

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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Title page and cover: A. R. Penck, Untitled, 1977
Dispersion on canvas, from a 14 part series

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Hermann J. Abs, Frankfurt am Main

Supervisory Board

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Chairman

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Deutsche Bank AG

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Hagen Findeisen, Hamburg*
Deutsche Bank AG

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

Gerd Hirsbrunner, Berlin*
Deutsche Bank Berlin AG

H. Frans van den Hoven, Rotterdam

Karlheinz Krippendorf, Cologne*
Deutsche Bank AG

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Chairman of the Executive Board of Beiersdorf AG

Hans L. Merkle, Stuttgart
Chairman of the Supervisory Board of Robert Bosch GmbH

Karl Messing, Düsseldorf*
Deutsche Bank AG
Member of the Executive Board of the Deutscher
Bankangestellten-Verband

Josef Pfaff, Cologne*
Deutsche Bank AG

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Munich
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(until 24. 3. 1988)

Gerhard Renner, Hamburg*
Member of the National Executive of Deutsche
Angestellten-Gewerkschaft

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

Advisory Board

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Chairman of the Supervisory Board
of Otto Wolff AG

Dr. Wolfgang Schieren, Munich
Deputy Chairman
Chairman of the Board of Management of
Allianz Aktiengesellschaft

Dr. rer. nat. Hans Albers, Ludwigshafen (Rhein)
Chairman of the Board of Executive Directors of BASF AG

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

Professor Dipl.-Ing. Werner Breitschwerdt,
Stuttgart

Werner Dieter, Düsseldorf
Chairman of the Executive Board of Mannesmann AG

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

Professor Dr. Dipl.-Chem. Herbert Grünewald,
Leverkusen
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Dr. Carl H. Hahn, Wolfsburg (until 31. 12. 1987)
Chairman of the Board of Managing Directors of
Volkswagen AG

Dr.-Ing. Dr. rer. nat. h.c. Konrad Henkel, Düsseldorf
Chairman of the Supervisory Board of Henkel KGaA

Eberhard von Heusinger, Bad Homburg v d Höhe
Member of the Board of Managing Directors of ALTANA
Industrie-Aktien und Anlagen AG

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Spokesman of the Board of Managing Directors of
Rheinisch-Westfälisches Elektrizitätswerk AG

Dr. Andreas Kleffel, Düsseldorf

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

Dr. Heribald Närgel, Munich
Chairman of the Supervisory Board of Siemens AG
(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

General Counsel
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 Hufner
Henning Jess
Hans-Joachim Kespe
Heinz Köhler
Gerhard O. Koenig
Paul Körtgen
Dr. Klaus Kohler,
Deputy General Counsel
Dr. Siegfried Kumpel
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
Georg Oswald
Horst Peters
Fritz-Otto Plass
Helmut Pottgiesser
Hans Reder
Hansgünter Römhild
Dr. Peter Rösler
Max Schläger
Heinz Kurt Schulz
Rolf Sexauer
Adolf Sievers
Dr. Hans-Joachim Spranger
Heinz Starzinski
Dr. Rudolf Stützel
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
Manfred Wich
Claus Wreth

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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 Schniewind
Dr. Hans Sedlmayr
Hans Siegburg

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

Hamburg
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Christoph Könneker
Dr. Hans-Dieter Bartels
Dr. Jan Hiemsch
Günther Hoops
Christoph Woermann

Stuttgart
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Dr. Wolfram Freudenberg
Michael Osterwind
Dr. Burkhardt Pauluhn

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Wolfgang Möller
Günter Sengpiel
Dr. Rüdiger Weber

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Dr. Heyko Linnemann
Horst Risse
Werner Rissmann
Dr. Dieter Wefers

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

Essen
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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.

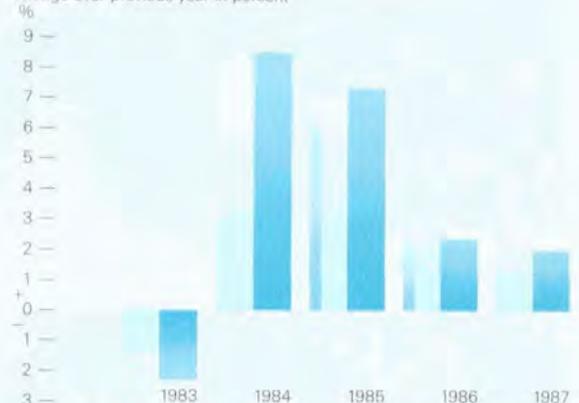
No reduction of unemployment

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

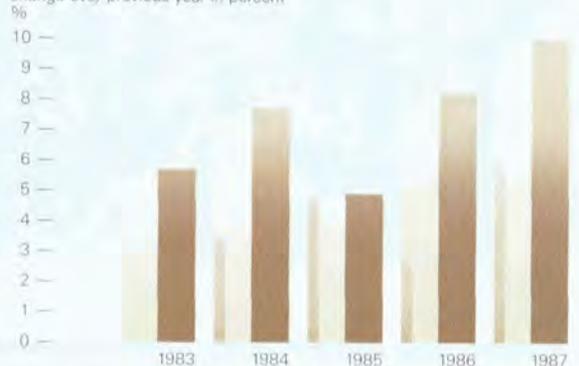
Fewer exports...

Change over previous year in percent



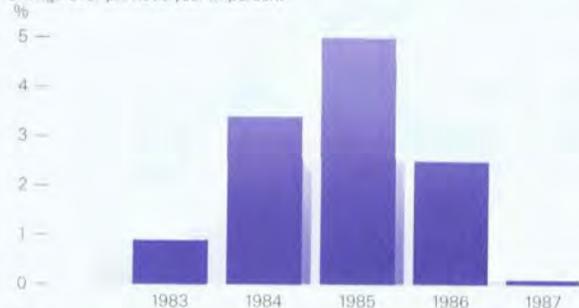
...and more imports...

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.

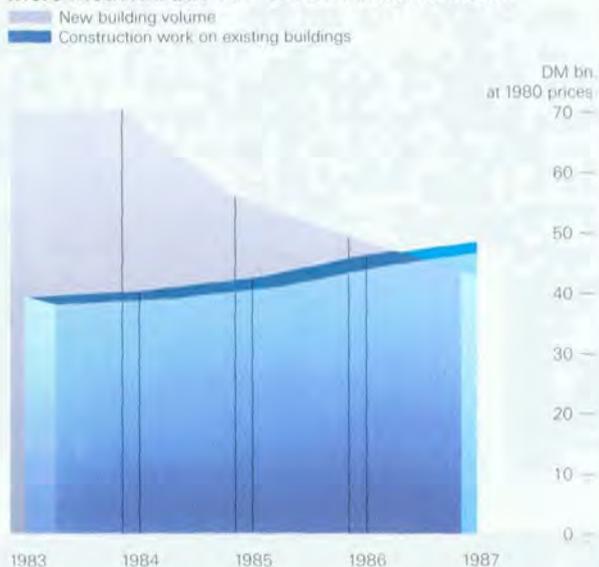
In the reporting year, the Government presented the draft for a comprehensive reform of the income tax scale for 1990. It represents a major step towards a lower tax burden and a tax system with fewer concessions and a simplified tax base. The slight progress with reducing spending subsidies was disappointing. 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.

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.

More modernization in residential construction



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

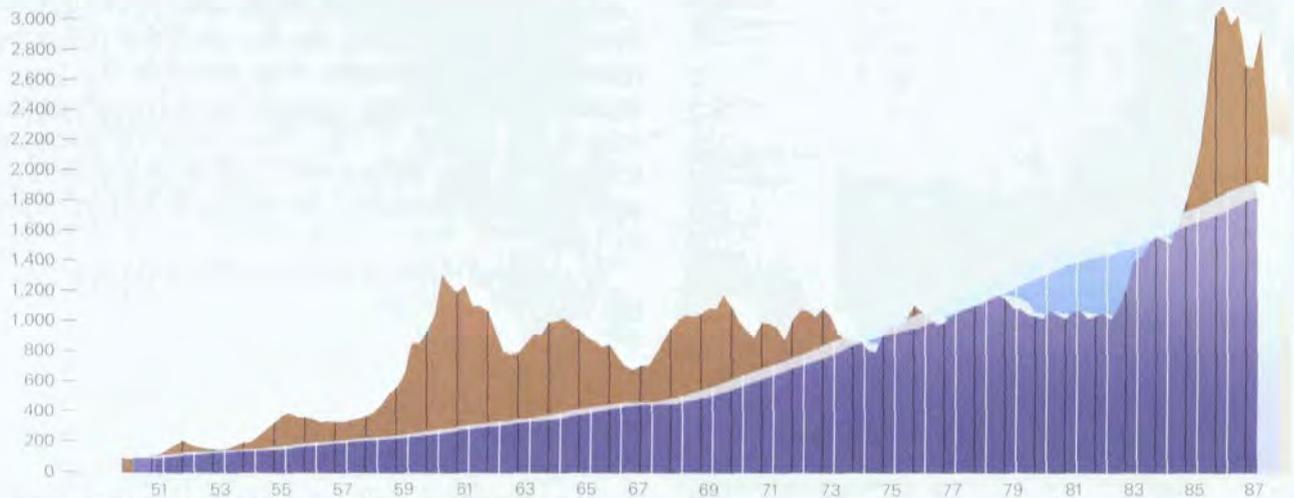
The slump was more pronounced than on other world stock markets, although the level of German share prices was by no means high compared internationally. The main reason was the very large proportion of foreign investors, but this was compounded by the fact that, unlike other centres, the German market 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

■ Share prices¹⁾
■ GNP²⁾



¹⁾ Index of the Federal Statistical Office, 1950 = 100 ²⁾ Nominal, 1950 = 100

“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-

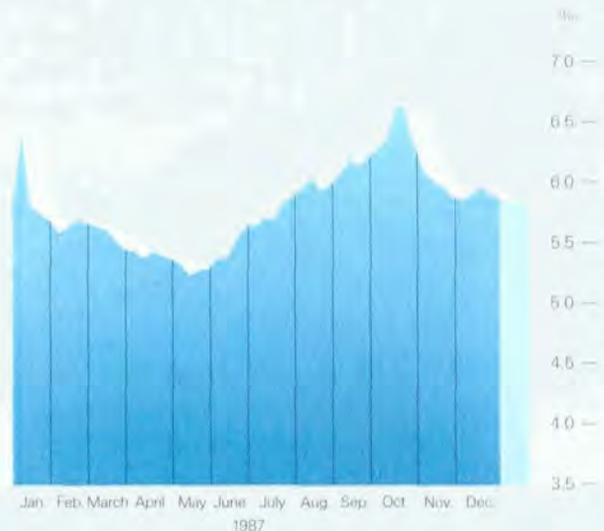
dent buyers (excluding banks) increased their bond commitments sharply to DM 11.2 bn. The deciding factor here was probably the relatively low return on short-term forms of investment; the interest advantage of longer-running paper increased tangibly compared with the previous year.

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

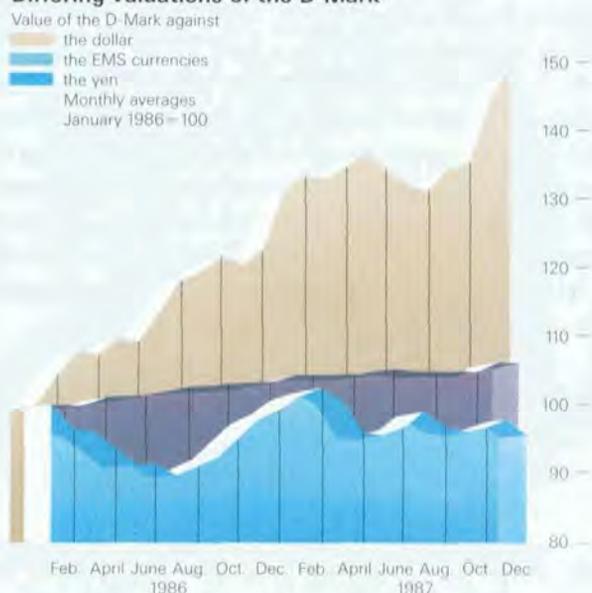
Europe did the combined surplus decrease (to \$ 43 bn.).

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



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.

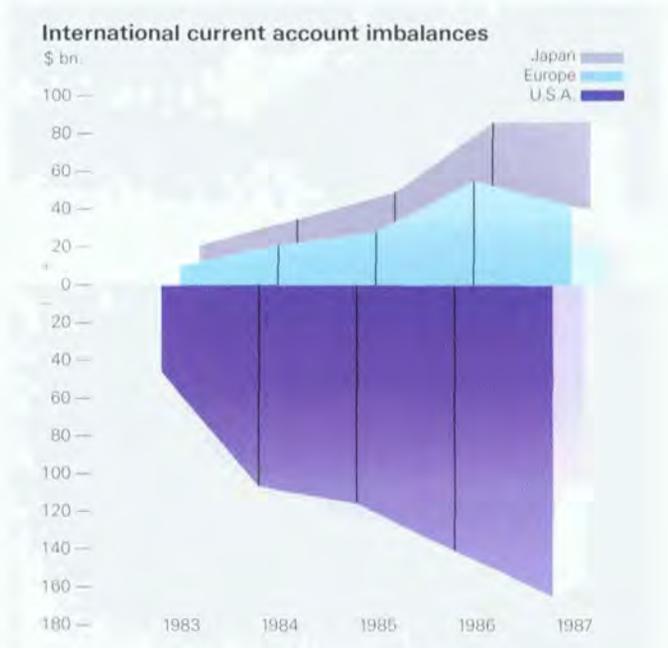
Japan increased its domestic growth to an impressive 5% in 1987. It strengthened its competitiveness through rationalization, further product innovations and improvements, high direct in-

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 1/2%. 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



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

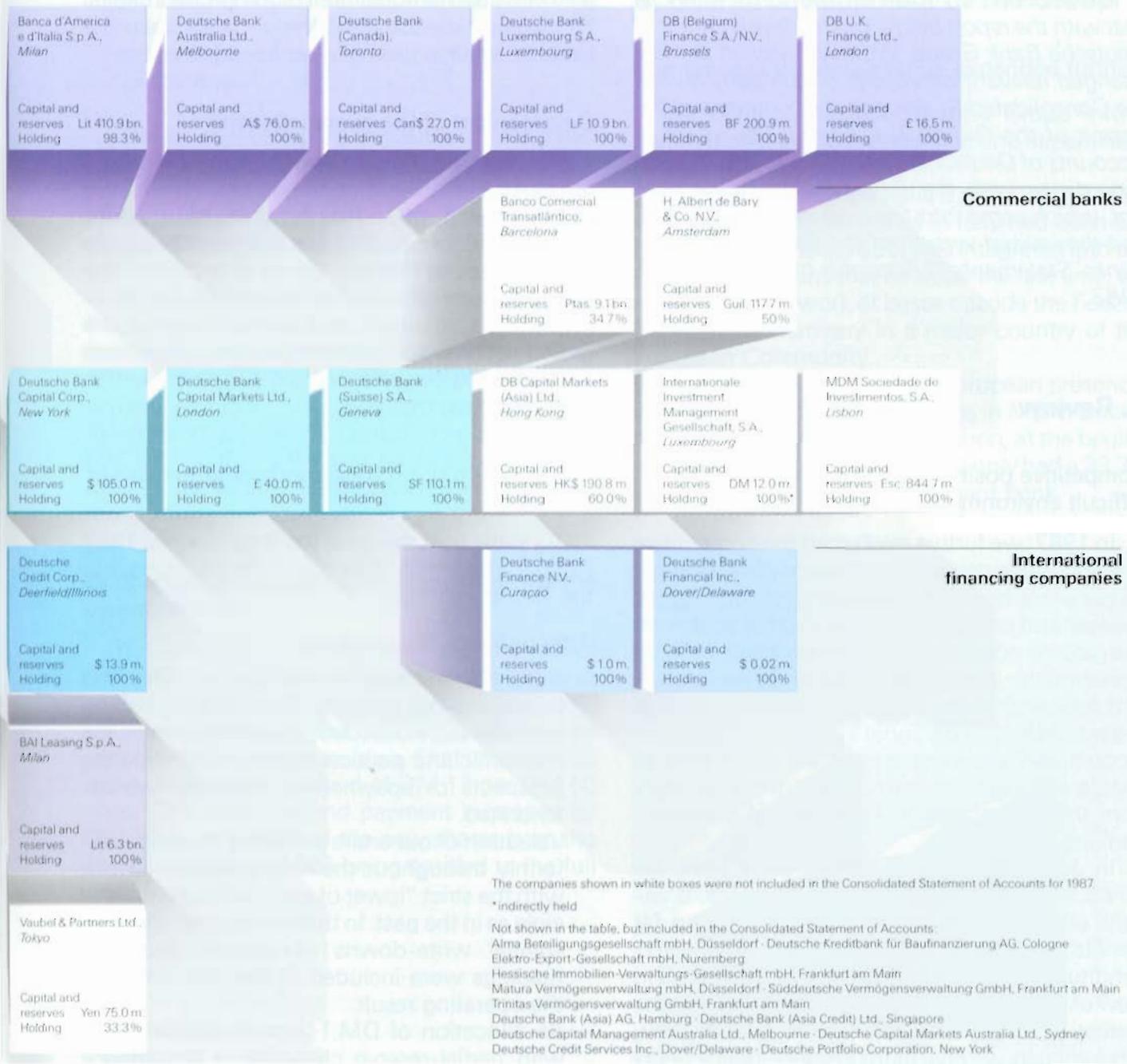
Deutsche Bank Bauspar-AG, Frankfurt am Main	EFGEE Gesellschaft für Einkaufs-Finanzierung mbH, Düsseldorf	GEFA Gesellschaft für Absatzfinanzierung mbH, Wuppertal	Deutsche Beteiligungs- gesellschaft mbH, Frankfurt am Main
Capital and reserves DM 30.0 m Holding 100%	Capital and reserves DM 16.0 m Holding 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-Münchinger	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 25.0 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%



Commercial banks

International financing companies

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

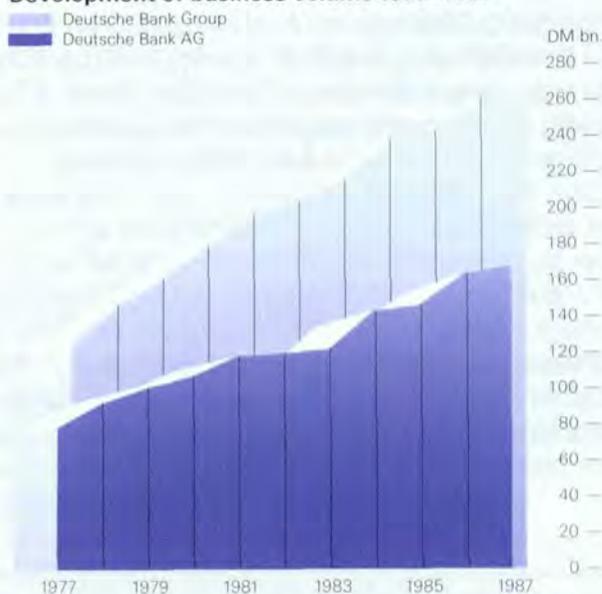
Comprehensive service range expanded further

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 multi-functional 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.

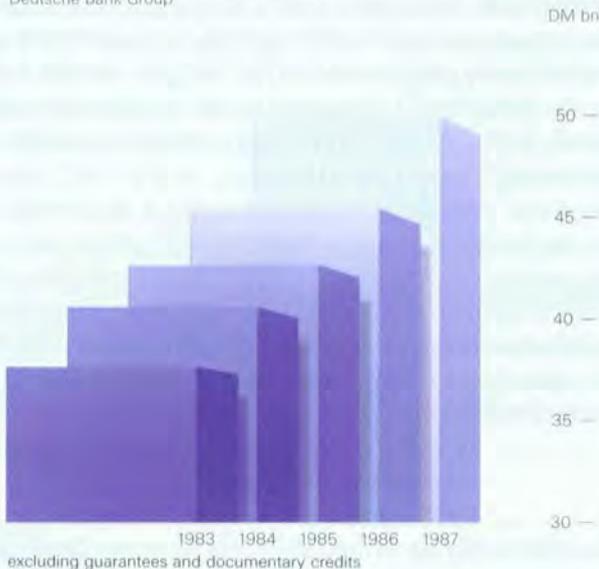
- "db-select" provides information about all public-sector business promotion schemes funded by the EC, Federal or Länder Governments and can be used to work out individual interest and redemption schedules.
- "db-export finance" offers users a comparison of the cost of medium and long-term forms of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

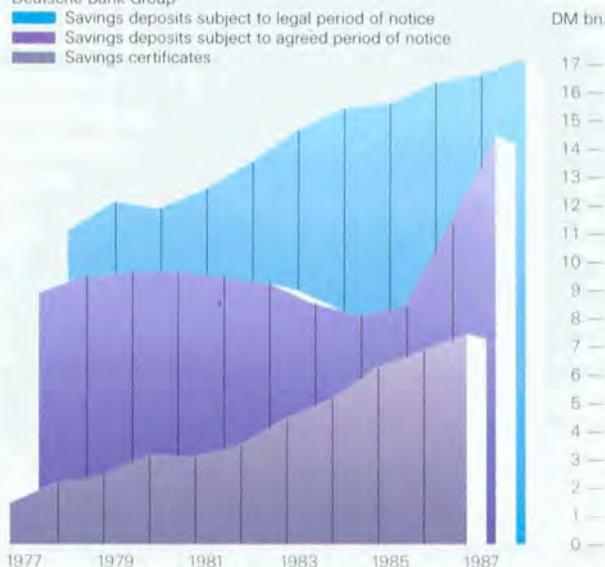
More services for the self-employed

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.

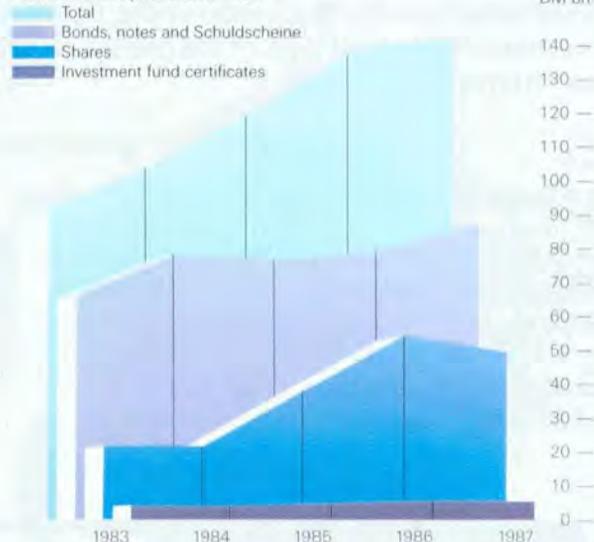
We increased the number of investment counsellors further in order to be able to provide our customers with comprehensive and balanced advice even in the more difficult environment. We also expanded our capacity in international investment research for institutional investors.

Securities business

Turnover of Deutsche Bank AG with institutional and private customers

Total
 Bonds, notes and Schuldscheine
 Shares
 Investment fund certificates

DM bn.



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 International 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 I, 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.

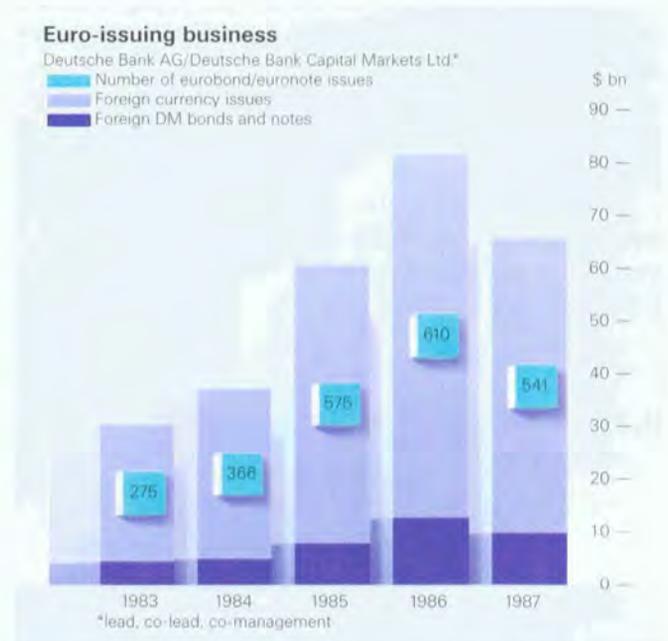
Swap business expanding

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

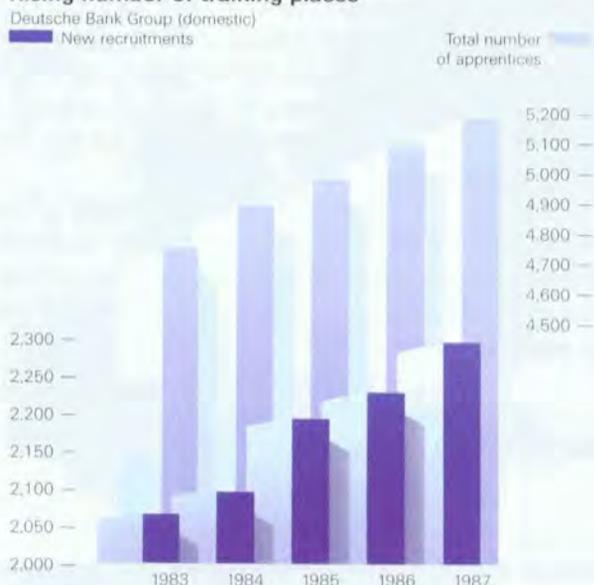
In the year under review, our domestic Group companies hired a total of 2,291 new apprentices. The parent company accounted for 2,114 of them; this constitutes a rise of 2.8% against the previous year. At the end of the reporting year, the Group counted a total of 5,254 apprentices undergoing vocational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



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

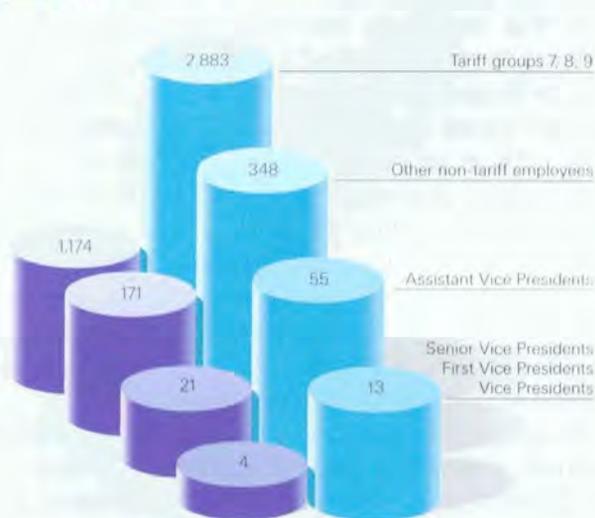
One outcome of the 1987 wage and salary negotiations was the introduction of a trial phase of more flexible working hours. Greater flexibility in this respect will allow us to improve our service to customers since our staff in customer counselling and business acquisition will be on hand to provide 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 Herbrik, Taunus-Zentrum Eschborn
Max Hilgers, Düsseldorf
Günter Janas, Braunschweig
Hans Jeismann, Düsseldorf
Gudrun Jürgensen, Husum
Hartmut Kampa, Düsseldorf
Fckhardt Klop, Duisburg
Ernst Kirsch, Hamburg
Erwin Kitzmann, Frankfurt
Hainer 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
Katrin Melchior, Bremen
Helmut 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

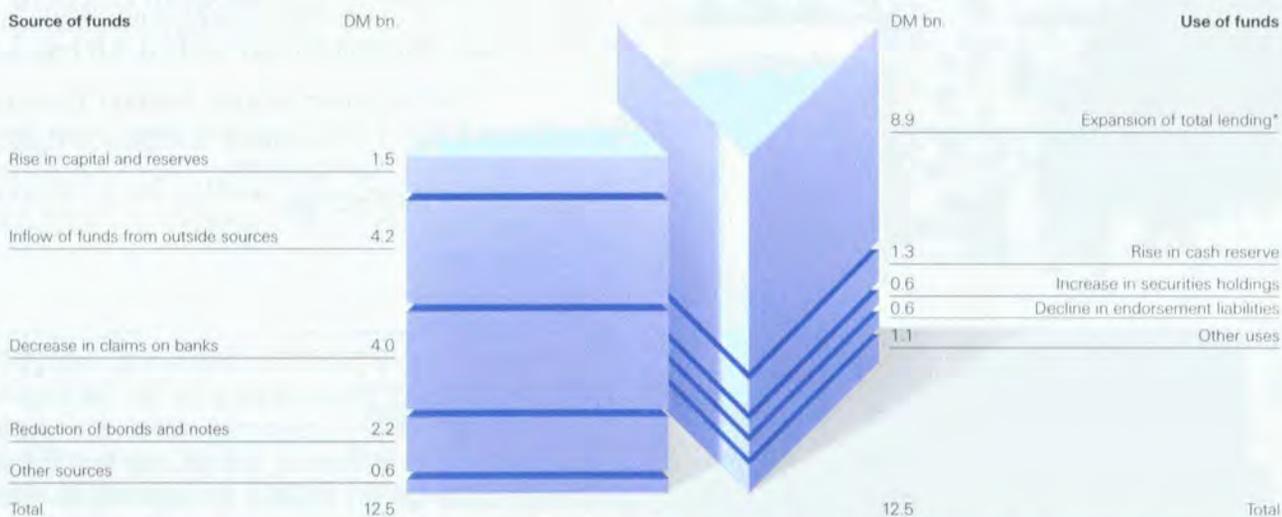
The bank's *business volume* rose DM 4.6 bn. in 1987 to DM 168.7 bn. Growth of the business volume was once again impaired by the decline in the dollar; adjusted for exchange rate movements, the increase in volume would have been approx. DM 9 bn.

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.

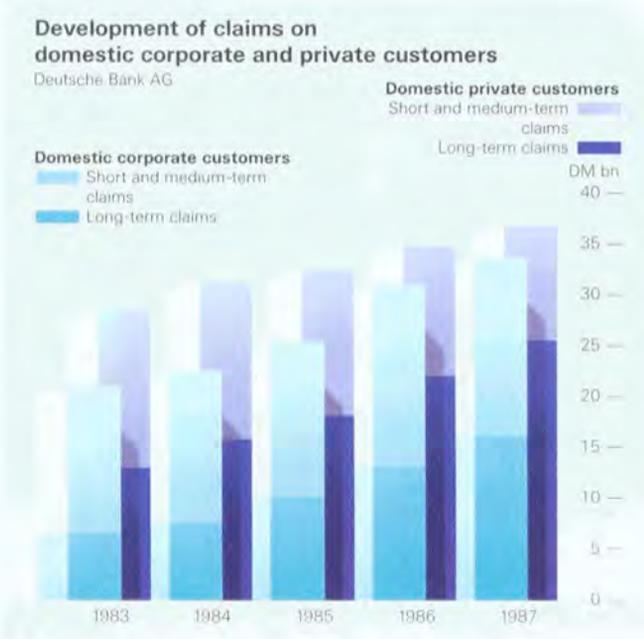
Discounts fell DM 0.6 bn. to DM 5.5 bn.

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		End of 1986		Change	
	DM m.	% share	DM m.	% share	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.

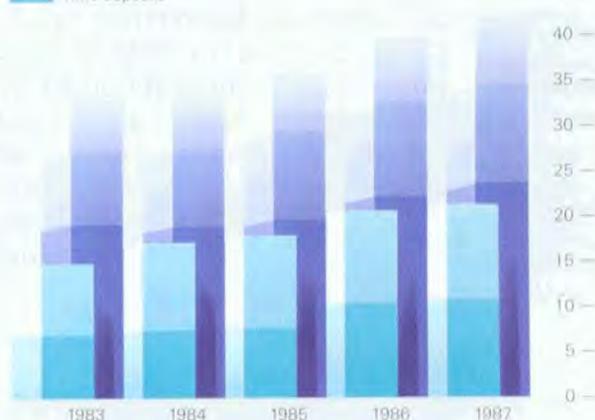
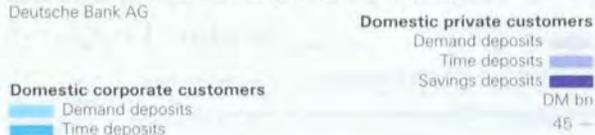
Customers' deposits came to DM 82.2 bn. Funds payable on demand increased to approx. DM 22 bn. at the end of 1987; that is more than one-quarter of aggregate customers' deposits. *Customers' time deposits* were reduced by DM 2.0 bn. to DM 34.2 bn. The decrease was mainly in short-term funds. The savings 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	<u>7,305</u>	<u>5.1</u>	<u>5,561</u>	<u>4.0</u>	<u>+ 1,744</u>	<u>= 31.4</u>
<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.

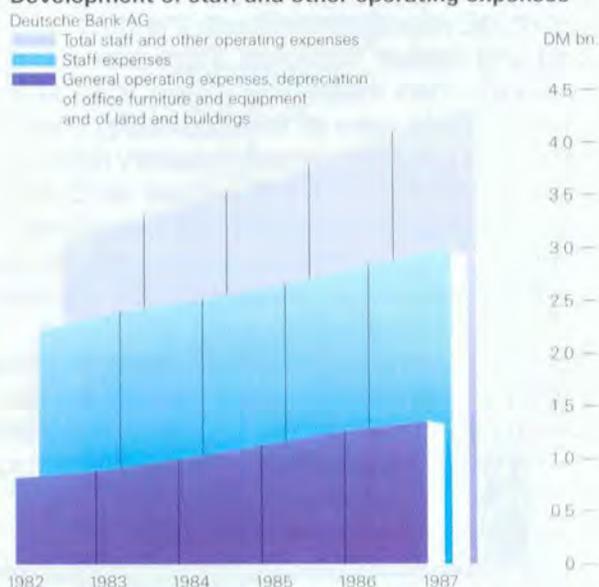
The buildings leased by the bank were worth DM 238.9 m. at year's end. Total leasing rentals of DM 22.2 m. were paid for these 8 properties. Rent for the building at Taunusanlage 12, Frankfurt am Main, which is rented from Deutsche Grundbesitz-Beteiligungsgesellschaft Dr. Rühl & Co. – Anlagefonds 1 – 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	<u>5,697,686,549</u>		<u>5,423,357</u>
		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	<u>2,284,814,901</u>		<u>2,118,513</u>
		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 <u>77,924,982</u>	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 <u>1,400,959,249</u>	<u>5,582,038,219</u>	<u>7,701,036</u>
including:			
eligible as collateral for			
Deutsche Bundesbank advances	DM 3,481,788,931		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	<u>132,921,791</u>		<u>29,335</u>
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	<u>47,266,765,271</u>		<u>40,712,059</u>
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	<u>31,473,515</u>		<u>19,883</u>
		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
			6,209,803,146	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

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./5)	(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	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
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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	1,454,852,437 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 (I 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)

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

A collection of handwritten signatures in black ink, arranged in four rows. The signatures are cursive and correspond to the names listed in the text above: Herrhausen, van Hooven, Zapp, Christians, Weiss, Krupp, Endres, and Krumnow.

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

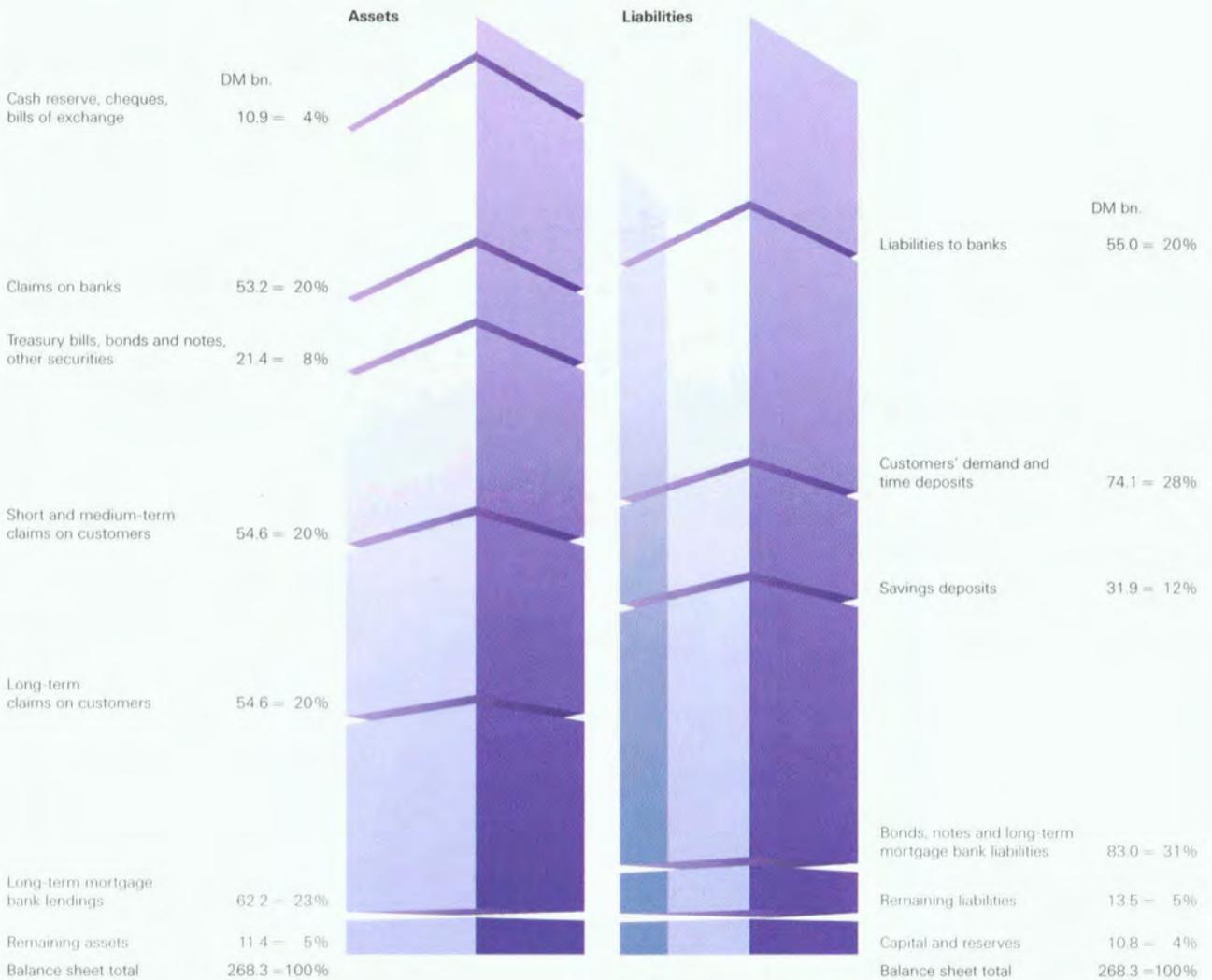


Deutsche Bank AG 

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.

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

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%

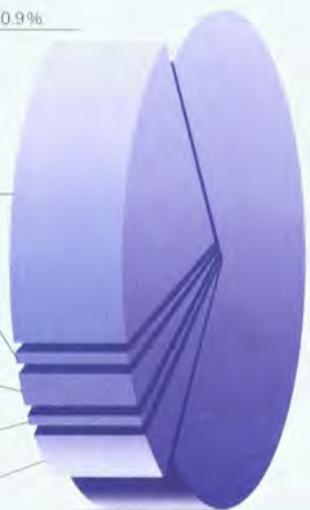
Investment banking
and capital investment
companies DM 2.7 bn. = 0.8%

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%



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
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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
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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
Immobilien-Gesellschaft 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
 Terringesellschaft 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
 Pirna Beteiligungsgesellschaft mbH, Bielefeld
 Rossmas 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.

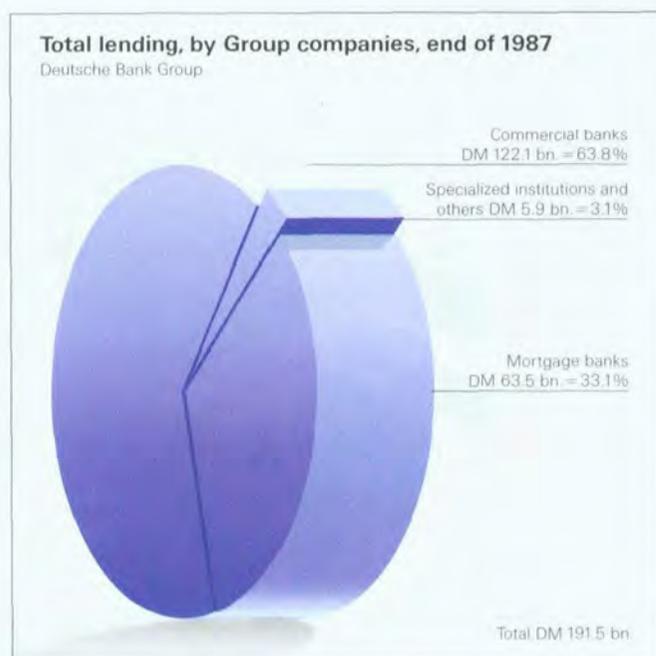
The total credit extended by foreign commercial banks, converted into D-Marks, was greatly influenced by exchange rate changes.

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
	<u>109,147</u>	<u>57.0</u>	<u>99,441</u>	<u>55.3</u>	<u>+ 9,706</u>	<u>9.8</u>
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
	<u>13,831</u>	<u>7.2</u>	<u>13,027</u>	<u>7.3</u>	<u>+ 804</u>	<u>6.2</u>
<i>Total credit extended</i>	<u>191,495</u>	<u>100.0</u>	<u>179,834</u>	<u>100.0</u>	<u>+11,661</u>	<u>6.5</u>



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

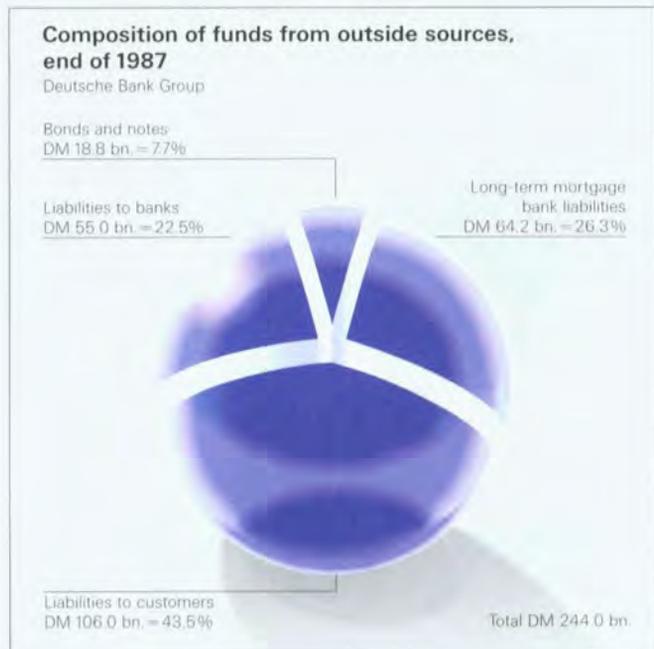
Other assets amounted to DM 1,256 m. They consist largely of precious metals holdings.

Liabilities

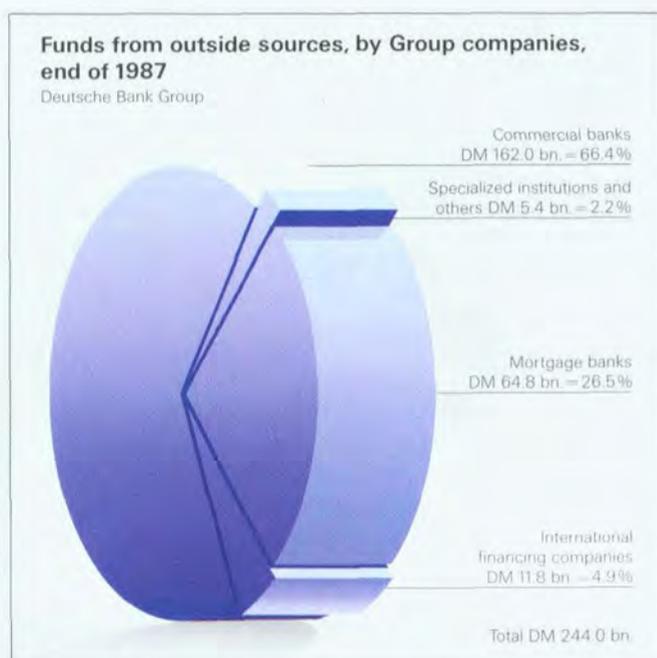
Funds from outside sources

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		End of 1986		Change	
	DM m.	% share	DM m.	% share	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.

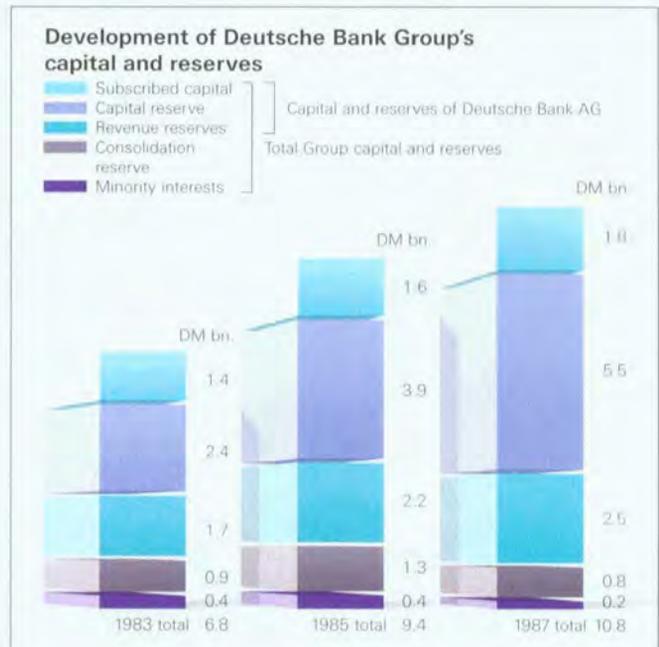
Profit, capital and reserves

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.



Taken in total, Group *capital and reserves* increased by a net DM 806.5 m. in 1987 to DM 10,849.1 m. They are made up as follows:

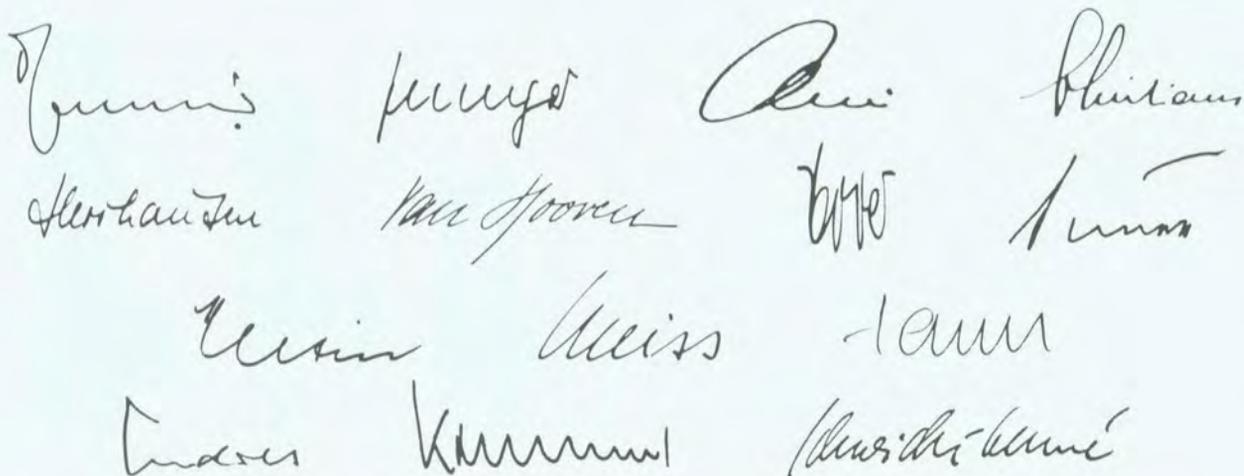
	31.12.1987 DM m.	31.12.1986 DM m.
Subscribed capital	1,772.6	1,623.4
Capital reserve	5,490.5	4,144.8
Revenue reserves	<u>2,513.4</u>	<u>2,513.4</u>
<i>Capital and reserves of Deutsche Bank AG</i>	9,776.5	8,281.6
Reserve arising from consolidation	844.1	1,431.5
Minority interests	<u>228.5</u>	<u>329.5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

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.

Frankfurt am Main, March 1988

The Board of Managing Directors



 The image shows ten handwritten signatures in cursive script, arranged in three rows. The signatures are:

 Row 1: J. J. J., J. J. J., J. J. J., J. J. J.

 Row 2: J. J. J., J. J. J., J. J. J., J. J. J.

 Row 3: J. J. J., J. J. J., J. J. J.

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 of a joint stock corporation or a mining company, unless shown as Subsidiaries, associated companies and trade investments	DM thou. 97,541	5,282,108	4,920,985
	Carried forward	85,537,096	83,321,905

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		211,679	232,910
including:			
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		
	Estg. 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>		1,506,614
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>		499,392
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>		4,504,443
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>		7,198
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>		1,383,937
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>		2,488,381
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

Mertin 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
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
	—	28,248
	<u>748,323</u>	<u>1,145,058</u>
		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>

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

**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
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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 Schifffahrtsbank Aktiengesellschaft, Bremen	27.51%	—	DM 82.0 m.	—
Deutsche Schiffspfandbriefbank 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		Capital and	Last available
	total	of which indirect	reserves	result (in '000)
		(\$ 16 (4) JSCA)		
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		of which indirect		Capital and		Last available	
	total				reserves		result (in '000)	
			(\$ 16 (4) JSCA)					
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, Kornal-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		of which indirect	Capital and	Last available	
	total		(\$ 16 (4) JSCA)	reserves	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.	— ¹⁾
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		of which indirect		Capital and reserves		Last available result (in '000)	
	total		total					
			(\$ 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 Wohnungsbauträger GmbH, Braunschweig	100 %		—		DM	0.2 m.	DM	— ¹⁾
Rhein-Neckar Bankbeteiligung GmbH, Stuttgart	49.07% ²⁾		—		DM	124.2 m.	DM	6,457
Rossmann 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⁾
Vermittlungsgesellschaft 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 – DM 2.9600; Sf 100 – DM 173.64; 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.) with 1 sub-branch	Bad Tölz	Burscheid (Rhein)	Erkelenz
Achern	Bad Wildungen	Buxtehude	Erkrath (Bz. Düsseldorf)
Achim (Bz. Bremen)	Bad Wörishofen	Castrop-Rauxel with 1 sub-branch	Erlangen
Ahaus	Bad Zwischenahn	Celle	Fischborn
Ahlen (Westf.)	Balingen	Clausthal-Zellerfeld	Eschwege
Ahrensburg (Holst.)	Bamberg	Cloppenburg	Eschweiler
Albstadt with 1 sub-branch	Barsinghausen	Coburg	Espelkamp
Alfeld (Leine)	Baunatal	Cocfeld	Essen with 26 sub-branches
Alsdorf (Rheinl.)	Bayreuth	Cologne with 27 sub-branches	Esslingen (Neckar)
Alsfeld (Oberhess.)	Beckum (Bz. Munster)	Crailsheim	Ettlingen
Altena (Westf.)	Bendorf (Rhein)	Cuxhaven	Euskirchen
Altenkirchen (Westerw.)	Bensheim	Dachau	Eutin
Alzey	Bergheim (Frft)	Darmstadt	Fellbach (Württ.)
Amberg	Bergisch Gladbach with 1 sub-branch	Datteln (Westf.)	Hensburg with 3 sub-branches
Andernach	Bergneustadt	Deggendorf	Forchheim
Ansbach	Bernkastel-Kues	Deidesheim	Frankenthal (Pfalz)
Arnsberg	Betzdorf (Sieg)	Delmenhorst	Frankfurt am Main with 25 sub-branches
with 1 sub-branch	Biborach (Riss)	Detmold	Frankfurt (Main)-Höchst
Aschaffenburg	Biedenkopf	Dietzenbach	Frechen
Asperg	Bielefeld with 8 sub-branches	Dillenburg	Freiburg (Breisgau) with 6 sub-branches
Attendorf	Bietigheim (Württ.)	Dinstaken (Niederrhein)	Freising
Augsburg	Bingen (Rhein)	Donaueschingen	Freudenberg (Kr. Siegen)
with 6 sub-branches	Bfomburg (Lippe)	Dormagen (Niederrhein)	Friedrichshafen
Aurich	Bocholt	Dorsten	Friedrichshafen
Backnang	Bochum with 7 sub-branches	Dortmund with 13 sub-branches	Fürstfeldbruck
Bad Berleburg	Böblingen (Württ.)	Dreieich	Fürth (Bay.) with 1 sub-branch
Bad Driburg (Westf.)	Bonn	Dülmen	Gulda with 1 sub-branch
Bad Dürkheim	with 6 sub-branches	Düren (Rheinl.) with 1 sub-branch	Gaggenau (Murgtal)
Baden-Baden	Bonn-Bad Godesberg	Düsseldorf	Garmisch-Partenkirchen
Bad Harzburg	Boppard	with 32 sub-branches	Geesthacht
Bad Hersfeld	Borken	Düsseldorf-Benrath with 1 sub-branch	Geislingen (Steige) with 1 sub-branch
Bad Homburg v.d.Höhe	Bottrop	Duisburg	Geldern
Bad Honnef	with 1 sub-branch	with 27 sub-branches	Gelsenkirchen with 5 sub-branches
Bad Iburg	Bramsche (Bz. Osnabrück)	Duisburg-Hamborn	Gengenbach
Bad Kreuznach	Braunschweig	Einbeck	Georgsmarienhütte with 1 sub-branch
Bad Laasphe	with 12 sub-branches	Eislingen	Gerlingen (Württ.)
Bad Lauterberg	Bremen	Eitorf	Germring
Bad Lippspringe	with 14 sub-branches	Ellwangen (Jagst)	Gernsbach (Murgtal)
Bad Mergentheim	Bremen-Vegesack	Elmshorn	Gersthofen
Bad Münstereifel	Bremerhaven with 3 sub-branches	Elten	Gescke (Westf.)
Bad Neuenahr	Bretten	Eltville	Gevelsberg
Bad Oeynhausen	Brilon	Emden	Giengen (Bronz)
Bad Oldesloe	Bruchsal	Emmendingen	Giessen
Bad Pyrmont	Brühl (Bz. Köln)	Emmerich	Githorn with 1 sub-branch
Bad Reichenhall	Brunsbüttel	Emsdetten	
Bad Sachsa (Südharz)	Buchholz i.d. Nordheide	Engelskirchen	
Bad Säckingen	Bühl (Baden)	Ennepetal with 1 sub-branch	
Bad Salzflun with 1 sub-branch	Bünde		

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	Marktobersdorf
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	Lecor (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	Lennestadt	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	Kompen (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	Munster
Heinsberg	Kierspe (Westf.)	Lohne (Oldb.)	Nagold
Helmstedt	Kirchheim unter Teck	Ludwigsburg (Württ.)	Neckarsulm
Hemer	Kleve (Niederrhein)	with 1 sub-branch	Nettetal
Hennef (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	Radevormwald	Singen (Hohentwiel)	Waiblingen
Neumarkt (Oberpf.)	Radolfzell	Soest	Waldbröl
Neumünster	Rastatt	Solingen	Waldkirch (Breisgau)
Neunkirchen (Kr. Siegen)	Ratingen	with 4 sub-branches	Waldkraiburg
Neuss	with 3 sub-branches	Sollau	Waldshut
with 4 sub-branches	Raunheim	Sonthofen	Waltrip
Neustadt (b. Coburg)	Ravensburg	Spaichingen	Wangen (Allgäu)
Neustadt (Weinstr.)	with 1 sub-branch	Spenge	Warendorf
Neu Ulm	Recklinghausen	Speyer	Wedel (Holst.)
Neuwied	Regensburg	Sprockhövel (Westf.)	Weener (Erms)
with 1 sub-branch	with 4 sub-branches	Stade	Wegberg
Nienburg (Weser)	Reinbek (Bz. Hamburg)	Stadthagen	Wehr (Baden)
Nördlingen	Remagen	Stadtlohn	Weiden (Opf.)
Norden	Remscheid	Starnberg	Weil (Rhein)
Norderney	with 5 sub-branches	Steinfurt	Weilheim
Norderstedt	Rendsburg	with 1 sub-branch	Weingarten (Württ.)
Nordhorn	Reutlingen	Stolberg (Rheinl.)	Weinheim (Bergstr.)
Northeim	with 1 sub-branch	Straubing	with 1 sub-branch
Nürtingen	Rheda-Wiedenbruck	Stuttgart	Weissenthurm
Nuremberg	Rheinbach	with 14 sub-branches	Werdohl
with 13 sub-branches	Rheinberg (Rheinl.)	Stuttgart-Bad Cannstatt	Werl (Westf.)
Oberhausen (Rheinl.)	Rheine (Westf.)	Sundern (Sauerl.)	Wermelskirchen
with 9 sub-branches	with 2 sub-branches	Taunusstein	Werne
Oberkirch (Baden)	Rheinfelden (Baden)	Tettngang	Wesel (Niederrhein)
Obertshausen	Rinteln (Weser)	Titisee-Neustadt	with 1 sub-branch
Oberursel (Taunus)	Rodgau	Tönisvorst	Wesseling (Bz. Köln)
Öhringen	Rösrath	Traben-Trarbach	Westerland
Oelde	Rosenheim (Bay.)	Triburg (Schwarzw.)	Wetzlar
Oerlinghausen	Rottenburg	Trier	Wiesbaden
Offenbach (Main)	Rottweil	with 1 sub-branch	with 6 sub-branches
with 2 sub-branches	Rüsselsheim (Hess.)	Troisdorf	Wiesloch
Ollenburg (Baden)	with 1 sub-branch	Tübingen	Wilhelmshaven
Oldenburg (Oldbg.)	Salzgitter-Bad	with 1 sub-branch	Willich (Bz. Düsseldorf)
Olpe (Westf.)	with 2 sub-branches	Tutlingen	with 1 sub-branch
Osnabrück	Salzgitter-Lebenstedt	Ubach-Palenberg	Winnenden
with 4 sub-branches	with 1 sub-branch	Überlingen (Bodensee)	Wipperfürth
Osterholz-Scharmbeck	Salzgitter-Watenstedt	Uelzen	Wissen (Sieg)
Osterode (Harz)	St. Georgen (Schwarzw.)	Ulm (Donau)	Witten
Ottobrunn	Schmallenberg (Sauerl.)	with 1 sub-branch	with 2 sub-branches
with 1 sub-branch	Schopfheim	Unna	Wittlich
Paderborn	Schorndorf (Württ.)	Vechta	Wolfenbüttel
Papenburg	Schüttorf	Velbert (Rheinl.)	Wolfsburg
Passau	Schwabach	with 1 sub-branch	with 4 sub-branches
Pfain	Schwäbisch Gmünd	Verden (Aller)	Worms
Pfaffenhofen	with 1 sub-branch	Verl	Wülfrath
Pforzheim	Schwäbisch Hall	Viernheim (Hess.)	Würselen (Kr. Aachen)
with 3 sub-branches	Schweinfurt	Viersen	Würzburg
Pfullingen (Württ.)	Schwelm	with 3 sub-branches	with 2 sub-branches
Pinneberg	Schwerte (Ruhr)	VS – Schweningen	Wuppertal
Pirmasens	Schwetzingen	VS – Villingen	with 15 sub-branches
with 1 sub-branch	Soesen	Voerde	Xanten
Planegg	Siegburg	Vohburg	Zell (Mosel)
Plotzenberg	Siegen	Vreden (Westf.)	Zirndorf
Plochingen	with 4 sub-branches	Wächtersbach	Zweibrücken
Quakenbrück	Sindelfingen		

Subsidiaries with registered office in the Federal Territory or Berlin

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

Deutsche Bank Berlin Aktiengesellschaft,
Berlin
78 business offices

Deutsche Bank Saar Aktiengesellschaft,
Saarbrücken
17 business offices

Handelsbank in Lübeck Aktiengesellschaft,
Lübeck
37 business offices

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

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

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

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

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

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

Subsidiaries:
GEFA-Leasing GmbH,
Wuppertal
**EFGEE Gesellschaft
für Einkaufs-Finanzierung mbH**,
Düsseldorf

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

**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

Deutsche Bank AG
Succursale de Bruxelles
100, Boulevard du Souverain
1170 Bruxelles
Antwerp Branch:
Deutsche Bank AG
Filiaal Antwerpen
Postbus 228, Britselei 10
2000 Antwerpen
Ernst Wilhelm Contzen, Directeur
Dr. Dirk-Joachim von Walcke-Wulffen,
Directeur

DB (Belgium) Finance S.A.
100, Boulevard du Souverain
1170 Bruxelles
Ernst Wilhelm Contzen, Administrateur
Dr. Dirk Joachim von Walcke-Wulffen,
Administrateur

France

Deutsche Bank AG
Succursale de Paris
Boîte Postale 466, 75026 Paris Cedex 01
10, Place Vendôme, 75001 Paris
Franz-Hesso zu Leiningen, Directeur
Horst J. Teroerde, Directeur
Dieter Wünsch, Directeur

Deutsche Bank AG
Succursale de Strasbourg
Boîte Postale No. 433 N/R7
67007 Strasbourg Cedex
6, Avenue de la Liberté
67000 Strasbourg
Dr. Stefan Koch, Directeur

Italy

Deutsche Bank AG
Filiale di Milano
P.O. Box 1773, 20101 Milano
Via Sant'Orsola, 3, 20123 Milano
Jean-Luc Spetz, Direttore Generale
Winfrido G. Verhoeven, Direttore Generale

Banca d'America e d'Italia S.p.A.
Via Borgogna, 8
20122 Milano
Dott. Gianemilio Osculati,
Consigliere Direttore Generale
and 99 branches in all important regions
of the country

Luxembourg

Deutsche Bank Luxembourg S.A.
Boîte Postale 586, 2015 Luxembourg
25, Boulevard Royal
2449 Luxembourg
Dr. Ekkehard Storck,
Administrateur délégué,
Directeur Général

Portugal

MDM Sociedade de Investimentos, S.A.
P.O. Box 21103
1128 Lisboa Codex,
Av. da Liberdade, 144/156
1200 Lisboa
Dr. Jaime d'Almeida, Managing Director

Soviet Union

Deutsche Bank AG
Moscow Representative Office
ul. Ostoshenka 23
119034 Moscow
Reiner Rusch

Spain

Deutsche Bank Aktiengesellschaft
Sucursal en España
Paseo de la Castellana, 42
28046 Madrid
Rainer W. Klinke, Director General
Tjark H. Woydt, Director General

Oficina de Barcelona:
Paseo de Gracia, 111-12^a
08008 Barcelona
Mariano Riestra Mañeru, Manager

Switzerland

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

Registered office Geneva:
Case postale 242, 1211 Genève 1
Place des Bergues 3
1201 Genève
Zürich Branch:
Postfach 978, 8039 Zürich
Bleicherweg 50
8002 Zürich
Lugano Branch:
Riva Albertoli 1
6900 Lugano
Management:
Albrecht Haarmann
Dr. Thomas Schlieper (Zürich)
Richard Steinig
Bruno Winkler

Turkey

Deutsche Bank AG
Representative Office
Mete Cad. 34
Necip Akar İş Hani Kat 2
80090 Taksim-Istanbul
Holger Falke

United Kingdom

Deutsche Bank AG
London Branch
P.O. Box 441, 6, Bishopsgate
London EC2P 2AT
Manfred ten Brink, General Manager
Charles Low, General Manager
Dr. Lutz Mellinger, General Manager

Manchester Office:

P.O. Box 367
Manchester M60 2HH
Ship Canal House
98, King Street
Manchester M2 4WU
David Robinson, Manager

DB U.K. Finance Limited
P.O. Box 441, 6, Bishopsgate
London EC2P 2AT
Manfred ten Brink, Managing Director

Deutsche Bank Capital Markets Limited
P.O. Box 126, 150, Leadenhall Street
London EC3V 4RJ
Managing Directors:
Michael Altenburg
Michael von Brentano
Honning Jess (from April 1988)

America

Argentina

Deutsche Bank AG
Sucursal Buenos Aires
Casilla de Correo 995
1000 Correo Central/Buenos Aires
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
Caixa Postal 30427, 01051 São Paulo/SP
Rua XV de Novembro, 137
01013 São Paulo/SP
Manfred Hamburger, Gerente Geral
Christian Reckmann, Gerente Geral

Representação do Deutsche Bank AG
Caixa Postal 30427, 01051 São Paulo/SP
Rua XV de Novembro, 137
01013 São Paulo/SP (from May 1988)
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

Deutsche Bank (Canada)
P.O. Box 408
2 First Canadian Place, Suite 3600
Toronto, Ontario, M5X 1E3
Klaus Lohwel, President and
Chief Executive Officer

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

Chile

Representación del Deutsche Bank AG
Casilla de Correo 3897, Estado 359, Piso 12
Santiago de Chile
Guillermo Bossa
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

Deutsche Bank AG
Representación en México
Apartado Postal 14 bis
06000 México, D.F.
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-Schlogtendal,
Gerente

U.S.A.

Deutsche Bank AG
New York Branch
P.O. Box 890, New York, NY 10101-0890
9 West 57th Street
New York, NY 10019-2799
Executive Vice Presidents
and General Managers:
Dr. Helmut von Natzmer
Michael Rassmann
Detlev Staecker

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

Deutsche Credit Corporation
P.O. Box 329,
2333 Waukegan Road
Deerfield, IL 60015
Dr. Michael Zitzmann,
President and Chief Executive Officer

Deutsche Bank AG
Representative Office Chicago
3 First National Plaza, Suite 2770
70 West Madison Street
Chicago, IL 60602-4207
Martin A. Rahe

Deutsche Bank AG
Representative Office Los Angeles
1 California Plaza
300 South Grand Avenue, Suite 3950
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
Region: Egypt, Ethiopia, People's Democratic
Republic of Yemen, Sudan, Yemen Arab Re-
public

Bahrain

Deutsche Bank AG
Representative Office
P.O. Box 20619
Manama Centre, Entrance 1
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)
Tehran
Albert J. Mackert
Region: Iran, Afghanistan

Africa

Nigeria

Deutsche Bank
Representative Office (Nigeria) Ltd.
P.M. Bag 12618, Lagos
Adeola Odeku Street
Plot 1269A,
Victoria Island, Lagos
Siegfried Folgentreu

South Africa

Deutsche Bank AG
Representative Office
P.O. Box 7736, Johannesburg 2000
25th Floor, Southern Life Centre
45 Commissioner Street
Johannesburg 2001
Siegfried K. Brunnenmiller

Asia and Australia

Australia

Deutsche Bank Australia Limited
G.P.O. Box 2239 I, Melbourne, Victoria 3001
1 Collins Street
Melbourne, Victoria 3000
Branch:
G.P.O. Box 545, Sydney, NSW 2001
15 Castlereagh Street, Sydney, NSW 2000
Dr. Klaus L. Albrecht,
Managing Director, Melbourne
Gerhard W. Heigl, Managing Director, Sydney
Helmut W. Schnitzer, Executive Director,
Melbourne

China

Deutsche Bank AG
Representative Office in China
Da Yuan Guest House
No. 1 Fuyuanmen, Yihcyuan Road
Haidian District
Beijing, People's Republic of China
Helmut Janus

Hong Kong

Deutsche Bank (Asia) AG
Hong Kong Branch, – Main Office –
G.P.O. Box 3193
New World Tower
16-18 Queen's Road C., Hong Kong
Joachim-Hans Lawonn, General Manager
Volker Müller-Scheessel, General Manager

India

Deutsche Bank (Asia) AG
Bombay Branch
Post Bag 9995
Tulsiani Chambers, Nariman Point
Bombay 400021
Hinrich Fresco, General Manager

Indonesia

Deutsche Bank (Asia) AG
Jakarta Branch
P.O. Box 135, Jakarta 10001
Deutsche Bank Building
80 Jl. Imam Bonjol
Jakarta 10310
Günter F. Strauch, General Manager

P.T. Furas Buana Leasing Indonesia
P.O. Box 3550, Jakarta 10001
Bank Bumi Daya Plaza, 28th Floor
61 Jl. Imam Bonjol
Jakarta 10310
Hans-Ulrich Sachs, President Director

Japan

Deutsche Bank AG
Tokyo Branch
C.P.O. Box 1430, Tokyo 100 91
Ark Mori Building
12-32, Akasaka 1-chome
Minato-ku, Tokyo 107
Dr. H. J. Beck, General Manager in Japan
Reinhold Deitert, General Manager
Tatsuo Kawahara, General Manager
Dr. Hans-Dieter Laumeyer, General Manager

Deutsche Bank AG

Osaka Branch
P.O. Box 215, Higashi, Osaka 540-91
Nihon Seimei Sakaisuji
Honmachi Building, 2-55-1
Honmachi 2-chome
Higashi-ku, Osaka 541
Hartwig Krieg, General Manager
Akira Suzuki, General Manager

Deutsche Bank AG
Nagoya Representative Office
Nagoya AT Building
18-22, Nishiki 1-chome
Naka-ku, Nagoya 460
Yoshiaki Itoh, Manager
Isamu Kojima, Manager

Korea

Deutsche Bank (Asia) AG
Seoul Branch
C.P.O. Box 8904
Daehan Fire and
Marine Insurance Building
51-1 Namchang Dong
Chung Ku, Seoul 100-689
John Duthie, Manager – Korea

Deutsche Bank (Asia) AG
Pusan Branch
Pusan P.O. Box 789
Korea Development Bank Building
44, 2-ka, Chungang Dong
Chung-Ku, Pusan 600 607
Kun Il Chung, Manager

Macao

Deutsche Bank (Asia) AG
Macao Branch
97 Rua da Praia Grande
Macao
Wilson Wong, Manager

Malaysia

Deutsche Bank (Asia) AG
Kuala Lumpur Branch
P.O. Box 12211, 50770 Kuala Lumpur
Yee Seng Building
15 Jalan Raja Chulan
50200 Kuala Lumpur
Heinz Pöhlson, General Manager

Pakistan

Deutsche Bank (Asia) AG
Karachi Branch
P.O. Box 4925
Unitowers, I. I. Chundrigar Road
Karachi
Hans-Michael Lüttge,
General Manager – Pakistan

Deutsche Bank (Asia) AG
Lahore Branch
P.O. Box 1651
Mall View Plaza
Roberts Road, Bank Square
Lahore
Claudius Fsch, Manager

Philippines

Deutsche Bank (Asia) AG
 Manila Offshore Branch
 MCC P.O. Box 2286
 BPI Family Bank Center, 17th Floor
 8753 Paseo de Roxas
 1200 Makati, Metro Manila
 Volker Müller Scheessel, Manager

Singapore

Deutsche Bank AG
 Regional Head Office
 Singapore
 Executive Directors:
 Karlheinz Albrecht,
 Ashok Dayal,
 Alfred Steffen,
 Dr. Klaus Zoidler

Deutsche Bank (Asia) AG
 Singapore Branch
 Maxwell Road P.O. Box 3941
 Singapore 9059
 50 Raffles Place, Singapore 0104
 Frederick J. A. Brown,
 General Manager
 Wolfgang Driese, General Manager

Sri Lanka

Deutsche Bank (Asia) AG
 Colombo Branch
 P.O. Box 314
 86, Galle Road
 Colombo 3
 Gert Lücke, General Manager

Taiwan

Deutsche Bank (Asia) AG
 Taipei Branch
 P.O. Box 87-340
 180 Chung Hsiao East Road
 Sec. 4, Taipei
 Michael J. Thomas, General Manager

Thailand

Deutsche Bank (Asia) AG
 Bangkok Branch
 G.P.O. Box 1237, Bangkok 10501
 21, South Sathorn Road
 Bangkok 10102
 Jürgen Fitschen, General Manager

Associated companies**Hong Kong**

DB Capital Markets (Asia) Limited
 G.P.O. Box 9879
 36th Floor, New World Tower
 16-18 Queen's Road, Central
 Hong Kong
 Karl Ludwig Goeldner,
 Managing Director and General Manager
 Dr. Rainer Stephan,
 Managing Director and General Manager

Japan

DB Capital Markets (Asia) Limited
 Tokyo Branch
 C.P.O. Box 1011, Tokyo 100-91
 Ark Mori Building
 12-32, Akasaka 1-chome
 Minato-ku, Tokyo 107
 Karl-Ludwig Goeldner,
 Managing Director and General Manager
 Dr. Rainer Stephan,
 Managing Director and General Manager

Netherlands

H. Albert de Bary & Co. N.V.,
 Postbus 268, 1000 AG Amsterdam
 Herengracht 450, 1017 CA Amsterdam
 Managing Directors:
 W. O. Koenigs
 Bernd Wilken
 A. F. Baron van Lijnden
 F. Stein

Spain

Banco Comercial Transatlántico
 (BANCOTRANS)
 Apartado 416, 08080 Barcelona
 Avenida Diagonal 446
 08006 Barcelona
 Eberhard F. Knorr, Director General
 103 branches in all important regions
 of the country

U.S.A.

European American Bank
 10 Hanover Square
 New York, NY 10015
 Raymond J. Dempsey,
 Chairman of the Board and President

*Further holdings in banks in***Africa**

Abidjan · Brazzaville · Casablanca · Dakar
 Libreville · Lomé · Rabat

America

Bogotá · Montevideo · São Paulo

Europe

London · Madrid

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.

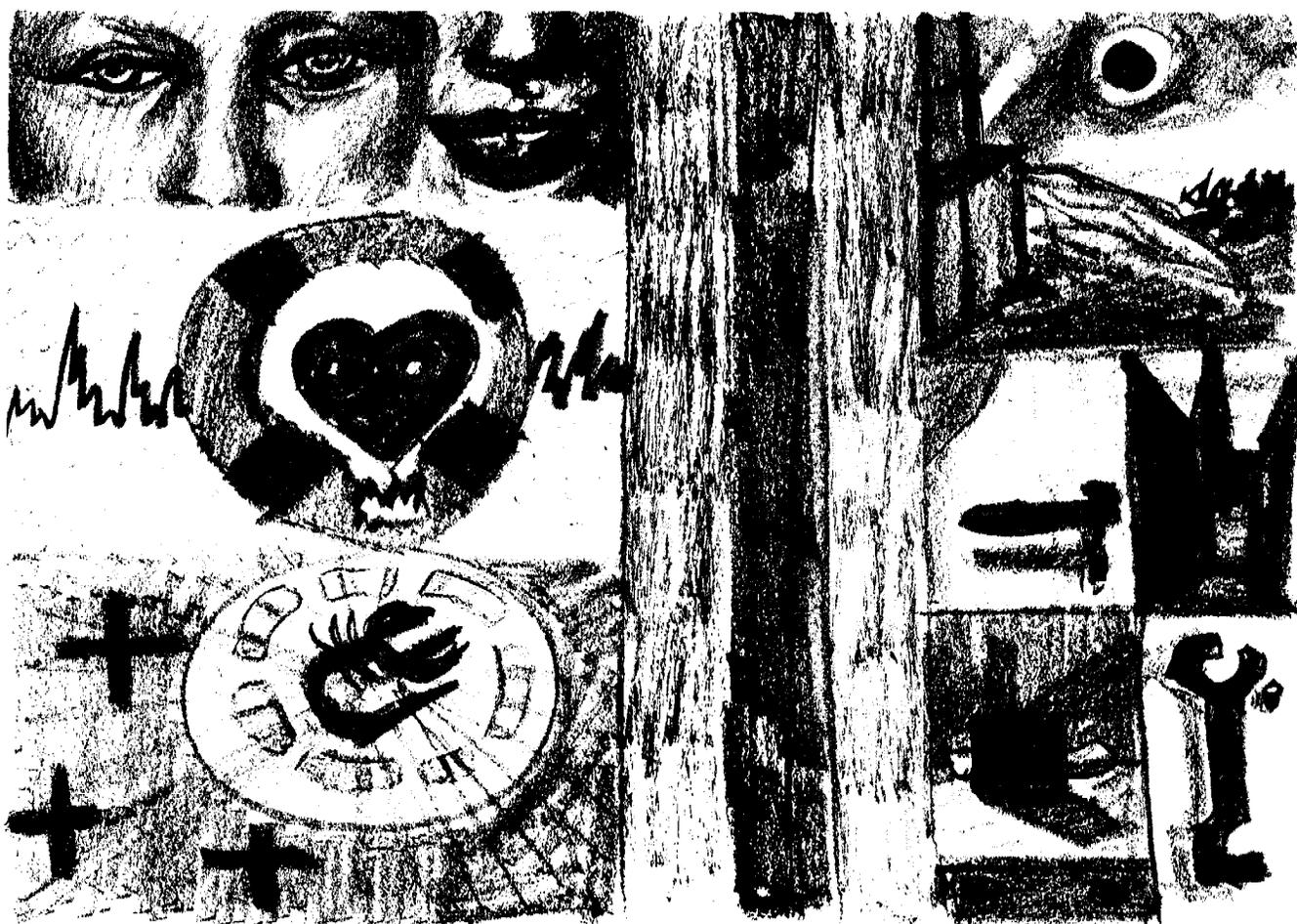
Between 1963 and 1965 in the "world and system pictures" Penck developed his own style combining in new compositions symbols taken from Ice-Age cave painting, pictographic writing and the everyday environment.

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