in total credit extended.

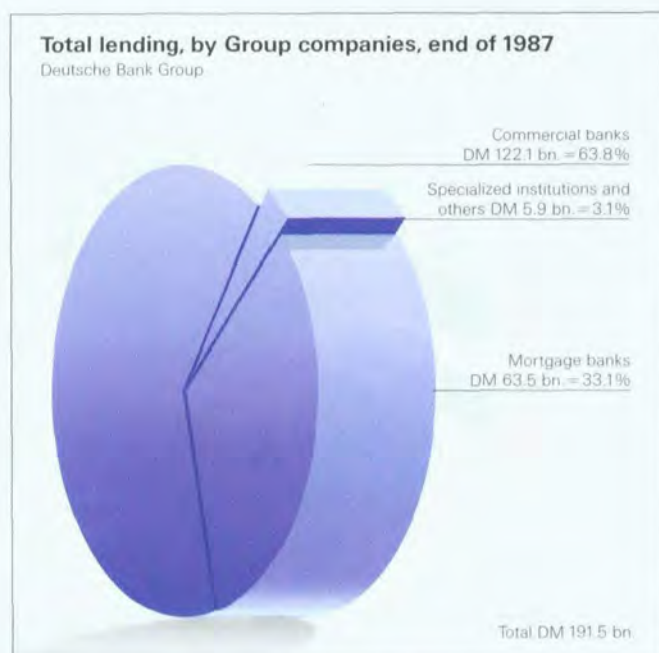
The total credit extended by foreign commercial banks, converted into D-Marks, was greatly influenced by exchange rate changes.

At all companies included in the Consolidated Statement of Accounts, commitments in lending business were valued with unchanged care. Provision was made for all discernible risks – both for individual borrowers and for country risks – by the formation of adjustments and provisions in accordance with uniform standards applied throughout the Group.

Claims on customers were increased by DM 9.7 bn. (+ 9.8%) to DM 109.2 bn. Short and medium-term claims on customers increased to DM 54.6 bn. (end of 1986: DM 51.3 bn.). Long-term claims on customers expanded by DM 6.5 bn. (+ 13.5%) to DM 54.6 bn. Thus, the



| <i>Total credit extended</i> | End of 1987 | | End of 1986 | | Change | |
|----------------------------------|-------------|---------|-------------|---------|---------|------|
| | DM m. | % share | DM m. | % share | DM m. | % |
| Claims on customers | | | | | | |
| short and medium-term | 54,550 | 28.5 | 51,319 | 28.5 | + 3,231 | 6.3 |
| long-term (4 years or more) | 54,597 | 28.5 | 48,122 | 26.8 | + 6,475 | 13.5 |
| | 109,147 | 57.0 | 99,441 | 55.3 | + 9,706 | 9.8 |
| Long-term mortgage bank lendings | 62,230 | 32.5 | 60,459 | 33.6 | + 1,771 | 2.9 |
| Discounts | 6,287 | 3.3 | 6,907 | 3.8 | - 620 | 9.0 |
| Lendings to banks | | | | | | |
| short and medium-term | 7,060 | 3.7 | 5,508 | 3.1 | + 1,552 | 28.2 |
| long-term (4 years or more) | 6,771 | 3.5 | 7,519 | 4.2 | - 748 | 9.9 |
| | 13,831 | 7.2 | 13,027 | 7.3 | + 804 | 6.2 |
| <i>Total credit extended</i> | 191,495 | 100.0 | 179,834 | 100.0 | +11,661 | 6.5 |



share of *long-term claims on customers* in total claims on customers grew to 50.0% after 48.4% in the previous year.

The increase of DM 1.8 bn. in *long-term mortgage bank lendings* comprised the DM 1.1 bn. rise in mortgage loans to DM 30.0 bn. and the DM 0.7 bn. growth in communal loans to DM 31.1 bn. Communal loans therefore account for 50.8% (end of 1986: 51.2%) of total mortgage bank lendings.

Lendings to banks rose by DM 1.6 bn. (+ 28.2%) in the short and medium-term sectors, while long-term advances decreased by DM 0.8 bn. (-9.9%). Lendings to banks then totalled DM 13.8 bn. (end of 1986: DM 13.0 bn.). *Dated deposits with banks* increased by DM 1.4 bn. to DM 29.3 bn.

Fixed assets

The item *subsidiaries, associated companies and trade investments*, reported at DM 2.7 bn., relates to non-consolidated companies. The decline of DM 1.5 bn. compared with the previous year is due largely to the first-time consolidation of BAI.

Of the reported value of *land and buildings* at DM 1,390 m. (end of 1986: DM 1,120 m.), DM 1,215 m. relates to property used for banking business.

Office furniture and equipment was reported at DM 829 m.

Leasing equipment increased by DM 504 m. to DM 2,149 m. The land and buildings included in this item in the sum of DM 144 m. (end of 1986: DM 151 m.) are held by Deutsche Gesellschaft für Immobilien-Leasing mbH, Cologne. Most of the movable leasing equipment in the amount of DM 2,005 m. related to GEFA-Leasing GmbH, Wuppertal.

Other asset items

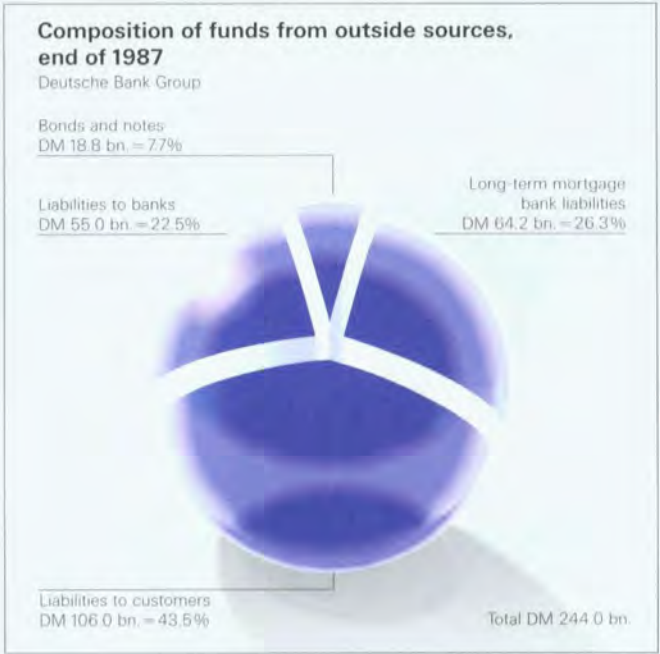
Other assets amounted to DM 1,256 m. They consist largely of precious metals holdings.

Liabilities

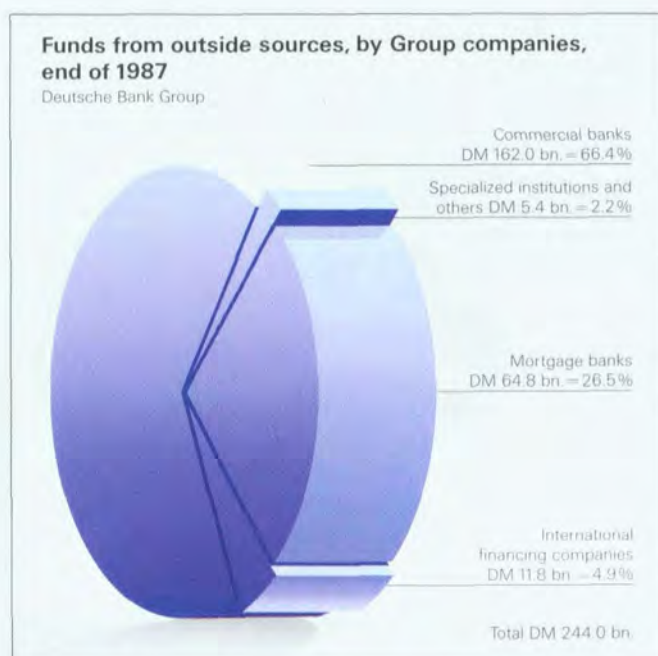
Funds from outside sources

In the year under review, *funds from outside sources* increased strongly by DM 10.3 bn. to DM 244.0 bn. This development was largely influenced by the first-time consolidation of BAI.

Liabilities to banks were reduced by DM 2.7 bn. to DM 55.0 bn. Time deposits with an original period of less than 4 years decreased by DM 2.3 bn., while long-term deposits were raised by DM 1.1 bn. The share of liabilities to banks in funds from outside sources decreased to 22.5% (previous year: 24.7%).



| <i>Funds from outside sources</i> | End of 1987 DM m. % share | | End of 1986 DM m. % share | | Change DM m. % | |
|---|---------------------------------|--------------|---------------------------------|--------------|----------------------|--------------|
| Liabilities to banks | | | | | | |
| payable on demand | 10,732 | 4.4 | 12,245 | 5.2 | - 1,513 | = 12.4 |
| time deposits | 44,147 | 18.1 | 45,374 | 19.4 | - 1,227 | = 2.7 |
| customers' drawings on other banks | 139 | — | 143 | 0.1 | - 4 | = 2.5 |
| | <u>55,018</u> | <u>22.5</u> | <u>57,762</u> | <u>24.7</u> | <u>- 2,744</u> | <u>= 4.8</u> |
| Liabilities to customers | | | | | | |
| payable on demand | 30,235 | 12.4 | 25,160 | 10.8 | + 5,075 | = 20.2 |
| time deposits | 43,887 | 18.0 | 46,984 | 20.1 | - 3,097 | = 6.6 |
| savings deposits | 31,909 | 13.1 | 27,990 | 11.9 | + 3,919 | = 14.0 |
| | <u>106,031</u> | <u>43.5</u> | <u>100,134</u> | <u>42.8</u> | <u>+ 5,897</u> | <u>= 5.9</u> |
| Bonds and notes | 18,826 | 7.7 | 13,488 | 5.8 | + 5,338 | = 39.6 |
| Long-term mortgage bank liabilities | 64,141 | 26.3 | 62,367 | 26.7 | + 1,774 | = 2.8 |
| | <u>82,967</u> | <u>34.0</u> | <u>75,855</u> | <u>32.5</u> | <u>+ 7,112</u> | <u>= 9.4</u> |
| <i>Total funds from outside sources</i> | <u>244,016</u> | <u>100.0</u> | <u>233,751</u> | <u>100.0</u> | <u>+ 10,265</u> | <u>= 4.4</u> |



Liabilities to customers increased by a total of DM 5.9 bn. to DM 106.0 bn. Deposits payable on demand rose by DM 5.1 bn. to DM 30.2 bn. On the other hand, time deposits decreased by DM 3.1 bn. to DM 43.9 bn.

Savings deposits rose in the year under review by DM 3.9 bn. to DM 31.9 bn. (+ 14.0%). Savings deposits subject to the legal period of notice increased by DM 0.6 bn. to DM 17.3 bn., other savings deposits by DM 3.3 bn. to DM 14.6 bn.

Bonds and notes in circulation rose to DM 18.8 bn. (end of 1986: DM 13.5 bn.).

Long-term mortgage bank liabilities were reported DM 1.8 bn. higher at DM 64.2 bn. The mortgage bonds included in this item totalled DM 26.5 bn. (+ DM 949 m.), and communal bonds DM 29.9 bn. (+ DM 443 m.).

Foreign customers and banks accounted for DM 72.6 bn. (end of 1986: DM 71.4 bn.) or 29.8% of funds from outside sources.

Provisions, special items with partial reserve character

Provisions amounted to DM 6.4 bn. at year's end, of which DM 2.2 bn. related to *provisions for pensions* (+ DM 149 m.).

Other provisions amounted to DM 4.2 bn. This item comprises primarily provisions for taxes, provisions for creditworthiness and country risks and for commitments under declarations of backing. Also included here are commitments to pay anniversary bonuses and liabilities under the Early Retirement Act.

Special items with partial reserve character rose by DM 89.5 m. as at year's end 1987 to DM 135.0 m.

Contingent liabilities

Endorsement liabilities on rediscounted bills of exchange and own drawings in circulation decreased by DM 0.8 bn. to DM 3.9 bn. Of own drawings in circulation (DM 89 m.), DM 33 m. was discounted for borrowers' account.

Contingent liabilities from guarantees, including guarantees for bills and cheques, and from indemnity agreements increased to DM 21.1 bn. (end of 1986: DM 19.4 bn.).

Commitments from the sale of assets subject to repurchase agreements, amounting to DM 52 m., related entirely to the foreign branches of the parent company.

Miscellaneous liabilities

As at year's end, *liabilities for possible calls* on not fully paid-up shares in public and private limited companies, insofar as they were not shown on the liabilities side, came to DM 109 m. *Joint liabilities* pursuant to Section 24 GmbH Act amounted to DM 50 m. Where we have other joint liabilities, the standing of the co-shareholders is beyond doubt in all cases.

In connection with the holding in Liquiditäts-Konsortialbank GmbH, Frankfurt am Main, there are Group obligations to pay further capital of up to DM 64 m. and a proportional contingent liability to fulfil the capital obligations of other shareholders who are also members of the Bundesverband deutscher Banken e. V., Cologne. The obligations to pay further capital on other holdings came to DM 2 m. on 31.12.1987.

Funds taken up for specific projects in the sum of DM 6,790 m., which are included under liabilities to customers and banks and were provided, for the most part, by Kreditanstalt für Wiederaufbau, Frankfurt am Main, were passed on to the borrowers at the conditions stipulated by the lenders. Within the framework of Berlin order financing, securities in the sum of DM 9 m. were pledged. At the end of 1987, assets and security items provided to us in the sum of DM 146 m. were tied in connection with loans taken up. Legal stipulations required the provision of security in connection with the business activity of the foreign branches of Deutsche Bank AG; this tied up assets in the amount of DM 117 m.

In addition, we refer to the Declaration of Backing which appears in the Notes to the Annual Statement of Accounts of Deutsche Bank AG for certain related banks and property management companies.

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

Consolidated Profit and Loss Account

For the sake of better comparability, we report on the development of our regular business in 1987, excluding the portion of the result contained in the pre-year figures that stemmed from the acquisition and further placement of the Flick holdings.

Income on business volume

Income on business volume (interest surplus), comparable with the previous year, increased by 2.8% to DM 6,072 m. Banca d'America e d'Italia (BAI), consolidated for the first time, contributed DM 462 m. to this figure. The interest surplus on our mortgage banks' non-recurrent expenses and income increased by 3.8%.

Income on services business

The surplus on *commissions and other service charges received* came to DM 1,910 m. At the domestic commercial banks, the commission surplus fell by 5.1%, at the investment banking and capital investment companies it increased by 21.2%.

Staff and other operating expenses

The increase of DM 713 m. (+ 14.4%) in *staff and other operating expenses* to DM 5,664 m. stemmed largely from the first-time consolidation of BAI. The domestic commercial banks limited

the rise in costs to 6.1%. Staff expenses came to DM 3,845 m., general operating expenses to DM 1,451 m. Also included in staff and other operating expenses is normal depreciation on land and buildings and on office furniture and equipment with DM 368 m.

Operating result

The *partial operating result*, excluding own-account trading, fell by 15.7% in the Group.

The Group *operating result* – surplus on current business, including own-account trading – fell by 32.6%, in particular as a result of the decline in profits on own-account trading and securities.

Other income, including income from the writing back of provisions for possible loan losses

After offsetting of eligible income with write-downs of and adjustments to claims and securities pursuant to Section 4 of the Order concerning Banks' Statements of Accounts, *other income* is reported at DM 594 m. (previous year: DM 412 m.).

Income from leasing business

This item contains current income of the Group leasing companies and the income from cross-border leasing business of the parent company in the total amount of DM 787 m. (previous year: DM 596 m.).

Write-downs, depreciation and adjustments

Expenses for *write-downs of and adjustments to claims and securities, transfers to provisions for possible loan losses* amounted to DM 718 m. (previous year: DM 867 m.) after offsetting with profits from securities and with adjustments and provisions written back (pursuant to Section 4 of the Order concerning Banks' Statements of Accounts).

Depreciation of leasing equipment rose to DM 745 m. (1986: DM 562 m.).

Taxes

Taxes on income and assets fell to DM 933 m. The additional corporation tax burden of 5/16 on domestic subsidiaries' profits for 1987 to be distributed to the parent company in 1988 is not taken into account. *Other taxes* are reported at DM 38 m.

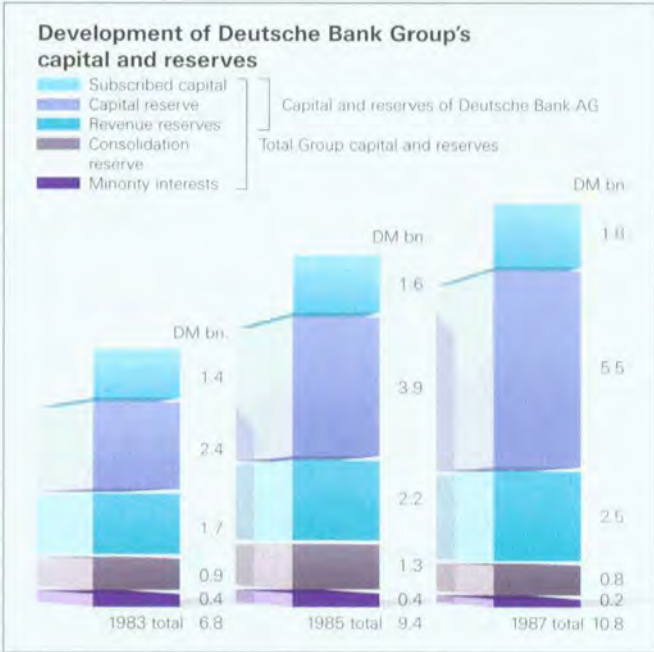
Profit, capital and reserves

Net income for the year 1987 is DM 669.5 m. Taking into account the profit of DM 78.8 m. brought forward from 1986 and after the addition of DM 110.2 m. to revenue reserves, and after deducting minority interests in profit in the sum of DM 11.6 m., the remaining consolidated profit amounts to DM 626.5 m. (1986: DM 694.2 m.).

In accordance with the proposals for the appropriation of profits, DM 432.9 m. (previous year DM 397.0 m. and DM 162.3 m. bonus) is to be distributed to the shareholders of the parent company and to minority shareholders in subsidiaries.

At the end of 1987, the *reserve arising from consolidation*, which results from offsetting the book values of subsidiaries, associated companies and trade investments with the proportionate shares of capital and reserves, fell to DM 844.1 m. The reduction of DM 587.4 m. is due to the first-time consolidation of Banca d'America e d'Italia S.p.A., the purchase of the remaining shares of Deutsche Bank (Asia) AG and to the differences resulting from exchange rate changes in the conversion of the individual statements of accounts of foreign consolidated companies. These items are offset by proportionate additions to reserves.

Minority interests of DM 238.9 m. include profits of DM 10.4 m. attributable to minority interests; DM 228.5 m. of this item, therefore, has equity character.



As a result of resolutions by the General Meetings of subsidiaries, a further DM 169.8 m. from consolidated profit is to be added to revenue reserves. Group capital and reserves will then amount to DM 11,018.9 m.

At Deutsche Bank AG, there is also authorized capital of DM 115 m. and conditional capital of DM 559.6 m.

| | 31.12.1987 DM m. | 31.12.1986 DM m. |
|---|---------------------|---------------------|
| Subscribed capital | 1,772.6 | 1,623.4 |
| Capital reserve | 5,490.5 | 4,144.8 |
| Revenue reserves | <u>2,513.4</u> | <u>2,513.4</u> |
| <i>Capital and reserves of Deutsche Bank AG</i> | 9,776.5 | 8,281.6 |
| Reserve arising from consolidation | 844.1 | 1,431.5 |
| Minority interests | <u>228.5</u> | <u>329.5</u> |
| <i>Total Group capital and reserves</i> | <u>10,849.1</u> | <u>10,042.6</u> |

The Board of Managing Directors

Jungs Junges Aus Phisians
 Herhausen Kees Hoover byer Linnas
 Uesin Weiss Lauer
 Enders Kammern (Kessithi Kamm)

Consolidated Balance Sheet as of December 31, 1987

**Consolidated Profit and Loss Account
for the period from January 1 to December 31, 1987**

Assets

Deutsche Bank Aktiengesellschaft

| | in DM 1,000 | in DM 1,000 | 31. 12. 1986 in DM 1,000 |
|---|-------------------|-------------|-----------------------------|
| Cash on hand | | 756,816 | 721,124 |
| Balance with Deutsche Bundesbank | | 7,412,113 | 6,137,294 |
| Balances on postal giro accounts | | 19,743 | 32,618 |
| Cheques, matured bonds, interest and dividend coupons, items received for collection | | 574,903 | 385,575 |
| Bills of exchange | | 2,179,069 | 2,039,439 |
| including: | | | |
| a) rediscountable at Deutsche Bundesbank DM thou. 1,092,660 | | | |
| b) own drawings DM thou. 130,002 | | | |
| Claims on banks | | | |
| a) payable on demand | 10,072,295 | | 10,673,447 |
| b) with original periods or periods of notice of | | | |
| ba) less than three months | 14,078,006 | | 15,390,461 |
| bb) at least three months, but less than four years | 22,245,763 | | 18,077,175 |
| bc) four years or more | <u>6,771,389</u> | | <u>7,519,062</u> |
| including: | | 53,167,453 | 51,660,145 |
| used as cover in mortgage | | | |
| bank business DM thou. 490,000 | | | |
| Treasury bills and discountable Treasury notes | | | |
| a) of the Federal and Länder Governments | 98,267 | | 167,167 |
| b) of other issuers | <u>3,030,850</u> | | <u>2,169,840</u> |
| | | 3,129,117 | 2,337,007 |
| Bonds and notes | | | |
| a) with a life of up to four years | | | |
| aa) of the Federal and Länder Governments DM thou. 1,078,756 | | | |
| ab) of banks DM thou. 1,237,386 | | | |
| ac) of other issuers DM thou. 576,789 | 2,892,931 | | 2,851,351 |
| including: | | | |
| eligible as collateral for | | | |
| Deutsche Bundesbank advances DM thou. 1,923,949 | | | |
| used as cover in mortgage | | | |
| bank business DM thou. 76,000 | | | |
| b) with a life of more than four years | | | |
| ba) of the Federal and Länder Governments DM thou. 3,281,831 | | | |
| bb) of banks DM thou. 3,616,417 | | | |
| bc) of other issuers DM thou. 3,224,595 | <u>10,122,843</u> | | <u>12,236,367</u> |
| including: | | 13,015,774 | 15,087,718 |
| eligible as collateral for | | | |
| Deutsche Bundesbank advances DM thou. 5,483,853 | | | |
| used as cover in mortgage | | | |
| bank business DM thou. 402,272 | | | |
| Securities not to be shown elsewhere | | | |
| a) shares marketable on a stock exchange and investment fund certificates .. | 5,125,649 | | 4,828,512 |
| b) other | <u>156,459</u> | | <u>92,473</u> |
| including: holdings of more than one tenth of the shares | | 5,282,108 | 4,920,985 |
| of a joint stock corporation or a mining company, | | | |
| unless shown as Subsidiaries, associated companies | | | |
| and trade investments DM thou. 97,541 | | | |
| Carried forward | | 85,537,096 | 83,321,905 |

Consolidated Balance Sheet as of December 31, 1987

Liabilities

| | in DM 1,000 | in DM 1,000 | in DM 1,000 | 31. 12. 1986 in DM 1,000 |
|---|---------------------|-------------------|-------------|-----------------------------|
| Liabilities to banks | | | | |
| a) payable on demand | | 10,731,654 | | 12,245,229 |
| b) with original periods or periods of notice of | | | | |
| ba) less than three months | 11,255,447 | | | |
| bb) at least three months, but less than four years | 23,671,602 | | | |
| bc) four years or more | <u>9,220,831</u> | 44,147,880 | | 45,374,366 |
| including: due in less than four years | DM thou. 6,120,455 | | | |
| c) customers' drawings on other banks | | <u>138,910</u> | 55,018,444 | 142,477 |
| | | | | 57,762,072 |
| Liabilities to customers | | | | |
| a) payable on demand | | 30,234,578 | | 25,159,569 |
| b) with original periods or periods of notice of | | | | |
| ba) less than three months | 23,151,157 | | | |
| bb) at least three months, but less than four years | 9,334,577 | | | |
| bc) four years or more | <u>11,401,458</u> | 43,887,192 | | 46,984,107 |
| including: due in less than four years | DM thou. 10,059,420 | | | |
| c) savings deposits | | | | |
| ca) subject to legal period of notice | 17,294,218 | | | |
| cb) other | <u>14,614,651</u> | <u>31,908,869</u> | | 27,990,276 |
| including: building savings deposits | DM thou. 61,413 | | 106,030,639 | 100,133,952 |
| Bonds and notes with a life of | | | | |
| a) up to four years | | 624,456 | | 240,157 |
| b) more than four years | | <u>18,201,856</u> | | 13,248,474 |
| including: maturing in less than four years | DM thou. 9,158,633 | | 18,826,312 | 13,488,631 |
| Bonds issued by mortgage banks | | | | |
| a) mortgage bonds | | 26,521,197 | | 25,571,960 |
| including: registered bonds | DM thou. 9,673,242 | | | |
| b) communal bonds | | 29,911,455 | | 29,468,110 |
| including: registered bonds | DM thou. 9,363,050 | | | |
| c) other bonds in accordance with Section 5 (1) 4c of the Mortgage Bank Act | | 2,203,872 | | 1,741,507 |
| including: registered bonds | DM thou. — | | | |
| d) bonds drawn and called for redemption | | <u>494,331</u> | | 323,613 |
| including: maturing or to be taken back in less than four years | DM thou. 29,544,899 | | 59,130,855 | 57,105,190 |
| further: registered mortgage bonds given to lender as security for loans taken up | DM thou. 956,148 | | | |
| and registered communal bonds | DM thou. 694,847 | | | |
| Bonds to be delivered | | | | |
| | | | 559,973 | 1,074,843 |
| Carried forward | | | 239,566,223 | 229,564,688 |

Assets

Consolidated Balance Sheet

| | in DM 1,000 | in DM 1,000 | 31. 12. 1986 in DM 1,000 |
|--|---------------------|--------------------|-----------------------------|
| Brought forward | | 85,537,096 | 83,321,905 |
| Claims on customers with original periods or periods of notice of | | | |
| a) less than four years | 54,549,888 | | 51,318,820 |
| including: | | | |
| used as cover in mortgage bank business | DM thou. 747,758 | | |
| on building savers relating to closing fees | DM thou. 2,953 | | |
| b) four years or more | 54,596,629 | | 48,121,763 |
| including: | | 109,146,517 | 99,440,583 |
| ba) secured by mortgages on real estate | DM thou. 10,562,537 | | |
| bb) communal loans | DM thou. 2,609,844 | | |
| due in less than four years | DM thou. 24,386,018 | | |
| Mortgage bank lendings with original periods of four years or more | | | |
| a) mortgages | 30,023,190 | | 28,892,885 |
| used as cover | DM thou. 27,127,899 | | |
| b) communal loans | 31,068,863 | | 30,357,770 |
| used as cover | DM thou. 30,407,417 | | |
| c) other | 19,874 | | 31,189 |
| including: to banks | DM thou. 5,851,109 | 61,111,927 | 59,281,844 |
| Accrued interest on long-term mortgage bank lendings | | | |
| a) pro rata interest | 1,047,931 | | 1,095,533 |
| b) interest due after October 31, 1987 and on January 2, 1988 | 69,968 | | 81,909 |
| c) interest arrears | — | | — |
| Recovery claims on Federal and Länder authorities under Currency Reform Acts | | 1,117,899 | 1,177,442 |
| including: | | 211,679 | 232,910 |
| used as cover in mortgage bank business | DM thou. 23,113 | | |
| Loans on a trust basis at third party risk | | 1,219,894 | 1,410,521 |
| Subsidiaries, associated companies and trade investments | | 2,657,246 | 4,140,352 |
| including: investments in banks | DM thou. 293,277 | | |
| Land and buildings | | 1,389,765 | 1,119,555 |
| including: taken over in mortgage bank business | DM thou. 20,307 | | |
| Office furniture and equipment | | 828,596 | 762,069 |
| Leasing equipment | | | |
| a) land and buildings | 143,704 | | 151,100 |
| b) movables | 2,004,910 | | 1,493,830 |
| Bonds and notes issued by consolidated companies | | 2,148,614 | 1,644,930 |
| nominal amount | DM thou. 1,309,517 | 1,471,992 | 1,476,115 |
| | US\$ thou. 55,282 | | |
| | A\$ thou. 8,384 | | |
| | £stg. thou. 593 | | |
| | Dkr thou. 1,940 | | |
| | Can.\$ thou. 2,367 | | |
| Other assets | | 1,255,663 | 2,997,221 |
| Deferred items | | | |
| a) difference in accordance with Section 250 (3) of the Commercial Code | 172,134 | | 161,022 |
| b) other | 72,473 | | 56,623 |
| | | 244,607 | 217,645 |
| Total Assets | | 268,341,495 | 257,223,092 |

Total Assets and the recourse claims from the contingent liabilities shown below the line on the liabilities side include:

| | | |
|--|---------|---------|
| a) claims on related companies | 719,142 | 894,792 |
| b) claims arising from loans falling under Section 15 (1) 1-6 and (2) of the Banking Act, unless included under a) | 776,602 | 735,316 |

as of December 31, 1987

Liabilities

| | in DM 1,000 | in DM 1,000 | in DM 1,000 | 31. 12. 1986 in DM 1,000 |
|---|------------------|------------------|-------------|-----------------------------|
| Brought forward | | | 239,566,223 | 229,564,688 |
| Loans taken up in mortgage bank business, with original periods or periods of notice of four years or more | | | | |
| a) from banks | | 498,279 | | 437,642 |
| b) other | | <u>1,764,302</u> | | <u>1,506,614</u> |
| including: | | | 2,262,581 | 1,944,256 |
| with partial liability | DM thou. 52 | | | |
| due in less than four years | DM thou. 801,040 | | | |
| Accrued interest on bonds issued and loans taken up in mortgage bank business | | | | |
| a) pro rata interest | | 1,861,380 | | 1,742,968 |
| b) interest due (including interest due on January 2, 1988) | | <u>326,337</u> | | <u>499,392</u> |
| Own acceptances and promissory notes outstanding | | | 2,187,717 | 2,242,360 |
| Loans on a trust basis at third party risk | | | 3,126,714 | 2,825,813 |
| Provisions | | | 1,219,894 | 1,410,521 |
| a) for pensions | | 2,208,091 | | 2,059,233 |
| b) other | | <u>4,160,514</u> | | <u>4,504,443</u> |
| Other liabilities | | | 6,368,605 | 6,563,676 |
| Endowments and benevolent funds | | | 306,174 | 259,202 |
| Endowment assets | | 7,174 | | 7,221 |
| less investments in securities | | <u>6,998</u> | | <u>7,198</u> |
| Deferred items | | | 176 | 23 |
| a) in accordance with Section 25 of the Mortgage Bank Act | | 186,697 | | 235,553 |
| b) other | | <u>1,495,736</u> | | <u>1,383,937</u> |
| Special items with partial reserve character | | | 1,682,433 | 1,619,490 |
| a) in accordance with the Tax Act regarding Developing Countries | | 4,299 | | 5,818 |
| b) in accordance with Section 6b of the Income Tax Act | | 125,314 | | 27,526 |
| c) in accordance with Section 52 (5) of the Income Tax Act | | 4,079 | | 9,166 |
| d) replacements reserve | | 966 | | 774 |
| e) in accordance with Section 3 of the Foreign Investment Act | | — | | 2,234 |
| f) under foreign law | | <u>339</u> | | — |
| Subscribed capital (bearer shares) | | | 134,997 | 45,518 |
| Conditional capital DM thou. 599,580 | | | 1,772,631 | 1,623,365 |
| Capital reserve | | | 5,490,441 | 4,144,837 |
| Revenue reserves | | | | |
| a) legal reserve | | 25,000 | | 25,000 |
| b) other revenue reserves | | <u>2,488,381</u> | | <u>2,488,381</u> |
| Reserve arising from consolidation | | | 2,513,381 | 2,513,381 |
| Minority interests | | | 844,123 | 1,431,455 |
| including: from profit | DM thou. 10,380 | | 238,892 | 340,270 |
| Consolidated profit | | | 626,513 | 694,237 |
| Total Liabilities | | | 268,341,495 | 257,223,092 |
| Own drawings in circulation | | | 89,053 | 70,835 |
| including: those discounted for borrowers' account | DM thou. 32,615 | | | |
| Endorsement liabilities on rediscounted bills of exchange | | | 3,890,591 | 4,679,634 |
| Contingent liabilities from guarantees, including guarantees for bills and cheques, and from indemnity agreements | | | 21,084,041 | 19,380,652 |
| Commitments (not to be shown under liabilities) from the sale of assets subject to repurchase agreements | | | 52,174 | 86,783 |
| Total Liabilities, together with contingent liabilities and other commitments shown below the line, include liabilities to related companies of | | | 119,823 | 250,335 |

Expenses

Consolidated Profit and Loss Account

| | in DM 1,000 | in DM 1,000 | 1986 in DM 1,000 |
|--|----------------|-------------------|---------------------|
| Interest and similar expenses | | 7,457,483 | 6,736,914 |
| Interest expenses in mortgage bank business for | | | |
| a) mortgage bonds | 1,831,377 | | 1,804,484 |
| b) communal bonds | 2,101,179 | | 2,223,078 |
| c) other bonds in accordance with Section 5 (1) 4c of the Mortgage Bank Act | 108,968 | | 88,621 |
| d) loans taken up | <u>157,874</u> | | <u>136,229</u> |
| | | 4,199,398 | 4,252,412 |
| Commissions and similar service charges paid | | 106,221 | 59,779 |
| Non-recurrent expenses in the mortgage banks' issue and loan business | | 128,468 | 151,989 |
| Write-downs of and adjustments to claims and securities, transfers to provisions for possible loan losses | | 718,258 | 867,309 |
| Salaries and wages | | 2,890,596 | 2,686,400 |
| Compulsory social security contributions | | 464,069 | 384,466 |
| Expenses for pensions and other employee benefits | | 490,095 | 451,789 |
| General operating expenses | | 1,450,992 | 1,254,813 |
| Depreciation of and adjustments to land and buildings and office furniture and equipment | | 466,652 | 358,919 |
| Depreciation of leasing equipment | | 745,223 | 562,050 |
| Write-downs of and adjustments to subsidiaries, associated companies and trade investments | | 116,316 | 120,895 |
| Taxes | | | |
| a) on income and assets | 933,199 | | 1,607,742 |
| b) other | <u>38,081</u> | | <u>16,254</u> |
| | | 971,280 | 1,623,996 |
| Expenses from assumption of loss | | 23,249 | 17,731 |
| Allocations to Special items with partial reserve character | | 146,487 | 29,718 |
| Other expenses | | 432,582 | 417,026 |
| Net income for the year | | 669,529 | 1,067,734 |
| Total Expenses | | 21,476,898 | 21,043,940 |

Net income for the year

Profit brought forward from the previous year

Withdrawals from the reserve for own shares

Allocations to revenue reserves

 a) Deutsche Bank Aktiengesellschaft

 b) consolidated companies

Profit attributable to minority interests

Consolidated profit

Frankfurt am Main, March 15, 1988

Deutsche Bank Aktiengesellschaft

The Board of Managing Directors

Breuer Burgard Cartellieri Christians

Herrhausen van Hooven Kopper Krupp

Martin Weiss Zapp

Endres Krumnow Schneider-Lenné

for the period from January 1 to December 31, 1987

Income

| | in DM 1,000 | in DM 1,000 | 1986 in DM 1,000 |
|---|------------------|-------------|---------------------|
| Interest and similar income from lending and money market transactions | | 11,499,678 | 10,540,168 |
| Current income from | | | |
| a) fixed-interest securities and Government-inscribed debt | 1,010,958 | | 1,066,111 |
| b) other securities | 202,083 | | 1,197,630 |
| c) subsidiaries, associated companies and trade investments | <u>373,584</u> | | <u>376,553</u> |
| | | 1,586,625 | 2,640,294 |
| Interest income in mortgage bank business from | | | |
| a) mortgages | 2,183,348 | | 2,113,871 |
| b) communal loans | <u>2,367,874</u> | | <u>2,488,385</u> |
| | | 4,551,222 | 4,602,256 |
| Commissions and other service charges received | | 2,016,585 | 1,907,959 |
| Non-recurrent income from the mortgage banks' issue and loan business | | 217,353 | 244,845 |
| Other income, including income from the writing back of provisions for possible loan losses | | 594,007 | 411,900 |
| Income from leasing business | | 787,085 | 596,337 |
| Income from profit-pooling, profit-transfer and partial profit-transfer agreements | | 2,640 | 1,969 |
| Income from the writing back of provisions, unless it has to be shown under "Other income" | | 164,356 | 87,241 |
| Income from the writing back of special items with partial reserve character | | 57,347 | 10,971 |
| <hr/> | | | |
| Total Income | | 21,476,898 | 21,043,940 |

| in DM 1,000 | in DM 1,000 | 1986 in DM 1,000 |
|-------------|----------------|---------------------|
| | 669,529 | 1,067,734 |
| | 78,794 | 49,076 |
| | — | <u>28,248</u> |
| | <u>748,323</u> | 1,145,058 |
| <hr/> | | |
| | | 300,000 |
| 110,153 | | <u>138,704</u> |
| | <u>110,153</u> | <u>438,704</u> |
| | 638,170 | 706,354 |
| | <u>11,657</u> | <u>12,117</u> |
| | <u>626,513</u> | <u>694,237</u> |

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

Frankfurt am Main, March 18, 1988

Treuverkehr
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Fandré
Wirtschaftsprüfer

Dr. Fliess
Wirtschaftsprüfer

Income

| | | 1986 |
|----------------|----------------|----------------|
| in DM 1,000 | in DM 1,000 | in DM 1,000 |
| | 669,529 | 1,067,734 |
| | 78,794 | 49,076 |
| | <u>—</u> | <u>28,248</u> |
| | 748,323 | 1,145,058 |
| — | | 300,000 |
| <u>110,153</u> | | <u>138,704</u> |
| | <u>110,153</u> | <u>438,704</u> |
| | 638,170 | 706,354 |
| | <u>11,657</u> | <u>12,117</u> |
| | <u>626,513</u> | <u>694,237</u> |

Dr. Fliess
Wirtschaftsprüfer

**Figures from the
Consolidated Balance Sheet and the
Consolidated Profit and Loss Account
1967–1987**

Figures from the Consolidated Balance Sheet

— Amounts in DM millions —

| End of | 1987 | 1986 | 1985 | 1984 | 1983 |
|--|----------------|----------------|----------------|----------------|----------------|
| Assets | | | | | |
| Cash reserve | 8,189 | 6,891 | 7,956 | 6,650 | 5,915 |
| Bills of exchange | 2,179 | 2,039 | 2,210 | 2,471 | 2,582 |
| Claims on banks | 53,167 | 51,660 | 43,741 | 42,750 | 40,006 |
| Treasury bills and discountable Treasury notes | 3,129 | 2,337 | 1,985 | 1,154 | 1,351 |
| Bonds and notes | 13,016 | 15,088 | 14,445 | 13,539 | 11,226 |
| Securities not to be shown elsewhere | 5,282 | 4,921 | 2,825 | 3,155 | 2,793 |
| Claims on customers | 109,147 | 99,441 | 96,123 | 100,206 | 88,112 |
| short and medium-term | 54,550 | 51,319 | 53,836 | 61,685 | 53,814 |
| long-term (4 years or more) | 54,597 | 48,122 | 42,287 | 38,521 | 34,298 |
| Long-term mortgage bank lendings | 62,230 | 60,459 | 56,953 | 53,372 | 49,443 |
| Loans on a trust basis at third party risk | 1,220 | 1,411 | 1,556 | 1,235 | 999 |
| Subsidiaries, associated companies and | | | | | |
| trade investments | 2,657 | 4,140 | 2,522 | 648 | 560 |
| Land and buildings | 1,390 | 1,120 | 1,062 | 1,004 | 965 |
| Office furniture and equipment | 828 | 762 | 647 | 490 | 390 |
| Leasing equipment | 2,149 | 1,645 | 1,476 | 1,094 | 1,006 |
| Bonds and notes issued by consolidated companies | 1,472 | 1,476 | 1,848 | 1,571 | 1,607 |
| Other assets | 1,255 | 2,997 | 1,032 | 2,044 | 2,036 |
| Remaining assets | 1,031 | 836 | 846 | 893 | 1,177 |
| Balance Sheet Total | 268,341 | 257,223 | 237,227 | 232,276 | 210,168 |
| Liabilities | | | | | |
| Liabilities to banks | 55,018 | 57,762 | 57,450 | 60,753 | 56,804 |
| including: time deposits | 44,286 | 45,517 | 46,346 | 50,206 | 47,406 |
| Liabilities to customers | 106,031 | 100,134 | 90,331 | 88,387 | 78,323 |
| including: time deposits | 43,887 | 46,984 | 41,889 | 41,501 | 35,147 |
| savings deposits | 31,909 | 27,990 | 24,773 | 23,695 | 23,955 |
| Bonds and notes | 18,826 | 13,488 | 8,474 | 7,505 | 5,888 |
| Long-term mortgage bank liabilities | 64,141 | 62,367 | 59,314 | 56,362 | 51,978 |
| Own acceptances and promissory | | | | | |
| notes outstanding | 3,127 | 2,826 | 2,197 | 2,422 | 2,017 |
| Provisions | 6,369 | 6,564 | 5,866 | 5,244 | 4,640 |
| for pensions | 2,208 | 2,059 | 1,929 | 1,805 | 1,669 |
| other | 4,161 | 4,505 | 3,937 | 3,439 | 2,971 |
| Group capital and reserves | 10,849 | 10,043 | 9,392 | 7,699 | 6,772 |
| Subscribed capital | 1,773 | 1,624 | 1,599 | 1,469 | 1,356 |
| Capital reserve | 5,490 | 4,145 | 3,904 | 2,903 | 2,449 |
| Revenue reserves | 2,513 | 2,513 | 2,242 | 1,863 | 1,713 |
| Reserve arising from consolidation | 844 | 1,431 | 1,257 | 1,083 | 889 |
| Minority interests (excl. from profits) | 229 | 330 | 390 | 381 | 365 |
| Remaining liabilities | 3,353 | 3,345 | 3,594 | 3,413 | 3,292 |
| Consolidated profit | 627 | 694 | 609 | 491 | 454 |
| Balance Sheet Total | 268,341 | 257,223 | 237,227 | 232,276 | 210,168 |
| Own drawings in circulation (discounted) | 33 | 32 | 13 | 10 | 14 |
| Endorsement liabilities | 3,891 | 4,679 | 5,487 | 6,133 | 5,480 |
| Business Volume | 272,265 | 261,934 | 242,727 | 238,419 | 215,662 |
| Contingent liabilities from guarantees, etc. | 21,084 | 19,381 | 20,249 | 21,626 | 21,198 |

Figures from the Consolidated Profit and Loss Account

| for the year | 1987 | 1986 | 1985 | 1984 | 1983 |
|--|---------------|---------------|---------------|---------------|---------------|
| Income on business volume (Interest surplus) | 6,072 | 6,888 | 5,751 | 5,650 | 5,488 |
| Income on services business (Commission surplus) | 1,910 | 1,848 | 1,609 | 1,350 | 1,257 |
| Staff and other operating expenses | 5,664 | 5,088 | 4,557 | 4,238 | 3,952 |
| Taxes | 971 | 1,624 | 1,684 | 1,241 | 1,238 |
| Net income for the year | 670 | 1,068 | 1,101 | 674 | 654 |
| Number of staff at year's end | 54,579 | 50,590 | 48,851 | 47,873 | 47,256 |

| 1983 | 1982 | 1981 | 1980 | 1979 | 1978 | 1977 | 1975 | 1970 | 1967 |
|---------|---------|---------|---------|---------|---------|---------|--------|--------|--------|
| | | | | | | | | | |
| 5,915 | 5,972 | 7,138 | 8,006 | 10,199 | 7,184 | 5,813 | 5,106 | 3,021 | 1,553 |
| 2,582 | 2,127 | 2,620 | 3,075 | 2,535 | 6,466 | 6,624 | 7,076 | 4,332 | 4,009 |
| 40,006 | 43,261 | 42,308 | 33,549 | 31,776 | 30,237 | 26,772 | 15,587 | 4,317 | 2,269 |
| 1,351 | 1,162 | 615 | 613 | 549 | 449 | 152 | 189 | 409 | 1,704 |
| 11,226 | 8,395 | 6,890 | 6,933 | 5,928 | 6,566 | 4,759 | 2,433 | 1,803 | 943 |
| 2,793 | 2,345 | 2,265 | 2,174 | 2,020 | 1,795 | 1,857 | 1,538 | 1,331 | 1,047 |
| 88,112 | 81,047 | 79,768 | 73,050 | 63,427 | 54,913 | 46,521 | 35,160 | 17,186 | 9,015 |
| 53,814 | 49,365 | 44,674 | 37,833 | 32,086 | 27,151 | 24,268 | 21,052 | 10,353 | 6,860 |
| 34,298 | 31,682 | 35,094 | 35,217 | 31,341 | 27,762 | 22,253 | 14,108 | 6,833 | 2,155 |
| 49,443 | 46,005 | 41,653 | 38,148 | 33,995 | 31,117 | 24,768 | 19,528 | 3,517 | — |
| 999 | 988 | 1,924 | 1,727 | 1,378 | 1,225 | 1,146 | 783 | 146 | 228 |
| | | | | | | | | | |
| 560 | 556 | 602 | 647 | 619 | 604 | 598 | 374 | 302 | 138 |
| 965 | 945 | 839 | 868 | 872 | 879 | 843 | 739 | 407 | 286 |
| 390 | 352 | 325 | 306 | 300 | 294 | 256 | 208 | 133 | 78 |
| 1,006 | 995 | 898 | 865 | 801 | 825 | 752 | 468 | | |
| 1,607 | 2,101 | 1,809 | 1,724 | 995 | 1,038 | 973 | 411 | 67 | — |
| 2,036 | 1,803 | 1,676 | 1,862 | 1,475 | 1,339 | 1,362 | 916 | 472 | 43 |
| 1,177 | 1,121 | 1,083 | 1,047 | 1,216 | 1,123 | 1,047 | 1,023 | 955 | 820 |
| 210,168 | 199,175 | 192,413 | 174,594 | 158,085 | 146,054 | 124,243 | 91,539 | 38,398 | 22,133 |
| | | | | | | | | | |
| 56,804 | 56,812 | 56,427 | 53,059 | 46,561 | 42,778 | 35,771 | 21,574 | 7,598 | 3,168 |
| 47,406 | 48,274 | 47,305 | 44,765 | 39,862 | 36,546 | 29,796 | 16,373 | 4,526 | 1,500 |
| 78,323 | 72,791 | 73,671 | 65,114 | 59,687 | 55,965 | 49,508 | 41,571 | 24,460 | 17,010 |
| 35,147 | 31,681 | 34,730 | 27,102 | 22,889 | 19,185 | 15,955 | 10,469 | 7,976 | 4,133 |
| 23,955 | 23,912 | 22,998 | 22,243 | 21,475 | 21,544 | 19,972 | 18,367 | 9,030 | 6,542 |
| 5,888 | 5,592 | 4,199 | 4,595 | 5,554 | 5,410 | 4,283 | 1,220 | — | — |
| 51,978 | 48,382 | 43,074 | 38,597 | 35,081 | 32,219 | 26,183 | 20,444 | 3,656 | — |
| | | | | | | | | | |
| 2,017 | 1,473 | 1,446 | 1,184 | 631 | 360 | 368 | 217 | 110 | 15 |
| 4,640 | 3,866 | 3,417 | 2,911 | 2,619 | 2,198 | 1,842 | 1,460 | 626 | 431 |
| 1,669 | 1,475 | 1,446 | 1,312 | 1,185 | 1,097 | 989 | 844 | 408 | 327 |
| 2,971 | 2,391 | 1,971 | 1,599 | 1,434 | 1,101 | 853 | 616 | 218 | 104 |
| 6,772 | 6,492 | 5,891 | 5,365 | 5,056 | 4,573 | 4,003 | 3,325 | 1,462 | 1,111 |
| 1,356 | 1,356 | 1,232 | 1,114 | 1,114 | 1,040 | 960 | 900 | 480 | 400 |
| 2,449 | 2,448 | 2,075 | 1,720 | 1,720 | 1,496 | 1,256 | 1,076 | 161 | 41 |
| 1,713 | 1,570 | 1,566 | 1,564 | 1,444 | 1,354 | 1,234 | 1,024 | 719 | 609 |
| 889 | 851 | 765 | 732 | 565 | 474 | 404 | 192 | 45 | 53 |
| 365 | 267 | 253 | 235 | 213 | 209 | 149 | 133 | 57 | 8 |
| 3,292 | 3,395 | 3,907 | 3,476 | 2,617 | 2,270 | 1,990 | 1,450 | 388 | 310 |
| 454 | 372 | 381 | 293 | 279 | 281 | 295 | 278 | 98 | 88 |
| 210,168 | 199,175 | 192,413 | 174,594 | 158,085 | 146,054 | 124,243 | 91,539 | 38,398 | 22,133 |
| 14 | 50 | 74 | 31 | 7 | 7 | 3 | 2 | | 1 |
| 5,480 | 4,849 | 3,902 | 3,446 | 2,492 | 345 | 254 | 138 | 875 | 143 |
| 215,662 | 204,074 | 196,389 | 178,071 | 160,584 | 146,406 | 124,500 | 91,679 | 39,273 | 22,277 |
| | | | | | | | | | |
| 21,198 | 20,495 | 21,470 | 18,717 | 16,357 | 16,609 | 14,688 | 12,429 | 4,482 | 2,222 |
| | | | | | | | | | |
| 1983 | 1982 | 1981 | 1980 | 1979 | 1978 | 1977 | 1975 | 1970 | 1967 |
| 5,488 | 4,824 | 4,199 | 3,455 | 2,950 | 2,711 | 2,464 | 2,133 | 1,044 | 513 |
| 1,257 | 1,020 | 996 | 892 | 785 | 754 | 652 | 580 | 274 | 338 |
| 3,952 | 3,557 | 3,272 | 3,052 | 2,735 | 2,519 | 2,249 | 1,944 | 989 | 608 |
| 1,238 | 977 | 818 | 735 | 665 | 657 | 532 | 417 | 121 | 139 |
| 654 | 343 | 412 | 457 | 427 | 408 | 408 | 391 | 131 | 140 |
| 47,256 | 45,618 | 44,800 | 44,128 | 43,942 | 42,494 | 40,614 | 40,839 | 36,957 | |



Shareholdings of Deutsche Bank AG pursuant to § 285 No. 11 CommC

| | Share of capital total | of which indirect (\$ 16 (4) JSCA) | Capital and reserves | Last available result (in '000) |
|--|---------------------------|---------------------------------------|-------------------------|------------------------------------|
| German banks | | | | |
| AKA Ausfuhrkredit-Gesellschaft mbH, Frankfurt am Main | 26.90% | 0.83% | DM 190.0 m. | DM 93,000 |
| Deutsche Bank (Asia) Aktiengesellschaft, Hamburg | 100 % | — | DM 429.9 m. | DM 50,000 |
| Deutsche Bank Bauspar Aktiengesellschaft, Frankfurt am Main | 100 % | — | DM 30.0 m. | DM 2,957 |
| Deutsche Bank Berlin AG, Berlin | 100 % | — | DM 572.0 m. | DM 70,000 |
| Deutsche Bank Saar AG, Saarbrücken | 69.23% | — | DM 83.0 m. | DM 8,900 |
| Deutsche Centralbodenkredit Aktiengesellschaft, Berlin-Cologne | 89.92% | — | DM 700.0 m. | DM 45,160 |
| Deutsche Gesellschaft für Fondsverwaltung mbH, Frankfurt am Main | 100 % | — | DM 21.2 m. | DM 12,065 |
| DWS Deutsche Gesellschaft für Wertpapier- sparen mbH, Frankfurt am Main | 56.96% | 3.39% | DM 114.0 m. | DM 7,413 |
| Deutsche Grundbesitz-Investmentgesellschaft mbH, Frankfurt am Main | 37.50% | — | DM 19.2 m. | DM 1,736 |
| Deutsche Kreditbank für Baufinanzierung Aktiengesellschaft, Cologne | 100 % | — | DM 190.0 m. | DM 32 |
| Deutsche Schiffahrtsbank Aktiengesellschaft, Bremen | 27.51% | — | DM 82.0 m. | — |
| Deutsche Schiffspandbriefbank Aktiengesellschaft, Berlin-Bremen | 25.35% | — | DM 3.2 m. | — |
| Deutsche Vermögensbildungsgesellschaft mbH, Bad Homburg v.d.H. | 100 % | 8 % | DM 5.0 m. | DM 272 |
| EFGEE Gesellschaft für Einkaufs Finanzierung mbH, Düsseldorf | 100 % | 100 % | DM 16.0 m. | — ¹⁾ |
| Frankfurter Hypothekbank Aktiengesellschaft, Frankfurt am Main | 92.24% | — | DM 696.8 m. | DM 51,504 |
| GEFA Gesellschaft für Absatzfinanzierung mbH, Wuppertal | 100 % | — | DM 125.0 m. | — ¹⁾ |
| Gesellschaft zur Finanzierung von Industrie- anlagen mbH, Frankfurt am Main | 27.10% | 0.83% | DM 4.2 m. | DM 400 |

¹⁾ profit and loss transfer agreement

| | Share of capital total | of which indirect (\$ 16 (4) JSCA) | Capital and reserves | Last available result (in '000) |
|--|---------------------------|---------------------------------------|-------------------------|------------------------------------|
| Handelsbank in Lübeck Aktiengesellschaft, Lübeck | 90.24% | - | DM 85.0 m. | DM 6,000 |
| Hanseatische Investitions Bank GmbH, Hamburg | 33.33% | 33.33% | DM 8.9 m | DM 1,205 |
| Industriebank von Japan (Deutschland) Aktien- gesellschaft – The Industrial Bank of Japan (Germany) –, Frankfurt am Main | 25 % | — | DM 66.9 m. | DM 5,321 |
| Liquidations Casse in Hamburg Aktiengesell- schaft, Hamburg | 25.04% | — | DM 2.3 m. | DM 165 |
| Lübecker Hypothekenbank Aktiengesellschaft, Lübeck | 100 % | 75 % | DM 199.0 m. | DM 26,162 |
| Schiffshypothekenbank zu Lübeck Aktiengesellschaft, Kiel | 29 % | — | DM 71.0 m. | — |
| SKV Kredit-Bank GmbH, Kiel | 33.33% | 33.33% | DM 13.6 m. | DM 714 |
| Süddeutsche Bank GmbH, Frankfurt am Main | 100 % | — | DM 4.0 m. | DM 62 |
| International banks and financing companies | | | | |
| Banca d'America e d'Italia S.p.A., Milan | 98.35% | — | Lit 410,871.7m. | Lit 35,225,569 |
| Banco Comercial Transatlántico, Barcelona | 34.71% | - | Ptas. 9,112.9 m | Ptas. 966,406 |
| Banco de Montevideo, Montevideo/Uruguay | 45.34% | — | Ur. pes. 1,339.5 m. | Ur. pes. 340,161 |
| Banque de Luxembourg S. A., Luxembourg | 28.95% | 28.95% | LF 1,447.9 m. | LF 406,708 |
| H. Albert de Bary & Co. N. V., Amsterdam | 50 % | — | Guil. 117.7 m. | Guil. 10,164 |
| Deutsche Bank (Asia Credit) Ltd., Singapore | 100 % | — | S\$ 61.6 m. | S\$ 20,359 |
| Deutsche Bank Australia Ltd., Melbourne | 100 % | 0.01% | A\$ 76.0 m. | A\$ 1,015 |

| | Share of capital total of which indirect (\$ 16 (4) JSCA) | | | Capital and reserves | | Last available result (in '000) | |
|--|---|-----------------|---------|-------------------------|-------------|------------------------------------|-----------|
| Deutsche Bank (Canada), Toronto/Canada | 100 | % | — | Can.\$ | 27.0 m. | Can.\$ | 1,249 |
| Deutsche Bank Capital Corporation, New York | 100 | % | — | US\$ | 105.0 m. | US\$ | 4,325 |
| Deutsche Bank Capital Markets Ltd., London | 100 | % | 0.01 % | £ | 40.0 m. | — £ | 13,171 |
| Deutsche Bank Finance N.V., Curaçao/N. A. | 100 | % | — | US\$ | 1.0 m. | US\$ | 1,467 |
| Deutsche Bank Financial Inc., Dover/Delaware | 100 | % | — | US\$ | 0.02 m. | US\$ | 15 |
| Deutsche Bank Gestion S. A., Paris | 100 | % | 0.24 % | FF | 0.2 m. | FF | 20 |
| Deutsche Bank Luxembourg S. A., Luxembourg | 100 | % | 0.01 % | LF | 10,945.0 m. | LF | 1,557,981 |
| Deutsche Bank (Suisse) S. A., Geneva | 100 | % | 0.01 % | SF | 110.1 m. | SF | 9,100 |
| DB (Belgium) Finance S.A./N.V., Brussels | 100 | % | 0.01 % | BF | 200.9 m. | BF | 31,200 |
| DB Capital Markets (Asia) Ltd., Hong Kong | 60 | % ¹⁾ | — | HK\$ | 190.8 m. | HK\$ | 21,606 |
| DB Finanziaria S. p. A., Milan | 100 | % | 0.50 % | Lit | 5,000.0 m. | — | — |
| DB U.K. Finance Ltd., London | 100 | % | 0.01 % | £ | 16.5 m. | £ | 3,400 |
| Deutsche Capital Management Australia Ltd., Melbourne | 100 | % | 100 % | A\$ | 0.5 m. | A\$ | 66 |
| Deutsche Capital Markets Australia Ltd., Sydney | 100 | % | 100 % | A\$ | 10.5 m. | A\$ | 35 |
| Deutsche Credit Corporation, Deerfield/Illinois | 100 | % | 100 % | US\$ | 13.9 m. | — US\$ | 109 |
| Deutsche Credit Services Inc., Dover/Delaware | 100 | % | — | US\$ | 12.5 m. | — US\$ | 109 |
| European American Bancorp., New York | 23.15 % | | 23.15 % | US\$ | 249.3 m. | — US\$ | 110,500 |
| Internationale Investment Management Gesellschaft S. A., Luxembourg | 100 | % | 100 % | DM | 12.0 m. | DM | 8 |
| MDM Sociedade de Investimentos, S.A., Lisbon | 33.33 % | | — | Esc. | 844.7 m. | Esc. | 164,768 |

¹⁾ our share of the voting capital 50%

| | Share of capital total of which indirect (§ 16 (4) JSCA) | | | | Capital and reserves | | Last available result (in '000) | |
|--|---|-----------------|--------|---|-------------------------|------------|------------------------------------|-----------------|
| Other German enterprises | | | | | | | | |
| ALD AutoLeasing D GmbH, Hamburg | 30 | % | 30 | % | DM | 30.0 m. | DM | 8,081 |
| Allgemeine Verwaltungsgesellschaft für Industriebeteiligungen mbH, Munich | 38.27% | | | | DM | 361.7 m. | DM | 12,294 |
| Alma Beteiligungsgesellschaft mbH, Düsseldorf | 100 | % | — | | DM | 1.0 m. | DM | 1,340 |
| Alster Beteiligungsgesellschaft mbH & Co. KG, Frankfurt am Main | 45 | % | — | | DM | 100.0 m. | DM | 150 |
| AV America Grundbesitzverwaltungs- gesellschaft mbH, Frankfurt am Main | 55 | % | — | | DM | 0.1 m. | DM | 20 |
| Bavaria Film GmbH, Geiseltasteig | 20 | % | 20 | % | DM | 46.5 m. | DM | 1,081 |
| Bavaria Filmkunst GmbH, Munich | 67.97% | | 34.32% | | DM | 7.0 m. | DM | 348 |
| Roland Berger Verwaltungsgesellschaft mbH, Munich | 24 | % | — | | DM | 1.7 m. | | |
| Bergmann-Elektricitäts-Werke AG, Berlin | 36.46% | | — | | DM | 183.4 m. | DM | 13,200 |
| CGT Canada Grundbesitz Treuhand GmbH, Frankfurt am Main | 55 | % | — | | DM | 0.1 m. | DM | 1 |
| Capital Management International GmbH of Deutsche Bank, Frankfurt am Main | 100 | % | | | DM | 5.0 m. | DM | 1,794 |
| ComCo Datenanlagen GmbH & Co. KG, Kornthal-Münchingen | 81 | % | 81 | % | DM | 9.1 m. | DM | 3,244 |
| Consortia Versicherungs-Beteiligungs- gesellschaft mbH, Frankfurt am Main | 25 | % ¹⁾ | — | | DM | 22.5 m. | DM | 423 |
| Daimler-Benz AG, Stuttgart | 28.28% | | 0.01% | | DM | 7,440.9 m. | DM | 1,404,006 |
| DB Consult GmbH, Frankfurt am Main | 100 | % | — | | DM | 1.0 m. | DM | 122 |
| DB Export-Leasing GmbH, Frankfurt am Main | 100 | % | | | DM | 0.05 m. | | — ²⁾ |
| D & C Holdinggesellschaft mbH, Frankfurt am Main | 34 | % ³⁾ | — | | DM | 15.0 m. | DM | 323 |
| Deutsche Beteiligungs AG Unternehmensbeteiligungsgesellschaft, Königstein/Taunus | 46.47% ⁴⁾ | | — | | DM | 60.7 m. | DM | 4,643 |
| Deutsche Beteiligungsgesellschaft mbH, Frankfurt am Main | 92.50% | | — | | DM | 4.5 m. | DM | 228 |

¹⁾ our share of the voting capital 22.26%, ²⁾ profit and loss transfer agreement, ³⁾ without voting rights, ⁴⁾ our share of the voting capital 92.5%

| | Share of capital total | | of which indirect (\$ 16 (4) JSCA) | | Capital and reserves | | Last available result (in '000) | |
|--|---------------------------|-----------------|---------------------------------------|---|-------------------------|----------|------------------------------------|-----------------|
| Deutsche Canada Grundbesitzverwaltungs- gesellschaft mbH, Frankfurt am Main | 55 | % | — | | DM | 0.1 m. | DM | 25 |
| Deutsche Eisenbahn Consulting GmbH, Frankfurt am Main | 51 | % | 51 | % | DM | 13.1 m. | DM | 2,439 |
| degab Deutsche Gesellschaft für Anlage- beratung mbH, Frankfurt am Main | 85 | % | | | DM | 0.6 m. | — DM | 16 |
| Deutsche Gesellschaft für Anlageverwaltung mbH, Frankfurt am Main | 75 | % | — | | DM | 221.8 m. | DM | 21,755 |
| Deutsche Gesellschaft für Immobilienanlagen "America" mbH, Bad Homburg v.d.H. | 55 | % | | | DM | 0.1 m. | DM | 20 |
| Deutsche Gesellschaft für Immobilien- Leasing mbH, Cologne | 95 | % | 95 | % | DM | 8.1 m. | DM | 2,850 |
| WFG Deutsche Gesellschaft für Wagniskapital mbH & Co. KG von 1984, Frankfurt am Main | 32.12% | | | | DM | 95.9 m. | — DM | 6,670 |
| Deutsche Grundbesitz-Anlagegesellschaft mbH, Frankfurt am Main | 37.50% | | — | | DM | 3.4 m. | — DM | 10 |
| Deutsche Grundbesitz-Anlagegesellschaft mbH & Co. Löwenstein Palais, Cologne | 99.67% | | | | DM | 30.0 m. | | |
| Deutsche Immobilien Leasing GmbH, Düsseldorf | 50 | % | — | | DM | 55.0 m. | | — ¹⁾ |
| Deutsche Wirtschaftsdatenbank GmbH, Frankfurt am Main | 100 | % | — | | DM | 1.0 m. | DM | 10 |
| Deutscher Beteiligungsfonds I GbR, Frankfurt am Main | 92.50% | | — | | DM | 68.7 m. | — DM | 15,370 |
| Didier-Werke AG, Wiesbaden | 25.82% | | 25.82% | | DM | 206.2 m. | DM | 17,008 |
| Elektro Export Gesellschaft mbH, Nuremberg .. | 100 | % | 100 | % | DM | 5.0 m. | DM | 63 |
| Energie Verwaltungs Gesellschaft mbH, Düsseldorf | 25 | % ²⁾ | — | | DM | 530.6 m. | DM | 30,445 |

¹⁾ profit and loss transfer agreement, ²⁾ our share of the voting capital 35.71%

| | Share of capital | | | | Capital and reserves | | Last available result (in '000) | |
|--|----------------------|--|-------------------|-----------------|----------------------|------------|---------------------------------|-----------------|
| | total | | of which indirect | (§ 16 (4) JSCA) | | | | |
| Essener Grundstücksverwertung Dr. Ballhausen, Dr. Bruens, Dr. Möller KG, Essen | 98.84% | | | | DM | 1.5 m. | DM | 326 |
| GEFA-Leasing GmbH, Wuppertal | 100 % | | 100 % | | DM | 55.0 m. | | — ¹⁾ |
| GFI-Industriemontagen GmbH & Co. Leasing und Service OHG, Düsseldorf | 75 % | | 75 % | | DM | 18.8 m. | – DM | 21,772 |
| Groga Beteiligungsgesellschaft mbH, Frankfurt am Main | 50 % | | — | | DM | 11.8 m. | DM | 730 |
| Gütermann GmbH & Co. Beteiligungs KG, Gutach | 100 % | | — | | DM | 2.6 m. | DM | 120 |
| Hessische Immobilien Verwaltungs Gesellschaft mbH, Frankfurt am Main | 100 % | | 5 % | | DM | 3.0 m. | | ¹⁾ |
| Philipp Holzmann AG, Frankfurt am Main | 35.47% | | — | | DM | 405.9 m. | DM | 26,000 |
| Horten AG, Düsseldorf | 25 % | | 25 % | | DM | 401.3 m. | DM | 26,300 |
| HOSTRA Beteiligungsgesellschaft mbH, Düsseldorf | 33.33% | | — | | DM | 160.4 m. | DM | 9,048 |
| Hutschenreuther AG, Solb | 49.99% | | 49.99% | | DM | 61.8 m. | DM | 5,281 |
| Immobilien-gesellschaft der Deutschen Bank mbH, Frankfurt am Main | 100 % | | — | | DM | 6.0 m. | DM | 20 |
| JG Japan Grundbesitzverwaltungsgesellschaft mbH, Frankfurt am Main | 100 % | | — | | DM | 0.1 m. | DM | 20 |
| Karstadt AG, Essen | 25.01% | | 0.01% | | DM | 1,365.0 m. | DM | 82,600 |
| Kistra Beteiligungsgesellschaft mbH, Frankfurt am Main | 75 % | | — | | DM | 52.8 m. | DM | 2,171 |
| Matura Vermögensverwaltung mbH, Düsseldorf | 100 % | | — | | DM | 0.7 m. | DM | 663 |
| Nordwestdeutscher Wohnungsbau-träger GmbH, Braunschweig | 100 % | | — | | DM | 0.2 m. | DM | — ¹⁾ |
| Rhein-Neckar Bankbeteiligung GmbH, Stuttgart | 49.07% ²⁾ | | — | | DM | 124.2 m. | DM | 6,457 |
| Rossina Beteiligungsgesellschaft mbH, Frankfurt am Main | 60 % | | — | | DM | 56.2 m. | DM | 3,674 |
| Süddeutsche Vermögensverwaltung GmbH, Frankfurt am Main | 100 % | | — | | DM | 4.6 m. | DM | 524 |

¹⁾ profit and loss transfer agreement; ²⁾ our share of the voting capital 50%

| | Share of capital total | | of which indirect (§ 16 (4) JSCA) | | Capital and reserves | | Last available result (in '000) | |
|--|---------------------------|-------|--------------------------------------|--|-------------------------|------------|------------------------------------|---------|
| Süddeutsche Zucker AG, Mannheim | 26.73% | | — | | DM | 289.3 m. | DM | 29,171 |
| Trinitas Vermögensverwaltung GmbH, Frankfurt am Main | 100 % | | — | | DM | 1.0 m. | — ¹⁾ | |
| Vermietungsgesellschaft MITTE für SEL- Kommunikationsanlagen mbH, Stuttgart | 50 % | | | | DM | 2.3 m. | DM | 380 |
| WINWE Beteiligungsgesellschaft mbH, Frankfurt am Main | 100 % | | — | | DM | 4.7 m. | DM | 1,154 |
| Other foreign enterprises | | | | | | | | |
| Apollo Institutional Investments Inc., Baltimore/Maryland | 99.77% | | — | | US\$ | 4.2 m. | US\$ | 1,769 |
| BAI Leasing S.p.A., Milan | 100 % | 100 % | | | Lit | 6,337.9 m. | Lit | 351,937 |
| Deutsche Portfolio Corporation, New York | 100 % | 100 % | | | US\$ | 50.1 m. | US\$ | 127 |
| Hermes Institutional Investments Inc., Baltimore/Maryland | 65.68% | | — | | US\$ | 37.8 m. | US\$ | 2,006 |
| Orion Institutional Investments Inc., Baltimore/Maryland | 50.51 % | | — | | US\$ | 96.3 m. | US\$ | 1,999 |
| P. T. Euras Buana Leasing Indonesia, Jakarta/Indonesia | 60 % | 60 % | | | Rp. | 3,222.2 m. | Rp. | 273,979 |
| Société Luxembourgeoise des Centrales Nucléaires S. A. (SCN), Luxembourg | 25 % | | — | | DM | 462.3 m. | DM | 20,132 |
| Vaubel & Partners Ltd., Tokyo | 33.33% | | — | | Yen | 75.0 m. | Yen | 199 |

Note: A\$1 = DM 1.1425; BF100 = DM 4.753; Can\$1 = DM 1.2150; Lsc100 = DM 1.210; FF100 = DM 29.495; Guil.100 = DM 88.88; HK\$1 = DM .2040; Rp.100 = DM - 0965; Lire1.000 = DM 1.352; LI 100 = DM 4.753; Ptas 100 = DM 1.466; Ft 1 = DM 2.9600; Sf 100 = DM 123.64; S\$1 = DM - 7930; Ur. pes.100 = DM .565; US\$1 = DM 1.5815; Yen100 = DM 1.3015

¹⁾ profit and loss transfer agreement

Central Office: Frankfurt am Main/Düsseldorf

6000 Frankfurt am Main 1, Taunusanlage 12

4000 Düsseldorf 1, Königsallee 45-47

Domestic branches:

| | | | |
|-------------------------------|--------------------------|-------------------------|--------------------------|
| Aachen with 5 sub-branches | Bad Segeberg | Burgdorf (Han) | Erding |
| Aalen (Württ.) | Bad Tölz | Burscheid (Rhein) | Erkelenz |
| with 1 sub-branch | Bad Wildungen | Buxtehude | Erkrath (Bz. Düsseldorf) |
| Achern | Bad Wörishofen | Castrop-Rauxel | Erlangen |
| Achim (Bz. Bremen) | Bad Zwischenahn | with 1 sub-branch | Fischborn |
| Ahaus | Balingen | Celle | Eschwege |
| Ahlen (Westf.) | Bamberg | Clausthal-Zellerfeld | Eschweiler |
| Ahrensburg (Holst.) | Barsinghausen | Cloppenburg | Espelkamp |
| Albstadt | Baunatal | Coburg | Essen |
| with 1 sub-branch | Bayreuth | Cocfeld | with 26 sub-branches |
| Alfeld (Leine) | Beckum (Bz. Münster) | Cologne | Esslingen (Neckar) |
| Alsdorf (Rheinl.) | Bendorf (Rhein) | with 27 sub-branches | Ettlingen |
| Alsfeld (Oberhess.) | Bensheim | Crailsheim | Euskirchen |
| Allena (Westf.) | Bergheim (Erft) | Cuxhaven | Eutin |
| Altenkirchen (Westerw.) | Bergisch Gladbach | Dachau | Fellbach (Württ.) |
| Alzey | with 1 sub-branch | Darmstadt | Flensburg |
| Amberg | Bergneustadt | with 5 sub-branches | with 3 sub-branches |
| Andernach | Bernkastel-Kues | Datteln (Westf.) | Forchheim |
| Ansbach | Betzdorf (Sieg) | Deggendorf | Frankenthal (Pfalz) |
| Arnsberg | Biberach (Riss) | Deidesheim | Frankfurt am Main |
| with 1 sub-branch | Biedenkopf | Delmenhorst | with 25 sub-branches |
| Aschaffenburg | Bielefeld | Detmold | Frankfurt (Main)-Höchst |
| Asperg | with 8 sub-branches | Dietzenbach | Frechen |
| Attendorf | Bietigheim (Württ.) | Dillenburg | Freiburg (Breisgau) |
| Augsburg | Bingen (Rhein) | Dinslaken (Niederrhein) | with 6 sub-branches |
| with 6 sub-branches | Blomberg (Lippe) | with 1 sub-branch | Freising |
| Aurich | Bocholt | Donaueschingen | Freudenberg (Kr. Siegen) |
| Backnang | Bochum | Dormagen (Niederrhein) | Friedberg (Hess.) |
| Bad Berleburg | with 7 sub-branches | Dorsten | Friedrichshafen |
| Bad Driburg (Westf.) | Böblingen (Württ.) | Dortmund | Fürstenfeldbruck |
| Bad Dürkheim | Bonn | with 13 sub-branches | Fürth (Bay.) |
| Baden-Baden | with 6 sub-branches | Dreieich | with 1 sub-branch |
| Bad Harzburg | Bonn-Bad Godesberg | Dülmen | Fulda |
| Bad Hersfeld | Boppard | Düren (Rheinl.) | with 1 sub-branch |
| Bad Homburg v.d.Höhe | Borken | with 1 sub-branch | Gaggenau (Murgtal) |
| Bad Honnef | Bottrop | Düsseldorf | Garmisch-Partenkirchen |
| Bad Iburg | with 1 sub-branch | with 32 sub-branches | Geesthacht |
| Bad Kreuznach | Bramsche (Bz. Osnabrück) | Düsseldorf-Benrath | Geislingen (Steige) |
| Bad Laasphe | Braunschweig | with 1 sub-branch | with 1 sub-branch |
| Bad Lauterberg | with 12 sub-branches | Duisburg | Geldern |
| Bad Lippspringe | Bremen | with 22 sub-branches | Gelsenkirchen |
| Bad Mergentheim | with 14 sub-branches | Duisburg-Hamborn | with 5 sub-branches |
| Bad Müstereifel | Bremen-Vegesack | Einbeck | Gengenbach |
| Bad Neuenahr | Bremerhaven | Eislingen | Georgsmarienhütte |
| Bad Oeynhausen | with 3 sub-branches | Eitorf | with 1 sub-branch |
| Bad Oldesloe | Bretten | Ellwangen (Jagst) | Gerlingen (Württ.) |
| Bad Pyrmont | Brilon | Elmshorn | Germring |
| Bad Reichenhall | Bruchsal | Elten | Gernsbach (Murgtal) |
| Bad Sachsa (Südharz) | Brühl (Bz. Köln) | Elville | Gersthofen |
| Bad Säckingen | Brunsbüttel | Emden | Gescke (Westf.) |
| Bad Salzungen | Buchholz i.d. Nordheide | Emmendingen | Gövelsberg |
| with 1 sub-branch | Bühl (Baden) | Emmerich | Giengen (Brenz) |
| | Bünde | Emsdetten | Giessen |
| | | Engelskirchen | Githorn |
| | | Ennepetal | with 1 sub-branch |
| | | with 1 sub-branch | |

| | | | |
|---------------------------|----------------------|-----------------------|---------------------------|
| Ginsheim Gustavsburg | Herborn (Dillkr.) | Königsbrunn | Lübeck |
| Gladbeck (Westf.) | Herdecke (Ruhr) | Königstein (Taunus) | with 5 sub-branches |
| with 1 sub-branch | Herford | Konstanz | Lüdenscheid |
| Goch | Herne | with 2 sub-branches | Lüneburg |
| Göppingen | with 4 sub-branches | Konz ü./Trier | with 1 sub-branch |
| with 1 sub-branch | Herten (Westf.) | Kornwestheim (Württ.) | Lünen |
| Göttingen | Herzberg (Harz) | Korschenbroich | with 1 sub-branch |
| with 1 sub-branch | Herzogenrath | Krefeld | Mainz |
| Goslar | with 1 sub-branch | with 7 sub-branches | with 4 sub-branches |
| with 1 sub-branch | Heusenstamm | Krefeld-Uerdingen | Mannheim |
| Grefrath | Hilden | Kreuzau | with 17 sub-branches |
| Grenzach-Wyhlen | with 1 sub-branch | Kreuztal (Kr. Siegen) | Marbach |
| Greven (Westf.) | Hildesheim | Kronberg (Taunus) | Marburg (Lahn) |
| Grevenbroich | with 2 sub-branches | Künzelsau | Markgröningen |
| Griesheim ü./Darmstadt | Hockenheim (Baden) | Kulmbach | Marktoberdorf |
| Gronau (Leine) | Höhr-Grenzhausen | Laatzten | Marl (Kr. Recklinghausen) |
| Gronau (Westf.) | Höxter | Lage (Lippe) | Mayen |
| Gross Gerau | Holzminde | Lahnstein | Meckenheim (Rheinl.) |
| Grünwald | Horn – Bad Meinberg | Lahr (Schwarzw.) | Meerbusch |
| Günzburg | Hückelhoven | Landau (Pfalz) | with 1 sub-branch |
| Gutersloh | Hückeswagen | Landsberg (Lech) | Meinerzhagen (Westf.) |
| with 1 sub-branch | Hürth (Bz. Köln) | Landshut | Melle |
| Gummersbach | Husum (Nordsee) | Landstuhl | Memmingen |
| Haan (Rheinl.) | Ibbenbüren | Langen (Hess.) | Menden (Sauerl.) |
| Hagen (Westf.) | Idar-Oberstein | Langenfeld (Rheinl.) | Meppen |
| with 8 sub-branches | with 1 sub-branch | Langenhagen (Han.) | Meschede |
| Haiger | Ingelheim (Rhein) | with 1 sub-branch | Mettmann |
| Halle (Westf.) | Ingolstadt (Donau) | Lauenburg | Metzingen (Württ.) |
| Hamburg | with 3 sub-branches | Lauf a.d. Pegnitz | Miltenberg |
| with 45 sub-branches | Iserlohn | Lauterbach (Hess.) | Minden (Westf.) |
| Hamburg-Altona | with 1 sub-branch | Leer (Ostfriesl.) | Mönchengladbach |
| Hamburg-Bergedorf | Itzehoe | Leichlingen (Rheinl.) | with 8 sub-branches |
| Hamburg-Harburg | Jever | Leinfelden | Mönchengladbach-Rheydt |
| Hameln | Jülich | Lemgo | Moers |
| Hamm (Westf.) | Kaarst | Longerich (Westf.) | with 2 sub-branches |
| with 3 sub-branches | Kaiserslautern | Lenne | Monheim (Rheinl.) |
| Hanau | with 1 sub-branch | Leonberg (Württ.) | Montabaur |
| Hann. Münden | Kamp-Lintfort | Leutkirch | Mosbach (Baden) |
| Hanover | Karlsruhe | Leverkusen | Mühlacker (Württ.) |
| with 18 sub-branches | with 5 sub-branches | with 2 sub-branches | Mühdorf (Inn) |
| Harsewinkel | Kassel | Leverkusen-Opladen | Mühlheim (Main) |
| Haslach (Kinzigtal) | with 5 sub-branches | Limburg | Mülheim (Ruhr) |
| Hattingen (Ruhr) | Kehl | Limburgerhof | with 3 sub-branches |
| Heidelberg | Kempen (Niederrhein) | Lindau (Bodensee) | Müllheim (Baden) |
| with 4 sub-branches | Kempten (Allgäu) | Lingen | Münster (Westf.) |
| Heidenheim (Brenz) | Kerpen | Lippstadt | with 8 sub-branches |
| Heilbronn (Neckar) | Kevelaer | Löhne (Westf.) | Munich |
| with 1 sub-branch | Kiel | Lorrach | with 45 sub-branches |
| Heiligenhaus (Düsseldorf) | with 7 sub-branches | with 1 sub-branch | Münster |
| Heinsberg | Kierspe (Westf.) | Lohne (Oldb.) | Nagold |
| Helmstedt | Kirchheim unter Teck | Ludwigsburg (Württ.) | Neckarsulm |
| Hemer | Kleve (Niederrhein) | with 1 sub-branch | Nettelah |
| Hennel (Sieg) | with 1 sub-branch | Ludwigshafen (Rhein) | with 1 sub-branch |
| Heppenheim | Koblenz | with 6 sub-branches | Neuburg (Donau) |
| | with 1 sub-branch | Lübbecke | Neuenrade |

Neu Isenburg
 Neumarkt (Oberpf.)
 Neumünster
 Neunkirchen (Kr. Siegen)
 Neuss
 with 4 sub-branches
 Neustadt (b. Coburg)
 Neustadt (Weinstr.)
 Neu Ulm
 Neuwied
 with 1 sub-branch
 Nienburg (Weser)
 Nordlingen
 Norden
 Norderney
 Norderstedt
 Nordhorn
 Northeim
 Nürtingen
 Nuremberg
 with 13 sub-branches
 Oberhausen (Rheinl.)
 with 9 sub-branches
 Oberkirch (Baden)
 Obertshausen
 Oberursel (Taunus)
 Öhringen
 Oelde
 Oerlinghausen
 Offenbach (Main)
 with 2 sub-branches
 Ollenburg (Baden)
 Oldenburg (Oldbg.)
 Olpe (Westf.)
 Osnabrück
 with 4 sub-branches
 Osterholz-Scharmbeck
 Osterode (Harz)
 Ottobrunn
 with 1 sub-branch
 Paderborn
 Papenburg
 Passau
 Peine
 Pfaffenhofen
 Pforzheim
 with 3 sub-branches
 Pfullingen (Württ.)
 Pinneberg
 Pirmasens
 with 1 sub-branch
 Planegg
 Plottenberg
 Plochingen
 Quakenbrück

Radevormwald
 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-Wiedenbruck
 Rheinbach
 Rheinberg (Rheinl.)
 Rheine (Westf.)
 with 2 sub-branches
 Rheinfelden (Baden)
 Rinteln (Weser)
 Rodgau
 Rösrath
 Rosenheim (Bay.)
 Rottenburg
 Rottweil
 Rüsselsheim (Hess.)
 with 1 sub-branch
 Salzgitter Bad
 with 2 sub-branches
 Salzgitter Lebenstedt
 with 1 sub-branch
 Salzgitter Watenstedt
 St. Georgen (Schwarzw.)
 Schmallenberg (Sauerl.)
 Schopfheim
 Schorndorf (Württ.)
 Schüttorf
 Schwabach
 Schwäbisch Gmünd
 with 1 sub-branch
 Schwäbisch Hall
 Schweinfurt
 Schwelm
 Schwerte (Ruhr)
 Schwetzingen
 Seesen
 Siegburg
 Siegen
 with 4 sub-branches
 Sindelfingen

Singen (Hohentwiel)
 Soest
 Solingen
 with 4 sub-branches
 Soltau
 Sonthofen
 Spaichingen
 Spenge
 Speyer
 Sprockhövel (Westf.)
 Stade
 Stadthagen
 Stadtlohn
 Starnberg
 Steinfurt
 with 1 sub-branch
 Stolberg (Rheinl.)
 Straubing
 Stuttgart
 with 14 sub-branches
 Stuttgart-Bad Cannstatt
 Sundern (Sauerl.)
 Taunusstein
 Tettnang
 Titisee-Neustadt
 Tönisvorst
 Traben-Trarbach
 Triberg (Schwarzw.)
 Trier
 with 1 sub-branch
 Troisdorf
 Tübingen
 with 1 sub-branch
 Tuttlingen
 Ubach-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
 VS – Schwenningen
 VS – Villingen
 Voerde
 Vohburg
 Vreden (Westf.)
 Wächtersbach

Waiblingen
 Waldbröl
 Waldkirch (Breisgau)
 Waldkraiburg
 Waldshut
 Waltrop
 Wangen (Allgäu)
 Warendorf
 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. Köln)
 Westerland
 Wetzlar
 Wiesbaden
 with 6 sub-branches
 Wiesloch
 Wilhelmshaven
 Willich (Bz. Düsseldorf)
 with 1 sub-branch
 Winnenden
 Wipperfurth
 Wissen (Sieg)
 Witten
 with 2 sub-branches
 Wittlich
 Wolfenbüttel
 Wolfsburg
 with 4 sub-branches
 Worms
 Wülfrath
 Würselen (Kr. Aachen)
 Würzburg
 with 2 sub-branches
 Wuppertal
 with 15 sub-branches
 Xanten
 Zell (Mosel)
 Zirndorf
 Zweibrücken

Subsidiaries with registered office in the Federal Territory or Berlin

Deutsche Bank (Asia) Aktiengesellschaft*,
Hamburg
14 business offices
in the Asian-Pacific region

**Frankfurter Hypothekenbank
Aktiengesellschaft**,
Frankfurt am Main
11 business offices

**GEFA Gesellschaft für
Absatzfinanzierung mbH**,
Wuppertal
20 business offices

Deutsche Bank Berlin Aktiengesellschaft,
Berlin
78 business offices

**Lübecker Hypothekenbank
Aktiengesellschaft**,
Lübeck
11 business offices

Subsidiaries:
GEFA-Leasing GmbH,
Wuppertal

**EFGEE Gesellschaft
für Einkaufs-Finanzierung mbH**,
Düsseldorf

Deutsche Bank Saar Aktiengesellschaft,
Saarbrücken
17 business offices

Handelsbank in Lübeck Aktiengesellschaft,
Lübeck
37 business offices

**Deutsche Bank
Bauspar-Aktiengesellschaft**,
Frankfurt am Main

**Deutsche Gesellschaft für
Fondsverwaltung mbH**,
Frankfurt am Main

**Deutsche Centralbodenkredit-
Aktiengesellschaft**,
Berlin Cologne
10 business offices

**Deutsche Kreditbank
für Baufinanzierung Aktiengesellschaft***,
Cologne
13 business offices, 2 representative offices

**DWS Deutsche Gesellschaft
für Wertpapiersparen mbH**,
Frankfurt am Main

*) to be integrated into Deutsche Bank AG in 1988

Our bases abroad

Branches, subsidiaries and representative offices

Europe

Belgium

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Filiaal Antwerpen
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Dr. Dirk Joachim von Walcke-Wulffen,
Directeur

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Dr. Dirk Joachim von Walcke-Wulffen,
Administrateur

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Horst J. Teroerde, Directeur
Dieter Wünsch, Directeur

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Italy

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Jean-Luc Spetz, Direttore Generale
Winfrido G. Verhoeven, Direttore Generale

Banca d'America e d'Italia S.p.A.
Via Borgogna, 8
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Consigliere Direttore Generale
and 99 branches in all important regions
of the country

Luxembourg

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Dr. Ekkehard Storck,
Administrateur délégué,
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Dr. Jaime d'Almeida, Managing Director

Soviet Union

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Moscow Representative Office
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Reiner Rusch

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Tjark H. Woydt, Director General

Oficina de Barcelona:
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Mariano Riestra Mañeru, Manager

Switzerland

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Deutsche Bank (Schweiz) AG
Deutsche Bank (Svizzera) S.A.

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Place des Bergues 3
1201 Genève
Zürich Branch:
Postfach 978, 8039 Zürich
Bleicherweg 50
8002 Zürich
Lugano Branch:
Riva Albertelli 1
6900 Lugano
Management:
Albrecht Haarmann
Dr. Thomas Schlieper (Zürich)
Richard Steinig
Bruno Winkler

Turkey

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Holger Falke

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Charles Low, General Manager
Dr. Lutz Mellinger, General Manager

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David Robinson, Manager

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Manfred ten Brink, Managing Director

Deutsche Bank Capital Markets Limited
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Managing Directors:
Michael Altenburg
Michael von Brentano
Honning Jess (from April 1988)

America

Argentina

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Bmé. Mitre 401, 1036 Buenos Aires
Karl Osterrieder, Gerente General
Jürgen Rebouillon, Gerente General
Raúl G. Stocker, Gerente General

Brazil

Deutsche Bank AG
Filial São Paulo
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Manfred Hamburger, Gerente Geral
Christian Reckmann, Gerente Geral

Representação do Deutsche Bank AG
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Rua XV de Novembro, 137
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Dr. Meinolf Schübeler

Representação do Deutsche Bank AG
Caixa Postal 1392, 20001 Rio de Janeiro/RJ
Av. Rio Branco 123, cj. 1510
20040 Rio de Janeiro/RJ (until June 1988)
Albrecht Völckers

Canada

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Klaus Lolwel, President and
Chief Executive Officer

Deutsche Bank AG
Representative Office for Canada
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Toronto, Ontario, M5H 1A3
Paul v. Benckendorff

Chile

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Casilla de Correo 3897, Estado 359, Piso 12
Santiago de Chile
Guillermo Bosso
Region: Chile, Bolivia

Colombia

Representación del Deutsche Bank AG
Apartado Aéreo No. 8597
Carrera 7 No. 32-33, Piso 12
Bogotá, D.C.
Carlos A. Schäfer
Region: Colombia, Ecuador, Panama

Mexico

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Apartado Postal 14 bis
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Campos Eliseos 345, Piso 11
Col. Chapultepec Polanco
11560 México, D.F.
Peter Tils (until June 1988)
Dr. Martin Weigand (from July 1988)
Region: Mexico, Central America

Paraguay

Deutsche Bank AG
Sucursal Asunción
Casilla de Correo 1426
14 de Mayo esq. Estrella, Asunción
Wolf Dietrich von Bothmer-Schleghtendal,
Gerente

U.S.A.

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Executive Vice Presidents
and General Managers:
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Michael Rassmann
Detlev Staecker

Deutsche Bank Capital Corporation
40 Wall Street
New York, NY 10005
Christian Strenger,
Managing Director

Deutsche Credit Corporation
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Deerfield, IL 60015
Dr. Michael Zitzmann,
President and Chief Executive Officer

Deutsche Bank AG
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70 West Madison Street
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Martin A. Rahe

Deutsche Bank AG
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Los Angeles, CA 90017
Klaus W. Bruewer

Venezuela

Representación del Deutsche Bank AG
Apartado 52144, Plaza Venezuela
Torre Phelps, Piso 21, Of. "D"
Caracas 1050-A
Horst G. Rusch
Region: Venezuela, Caribbean region
(excl. Cuba)

Near and Middle East

Arab Republic of Egypt

Deutsche Bank AG
Representative Office
P.O. Box 2306, 23, Kasr el Nil Street, Cairo
Rolf-Dieter Fasel
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Republic of Yemen, Sudan, Yemen Arab Re-
public

Bahrain

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Government Road, Manama, State of Bahrain
Dr. Gerhard Fischer (until June 1988)
Burkhard Klein (from July 1988)
Region: Bahrain, Iraq, Jordan, Kuwait,
Lebanon, Oman, Qatar, Saudi Arabia, Syria,
United Arab Emirates

Iran

Deutsche Bank AG
Representative Office
P.O. Box 15815-3378
Ave. Karim Khan Zand 14 (AEG Building)
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Contemporary Art at Deutsche Bank

The Concept

Contemporary art at the bank gives staff, customers and visitors the opportunity to experience art at the workplace and stimulates them into thinking about its content and form. This is why Deutsche Bank buys modern art and displays it at its premises. Most of the works selected are by artists and sculptors from the German-speaking countries, mainly young artists born in the 1950's and '60's.

In the towers of Deutsche Bank's Central Office in Frankfurt, 1,500 works on paper by 123 artists are displayed in the corridors and conference rooms. Further works of contemporary art can be seen at many domestic and foreign branches and subsidiaries.

The design of the Annual Report, each issue of which shows the work of a particular artist, is also part of the bank's artistic concept. This year, the report contains art by A. R. Penck selected from works in the bank's collection. Starting with the General Meeting, an exhibition of Penck's printed graphics will be on display at 30 branches.

A. R. Penck

A. R. Penck was born Ralf Winkler in Dresden on October 5, 1939. Since 1967 he has used the pseudonym A. R. Penck, which is made up of the name of the Ice-Age researcher and geologist, Albrecht Penck (1858–1945), and the letter "R" for Ralf.

Penck was already drawing and painting in his early youth. His main motif at this time was the landscape. Penck completed an apprenticeship in graphic art and did various jobs. As a painter he is self-taught. In the 1950's Penck joined a group of artists which had formed around the film-maker and painter Jürgen Böttcher.

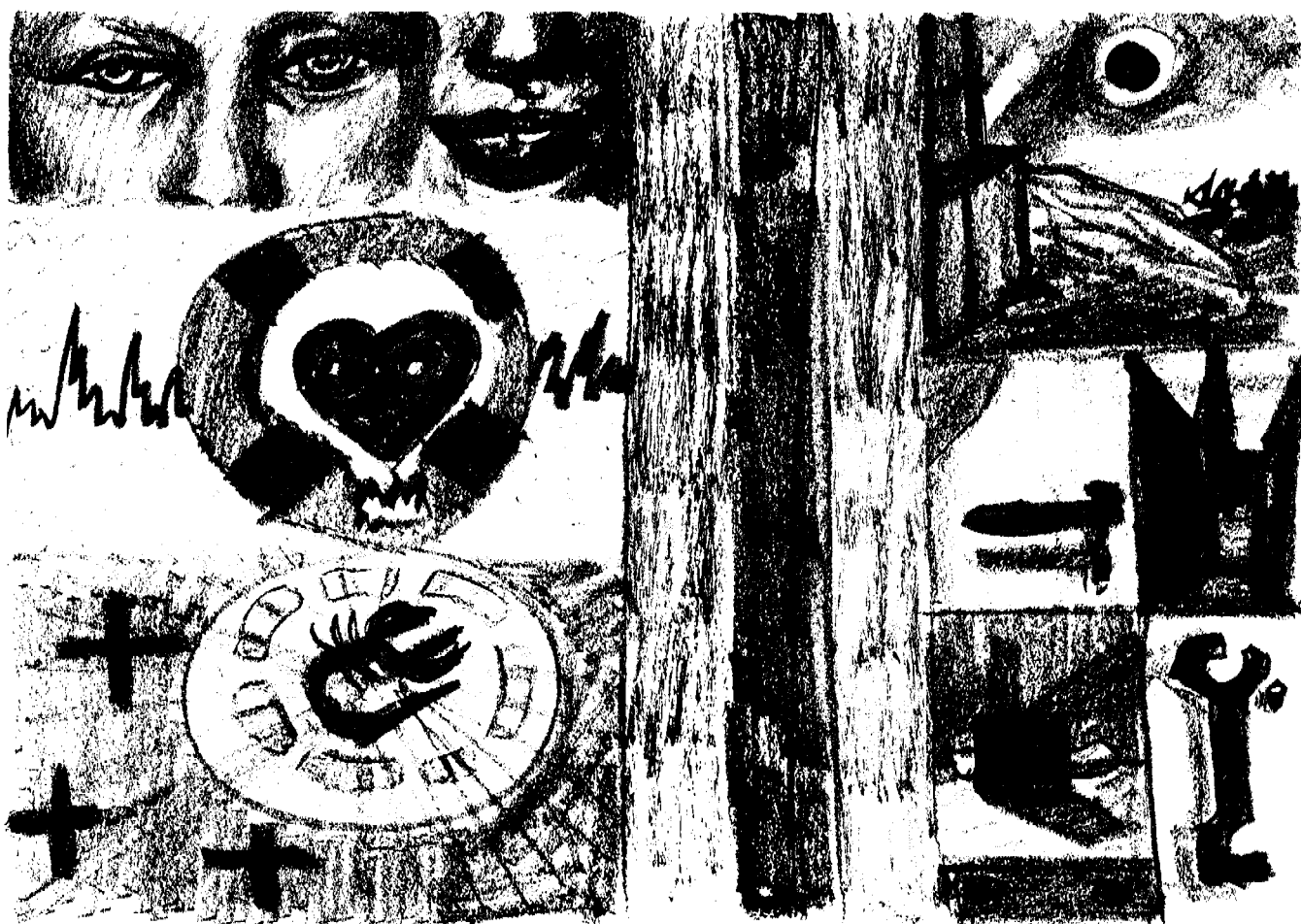
Between 1963 and 1965 in the "world and system pictures" Penck developed his own style combining in new compositions symbols taken from Ice-Age cave painting, pictographic writing and the everyday environment.

Penck's preoccupation with cybernetics, systems theory and regulating processes is documented in the "Standart" pictures, produced from 1968 on. These works are an attempt to reproduce complex relationships within an extrapictorial reality using a fixed and standard pictorial idiom. From 1973 to 1978 the "Standart" concept was added to and broadened under the pseudonyms TM, Mike Hammer and Y.

In 1980, Penck was deprived of his East German citizenship. He moved first to Kerpen, near Cologne, and now lives in Dublin and London. He was already exhibiting and selling his work in the West in 1969/70.

In the pictures produced after he moved, the form of the symbols takes on a greater intrinsic value in densely structured compositions or compositions dominated by isolated symbols and its links with their objective meaning are frequently severed.

After constructing cardboard objects in the early 1970's, Penck has also been creating larger sculptures since 1978, mostly of wood worked with axe and saw, or of bronze. Parallel to his drawing, painting and sculpting Penck, who is also an enthusiastic jazz musician, has written numerous books and poems. In 1980 he received the Rembrandt Prize of the City of Basle, Switzerland, and in 1985 the Art Prize of the City of Aachen, West Germany.



List of works depicted:

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Untitled, 1977, dispersion on canvas; from a 14-part series
 "What system will be"
 1982, lithograph
 Untitled, 1980, silk-screen print; from the suite "America" with 10 silk screens
 "West", 1980, gouache
 "3rd Standart Art", undated, ink

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"Abyss 1 (Eros)", 1981, oil on canvas
 Untitled, 1980, silk-screen print; from the suite "America" with 10 silk screens
 "Me in the West", 1985, aquatint and dry-point engraving
 "Quo vadis Germania", 1985, aquatint and dry-point engraving
 Untitled (My dream of . . . The world of the scorpion), 1979, crayon