We take pleasure in presenting our Annual Report for 1988. The examples of contemporary art selected to illustrate the Report are works by Gerhard Richter.

Deutsche Bank
Aktiengesellschaft

The Board of Managing Directors

Deutsche Bank at a glance

Deutsche Bank Group	1988	1987
	DM m.	DM m.
Business volume	309,300	272,300
Balance sheet total	305,300	268,300
Funds from outside sources	276,700	244,000
Total credit extended	211,400	191,500
Capital and reserves	11,500	10,849
Income on business volume	6,710	6,228
Income on services business	2,421	2,213
Staff and other operating expenses	6,030	5,664
Taxes	2,030	971
Net income for the year	1,203	670
Staff	54,769	54,579
Customers (excl. banks)	7.21 m.	7.07 m.
Offices	1,530	1,498

Deutsche Bank AG	1988	1987
	DM m.	DM m.
Business volume	196,100	168,700
Balance sheet total	192,000	165,200
Funds from outside sources	168,200	144,600
Total credit extended	122,100	103,300
Capital and reserves	10,176	9,776
Income on business volume	4,794	4,366
Income on services business	1,923	1,765
Staff and other operating expenses	4,694	4,379
Taxes	1,429	547
Net income for the year	825	425
Allocations to revenue reserves	400	–
Total dividend payment	425	425
Dividend per share of DM 50	DM 12	DM 12
Shareholders	310,000	320,000
Staff	45,274	43,951
Customers (excl. banks)	5.62 m.	5.59 m.
Offices	1,213	1,165

Report for the Year 1988

Deutsche Bank AG

On July 31, 1988

Mr. Heinz Osterwind

passed away at the age of 83.

He joined our bank in 1924 and devoted all his energies to promoting its interests. He was Member of our Board of Managing Directors from 1953 until 1971. After leaving the Board of Managing Directors, Mr. Osterwind served the bank's Supervisory Board and its Credit Committee as Deputy Chairman until 1978.

With his broadly based knowledge and experience, strong sense of responsibility and warm personality, he worked with lasting success and played a major role in shaping the development of the bank. He enjoyed high esteem in the business community and the banking industry, and was a wise counsellor to many.

We mourn the loss of a good friend and will always remember him with gratitude and respect.

Contents

Cover and flyleaf: EL-S (15. 2. 84), 1984,
watercolour, 29.9×39.7 cm

Honorary President

Hermann J. Abs, Frankfurt am Main

Supervisory Board

Dr. Wilfried Guth, Frankfurt am Main
Chairman

Konrad Reeb, Munich*, (until 11.5.1988)
Deputy Chairman
Deutsche Bank AG

Hagen Findeisen, Hamburg*,
Deputy Chairman (from 11.5.1988)
Deutsche Bank AG

Jürgen Bartoschek, Frankfurt* (from 11.5.1988)
Deutsche Bank AG

Dr. Marcus Bierich, Stuttgart (from 11.5.1988)
Chairman of the Board of Management
of Robert Bosch GmbH

Dr. F. Wilhelm Christians, Düsseldorf
(from 11.5.1988)

Dr. Robert Ehret, Frankfurt am Main

Dr. Friedrich Karl Flick, Düsseldorf

Jörg A. Henle, Duisburg (until 17.11.1988)
Chairman of the Board of Management of Klöckner & Co AG

Gerd Hirsbrunner, Berlin*
Deutsche Bank Berlin AG

H. Frans van den Hoven, Rotterdam
(until 11.5.1988)

Ulrich Kaufmann, Düsseldorf* (from 11.5.1988)
Deutsche Bank AG

Dr. Elmar Kindermann, Frankfurt* (from 11.5.1988)
Deutsche Bank AG

Karlheinz Krippendorf, Cologne* (until 11.5.1988)
Deutsche Bank AG

Dr. Hellmut Kruse, Hamburg
Chairman of the Executive Board of Beiersdorf AG

Hans L. Merkle, Stuttgart (until 11.5.1988)

Karl Messing, Düsseldorf* (until 11.5.1988)
Deutsche Bank AG

Dr. Hans Dieter Mosthaf, (from 17.11.1988)
Stuttgart
General Counsel of Robert Bosch GmbH

Dr. Heribald Närger, Munich (from 11.5.1988)
Chairman of the Supervisory Board of Siemens AG

Josef Pfaff, Cologne*
Deutsche Bank AG

Dipl.-Ing. Dr.-Ing. E.h. Bernhard Plettner,
Munich (until 11.5.1988)

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

Irene Rodermund, Salzgitter* (until 11.5.1988)
Deutsche Bank AG

Lorenz Schwegler, Düsseldorf*
President of Gewerkschaft
Handel, Banken und Versicherungen

Herbert Seebold, Stuttgart*
Deutsche Bank AG

Dipl.-Kfm. Günter Vogelsang,
Düsseldorf-Oberkassel

Lothar Wacker, Cologne*
Deutsche Bank AG

Hannelore Winter, Düsseldorf

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*elected by the staff

Advisory Board

Otto Wolff von Amerongen,
Cologne, *Chairman* (until 11.5.1988)
Chairman of the Supervisory Board of Otto Wolff AG

Rudolf von Bennigsen-Foerder, Düsseldorf,
Chairman (from 11.5.1988)
Chairman of the Board of Managing Directors
of VEBA Aktiengesellschaft

Dr. Wolfgang Schieren, Munich, (until 31.12.1988)
Deputy Chairman
Chairman of the Board of Management
of Allianz Aktiengesellschaft

Dr. rer. nat. Hans Albers, Ludwigshafen
Chairman of the Board of Executive Directors
of BASF Aktiengesellschaft

Dr. rer. oec. Karl-Hermann Baumann,
Munich (from 25.5.1988)
Member of the Managing Board of Siemens AG

Professor Dipl.-Ing. Werner Breitschwerdt,
Stuttgart
Member of the Supervisory Board of Daimler-Benz AG

Dr.-Ing. E. h. Werner Dieter, Düsseldorf
Chairman of the Executive Board of Mannesmann AG

Roger Fauroux, Paris (until 12.6.1988)
Ministre de l'Industrie, du Commerce Extérieur
et de l'Aménagement du Territoire

Professor Dr. Dipl.-Chem. Herbert Grünewald,
Leverkusen (until 11.5.1988)
Chairman of the Supervisory Board of BAYER 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
Lawyer

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

Dr. Andreas Kleffel, Düsseldorf (until 11.5.1988)

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

Dr. h.c. André Leysen,
Mortsel/Belgium (from 11.5.1988)
Chairman of the Supervisory Board
of the Agfa Gevaert Group

Helmut Loehr, Leverkusen (from 11.5.1988)
Member of the Board of Management of BAYER AG

Klaus Luft, Paderborn (from 11.5.1988)
Chairman of the Board of Executive Directors
of Nixdorf Computer AG

Dr. Klaus Mertin, Frankfurt (from 11.5.1988)

Dr. Heribald Närger, Munich (until 11.5.1988)
Chairman of the Supervisory Board of Siemens AG

Dr. rer. nat. Dietrich Natus, Frankfurt
Chairman of the Board of Management
of Metallgesellschaft AG

Dipl.-Volkswirt Dr. h.c. Tyll Necker,
Bad Oldesloe (from 11.5.1988)
President of Hako-Werke GmbH & Co.

Dr. rer. pol. Dipl.-Kfm. Gerhard Rüschen,
Frankfurt (from 11.5.1988)
Managing Director of Nestlé Deutschland AG

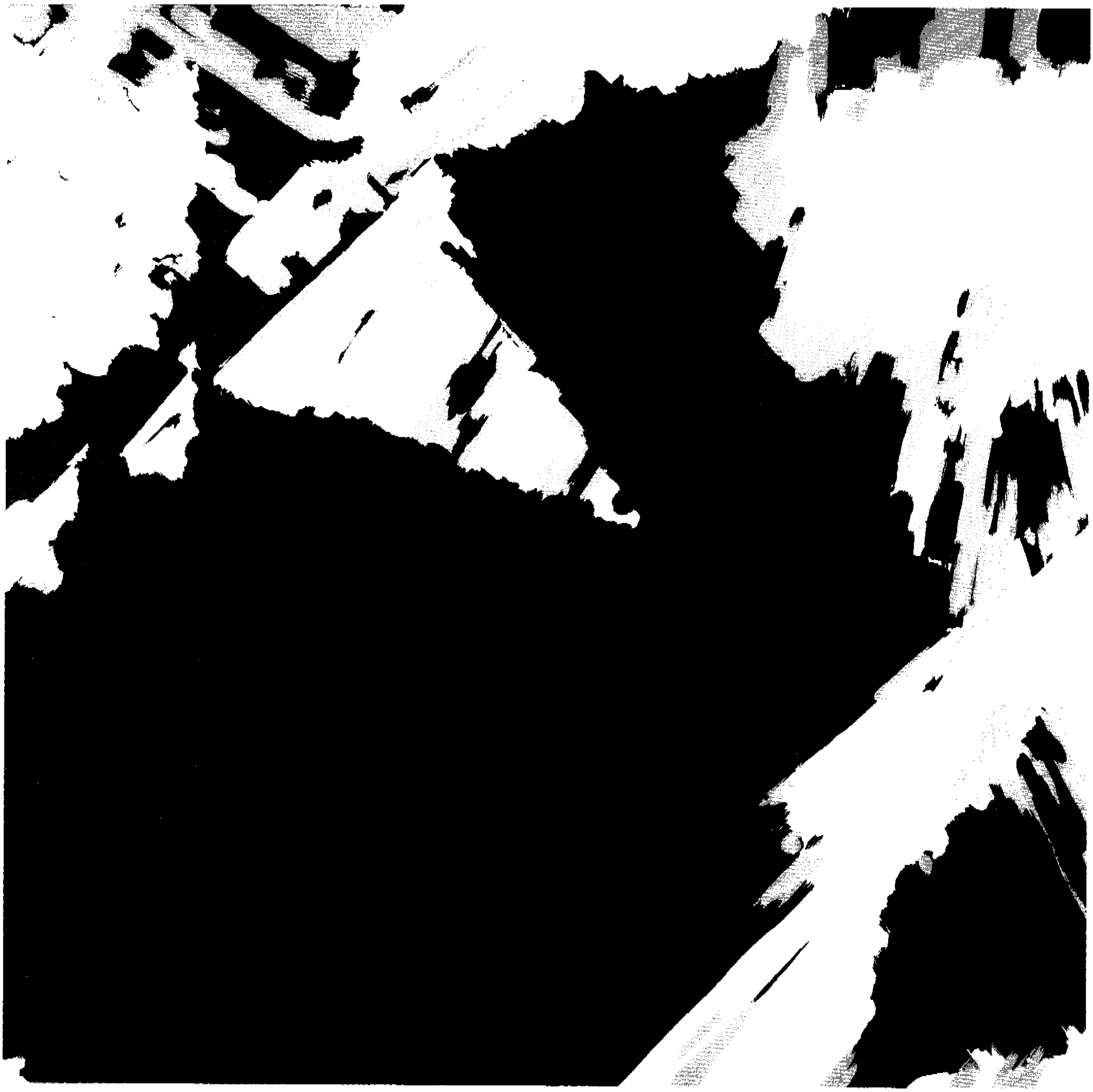
Dipl.-Ing. Hans Peter Stihl,
Waiblingen (from 11.5.1988)
Chairman and Chief Executive Officer of Andreas Stihl

Dr. Mark Wössner, Gütersloh
President and Chief Executive Officer of Bertelsmann AG

Board of Managing Directors

		Branch Regions	Foreign Regions
Rolf-E. Breuer	Investment Banking (secondary markets), Asset Management, Investment Advisory	Stuttgart	Near and Middle East
Horst Burgard	Credit Supervision, Risk Management	Frankfurt	Benelux, France
Ulrich Cartellieri	Economics, Group Treasury, Money Market, Foreign Exchange and Bullion Dealing	Essen	Asia/Pacific
Alfred Herrhausen	Public Relations and Communication, Participations, Group Strategy	Munich	
Eckart van Hooven	Building Finance and Real Estate	Bremen Hamburg	Scandinavia
Hilmar Kopper	Investment Banking (primary markets), M & A	Cologne	North America
Georg Krupp	Retail Banking	Bielefeld	European state trading nations
Ulrich Weiss	Personnel and Training, Internal Auditing	Mannheim	Italy, Portugal, Spain
Herbert Zapp	Corporate Customer Business, Legal and Taxation	Düsseldorf	Latin America
Michael Endres Deputy	Organization, Data Processing, Buildings and Premises	Freiburg Mainz	Austria, Greece, Israel, Turkey
Jürgen Krumnow Deputy	Accounting and Planning	Hanover	Africa
Ellen R. Schneider-Lenné, Deputy	International Commercial Business	Wuppertal	Ireland, Switzerland, United Kingdom

Report of the Board of Managing Directors



Time at Work = Time for Work

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.*

I.

Is it not, in itself, rather odd that when people legitimately call for action on unemployment, i.e. when they call for more jobs, they tend to ignore the fact that the volume of work is determined by the volume of what the market invites us to produce or process – i.e. by our competitiveness? And is it not even stranger that – apparently oblivious of any possible inconsistency – people will simultaneously demand a higher level of employment and more leisure?

The demand for a continuous reduction in weekly working hours and in the length of the normal working life is raised not only to achieve a redistribution of the volume of work – itself, as already pointed out, a variable quantity – but also to achieve, through more free time, an enhanced quality of life (in terms of what?).

Both objectives – redistribution and liberation from the work process – must provide answers to the questions: time at work = time for work – how much of such time do we need? And furthermore: what kind of work do we want?

Peter Glotz once said: "The future of work may perhaps lie not in its elimination, but in its transformation". In principle, this statement affirms the work ethos and does not abandon man to mere ad libitum activities of no particular relevance with which to fill a void of empty time. On the other hand, it creates scope for new perspectives in which we can adjust traditional work structures to changed and changing realities, i.e. in which we can learn.

** 1980: On Competitiveness · 1981: Less State Influence · 1982: Do We Need Elites? · 1983: We, Ourselves, Are the State · 1984: On the Middle Classes · 1985: On Taxes and Public Debt · 1986: On the Power and Influence of Banks · 1987: Greater Reliance on Market Mechanisms*

This brings us to a basic principle which must govern any discussion on work and time spent at work.

To consider unemployment a political and social problem is to reject the thesis that work means alienation of man from his true self and that leisure – i.e. the antithesis of work – is the decisive opportunity for meaningful self-realization. Many unemployed persons are apparently not only unhappy because they have a lower income and are excluded from society's nexus of activities, but also and in particular, as sociological research has shown, because they lose the clear pattern of their day-to-day time routine. They often cannot make the transition from the habit of a more or less predetermined time budget to deciding autonomously again and again – every day, in fact – how to allocate their time. Unemployment means a loss of structure and thus of stability, not only at the trivial level of daily sequence, but also in a person's overall activity profile which integrates him socially, i.e. invests him with an identity for the community. The result is that this community, for its part, can no longer identify the unemployed person as a fellow citizen, because it can no longer state what his abilities are, what he actually does, what he is. The "time predicament" of the victim of unemployment is therefore compounded by a loss of perception on the part of those not affected. A process of alienation takes place between both groups, and this explains why, as can be observed, the phenomenon of unemployment will generate concern at the general socio-political level but rarely ever at the personal level, at any rate as long as the individual employee himself is not menaced by unemployment.

This leads to an initial requirement in the ongoing debate on work and leisure:

The process of alienation which, if anything, is becoming more acute, must be arrested. Everyone willing should be able to find employment, employment to which he can then devote part of his time budget. It is his chance to establish an identity that will then reintegrate him into society, because and inasmuch as he is working together with society again.

Here, "inasmuch" is equivalent to asking "by how much?". But the answer to that question depends on the available, i.e. distributable, volume of work. And this is not *fixed once and for all. It is determined by general economic and social developments and by the way people react to them in the market context.*

II.

Are we, in fact, living in a society where work, as a result of rationalization and saturation, is running out? Does the current level of prosperity, output and demand mean that there is a tendency for the total work input, and thus for the time to be devoted to work (time at work), to diminish? Are we really coming closer to the primacy of the leisure society?

Many observers feel that this is indeed the case: the patent advances in the rationalization of our production of goods and services would seem to suggest that we are confronted with a secular labour shedding process in the economy. Replacing the human factor labour by the "work" of machines and computers results in the volume of work changing its composition. But does that necessarily mean a change in its volume as well?

In seeking an answer to that question, one must face the fact that in today's world, there are highly rationalized economies with widely differing volumes of work available for the factor labour. The markets apparently allocate more work to some economies than to others. Why is this?

Allocation depends on what individual economies have to offer. As a rule, markets react rationally in the national and international competitive environment to concrete offers with respect to quality, price, timing and service. They select and decide on the allocation of orders, and thus of time to be worked in accordance with their own computation of economic advantage. The time horizons of those who are working or who seek work must be compatible within that calculation, i.e. they must "fit" – from the point of view of magnitude and structure, and in relation to all other desiderata included in the same calculation – those of lenders (interest), of suppliers (prices of raw materials *and semi-manufactured goods), of fiscal authorities (taxes) etc., and in relation to the corresponding wishes of competitors. The relative overall attractiveness of the offer, the sum total of all its components, is what determines how much work can be secured on the market. If a need for more is felt, then there will have to be greater overall attractiveness.*

This is the core of all supply-side policies: to increase the relative "appeal" of what one is selling on the market so as to obtain a greater allocation and subsequently have more to distribute. Within the bundle of elements that make up an offer, such action results in multiple and complex interdependencies because the contribution of any individual factor to total appeal is, again, a function of all other elements. If labour, as a constituent element, loses some of its attraction, i.e. if it becomes more expensive, then that of other features such as taxation, the price of raw materials, interest rates etc. will have to be enhanced, i.e. they will have to acquire a "competitive edge".

This leads to a second requirement in the debate on work: any wish for a continual reduction in working hours, must, within the overall calculation, have its attractiveness attested by the markets. Without such sanction, the volume of work will not be expandable and the pool available for distribution will not be enlargeable to those dimensions which are needed to ensure that all those seeking work actually obtain work. There is then only one solution: those in employment must share it with those who have none – through "division of labour" as far as this is feasible in a technical sense. Apart from the fact that one cannot simply assume that this will be the case, division of labour in this context means sharing work and its respective economic fruits, i.e. not only sharing the physical activity, but also sharing the paid work, the gainful activity. Are those in employment ready to do this?

III.

What kind of work do we want? If highly rationalized economies are not suffering from lack of work, i.e. if their work is not running out, or – put differently – if the *rationalization of production and organization does not actually create unemployment, the kind of work resulting therefrom is, to an increasing extent, a different one: no longer physically strenuous and monotonous work, but rather, creative, flexible work with increased demands on concentration, accuracy, the ability to think logically and make decisions. Working is becoming more imaginative and thus means more responsibility, higher output, more originality. At the same time and within the system, teamwork is more in evidence. The management aspect of work gains in importance.*

This is where the challenge of the present level of prosperity lies. To maintain or raise the present status in technology, the economy and social infrastructure will be as difficult as it was to reach it. To do so, we must develop and nurture new social skills. There is no such thing as an inventory of good ideas. Acquired skills are not passed on genetically from parents to offspring. We must always start afresh, each time from a new position.

Our starting position is characterized by transition from an industrial society to a services society – not in the form of an abrupt switch, but as a gradual shift of emphasis. This has qualitative implications also for the type of work to be expected: product-oriented service is being supplemented to an increasing extent by customer-oriented service. Such efforts will have to take cognizance of customer characteristics, habits and demands, of customer aspirations and potential.

As, due to technical progress and rationalization, the cerebral content of work increases, this will lead to a twofold cultural advance: the jobs people do will become more interesting and mentally stimulating and their object will be not merely things but, to a growing extent, people. The significance of work will increasingly derive from content and purpose rather than from considerations of form and quantity.

The determining factor in this reassessment of values is not the desire to work as little as possible but, instead, the need to know more closely why, to what end and with what outlets for personal creativity one is working.

This leads to the third requirement in the debate on work: arrangements reached on work and on "time at work = time for work" must not impede the process just mentioned. They must not erect rigid forms and structures that prescribe where and when things are to happen. Creativity, management, innovation, service are spontaneous things incapable of being reglemented into a fixed time frame. We shall need more elastic arrangements in which a diversity of intellectual activities can increasingly supersede the monotony of mere routine and repetition. It is more important to make working hours flexible than to reduce them.

There is another reason, again an economic reason, for this:

Rationalization and a modern technological infrastructure in the economy mean a higher capital input. Can we really afford to make less and less use of such an investment? Economic potential would then lie fallow, the overall appeal of our offer, as described above, would be doubly impaired: by less work input and less machine input. The result would be a further loss of "time for work" which we would be better advised to avoid ex ante than to lament ex post.

"Time for work" is, in our opinion, no unseasonable slogan. On the contrary: it is an invitation to participate with enthusiasm in one of the most important things in life, for the significance of this world also unfolds itself in work and in the time devoted to it.

General Economic Situation

Dynamic growth of the world economy

The world economy continued to expand in 1988; the upswing has therefore already lasted longer than most of its predecessors. Its momentum was much greater than expected after the stock market crash of October 1987. Two contributory factors were the lower energy prices and expansive monetary policy of the preceding years. Better international coordination of economic policies and above all fundamental supply-side improvements through deregulation, privatization and tax relief strengthened the confidence of companies and households.

At roughly 4% on average, the overall economic growth rate in the OECD countries was noticeably higher in 1988 than a year previously (3.3%). The principal factor behind this was the strong rise of investment in machinery and equipment. Coupled with a more rapid increase in exports while consumption remained high, it put the expansion of business activity on a broader basis and at the same time paved the way for relatively tension-free growth.

Strong rise in employment

Europe caught up with the worldwide momentum in 1988. Growth in the U.S.A. and Japan had been rapid before then and accelerated once again.

Employment rose further almost everywhere. Roughly 17 million jobs have been created in the industrial countries since 1985, about 8 million of them in the U.S.A. However, owing to the continuing expansion of the labour supply (by some 14 million in aggregate), only a few countries – led by the U.S.A. and the U.K. – achieved a tangible reduction of unemployment.

Faster expansion of world trade

The virtual boom in the world economy provided a strong stimulus to international merchandise trade. At about 8½%, real growth was appreciably higher than in 1987 (5½%). Despite the expansive development of world trade, protectionist tendencies are still great. A breakthrough in the current world trade round within the framework of the General Agreement on Tariffs and Trade (GATT) is therefore all the more pressing. Controversy on specific problems – subsidies and non-tariff trade barriers in the agricultural sector, the Multi-Fibre Arrangement, protection of intellectual property, more precise formulation of protective clauses for problem industries – prevented the implementation in 1988 of progress achieved in other important areas.

Varying growth rates in the Third World

Increasing demand in the industrial countries and the rise in prices for non-oil commodities led to higher export revenues for many developing countries. In the Asian newly industrializing countries, sustained export growth and climbing domestic demand maintained overall economic expansion at a high level. The OPEC countries, on the other hand, suffered from the renewed weakness of the oil price. In a number of other countries, for example in Latin America, the scope for growth was sharply curtailed by domestic economic imbalances, persistent structural weaknesses and the small inflow of financing.

Inflation rate shows little increase

So far, the upswing has been largely tension free. The average inflation rate for the OECD countries remained relatively moderate in 1988 at 3.8% (1987: 3.2%). In a few countries, however, wages and prices have begun to increase faster, and this is giving cause for concern. Elsewhere, too, the threat to price stability is becoming greater in view of rising levels of capacity utilization – even though traditional recording procedures probably underestimate available capacities. The fact that the central banks have confirmed their determination to pursue an anti-inflationary course takes on even greater significance.

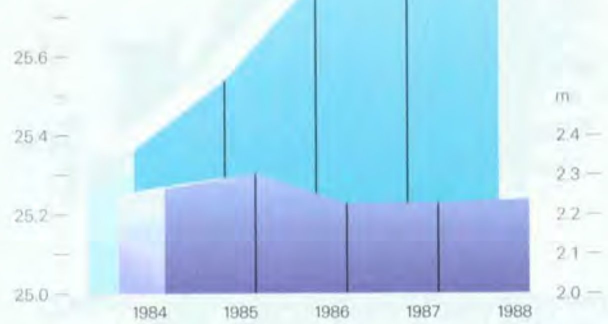
Imbalances declining only slowly

The external economic imbalances throughout the world decreased slightly in 1988. This was due partly to the relatively strong growth in Japan and Europe, and also to the depreciation of the dollar in the years 1985 to 1987 and the strength of the Far Eastern currencies. 1988 saw the first decrease in the U.S. current account deficit – by almost $ 20 bn. to $ 135 bn. Japan's surplus of $ 79 bn. was $ 8 bn. lower than in 1987. The surplus of the European Community dropped by about $ 22 bn. to $ 17 bn.; this was, however, chiefly due to the massive increase in the current account deficit of the United Kingdom ($ 26 bn. after $ 5 bn.), while the surplus of the Federal Republic of Germany rose once again, by a good $ 3 bn. to $ 48½ bn.

Federal Republic of Germany: best growth figure of the '80s

The economy of the Federal Republic of Germany, too, developed much better than expected in 1988. Real GNP expanded by 3.4%, the highest annual rate since 1979. Domestic and foreign de-

Employment up, but unemployment unchanged



mand increased strongly over a broad front. For the first time in this decade, all major sectors participated in the expansion; construction, like industry and the services sector, contributed to the growth. Consumer prices registered only a small rise of 1.2% on average for the year.

At the end of 1988, the number of employed persons was 188,000 above the year-earlier figure; it had increased by 925,000 since the low in 1983. There was not sufficient additional employment to offer a job to all those who joined the labour market in 1988. The number of unemployed therefore rose, albeit only slightly. The main reason for this was the large number of ethnic Germans resettling in the Federal Republic, and of women who interrupted their career for a time and are now again seeking an opening on the labour market. The situation for young people eased further. The number of unemployed persons under 20 years of age dropped sharply; for the first time in many years, the number of apprenticeships on offer in 1988 clearly exceeded demand.

More apprenticeships than applicants

Good expansion of capital spending

Company spending on machinery and other types of technical equipment was the engine of economic growth in 1988. Improved sales prospects at home and abroad, rising capacity utilization and favourable financing conditions prompted firms to increase their investment budgets considerably. Achieving a good starting position for the planned European internal market is also gaining in importance as a motive for capital expenditure.

In the run-up to the European internal market targeted for the end of 1992, the stiffening competition among business locations also calls for more rapid and determined action to improve supply-side conditions for industry and commerce. The international competitiveness of the Federal Republic is at present endangered, above all by an economic policy to defend the status quo. However, there is much to indicate that competition among the economic policies of the European countries will in future force the Federal Republic to adopt a more pronounced market orientation.

Turnaround in residential construction

The corporate sector's high propensity to invest benefitted the construction industry, too, in 1988. Building of new residential properties also provided a noticeable stimulus. Low mortgage rates, the continuing wish to be a homeowner, and a more positive assessment of how the market for rented apartments would develop led to the first marked increase in the number of housing completions in four years. Total construction investment rose by 4½% in real terms after having contracted by an average of 1% p.a. in the previous three years.

Propensity to consume remains high

Household spending on consumption made a major contribution to the expansion of domestic demand again in 1988. Income tax relief, relatively stable prices, and firmer consumer confidence led to a 2½% real increase in private consumption. During the past three years, households' real income has developed almost parallel to nominal income and risen by more than one-tenth. Moderate wage agreements in conjunction with price stability have therefore paid off for consumers.

Exports pick up strongly

After stagnating in 1986 and 1987, German deliveries abroad again expanded at a faster pace; compared with the preceding year, they rose by 5½% in real terms. Germany's export sector – the largest supplier of machinery and equipment benefitted particularly from the marked expansion of capital spending throughout the world. While positions on European markets were improved, there were losses of market share in North America, where the repercussions of the dollar depreciation in the past few years were felt. Exports to Japan and Southeast Asia increased again strongly.

Expansive public sector budget

Despite the strong economic growth, public sector revenues (up about 3%) rose less than state spending (up about 3½%) in 1988; the main reasons were the cut in taxation at the beginning of the year and the virtual absence of Bundesbank profits. The deficit of the central, regional and local authorities increased by about DM 2 bn. to approx. DM 53 bn.; that was 2.5% of GNP, a low figure by international standards. There were no negative repercussions on the capital market, particularly since it looks as if new public sector borrowing will decline markedly in 1989.

International finance benefits from cooperation

International financial relations intensified further after the setback caused by the stock market crash in October 1987. The trend towards deregulation and liberalization of the financial markets continued. The governments and central banks of the industrial countries endeavoured – with considerable success – to ensure a steady market development. In the difficult environment of large external imbalances and more dynamic business activity, this required a flexibly coordinated approach, especially in monetary policy.

Higher interest rates – flatter interest curve

In 1988, the central banks pursued a determined course aimed at price stability. They tightened liquidity, which had been increased after the stock market crash. The Federal Reserve Board and the Bank of England drew in the reins further than the Japanese and German central banks. From spring, money market rates rose noticeably in most countries. This helped alleviate investors' fear of inflation and hence also moderated the rise in capital market yields. At the end of the year, long-term interest rates were only slightly higher than at the beginning, and in a few cases were actually lower (e.g. in France and Denmark).

More stable exchange rates

On the foreign exchange markets, the dollar's position firmed owing to improvements in the American trade balance and the more restrictive U.S. monetary policy. The central banks underlined their interest in stable dollar rates through concerted intervention in the market to counter both temporary downward tendencies and an excessive rise in the U.S. currency. On balance, the American current account deficit was financed to a much greater extent than in the previous year by an inflow of funds from the market.

The D-Mark tended to be weak at times as a result of massive capital outflows due partly to the announcement of the forthcoming withholding tax. Viewed over the year, the effective exchange rate declined by 3½%, tending to make the necessary reduction of the German current account surplus more difficult.

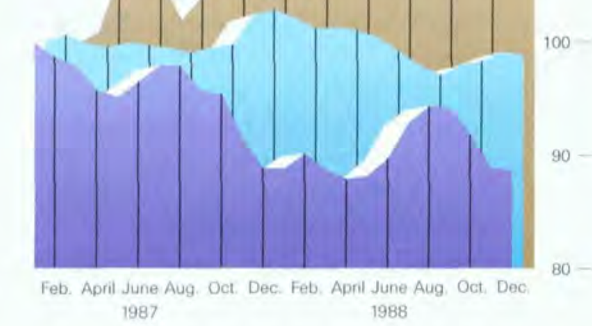
In the exchange rate mechanism of the European Monetary System (EMS), rates remained within the margins agreed early in 1987. This development, which was in line with the member countries' political objectives, was a result of continuing economic convergence – though with divergent tendencies to some extent in foreign trade – and of more flexible exchange rate management.

The resolution passed by the Council of Finance Ministers of the European Community in June 1988, whereby the capital movements of member countries are to be fully liberalized by mid-1990 (with longer transitional periods for Spain, Ireland, Portugal and Greece), is a major contribution towards the single internal market and the goal of economic and monetary union. A committee (chaired by the President of the European Commission, Mr. Delors) set up by the European heads of state and government at their meeting in Hanover in the middle of 1988 is to draw up proposals for concrete stages leading towards this union.

Debt problems: new initiatives urgently needed

The situation of the highly indebted Third World countries remained strained. Rising interest rates and – in the case of the oil-exporting countries – falling oil prices made it more difficult to

D-Mark fluctuating less



service debt and, with the inflow of new funds declining, curbed economic growth.

A number of problem countries (Brazil, Chile, Mexico) were able to reduce their debt towards international commercial banks through debt/equity swaps and conversion of debt into other local-currency assets, as well as bond issues and debt buy-backs. The total external liabilities of 15 major debtor countries decreased slightly in 1988 for the first time since the outbreak of the debt crisis.

In the cooperative debt strategy, new initiatives that leave the respective countries more room for growth are urgently needed, not least for political reasons. Longer-term plans, with greater emphasis on debt relief, are required for the economic reforms of the problem countries and for ensuring the necessary financing. Steps were taken to arrange for appropriate financing contributions from the multilateral institutions. The international creditor banks still need to show greater flexibility and propose innovative solutions for the reduction of debt and the provision of new money. If regulatory or tax regimes hamper such efforts, they should be reviewed by the authorities responsible.

Recovery on international bond markets

Newly arranged medium and long-term financings reached a record level. Issuing activity on the international bond market was back on a par with the good result for 1986. There was an increase above all in the number of fixed-rate issues.

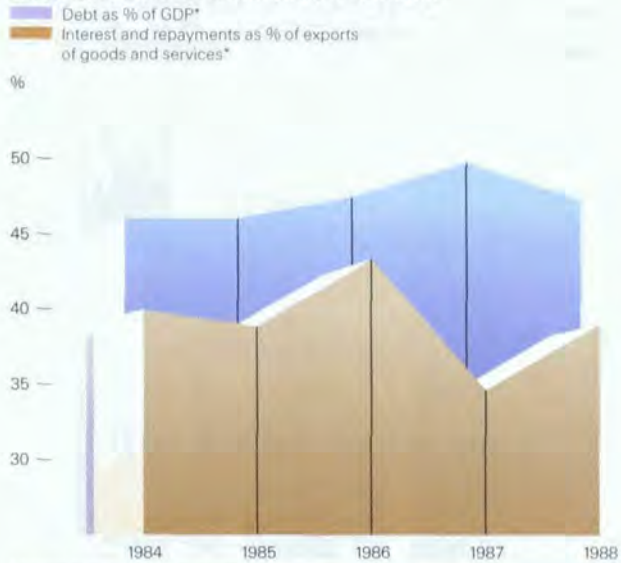
Since turnover on the secondary market was subdued, competitive pressure and pressure on earnings in international securities business did not ease. Numerous banks and securities firms responded by further reducing capacities.

The volume of newly announced euronote facilities, chiefly eurocommercial paper programmes, was slightly above the high level of the two preceding years. Issuers also made greater use of existing programmes, so that there was a marked rise in the stock of outstanding eurocommercial paper.

Growing intermediation by banks

Medium-term bank loans, which can be utilized flexibly and are available in high amounts, played a growing role in the international financing process in 1988 for the second year in succes-

International debt situation still strained



* fifteen highly indebted countries

sion. The strong expansion of newly arranged syndicated credits continued to be driven by corporate demand, especially for loans to finance takeovers and mergers. At the same time, though, it reflects a renewed awareness of the value of relationship banking following a fairly lengthy phase when preference was given to securitized and hence marketable loans.

German bond market: between high foreign interest rates and withholding tax

More than half of the bonds and notes purchased by residents in 1988 consisted of foreign-currency paper and D-Mark foreign bonds. In view of the stabilization of exchange rates, higher interest rates abroad triggered heavier buying of foreign-currency issues. Towards the end of the year, private and institutional investors turned their attention towards a wider range of currencies in order to spread their risk. At the same time, the announcement of the forthcoming withholding tax contributed to the preference for foreign bonds.

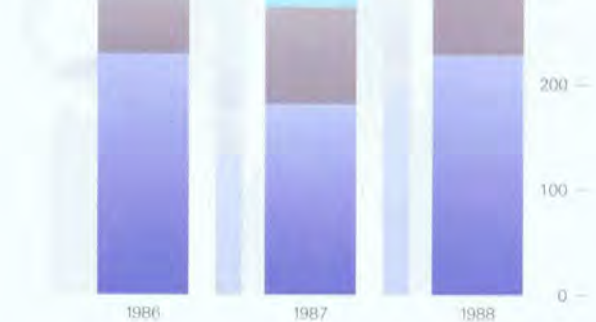
The withholding tax also led to a resegmentation of the new issue market. Net sales of D-Mark foreign bonds rose as a proportion of total DM bond sales.

By contrast, net new issues of domestic bearer paper fell to the level of the late '70s, at DM 41 bn. On balance, the only net new borrowing on the bond market was by the public sector.

The decreased issuance of bearer paper in 1988 was also connected with the comparatively low yields and the associated risk of future price losses. In line with the preferences of institutional investors in particular, net sales of registered bank bonds consequently remained high. This market segment, where prices are stable, has expanded as interest rates have fallen since 1982.

For foreign investors, the German bond market held little attraction on balance, especially since there was generally nothing to spark off hopes of a D-Mark revaluation.

International financial markets: lively new business



German equity market: considerable price gains

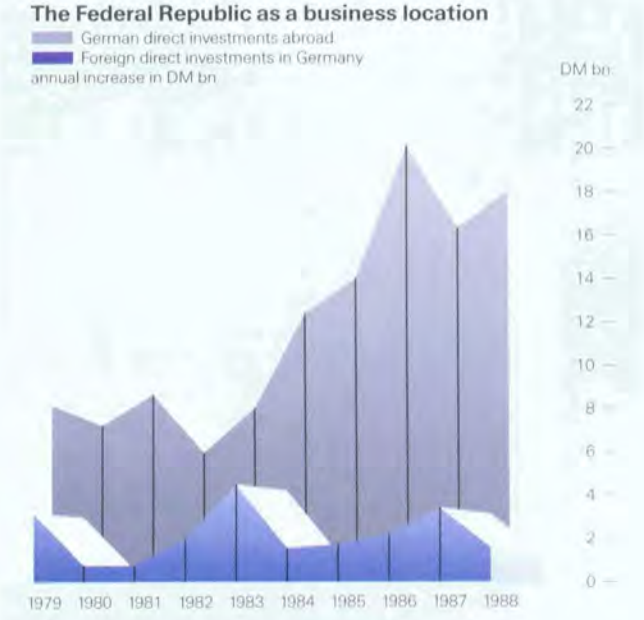
1988 was a good year for the equity market, with prices rising by roughly 30%. Steels, the construction sector and building materials, and mechanical engineering shares registered the largest gains. Of the world's major stock exchanges, only

Amsterdam, Brussels, Paris and Tokyo showed a stronger increase in prices in 1988.

Issuance of shares was markedly lower than in the preceding years. One of the reasons was the still generally low quotation level, which made capital increases expensive. But companies' high self-financing also reduced the need for additional capital from outside.

In future, there will probably be greater recourse to the equity market again in view of corporate takeovers abroad to exploit new openings within the EC internal market, as well as the dynamic required – because of the tough international competition – to expand or establish promising business areas, and the vital need to preserve competitiveness.

The Federal Republic as a business location



"Finanzplatz Deutschland" becoming more attractive

The efforts to bring the standards of "Finanzplatz Deutschland" more closely into line with those of the leading financial centres are making progress. At the beginning of 1989, the range of order types on the equity market was widened to give investors greater flexibility. Stop loss orders and stop buy orders can now be issued on all stock exchanges for the 30 constituent shares of the DAX Index: orders to sell or buy are executed as soon as the respective prices have passed below or above a stipulated limit. This enables the private investor to limit potential losses and to react quickly to rising prices.

Amendments to legislation are also tabled for 1989 to permit the start of forward trading. Deutsche Terminbörse will then commence trading in options and futures contracts at the beginning of 1990. The Federal Minister for Economic Affairs has announced that the abolition of stock exchange turnover tax, promised already in the past, is to be effected in the foreseeable future.

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* Capital and reserves DM 11,455 m.*	Deutsche Bank Berlin AG, *Berlin* Capital and reserves DM 624.0 m. Holding 100 %	Deutsche Bank Saar AG, *Saarbrücken* Capital and reserves DM 87.0 m. Holding 69.2 %	Deutsche Bank Lübeck AG vormals Handelsbank, *Lübeck* Capital and reserves DM 114.0 m. Holding 91.5 %		
Mortgage banks	Deutsche Central-bodenkredit-AG, *Berlin – Cologne* Capital and reserves DM 730.0 m. Holding 90.3 %	Frankfurter Hypothekenbank AG, *Frankfurt am Main* Capital and reserves DM 731.8 m. Holding 92.9 %	Lübecker Hypothekenbank AG, *Lübeck* Capital and reserves DM 220.0 m. Holding 100 %			
…nent …g and …nent …nies	Capital Management International GmbH of Deutsche Bank, *Frankfurt am Main* Capital and reserves DM 9.5 m. Holding 100 %	Deutsche Gesellschaft für Fondsverwaltung mbH, *Frankfurt am Main* Capital and reserves DM 27.0 m. Holding 100 %	DWS Deutsche Gesellschaft für Wertpapiersparen mbH, *Frankfurt am Main* Capital and reserves DM 118.0 m. Holding 93 %	degab Deutsche Gesellschaft für Anlageberatung mbH, *Frankfurt am Main* Capital and reserves DM 0.6 m. Holding 100 %	Deutsche Vermögens-bildungsgesellschaft mbH, *Bad Homburg v. d. H.* Capital and reserves DM 5.0 m. Holding 100 %	
Instalment financing companies and specialized institutions	Deutsche Bank Bauspar-AG, *Frankfurt am Main* Capital and reserves DM 30.0 m. Holding 98 %	EFGEE Gesellschaft für Einkaufs-Finanzierung mbH, *Düsseldorf* Capital and reserves DM 16.0 m. Holding 100 %	GEFA Gesellschaft für Absatzfinanzierung mbH, *Wuppertal* Capital and reserves DM 153.0 m. Holding 100 %	Deutsche Beteiligungs-gesellschaft mbH, *Frankfurt am Main* Capital and reserves DM 3.5 m. Holding 92.5 %		
Leasing companies	ALD AutoLeasing D GmbH, *Hamburg* Capital and reserves DM 48.8 m. Holding 51 %	DB Export-Leasing GmbH, *Frankfurt am Main* Capital and reserves DM 0.05 m. Holding 100 %	Deutsche Gesellschaft für Immobilien-Leasing mbH, *Cologne* Capital and reserves DM 8.1 m. Holding 95 %	GEFA-Leasing GmbH, *Wuppertal* Capital and reserves DM 55.0 m. Holding 100 %	ComCo Datenanlagen GmbH & Co. KG, *Korntal-Münchingen* Capital and reserves DM 5.0 m. Holding 81 %	Deutsche Immobilien Leasing GmbH, *Düsseldorf* Capital and reserves DM 36.3 m. Holding 50%
Consultancy companies	DB Consult GmbH, *Frankfurt am Main* Capital and reserves DM 3.6 m. Holding 100 %	Roland Berger Verwaltungs-gesellschaft mbH, *Munich* Capital and reserves DM 1.7 m. Holding 75.1 %	Deutsche Gesellschaft für Mittelstands-beratung mbH, *Munich* Capital and reserves DM 1.0 m. Holding 100 %*	Immobilien-gesellschaft der Deutschen Bank mbH, *Frankfurt am Main* Capital and reserves DM 6.0 m. Holding 100 %	DPE Deutsche Projektentwicklungs-Gesellschaft für Grundvermögen mbH, *Frankfurt am Main* Capital and reserves DM 1.0 m. Holding 50 %	

Commercial banks

Company	Capital and reserves	Holding
Banca d'America e d'Italia S.p.A., *Milan*	Lit 445.8 bn.	98.4 %
Deutsche Bank Australia Ltd., *Melbourne*	A$ 126.2 m.	100 %
Deutsche Bank (Canada), *Toronto*	Can.$ 61.8 m.	100 %
Deutsche Bank Luxembourg S.A., *Luxembourg*	LF 11.7 bn.	100 %
DB (Belgium) Finance S.A./N.V., *Brussels*	BF 232.1 m.	100 %
DB U.K. Finance p.l.c., *London*	£ 16.5 m.	100 %
Banco Comercial Transatlántico, S.A., *Barcelona*	Ptas 9.7 bn.	39.1 %
H. Albert de Bary & Co. N.V., *Amsterdam*	Guil. 121.7 m.	100 %

Investment banking and capital investment companies

Company	Capital and reserves	Holding
Deutsche Bank Capital Corp., *New York*	$ 106.0 m.	100 %
Deutsche Bank Capital Markets Ltd., *London*	£ 41.5 m.	100 %
Deutsche Bank Government Securities, Inc., *New York*	$ 50.0 m.	100 %
Deutsche Bank (Suisse) S.A., *Geneva*	SF 110.3 m.	100 %
Internationale Investment Management Gesellschaft S.A., *Luxembourg*	DM 12.0 m.	100 %
McLean McCarthy Ltd., *Toronto*	Can.$ 1.4 m.	100 %
BAI Factoring S.p.A., *Milan*	Lit 5.0 bn.	100 %
Deutsche Credit Corp., *Deerfield/U.S.A.*	$ 12.5 m.	100 %
MDM Sociedade de Investimento, S.A., *Lisbon*	Esc. 1.0 bn.	100 %
Bain & Company Ltd., *Sydney*	A$ 15.0 m.	50 %
DB Capital Markets (Asia) Ltd., *Hong Kong*	$ 28.6 m.	60 %

International financing companies

Company	Capital and reserves	Holding
BAI Leasing S.p.A., *Milan*	Lit 6.7 bn.	100 %
Deutsche Bank Finance N.V., *Curaçao*	$ 5.0 m.	100 %
Deutsche Bank Financial Inc., *Dover/U.S.A.*	$ 0.04 m.	100 %
Deutsche Finance (Netherlands) B.V., *Amsterdam*	Guil. 5.2 m.	100 %
Vaubel & Partners Ltd., *Tokyo*	Yen 75.0 m.	33.3 %

The companies shown in white boxes were not included in the Consolidated Statement of Accounts for 1988.

* including capital increase in February 1989 ** indirectly held

Not shown in the table, but included in the Consolidated Statement of Accounts:
Alma Beteiligungsgesellschaft mbH, Düsseldorf · 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 Credit) Ltd., Singapore · DB Holdings Canada Inc., Toronto · Deutsche Capital Management Australia Ltd., Melbourne
Deutsche Capital Markets Australia Ltd., Sydney · Deutsche Portfolio Corporation, New York · McLeanco Holdings Ltd., Toronto

Development of Deutsche Bank Group

A. Review

1988 was marked by a strong improvement in our results and sustained positioning of the Group in Germany and abroad. In our strategic objectives, an important factor is our expectation that the markets for financial services will change strongly. Existing borders between sub-markets will disappear, new competitors will penetrate traditional markets. In order to be able to meet flexibly the challenges this will entail, we further developed our international network in 1988, too, and also expanded and improved our range of services – also in the light of the future European internal market.

Our investments are intended to secure the long-term earning power in the Group as a whole, guarantee future high-quality growth and facilitate rapid adjustment to changed market conditions.

Strong improvement in our operating result

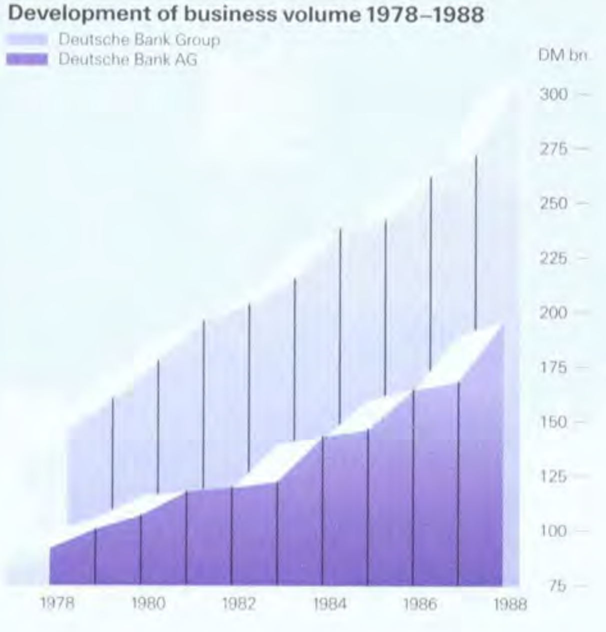
The operating result improved again markedly after the strong decline in 1987 – above all due to the effects of the equity market crash. It rose in the Group by 30.2%, at Deutsche Bank AG by 40.7%. Earnings increased in all sectors. Our securities business in particular contributed to this gratifying development. Thanks to effective cost management, we were able to contain the increase in staff and general operating costs compared with the previous years. Our continued efforts to use the attainable market potential in the interest, commission and trading areas, and to take earnings opportunities by means of innovative products were successful. Thanks to the rising standard of qualification of our staff and growing use of modern information and communications technology, we are confident that we can continue this development.

Business volume exceeds DM 300 bn.

The Group business volume increased by DM 37.1 bn. to DM 309.3 bn. The parent company accounted for a major share of this growth with DM 27.3 bn.

Total credit extended rose 10.4% to DM 211.4 bn. Funds from outside sources grew by 13.4% to DM 276.7 bn.

Development of business volume 1978–1988



Improved earning power foundation for increasing capital base ...

In the light of the strong growth of our business volume, the development of our network and in view of the future international capital standards, the disclosed reserves were increased strongly from the 1988 result.

We added DM 537 m. to Group revenue reserves, a further allocation of DM 193 m. is to be made after approval by the respective General Meetings. Including the funds we received from the capital increase in February 1989 in a total amount of DM 1,278 m., our equity base will rise by a total of DM 2.0 bn.

... and for the internal strengthening of the Group

To strengthen the Group internally, we have

- added DM 272 m. to special items with partial reserve character, thereof DM 165 m. through the prescribed writing back of our general provisions for possible loan losses;
- valued all discernible risks with unchanged care and made corresponding provision;
- formed appropriate collective adjustments for latent risks;
- again valued securities uniformly throughout the Group in accordance with the strict "lower of cost and market" principle.

Distribution to shareholders of parent company DM 425 m.

The Group earned net income for the year of DM 1,203 m. We propose to the General Meeting of Deutsche Bank AG that the parent company's distributable profit of DM 425 m. be distributed to the shareholders. This corresponds to an unchanged dividend of DM 12 per DM 50 share.

B. Positioning of the Group

In Europe: further holdings acquired in banks

At the end of 1988 we took over from Amro Bank, Amsterdam, the remaining shares in H. Albert de Bary & Co. N.V., Amsterdam. Furthermore, we reached agreement with Amro Bank on the disposal of our 23.15% share in European American Bancorp, New York – subject to approval by the Federal Reserve Board. With our branches in Brussels and Antwerp and our subsidiary Deutsche Bank Luxembourg S.A., Luxembourg, we are now represented in the Benelux countries in all sectors of business.

Our participation in MDM Sociedade de Investimento S.A., Lisbon, was raised in spring 1988 to 100%. The institution has a leading position in the Portuguese capital market and is active in corporate finance.

In March 1989 we received permission from the Spanish authorities to acquire further shares in Banco Comercial Transatlántico, S.A., Barcelona. This created the basis for the acquisition of a majority by Deutsche Bank AG.

Restructuring in Asia . . .

We reorganized the activities of the Group in the Asian region.

Deutsche Bank (Asia) AG, Hamburg, was merged in spring 1988 with Deutsche Bank AG. In Singapore we set up a Regional Head Office. It steers and coordinates the operational business of the branches and subsidiaries taken over in 13 Asian countries.

Our branch network in Asia is to be expanded further. For 1989, it is planned to open additional branches in India (New Delhi), Indonesia (Surabaya) and Japan (Nagoya).

. . . and stronger position in Australia

Deutsche Bank Australia Ltd., Melbourne, took over 50% of the capital of Bain & Company Ltd., Sydney, one of Australia's most important investment banks. At year's end the company employed 600 staff in twelve Australian branches and six foreign bases, inter alia in New York, London and Tokyo.

In North America: expansion of investment banking

In the U.S.A., Deutsche Bank Capital Corporation, New York, set up Deutsche Bank Government Securities, Inc., New York. The new company operates in the market for U.S. Treasury bonds. In future it is to assume the function of a primary dealer.

Deutsche Bank (Canada), Toronto, acquired all shares in the Canadian securities broker McLean McCarthy Ltd., Toronto.

In South America: branch network extended

Irrespective of the economic difficulties, our branches in South American countries are working with good results. In Argentina we took over 29 municipal branches in the greater Buenos Aires area from another big foreign bank. In Brazil we opened a branch in Porto Alegre and one in Campinas in addition to the existing branch in São Paulo.

In Germany: streamlining, new companies and expansion

Deutsche Kreditbank für Baufinanzierung AG, Cologne, was merged with Deutsche Bank AG in the second quarter of 1988. Our range of products in the building financing field was streamlined as a result of this measure and simplified in the interest of customers.

In the Lübeck area we have reorganized our network of bases. Handelsbank in Lübeck AG and the Lübeck Branch of Deutsche Bank AG are operating under the joint name: "Deutsche Bank Lübeck Aktiengesellschaft vormals Handelsbank". This merging of business activities will allow us to give even better service to our customers in this region.

In order to meet our private customers' growing demand for provision for the future, we shall set up our own life insurance company. Its products are to be offered to our customers primarily through our branch network. We plan to begin operations in autumn of this year.

The newly founded DPE Deutsche Projektentwicklungs-Gesellschaft für Grundvermögen mbH, Frankfurt am Main, offers both investors and property owners a comprehensive range of services and financings. The company's activities are concentrated on the development of commercial projects. We hold the company's shares jointly with ECE Projektmanagement G.m.b.H., Hamburg, a member company of the Werner Otto Group.

In the Group, we increased our holding in DWS Deutsche Gesellschaft für Wertpapiersparen mbH, Frankfurt am Main, to a total of 93% of ordinary capital.

In view of the growing importance of leasing as a financing instrument, our Group company GEFA-Leasing GmbH, Wuppertal, raised its share in ALD AutoLeasing D GmbH, Hamburg, from 30% to 51%. ALD, with roughly 113,000 leased vehicles, is the largest independent car leasing company in the Federal Republic of Germany.

We now have a 75.1% participation in Roland Berger Verwaltungsgesellschaft mbH, Munich. The company has a leading position among the management consultancy firms in Germany. Its fee income rose 28% to DM 130 m.

C. Our product range in the Group

1. Corporate customer business

Serving corporate customers

In the Group we serve more than 200,000 customers worldwide. Total credit extended amounted to DM 92.4 bn., deposits increased to DM 51.7 bn.

We further improved our service to multinational corporations by intensifying the cooperation between our Group's offices both in Germany and abroad. We extended our range of services for small and medium-sized corporate customers.

The financing volume relating to innovative projects, for which we have specially trained staff available, reached almost DM 500 m.

We gave the Standardized Business Loan greater flexibility under the new name "db-Investitionsdarlehen". The volume of tied funds from Federal and Länder government programmes for capital investment purposes rose by a good quarter.

We stepped up our marketing efforts with respect to rational forms of payment business within the framework of our electronic banking service. The related concentration in payments business and the continuing good liquidity situation led to an increase in the volume of deposits placed by our domestic corporate customers.

Information on topical subjects

The subjects of environmental protection and Europe 1992 were at the centre of our counselling activities.

In "Environment Protection. Facts, Forecasts, Strategies", a newly published brochure for small and medium-sized firms, we draw attention to market opportunities offered by environment-friendly products. Through "db-data", our database service, we can offer a wide range of information on subjects such as environmental protection technologies and product innovations. Our "db-select" service offers guidance through the almost 500 available programmes, which also include environmental protection measures.

Our forums for small and medium-sized businesses on the subject of Europe 1992 met with an extremely good response with over 8,000 participants. We provided a comprehensive range of information and advice on the opportunities and risks in the European internal market.

Consulting for small and medium-sized businesses

Deutsche Gesellschaft für Mittelstandsberatung mbH (DGM), Munich, developed an innovative consulting strategy specifically tailored to the needs of small and medium-sized firms. A major feature is a particularly favourable price/performance ratio. Up to December, roughly 150 consulting projects had been captured, mostly concluded, and in many cases follow-on orders had been booked.

Mergers & Acquisitions

Our subsidiary DB Consult GmbH, Frankfurt am Main, is one of the most important companies in the Federal Republic of Germany providing advice and support with the purchase and sale of companies. In 1988, fee income totalled DM 28 m.

In view of the growing importance of mergers and acquisitions, we have centralized our services in this sector on DB Consult GmbH. In future, DB Consult will operate under the title DB Mergers & Acquisitions, expand its successful M & A activities in the U.S.A. and set up offices in important European countries.

2. Retail banking

For private customers: wide range of products

In 1988 we added new products to our traditional range of lending and investment services for private customers and the self-employed. The Deutsche Bank building saving service, launched in March 1987, established itself as a stable component of our product assortment. Our new life insurance company, with its products, will round off the Group's range of services probably from autumn 1989.

We offer two new credit cards with the headline "Deutsche Bank". While "Deutsche Bank EUROCARD" offers a range of services like that of the previous EUROCARD, the "Deutsche Bank EUROCARD GOLD" provides additional services, especially in the field of insurance.

At the end of 1988, more than 6 million private individuals were customers of our Group. Lending volume was DM 72.5 bn. Deposits amounted to DM 64.5 bn.

Building financings pick up

In contrast to the previous years, in which the great majority of financings had been used for the acquisition of existing properties or for modernization and renovation purposes, demand for financings for new properties rose again in the period under review. Many borrowers used the favourable level of interest rates to adjust terms and conditions and arrange longer fixed interest rate periods.

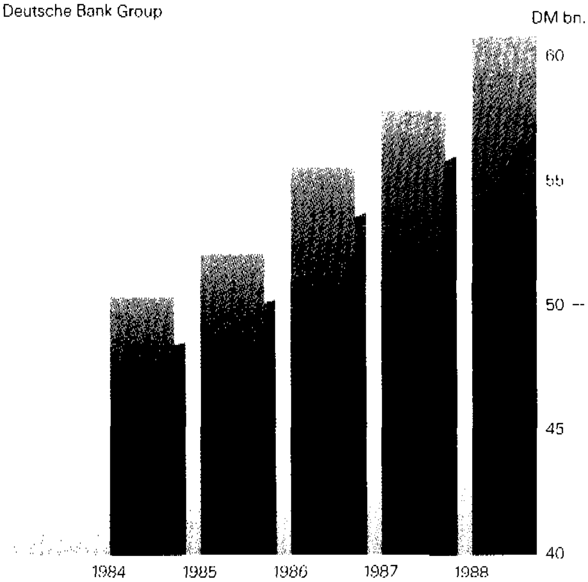
As of December 31, 1988, the total volume of building loans extended by the Group came to DM 60.9 bn., which was 5.1% above the corresponding pre-year figure.

Service for the self-employed

Self-employed persons' demand for loans was particularly brisk.

The service package developed specifically for this group of customers was extended further. In addition to the financing as such, we offer a broad assortment of products ranging from electronic services to information and all the way to individual risk life insurance. We intend to improve our service through the deployment at larger-sized branches of specially trained advisors for self-employed persons.

Building financing loans pick up
Deutsche Bank Group



Prudential saving in demand

The Deutsche Bank Withdrawal Plan, as an investment product for prudential saving for the future, was in strong demand. In the one and a half years since introduction of this capital withdrawal model, more than DM 0.4 bn. has already been invested. Our Deutsche Bank Savings Plan with Insurance Cover was also successful. The contract volume rose by close on 10% to DM 6.8 bn.

Deutsche Bank building saving: good market position

In terms of new business, Deutsche Bank Bauspar-AG is already number six among the 19 private building and loan associations. In the year under review, the company's portfolio grew by more than 110,000 new contracts.

The distribution of building savings products through the branches of Deutsche Bank AG proved its worth. The development of our own marketing network, which is proceeding according to plan, will further extend our subsidiary's selling potential.

3. Leasing, instalment financing . . .

The growth trend in the German leasing market for movables is as strong as ever. GEFA-Leasing GmbH, Wuppertal, despite growing competition from manufacturer-linked leasing companies, expanded its leasing volume by 3.9% in the reporting period to DM 1.8 bn. Our subsidiary DB Export-Leasing GmbH, Frankfurt am Main, steadily expanded its international leasing business.

Property leasing developed particularly briskly. Deutsche Immobilien Leasing GmbH (DIL), Düsseldorf – in which we have a 50% participation – added more than 50 properties to its portfolio and now manages a stock with a total acquisition/manufacturing cost of roughly DM 9 bn.

GEFA Gesellschaft für Absatzfinanzierung mbH, Wuppertal, increased its business volume by 17.4% to DM 2.6 bn. The claims portfolio comes to DM 2.4 bn., i.e. 19.2% more than at the end of 1987. The objects financed were chiefly commercial vehicles and machinery for small and medium-sized companies.

The balance sheet total of our subsidiary Deutsche Credit Corporation, Deerfield/U.S.A., of $ 0.6 bn. was 14% above the previous year's figure.

... and equity finance expanded

Deutsche Beteiligungsgesellschaft mbH, Frankfurt am Main – including the funds it manages and Deutsche Beteiligungs AG Unternehmensbeteiligungsgesellschaft, Königstein/Taunus – acquired new participations in the sum of roughly DM 80 m. They were centred on management buy-outs and company restructurings. At the end of 1988 the company managed a participation volume of roughly DM 306 m. in 83 companies.

4. Securities business

Bonds preferred, restraint in shares

The domestic Group's securities turnover with our institutional and private customers rose 3.2% in 1988.

In the reporting period, equities business was characterized by tangible restraint on the part of investors after the crash in October 1987. Turnover in equities was one-third down on the pre-year level; foreign shares in particular were affected. During the last few months there were signs of recovery, with preference being shown for the equities of companies with particularly good prospects in the European internal market.

On the other hand, demand for fixed-income securities, particularly foreign-currency bonds, was very brisk.

Successful investment funds

Our customers preferred to invest in international investment certificates. There was particular demand for the EURORENTA bond fund launched by our Group subsidiary Internationale Investment Management Gesellschaft S.A. (IIM), Luxembourg. Together with the other two IIM funds, DOLLARRENTA and DM RESERVE FONDS, the company recorded a total inflow of DM 7.9 bn. in the year under review.

There was also lively interest in the equity funds IBERIA and EUROVESTA, launched by Deutsche Gesellschaft für Wertpapiersparen mbH, Frankfurt am Main.

Deutsche Gesellschaft für Fondsverwaltung mbH (DEGEF), Frankfurt am Main, manages both individual investment funds for institutional investors such as insurance companies, company pension and benevolent funds, professional associations' pension schemes and social insurance institutions, as well as staff funds. The fund assets under its management rose 26% to DM 16.1 bn.

More than 1.5 million customer safe-custody accounts

In the Group there were more than 1.5 million customer safe-custody accounts on our books. At the end of 1988 their market value amounted to roughly DM 196 bn.

5. Issuing business

Capital increases, new listings

In issuing business we participated in 29 capital increases for cash, which raised funds totalling roughly DM 2.5 bn. (previous year: DM 7.5 bn.) and in nine scrip issues.

Within the framework of the public sector's privatization programme, shares of VIAG AG (DM 1.5 bn.) and Volkswagen AG (DM 1.1 bn.) were placed internationally under our lead management and co-lead management respectively.

In 1988 we introduced Pietzsch AG and Macrotron AG to the stock exchange. We also participated in a management capacity or as syndicate member in six new listings.

Eurobonds

We played a management role in a total of 590 eurobond issues (previous year: 541) for a total of roughly $ 82.6 bn. So we were again able to maintain our position in the leading group of euro-issuing houses.

129 bonds were denominated in D-Marks, 198 in U.S. dollars, 263 in other currencies. Here, the Canadian dollar, the Australian dollar and the ECU gained in importance.

On the short-term eurocapital market, too, we remained active. Through our London Branch we participated in eurocommercial paper programmes with a volume of roughly $ 1.2 bn. for German and international issuers.

Expanding swap business

We were able to strengthen our market position in the year under review and add new products to our range, such as interest caps and options on interest rate swaps.

The significance of the swap for international issuing business continued to increase. We therefore attach great importance to the swap programme we have concluded with the World Bank.

Euro-issuing business

Deutsche Bank AG/Deutsche Bank Capital Markets Ltd.*

* lead, co-lead, co-management

6. International business: strong market position maintained

With foreign trade expanding strongly, our bank achieved above-average turnover growth in foreign commercial business; income developed gratifyingly.

Supported by intensive cooperation within our worldwide network of branches, we have a share of more than 20% in the financial settlement of German foreign trade, despite ever keener competition from internationally operating banks in particular.

Deutsche Bank AG was the first bank in the Federal Republic to receive the status of ECU clearing bank. Since then, we have settled a growing volume of payments in ECU.

Under our lead management, a General Loan Facility Agreement for DM 3 bn. was concluded with the Bank for Foreign Economic Affairs of the U.S.S.R. for the financing of German exports.

Foreign exchange and precious metals

In foreign exchange dealing, the good income of the previous year was surpassed. Turnover also rose again.

In the exchange rate hedging activities of our foreign trade customers, currency options gained further importance.

We have expanded our individual customer counselling by adding "db-forex". This EDP-based service offers a system for position valuation, alongside information on exchange rate changes and risk-hedging possibilities.

Rising supply and stagnating demand resulted in falling price levels on the precious metals markets, apart from special movements in platinum. Thanks to our good positioning in the market, we were able to exceed here, too, the previous year's result.

Project finance

In project finance we expanded our position as one of the world's leading banks.

In 1988 the focus was on energy and infrastructural projects in Europe and North America. For the first time, a project in China was carried out jointly with Hermes-Kreditversicherungs AG.

Foreign bases successful

Our bases abroad made an important contribution to the development of the Group in the year under review.

Traditional euroloan business, which we transact chiefly via Deutsche Bank Luxembourg S.A., Luxembourg, picked up tangibly in the reporting year. In syndicated loan business, our subsidiary was again able to assume management positions. Business with private customers, begun in 1987, also developed successfully.

BAI (Banca d'America e d'Italia S.p.A., Milan) expanded its business and extended its range of services. Balance sheet total rose 4.6% to DM 9.8 bn., net income for the year increased to DM 51.2 m. We are again dispensing with a dividend in order to facilitate the bank's further growth in the Italian market.

D. Group result

In the Group, the partial operating result excluding own-account trading came to DM 3.1 bn., which is 11.7% more than in the previous year. The parent company's partial operating result increased 15.5% to DM 2.0 bn.

Higher interest surplus through volume growth

The interest surplus (including the surplus from leasing business) increased 7.7% to DM 6.7 bn. The incremental income from the expansion of average business volume exceeded the fall in income resulting from the slight reduction in the overall interest margin by DM 482 m. The interest margin decreased by 0.06 percentage points to 2.21%.

Commission surplus higher

The commission surplus increased to DM 2.4 bn. (+9.4%). The growth is due to improved commission income in all services sectors. The commission surplus on securities business was above that of the previous year. In commission business in bonds and from the sale of investment certificates, strong income growth was achieved, while income from commission business in domestic and foreign shares decreased.

Slower growth in staff and other operating expenses

Staff and other operating expenses rose by DM 366 m. (+6.5%) to DM 6.0 bn. Of the total expenses, two-thirds relate to staff expenses, which increased by 6.3%. As a result of the first-time inclusion of some Group companies, the average number of staff increased again. At the parent company, the average number of staff excluding the merged subsidiaries remained almost unchanged.

General operating expenses increased by 7.1% to DM 1.6 bn.

Thanks to strict cost management, the comparable rise in staff and other operating expenses at Deutsche Bank AG was slowed considerably. At the parent company the comparable staff expenses grew by 4.4%; the corresponding growth in general operating expenses was restricted to 3.2%. Both growth rates are well below the increases in the previous years.

Lower cover requirement on extraordinary account

In 1988, the cover requirement on extraordinary account fell markedly. In lending business, the necessary provisioning for creditworthiness risks was lower – not least because of the good economic development and the generally improved profit and income situation of our customers. Write-downs of our securities portfolio were well below the pre-year level.

Where necessary, adjustments and provisions for country risks were increased. Our DM-denominated adjustments for the commitments which are chiefly in U.S. dollars had already been hedged in previous years against exchange rate fluctuations. At the end of 1988, our average provisioning ratio for country risks stood at 77%.

Our Staff

Our thanks go to our members of staff, whose commitment, knowledge and experience have played an essential part in the bank's performance.

Small rise in Group staff

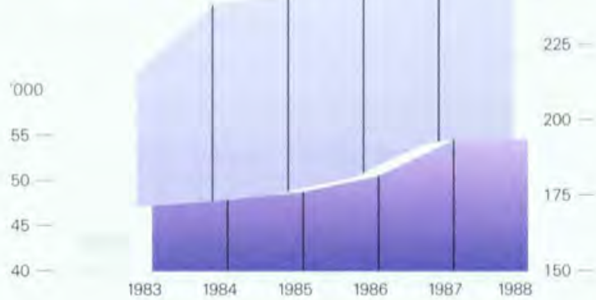
In the year under review, the prime focus was on further improving staff efficiency. This entailed both selective staff reductions and personnel expansion in income-producing divisions. Including the companies newly taken up in our consolidated accounts, Deutsche Bank Group registered a rise in its staff by 190 to 54,769.

At the parent company – but not including Deutsche Bank (Asia) AG and Deutsche Kreditbank für Baufinanzierung AG, which were integrated in the year under review – the number of employees fell by 299 to 43,652. The pronounced reduction of personnel in the Federal Republic of Germany (−742) was partly compensated by staff increases necessary at foreign branches. The decline in staff affected both the Central Office and domestic branches. The reductions were achieved by further streamlining workflows and rationalizing wherever possible, primarily through the use of new technologies. In cutting back the staff level, we relied mainly on natural turnover, taking advantage of the opportunities it provides either to transfer personnel or not fill the vacancies. Parallel to this, we made more qualified staff available in the field of customer counselling and service. Two-thirds of our employees working in customer-related areas are directly involved in customer advising and service.

Staff structure increasingly international

Owing to the inclusion of new companies as well as to business expansion, the number of employees in our foreign network rose by 851 to 8,244. Most of this growth was focused on our European offices. The Luxembourg, Geneva/Zürich and Paris financial centres above all received reinforcements in the fields of private customer, corporate customer and portfolio investment business. We have nearly 4,400 staff members in Europe, which is more than half of our entire international team. Both the expansion of business and the commencenent of new types of business, such as setting up dealing in U.S. Treasury bonds at Deutsche Bank Capital Corporation, New York, also made staff expansion necessary at our North American offices. In South America, we further strengthened our market position through additional staff from the takeover of Bank of America branches in Buenos Aires and from the two new

Staff and business volume
Deutsche Bank Group



offices opened in Campinas and Porto Alegre in Brazil.

At the end of the year under review, one out of every seven staff members worked outside the Federal Republic of Germany. 512 German staff members had been temporarily seconded abroad. The share of foreign nationals in the Group's total staff came to 14.1% at the end of 1988, thus more than doubling from 6.3% in 1983.

Over 5,000 apprenticeships

At the end of the year, a total of 5,144 young staff members were undergoing vocational training within Deutsche Bank Group. At the parent company, nearly 2,000 new apprentices were taken on in the reporting year; all in all, 4,641 young men and women were receiving vocational training. At 12.8%, the apprentice ratio (apprentices expressed as a proportion of domestic staff excluding apprentices) roughly matched the previous year's level. The above-average training efforts in the past years have led to a clear improvement in our staff's qualifications. At our branch offices and in customer-related areas, virtually all staff members have had banking or similar occupational training. Our domestic subsidiaries registered a total of 390 apprentices at the end of the year.

At ten foreign offices, basic banking and comparable commercial training along the lines of the German dual system is currently being carried out with success. In the year under review, our London Branch started a vocational training programme in cooperation with industrial enterprises. After signing on 62 new applicants, the total number of apprentices has nearly doubled over the previous year, reaching 113. Our experience with these young bankers trained abroad has been most gratifying. Our foreign offices are thereby steadily increasing the pool of qualified young people to draw on in future.

International personnel development

At the end of 1988, 237 university graduates were taking part in our management training programme. These up-and-coming executives will later take on positions throughout the Group. 35 of our management trainees were foreign nationals, most of them with our North American offices or at the London financial centre. Our objective is to internationalize the bank's management structure by grooming our own young executives. The management training period has been shortened to twelve months, which also meets the trainees' wish to assume positions of responsibility as early as possible. Since good university graduates are very much in demand, we have stepped up our activities at renowned universities in the Federal Republic of Germany and in numerous other countries, and have also intensified our contacts with selected university faculties. The year under review marked the fourth time we held our course on International Investment Banking in cooperation with New York University; this training programme lasts several weeks and is intended to ensure a steady supply of qualified staff to carry out our broad range of investment banking activities.

Greater opportunities through greater challenges

We have made our personnel development measures more challenging than ever in order to enable qualified and talented staff members to take on specialist and managerial responsibilities more quickly. Assuming challenging tasks at an early stage, Groupwide on-the-job training, and job rotation at once challenge and encourage the professional and personal flexibility of our staff members and increase their international know-how. In addition to the broadly based staff development schemes we have had for years, individualized development programmes have also been introduced for employees who show exceptional potential.

The Supraregional Development Group, which consists of highly qualified young bankers, was further expanded to nearly 300 staff members. On the basis of the excellent results achieved in the past, the 18-month "EDP Development Group" training scheme got under way for the second time in 1988, thus giving 20 more young bankers an opportunity to obtain in-depth training in data processing. The course begins with intensive tuition by EDP manufacturers and is followed up by practical training in the bank's organizational areas. These specially trained young people are later employed mainly in fields where business and technology interface.

Further staff training

In the year under review, the proportion of demanding specialized seminars as opposed to basic seminars has increased further. The focus was on improving our staff's selling abilities and new business acquisition techniques. EDP training also continued to play an important role. Our management seminars were concerned primarily with behavioural training, including aspects such as staff motivation and appraisal, working in a team, as well as conflict analysis and solution. A number of management courses were held by outside professionals. Our EDP courses for managerial staff looked at the applications and possible effects of new technologies.

Our foreign branches continued to intensify their further training programmes. They are generally based on our domestic seminars, though tailored to the circumstances in the respective country. A total of 1,415 staff members attended 117 seminars, most of them held in our supraregional further training centres in Buenos Aires, New York and Singapore.

The discontinuation of the previous year's special training measures has caused the total

Geographical distribution of our staff abroad

Not shown: 9 members of staff at Representative Offices in the Near and Middle East and in Africa number of participants in company further training courses to decline. In the reporting year, 24,862 staff members took part in 1,596 seminars organized by the parent company. In 1988, total spending on basic and further training matched the pre-year figure of DM 157 m., with DM 77 m. spent on vocational training and DM 80 m. on further training.

More flexible working hours

At the 1988 salary negotiations, agreement was reached to shorten the working week by one hour, allowing wide scope for flexible application. With effect from April 1, 1989, working hours for tariff employees can be spread unevenly, provided that their time on the job averages 39 hours per week over a period of two months. We intend to use the existing scope for flexibility and, with the help of selective working time management, to further extend our service potential. More flexible working hours will help us to serve our customers even better by providing advice and assistance outside normal banking hours.

In the year under review, we increased the number of part-time jobs available. Part-time employment now accounts for 9% of all jobs held. This opportunity was taken up chiefly by female members of staff to ease the strain of combining job and family commitments. A large proportion of the part-time jobs was made available in customer counselling. The positive response we have received from our staff members has strengthened our resolve to make more part-time jobs available over the next few years.

Cooperation with employee representatives

The regular election of employee representatives to the Supervisory Board was held in spring. The great majority of our staff opted for direct elections – as in 1983. At 68.1%, voter turnout was at roughly the same level as in the 1983 election.

The Board of Managing Directors, in its regular talks with the Group Staff Council, the General Staff Council and its committees, discussed all personnel and social questions that arose. The most important issues dealt with included more flexible working hours, the reduction of working hours, and the personnel and organizational impact of growing technological applications in banking. Economic Committee meetings dealt at length with the bank's business and structural development, as well as with issues relating to the overall economy.

An amendment to the Labour Management Relations Act called for the election of youth and apprentice representatives in the year under review. With an average voter turnout of 81.5%, 287 young people were elected as youth and apprentice representatives in 133 branches. 13 young staff members make up the newly constituted General Youth and Apprentice Representation. We would like to thank all employee representatives for their objective and cooperative efforts.

Committee of Spokesmen for Senior Executives

The Board of Managing Directors and the Committee of Spokesmen for Senior Executives discussed matters specifically concerning senior executives, the bank's business development, as well as corporate policy issues. The fact that committees of spokesmen for senior executives have recently been given a legal basis largely institutionalizes the cooperation between the Board and the Committee of Spokesmen which has been carried out voluntarily since 1977. Their work will continue on the same basis of mutual trust as in the past. We are indebted to the Committee members for their constructive and open-minded cooperation.

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

Helga Angerstein, Braunschweig
Emil Bögl, Munich
Helmut Bopp, Ravensburg
Waltraud Brinkmann, Herford
Reinhard Bunsen, Düsseldorf
Horst Buntrock, Bonn
Harald Dessaules, Hamburg
Brigitte Dzeik, Stuttgart
Liselotte Engel, Frankfurt
Guido Fiedler, Hameln
Karl Ernst Flöte, Bremen
Wilhelm Grashoff, Kiel
Hermann Gröne, Bochum
Dirk Hegel, Dortmund
Konrad Heinrich, Taunus-Zentrum Eschborn
Martin Hendriks, Frankfurt
Armin Hermann, Düsseldorf
Siegbert Iken, Gummersbach
Harald Iser, Frankfurt
Lutz Krosch, Düsseldorf
Helmut Kusche, Mannheim
Hans Lechner, Göppingen
Silecio J. Marcone, Buenos Aires
Josef Maul, Frankfurt
Horst Meihofer, Solingen
Wilhelm Nöthe, Herne
Kurt Ordelsmans, Düsseldorf
Heinz Ostkamp, Krefeld
Gretchen Paulsen, Flensburg
Otto Plumeyer, Salzgitter
Hans-Werner Roos, Tuttlingen
Thomas Rüppel, Kassel
Richard Saltzer, New York
Astrid Schmidt, Düsseldorf
Elisabeth Schneider, Munich
Ingeborg Schütze, Lübeck
Heinz Schumacher, Duisburg
Maria Schumann, Frankfurt
Zayd Maki Shoubber, Taunus-Zentrum Eschborn
Hans-Joachim Starz, Lörrach
Ernst Stasch, Frankfurt
Peter Thomas, Minden
Horst Verfürth, Emmerich
Edward Wainio, New York
Winfried Wabnitz, Hanover
Christa Wehner, Braunschweig
Julius Wittmann, Frankfurt
Monika Ziemer, Mainz

We mourn the passing away of 314 retired employees of our bank.
We shall always honour their memory.

Management Report of Deutsche Bank AG

Review

At Deutsche Bank AG, the 1988 financial year was marked by strong expansion of business volume and an improvement in the income situation.

As a result of the volume growth, the interest surplus rose appreciably. The price recovery on the international share markets and successful selling of investment fund certificates led to increased income in securities business. We slowed the rise in staff and other operating expenses. The operating result improved by 40.7%. The cover required for extraordinary account was below the level of the preceding year.

Of the DM 825.4 m. net income for the year, DM 400.0 m. was allocated to the revenue reserves.

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

Business volume

The bank's business volume grew by DM 27.3 bn. in 1988 to DM 196.1 bn. The 16.2% expansion is primarily the outcome of brisk lending business with our domestic and foreign customers and of money market transactions with banks.

A further cause of growth was the merger of the former subsidiaries Deutsche Bank (Asia) AG, Hamburg, and Deutsche Kreditbank für Baufinanzierung AG, Cologne, with the parent bank.

Financing balance 1988
Deutsche Bank AG

Source of funds	DM bn.
Decrease in cash reserve	3.4
Rise in deposits from banks	10.7
Growth of customers' deposits	12.6
Increase in own acceptances outstanding	1.2
Other sources	2.7
Total	30.6

DM bn.	Use of funds
18.9	Expansion of total lending*
10.5	Growth of claims on banks
1.0	Purchase of bonds and notes
0.2	Other uses
30.6	Total

* Short and medium-term claims on customers + DM 8.9 bn., long-term claims on customers + DM 8.3 bn., lendings to banks + DM 1.0 bn., discounts + DM 0.7 bn.

Changes in foreign-currency parities also supported the increase in volume.

A substantial proportion of the expansion was generated by our foreign branches.

Balance sheet total moved up DM 26.8 bn. in the past financial year to DM 192.0 bn. We continued to extend our business in interest rate and currency swaps, which are not reflected in the balance sheet.

Lending business

Influenced by the favourable economic development at home and abroad, the bank's lending business accelerated noticeably. Total credit extended (excluding guarantees and letters of credit) rose DM 18.9 bn. (+18.3%) to DM 122.1 bn. Lendings to customers grew to DM 103.8 bn., which was DM 17.1 bn. more than a year earlier. Claims on both corporate and private customers widened appreciably. Whereas loans provided through our foreign branches were mainly short/medium term (+DM 4.9 bn.), on the domestic side there was continuing demand for loans on a long-term basis (+DM 6.2 bn.).

Since interest rates remained low, the proportion of long-term lendings in total customer credit rose to 53.5%. In the last four years, long-term claims on customers doubled to DM 55.5 bn. Just under half (48%) of these loans are due in less than four years.

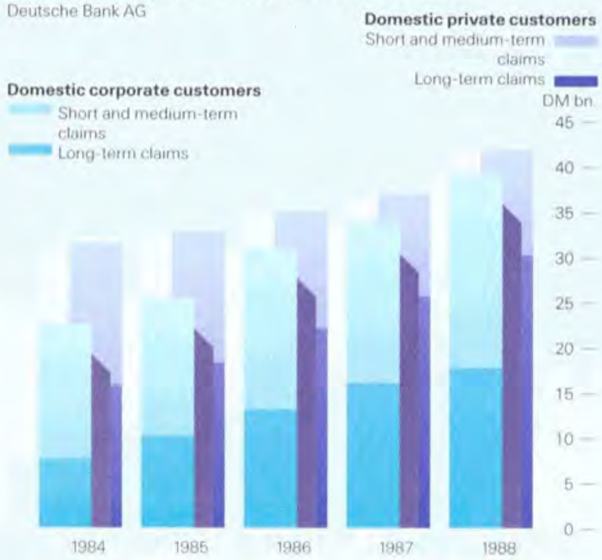
Credit business with our corporate clients was expanded further. Lendings increased to DM 57.8 bn., of which DM 39.2 bn. went to domestic corporate customers (+16.3%). Owing to selective marketing activities, we granted mainly short and medium-term loans. Short-term eurocredits, which are made available to customers through our foreign bases, were utilized in the amount of DM 2.9 bn. as of 31.12.1988.

Loans extended to private customers came to DM 42.7 bn. A substantial proportion related to construction financing, which, in view of the good level of activity in the building sector, grew by a total of DM 4.2 bn. to DM 24.6 bn. Lending business focussed chiefly on financing for existing private housing. Financing for new properties regained importance in 1988. In the reporting year the bank gave new commitments of DM 10.2 bn. for building financing (including loans whose terms and conditions were due for adjustment), of which DM 1.2 bn. was referred to our mortgage banks.

A positive development was registered at Deutsche Bank Bauspar-AG, whose building

Development of claims on domestic corporate and private customers

Deutsche Bank AG



Total credit extended	End of 1988 DM m.	% share	End of 1987 DM m.	% share	Change DM m.	%
Claims on customers						
short and medium-term	48,289	39.5	39,402	38.1	+ 8,887	= 22.6
long-term (4 years or more)	55,528	45.5	47,267	45.8	+ 8,261	= 17.5
	103,817	85.0	86,669	83.9	+17,148	= 19.8
Discounts	6,186	5.1	5,452	5.3	+ 734	= 13.5
Lendings to banks	12,139	9.9	11,168	10.8	+ 971	= 8.7
Total credit extended	122,142	100.0	103,289	100.0	+18,853	= 18.3

saving contracts are marketed chiefly through the branches of Deutsche Bank AG. Targeted growth rates were well exceeded.

Rising household spending on consumption influenced demand for consumer loans and overdraft facilities, which expanded by 6.3% to DM 5.4 bn.

In connection with the increase of our rediscount quota at Deutsche Bundesbank, discounts were raised by DM 0.7 bn. to DM 6.2 bn. The bill stock changed only slightly, up by DM 0.2 bn.

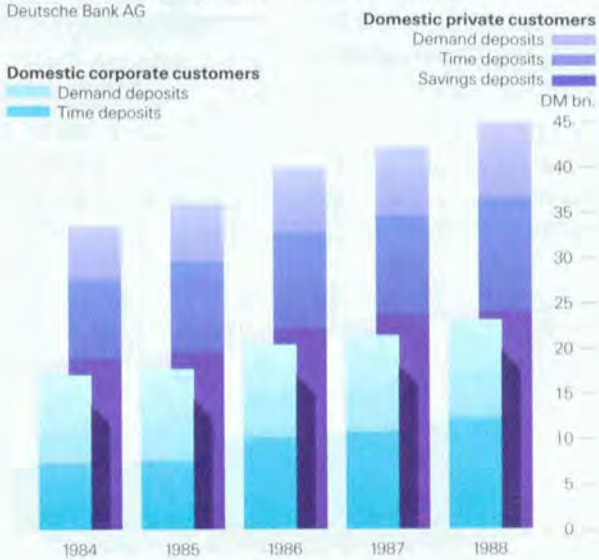
Once again, we provided our customers with a considerable volume of tied funds under Federal and Länder Government promotion programmes. These lendings climbed 26.0% to DM 6.7 bn.

The DM 4.9 bn. increase in guarantees to DM 26.0 bn. is due in particular to guarantees provided in foreign business.

Interbank business

Claims on banks rose DM 11.5 bn. in the reporting year to DM 56.1 bn. Most of the growth related to time deposits of our foreign branches resulting in part from the integration of Deutsche Bank (Asia) AG, Hamburg. At the end of 1988, roughly one-fifth of our claims on banks were placed with domestic and foreign banks in our own Group.

Development of deposits of domestic corporate and private customers
Deutsche Bank AG



As a result of increased credit granted by our foreign branches, lendings to banks rose by DM 1.0 bn.

The bank funded part of the much higher lending from banks' deposits, which expanded by DM 10.7 bn. to DM 65.7 bn. The growth of DM 5.3 bn. in monies taken up long term to fund our long-term lending, most of which is refinanced at matching interest rates and maturities, stemmed largely from bonds issued by our international financing companies. In addition, interest rate and currency swaps enabled us to achieve favourable buying-in rates.

Funds from outside sources

Funds from outside sources totalled DM 168.2 bn. at year's end (+DM 23.6 bn. = 16.3%). Customers' deposits rose by an aggregate DM 12.5 bn., with funds payable on demand up by DM 2.5 bn. and time deposits by DM 9.7 bn. Most of the expansion – savings deposits were only slightly higher – was registered at our foreign branches. As a result, the share of foreign depositors in customers' deposits went up from 19% to 25%.

With new sales of DM 1.6 bn., savings certificates, which are included under long-term time deposits, remained at the previous year's level of DM 7.0 bn. Many investors switched from long-term deposits into shorter-term investments or foreign securities.

Savings deposits came to DM 26.6 bn. at the end of 1988 (+DM 0.4 bn.). The DM 0.9 bn. increase in funds subject to legal period of notice more than offset the decline in savings deposits with agreed periods of notice. Savings deposits of DM 0.9 bn. matured under state premium and capital formation schemes and under bonus-bearing cash savings plans. Customers showed

Funds from outside sources	End of 1988 DM m.	End of 1988 % share	End of 1987 DM m.	End of 1987 % share	Change DM m.	Change %
Liabilities to banks						
payable on demand	13,126	7.8	10,031	6.9	+ 3,095	= 30.9
time deposits	52,468	31.2	44,857	31.0	+ 7,611	17.0
customers' drawings on other banks	134	0.1	139	0.1	5	3.8
	65,728	39.1	55,027	38.0	+10,701	= 19.4
Liabilities to customers						
payable on demand	24,299	14.4	21,819	15.1	+ 2,480	= 11.4
time deposits	43,855	26.1	34,160	23.6	+ 9,695	= 28.4
savings deposits	26,636	15.8	26,266	18.2	+ 370	= 1.4
	94,790	56.3	82,245	56.9	+12,545	= 15.3
Bonds and notes	7,696	4.6	7,305	5.1	+ 391	= 5.4
Total funds from outside sources	168,214	100.0	144,577	100.0	+23,637	= 16.3

great interest in DB savings plans with insurance cover. Payments to these accounts rose to DM 1.9 bn., with a total contract volume of DM 6.1 bn.

The stock of own bonds and notes outstanding with a life of more than four years increased by DM 0.4 bn. to DM 7.7 bn.

Capital and reserves

Including the transfer to revenue reserves from net income from the year, the bank had capital and reserves of DM 10.2 bn. at the end of 1988.

On the basis of the authorization (authorized capital) given at the Ordinary General Meeting on May 11, 1988, the Board of Managing Directors, with the consent of the Supervisory Board, resolved in January 1989 to increase the share capital by DM 142.0 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 capital increase generated capital and reserves in an aggregate amount of DM 1.3 bn. for the bank in February 1989. This brought the total to DM 11.5 bn.

Through the allocation to reserves and the capital increase, we have further strengthened the bank's equity base in order to take account of its continuing growth and to secure the scope for future business policy decisions.

Subsidiaries, associated companies and trade investments

The book value of subsidiaries, associated companies and trade investments decreased by DM 69.8 m. to DM 6.4 bn. While there were additions of DM 714.6 m., which include DM 422.2 m. for purchases and DM 222.7 m. for capital increases and capital payments, disposals came to DM 776.3 m. and write-downs to DM 8.1 m. The disposals reflect in particular the merger of Deutsche Bank (Asia) AG, Hamburg, and Deutsche Kreditbank für Baufinanzierung AG, Cologne, with the parent bank.

We increased our holdings in MDM Sociedade de Investimento, S.A., Lisbon, and in H. Albert de Bary & Co. N.V., Amsterdam, to 100% in each case. We raised our stake in the successful investment fund company DWS Deutsche Gesellschaft für Wertpapiersparen mbH, Frankfurt am Main, to 89.6% (to 93% in the Group). Larger-scale capital increases were carried out above all at foreign subsidiary banks. The capital payment at Deutsche Bank Australia Ltd., Melbourne, is connected with its acquisition of a 50% holding in Bain & Company Ltd., Sydney. We sold our 36.5% shareholding in Bergmann Elektricitäts Werke AG, Berlin, at the turn of the year 1988/89 to Kommanditgesellschaft Gebr. Röchling, Mannheim. In 1989 we also sold two-thirds of our shares in Kistra Beteiligungsgesellschaft mbH, Frankfurt am Main, which holds 49.99% of the capital of Hutschenreuther AG, Selb. The purchase by WMF Württembergische Metallwarenfabrik AG, Geislingen, is subject to the consent of the Cartel Office.

In October 1988 we restored the capital base of Klöckner & Co AG, Duisburg, to prevent the company from collapsing with far reaching consequences. We temporarily hold 98% of the share capital via our subsidiary Alma Beteiligungsgesellschaft mbH, Düsseldorf.

Securities business

Turnover in securities with private and institutional customers rose 3.0% to DM 147.1 bn. Strong sales of investment fund certificates (+181.2%) made the main contribution to the expansion. Turnover in bonds and Schuldscheindarlehen increased by 13.3%. There was particularly high demand for foreign-currency issues. In equities business, the reserved attitude of investors following the slump in prices in October 1987 was noticeable. Turnover lagged 32.5% behind the pre-year level. The last few months saw a definite recovery.

At the end of 1988, Deutsche Bank AG managed 1.2 million customers' safe-custody accounts with a market value of DM 165.7 bn.

Issuing business

There was a gratifying recovery in domestic and foreign issuing business.

On the German equity market, Deutsche Bank AG participated in 37 capital increases for cash and first-time listings, with a volume of DM 3.1 bn. Furthermore, in connection with the privatization of publicly-owned shareholdings, shares in VIAG AG and Volkswagen AG in an aggregate amount of DM 2.6 bn. were placed under our lead management and co-lead management respectively.

On the euromarket, we – together with our subsidiary Deutsche Bank Capital Markets Ltd., London – participated in 590 bond issues in a management capacity.

International business

The strong expansion of world trade contributed to the growth of our turnover in foreign commercial business and the gratifying development of income in this sector. We maintained our strong market position.

Organizational measures

In the domestic sector, we continued to widen and enhance computer applications. Much of our development capacity was taken up by the work which the introduction of withholding tax entailed.

In the foreign branch network, one important area was the changeover to a standardized EDP system. In addition, we supported Deutsche Bank Capital Markets (Asia) Ltd. in taking its seat on the Tokyo Stock Exchange by installing "db-trader", our international computerized system designed specifically for investment banking.

Income situation

Earnings on business volume

In the reporting period, average business volume rose 14.2% = DM 23.2 bn. to DM 186.2 bn. The integration of the subsidiaries Deutsche Bank (Asia) AG and Deutsche Kreditbank für Baufinanzierung AG into the parent bank accounted for DM 8 bn. of the growth. In terms of income, the volume expansion more than offset the slight narrowing of the overall interest margin from 2.56% (1987) to 2.45%, so that earnings on business volume (interest surplus) increased by DM 427.6 m. = 9.8% to DM 4,794.0 m. in the reporting year.

The growth of interest income from lending and money market transactions by DM 1,900.5 m. and of interest expenses by DM 1,528.8 m. also reflects the higher level of interest rates.

Current income from fixed-income securities rose by DM 70.1 m.; by contrast, dividend income from shares and subsidiaries, associated companies and trade investments (including profit-transfer agreements) contracted by DM 14.2 m.

Commission surplus on services business

After deduction of commissions paid, there was a surplus from commissions and other service charges received of DM 1,923.2 m. in 1988. All services sectors participated in the increase of DM 158.1 m. Within the securities sector, sales of investment fund certificates were particularly successful, though bond business also generated a gratifying increase in income. As a result, the fall in receipts from weaker commission and placement business in domestic and foreign equities was more than compensated.

Staff and other operating expenses

Staff and other operating expenses amounted to DM 4,693.6 m. in 1988. Roughly half of the DM 314.3 m. = 7.2% increase is due to the two subsidiaries merged with the parent bank.

The rise in comparable staff and other operating expenses was reduced to 4.2% (full year 1987: + 6.1%). Our continuing efforts to cut costs had an effect on all areas. The growth of 4.4% in comparable staff expenses is attributable above all to the 3.4% rise in tariff salaries from March 1, 1988 (1987: 3.8%) and the increase in non-tariff salaries. The average number of staff during the year, which we had reinforced in the preceding five years by approx. 2,400 (+7%), remained almost unchanged in the reporting period if the merged subsidiaries are omitted.

The comparable expansion of general operating expenses was halved in 1988 to 3.2%. Incremental expenditure was incurred above all through maintenance costs and rents for banking premises.

The buildings leased by the bank were worth DM 233.3 m. at year's end. Total leasing rentals of DM 20.5 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 33.9 m.

Depreciation of and adjustments to land and buildings and office furniture and equipment came to DM 368.4 m. (1987: DM 348.8 m.). This includes normal depreciation of DM 315.7 m. (+DM 16.4 m.) and special depreciation in accordance with Section 6b of the Income Tax Act of DM 52.7 m.

Partial operating result excluding own-account trading

Owing to the favourable development of the interest and commission surplus – especially in the second half of 1988 – the partial operating result excluding own-account trading increased by DM 271.4 m. = 15.5% to DM 2,023.6 m. in 1988.

Profits on own-account trading

Own-account trading in equities and bonds turned in a good result in the reporting year. It made up most of the 1987 earnings decline due to the international stock market crash.

In own-account trading in foreign exchange, income exceeded the 1987 level, which had already been above average. Profits from precious metals trading were also above the high pre-year income.

Operating result

The overall operating result – surplus on current business, including own-account trading – of Deutsche Bank AG improved by 40.7%. Both the partial operating result and the growth in profits on own-account trading contributed to the increase.

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

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 794.3 m. (1987: DM 503.4 m.).

Write-downs, depreciation and adjustments

After the offsetting described above, it was not necessary to show write-downs of and adjustments to claims and securities, transfers to provisions for possible loan losses. All securities holdings are, as usual, valued according to the strict "lower of cost and market" principle. Total provisioning for possible loan losses in domestic business was lower than in the previous year.

In view of the continuing international debt crisis, provisions for country risks were increased further. In previous years, the bank had already hedged in the matching currency all individual adjustments and provisions formed in D-Marks for dollar-denominated commitments. The additional requirements resulting from the rise in the dollar rate were therefore fully covered by foreign exchange profits, which are reported under "Other income".

Commitments in lending business were valued with the usual care. Appropriate adjustments and provisions were formed for all discernible risks.

Pursuant to the order of the Federal Banking Supervisory Office of August 18, 1988, the general provisions for possible loan losses formerly prescribed had to be written back. We took account of latent risks by forming new collective adjustments.

In addition, there is a taxed valuation reserve pursuant to Section 26a of the German Banking Act.

Remaining expenses

Other expenses, shown at DM 213.0 m. (1987: DM 279.9 m.), contain depreciation of leasing equipment and allocations to provisions not relating to lending business.

In 1988 the bank took advantage of all possibilities to form special items with partial reserve character. The allocations came to an aggregate DM 253.7 m.

Pre-tax profit

Pre tax profit amounted to DM 2,254.6 m. in 1988 (1987: DM 972.4 m.).

Taxes on income and assets rose DM 888.7 m. to DM 1,417.9 m. The increase is due primarily to the higher taxable profit.

Proposed appropriation of profits

Of the DM 825.4 m. net income for the year, the bank transferred DM 400.0 m. to revenue reserves. It is proposed to the shareholders that a dividend of DM 12 per share in the nominal amount of DM 50 be resolved, i.e. DM 425,432,712 on the share capital of DM 1,772,636,300.

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.

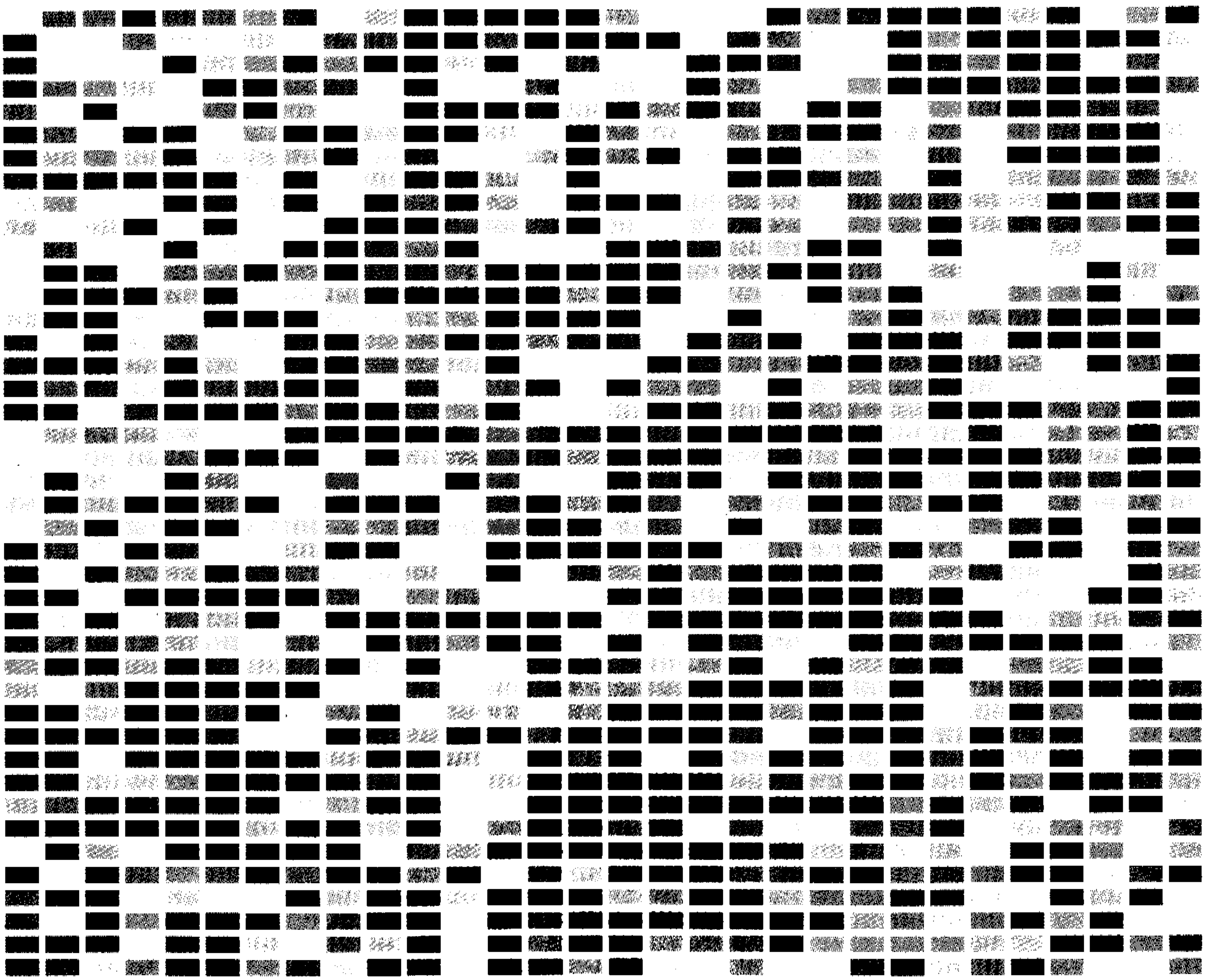
Outlook for 1989

In view of favourable forecasts for economic development in the industrial countries, we anticipate further expansion of our business volume. As things stand at present, we expect income on interest business and services business to increase. The profit that can be achieved in own-account trading will depend on future developments on the securities and foreign exchange markets. We assume that the wide range of measures to limit staff and other operating costs will improve the bank's profit quality.

All in all, we are confident that we shall be able to present to our shareholders a satisfactory Annual Statement of Accounts for the 1989 financial year.

The charts do not form part of the Management Report.

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 and the related risks at home and abroad, the situation on the capital markets, new services, the structure and development of the Group, and foreign business. At a special meeting on December 14, 1988 we discussed in depth the bank's entry into life insurance business.

The cyclical and monetary situation was the subject of extensive reports and discussions. 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, 1988, 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.

Frankfurt am Main, March 29, 1989

The Supervisory Board

Chairman

Deutsche Bank AG

Annual Balance Sheet as of December 31, 1988

Profit and Loss Account
for the period from January 1 to December 31, 1988

Tables on the development of the bank
from January 1, 1952 to December 31, 1988*)

- 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. 1987 in DM 1,000
Cash on hand			698,370,681	611,067
Balance with Deutsche Bundesbank			3,425,901,847	6,926,408
Balances on postal giro accounts			20,651,784	9,747
Cheques, matured bonds, interest and dividend coupons, items received for collection			201,100,615	196,059
Bills of exchange			1,956,103,440	1,785,134
including:				
a) rediscountable at Deutsche Bundesbank	DM 1,060,962,511			
b) own drawings	DM 64,862,404			
Claims on banks				
a) payable on demand		9,733,930,179		6,402,000
b) with original periods or periods of notice of				
ba) less than three months		19,264,114,944		12,637,653
bb) at least three months, but less than four years		21,204,526,893		19,924,157
bc) four years or more		5,936,957,700		5,697,687
			56,139,529,716	44,661,497
Treasury bills and discountable Treasury notes				
a) of the Federal and Länder Governments				1,924
b) of other issuers		2,380,979,660		2,284,815
			2,380,979,660	2,286,739
Bonds and notes				
a) with a life of up to four years				
aa) of the Federal und Länder Governments	DM 1,067,680,719			
ab) of banks	DM 1,437,535,013			
ac) of other issuers	DM 147,388,746	2,652,604,478		1,967,090
including: eligible as collateral for Deutsche Bundesbank advances	DM 2,053,724,826			
b) with a life of more than four years				
ba) of the Federal and Länder Governments	DM 1,525,032,064			
bb) of banks	DM 2,867,090,161			
bc) of other issuers	DM 1,499,132,683	5,891,254,908		5,582,038
			8,543,859,386	7,549,128
including: eligible as collateral for Deutsche Bundesbank advances	DM 3,552,178,983			
Securities not to be shown elsewhere				
a) shares marketable on a stock exchange and investment fund certificates		4,677,010,771		4,953,344
b) other		53,117,523		132,922
			4,730,128,294	5,086,266
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 116,056,855			
Claims on customers with original periods or periods of notice of				
a) less than four years		48,289,172,543		39,401,725
b) four years or more		55,528,249,366		47,266,765
			103,817,421,909	86,668,490
including:				
ba) secured by mortgages on real estate	DM 11,375,036,044			
bb) communal loans	DM 1,875,485,734			
due in less than four years	DM 26,634,402,000			
Recovery claims on Federal and Länder authorities under Currency Reform Acts			146,491,395	169,354
Loans on a trust basis at third party risk			884,689,316	177,924
Subsidiaries, associated companies and trade investments			6,360,301,681	6,430,120
including: investments in banks	DM 3,932,182,016			
Land and buildings			1,105,641,300	1,039,111
Office furniture and equipment			658,000,000	656,195
Own bonds and notes			59,403,021	42,480
nominal amount	DM 52,117,750			
Other assets			679,832,154	768,140
Deferred items				
a) difference in accordance with Section 250 (3) of the Commercial Code		128,603,852		102,256
b) other deferred items		69,625,259		31,473
			198,229,111	133,729
Total Assets			192,006,635,310	165,197,588

Total Assets and the recourse claims from the contingent liabilities shown below the line on the liabilities side include:		
a) claims on related companies	16,051,261,602	15,331,634
b) claims arising from loans falling under Section 15 (1) 1 6 and (2) of the Banking Act, unless included under a)	677,169,641	617,028

Balance Sheet as of December 31, 1988 — Liabilities

	DM	DM	DM	31.12.1987 in DM 1,000
Liabilities to banks				
a) payable on demand		13,126,253,092		10,030,689
b) with original periods or periods of notice of				
ba) less than three months	10,583,037,481			
bb) at least three months, but less than four years	16,579,090,182			
bc) four years or more	25,306,303,756	52,468,431,419		44,857,170
including: due in less than four years ....DM 13,448,499,000				
c) customers' drawings on other banks		133,603,330		138,909
			65,728,287,841	55,026,768
Liabilities to customers				
a) payable on demand		24,299,192,167		21,818,882
b) with original periods or periods of notice of				
ba) less than three months	24,487,917,207			
bb) at least three months, but less than four years	8,978,679,594			
bc) four years or more	10,388,059,305	43,854,656,106		34,160,554
including: due in less than four years ....DM 9,187,508,000				
c) savings deposits				
ca) subject to legal period of notice	15,651,292,664			
cb) other	10,984,361,586	26,635,654,250		26,265,976
			94,789,502,523	82,245,412
Bonds and notes with a life of				
a) up to four years		350,000		498
b) more than four years		7,695,395,700		7,304,276
including: maturing in less than four years ....DM 6,525,592,700			7,695,745,700	7,304,774
Own acceptances and promissory notes outstanding			4,059,529,703	2,815,314
Loans on a trust basis at third party risk			884,689,316	177,924
Provisions				
a) for pensions		2,074,636,100		1,921,196
b) other		4,745,399,676		4,288,607
			6,820,035,776	6,209,803
Other liabilities			196,378,253	203,452
Endowments and benevolent funds				
Endowment assets		7,148,664		7,174
less investments in securities		6,997,937		6,998
			150,727	176
Deferred items			901,318,217	881,501
Special items with partial reserve character				
a) in accordance with the Tax Act regarding Developing Countries		2,828,447		4,299
b) in accordance with Section 6b of the Income Tax Act		152,163,315		125,314
c) in accordance with Section 3 of the Foreign Investment Act		15,087,000		966
d) in accordance with the administrative regulation on the cancellation of general provisions for possible loan losses		159,000,000		–
			329,078,762	130,579
Subscribed capital (bearer shares)			1,772,636,300	1,772,631
Conditional capital DM 839,574,900				
Capital reserve		5,490,441,424		
Allocations in accordance with Section 272 (2) of the Commercial Code		27,133	5,490,468,557	5,490,441
Revenue reserves				
a) legal reserve		25,000,000		25,000
b) other revenue reserves	2,488,380,923			
Allocation from Net income for the year	400,000,000	2,888,380,923		2,488,381
			2,913,380,923	2,513,381
Distributable profit			425,432,712	425,432
Total Liabilities			192,006,635,310	165,197,588

	DM	31.12.1987 in DM 1,000
Own drawings in circulation	60,094,114	18,890
including: those discounted for borrowers' account ..DM 49,473,400		
Endorsement liabilities on rediscounted bills of exchange	4,010,901,903	3,506,838
Contingent liabilities from guarantees, including guarantees for bills and cheques, and from indemnity agreements (cf. also the Notes to the Annual Statement of Accounts)	25,962,432,563	21,023,302
Commitments (not to be shown under liabilities) from the sale of assets subject to repurchase agreements	–	52,174

Deutsche Bank Aktiengesellschaft

	DM	DM	1987 in DM 1,000
Interest and similar expenses		7,283,775,057	5,754,959
Commissions and similar service charges paid		75,174,425	67,125
Write-downs of and adjustments to claims and securities, transfers to provisions for possible loan losses		–	797,595
Salaries and wages		2,451,795,658	2,260,178
Compulsory social security contributions		372,514,345	343,622
Expenses for pensions and other employee benefits		410,850,962	408,652
General operating expenses		1,142,747,134	1,067,545
Depreciation of and adjustments to land and buildings and office furniture and equipment		368,466,437	348,755
Write-downs of and adjustments to subsidiaries, associated companies and trade investments		8,083,592	115,036
Taxes			
a) on income and assets	1,417,913,634		529,242
b) other	11,271,634		17,753
		1,429,185,268	546,995
Expenses from assumption of loss		126,573,825	97,965
Allocations to Special items with partial reserve character		253,673,555	146,487
Other expenses		213,054,525	279,961
Net income for the year		825,432,712	425,432
Total Expenses		14,961,327,495	12,660,307

Net income for the year

Allocations to revenue reserves

a) legal reserve

b) other revenue reserves

Distributable profit

Profit and Loss Account for the period from January 1 to December 31, 1988 — Income

	DM	DM	1987 in DM 1,000
Interest and similar income from lending and money market transactions		10,774,740,063	8,874,242
Current income from			
a) fixed-income securities and Government-inscribed debt	545,593,411		475,440
b) other securities	189,779,225		194,014
c) subsidiaries, associated companies and trade investments	544,907,263		557,427
		1,280,279,899	1,226,881
Commissions and other service charges received		1,998,409,665	1,832,249
Other income, including income from the writing back of provisions for possible loan losses		794,322,080	503,378
Income from profit-pooling, profit-transfer and partial profit-transfer agreements		22,711,372	20,257
Income from the writing back of provisions, unless it has to be shown under "Other income"		35,502,402	151,040
Income from the writing back of special items with partial reserve character		55,362,014	52,260
Total Income		14,961,327,495	12,660,307

DM	DM	1987 DM
	825,432,712	425,431,512
–		–
400,000,000	400,000,000	–
	425,432,712	425,431,512

Figures from the Balance Sheet of Deutsche Bank AG

Amounts in DM millions

Balance Sheet — End of	1988	1987	1986	1985	1984	1983
Assets						
Cash reserve	4,145	7,547	6,231	7,266	5,940	5,235
Bills of exchange	1,956	1,785	1,784	1,812	2,050	2,119
Claims on banks	56,140	44,662	46,098	41,000	43,186	31,598
Treasury bills and discountable Treasury notes	2,381	2,287	2,139	1,866	1,111	1,189
Bonds and notes	8,544	7,549	9,773	10,183	10,765	9,436
Securities not to be shown elsewhere	4,730	5,086	4,637	2,711	3,080	2,739
Claims on customers	103,817	86,669	79,690	69,556	65,721	59,409
short and medium-term	48,289	39,402	38,978	36,091	38,241	35,939
long-term (four years or more)	55,528	47,267	40,712	33,465	27,480	23,470
Loans on a trust basis at third party risk	885	178	173	154	218	207
Subsidiaries, associated companies and trade investments	6,360	6,430	6,453	4,567	2,692	2,507
Land and buildings	1,106	1,039	912	862	816	784
Office furniture and equipment	658	656	641	558	415	324
Other assets	680	768	746	671	1,434	1,424
Remaining assets	605	542	651	699	460	813
Balance Sheet Total	192,007	165,198	159,928	141,905	137,888	117,784
Liabilities						
Liabilities to banks	65,728	55,027	52,360	44,149	45,899	38,226
including: time deposits	52,602	44,996	39,862	32,437	35,331	29,411
Liabilities to customers	94,790	82,245	82,420	76,687	73,599	64,425
including: time deposits	43,855	34,160	36,164	34,593	33,100	27,130
savings deposits	26,636	26,266	24,551	21,582	20,656	20,934
Bonds and notes	7,696	7,305	5,561	3,407	2,553	1,545
Own acceptances and promissory notes outstanding	4,060	2,815	2,571	2,017	2,122	1,662
Provisions	6,820	6,210	6,831	6,190	5,615	4,382
for pensions	2,075	1,921	1,790	1,678	1,569	1,453
other	4,745	4,289	5,041	4,512	4,046	2,929
Capital and reserves	10,176	9,776	8,282	7,745	6,235	5,518
Subscribed capital	1,773	1,773	1,624	1,599	1,469	1,356
Capital reserve	5,490	5,490	4,145	3,904	2,903	2,449
Revenue reserves	2,913	2,513	2,513	2,242	1,863	1,713
Remaining liabilities	2,312	1,395	1,351	1,326	1,512	1,701
Distributable profit	425	425	552	384	353	325
Balance Sheet Total	192,007	165,198	159,928	141,905	137,888	117,784
Own drawings in circulation (discounted)	49	19	18	12	10	13
Endorsement liabilities	4,011	3,506	4,148	4,914	5,520	4,960
Business Volume	196,067	168,723	164,094	146,831	143,418	122,757
Contingent liabilities from guarantees, etc.	25,962	21,023	18,940	19,817	21,039	21,005

Figures from the Profit and Loss Account of Deutsche Bank AG

for the year	1988	1987	1986	1985	1984	1983
Income on business volume (Interest surplus)	4,794	4,366	5,465	4,317	4,217	4,146
Income on services business*) (Commission surplus)	1,923	1,765	1,581	1,394	1,167	1,076
Staff and other operating expenses	4,694	4,379	4,264	3,809	3,545	3,316
Taxes	1,429	547	1,243	1,324	937	940
Net income for the year	825	425	824	762	503	469
Allocations to revenue reserves	400	–	272	378	150	144
Distributable profit	425	425	552	384	353	325
Dividend in DM per share or in %	12.—	12.	12.	12.	12.	12.
+ bonus			5.—			
plus tax credit for shareholders with unlimited domestic tax liability	(6.75)	(6.75)	(9.56)	(6.75)	(6.75)	(6.75)

*) Figures up to 1986 not entirely comparable owing to change in reporting of re-allowances

	1988	1987	1986	1985	1984	1983
Number of staff at year's end	45,274	43,951	42,928	41,674	41,126	40,570

1982	1981	1980	1979	1978	1975	1970	1960	1956	1.1. 1952
5,455	6,679	7,524	9,722	6,723	4,735	2,763	1,388	699	417
1,994	2,462	2,939	2,359	6,311	6,279	4,095	2,109	1,897	598
34,608	34,246	26,165	26,261	26,433	13,274	4,303	983	686	347
1,144	614	612	524	387	147	408	482	54	64
7,709	6,569	6,374	4,949	5,243	2,027	1,482	557	333	3
2,327	2,249	2,158	2,005	1,774	1,530	1,325	706	352	60
56,572	56,089	52,874	47,710	40,406	25,002	14,785	4,128	2,805	1,690
34,655	31,161	26,995	23,326	19,281	14,859	8,893	3,696	2,396	1,458
21,917	24,928	25,879	24,384	21,125	10,143	5,892	432	409	232
212	227	233	238	272	72	52	65	87	46
2,048	1,829	1,681	1,554	1,463	1,173	534	80	54	9
765	731	757	759	765	643	345	154	118	61
308	293	276	269	266	191	101			20
1,341	1,471	1,760	1,348	1,152	891	462	10	33	1
1,013	1,014	893	1,079	935	875	777	560	503	442
115,496	114,473	104,246	98,777	92,130	56,839	31,432	11,222	7,621	3,758
37,396	35,732	34,016	32,708	30,245	13,401	6,776	1,744	1,810	589
28,621	27,153	26,752	26,392	24,358	8,324	3,618	692	1,149	391
63,080	64,698	57,157	53,264	50,215	37,395	22,397	8,475	5,092	2,652
26,614	30,654	23,296	20,411	17,210	9,123	7,331	2,551	1,652	731
21,114	20,353	19,628	18,912	19,055	16,613	8,187	2,200	964	197
2,659	3,081	3,635	4,725	4,663	1,220			–	–
1,395	1,382	1,133	585	336	21	70	51	15	119
3,618	2,867	2,292	1,959	1,673	1,131	522	281	209	188
1,291	1,269	1,148	1,038	961	742	364	146	127	76
2,327	1,598	1,144	921	712	389	158	135	82	112
5,374	4,873	4,398	4,278	3,890	3,000	1,360	550	350	141
1,356	1,232	1,114	1,114	1,040	900	480	250	200	100
2,448	2,075	1,720	1,720	1,496	1,076	161	41	41	39
1,570	1,566	1,564	1,444	1,354	1,024	719	259	109	2
1,676	1,599	1,392	1,064	921	491	221	81	120	69
298	241	223	194	187	180	86	40	25	–
115,496	114,473	104,246	98,777	92,130	56,839	31,432	11,222	7,621	3,758
49	73	31	7	7	–	–			
4,525	3,604	3,165	2,231	158	125	640	167	317	794
120,070	118,150	107,442	101,015	92,295	56,964	32,072	11,389	7,938	4,552
21,013	21,182	18,245	16,307	16,503	11,927	4,185	1,473	816	461

1982	1981	1980	1979	1978	1975	1970	1960	1956	1952
3,810	3,412	2,812	2,385	2,099	1,697	901			
941	892	807	698	655	515	249			
3,076	2,868	2,687	2,398	2,197	1,647	884			
757	553	482	448	423	279	96			
302	242	343	284	307	281	116	90	50	
4	1	120	90	120	101	30	50	25	
298	241	223	194	187	180	86	40	25	
11.—	10.	10.—	9.—	9.—	10.—	9.—	16%	12%	
(6.19)	(5.63)	(5.63)	(5.06)	(5.06)					
40,325	39,836	39,242	39,081	37,729	35,994	33,070	19,106	16,597	12,080

	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
Capital increase: 1981 (1 for 10 at DM 200 per share of DM 50)	118,000,000	355,649,340		473,649,340
Capital increase: 1982 (1 for 10 at DM 200 per share of DM 50)	124,000,000	373,372,489		497,372,489
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
Allocations from net income 1957–1984		1,147,563	1,760,270,307[1]	1,761,417,870
Withdrawals for own shares 1983			6,270,590	6,270,590
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: 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	2,513,380,923	9,776,453,647
Capital increase: 1988 by exercise of option rights	5,000	27,133		32,133
Allocation from net income 1988			400,000,000	400,000,000
December 31, 1988	1,772,636,300	5,490,468,557[2]	2,913,380,923	10,176,485,780

[1]) included therein: Reserve for own shares DM 6,270,590
[2]) included therein: Allocations from the Conversion Account DM 41,766,357

Notes to the Annual Statement of Accounts

As in the past, comparative figures for the previous year have not been given for some subdivisions of balance sheet items for reasons of clarity.

Reallowance income from the placement of bonds and investment fund certificates with our customers has been treated as commission income for the first time. In doing so, we have taken account of the service nature of such transactions. The comparative figures for the preceding year have been modified in line with the new reporting method.

Development of subsidiaries, associated companies and trade investments, fixed and intangible assets

	31.12.1987 DM m.	Additions DM m.	Disposals DM m.	Write-downs, depreciation DM m.	31.12.1988 DM m.
Subsidiaries, associated companies and trade investments	6,430.1	714.6	776.3	8.1	6,360.3
Land and buildings	1,039.1	211.3	30.5	114.3	1,105.6
Office furniture and equipment	656.2	256.7	0.8	254.1	658.0
Intangible assets	2.7	22.4		2.8	22.3

The shareholdings of Deutsche Bank AG pursuant to Section 285 No. 11 of the Commercial Code are published on pages 119–126 of the Annual Report as a separate list which forms part of the Notes.

The additions of DM 211.3 m. to land and buildings include DM 130.8 m. in building costs for new buildings and conversions for which capitalization is compulsory, DM 43.8 m. for real estate taken over through mergers and DM 36.7 m. for land purchases (of which DM 20.8 m. relates to purchases to save mortgage rights).

Own shares

The 133,160 Deutsche Bank shares in the nominal amount of DM 50 each, which we bought at an average price of DM 375.06, were used in May 1988 for the issue of staff shares at a preferential price of DM 192. The purchases also include shares which we bought and settled on behalf and for the account of our domestic subsidiaries for issue by them.

The difference of DM 21.5 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 3,292,148 Deutsche Bank shares in the nominal amount of DM 50 each at current market prices in the course of 1988 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 463.46, the average selling price was DM 465.88. The sales proceeds remained in working funds.

The shares of our bank bought and sold in this connection during 1988 correspond to 9.29% of our share capital. The largest holding on any one day was 0.15%, the average daily holding was 0.05% of our share capital.

At the end of 1988, neither we nor any of our related companies held shares of the bank.

As of 31.12.1988, 136,337 Deutsche Bank shares in the nominal amount of DM 50 each were pledged to the bank and its related companies as security for loans; they represent 0.38% of our share capital.

Capital and reserves

On December 31, 1988, subscribed capital (bearer shares) comes to DM 1,772,636,300. 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 28,452,726 shares in the nominal amount of DM 50.

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 conversion price of DM 250 per DM 50 share; the conditional capital for this purpose amounts to DM 150,000,000. 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 449,574,900 at year's end:

3¾% and 6¼% bonds with warrants of 1983 issued by Deutsche Bank Luxembourg S.A., Luxembourg, in the amount of DM 240,000,000 and $ 100,000,000 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 1988, 100 Deutsche Bank shares = DM 5,000 (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 710,000,000, 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 750,000,000 and SF 200,000,000 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.

The bonds with warrants issued by Deutsche Bank Finance N.V., Curaçao, have meanwhile been taken over by Deutsche Finance (Netherlands) B.V., Amsterdam, under a borrower substitution agreement.

In addition, there is conditional capital of DM 240,000,000 in connection with an authorization, valid until April 30, 1993, to issue bonds with stock warrants in a total amount of up to DM 1,200,000,000. On 31.12.1988, total conditional capital came to DM 839,574,900.

Pursuant to the resolution of the General Meeting in May 1987, there is authorized capital of DM 75,000,000, for which the shareholders' preemptive rights are excluded. Furthermore, the General Meeting in May 1988 authorized the Board of Managing Directors to increase the share capital by up to DM 500,000,000. With the consent of the Supervisory Board, the Board of Managing Directors utilized this authorization partially in January 1989 with an amount of DM 142,000,000.

Including the capital increase, capital and reserves are made up as follows:

Subscribed capital	DM	1,914,636,300
Capital reserve	DM	6,626,468,557
Revenue reserves		
a) legal reserve	DM	25,000,000
b) other revenue reserves	DM	2,888,380,923
Total capital and reserves	DM	11,454,485,780

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 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 99 m. at the end of 1988. There were joint liabilities pursuant to Section 24 of the GmbH Act amounting to DM 48 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 59 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 relating to other shares came to DM 2 m. on 31.12.1988.

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 1988, assets and security items provided to us in the sum of DM 626 m. were tied in connection with loans taken up.

Legal stipulations required the provision of security amounting to DM 190 m. for the business activity of our foreign branches. In addition, assets worth DM 3 m. were deposited as security in financial futures and options business.

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

The total emoluments of the Board of Managing Directors in 1988 amounted to DM 14,845,877.52. Former members of the Board of Managing Directors of Deutsche Bank AG or their surviving dependents received DM 6,892,349.77. In addition to a fixed payment of DM 294,120, the Supervisory Board received dividend-related emoluments amounting to DM 1,140,000. The Advisory Board was paid DM 491,340, and the members of the Regional Advisory Councils received DM 3,514,780.

Provisions for pension commitments to former members of the Board of Managing Directors or their surviving dependents total DM 46,735,601.

Average number of staff during the year

The average number of staff employed during the financial year was 40,971 (previous year: 39,064), of whom 20,386 were women. 3,613 members of staff were employed abroad.

Honorary President

Hermann J. Abs

Corporate bodies of Deutsche Bank AG

Board of Managing Directors

Rolf-E. Breuer
Horst Burgard
Ulrich Cartellieri
Alfred Herrhausen
Eckart van Hooven
Hilmar Kopper
Georg Krupp
Ulrich Weiss
Herbert Zapp
Michael Endres, Deputy
Jürgen Krumnow, Deputy
Ellen R. Schneider-Lenné, Deputy

Supervisory Board

Dr. Wilfried Guth, Chairman	
Konrad Reeb, Deputy Chairman	(until 11. 5. 1988)
Hagen Findeisen, Deputy Chairman	(from 11. 5. 1988)
Jürgen Bartoschek	(from 11. 5. 1988)
Dr. Marcus Bierich	(from 11. 5. 1988)
Dr. F. Wilhelm Christians	(from 11. 5. 1988)
Dr. Robert Ehret	
Dr. Friedrich Karl Flick	
Jörg A. Henle	(until 17. 11. 1988)
Gerd Hirsbrunner	
H. Frans van den Hoven	(until 11. 5. 1988)
Ulrich Kaufmann	(from 11. 5. 1988)
Dr. Elmar Kindermann	(from 11. 5. 1988)
Karlheinz Krippendorf	(until 11. 5. 1988)
Dr. Hellmut Kruse	
Hans L. Merkle	(until 11. 5. 1988)
Karl Messing	(until 11. 5. 1988)
Dr. Hans Dieter Mosthaf	(from 17. 11. 1988)
Dr. Heribald Närger	(from 11. 5. 1988)
Josef Pfaff	
Dipl.-Ing. Dr.-Ing. E.h. Bernhard Plettner	(until 11. 5. 1988)
Gerhard Renner	
Irene Rodermund	(until 11. 5. 1988)
Lorenz Schwegler	
Herbert Seebold	
Dipl.-Kfm. Günter Vogelsang	
Lothar Wacker	
Hannelore Winter	

Frankfurt am Main, March 7, 1989

The Board of Managing Directors

Auditor's certificate

The accounting and the annual financial statements, which we have audited in accordance with professional standards, comply with the German legal provisions and the Articles of Association. With due regard to the generally accepted accounting principles the annual financial statements give a true and fair view of the company's assets, liabilities, financial position and profit or loss. The Management Report is consistent with the annual financial statements.

Frankfurt am Main, March 16, 1989

TREUVERKEHR
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Fandré
Wirtschaftsprüfer

Dr. Fliess
Wirtschaftsprüfer

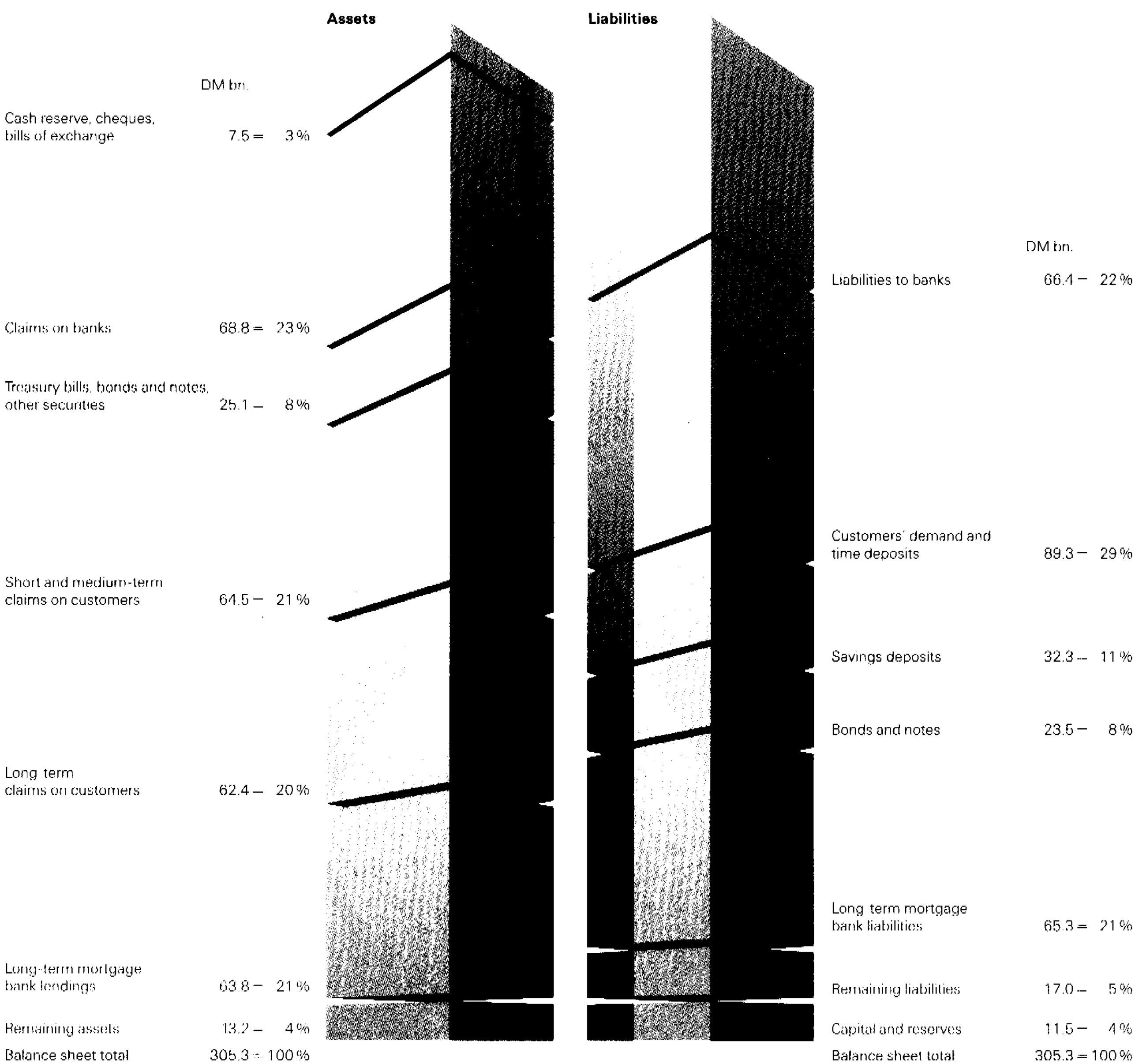
Deutsche Bank AG

Report of the Group for 1988

Deutsche Bank Group

Capital and reserves DM 11,500 m.

Balance sheet structure, end of 1988



General survey

The consolidated business volume of the Group rose by DM 37.1 bn. to DM 309.3 bn. Of the strong growth in assets, DM 17.8 bn. related to claims on customers and DM 15.6 bn. to claims on banks; long-term mortgage bank lendings rose DM 1.5 bn.

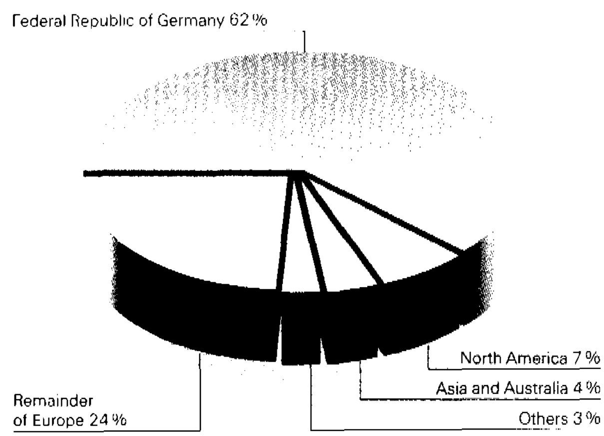
The increase of DM 32.7 bn. in funds from outside sources stemmed largely from the growth of customers' deposits by DM 15.5 bn. and of banks' deposits by DM 11.4 bn.; bonds and notes expanded by DM 4.7 bn.

The Group's capital and reserves had increased as of 31.12. 1988 by DM 651.0 m. to DM 11,500.1 m. With the funds stemming from the capital increase at Deutsche Bank AG in February 1989 and from the additions to revenue reserves at subsidiaries following approval by the respective General Meetings, there will be further growth in capital and reserves to DM 12,970.8 m.

The operating result rose 30.2%, the partial operating result 11.7%.

At the end of 1988, the Group employed 54,769 staff (previous year: 54,579), of whom 46,525 (previous year: 47,186) worked in the domestic sector. Our customers are served by 1,530 offices, of which 1,339 are in Germany and 191 abroad.

Business volume, by geographical region, end of 1988
Deutsche Bank Group



According to domicile of Group company or branch

Consolidated companies

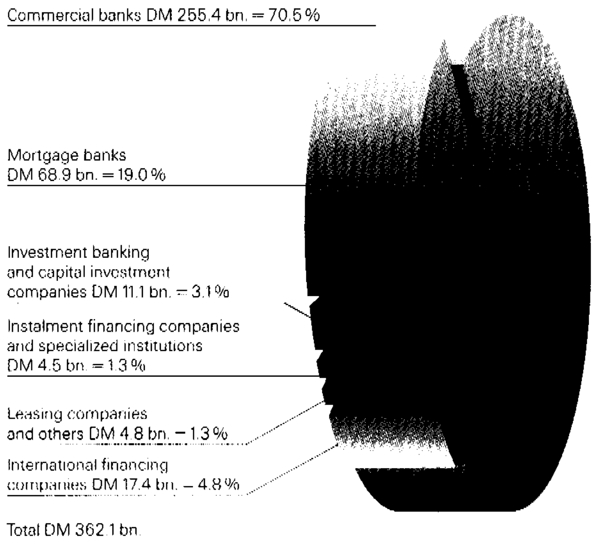
The Consolidated Statement of Accounts of Deutsche Bank AG fulfils, thanks to the comprehensive insight it gives into the Group's assets and income position, the demands which a world statement of accounts should satisfy. The following companies were included with Deutsche Bank AG in the Consolidated Statement of Accounts:

	Group's capital share pursuant to § 16 Joint Stock Corp. Act
Commercial banks	
Deutsche Bank Berlin AG, Berlin	100 %
Deutsche Bank Lübeck AG vormals Handelsbank, Lübeck	91.5%
Deutsche Bank Saar AG, Saarbrücken	69.2%
Banca d'America e d'Italia S.p.A., Milan	98.4%
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 p.l.c., London	100 %
Mortgage banks	
Deutsche Centralbodenkredit-AG, Cologne-Berlin	90.3%
Frankfurter Hypothekenbank AG, Frankfurt am Main	92.9%
Lübecker Hypothekenbank AG, Lübeck	100 %
Investment banking and capital investment companies	
Capital Management International GmbH of Deutsche Bank, Frankfurt am Main	100 %
Deutsche Gesellschaft für Fondsverwaltung mbH, Frankfurt am Main	100 %
DWS Deutsche Gesellschaft für Wertpapiersparen mbH, Frankfurt am Main	93 %
Deutsche Bank Capital Corporation, New York	100 %
Deutsche Bank Capital Markets Ltd., London	100 %
Deutsche Bank Government Securities, Inc., New York	100 %
Deutsche Bank (Suisse) S.A., Geneva	100 %
Deutsche Capital Management Australia Ltd., Melbourne	100 %

	Group's capital share pursuant to § 16 Joint Stock Corp. Act
Deutsche Capital Markets Australia Ltd., Sydney	100 %
Internationale Investment Management Gesellschaft S.A., Luxembourg	100 %
McLean McCarthy Ltd., Toronto	100 %
MDM Sociedade de Investimento, S.A., Lisbon	100 %
Instalment financing companies and specialized institutions	
Deutsche Bank Bauspar-AG, Frankfurt am Main	98 %
EFGEE Gesellschaft für Einkaufs-Finanzierung mbH, Düsseldorf	100 %
GEFA Gesellschaft für Absatzfinanzierung mbH, Wuppertal	100 %
BAI Factoring S.p.A., Milan	100 %
Deutsche Credit Corporation, Deerfield/U.S.A.	100 %
Leasing companies	
ALD AutoLeasing D GmbH, Hamburg	51 %
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 %
Consultancy companies	
DB Consult GmbH, Frankfurt am Main	100 %
International financing companies	
Deutsche Bank Finance N.V., Curaçao	100 %
Deutsche Bank Financial Inc., Dover/U.S.A.	100 %
Deutsche Finance (Netherlands) B.V., Amsterdam	100 %
Other domestic and foreign companies	
Alma Beteiligungsgesellschaft mbH, Düsseldorf	100 %
DB Holdings Canada Inc., Toronto	100 %
Deutsche Portfolio Corporation, New York	100 %
Elektro-Export-Gesellschaft mbH, Nuremberg	100 %
Hessische Immobilien-Verwaltungs-Gesellschaft mbH, Frankfurt am Main	100 %
Matura Vermögensverwaltung mbH, Düsseldorf	100 %
McLeanco Holdings Ltd., Toronto	100 %
Süddeutsche Vermögensverwaltung GmbH, Frankfurt am Main	100 %
Trinitas Vermögensverwaltung GmbH, Frankfurt am Main	100 %

Breakdown of aggregate business volume, end of 1988

Deutsche Bank Group



Commercial banks

The business volume of *Deutsche Bank Berlin AG, Berlin,* rose 7.4% to DM 9.1 bn., the balance sheet total by 7.7% to DM 8.9 bn.

Total credit extended, at DM 4.5 bn., was 6.7% above the comparative value for the previous year. Claims on customers rose 8.0% to DM 3.7 bn. Cash advances to domestic corporate customers expanded 37.1% to DM 894 m. Claims on domestic private customers rose 3.6% to DM 2.3 bn., the lendings under the BauKreditSystem included in this figure grew by 4.5% to DM 1.4 bn.

The growth of 16.1% in claims on banks to DM 3.7 bn. related mainly to short-term deposits.

Funds from outside sources increased 7.2% to DM 7.8 bn.; DM 1.9 bn. of this concerned banks' deposits and DM 5.3 bn. customers' deposits. Savings deposits rose to DM 2.7 bn. (+4.7%). Own bonds and notes in circulation totalled DM 611 m.

The operating result increased 20.5%. The determining factors here were the improvement of profits from own-account trading in securities and the growth of commissions on securities business.

Appropriate provision was made for discernible and latent risks.

Of the net income for the year of DM 74.0 m., DM 37.0 m. was added to revenue reserves; it is proposed to the General Meeting that a further DM 13.0 m. be added to revenue reserves. The bank's capital and reserves will then amount to DM 637.0 m.

Deutsche Bank AG will receive a dividend of 20% on the share capital, which was increased on 25. 3. 1988 from company funds by DM 20.0 m. to DM 120.0 m.

Deutsche Bank Berlin AG has 79 business offices and employed 1,759 people at the end of the year.

Deutsche Bank Lübeck AG vormals Handelsbank, Lübeck, whose statement of accounts as of 31. 12. 1988 does not yet include the figures for Deutsche Bank's Lübeck Branch, which it had taken over, raised its business volume by 5.0% to DM 2.3 bn.

Total credit extended rose 6.1% to DM 1.2 bn. Customers' demand for fixed interest rate periods was reflected in growth of long-term loans by 13.3% to DM 825 m.; short and medium-term claims on customers fell by 13.6% to DM 324 m.

Provision was made for all discernible risks in lending business.

Funds from outside sources, at DM 2.0 bn., were 6.5% above the pre-year level; the savings deposits included here increased by 1.7% to DM 725 m.

The operating result improved by 15.5% owing to higher securities commission income and a reduction in general operating expenses.

Of the net income for the year of DM 6.0 m., DM 2.0 m. was added to revenue reserves. After this allocation and the capital increase in December 1988 for a total of DM 27.0 m., capital and reserves rose to DM 114.0 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, 691 people were employed by Deutsche Bank Lübeck AG vormals Handelsbank in 37 business offices.

Deutsche Bank Saar AG, Saarbrücken, recorded a rise in business volume of 3.0% to DM 2.1 bn.

Total credit extended by the bank, at DM 1.1 bn. at the end of 1988, was 5.0% above the pre-year level. Claims on customers increased 7.3% to DM 990 m. Lendings to domestic private customers rose by 6.8% to DM 584 m. owing to the continuing strong demand for long-term consumer and building financing loans. Loans to domestic corporate customers remained almost unchanged at DM 364 m.

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

Funds from outside sources rose 4.3% to DM 1.7 bn.; customers' deposits, at DM 1.1 bn., were slightly below the pre-year figure.

Thanks to higher securities commission income in particular, the operating result improved by 1.3%.

Of the net income for the year of DM 8.9 m., DM 4.0 m. was added to revenue reserves. Capital and reserves then amounted to DM 87.0 m.

It is proposed to the General Meeting that a dividend of DM 7 per share in the nominal amount of DM 50 be distributed.

As at year's end, the number of staff employed in 17 business offices was 478.

Banca d'America e d'Italia S.p.A., Milan (BAI), achieved a fully satisfactory result.

After the scheduled closure of the Milan Branch of Deutsche Bank AG, the Group's business interests in Italy were concentrated at BAI.

Balance sheet total grew by 4.6% compared with the end of 1987 to Lit 7,248.5 bn. (DM 9.8 bn.). This expansion is due largely to the rise of 26.1% in loans to customers to Lit 3,672.8 bn. (DM 5.0 bn.). Interbank business was reduced and securities holdings were scaled down. Customers' deposits rose by 8.8% to Lit 4,418.9 bn. (DM 6.0 bn.); roughly 82% of this related to private customers.

An above-average development was recorded by the credit card marketed under the name BankAmericard. The number of contract companies was expanded by 24%, turnover by 29%.

After taking into account the necessary risk provisioning and income taxes, there remained net income for the year of Lit 37.7 bn. (DM 51.2 m.), up by 7.1%, which will be added to reserves. Total capital and reserves then amount to Lit 483.6 bn. (DM 656.2 m.).

As at year's end, the bank employed 2,958 people.

The business of *Deutsche Bank (Asia Credit) Ltd., Singapore,* was reduced in 1988 within the framework of the reorganization of Group activities in the Southeast Asian region and transferred to the local branch of Deutsche Bank AG. At the present time, the company does not engage in active business activity; the reduction of its capital to Sing$ 3.0 m. was initiated.

Deutsche Bank Australia Ltd., Melbourne – consolidated with its 100% subsidiaries Deutsche Capital Markets Australia Ltd. and Deutsche Capital Management Australia Ltd. – achieved strong growth despite difficult market conditions. The combined balance sheet total increased 33% to A$ 1.1 bn. (DM 1.7 bn.), total credit extended increased by 65% to A$ 0.9 bn. (DM 1.4 bn.).

The company further developed its links with leading Australian, German and multinational groups, and strengthened its position as an efficient market participant in money market business and foreign exchange dealing.

With the successful placement of two euro A$ bond issues for a total of A$ 195 m. and the floating of a commercial paper programme up to an amount of A$ 300 m. in Hong Kong, its funding basis was substantially improved. Investment banking activities received a major reinforcement by the acquisition, completed in January 1989, of a 50% share in Bain & Company Ltd., Sydney, one of the most important investment banking groups in the Australian market.

Net income for the year rose to A$ 1.9 m. (DM 2.9 m.) and will be carried forward to new account. Including the capital increase of A$ 50 m. in December 1988, capital and reserves were reported as at year's end in the amount of A$ 127.8 m. (DM 194.6 m.).

The number of employees was 99.

Deutsche Bank (Canada), Toronto, strongly expanded its volume in the financial year which ended on October 31, 1988. Balance sheet total increased 47% to Can$ 1.1 bn. (DM 1.6 bn.). Lendings to non-banks rose by 34% to Can$ 0.6 bn. (DM 0.9 bn.). The number of links with corporate and private customers was substantially increased. As at mid-year, the remaining shares in the securities broker McLean McCarthy Ltd., Toronto, were taken over. The shares are held via holding companies, DB Holdings Canada Inc. and McLeanco Holdings Ltd.

The net income for the year of Can$ 3.3 m. (DM 4.7 m.), which represented a substantial improvement on the previous financial year, was added to reserves, like the prescribed writing back of the collective adjustments formed up to October 1987 in the amount of Can$ 3.4 m. (after tax).

Capital and reserves increased, therefore, to a total of Can$ 65.1 m. (DM 94.5 m.).

The number of staff rose to 41.

At *Deutsche Bank Luxembourg S.A., Luxembourg,* traditional euroloan business picked up. The number of customer relationships – in particular with industrial addresses in the North European region – increased further. Lendings to non-banks expanded by 5.5% to LF 123.9 bn. (DM 5.9 bn.). Private customer business, begun in 1987, developed very successfully, with considerable deposit growth being recorded. New services introduced last year, in addition to those already existing, were asset management and portfolio management for institutional investors. The company intensified its own-account trading activities and assumed a market-maker function for euro-peseta and euro-escudo bonds. In issuing business, Deutsche Bank Luxembourg S.A. has become an active participant in the Luxembourg franc market as co-manager and co-lead manager.

The rise in balance sheet volume of 31.9% to LF 654.5 bn. (DM 31.1 bn.) was largely due to brisker new lending business and increased money market activities.

The operating result improved 9.1% to LF 5.3 bn. (DM 250.6 m.).

Net income for the year doubled to LF 3.2 bn. (DM 150 m.).

It is proposed to the Ordinary General Meeting that a dividend of 24% (LF 1.2 bn.) be distributed and that the remaining profit be used to strengthen the free reserve. Share capital and disclosed reserves will then amount to LF 13.7 bn. (DM 650 m.).

As at year's end, 125 staff were employed.

DB (Belgium) Finance S.A./N.V., Brussels, expanded its business volume in 1988 by 72% to BF 19.6 bn. (DM 933 m.).

The subsidiary bank specializes in international lending business. At the same time, it grants long-term loans to Belgian companies and engages in securities trading. It increased lendings by BF 11.8 bn. to BF 14.1 bn. (DM 670.5 m.).

The net income for the year of BF 34.5 m. (DM 1.6 m.) will be added to reserves, as in the previous year. Capital and reserves will then amount to BF 266.6 m. (DM 12.7 m.).

The activities of *DB U.K. Finance p.l.c., London,* were concentrated as before on international lending business. The balance sheet total increased 56% to £ 792 m. (DM 2.5 bn.); close on 90% of this related to the lending volume. Furthermore, the company engages in precious metals trading.

Net income for the year amounted to £ 2.2 m. (DM 6.9 m.) and will be added in full to reserves; capital and reserves will then amount to £ 18.7 m. (DM 59.8 m.).

Mortgage banks

At *Deutsche Centralbodenkredit-Aktiengesellschaft, Cologne-Berlin,* loan commitments fell 17.9% to DM 3.1 bn. The total volume of loans concluded in 1988 – including prolongations – amounted to DM 4.9 bn. (−2.9%). New mortgage business at DM 1.5 bn. was 17.5% below that of the previous year and consisted of new residential building (DM 201 m.), existing properties (DM 393 m.) and commercial buildings (DM 920 m.). Commitments in communal loan business fell to DM 1.5 bn. (−18.3%).

Of the mortgage loans whose terms and conditions were due for revision, 75.9% were prolonged.

For the refinancing of new business, funds in the sum of DM 4.5 bn. were taken up, of which DM 2.3 bn. came from the sale of mortgage bonds, DM 1.7 bn. from the sale of communal bonds, and DM 0.4 bn. from loans taken up.

The loan portfolio amounted to DM 27.8 bn. (+1.1%), of which DM 12.6 bn. related to mortgage loans and DM 15.2 bn. to communal loans.

Balance sheet total rose 1.3% to DM 29.6 bn.

The partial operating result, at DM 166.4 m., was 3.3% above the pre-year level.

After provisioning for risk, net income for the year amounted to DM 55.2 m. Of this, DM 27.0 m. was added to revenue reserves. It is to be proposed to the General Meeting that a further DM 8.0 m. from the distributable profit of DM

28.2 m. be added to revenue reserves and that an unchanged dividend of DM 12 per share in the nominal amount of DM 50 be distributed. Capital and reserves will then amount to DM 738.0 m.

There were 449 staff employed at the head office and 11 business offices.

At *Frankfurter Hypothekenbank Aktiengesellschaft, Frankfurt am Main,* loan commitments came to DM 3.2 bn. (−14.4%). Taking into account the agreements prolongated in the year under review in the amount of DM 3.0 bn., total loan business concluded amounted to DM 6.2 bn. (+6.4%).

New mortgage business, at DM 1.5 bn., was only slightly below the pre-year level; here, DM 101 m. related to new properties, DM 436 m. to existing properties, and DM 968 m. to commercial financings.

Commitments in communal loan business declined 22.2% to DM 1.7 bn.

The prolongation ratio for mortgage loans was 81%. The loan portfolio stood at DM 27.7 bn., of which mortgage loans constituted DM 14.2 bn. and communal loans DM 13.5 bn.

Gross sales of bonds and loans taken up came to DM 4.5 bn. and were spread over mortgage bonds (DM 1.8 bn.), communal bonds (DM 2.2 bn.) and other bonds sold and loans taken up (DM 0.5 bn.).

Balance sheet total increased 3.2% to DM 30.3 bn.

Adequate provision was made for all discernible risks.

With a rise in the interest surplus and lower staff and other operating expenses, the partial operating result improved by DM 22.2 m. (+11.4%) to DM 216.9 m.

Of the net income for the year of DM 61.5 m., DM 30.0 m. was added to revenue reserves. It is proposed to the General Meeting that the revenue reserves be increased by a further DM 10.0 m. Capital and reserves will then amount to DM 741.8 m. The payment of a dividend of DM 12 per share in the nominal amount of DM 50 is proposed for the 1988 financial year.

Frankfurter Hypothekenbank AG maintains 11 business offices and as at year's end employed 448 members of staff.

Lübecker Hypothekenbank AG, Lübeck, increased its loan commitments in the new business sector by 1.5% to DM 1.2 bn. Taking into account agreements prolongated in 1988, loan business in the amount of DM 1.7 bn. (+4.5%) was concluded. New mortgage business increased again compared with the previous year and reached a volume of DM 851 m., of which DM 635 m. was in residential building and DM 217 m. in commercial building. In the communal loan sector, new business decreased 13.5% to DM 333 m.

Of the loans whose terms and conditions were due for revision, 75.9% were prolongated.

The loan portfolio expanded 6.8% to DM 8.3 bn., of which DM 5.9 bn. related to mortgage loans and DM 2.4 bn. to communal loans.

To fund its assets-side business, the bank sold mortgage bonds for DM 1.1 bn. and communal bonds for DM 274 m.

Balance sheet total increased 6.9% to almost DM 9.0 bn.

The partial operating result, at DM 72.8 m. (−2.0%), was only slightly below the previous year.

After the formation of provisions for risk, there remained net income for the year in the amount of DM 26.2 m. Of this, DM 13.0 m. was added to revenue reserves, and a further DM 7.0 m. is to be allocated after resolution of the General Meeting. The reported capital and reserves of the bank will then amount to DM 227.0 m.

Payment of a dividend of DM 12 per share in the nominal amount of DM 50 is planned for the 1988 financial year.

At its central office and at 11 business offices, Lübecker Hypothekenbank AG employs 231 members of staff.

Investment banking and capital investment companies

Capital Management International GmbH of Deutsche Bank, Frankfurt am Main, which engages in international portfolio management mainly for institutional investors, was able to expand its number of clients in 1988, too.

The fund volume under management amounted to DM 4.0 bn.; the after-tax result was negative at −DM 226,000 after considerable recruitment.

As at year's end there were 44 members of staff.

The fund assets managed by *Deutsche Gesellschaft für Fondsverwaltung mbH (DEGEF), Frankfurt am Main,* increased again in the past financial year; as at the end of 1988 they came to DM 16.1 bn. (end of 1987: DM 12.8 bn.). The number of funds managed was increased to 219 (previous year: 195).

By resolution of the shareholders' meeting, the capital was increased at the beginning of 1989 from revenue reserves by DM 5.0 m. to DM 25.0 m., and a dividend distribution in the amount of DM 5.0 m. has been made for the 1987/88 financial year.

As at year's end there were 26 members of staff.

DWS Deutsche Gesellschaft für Wertpapiersparen mbH, Frankfurt am Main, booked a net inflow of funds in 1988 in the amount of DM 2.4 bn. (previous year: DM 2.5 bn.) from new sales of certificates of the 24 retail securities funds which it manages. The favourable development of values in the funds led to a rise in total assets of a good DM 3.7 bn. to almost DM 20.8 bn. A total of DM 1.4 bn. was distributed to certificate-holders in the year under review.

After a reorganization of the shareholder structure in the 1988 financial year, 93% of the capital of DWS in the sum of DM 50.0 m. is now held within the Group. Including the strengthening of revenue reserves by DM 4.0 m. from the annual result, the total capital and reserves of DWS amounted to DM 118.0 m. as at December 31, 1988. For the 1987/1988 financial year, which ended on September 30, a dividend of 6% was distributed.

The number of employees was 95.

Deutsche Bank Capital Corporation, New York, continued to develop its position among the international competitors on Wall Street in 1988. The result from securities trading business, which has been decreasing since October 1987, was almost balanced out by increased activities in other business sectors. Portfolio management and property investment business was intensified and generated good results. Despite strong competition, our subsidiary participated successfully in the still expansive mergers & acquisitions business in the U.S.A. Close cooperation developed, particularly in the field of research and in trading in Canadian and American securities, with the Canadian broker company McLean McCarthy, which also belongs to Deutsche Bank Group.

The increase in balance sheet total is due to the capital resources of the subsidiaries Deutsche Bank Government Securities, Inc. and Deutsche Portfolio Corporation.

Owing to strategic investment in staff and operating capacity, the reporting year closed with a loss of $ 0.5 m. (DM 0.9 m.). As at year's end, capital and reserves were reported at $ 106 m. (DM 188 m.).

At the end of 1988, the number of staff was 283.

Deutsche Bank Government Securities, Inc., New York, a 100% subsidiary of Deutsche Bank Capital Corporation, began operations in the last quarter of 1988. The company specializes in trading in U.S. Treasury bonds, with securities loans and repos in this paper being major components of its activities. The company is aiming for primary dealer status in this biggest market for Treasury bonds.

For the abbreviated financial year there was a start-up loss of $ 1.6 m. (DM 2.8 m.). At year's end the balance sheet volume was $ 4.0 bn. (DM 7.1 bn.); including a subordinate loan of $ 50 m., the reported capital and reserves amounted to $ 98.5 m. (DM 175.3 m.). As at the reporting date, the company employed 41 people.

The Canadian securities broker *McLean McCarthy Ltd., Toronto,* was fully integrated into Deutsche Bank Group in the course of 1988 through our 100% subsidiary Deutsche Bank (Canada), Toronto.

The company is primarily oriented towards serving institutional investors; its activities are centred on securities trading and issuing business. In addition, a corporate finance sector was set up in 1988.

At the end of the financial year – 31. 10. 1988 – the balance sheet total stood at Can$ 72 m. (DM 105 m.). Higher staff investment led to a reported loss of Can$ 1.4 m. (DM 2.1 m.). After inclusion of the loss, capital and reserves – including subordinate loans – totalled Can$ 2.6 m. (DM 3.8 m.).

As at balance sheet date, 53 people were employed with the company.

Deutsche Bank Capital Markets Ltd., London, made a further important contribution in 1988, in issuing business and in bond and equity trading, to Deutsche Bank Group's investment banking activities.

With an increase of roughly 46% in the euro-issuing volume under its lead management to the equivalent of $ 3.8 bn. (DM 6.8 bn.), the company had an above-average share in the growth of euroissues (+21%).

In addition to its traditionally strong position in the dollar sector, substantially more management mandates were secured, particularly in the Can$ and ECU segments.

The 1988 financial year closed with a loss of £ 3.7 m. (DM 11.9 m.). After a capital increase of £ 10.0 m., the company's capital amounts to £ 50.0 m. (DM 160.3 m.).

At year's end, the staff numbered 191.

In the past financial year, *Deutsche Bank (Suisse) S.A., Geneva,* substantially expanded its business base.

In mid-1988 it opened a branch in Lugano. In autumn, Deutsche Bank (Suisse) S.A. became a member of the Swiss big bank syndicate for Swiss franc bond issues of foreign borrowers.

In the year under review it participated in a total of 105 Swiss franc bonds of foreign issuers. Its presence in securities, foreign exchange and precious metals dealing was developed consistently; for certain Swiss-franc-denominated bonds, notes and warrants, our subsidiary bank began activities as a market maker.

Its portfolio management volume was increased further. The 7.6% rise in balance sheet total to SF 784 m. (DM 952 m.) resulted in roughly equal parts from the expansion of lending business and the increase in its securities holdings.

Of the net income for the year of SF 7.1 m. (DM 8.4 m.), SF 1.1 m. will be added to reserves after payment of a dividend of 6% (SF 6.0 m.); capital and reserves will then amount to SF 111.4 m. (DM 131.5 m.).

The number of employees increased by 28 to 209 as at the end of 1988 owing to the expansion of business.

After the takeover of the remaining shares, the Portuguese investment bank *MDM Sociedade de Investimento, S.A., Lisbon,* became a fully-owned subsidiary of Deutsche Bank AG in spring 1988.

MDM operates in particular in issuing business and in securities trading as well as in medium and long-term corporate finance. Over and above that, the company offers domestic and foreign investors advice and support in setting up and acquiring companies in Portugal.

The balance sheet total rose 56% compared with the end of 1987 to Esc 12.9 bn. (DM 156 m.), with total credit extended more than doubling to Esc 8.7 bn. (DM 106 m.).

Of the net income for the year in the amount of Esc 202.6 m. (DM 2.5 m.), Esc 20.3 m. (DM 245,000) will be added to legal reserves, a further Esc 171.3 m. (DM 2.1 m.) is to be added to revenue reserves. Capital and reserves will then amount to Esc 1.2 bn. (DM 14.5 m.).

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

Internationale Investment Management Gesellschaft S.A. (IIM), Luxembourg, was set up in 1987 by Deutsche Bank Luxembourg S.A., Luxembourg, and DWS Deutsche Gesellschaft für Wertpapiersparen mbH, Frankfurt am Main, with 50% each.

As a capital investment company it engages in administering the investment funds it launches in

Luxembourg, and in marketing their certificates. In the year under review it recorded an inflow of DM 7.5 bn., particularly for the European bond fund EURORENTA, launched in 1987. Together with the two other IIM funds, DOLLARRENTA and DM RESERVE FONDS, the company received a total of DM 7.9 bn. last year. By year's end, the fund assets under management by the company had risen to roughly DM 8.6 bn.

Of the net income for the year in the amount of DM 33.7 m., DM 1.2 m. had to be added to legal reserves; a distribution of DM 6.0 m. is planned. DM 26.5 m. is to be carried forward to new account. Including the result carried forward, capital and reserves amount to DM 39.7 m.

Instalment financing companies and specialized institutions

GEFA Gesellschaft für Absatzfinanzierung mbH, Wuppertal, increased its new lendings in credit business by 7.0% to DM 1.4 bn. Mainly commercial vehicles and machinery of all kinds were financed for small and medium-sized customers. In factoring business, the volume of claims bought increased strongly.

Taken in total, receivables expanded 19.2% to DM 2.4 bn. Provision was made for all discernible risks.

Balance sheet total grew by DM 366 m. to DM 2.6 bn.

The operating result was 8.6% above that of the previous year. DM 13.0 m. was added to revenue reserves. Taking into account the capital increase for cash carried out in July 1988 for DM 15.0 m., capital and reserves amount to DM 153.0 m. Under the existing profit-transfer agreement, Deutsche Bank AG received DM 22.7 m.

GEFA employed 470 people as at year's end and had 22 business offices in the Federal territory.

At *EFGEE Gesellschaft für Einkaufs-Finanzierung mbH, Düsseldorf,* new business in consumer financings was 3.1% above the comparative figure for the previous year, a satisfying result given the strong competition. Lending volume reached DM 255 m. (+5.4%). There is a profit-transfer agreement between EFGEE and GEFA Gesellschaft für Absatzfinanzierung mbH.

In the U.S.A., *Deutsche Credit Corporation, Deerfield,* provides asset-based medium and long-term dealer and end-user financings. At the same time, it is also active in leasing business. Clients in the principal U.S. business centres are served through 10 representative offices. Financing the U.S. business of customers of Deutsche Bank AG still has special importance.

In the past financial year, considerable growth was achieved both in lending and in leasing business. Balance sheet total rose 14% to $ 618 m. (DM 1.1 bn.), the financing volume grew 13% to $ 603 m. Compared with the previous year, the operating result was increased by roughly 60%. After risk provisioning and taxation there was net income for the year of $ 1.5 m. (DM 2.6 m.), which is to remain with the company. Capital and reserves will then amount to $ 14.0 m. (DM 24.9 m.).

The number of employees was 151.

Deutsche Credit Services Inc., Dover/U.S.A., which, as holding company, held the shares in Deutsche Credit Corporation, was merged with the latter at the end of 1988 owing to a change in the organizational basis.

BAI Factoring S.p.A., Milan, a 100% subsidiary of Banca d'America e d'Italia S.p.A., commenced business operations in June 1988.

As at year's end, its portfolio of claims from factoring deals amounted to Lit 150.4 bn. (DM 204 m.); balance sheet total came to Lit 294.1 bn. (DM 399 m.).

The net profit of Lit 34.5 m. (DM 47,000) will be carried forward to new account after the formation of legal reserves of Lit 1.7 m.

The company has share capital of Lit 5.0 bn. (DM 6.8 m.) and employs 17 staff.

Deutsche Bank Bauspar-AG, Frankfurt am Main, after strong growth in 1988, reached a balance sheet total of DM 323 m. (end of 1987: DM 111 m.). In the second year of its business activity, 111,527 building savings agreements with a contract volume of DM 2.4 bn. were concluded, with customers again deciding for the most part in favour of long-term saving. With respect to new business, Deutsche Bank Bauspar-AG has already attained a position in the upper third among the building and loan associations. At the end of 1988, building savings deposits were reported in an amount of DM 284 m. (previous year DM 71 m.).

Under a cooperation agreement, Zürich Versicherungs-Gesellschaft, Frankfurt am Main, acquired a 2% share in Deutsche Bank Bauspar-AG.

A small start-up loss, within the scope of planning, arose in the second financial year, too; capital and reserves amounted as before to DM 30 m.

At the end of the year the company had 91 employees.

Leasing companies

At *GEFA-Leasing GmbH, Wuppertal*, new commitments were slightly higher than in the previous year at DM 725 m. The lion's share again related to equipment from the information technology sector; car and machine leasing increased again.

The leasing volume rose to DM 1.8 bn. Leased assets grew by DM 48 m. to DM 1.4 bn.

Despite a 7.5% fall, the operating result remained at a satisfactory level. Account was taken of all discernible risks. GEFA Gesellschaft für Absatzfinanzierung mbH received DM 21.1 m. under the profit-transfer agreement. Reported capital and reserves amount to an unchanged DM 55.0 m.

The company has no staff of its own; against consideration, GEFA Gesellschaft für Absatzfinanzierung mbH provides staff for the conduct of its business activity.

ALD AutoLeasing D GmbH, Hamburg, reached a share of more than 10% in the overall car leasing market in the Federal Republic of Germany in 1988. Its leasing stock of 113,281 (previous year 104,125) vehicles corresponded to a purchase value of DM 1.8 bn. (+18.5%). In 1988 there were 53,752 new vehicle leasings; this gave the company a share of 1.88% in total new registrations in the Federal Republic of Germany. The purchase value of these vehicles was DM 874 m. Half of this new increment related to private leasing and half to commercial leasing.

Account was taken of all discernible and latent risks by means of appropriate provisioning.

Turnover rose 16.9% to DM 840 m., balance sheet total was close on DM 1.5 bn. (previous year DM 1.3 bn.).

The operating result was sustained at the previous year's level.

DM 8.4 m. from the distributable profit of the previous year and a further DM 1.8 m. from net income for 1988 in the sum of DM 17.8 m. were added to revenue reserves; capital and reserves then amounted to DM 48.8 m.

A distribution to shareholders in the amount of DM 4.8 m. is planned for the 1988 financial year.

As at year's end, ALD employed 338 people.

Deutsche Gesellschaft für Immobilien-Leasing mbH, Cologne, achieved a satisfactory result on its property portfolio in 1988, too.

DB Export-Leasing GmbH, Frankfurt am Main, booked a strong rise in business volume through new business in the amount of DM 285 m. The growth was generated as a result of large-scale projects and to an increasing extent by international vendor leasing within the framework of the existing cooperation agreements.

Balance sheet total rose from DM 419 m. to DM 642 m. There is a profit-transfer agreement between DB Export-Leasing GmbH and Deutsche Bank AG.

BAI Leasing S.p.A., Milan, a 100% subsidiary of Banca d'America e d'Italia S.p.A., saw a gratifying expansion of business in 1988. The number of new leasing contracts concluded rose 70%, the volume expanded 54% to Lit 159 bn. (DM 216 m.). The leasing items increased by Lit 86 bn. to Lit 352 bn. (DM 478 m.); balance sheet total increased 7.7% to Lit 402.9 bn. (DM 547 m.).

After risk provisioning and the formation of tax provisions, there remained a 28% higher net income for the year at Lit 451.3 m. (DM 612,000), of which Lit 403 m. is to be distributed and Lit 48.3 m. added to reserves. Capital and reserves will then amount to Lit 6.7 bn. (DM 9.1 m.).

As at year's end the company employed 81 people.

Consultancy companies

In its fourth complete financial year, DB Consult GmbH, Frankfurt am Main, has further strengthened its leading position in the Federal Republic of Germany in the provision of consultancy services in connection with company sales and mergers. Over and above that, the Group's international mergers and acquisitions activities have been concentrated organizationally at the company since the beginning of 1989. The fee volume came to DM 28 m. in 1988.

International financing companies

The total volume of the refinancing funds taken up by the following financing companies and passed on to Group companies rose in 1988 by the equivalent of DM 5.2 bn. to DM 16.6 bn.

In the past financial year, *Deutsche Bank Finance N.V., Curaçao,* floated 10 new bond issues in various currencies for the equivalent of more than DM 3.1 bn. The total volume of funds passed on to Group banks was DM 8.8 bn. at year's end. Lending business with banks and non-banks outside the Group was intensified. In this connection, the share capital was increased in December 1988 from $ 1.0 m. to $ 5.0 m. (DM 8.9 m.). Net income for the year was $ 0.4 m. (DM 0.7 m.).

The balance sheet total in the sum of $ 5.3 bn. (DM 9.4 bn.) was lower compared with the previous year after bonds in the amount of DM 4.3 bn. had been transferred in 1988 by way of debtor substitution to the sister company, *Deutsche Finance (Netherlands) B.V., Amsterdam,* domiciled in the Netherlands. This company, which was consolidated for the first time and which also carries out functions in the long-term funding of Deutsche Bank Group, received capital of Guil 5.0 m. (DM 4.4 m.); in December 1988 it floated its first bond issue for DM 750 m.

Deutsche Bank Financial Inc., Dover/U.S.A., raises short-term funds on the U.S. market through the issuance of commercial paper and passes them on to Group companies in the U.S.A. The commercial paper volume outstanding at the end of 1988 in the amount of roughly $ 2 bn. (DM 3.5 bn.) was close on $ 0.7 bn. higher than on the previous year's balance sheet date.

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. Among other things, the company is temporarily holding 98% of the share capital of Klöckner & Co AG. As of 31. 12. 1988, capital was DM 1.0 m. and the balance sheet total stood at DM 425.5 m.

Hessische Immobilien-Verwaltungsgesellschaft mbH, Frankfurt am Main, is the owner of land and buildings let primarily to Deutsche Bank AG; they include the training centre of Deutsche Bank AG in Kronberg/Taunus. There is a profit-transfer agreement between Hessische Immobilien-Verwaltungsgesellschaft 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-Gesellschaft mbH, Nuremberg, a 100% subsidiary of Süddeutsche Vermögensverwaltung GmbH, operates in the export financing of electronic products.

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, exercises functions which supplement the latter's business activities.

Non-consolidated companies

The aggregate balance sheet total of the following domestic Group companies amounted, in the last financial year for which a statement of accounts was submitted, to DM 1,048 m., which corresponds to 2.9‰ of the consolidated balance sheet total. Owing to their minor importance for the assets and income situation of the Group, these companies were not included in the Consolidated Statement of Accounts pursuant to Section 329 (2) Joint Stock Corporation Act (old version):

Wilh. Ahlmann GmbH, Kiel

"Alwa" Gesellschaft für Vermögensverwaltung mbH, Hamburg

Astra Gesellschaft zur Verwaltung eigener Grundstücke mbH, Regensburg

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 Datenbanken GmbH, Heidelberg

CADMUS Vermietungsgesellschaft mbH, Düsseldorf

CALOR Vermietungsgesellschaft mbH, Düsseldorf

CAMPANIA Vermietungsgesellschaft mbH, Düsseldorf

CANDOR Vermietungsgesellschaft mbH, Düsseldorf

CGT Canada Grundbesitz Treuhand GmbH, Frankfurt am Main

ComCo Datenanlagen GmbH & Co. KG, Korntal-Münchingen

ComCo Verwaltungsgesellschaft mbH, Korntal-Münchingen

degab Deutsche Gesellschaft für Anlageberatung mbH, Frankfurt am Main

Deutsche Beteiligungs AG Unternehmensbeteiligungsgesellschaft, Königstein (Taunus)

Deutsche Beteiligungsgesellschaft mbH, Frankfurt am Main

Deutsche Canada-Grundbesitzverwaltungsgesellschaft mbH, Frankfurt am Main

Deutsche Grundbesitz-Anlagegesellschaft mbH & Co. Löwenstein Palais, Cologne

Deutsche Gesellschaft für Mittelstandsberatung mbH, Munich

Deutsche Immobilien Anlagegesellschaft mbH, Frankfurt am Main

Deutsche Vermögensbildungsgesellschaft mbH, Bad Homburg v. d. H.

Deutscher Beteiligungsfonds I GbR, Frankfurt am Main

DIL Grundstücksgesellschaft für Verwaltungs- und Lagergebäude mbH, Düsseldorf

"Domshof" Beteiligungs-Gesellschaft mbH, Bremen

MS "Essen" Schiffahrts-Gesellschaft mbH, Bremen

Essener Grundstücksverwertung Dr. Ballhausen, Dr. Bruens, Dr. Möller KG, Essen

Fefa Beteiligungsgesellschaft mbH, Frankfurt am Main

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

Grüfa Beteiligungsgesellschaft mbH, 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

Haba Beteiligungsgesellschaft mbH, Frankfurt am Main

Hochhaus und Hotel Riesenfürstenhof Aufbaugesellschaft mbH, Frankfurt am Main

Hypotheken-Verwaltungs-Gesellschaft mbH, Berlin

Immobiliengesellschaft der Deutschen Bank mbH, Frankfurt am Main

Immobilien-Gesellschaft in Lübeck GmbH, Lübeck

IZI Bielefeld Informations-Zentrum Immobilien GmbH, Bielefeld

IZI Dortmund Informations-Zentrum Immobilien GmbH, Dortmund

JG Japan Grundbesitzverwaltungsgesellschaft mbH, Frankfurt am Main

Kapital-Beteiligungs- und Verwaltungsgesellschaft Norden mbH, Lübeck

Heinz Langer Versicherungsdienst GmbH, Stuttgart

Mago Beteiligungsgesellschaft mbH, Frankfurt am Main

"modernes Frankfurt" private Gesellschaft für Stadtentwicklung mbH, Frankfurt am Main

Nordhamburgische Bauträgergesellschaft mbH, Hamburg

Nordwestdeutscher Wohnungsbauträger GmbH, Braunschweig (profit-transfer agreement with Deutsche Bank AG)

Pafa Beteiligungsgesellschaft mbH, Frankfurt am Main

Peina Grundstücksverwaltungsgesellschaft mbH, Düsseldorf

Saarländische Immobilien-Gesellschaft mbH, Saarbrücken

SB Bauträger GmbH, Frankfurt am Main

SB Bauträger GmbH u. Co. Urbis Hochhaus-KG, Frankfurt am Main

SB Bauträger GmbH u. Co. Urbis Verwaltungs-KG, Frankfurt am Main

Schisa Grundstücksverwaltungsgesellschaft mbH, Düsseldorf

Selekta Grundstücksverwaltungsgesellschaft mbH, Düsseldorf

Stafa Beteiligungsgesellschaft mbH, Frankfurt am Main

Süddeutsche Bank GmbH, Frankfurt am Main

Tauernallee Grundstücksgesellschaft mbH, Berlin

Terraingesellschaft Gross-Berlin GmbH, Berlin

Transgermania Verwaltungsgesellschaft mbH, Hamburg

Franz Urbig- und Oscar Schlitter-Stiftung GmbH, Frankfurt am Main

Westend Grundstücksgesellschaft mbH, Lübeck

WfG Deutsche Gesellschaft für Wagniskapital mbH, Frankfurt am Main

WINWE Beteiligungsgesellschaft mbH, Frankfurt am Main

Wohnbau-Beteiligungsgesellschaft mbH, Lübeck

Wohnungsbaugesellschaft Lubeca GmbH, Lübeck

Foreign Group companies with an overall balance sheet total – according to the last available statement of accounts – of DM 580 m. (1.6‰ of consolidated balance sheet total) were similarly not consolidated owing to minor importance. Also not included in the Consolidated Statement of Accounts was the banking house H. Albert de Bary & Co. N.V., Amsterdam. The partipation in this subsidiary was increased from 50% to 100% only shortly before the end of the financial year; uniform direction did not yet pertain.

The following domestic companies 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

Roland Berger Verwaltungsgesellschaft mbH, Munich, and related companies

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

Kistra Beteiligungsgesellschaft mbH, Frankfurt am Main

Klöckner & Co AG, Duisburg, and related companies

Rossma Beteiligungsgesellschaft mbH, Frankfurt am Main

Team Fenster & Türen Vertriebs GmbH, Leonberg

WERU Beteiligungsgesellschaft mbH, Rudersberg

WERU GmbH & Co. KG, Rudersberg

WERU GmbH & Co. Fensterfabrikations-KG, Rudersberg

At these companies, no business transactions capable of materially affecting the situation of Deutsche Bank AG were registered. Business relations with these companies do not go beyond the normal services provided by the Group.

Principles of consolidation

The Consolidated Balance Sheet and 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 Group companies 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 provisions were required. Interim statements as at 31. 12. 1988 were drawn up pursuant to Section 331 (3) Joint Stock Corporation Act (old version) for six companies with a different financial year. Their structure, insofar as the companies concerned are domestic enterprises, complies with the provisions of the Commercial Code. 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, capital reserves and revenue 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. Intercompany profits were eliminated.

Amounts received by the parent company during the year under review from holdings in consolidated members of the Group and representing distributions from 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 to the Consolidated Balance Sheet

Liquidity

The cash reserve (cash on hand, balances with Deutsche Bundesbank and on postal giro accounts) decreased owing to a reduction of the balance with Deutsche Bundesbank by DM 3.4 bn. to DM 4.8 bn. With a 17.9% increase in liabilities (excluding long-term mortgage bank liabilities), cash liquidity (cash reserve as a percentage of liabilities) came to 2.2% compared with 4.4% at the end of 1987.

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) stood at DM 32.2 bn., which was DM 1.7 bn. above the comparative figure for 1987. Overall liquidity (total liquid funds as a percentage of liabilities) fell to 14.7% as of 31.12. 1988 (end of 1987: 16.4%).

Assets

Treasury bills, securities

Securities holdings including Treasury bills had increased as of the end of 1988 by DM 3.7 bn. to DM 25.1 bn.

Treasury bills and discountable Treasury notes rose by DM 752 m. to DM 3.9 bn. The holdings consisted mainly of paper of foreign issuers.

Bonds and notes, at a total of DM 15.8 bn. (thereof DM 7.9 bn. = 49.9% eligible as collateral for Deutsche Bundesbank advances), were DM 2.7 bn. above the pre-year figure. Bonds of foreign issuers accounted for 51% of the total.

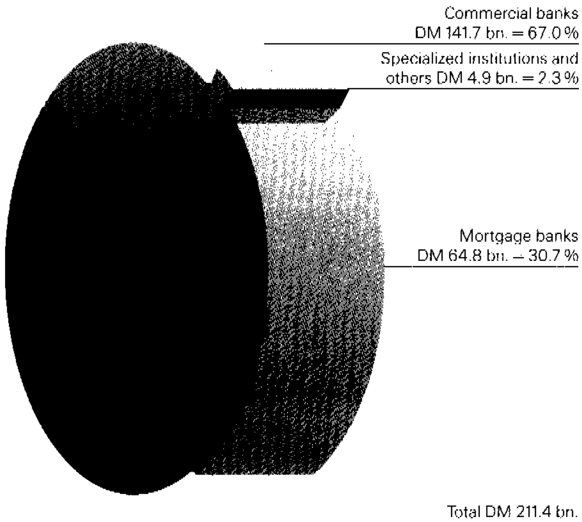
Securities not to be shown elsewhere – shares and investment fund certificates – increased by DM 197 m. to DM 5.5 bn. The rise of DM 369 m. in other securities stems primarily from the temporary takeover of 98% of the share capital of Klöckner & Co AG by Alma Beteiligungsgesellschaft mbH.

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 compared with 31.12. 1987 by DM 19.9 bn. (+10.4%) to DM 211.4 bn. Deut-

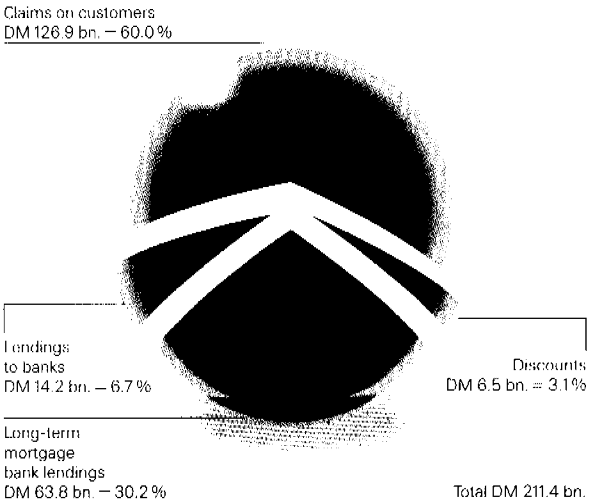
Total lending, by Group companies, end of 1988
Deutsche Bank Group



Total credit extended	End of 1988 DM m.	% share	End of 1987 DM m.	% share	Change DM m.	%
Claims on customers						
short and medium-term	64,543	30.5	54,550	28.5	+ 9,993	+ 18.3
long term (4 years or more)	62,400	29.5	54,597	28.5	+ 7,803	+ 14.3
	126,943	60.0	109,147	57.0	+ 17,796	+ 16.3
Long-term mortgage bank lendings	63,751	30.2	62,230	32.5	+ 1,521	+ 2.4
Discounts	6,502	3.1	6,287	3.3	+ 215	+ 3.4
Lendings to banks						
short and medium-term	6,320	3.0	7,060	3.7	− 740	− 10.5
long-term (4 years or more)	7,885	3.7	6,771	3.5	+ 1,114	+ 16.5
	14,205	6.7	13,831	7.2	+ 374	+ 2.7
Total credit extended	211,401	100.0	191,495	100.0	+ 19,906	+ 10.4

sche Bank AG had a major share in this growth; the foreign branches in particular recorded strong expansion of their lending business. The foreign commercial banks and Group mortgage banks, too, contributed to the increase in total credit extended.

Composition of total lending, end of 1988
Deutsche Bank Group



Claims on customers grew by DM 17.8 bn. (+16.3%) to DM 126.9 bn., with DM 72.9 bn. (57.5%) relating to corporate customers and DM 49.1 bn. (38.7%) to private customers. As short and medium-term lendings increased in particular, the share of long-term claims on customers decreased slightly for the first time since 1984 to 49.2%.

Of the DM 1.5 bn. increase in long-term mortgage bank lendings, DM 0.8 bn. related to the growth in mortgage loans to DM 30.8 bn. and DM 0.7 bn. to the rise in communal loans to DM 31.8 bn. Thus, communal loans represent an unchanged share of 50.8% in total mortgage bank lendings.

In view of the good state of domestic building activity, the Group building financing volume (mortgage bank business and building loans given by the commercial banks) stood at DM 60.9 bn., which was DM 2.9 bn. above the pre-year figure.

Loans to banks decreased in the short and medium-term sector by DM 0.7 bn., while long-term loans rose by DM 1.1 bn. Loans to banks then amounted to DM 14.2 bn. (end of 1987: DM 13.8 bn.).

Of the total credit extended, DM 165.6 bn. related to domestic borrowers; the foreign lending volume stood at DM 45.8 bn. and thus constituted 21.7% of total Group credit extended.

At all companies included in the Group, 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. At the end of 1988, the provisioning ratio for country risks in the Group stood at 77%. General provisions for possible loan losses at domestic Group companies were written back on the basis of the order of the Federal Banking Supervisory Office of August 18, 1988. Account was taken of latent risks through the formation of collective adjustments.

Dated deposits with banks increased by DM 11.1 bn. to DM 40.5 bn.

Fixed assets

Subsidiaries, associated companies and trade investments, reported at DM 2.9 bn., relate to non-consolidated companies. Compared with the previous year, there was an increase of DM 0.2 bn.

Of the reported value of land and buildings in the almost unchanged amount of DM 1.4 bn., DM 1.3 bn. relates to property used for banking business.

Office furniture and equipment was shown at DM 0.8 bn.

The increase of DM 1.6 bn. in leasing equipment to DM 3.8 bn. related largely to ALD Auto-Leasing D GmbH, Hamburg, consolidated for the first time, besides GEFA-Leasing GmbH, Wuppertal. The land and buildings included in this item amounted to DM 0.2 bn. and were held by Deutsche Gesellschaft für Immobilien-Leasing mbH, Cologne.

Other asset items

Other assets, which consist largely of precious metals holdings, stood at DM 0.8 bn., which was well below the pre-year value.

Liabilities

Funds from outside sources

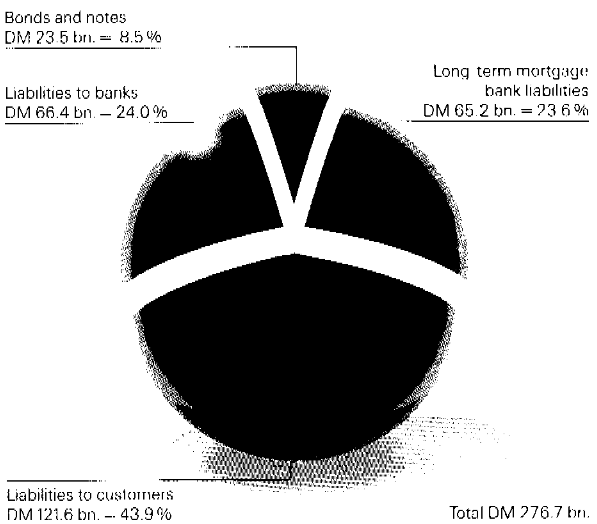
Funds from outside sources rose DM 32.7 bn. to DM 276.7 bn. (+13.4%).

Liabilities to banks grew by DM 11.4 bn. to DM 66.4 bn.; their share in funds from outside sources was 24%.

Liabilities to customers increased by DM 15.5 bn. to DM 121.6 bn., with the volume of short and medium-term time deposits expanding particularly strongly (+DM 11.9 bn.).

Funds from outside sources	End of 1988 DM m.	% share	End of 1987 DM m.	% share	Change DM m.		%
Liabilities to banks							
payable on demand	18,220	6.6	10,732	4.4	+ 7,488	=	69.8
time deposits	48,075	17.4	44,147	18.1	+ 3,928	=	8.9
customers' drawings on other banks	134		139	0.1	– 5	=	3.6
	66,429	24.0	55,018	22.5	+ 11,411	=	20.7
Liabilities to customers							
payable on demand	33,473	12.1	30,235	12.4	+ 3,238	=	10.7
time deposits	55,803	20.2	43,887	18.0	+ 11,916	=	27.2
savings deposits	32,293	11.6	31,909	13.1	+ 384	=	1.2
	121,569	43.9	106,031	43.5	+ 15,538	=	14.7
Bonds and notes	23,488	8.5	18,826	7.7	+ 4,662	=	24.8
Long-term mortgage bank liabilities	65,254	23.6	64,141	26.3	+ 1,113	=	1.7
	88,742	32.1	82,967	34.0	+ 5,775	=	7.0
Total funds from outside sources	276,740	100.0	244,016	100.0	+ 32,724	=	13.4

Composition of funds from outside sources, end of 1988
Deutsche Bank Group



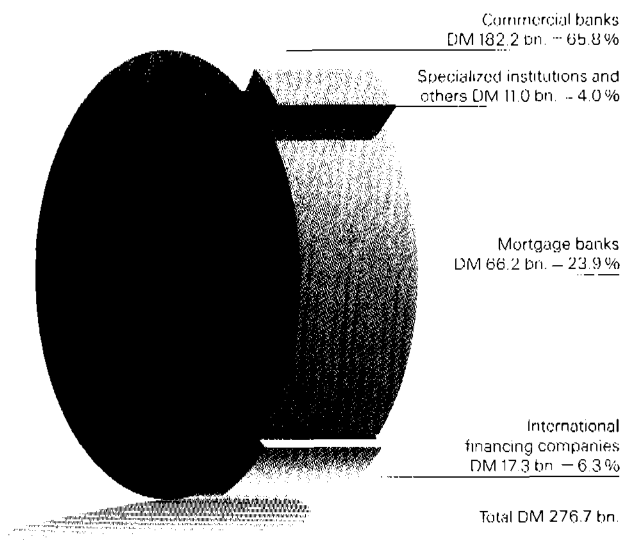
Savings deposits in the Group increased by DM 384 m. to DM 32.3 bn. The rise in savings deposits subject to the legal period of notice exceeded the fall in savings deposits at agreed notice. The savings deposits include building savings deposits of DM 272 m.

Liabilities to foreign banks and customers accounted for DM 85.1 bn. (end of 1987: DM 65.4 bn.).

Bonds and notes in circulation rose by DM 4.7 bn. to DM 23.5 bn.; of this growth, DM 3.1 bn. related to new issues of long-term bonds of Deutsche Bank Finance N.V., Curaçao.

Long-term mortgage bank liabilities were reported DM 1.1 bn. higher at DM 65.3 bn. The mortgage bonds included in this item amounted to DM 27.7 bn. (+DM 1.1 bn.), the communal bonds DM 30.3 bn. (+DM 0.4 bn.).

Funds from outside sources, by Group companies, end of 1988
Deutsche Bank Group



Provisions, special items with partial reserve character

At year's end, provisions stood at DM 7.4 bn., of which pension provisions accounted for DM 2.4 bn.

Other provisions amounted to DM 5.0 bn. This item comprises mainly 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.

The special items with partial reserve character rose to DM 350 m. after the addition of DM 272 m.

Contingent liabilities

Endorsement liabilities on rediscounted bills of exchange and own drawings in circulation amounted to DM 4.0 bn. Of own drawings in circulation (DM 61.6 m.), DM 50.1 m. was discounted for borrowers' account.

Contingent liabilities from guarantees, including guarantees for bills and cheques, and from indemnity agreements increased to DM 25.3 bn. (end of 1987: DM 21.1 bn.).

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 106 m. Joint liabilities pursuant to Section 24 GmbH Act amounted to DM 48 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. 1988. Funds taken up for specific projects in the sum of DM 7,601 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 1988, assets and security items provided to us in the sum of DM 1,002 m. were tied up in connection with loans raised. 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 190 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

Income on business volume

The income on business volume (interest surplus), including the surplus on leasing business (balance of income from leasing business, normal depreciation of leasing equipment and other expenses from leasing business), rose 7.7% to DM 6.7 bn.

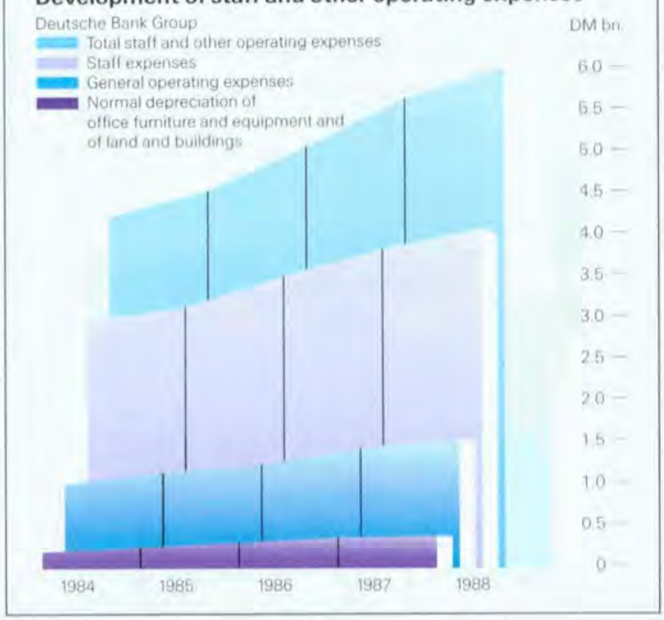
The incremental income from the strong growth in average business volume clearly exceeded the effects of the slightly reduced interest margin. The interest surplus of our mortgage banks, including net non-recurrent income and contained in income on business volume, was 5.3% higher than in the previous year.

Income on services business

The surplus on commissions and other service charges received rose 9.4% to DM 2.4 bn. All service areas participated in this growth. Commissions and other service charges received include for the first time the reallowance income from the placement of bonds and investment fund certificates with our customers, which has so far been included in profits from own-account trading in securities. This rearrangement took place to reflect the service character of the underlying transactions. The comparative figures for the previous year were adjusted accordingly.

Staff and other operating expenses

Staff and other operating expenses increased by 6.5% to DM 6,030 m. Here, the first-time inclu-



Development of staff and other operating expenses

sion of Group companies and strategic investment by subsidiaries still in the start-up phase had their effects. Staff expenses came to DM 4,088 m. (+6.3%), general operating expenses came to DM 1,554 m. (+7.1%). Staff and other operating expenses include normal depreciation of land and buildings and of office furniture and equipment at DM 388 m. (+5.3%).

Partial operating result

The partial operating result, excluding own-account trading, increased 11.7% to DM 3,101 m. owing to the improved interest and commission surplus.

Operating result

The Group operating result – surplus on current business, including own-account trading – rose 30.2%. This increase is due to the improved partial operating result and higher income in own-account trading in securities.

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

Other income, after offsetting of securities profits and income from written-back adjustments with write-downs of and adjustments to claims and securities pursuant to Section 4 of the Order concerning Banks' Statements of Accounts, is reported at DM 912 m. (previous year DM 594 m.).

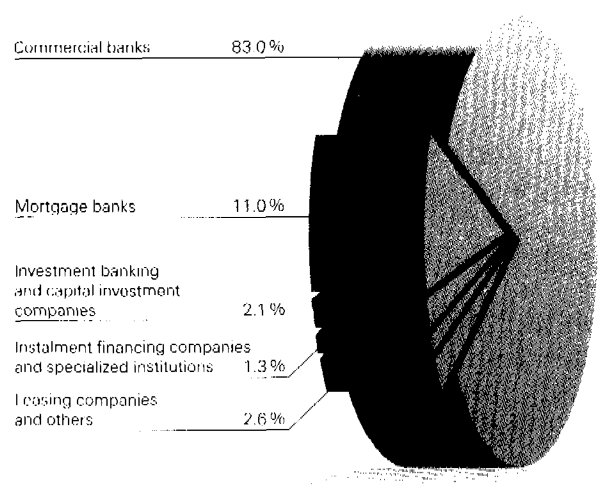
Income from leasing business

This item contains current income of the leasing companies and the income from cross-border leasing business of the parent company. The increase of DM 585 m. to DM 1,372 m. is largely due to the first-time inclusion of ALD AutoLeasing D GmbH, Hamburg.

Write-downs, depreciation and adjustments

Expenses for write-downs of and adjustments to claims and securities, transfers to provisions for possible loan losses amounted, after offsetting

Breakdown of aggregate operating result for 1988
Deutsche Bank Group



with securities profits and written-back adjustments (pursuant to Section 4 of the Order concerning Banks' Statements of Accounts) to DM 164 m. compared with DM 1,021 m. in the previous year. The strong reduction is largely due to the fact that, after prescribed offsetting, Deutsche Bank AG had no write-downs to report.

Depreciation of leasing equipment rose to DM 1,174 m. (1987: DM 745 m.); the growth resulted above all from the first-time consolidation of ALD AutoLeasing D GmbH, Hamburg.

is to be distributed to the shareholders of the parent company and to minority shareholders in subsidiaries.

The reserve arising from consolidation, which results from offsetting the book values of subsidiaries, associated companies and trade investments with the proportionate shares of subsidiaries' capital and reserves, increased to DM 1,110.3 m. at the end of 1988.

Minority interests of DM 231.9 m. include profits of DM 18.6 m.; DM 213.3 m. of this item, therefore, has equity character.

Taxes

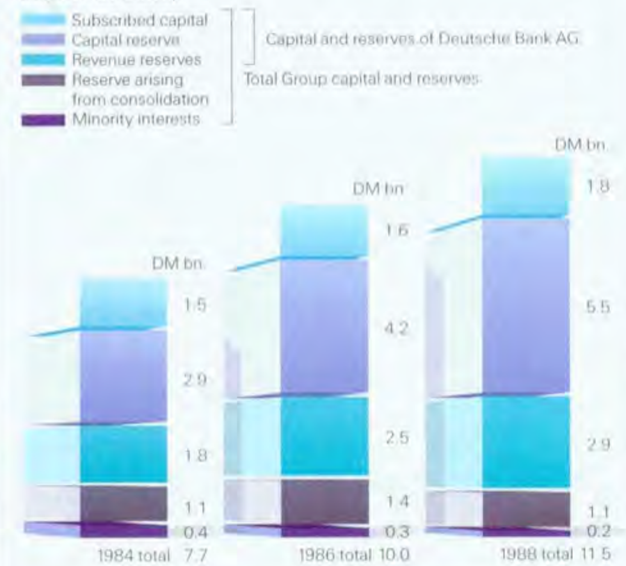
Taxes on income and assets increased to DM 1,999 m. The incremental expenditure was caused above all by the higher taxable profit of Deutsche Bank AG. The incremental corporation tax burden of 5/16 on the 1988 profits of domestic subsidiaries to be distributed to the parent company in 1989 is not taken into account. Other taxes are reported at DM 31 m.

Profit, capital and reserves

Net income for 1988 came to DM 1,202.8 m. (previous year DM 669.5 m.). Including profit brought forward from 1987 in the amount of DM 46.4 m. and after the addition of DM 537.6 m. to revenue reserves and after deduction of minority interests in profit in the amount of DM 19.8 m., consolidated profit came to DM 691.8 m. (1987: DM 626.5 m.).

Pursuant to the profit appropriation proposals, DM 435.2 m. of this (previous year DM 432.9 m.)

Development of capital and reserves



Total Group capital and reserves were strengthened in 1988 by a net DM 651.0 m. to DM 11,500.1 m. They are made up as follows:

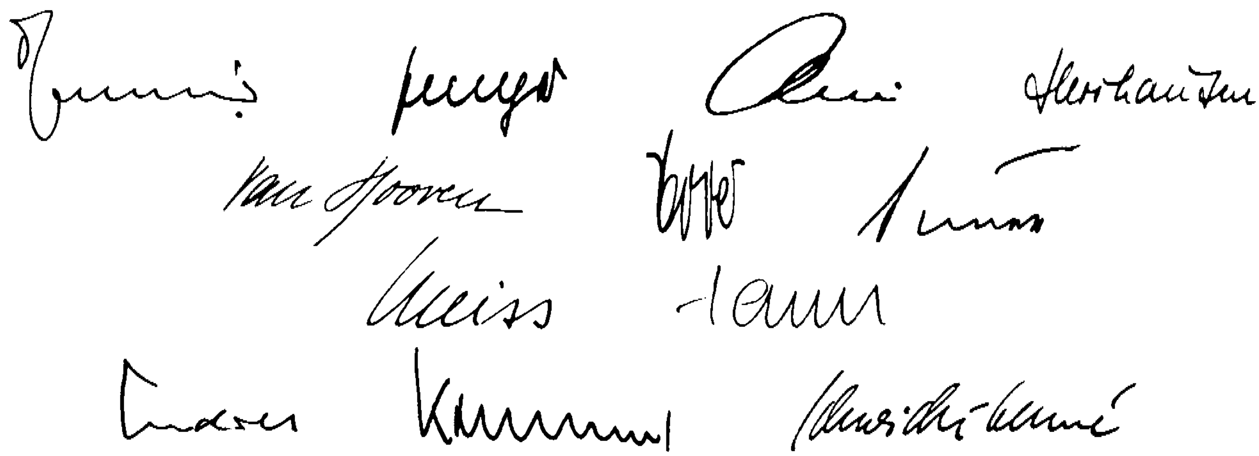
	31.12.1988 DM m.	31.12.1987 DM m.
Subscribed capital	1,772.6	1,772.6
Capital reserve	5,490.5	5,490.5
Revenue reserves	2,913.4	2,513.4
Capital and reserves of Deutsche Bank AG	10,176.5	9,776.5
Reserve arising from consolidation	1,110.3	844.1
Minority interests	213.3	228.5
Total Group capital and reserves	11,500.1	10,849.1

As a result of resolutions by the General Meetings of subsidiaries, a further DM 192.7 m. from consolidated profit is to be added to revenue reserves. After that, and taking into account the funds in the sum of DM 1,278.0 m. accruing to Deutsche Bank AG from the capital increase in February 1989, Group capital and reserves will amount to DM 12,970.8 m.

At Deutsche Bank AG, after utilization of DM 142.0 m. for the capital increase in February 1989, there is authorized capital of DM 433.0 m. and conditional capital of DM 839.6 m.

Frankfurt am Main, March 1989

The Board of Managing Directors



Deutsche Bank AG

Consolidated Balance Sheet as of December 31, 1988

Consolidated Profit and Loss Account
for the period from January 1 to December 31, 1988

Deutsche Bank Aktiengesellschaft

	in DM 1,000	in DM 1,000	31.12.1987 in DM 1,000
Cash on hand		844,164	756,816
Balance with Deutsche Bundesbank		3,915,181	7,412,113
Balances on postal giro accounts		39,283	19,743
Cheques, matured bonds, interest and dividend coupons, items received for collection		441,045	574,903
Bills of exchange		2,279,260	2,179,069
including:			
a) rediscountable at Deutsche Bundesbank … DM thou. 1,044,436			
b) own drawings … DM thou. 82,215			
Claims on banks			
a) payable on demand	14,137,747		10,072,295
b) with original periods or periods of notice of			
ba) less than three months	21,579,693		14,078,006
bb) at least three months, but less than four years	25,170,554		22,245,763
bc) four years or more	7,890,620		6,771,389
including:		68,778,614	53,167,453
used as cover in mortgage bank business … DM thou. 700,500			
Treasury bills and discountable Treasury notes			
a) of the Federal and Länder Governments	46,983		98,267
b) of other issuers	3,833,568		3,030,850
		3,880,551	3,129,117
Bonds and notes			
a) with a life of up to four years			
aa) of the Federal and Länder Governments … DM thou. 1,175,709			
ab) of banks … DM thou. 1,541,504			
ac) of other issuers … DM thou. 604,244	3,321,457		2,892,931
including:			
eligible as collateral for Deutsche Bundesbank advances … DM thou. 2,217,193			
used as cover in mortgage bank business … DM thou. 52,088			
b) with a life of more than four years			
ba) of the Federal and Länder Governments … DM thou. 3,108,717			
bb) of banks … DM thou. 3,812,921			
bc) of other issuers … DM thou. 5,517,929	12,439,567		10,122,843
including:		15,761,024	13,015,774
eligible as collateral for Deutsche Bundesbank advances … DM thou. 5,640,923			
used as cover in mortgage bank business … DM thou. 433,681			
Securities not to be shown elsewhere			
a) shares marketable on a stock exchange and investment fund certificates	4,953,291		5,125,649
b) other	525,454		156,459
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. 508,110		5,478,745	5,282,108
Carried forward		101,417,867	85,537,096

Consolidated Balance Sheet as of December 31, 1988

Liabilities

	in DM 1,000	in DM 1,000	in DM 1,000	31.12.1987 in DM 1,000
Liabilities to banks				
a) payable on demand		18,220,077		10,731,654
b) with original periods or periods of notice of				
ba) less than three months	13,929,632			
bb) at least three months, but less than four years	23,795,352			
bc) four years or more	10,349,930	48,074,914		44,147,880
including: due in less than four years ... DM thou. 7,053,393				
c) customers' drawings on other banks		133,603		138,910
			66,428,594	55,018,444
Liabilities to customers				
a) payable on demand		33,472,849		30,234,578
b) with original periods or periods of notice of				
ba) less than three months	31,427,951			
bb) at least three months, but less than four years	13,353,482			
bc) four years or more	11,022,159	55,803,592		43,887,192
including: due in less than four years ... DM thou. 9,547,253				
c) savings deposits				
ca) subject to legal period of notice	18,306,447			
cb) other	13,986,516	32,292,963		31,908,869
including: building savings deposits . DM thou. 271,994			121,569,404	106,030,639
Bonds and notes with a life of				
a) up to four years		768,083		624,456
b) more than four years		22,720,038		18,201,856
including: maturing in less than four years ... DM thou. 12,312,783			23,488,121	18,826,312
Bonds issued by mortgage banks				
a) mortgage bonds		27,657,713		26,521,197
including: registered bonds ... DM thou. 11,082,329				
b) communal bonds		30,324,536		29,911,455
including: registered bonds ... DM thou. 10,386,823				
c) other bonds in accordance with Section 5 (1) 4c of the Mortgage Bank Act		1,778,435		2,203,872
including: registered bonds ... DM thou. –				
d) bonds drawn and called for redemption		215,198		494,331
including: maturing or to be taken back in less than four years ... DM thou. 29,518,980			59,975,882	59,130,855
further: registered mortgage bonds given to lender as security for loans taken up ... DM thou. 1,006,015				
and registered communal bonds ... DM thou. 813,145				
Bonds to be delivered			608,349	559,973
Carried forward			272,070,350	239,566,223

		in DM 1,000	in DM 1,000	31.12.1987 in DM 1,000
Brought forward			101,417,867	85,537,096
Claims on customers with original periods or periods of notice of				
a) less than four years		64,542,770		54,549,888
including:				
used as cover in mortgage bank business	DM thou. 510,352			
on building savers relating to closing fees	DM thou. 3,464			
b) four years or more		62,400,264		54,596,629
including:			126,943,034	109,146,517
ba) secured by mortgages on real estate	DM thou. 12,156,259			
bb) communal loans	DM thou. 2,422,715			
due in less than four years	DM thou. 29,800,720			
Mortgage bank lendings with original periods of four years or more				
a) mortgages		30,818,070		30,023,190
used as cover	DM thou. 27,927,967			
b) communal loans		31,793,018		31,068,863
used as cover	DM thou. 31,419,035			
c) other		13,681		19,874
including: to banks	DM thou. 6,258,823		62,624,769	61,111,927
Accrued interest on long-term mortgage bank lendings				
a) pro rata interest		1,032,048		1,047,931
b) interest due after October 31, 1988 and on January 2, 1989		94,021		69,968
c) interest arrears		–		–
			1,126,069	1,117,899
Recovery claims on Federal and Länder authorities under Currency Reform Acts			183,412	211,679
including:				
used as cover in mortgage bank business	DM thou. 19,218			
Loans on a trust basis at third party risk			1,206,032	1,219,894
Subsidiaries, associated companies and trade investments			2,853,305	2,657,246
including: investments in banks	DM thou. 378,979			
Land and buildings			1,412,163	1,389,765
including: taken over in mortgage bank business	DM thou. 14,950			
Office furniture and equipment			815,019	828,596
Leasing equipment				
a) land and buildings		151,797		143,704
b) movables		3,635,180		2,004,910
			3,786,977	2,148,614
Bonds and notes issued by consolidated companies			1,660,769	1,471,992
nominal amount	DM thou. 1,636,212			
Other assets			816,677	1,255,663
Deferred items				
a) difference in accordance with Section 250 (3) of the Commercial Code		160,887		172,134
b) from the mortgage banks' issue and loan business		168,595		–
c) other		119,070		72,473
			448,552	244,607
Total Assets			305,294,645	268,341,495

Total Assets and the recourse claims from the contingent liabilities shown below the line on the liabilities side include:		
a) claims on related companies	1,048,598	719,142
b) claims arising from loans falling under Section 15 (1) 1–6 and (2) of the Banking Act, unless included under a)	829,925	776,602

	in DM 1,000	in DM 1,000	in DM 1,000	31.12.1987 in DM 1,000
Brought forward			272,070,350	239,566,223
Loans taken up in mortgage bank business, with original periods or periods of notice of four years or more				
a) from banks		414,867		498,279
b) other		2,096,177		1,764,302
including:			2,511,044	2,262,581
with partial liability ... DM thou. 44				
due in less than four years ... DM thou. 788,916				
Accrued interest on bonds issued and loans taken up in mortgage bank business				
a) pro rata interest		1,917,174		1,861,380
b) interest due (including interest due on January 2, 1989)		241,747		326,337
			2,158,921	2,187,717
Own acceptances and promissory notes outstanding			4,719,547	3,126,714
Loans on a trust basis at third party risk			1,206,032	1,219,894
Provisions				
a) for pensions		2,357,098		2,208,091
b) other		4,998,668		4,160,514
			7,355,766	6,368,605
Other liabilities			318,800	306,174
Endowments and benevolent funds				
Endowment assets		7,149		7,174
less investments in securities		6,998		6,998
			151	176
Deferred items				
a) from the mortgage banks' issue and loan business		332,278		186,697
b) other		2,060,925		1,495,736
			2,393,203	1,682,433
Special items with partial reserve character				
a) in accordance with the Tax Act regarding Developing Countries		2,828		4,299
b) in accordance with Section 6b of the Income Tax Act		161,766		125,314
c) in accordance with Section 52 (5) of the Income Tax Act		2,935		4,079
d) replacements reserve		3,183		–
e) in accordance with Section 3 of the Foreign Investment Act		15,087		966
f) in accordance with the administrative regulation on the cancellation of general provisions for possible loan losses		164,574		–
g) under foreign law		–		339
			350,373	134,997
Subscribed capital (bearer shares)			1,772,636	1,772,631
Conditional capital DM thou. 839,575				
Capital reserve			5,490,469	5,490,441
Revenue reserves				
a) legal reserve		25,000		25,000
b) other revenue reserves		2,888,381		2,488,381
			2,913,381	2,513,381
Reserve arising from consolidation			1,110,316	844,123
Minority interests			231,887	238,892
including: from profit ... DM thou. 18,568				
Consolidated profit			691,769	626,513
Total Liabilities			305,294,645	268,341,495
Own drawings in circulation			61,638	89,053
including: those discounted for borrowers' account ... DM thou. 50,103				
Endorsement liabilities on rediscounted bills of exchange			3,970,177	3,890,591
Contingent liabilities from guarantees, including guarantees for bills and cheques, and from indemnity agreements			25,259,182	21,084,041
Commitments (not to be shown under liabilities) from the sale of assets subject to repurchase agreements			–	52,174
Total Liabilities, together with contingent liabilities and other commitments shown below the line, include liabilities to related companies of			683,773	119,823

Consolidated Profit and Loss Account

	in DM 1,000	in DM 1,000	1987 in DM 1,000
Interest and similar expenses		8,986,084	7,457,483
Interest expenses in mortgage bank business for			
a) mortgage bonds	1,839,199		1,831,377
b) communal bonds	2,078,404		2,101,179
c) other bonds in accordance with Section 5 (1) 4c of the Mortgage Bank Act	107,200		108,968
d) loans taken up	170,061		157,874
		4,194,864	4,199,398
Commissions and similar service charges paid		127,884	106,221
Non-recurrent expenses in the mortgage banks' issue and loan business		104,354	128,468
Write-downs of and adjustments to claims and securities, transfers to provisions for possible loan losses		163,808	1,021,217
Salaries and wages		3,104,357	2,890,596
Compulsory social security contributions		501,444	464,069
Expenses for pensions and other employee benefits		482,566	490,095
General operating expenses		1,553,947	1,450,992
Depreciation of and adjustments to land and buildings and office furniture and equipment		463,161	466,652
Write-downs of and adjustments to subsidiaries, associated companies and trade investments		9,210	116,316
Depreciation of leasing equipment		1,174,275	745,223
Other expenses for leasing business		34,836	–
Taxes			
a) on income and assets	1,999,222		933,199
b) other	31,428		38,081
		2,030,650	971,280
Expenses from assumption of loss		13,847	23,249
Allocations to Special items with partial reserve character		272,033	146,487
Other expenses		241,726	432,582
Net income for the year		1,202,751	669,529
Total Expenses		24,661,797	21,779,857

Net income for the year

Profit brought forward from the previous year

Allocations to revenue reserves

a) Deutsche Bank Aktiengesellschaft

b) consolidated companies

Profit attributable to minority interests

Consolidated profit

Frankfurt am Main, March 14, 1989

Deutsche Bank Aktiengesellschaft

The Board of Managing Directors

Breuer Burgard Cartellieri Herrhausen

van Hooven Kopper Krupp

Weiss Zapp

Endres Krumnow Schneider-Lenné

for the period from January 1 to December 31, 1988 — Income

	in DM 1,000	in DM 1,000	1987 in DM 1,000
Interest and similar income from lending and money market transactions		13,349,411	11,499,678
Current income from			
a) fixed-income securities and Government-inscribed debt	1,029,461		1,010,958
b) other securities	199,215		202,083
c) subsidiaries, associated companies and trade investments	383,019		373,584
		1,611,695	1,586,625
Interest income in mortgage bank business from			
a) mortgages	2,206,633		2,183,348
b) communal loans	2,383,255		2,367,874
		4,589,888	4,551,222
Commissions and other service charges received		2,548,532	2,319,544
Non-recurrent income from the mortgage banks' issue and loan business		166,106	217,353
Other income, including income from the writing back of provisions for possible loan losses		911,709	594,007
Income from leasing business		1,372,287	787,085
Income from profit-pooling, profit-transfer and partial profit-transfer agreements		5,287	2,640
Income from the writing back of provisions, unless it has to be shown under "Other income"		50,224	164,356
Income from the writing back of special items with partial reserve character		56,658	57,347
Total Income		24,661,797	21,779,857

in DM 1,000	in DM 1,000	1987 in DM 1,000
	1,202,751	669,529
	46,452	78,794
	1,249,203	748,323
400,000		–
137,575		110,153
	537,575	110,153
	711,628	638,170
	19,859	11,657
	691,769	626,513

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

Frankfurt am Main, March 17, 1989

Treuverkehr
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Fandré — Wirtschaftsprüfer

Dr. Fliess — Wirtschaftsprüfer

Deutsche Bank AG

Figures from the Consolidated Balance Sheet and the Consolidated Profit and Loss Account 1967–1988

Figures from the Consolidated Balance Sheet

– Amounts in DM millions

End of	1988	1987	1986	1985	1984
Assets					
Cash reserve	4,798	8,189	6,891	7,956	6,650
Bills of exchange	2,279	2,179	2,039	2,210	2,471
Claims on banks	68,779	53,167	51,660	43,741	42,750
Treasury bills and discountable Treasury notes	3,881	3,129	2,337	1,985	1,154
Bonds and notes	15,761	13,016	15,088	14,445	13,539
Securities not to be shown elsewhere	5,479	5,282	4,921	2,825	3,155
Claims on customers	126,943	109,147	99,441	96,123	100,206
short and medium-term	64,543	54,550	51,319	53,836	61,685
long-term (4 years or more)	62,400	54,597	48,122	42,287	38,521
Long-term mortgage bank lendings	63,751	62,230	60,459	56,953	53,372
Loans on a trust basis at third party risk	1,206	1,220	1,411	1,556	1,235
Subsidiaries, associated companies and trade investments	2,853	2,657	4,140	2,522	648
Land and buildings	1,412	1,390	1,120	1,062	1,004
Office furniture and equipment	815	828	762	647	490
Leasing equipment	3,787	2,149	1,645	1,476	1,094
Bonds and notes issued by consolidated companies	1,661	1,472	1,476	1,848	1,571
Other assets	817	1,255	2,997	1,032	2,044
Remaining assets	1,073	1,031	836	846	893
Balance Sheet Total	305,295	268,341	257,223	237,227	232,276
Liabilities					
Liabilities to banks	66,429	55,018	57,762	57,450	60,753
including: time deposits	48,209	44,286	45,517	46,346	50,206
Liabilities to customers	121,569	106,031	100,134	90,331	88,387
including: time deposits	55,804	43,887	46,984	41,889	41,501
savings deposits	32,293	31,909	27,990	24,773	23,695
Bonds and notes	23,488	18,826	13,488	8,474	7,505
Long-term mortgage bank liabilities	65,254	64,141	62,367	59,314	56,362
Own acceptances and promissory notes outstanding	4,720	3,127	2,826	2,197	2,422
Provisions	7,356	6,369	6,564	5,866	5,244
for pensions	2,357	2,208	2,059	1,929	1,805
other	4,999	4,161	4,505	3,937	3,439
Group capital and reserves	11,500	10,849	10,043	9,392	7,699
Subscribed capital	1,773	1,773	1,624	1,599	1,469
Capital reserve	5,490	5,490	4,145	3,904	2,903
Revenue reserves	2,913	2,513	2,513	2,242	1,863
Reserve arising from consolidation	1,110	844	1,431	1,257	1,083
Minority interests (excl. from profits)	214	229	330	390	381
Remaining liabilities	4,287	3,353	3,345	3,594	3,413
Consolidated profit	692	627	694	609	491
Balance Sheet Total	305,295	268,341	257,223	237,227	232,276
Own drawings in circulation (discounted)	50	33	32	13	10
Endorsement liabilities	3,970	3,891	4,679	5,487	6,133
Business Volume	309,315	272,265	261,934	242,727	238,419
Contingent liabilities from guarantees, etc.	25,259	21,084	19,381	20,249	21,626

Figures from the Consolidated Profit and Loss Account

for the year	1988	1987	1986	1985	1984
Income on business volume*) (Interest surplus)	6,710	6,228	6,888	5,751	5,650
Income on services business*) (Commission surplus)	2,421	2,213	1,848	1,609	1,350
Staff and other operating expenses	6,030	5,664	5,088	4,557	4,238
Taxes	2,030	971	1,624	1,684	1,241
Net income for the year	1,203	670	1,068	1,101	674

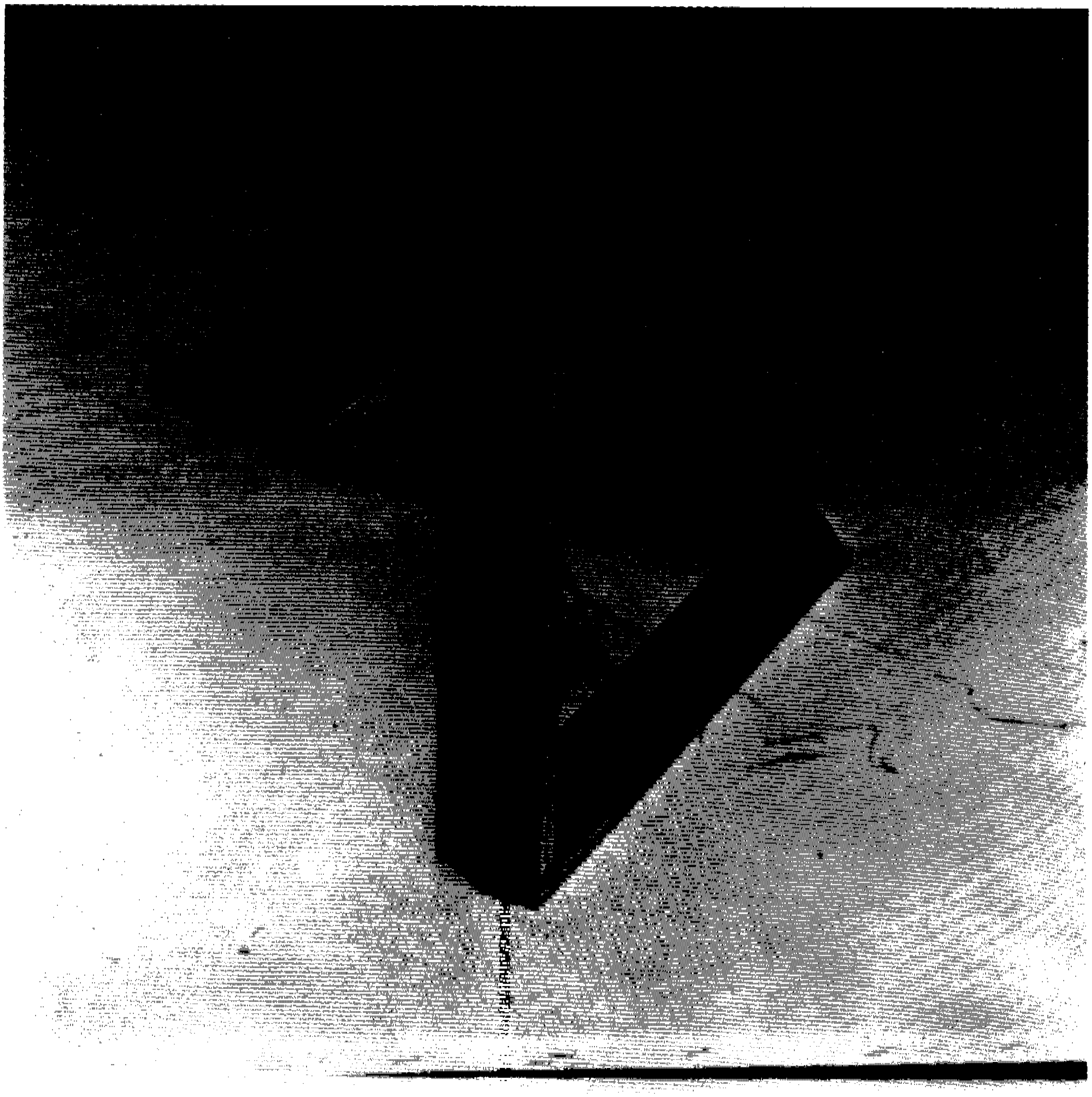
*) Figures up to 1986 not entirely comparable owing to inclusion of leasing business and to change in reporting of re-allowances

	1988	1987	1986	1985	1984
Number of staff at year's end	54,769	54,579	50,590	48,851	47,873

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

1983	1982	1981	1980	1979	1978	1975	1970	1967
5,488	4,824	4,199	3,455	2,950	2,711	2,133	1,044	513
1,257	1,020	996	892	785	754	580	274	338
3,952	3,557	3,272	3,052	2,735	2,519	1,944	989	608
1,238	977	818	735	665	657	417	121	139
654	343	412	457	427	408	391	131	140
47,256	45,618	44,800	44,128	43,942	42,494	40,839	36,957	

Annexes



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

	Share of capital total	of which indirect (§16(4) JSCA)		Capital and reserves millions	Result thousands
German banks					
AKA Ausfuhrkredit Gesellschaft mbH, Frankfurt am Main	26.90%	0.73%	DM	198.0	16,000
Deutsche Bank Bauspar Aktiengesellschaft, Frankfurt am Main	98 %	—	DM	30.0	954
Deutsche Bank Berlin AG, Berlin	100 %	—	DM	624.0	74,000
Deutsche Bank Lübeck Aktiengesellschaft vormals Handelsbank, Lübeck	91.46%	—	DM	114.0	6,000
Deutsche Bank Saar AG, Saarbrücken	69.23%	—	DM	87.0	8,900
Deutsche Centralbodenkredit-Aktiengesellschaft, Berlin Cologne	90.32%	—	DM	730.0	55,160
Deutsche Gesellschaft für Fondsverwaltung mbH, Frankfurt am Main	100 %	—	DM	27.0	10,735
DWS Deutsche Gesellschaft für Wertpapiersparen mbH, Frankfurt am Main	93 %	3.39%	DM	118.0	7,288
Deutsche Grundbesitz-Investmentgesellschaft mbH, Frankfurt am Main	37.50%	—	DM	21.1	1,414
Deutsche Schiffahrtsbank Aktiengesellschaft, Bremen	27.51%	—	DM	82.0	—
Deutsche Vermögensbildungsgesellschaft mbH, Bad Homburg v.d.H.	100 %	8 %	DM	5.0	59
EFGEE Gesellschaft für Einkaufs-Finanzierung mbH, Düsseldorf	100 %	100 %	DM	16.0	—[1]
Frankfurter Hypothekenbank Aktiengesellschaft, Frankfurt am Main	92.92%	—	DM	731.8	61,504
GEFA Gesellschaft für Absatzfinanzierung mbH, Wuppertal	100 %		DM	153.0	—[1]
Gesellschaft zur Finanzierung von Industrieanlagen mbH, Frankfurt am Main	27.10%	0.73%	DM	4.2	400

[1]) profit and loss transfer agreement

	Share of capital total	of which indirect (§16(4) JSCA)		Capital and reserves millions	Result thousands
Hanseatische Investitions-Bank GmbH, Hamburg	33.33%	33.33%	DM	8.9	1,201
Industriebank von Japan (Deutschland) Aktiengesellschaft – The Industrial Bank of Japan (Germany) –, Frankfurt am Main	25 %	—	DM	68.2	5,158
Liquidations-Casse in Hamburg Aktiengesellschaft, Hamburg	25.04%	—	DM	2.5	351
Lübecker Hypothekenbank Aktiengesellschaft, Lübeck	100 %	75 %	DM	220.0	26,162
Schiffshypothekenbank zu Lübeck Aktiengesellschaft, Kiel	29 %	—	DM	71.0	—
SKV Kredit-Bank GmbH, Kiel	33.33%	33.33%	DM	13.6	714
Süddeutsche Bank GmbH, Frankfurt am Main	100 %	—	DM	4.1	62
Zürich Investmentgesellschaft mbH, Frankfurt am Main	20 %	—	DM	8.0	·

International banks and financing companies

Banca d'America e d'Italia S.p.A., Milan	98.37%	—	Lit	445,846.7	37,741,614
Banco Comercial Transatlántico, S.A., Barcelona	39.05%	—	Ptas.	9,730.8	1,047,371
Banco de Montevideo, Montevideo	45.34%	—	Ur. peso	1,680.3	750,359
Banque de Luxembourg S.A., Luxembourg	28.95%	28.95%	LF	1,790.0	486,589
H. Albert de Bary & Co. N.V., Amsterdam	100 %	—	Guil.	121.7	6,649
Deutsche Bank (Asia Credit) Ltd., Singapore	100 %	—	S$	66.0	5,462
Deutsche Bank Australia Ltd., Melbourne	100 %	0.01%	A$	126.2	1,415
Deutsche Bank (Canada), Toronto	100 %		Can.$	61.8	3,254
Deutsche Bank Capital Corporation, New York	100 %	—	U.S.$	106.0	– 494
Deutsche Bank Capital Markets Ltd., London	100 %	0.01%	£	41.5	– 3,708

	Share of capital total	of which indirect (§ 16 (4) JSCA)		Capital and reserves millions	Result thousands
Deutsche Bank Finance N.V., Curaçao/N. A.	100 %	—	U.S.$	5.0	388
Deutsche Bank Financial Inc., Dover/U.S.A.	100 %	—	U.S.$	0.04	15
Deutsche Bank Gestion S.A., Paris	100 %	0.24%	FF	0.3	11
Deutsche Bank Luxembourg S.A., Luxembourg	100 %	0.01%	LF	11,721.9	3,155,081
Deutsche Bank (Suisse) S.A., Geneva	100 %	0.01%	SF	110.3	7,079
DB Asia Finance (HK) Ltd., Hong Kong	100 %	—	U.S.$	6.5	65
DB (Belgium) Finance S.A./N.V., Brussels	100 %	0.01%	BF	232.1	34,549
DB Capital Markets (Asia) Ltd., Hong Kong	60 %[1]	—	U.S.$	28.6	16,403
DB Finanziaria S.p.A., Milan	100 %	—	Lit	5,000.0	43,759
DB U.K. Finance p.l.c., London	100 %	0.01%	£	16.5	2,153
Deutsche Capital Management Australia Ltd., Melbourne	100 %	100 %	A$	0.5	115
Deutsche Capital Markets Australia Ltd., Sydney	100 %	100 %	A$	10.5	556
Deutsche Credit Corporation, Deerfield/U.S.A.	100 %	—	U.S.$	12.5	1,485
Deutsche Finance (Netherlands) B.V., Amsterdam	100 %	—	Guil.	5.2	8
European American Bancorp, New York	23.15%	23.15%	U.S.$	249.3	—
Internationale Investment Management Gesellschaft S.A., Luxembourg	100 %	100 %	DM	12.0	33,737
McLean McCarthy Ltd., Toronto	100 %	100 %	Can.$	1.4	1,446
MDM Sociedade de Investimento, S.A., Lisbon	100 %	0.01%	Esc.	1,007.2	202,571
N. V. Finandus, Amsterdam	100 %	100 %	Guil.	40.0	2,279

[1]) our share of the voting capital 50%

	Share of capital total	of which indirect (§16 (4) JSCA)		Capital and reserves millions	Result thousands
Other German enterprises					
ALD AutoLeasing D GmbH, Hamburg	51 %	51 %	DM	48.8	17,756
Allgemeine Verwaltungsgesellschaft für Industriebeteiligungen mbH, Munich	38.27%		DM	361.7	12,294
Alma Beteiligungsgesellschaft mbH, Düsseldorf	100 %	—	DM	1.0	– 7,424
Alster Beteiligungsgesellschaft mbH & Co. KG, Frankfurt am Main	45 %	—	DM	50.0	150
AV America Grundbesitzverwaltungs-gesellschaft mbH, Frankfurt am Main	55 %		DM	0.1	20
Bavaria Film GmbH, Geiselgasteig	20 %	20 %	DM	46.6	50
Bavaria Filmkunst GmbH, Munich	67.97%	34.32%	DM	7.0	217
Roland Berger Verwaltungsgesellschaft mbH, Munich	75.07%	—	DM	1.7	10,601
Bergmann-Elektricitäts-Werke AG, Berlin	36.46%	—	DM	184.4	12,200
CGT Canada Grundbesitz Treuhand GmbH, Frankfurt am Main	55 %		DM	0.1	—
Capital Management International GmbH of Deutsche Bank, Frankfurt am Main	100 %	—	DM	9.5	– 226
ComCo Datenanlagen GmbH & Co. KG, Korntal-Münchingen	81 %	81 %	DM	5.0	3,244
Consortia Versicherungs-Beteiligungs-gesellschaft mbH, Frankfurt am Main	25 %[1]	—	DM	22.5	425
Daimler-Benz AG, Stuttgart	28.24%	0.01%	DM	8,353.0	1,403,000
DB Consult GmbH, Frankfurt am Main	100 %		DM	3.6	9,659
DB Export-Leasing GmbH, Frankfurt am Main	100 %	—	DM	0.05	—[2]

[1] our share of the voting capital 22.26%; [2] profit and loss transfer agreement

	Share of capital total	of which indirect (§16(4) JSCA)		Capital and reserves millions	Result thousands
D & C Holdinggesellschaft mbH, Frankfurt am Main	34 %[1]	—	DM	15.0	495
Deutsche Beteiligungs AG Unternehmensbeteiligungs-gesellschaft, Königstein/Taunus	46.83%[2]		DM	61.1	3,631
Deutsche Beteiligungsgesellschaft mbH, Frankfurt am Main	92.50%	—	DM	3.5	950
Deutsche Canada Grundbesitzverwaltungs-gesellschaft mbH, Frankfurt am Main	55 %	—	DM	0.1	41
Deutsche Eisenbahn-Consulting GmbH, Frankfurt am Main	51 %	51 %	DM	12.1	1,789
degab Deutsche Gesellschaft für Anlageberatung mbH, Frankfurt am Main	100 %		DM	0.6	− 71
Deutsche Gesellschaft für Anlageverwaltung mbH, Frankfurt am Main	75 %	—	DM	191.8	475
Deutsche Gesellschaft für Immobilienanlagen "America" mbH, Bad Homburg v.d.H.	55 %	—	DM	0.5	20
Deutsche Gesellschaft für Immobilien-Leasing mbH, Cologne	95 %	95 %	DM	8.1	3,179
Deutsche Gesellschaft für Mittelstandsberatung mbH, Munich	100 %	100 %	DM	1.0	4,279
WFG Deutsche Gesellschaft für Wagniskapital mbH & Co. KG von 1984, Frankfurt am Main	32.12%	—	DM	80.0	− 6,670
Deutsche Grundbesitz-Anlagegesellschaft mbH, Frankfurt am Main	37.50%	—	DM	3.4	173
Deutsche Grundbesitz-Anlagegesellschaft mbH & Co. Löwenstein Palais, Cologne	99.67%	—	DM	30.0	—
Deutsche Immobilien Anlagegesellschaft mbH, Frankfurt am Main	100 %	—	DM	0.5	1
Deutsche Immobilien Leasing GmbH, Düsseldorf	50 %	—	DM	36.3	[3]
DPE Deutsche Projektentwicklungs-Gesellschaft für Grundvermögen mbH, Frankfurt am Main	50 %	—	DM	1.0	− 3

[1]) without voting rights; [2]) our share of the voting capital 92.5%; [3]) profit and loss transfer agreement

	Share of capital total	of which indirect (§ 16 (4) JSCA)		Capital and reserves millions	Result thousands
Deutsche Wirtschaftsdatenbank GmbH, Frankfurt am Main	100 %	—	DM	1.0	6
Deutscher Beteiligungsfonds I GbR, Frankfurt am Main	92.50%	—	DM	71.6	1,792
Didier Werke AG, Wiesbaden	25.82%	25.82%	DM	209.5	14,389
Elektro-Export Gesellschaft mbH, Nuremberg	100 %	100 %	DM	5.0	63
Energie-Verwaltungs-Gesellschaft mbH, Düsseldorf	25 %[1]	—	DM	530.6	30,436
Essener Grundstücksverwertung Dr. Ballhausen, Dr. Bruens, Dr. Möller KG, Essen	98.94%		DM	1.5	409
GEFA Leasing GmbH, Wuppertal	100 %	100 %	DM	55.0	[2]
GFI Industriemontagen GmbH & Co. Leasing und Service OHG, Düsseldorf	75 %	75 %	DM	18.8	30,356
Groga Beteiligungsgesellschaft mbH, Frankfurt am Main	50 %	—	DM	11.8	904
Gütermann GmbH & Co. Beteiligungs-KG, Gutach	100 %	—	DM	2.6	116
Hessische Immobilien-Verwaltungs-Gesellschaft mbH, Frankfurt am Main	100 %	5 %	DM	3.0	—[2]
Philipp Holzmann AG, Frankfurt am Main	35.43%		DM	409.9	22,000
Horten AG, Düsseldorf	25 %	25 %	DM	428.5	34,000
HOSTRA Beteiligungsgesellschaft mbH, Düsseldorf	33.33%	—	DM	190.2	8,591
Hutschenreuther AG, Selb	49.99%	49.99%	DM	61.8	4,281
Immobiliengesellschaft der Deutschen Bank mbH, Frankfurt am Main	100 %	—	DM	6.0	156
JG Japan Grundbesitzverwaltungsgesellschaft mbH, Frankfurt am Main	100 %		DM	0.1	– 4,179
Karstadt AG, Essen	25.08%		DM	1,420.0	119,800

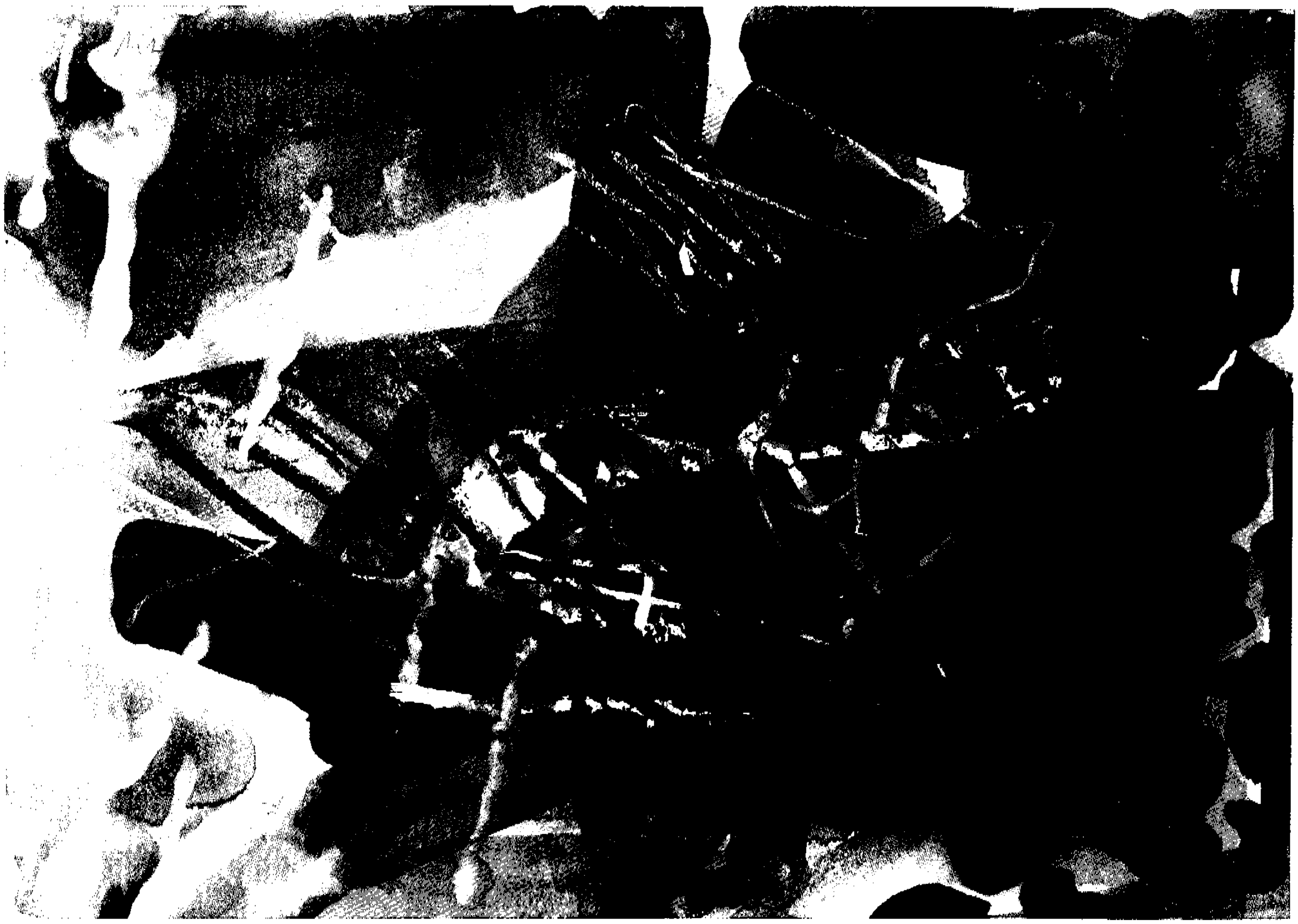
[1]) our share of the voting capital 35.71%; [2]) profit and loss transfer agreement

	Share of capital total	of which indirect (§ 16 (4) JSCA)		Capital and reserves millions	Result thousands
Kistra Beteiligungsgesellschaft mbH, Frankfurt am Main	75 %	—	DM	52.8	2,146
Klöckner & Co AG, Duisburg	98 %	98 %	DM	305.9	—
Klöckner Haus- und Verwaltungs-KG, Duisburg	99.91%	62.70%	DM	110.0	6,975
Klöckner-Humboldt-Deutz AG, Cologne	41.48%	41.48%	DM	630.8	285,000
Klöckner INA Holding für Auslandsbeteiligungen GmbH, Duisburg	100 %	100 %	DM	19.9	385
Klöckner Industrie Anlagen GmbH, Duisburg	100 %	100 %	DM	17.2	—[1]
Klöckner Industriebeteiligungsgesellschaft mbH, Duisburg	58.28%	58.28%	DM	180.5	6,428
Löwe & Jaegers KG, Duisburg	100 %	100 %	DM	26.0	– 747
Matura Vermögensverwaltung mbH, Düsseldorf	100 %	—	DM	0.7	171
Mietfinanz GmbH, Mülheim/Ruhr	25.25%	25.25%	DM	44.3	8,252
Nordwestdeutscher Wohnungsbauträger GmbH, Braunschweig	100 %	—	DM	0.2	—[1]
Rhein Neckar Bankbeteiligung GmbH, Stuttgart	49.07%[2]	—	DM	144.4	7,225
Rossma Beteiligungsgesellschaft mbH, Frankfurt am Main	60 %	—	DM	56.2	3,475
Süddeutsche Vermögensverwaltung GmbH, Frankfurt am Main	100 %	—	DM	4.7	524
Südzucker AG Mannheim/Ochsenfurt, Mannheim	23.05%	—	DM	309.1	32,162
Trinitas Vermögensverwaltung GmbH, Frankfurt am Main	100 %	—	DM	1.0	—[1]
Vermietungsgesellschaft MITTE für SEL-Kommunikationsanlagen mbH, Stuttgart	50 %	—	DM	2.3	345
WINWE Beteiligungsgesellschaft mbH, Frankfurt am Main	100 %	—	DM	4.7	637

[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 millions	Result thousands
Other foreign enterprises					
BAI Factoring S.p.A., Milan	100 %	100 %	Lit	5,000.0	34,460
BAI Leasing S.p.A., Milan	100 %	100 %	Lit	6,689.8	451,285
Deutsche Bank Government Securities, Inc., New York	100 %	100 %	U.S.$	50.0	- 1,566
DB Holdings Canada Inc., Toronto	100 %	100 %	Can.$	4.8	– 65
Deutsche Portfolio Corporation, New York	100 %	100 %	U.S.$	52.1	1,982
Hermes Institutional Investments Inc., Baltimore/U.S.A.	99.97%	—	U.S.$	23.2	2,381
Langlois S.A., Rennes	100 %	100 %	FF	63.5	5,371
McLeanco Holdings Ltd., Toronto	100 %	100 %	Can.$	0.6	– 12
Namasco Inc., Southfield/U.S.A.	77.73%	77.73%	U.S.$	18.3	4,288
Namasco Ltd., Toronto	100 %	100 %	Can.$	16.2	3,550
Orion Institutional Investments Inc., Baltimore/U.S.A.	50.51%	—	U.S.$	98.9	7,418
P. T. Euras Buana Leasing Indonesia, Jakarta	60 %	—	Rp.	3,222.2	273,979
Société Luxembourgeoise des Centrales Nucléaires S.A. (SCN), Luxembourg	25 %	—	DM	394.8	20,132
Vaubel & Partners Ltd., Tokyo	33.33%	—	Yen	75.0	6,943

Note: A$1 – DM 1.523; BF 100 = DM 4.753; Can.$ 1 = DM 1.4955; Esc. 100 = DM 1.210; FF 100 – DM 29.270; Guil. 100 = DM 88.565; Rp. 1,000 – DM 1.035; Lit 1,000 = DM 1.357; l F 100 = DM 4.767; Ptas. 100 = DM 1.568; £ 1 = DM 3.206; SF 100 – DM 118.04; S$ 100 – DM 91.650; Ur. peso 100 – DM 0.396; U.S.$ 1 – DM 1.7803; Yen 100 = DM 1.4175



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Walther Weber
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Wolfgang Wendt
Manfred Wich
Klaus Wodsak
Claus Wreth

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Lothar Zelz

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Günter Sengpiel
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Central Office: Frankfurt am Main/Düsseldorf

6000 Frankfurt am Main 1, Taunusanlage 12
4000 Düsseldorf 1, Königsallee 45 47

Our Bases

Federal Republic of Germany

Branches:

Aachen
with 5 sub-branches
Aalen (Württ.)
with 1 sub-branch
Achern
Achim (Bz. Bremen)
Ahaus
Ahlen (Westf.)
Ahrensburg (Holst.)
Albstadt
with 1 sub-branch
Alfeld (Leine)
Alsdorf (Rheinl.)
Alsfeld (Oberhess.)
Altena (Westf.)
Altenkirchen (Westerw.)
Alzey
Amberg
Andernach
Ansbach
Arnsberg
with 1 sub-branch
Aschaffenburg
Asperg
Attendorn
Augsburg
with 6 sub-branches
Aurich
Backnang
Bad Berleburg
Bad Driburg (Westf.)
Bad Dürkheim
Baden-Baden
Bad Harzburg
Bad Hersfeld
Bad Homburg v.d.Höhe
Bad Honnef
Bad Iburg
Bad Kreuznach
Bad Laasphe
Bad Lauterberg
Bad Lippspringe
Bad Mergentheim
Bad Münstereifel
Bad Neuenahr
Bad Oeynhausen
Bad Pyrmont
Bad Reichenhall
Bad Sachsa (Südharz)
Bad Säckingen
Bad Salzuflen
with 1 sub-branch
Bad Tölz
Bad Wildungen
Bad Wörishofen
Bad Zwischenahn
Balingen
Bamberg
Barsinghausen
Baunatal
Bayreuth
Beckum (Bz. Münster)
Bendorf (Rhein)
Bensheim
Bergheim (Erft)
Bergisch Gladbach
with 1 sub-branch
Bergneustadt
Bernkastel Kues
Betzdorf (Sieg)
Biberach (Riss)
Biedenkopf
*Bielefeld
with 8 sub-branches
Bietigheim (Württ.)
Bingen (Rhein)
Blomberg (Lippe)
Bocholt
Bochum
with 7 sub-branches
Böblingen (Württ.)
Bonn
with 6 sub-branches
Bonn-Bad Godesberg
Boppard
Borken
Bottrop
with 1 sub-branch
Bramsche (Bz. Osnabrück)
Braunschweig
with 12 sub-branches
Bremen
with 14 sub-branches
Bremen-Vegesack
Bremerhaven
with 3 sub-branches
Bretten
Brilon
Bruchsal
Brühl (Bz. Cologne)
Brunsbüttel
Buchholz i.d. Nordheide
Bühl (Baden)
Bünde
Burgdorf (Han)
Burscheid (Rhein)
Buxtehude
Castrop-Rauxel
with 1 sub-branch
Celle
Clausthal Zellerfeld
Cloppenburg
Coburg
Coesfeld
*Cologne
with 27 sub-branches
Crailsheim
Cuxhaven
Dachau
Darmstadt
with 5 sub-branches
Datteln (Westf.)
Deggendorf
Deidesheim
Delmenhorst
Detmold
Dietzenbach
Dillenburg
Dinslaken (Niederrhein)
with 1 sub-branch
Donaueschingen
Donauwörth
Dormagen (Niederrhein)
Dorsten
Dortmund
with 12 sub branches
Dreieich
Dülmen
Düren (Rheinl.)
with 1 sub-branch
Düsseldorf
with 32 sub branches
Düsseldorf Benrath
with 1 sub-branch
Duisburg
with 21 sub-branches
Duisburg-Hamborn
Einbeck
Eislingen
Eitorf
Ellwangen (Jagst)
Elmshorn
Elten
Eltville
Emden
Emmendingen
Emmerich
Emsdetten
Engelskirchen
Ennepetal
with 1 sub branch
Erding
Erkelenz
Erkrath (Bz. Düsseldorf)
Erlangen
Eschborn
Eschwege
Eschweiler
Espelkamp
Essen
with 26 sub-branches
Esslingen (Neckar)
Ettlingen
Euskirchen
Fellbach (Württ.)
Flensburg
with 3 sub-branches
Forchheim
Frankenthal (Pfalz)
Frankfurt am Main
with 25 sub-branches
Frankfurt (Main)-Höchst
Frechen
Freiburg (Breisgau)
with 6 sub-branches
Freising
Freudenberg (Kr. Siegen)
Freudenstadt
Friedberg (Hess.)
Friedrichshafen
Fürstenfeldbruck
Fürth (Bay.)
with 1 sub-branch
Fulda
with 1 sub-branch
Gaggenau (Murgtal)
Garmisch-Partenkirchen
Geesthacht
Geislingen (Steige)
with 1 sub-branch
Geldern
Gelsenkirchen
with 5 sub-branches
Gengenbach
Georgsmarienhütte
with 1 sub-branch
Gerlingen (Württ.)
Germering
Gernsbach (Murgtal)
Gersthofen
Geseke (Westf.)
Gevelsberg
Giengen (Brenz)

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

Neuss
with 4 sub-branches
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Neustadt (Weinstr.)
Neu Ulm
Neuwied
Nienburg (Weser)
Nördlingen
Norden
Norderney
Norderstedt
with 1 sub-branch
Nordhorn
Northeim
Nürtingen
Nuremberg
with 13 sub-branches
Oberhausen (Rheinl.)
with 9 sub-branches
Oberkirch (Baden)
Obertshausen
Oberursel (Taunus)
Öhringen
Oelde
Oerlinghausen
Offenbach (Main)
with 2 sub-branches
Offenburg (Baden)
Oldenburg (Oldbg.)
Olpe (Westf.)
Osnabrück
with 4 sub-branches
Osterholz-Scharmbeck
Osterode (Harz)
Ottobrunn
with 1 sub-branch
Paderborn
Papenburg
Passau
Peine
Pfaffenhofen
Pforzheim
with 3 sub branches
Pfullingen (Württ.)
Pinneberg
Pirmasens
with 1 sub-branch
Planegg
Plettenberg
Plochingen
Quakenbrück
Radevormwald
Radolfzell

Rastatt
Ratingen
with 3 sub-branches
Raunheim
Ravensburg
with 1 sub branch
Recklinghausen
Regensburg
with 3 sub branches
Reinbek (Bz. Hamburg)
Remagen
Remscheid
with 5 sub-branches
Rendsburg
Reutlingen
with 1 sub-branch
Rheda-Wiedenbrück
Rheinbach
Rheinberg (Rheinl.)
Rheine (Westf.)
with 2 sub branches
Rheinfelden (Baden)
Rinteln (Weser)
Rodgau
Rösrath
Rosenheim (Bay.)
Rottach-Egern
Rottenburg
Rottweil
Rüsselsheim (Hess.)
with 1 sub-branch
Salzgitter Bad
with 2 sub-branches
Salzgitter-Lebenstedt
with 1 sub branch
Salzgitter-Watenstedt
St. Georgen (Schwarzw.)
Schmallenberg (Sauerl.)
Schopfheim
Schorndorf (Württ.)
Schüttorf
Schwabach
Schwäbisch Gmünd
with 1 sub branch
Schwäbisch Hall
Schweinfurt
Schwelm
Schwerte (Ruhr)
Schwetzingen
Seesen
Siegburg
Siegen
with 4 sub branches

Sindelfingen
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Soest
Solingen
with 4 sub-branches
Soltau
Sonthofen
Spaichingen
Spenge
Speyer
Sprockhövel (Westf.)
Stade
Stadthagen
Stadtlohn
Starnberg
Steinfurt
with 1 sub-branch
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Straubing
Stuttgart
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Stuttgart-Bad Cannstatt
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Taunusstein
Tettnang
Titisee Neustadt
Tönisvorst
Traben Trarbach
Triberg (Schwarzw.)
Trier
Troisdorf
Tübingen
with 1 sub-branch
Tuttlingen
Übach-Palenberg
Überlingen (Bodensee)
Uelzen
Ulm (Donau)
with 1 sub branch
Unna
Vechta
Velbert (Rheinl.)
with 1 sub-branch
Verden (Aller)
Verl
Viernheim (Hess.)
Viersen
with 3 sub-branches
VS – Schwenningen
VS – Villingen
Voerde
Vohburg
Vreden (Westf.)

Wächtersbach
Waiblingen
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Waltrop
Wangen (Allgäu)
Warendorf
Wedel (Holst.)
Weener (Ems)
Wegberg
Wehr (Baden)
Weiden (Opf.)
Weil (Rhein)
Weilheim
Weingarten (Württ.)
Weinheim (Bergstr.)
with 1 sub-branch
Weissenthurm
Werdohl
Werl (Westf.)
Wermelskirchen
Werne
Wesel (Niederrhein)
with 1 sub branch
Wesseling (Bz. Cologne)
Westerland
Wetzlar
Wiesbaden
with 6 sub-branches
Wiesloch
Wilhelmshaven
Willich (Bz. Düsseldorf)
with 1 sub-branch
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Wissen (Sieg)
Witten
with 2 sub-branches
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Roland Berger
Wolfgang Mast

DB Consult GmbH,
Frankfurt am Main

Managing Directors:
Dr. Bodo Fuchs
Volkert Klaucke

*not under uniform direction

Europe
(excl. Federal Republic of Germany)

Belgium
Deutsche Bank AG,
Succursale de Bruxelles
100, Boulevard du Souverain
1170 Bruxelles
Antwerp Branch:
Deutsche Bank AG
Filiaal Antwerpen
Postbus 228, Arenbergstraat 23
2000 Antwerpen
Ernst Wilhelm Contzen, Directeur
Dr. Dirk-Joachim von Walcke-Wulffen,
Directeur

DB (Belgium) Finance S.A./N.V.
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
Dr. Rainer W. Boden, Directeur
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
Banca d'America e d'Italia S.p.A.
Via Borgogna, 8
20122 Milano
Dott. Gianemilio Osculati,
Consigliere Direttore Generale
(100 branches in the 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

Netherlands
H. Albert de Bary & Co. N.V.
Postbus 268, 1000 AG Amsterdam
Herengracht 450–458, 1017 CA Amsterdam
Managing Directors:
H. Fontein
W. O. Koenigs (until 15. 5. 1989)
A. F. Baron van Lijnden
B. A. Wilken

Kantoor Rotterdam:
Postbus 1711, Westblaak 212
3012 KP Rotterdam
P. Dubbeld, Direktor

Portugal
MDM Sociedade de Investimento, S.A.
Apartado no. 21103
1128 Lisboa Codex
Av. da Liberdade, 144-156
1200 Lisboa
Dr. Rui Leão Martinho, Managing Director

Soviet Union
Deutsche Bank AG
Moscow Representative Office
ul. Ostoshenka 23
119034 Moscow
Hubert Pandza

Spain
Deutsche Bank
Aktiengesellschaft
Sucursal en España
Paseo de la Castellana, 42
28046 Madrid
Directores Generales:
Wolfgang von Eckartsberg
Rainer W. Klinke
Tjark H. Woydt

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

Banco Comercial Transatlántico, S.A.*
(BANCOTRANS)
Apartado 416, 08080 Barcelona
Avenida Diagonal 446
08006 Barcelona
Eberhard F. Knorr, Director General
(more than 100 branches in the important
regions of the country)

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Deutsche Bank (Suisse) S.A.
Deutsche Bank (Schweiz) AG
Deutsche Bank (Svizzera) S.A.
Registered office Geneva
Managing Directors:
Albrecht Haarmann
Dr. Thomas Schlieper (Zürich)
Richard Steinig
Bruno Winkler
Branches:
Deutsche Bank (Suisse) S.A.
Case postale 242, 1211 Genève 1
Place des Bergues 3, 1201 Genève
Bruno Winkler, Direktor

Deutsche Bank (Svizzera) S.A.
Casella Postale 2783
Riva Albertolli 1
6901 Lugano
Giorgio Lupi, stv. Direktor

Deutsche Bank (Schweiz) AG
Postfach 978, 8039 Zürich
Bleicherweg 50
8002 Zürich
Dr. Thomas Schlieper, Direktor

Turkey
Deutsche Bank AG
Representative Office
PK 194, 80222 Sisli-Istanbul
Mete Cad. 34
Necip Akar Iş 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

* affiliate

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 p.l.c.
P.O. Box 441, 6, Bishopsgate
London EC2P 2AT
Manfred ten Brink, Managing Director

Deutsche Bank Capital Markets Ltd.
P.O. Box 126, 150, Leadenhall Street
London EC3V 4RJ
Michael von Brentano, Managing Director
Henning Jess, Managing Director

America

Argentina
Deutsche Bank AG
Sucursal Buenos Aires
Casilla de Correo 995
1000 Correo Central/Buenos Aires
Bmé. Mitre 401, 1036 Buenos Aires
Gerentes Generales:
Karl Ostenrieder,
Raúl G. Stocker,
Ekkehard Wagner

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

Escritório de Representação
Caixa Postal 2070, 01051 São Paulo/SP
Rua XV de Novembro, 137-12ºandar
01013 São Paulo/SP
Dr. Meinolf Schübeler

Deutsche Bank AG
Filial Campinas
Caixa Postal 1691, 13001 Campinas/SP
Rua Sacramento, 126-17ºandar
13013 Campinas/SP
Hans Jürgen Horstmann, Gerente

Deutsche Bank AG
Filial Porto Alegre
Caixa Postal 2468, 90001 Porto Alegre/RS
Rua dos Andradas, 1.001-17ºandar
90020 Porto Alegre/RS
Lauro Altmann, Gerente

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

McLean McCarthy Limited
11 King Street West
Toronto, Ontario M5H 1A3
Gary W. Colbert, President

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

Chile
Representación del Deutsche Bank AG
Casilla de Correo 3897, Estado 359, Piso 12
Santiago de Chile
Guillermo Bosse P.
Region: Chile, Bolivia

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.
Dr. Martin Weigand
Region: Mexico, Central America

Netherlands Antilles
Deutsche Bank Finance N.V.
P.O. Box 812, Plasa Smeets 6
Willemstad, Curaçao
Rolf Helling, Managing Director

Paraguay
Deutsche Bank AG
Sucursal Asunción
Casilla de Correo 1426
14 de Mayo esq. Estrella, Asunción
Wolf Dietrich von Bothmer Schlegtendal,
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
From mid-1989:
31 West 52nd Street
New York, NY 10019
Executive Vice Presidents
and General Managers:
Dr. Helmut von Natzmer
Michael Rassmann
Detlev Staecker

Deutsche Bank AG
Chicago Branch
3 First National Plaza, Suite 2770
70 West Madison Street
Chicago, IL 60602-4207
Martin L. Rahe, Manager

Deutsche Bank Capital Corporation
40 Wall Street
New York, NY 10005
From mid-1989:
31 West 52nd Street
New York, NY 10019
Christian Strenger
Managing Director

Deutsche Bank
Government Securities, Inc.
40 Wall Street
New York, NY 10005
From mid-1989:
31 West 52nd Street
New York, NY 10019
Christian Strenger, President

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 Los Angeles
300 South Grand Avenue, Suite 3950
Los Angeles, CA 90071
Klaus W. Bruewer

Venezuela
Representación del Deutsche Bank AG
Apartado 52144, Plaza Venezuela
Torre Phelps, Piso 21, Of. "D"
Caracas 1050 A
Hans von Wartenberg
Region: Venezuela, Caribbean region (excl. Cuba), Colombia, Ecuador

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 Republic

Bahrain
Deutsche Bank AG
Representative Office
P.O. Box 20619
Manama Centre, Entrance 1
Government Road, Manama,
State of Bahrain
Burkhart Klein
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 Felgentreu

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 Ltd.
G.P.O. Box 2239 T
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

Bain and Company*
G.P.O. Box 7033, Sydney, NSW 2001
Level 19, Grosvenor Place
225 George Street, Sydney, NSW 2000
Maurice Newman, Chairman

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

Hong Kong
Deutsche Bank AG
Hong Kong Branch
G.P.O. Box 3193
New World Tower
16–18 Queen's Road C., Hong Kong
Dr. Michael Thomas, General Manager
Reiner Rusch, General Manager

DB Asia Finance (HK) Ltd.
G.P.O. Box 3193
New World Tower
16–18 Queen's Road C., Hong Kong
Rogers D. LeBaron, Managing Director

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

India
Deutsche Bank AG
Bombay Branch
Post Bag 9995
Tulsiani Chambers, Nariman Point
Bombay 400021
Juergen Hinrich Frese,
General Manager – India

Deutsche Bank AG
New Delhi Branch
Post Bag 33
Tolstoy House, 15–17 Tolstoy Marg
New Delhi, 110001
S.N. Kapur, General Manager,
Deputy General Manager – India
Holger Appel, General Manager

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

* affiliate

P.T. Euras Buana Leasing Indonesia
P.O. Box 3550, Jakarta 10001
Bank Bumi Daya Plaza, 28th Floor
61 Jl. Imam Bonjol
Jakarta 10310
Werner Fuchs, President Director

Japan
Deutsche Bank AG
Tokyo Branch
C.P.O. Box 1430, Tokyo 100-91
ARK Mori Building
1-12-32, Akasaka
Minato-ku, Tokyo 107
Günter P. Barthel, 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
8-12 Honmachi 1-chome
Chuo-ku, Osaka 541
Hartwig Krieg, General Manager
Akira Suzuki, General Manager

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

DB Capital Markets (Asia) Ltd.*
Tokyo Branch
C.P.O. Box 1011, Tokyo 100-91
ARK Mori Building, 22nd Fl.
1-12-32, Akasaka
Minato-ku, Tokyo 107
Karl-Ludwig Goeldner,
Managing Director and General Manager
Dr. Rainer Stephan,
Managing Director and General Manager

Vaubel & Partners Ltd.*
ARK Mori Building, 22nd Fl.
1-12-32 Akasaka
Minato-ku, Tokyo 107
Dr. Dirk Vaubel, President

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

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

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

Malaysia
Deutsche Bank AG
Kuala Lumpur Branch
P.O. Box 12211
Yee Seng Building
15 Jalan Raja Chulan
50770 Kuala Lumpur
Heinz Pöhlsen, General Manager

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

Deutsche Bank AG
Lahore Branch
P.O. Box 1651
Mall View Plaza
Roberts Road, Bank Square
Lahore
Claudius Esch, Manager

Philippines
Deutsche Bank AG
Manila Offshore Branch
MCC P.O. Box 2286
BPI Family Bank Center, 17th Floor
8753 Paseo de Roxas
1200 Makati, Metro Manila
Angelica Yap-Azurin, Manager

Singapore
Deutsche Bank AG
Regional Head Office Singapore
Robinson Road P.O. Box 0007
Singapore 9000
Treasury Building, 8, Shenton Way, # 20-01
Singapore 0106
Executive Directors:
Karlheinz Albrecht,
Ashok Dayal,
Alfred Steffen,
Dr. Klaus Zeidler

Deutsche Bank AG
Singapore Branch
Robinson Road P.O. Box 3741
Singapore 9000
Treasury Building, 8, Shenton Way, # 01-01
Singapore 0106
Frederick J. A. Brown,
General Manager
Wolfgang Driese, General Manager

Sri Lanka
Deutsche Bank AG
Colombo Branch
P.O. Box 314
86, Galle Road
Colombo 3
Edward W. Coll, General Manager

* affiliate

Taiwan
Deutsche Bank AG
Taipei Branch
P.O. Box 87-340
Cathay Life Insurance Building
10/F, 296, Jen Ai Road, Sec. 4
Taipei
Ernst August Borchert, General Manager

Thailand
Deutsche Bank AG
Bangkok Branch
G.P.O. Box 1237, Bangkok 10501
21, South Sathorn Road
Bangkok 10120
Jürgen Fitschen, General Manager
Dr. Joachim Herbert, General Manager

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Contemporary Art at Deutsche Bank

The concept

Contemporary art at the bank gives staff, customers and visitors the opportunity to experience art at the workplace and encourages them to think 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 German-speaking countries, mainly young artists born in the 1950s and '60s.

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 bank's artistic concept also includes the design of its Annual Reports, each featuring the work of one particular artist. This year, the report contains art by Gerhard Richter selected from works in the bank's collection. Starting at the General Meeting, an exhibition of Richter's printed graphics will be on display at 30 branches.

Gerhard Richter

Gerhard Richter was born in Dresden in 1932. He worked as a painter of stage settings and posters from 1949 until 1951, and then studied painting at the Dresden Academy. In 1961, Richter moved to Düsseldorf, where he studied at the Art Academy under K. O. Götz until 1963. In October 1963, together with Konrad Lueg, Richter organized the "Demonstration for Capitalist Realism". The two artists put on an exhibition at the "Berges" furniture store in Düsseldorf, incorporating the entire furniture store, two interiors, and the painters themselves as objects on display.

Since 1971, Gerhard Richter has been Professor at the Düsseldorf Academy. Retrospectives with a wide range of his pictures were shown in Düsseldorf and Berlin in 1986, and in Canada and the U.S.A. in 1988/89.

In 1962, Richter began to work on pictures which appear to the viewer to be black and white or colour photographs slightly out of focus. In these works, which are painted from photos he has either come across or taken himself, the artist does not use the photos as medium for a painting, but – according to Richter – he uses "the painting as medium for the photo". He continues this group of works with pictures painted from his own landscape photographs.

By taking photography as the basis for his work, Richter does not have to invent subjects. This is also reflected in his mountain and urban scenes, the "Graue Bilder", "Vermalungen" and "Farbtafeln". The initial works in this last group were created in 1966 to depict paint sample cards. In 1971 and 1973/74, Richter took up this theme again; from four basic colours he mixed as many as 1,024 different shades, which he arranged in an arbitrary grid pattern on the canvasses.

The largest group of works by Richter – who has been living in Cologne since 1983 – is the series of vividly coloured "Abstrakte Bilder" commenced in 1976. Here, the subject either evolves during painting or is taken from other pictures. The "Faust" triptych shown here, for example, was based on details from three different and much smaller panels.

List of works depicted:

Cover and flyleaf EL-S (15.2.84), 1984, watercolour, 29.9 × 39.7 cm

page 12 Swiss Alps II, 1969, screen print, from a series of 5 pictures, 69.5 × 69.5 cm

page 19 Canary Island landscapes, 1970/71, heliogravure, from a series of 6 pictures, 39.8 × 50.1 cm

page 46 "Kahnfahrt", 1965, oil on canvas, 150 × 190 cm

page 56 Head (14.2.84), 1984, watercolour, 25.5 × 37 cm

page 58 Fields of colour, yellow – blue – red, 1974, from a series of 6 pictures, offset, 64.4 × 79.2 cm

page 70 "Glenn Gould" record, 1984, oil on record, diameter: 30 cm

page 118 9 objects, 1969, offset, from a series of 9 pictures, 44.9 × 44.9 cm

page 127 EL-R (14.2.84), 1984, watercolour, 29.6 × 41.8 cm

page 141 "Faust", 1980, oil on canvas, 295 × 675 cm (three parts)