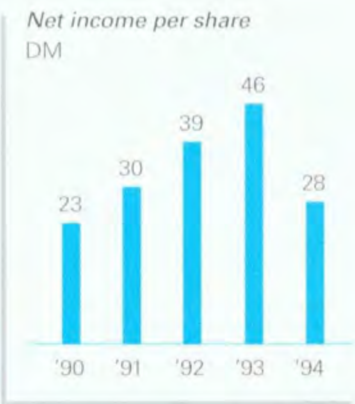
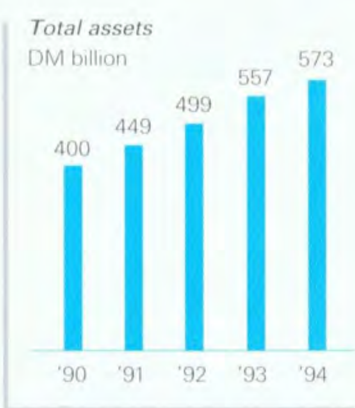
Annual Report for 1994

125 Years Deutsche Bank

A Profile in Figures	1993	1994
	DM million	DM million
Net income per DM 50 share	DM 46	DM 28
Dividend appropriation Deutsche Bank AG	778	925
Dividend per DM 50 share	DM 16.50	DM 16.50
Anniversary bonus per DM 50 share		DM 3
Return on equity	12.1%	6.8%
Capital and reserves pursuant to German Banking Act	33,032	33,160
BIS capital ratio (Tier I + II)	11.3%	10.4%
Net interest income	11,706	11,539
Net commission income	5,846	5,917
Net income from financial transactions	1,997	537
Administrative expense	11,731	12,407
Risk provisioning	3,286	2,169
Operating profit	5,266	4,050
Taxes	2,356	1,813
Net income	2,243	1,360
Total assets	556,636	573,022
Total credit extended	332,793	331,148
Liabilities to customers	275,954	264,150
Liabilities in certificate form	109,489	114,015
Off-balance-sheet		
notional amount } pursuant to German Banking Act	1,341,414	1,781,683
credit risk equivalent } pursuant to German Banking Act	11,006	12,612
	Number	Number
Branches	2,431	2,483
in Germany	1,734	1,722
abroad	697	761
Staff	73,176	73,450
in Germany	56,905	54,384
abroad	16,271	19,066
Long-term rating		
Moody's Investors Service, New York	Aaa	Aaa
Standard & Poor's, New York	AAA	AAA
IBCA, London	AAA	AAA





Banks

Deutsche Bank AG
Frankfurt am Main

Deutsche Bank Luxembourg S.A.
Luxembourg

Morgan Grenfell & Co. Ltd.
London

Deutsche Bank, Sociedad Anónima Española
Barcelona

Deutsche Bank Società per Azioni
Milan

Deutsche Bank de Bary N.V.
Amsterdam

Deutsche Bank (Suisse) S.A.
Geneva

Deutsche Bank Lübeck AG
vormals Handelsbank
Lübeck

Deutsche Bank de Investimento, S.A.
Lisbon

Deutsche Bank Saar AG
Saarbrücken

Deutsche Bank Argentina S.A.
Buenos Aires

Deutsche Bank (Austria) AG
Vienna

Deutsche Bank Canada
Toronto

Deutsche Bank S.A. – Banco Alemão
São Paulo

Deutsche Bank (Malaysia) Bhd.
Kuala Lumpur

DB (Belgium) Finance S.A./N.V.
Brussels

Deutsche Bank (Asia Pacific) Ltd.
Singapore

Grunelius KG Privatbankiers
Frankfurt am Main

Capital market and fund management companies

Deutsche Asset Management GmbH
Frankfurt am Main

Deutsche Gesellschaft für Fondsverwaltung mbH
Frankfurt am Main

Deutsche Grundbesitz-Investmentgesellschaft mbH
Frankfurt am Main

Deutsche Immobilien Anlagegesellschaft mbH
Frankfurt am Main

DWS Deutsche Gesellschaft für Wertpapiersparen mbH
Frankfurt am Main

DB Investment Management S.A.
Luxembourg

Morgan Grenfell Asset Management Ltd.
London

Deutsche Bank Fondi S.p.A.
Milan

DB Gestión Sociedad Gestora de Instituciones de Inversión Colectiva, S.A.
Madrid

Morgan Grenfell Development Capital Ltd.
London

D.B. Investment Management S.A.
Buenos Aires

Deutsche Bank Financial Products Corp.
New York

Deutsche Bank Futures Corp.
New York

Deutsche Bank Sharps Pixley Inc.
New York

Deutsche Sharps Pixley Metals Inc.
New York

Deutsche Sharps Pixley Metals Ltd.
London

DB Securities Sociedad de Valores y Bolsa, S.A.
Madrid

Deutsche Bank Securities SIM S.p.A.
Milan

DB Bourse S.N.C.
Paris

Deutsche Bank Capital Markets (Asia) Ltd.
Hong Kong

Deutsche Bank Argentina Sociedad de Bolsa S.A.
Buenos Aires

Deutsche Bank France S.N.C.
Paris

Deutsche Bank Gilts Ltd.
London

Deutsche Bank Securities Corp.
New York

Bain & Company Ltd.
Sydney

McLean McCarthy Inc.
Toronto

Morgan Grenfell Asia Holdings Pte. Ltd.
Singapore

Morgan Grenfell (C.I.) Ltd.
Jersey

Mortgage banks and property finance company

Deutsche Centralbodenkredit-AG
Berlin – Cologne

Frankfurter Hypothekenbank AG
Frankfurt am Main

Lübecker Hypothekenbank AG
Lübeck

Deutsche Bank Bauspar-AG
Frankfurt am Main

Europäische Hypothekenbank S. A.
Luxembourg

Schiffshypothekenbank zu Lübeck AG
Hamburg

Instalment financing and leasing companies

GEFA Gesellschaft für Absatzfinanzierung mbH
Wuppertal

GEFA-Leasing GmbH
Wuppertal

Deutsche Credit Corp.
Deerfield/Illinois/U.S.A.

ALD AutoLeasing D GmbH
Hamburg

DB Export-Leasing GmbH
Frankfurt am Main

Deutsche Bank Factoring S. p. A.
Milan

Deutsche Bank Leasing S. p. A.
Milan

Deutsche Bank Credit, S. A.
Madrid

Deutsche Immobilien Leasing GmbH
Düsseldorf

DB Leasing – Sociedade de Locação Financeira Mobiliária, S. A.
Lisbon

Insurance companies

Deutscher Herold Lebensversicherungs-AG
Bonn

Deutscher Herold Allgemeine Versicherungs-AG
Bonn

Lebensversicherungs-AG der Deutschen Bank
Wiesbaden

Globale Krankenversicherungs-AG
Cologne

Deutscher Herold Rechtsschutz-versicherungs-AG
Bonn

DB Vida Compañia de Seguros y Reaseguros, S.A.
Barcelona

DB Vita Compagnia di Assicurazioni e Riassicurazioni sulla Vita S. p. A.
Milan

Research and consultancy companies

DB Research GmbH Gesellschaft für Wirtschafts- und Finanzanalyse
Frankfurt am Main

Bonndata Gesellschaft für Datenverarbeitung mbH
Bonn

Bonnfinanz AG für Vermögensberatung und Vermittlung
Bonn

Deutsche Gesellschaft für Mittelstandsberatung mbH
Munich

Deutsche Immobilienvermittlungs-Holding GmbH
Frankfurt am Main

Morgan Grenfell GmbH
Frankfurt am Main

Roland Berger & Partner Holding GmbH
Munich

Deutsche Bank Group is represented in more than 50 countries by 2,483 branches, 1,722 of them in the Federal Republic of Germany.

Full details of our worldwide presence are given in the Directory of Deutsche Bank Offices. You can obtain a copy at any of our branches or order one using the postcard at the end of this Annual Report.

Annual Report for 1994

Deutsche Bank

Untitled, 1968
Watercolour on lined loose-leaf paper,
20.5 x 14.5 cm

Deutsche Bank

Our annual reports had a reputation for being informative and precise right from the start. They were sought after like the bank they reported on. Setting up the bank called for two things: the ability to weigh up the options and the willingness to assume risk. From the outset, the bank was endowed with insight into the conditions of the time and the determination to do what it considered right, and both are as essential today as they were in 1870.

Reflecting on the past is seldom worthwhile if there is no message for the future. After all, we have many ideas for the years to come. At 125 we feel young. The future is what counts. Our tradition is not a burden, but ensures that, despite all changes, Deutsche Bank remains true to itself.

The bank has been a universal bank since it was founded, and international, too. More than ever before we are proud to be flexible – as flexible as necessary to be successful. We must adjust to new circumstances and give our various elements scope to develop and assume responsibility. At a time when internal and external boundaries are blurring, the universal bank would have to be invented if it didn't already exist.

In its first twenty-five years Deutsche Bank built up its business and then expanded it strongly in the second quarter-century. The battle for survival in the third 25 years was almost lost. In 1945 nobody was taking bets on the future. The bank's subsequent resurgence is as astonishing as that of the country whose name we bear.

The ups and downs of the first hundred years had political roots. Our business remained essentially the same. It was only with the advent of information technology and the worldwide mobility of capital that it expanded in size and substance. In its fifth quarter-century Deutsche Bank saw greater change than in the entire century that preceded it.

Today we are a European bank, in some sectors a global one. While we still conduct our traditional business, we now offer the broad product range of a modern financial group operating worldwide.

Our history is one of untiring efforts to find the future in the past. We shall continue along the path of renewal, weighing up the options and assuming risk. But as far as our annual reports are concerned, we want them to be what they always were: informative and clearly expressed.

Untitled (canoeist), 1978
Gouache, tusche, felt pen and collage, 70 x 100 cm

Dear Shareholders,

1994 was an eventful year for banks in many respects. Seldom has there been such a gulf between expected developments on the financial markets and reality. This had an impact on banks' results, but showed once again that, while universal banks are not immune to setbacks, they are more resistant. Competition is continually intensifying worldwide and is causing fundamental structural changes in banking which must be channelled in the right direction and not merely passively accepted. And finally, there has been a strong economic recovery although, as usual, there will be a delay before its positive impact is felt in banking.

Progressive development and the constant integration of new influences are features of banking. The growing internationalization of financial markets is accelerating the pace of change. While the impulses from securitization in lending are having an ever greater effect, the liabilities side of banks' business is also transforming and placing new demands on product development and distribution channels.

The supply side is changing, too, especially with regard to quality enhancement. Banking is being shaped increasingly by electronics. This has two effects. Only with the help of leading-edge technology can service companies get a grip on costs; while there will be less and less standardized, monotonous work for people to do, time will be created for more demanding tasks. Electronics is also allowing suppliers with no previous involvement in banking to capture parts of this market. Deutsche Bank was quick to adjust to these many changes. It is a major supplier in electronic banking. We plan to increase this lead by making substantial investments.

Furthermore, the bank has refined its organization with the aim of focusing more closely on customers. For this reason we have launched the "Closer to the Customer" project. The aim is to obtain a strong improvement in the quality, speed and price of banking services, not to mention customer satisfaction. Decision-making processes are being shortened and *responsibility delegated increasingly to the local level to stimulate more entrepreneurial behaviour among staff in the service of customers. The bank is to become a learning organization through the development of quality management in a constant dialogue with customers. The measurement of economic success is supported by the regular monitoring of customer and staff satisfaction. In this way we want to become an even more attractive bank.*

Deutsche Bank, as a universal bank, confronts the competition in Europe and throughout the world wherever there are opportunities to advance its development on a sound basis to the benefit of shareholders, clients and staff. Deutsche Bank, its people, are confident that together they can play an active part in this change. To act with foresight is also the bank's leitmotif given the manifold financial risks to which a bank is today exposed. For some time now, these risks have not been restricted simply to the credit standing of business partners. In a global financial market with strong price fluctuations, market risks play an increasingly important role. The art of banking is to protect customers and the bank itself from the negative impact of such risks.

The process of diversification in banking has placed greater demands on risk management. It has become more comprehensive and much more sophisticated. The aim is to make risk structures more transparent, and this is done by quick and systematic analysis. Mathematical models are used to quantify market risks. Physicists, information scientists and mathematicians have long been part of everyday banking life.

Despite all the benefits that mathematics can offer to a bank, it cannot replace human judgement and common sense. Deutsche Bank combines both of these in its risk management: the precision of mathematical formulae and a wealth of human experience. But this is no guarantee that the bank will not suffer financial or intangible damage. It is difficult to take watertight precautions against fraudulent manipulation, especially if certain basic principles of mutual trust are to be maintained in an open society. In banking, trust is a mutual relationship. And only through openness and *credibility can a bank continue to win the necessary trust. Credibility, transparency and keen competition are also the fundamental market principles which define the role of banks in the economy. Deutsche Bank supports all efforts that help make the banking system more effective and competitive.*

Willingness to face competition is a key part of Deutsche Bank's self-perception. This was one of the motives behind our decision to concentrate all our Group-wide investment banking activities under one management in London. The objective is to build up step by step an international investment bank which combines the best of the Anglo-Saxon banking tradition with what Deutsche Bank has to offer as a universal bank in terms of knowledge, experience, expertise and global reach. Germany as a financial centre will draw many advantages from this. Customers will benefit by being able to choose from the bank's full range of international investment banking services.

The bank's self-image also includes its commitment to social and cultural causes. To provide more effective support for cultural projects in Germany and abroad, we have set up an arts foundation which is one of the leading organizations of its type in Germany. It has the same funding as the Alfred Herrhausen Foundation, which has been providing quick and unbureaucratic help for welfare causes since 1986.

Deutsche Bank's development in 1994 was partly shaped by the trends described here. Naturally there are developments which the bank cannot circumvent. In a group of Deutsche Bank's size and flexibility, however, it is possible to mitigate negative tendencies and strengthen positive ones.

For 1994 Deutsche Bank Group reports an operating profit of DM 4,050 million. This is 23.1% below the extremely high result in the previous year, since the unexpected interest rate hikes in particular substantially reduced the bank's net income from financial transactions (proprietary trading). As a result of our cost management we succeeded in limiting the growth in administrative expense. Although the new risk provisioning required in our *domestic lending remained high, provisions no longer needed were written back on a larger scale than in the previous year. The profit on the sale of participating interests was appropriated in the highest possible amount of DM 519 million on a tax-privileged basis pursuant to § 6b Income Tax Act. Group net income was DM 1,360 million.*

It will be proposed to the General Meeting on May 18, 1995 that an unchanged dividend of DM 16.50 plus an anniversary bonus of DM 3 per DM 50 share be paid. At DM 925 million, this will be the largest amount we have ever appropriated for distribution. Including the tax credit of DM 8.36, the total income for domestic shareholders will be DM 27.86 per DM 50 share after DM 23.57 for 1993.

Frankfurt am Main, March 1995
Deutsche Bank AG
The Board of Managing Directors

Carl L. von Boehm-Bezing	*Rolf-E. Breuer*	*Ulrich Cartellieri*	*John A. Craven*
Michael Endres	*Hilmar Kopper*	*Jürgen Krumnow*	*Georg Krupp*
Ronaldo H. Schmitz	*Ellen R. Schneider-Lenné*	*Ulrich Weiss*	*Tessen von Heydebreck*

Untitled (turning), 1979
Oil and acrylic on design fabric, 230 x 200 cm

Retail Banking and Trade Customers

Retail banking is constantly changing. Of the more than 6.5 million clients we have in this division, almost 1 million are today either self-employed persons or small enterprises. We have taken this into account by renaming this division Retail Banking and Trade Customers and by bringing our corporate culture into line with the changing demands of our customers.

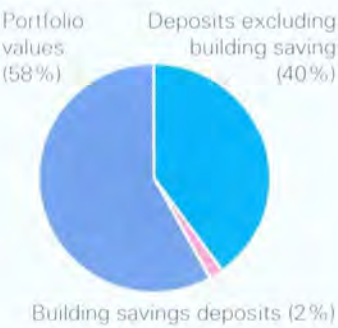
New products well received

Deutsche Bank's new products provide its clients with extra scope for using movements in the markets or hedging against them. Property finance and commercial loans with interest cap, sprint saving as a shorter-term savings plan yielding double the interest at maturity, private portfolio management in mutual funds and Deutscher Herold's private life annuity schemes were all well received.

Strong growth in property finance

The rapid turnaround from recession to upswing had different effects on banking. The sharp rise in long-term interest rates encouraged customers to invest quickly in real estate, and this led to strong growth in property finance. Uncertainty on the labour market made consumers reluctant to take up new loans. The interest rate structure made longer-term investment in higher yielding deposits and securities more attractive, and time deposits less so.

Investments by our retail customers DM 210 billion



Deutsche Bank domestic and Deutsche Bank Bauspar-AG

The range of investments is constantly being expanded, particularly with respect to new distribution channels - one of Deutsche Bank's traditional strengths. The volumes are, of course, also significant: DM 85 billion in private customers' deposits, DM 121 billion in securities portfolios, DM 3 billion in accounts at Deutsche Bank Bauspar-AG and annual premiums received of almost DM 2 billion in life and pension insurance. What is remarkable is the enthusiasm of Deutsche Bank's customers about sophisticated forms of investment: securities investment, as opposed to account saving, is used five times more by Deutsche Bank's retail clients than is usual. Our customers expect us to provide them with investment guidance, which is why we have continued to intensify our dialogue with them.

New life insurance business increased by more than 20%

Last year, Deutsche Bank's insurance group expanded its new life insurance business by more than 20% through its sales channels. The bank's insurance advisory centres for life and non-life insurance have been well received by clients.

Deutsche Bank's insurance group benefits from the strengths of a dual distribution network by gearing its wide variety of products to the two channels, i.e. over the counter and through its field service.

Over 10,000 staff at Deutscher Herold and Bonnfinanz made an increasing contribution to the sales success of our banking products.

Good customer response to 24-hour telephone banking

Deutsche Bank's 24-hour telephone banking has been available throughout Germany since November. Customers have reacted positively to this new service.

We are still making great efforts to build up our activities in the new German federal states. In their fifth year of business, our 300-plus branches in eastern Germany reported strong growth in customer numbers and business volumes. As in the western part of the country, we want to give clients in eastern Germany a better and lower-cost service based on an efficient organization.

Despite difficult economic conditions, the retail business of our Italian subsidiaries and their 260 branches developed well. Their own mutual funds quickly gained a substantial market share.

In Spain, Deutsche Bank, S.A.E., with its 318 branches, successfully completed the integration of Banco de Madrid in 1994.

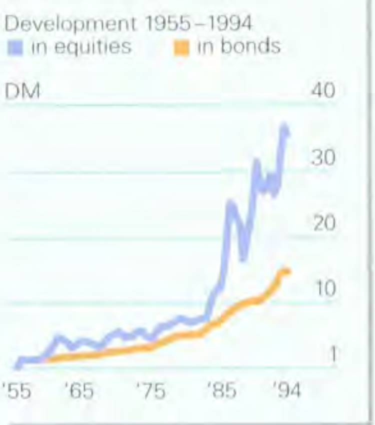
Private Banking

Our pricing principles

Clients' propensity to invest declined markedly during the year due to the difficult market environment. This makes it even more important for us to satisfy our customers' needs and advise them individually. Our pricing is based on four principles which ensure a balanced relationship between price and service: price transparency, fair allocation of costs, product diversity and services tailored to customer requirements.

The new Securities Trading Act which came into effect on January 1, 1995 will greatly enhance the relationship between client and securities service. This is the first German legislation to define what constitutes the quality of investment advice: all advisory services must be appropriate to investor and investment. Advice is appropriate to the investor if it is tailored to his investment objectives and wealth. It is appropriate to a particular investment if it explains its typical risk/opportunity profile.

What DM 1 has become ...



We have roughly 2,000 customer advisors working at 270 investment centres throughout Germany. Before our staff can give such top-level advice, they have to receive the right training. Outstanding specialist expertise is expected nowadays.

The continuing strong interest in equity funds was gratifying. New country and industry funds were added to the product range. Traditional fixed-income funds were particularly popular in addition to direct investment in bonds.

Great interest in portfolio management

Portfolio management is very popular with our customers. In times of complex markets and fluctuating prices, there is growing demand for advice. The number of discretionary portfolios on our books rose by a further 15% from an already high level. This led to 3.5% growth in managed assets. Since 1993 we have offered customers "private portfolio management in mutual funds".

Individual portfolio management in mutual funds was introduced. This is a professional, fund-based international investment advisory service for large discretionary portfolios.

New investment products were launched in traditional, closed-end real estate fund business and property leasing funds. The first movable asset leasing fund was also established.

Investment fund with insurance cover: "Investment-Plus-Paket"

A state-of-the-art investment advisory service includes life insurance. The trend towards private pension insurance intensified. December saw the introduction of the new fund-linked life insurance "Investment-Plus-Paket". This combines such benefits as insurance cover, mutual fund saving and portfolio management. This product was made possible by the liberalization of the European insurance market.

Expansion of international private banking

In 1994 the bank continued to tap foreign markets. New investment centres were opened in Spain and Italy, and the bank's presence in New York was expanded. International business now accounts for roughly 30% of total assets under our management.

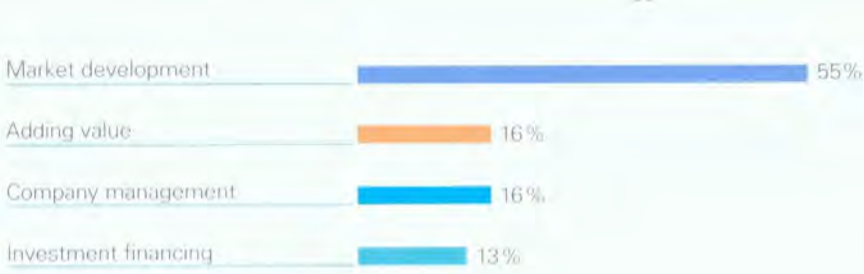
Corporate Banking

All-round solutions to customer problems

Mastering the structural change taking place in industry is one of the existential challenges facing our corporate clients. They expect our assistance in expanding their market position, adding value to their business and cutting costs. What they look for is not so much an individual product as the all-round solution, ranging from information and advisory services to financing strategies. In line with the bank's new structural development, we will concentrate our product range, advisory capabilities and discretionary powers where companies demand them. In future we will set up special centres of competence for small and medium-sized enterprises, big corporates and local authorities.

Over 95% of Deutsche Bank's corporate clients are small and medium-sized undertakings. They account for roughly 75% of the bank's corporate deposits and loans. Our aim is to provide these clients in particular with a comprehensive service. Deutsche Gesellschaft für Mittelstandsberatung mbH, for example, helps to safeguard their competitiveness.

What do small and medium-sized businesses see as their biggest challenge?



Deutsche Beteiligungsgesellschaft mbH, in which Deutsche Bank holds a significant stake, strengthens the equity base of these companies. To underline our special commitment to small and medium-sized businesses in eastern Germany we invested more than DM 200 million by acquiring an indirect stake in DIH Deutsche Industrie-Holding GmbH & Co. KG, an independent company. This company saved or created roughly 4,000 jobs by taking over 25 medium-sized companies in the new federal states.

More efficient service for big corporates

Large multinationals attach importance to receiving global one-stop financial services. A bank's technological capability is also becoming increasingly important for them. These needs are met by our worldwide group account management and new electronic services. These include cash management and payments systems to the EDIFACT transmission standard, which we were one of the first banks in Germany to offer. We also increasingly assist these companies with international big-ticket projects and are supported here by the independently run management consultancy Roland Berger & Partner GmbH.

German industrial production 1992-1995

* DB Research estimate

Local authorities will face substantial challenges over the next few years. By the year 2005 they will need to invest more than DM 500 billion in construction relating to environmental protection. Deutsche Bank Group is assisting them in planning, organizing and financing these projects. Particularly important here are new financing methods such as cooperation concepts or project finance for operator models. Deutsche Immobilien Leasing GmbH concluded its first investment fund leasing transactions for public-sector real estate. In future we shall offer Deutsche Bank Group's expertise and know-how in special service centres under the heading "db-kommunal".

Strong demand for capital investment by local authorities in environmental protection

The economic recovery has not yet translated into a better operating environment for companies in all sectors. We must therefore continue to place strong emphasis on risk provisioning. In redesigning our risk management systems, we have set up special working groups, among other things, to help corporates solve their restructuring problems.

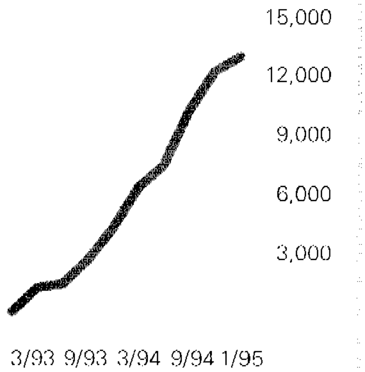
Strong emphasis on risk provisioning

At the end of 1994, our lending to corporate customers totalled DM 167.1 billion. The proportion of long-term loans continued to rise as a result of interest-rate developments. Corporate clients' deposits came to DM 149.5 billion. The volume of deposits repayable on demand remained roughly at the high pre-year level, while time deposits increased further.

For years now we have provided our clients in Germany with instalment financing and leasing services through our subsidiaries GEFA Gesellschaft für Absatzfinanzierung mbH and GEFA-Leasing GmbH, two of the non-captive market leaders. In the U.S.A. Deutsche Bank Group took a big step in sales-aided financing. The agreed takeover of ITT Commercial Finance, St. Louis, Missouri, will make us one of the market leaders in this sector in North America as well.

Market leader in instalment financing

Number of db-POS cashdesks in Germany



Income from foreign commercial business remained, on balance, at the high pre-year level. The comprehensive advisory and customer services we supplied for all foreign exchange products enabled us to expand this business line. We devoted much effort to reducing costs. There has already been a noticeable, positive impact on our profits.

Our new electronic payments services were very successful. Our customers alone handle roughly 3 million transactions per month using the POS system we developed for cashless payments at retail cashdesks; the corresponding turnover exceeds DM 500 million. Our new service "payments from one day to the next", with a guaranteed settlement time of only one day, has had a signal effect.

Financial Institutions

Worldwide, Deutsche Bank Group has business relations with over 6,000 financial institutions – two-thirds of them banks and one third insurance companies, financing companies and mutual funds. In North America, Europe and Asia, this customer group is increasingly being served by local units within our subsidiaries and branches; since they are closer to the market, these units can respond to business opportunities as soon as they arise.

4,000 partner banks worldwide

In business with banks, we have further expanded our position as leading clearing bank in the D-Mark sector. Many new correspondent banks have been added to the list, especially in eastern Europe and the CIS. Many foreign banks are also making greater use of our clearing services for bulk payments to Germany. We have a standardized settlement procedure for such payments, for which we charge guaranteed, favourable unit prices. Our range of payment services is rounded off by clearing facilities. International custody business – securities custody and administration – is a key product for FI's target group. We have broadened the scope of this product in our banking network and now have our own units operating in 23 markets.

Lead in DM clearing expanded

Apart from banks, insurance, financing and mutual fund companies are a strong and expanding customer group among financial institutions in Germany and abroad; these clients are making greater use of derivative products, and their demand for structured financings, particularly in New York and London, has risen substantially. Liberalized conditions for insurers throughout Europe and the bank's know-how available at major international financial centres have contributed to the successful development of this customer segment.

Business with financial institutions (excl. banks)

The counterparty risks in worldwide business with financial institutions – whose credit standing we assess with the help of an internal rating system - and the country risks arising from cross-border exposures are centrally monitored and managed in Frankfurt am Main.

Bulgaria first eastern European reforming country to restructure its debt

Financial Institutions Division is also responsible for rescheduling negotiations. On July 28, 1994 the agreement negotiated under our chairmanship on Bulgaria's foreign liabilities to international commercial banks came into force. This meant that Bulgaria, followed closely by Poland, was the first eastern European reforming country to carry out a debt restructuring scheme in which creditor banks agreed to waive part of their principal and interest payments; this was done to help the Bulgarian economy make a fresh start in its international commercial and financial relations. The agreement involved swapping old loans for securities in the nominal amount of U.S.$ 5.1 billion.

Breakthrough in debt negotiations with the Russian Federation

In debt negotiations with the Russian Federation held in Madrid in October 1994, the bank advisory group headed by us achieved a breakthrough in working out the legal framework of the rescheduling arrangement. In subsequent negotiations, agreement was reached on the terms of debt service for 1992 to 1994 and on the further timetable, which calls for the fundamental elements of rescheduling to be agreed with the bank advisory group by the end of June 1995 and for the entire set of agreements to be concluded by December 1995. In March 1995 the Bank for Foreign Economic Affairs in Russia paid an initial U.S.$ 100 million into an escrow account with the Bank of England.

Corporate Finance

The successful DM 3 billion capital increase at Daimler-Benz AG was the most prominent event in issuing business with German customers in 1994. It was the biggest transaction of its kind to date. In our capacity as worldwide coordinator, we placed for the first time within the framework of a global placement shares with a market value of DM 550 million through an international and a U.S. syndicate. Another major transaction lead-managed by us was the repositioning of approximately 80% of the share capital of Buderus AG with a market value of DM 1.2 billion.

Placement of new Daimler-Benz shares from subscription rights taken up

Leading role in Telekom placement

In connection with the listing of Telekom shares, we were commissioned at the end of November to act as spokesman for three global coordinators and as leading book-runner of the global issue to coordinate five international bank syndicates (Germany, the U.K., rest of Europe, America and Asia). These syndicates are to handle the worldwide placement of equity of Deutsche Telekom AG in 1996. Apart from this management and coordination function, we will also be involved in regional syndicates - for the most part as lead manager. We will, for example, lead manage the syndicate in the U.S.A. jointly with two New York investment banks. Here, we can draw on the experience gained from the placement of Daimler-Benz shares in the U.S.A. We want to help make this biggest-ever international equity placement a success for both issuer and investors. This placement will have a major impact on Germany's equity culture and its importance as a financial centre.

Active involvement in major international placements

We have further expanded our presence in international equities business. Transactions in which we played a key role included the big privatizations of Teledanmark, Istituto Mobiliare Italiano, Banca Commerciale Italiana, Elf Aquitaine and Renault.

In project finance, besides major international mandates, we lead-managed the financing for the E-Plus mobile telephone network in Germany and will do the same for the magnetic high-speed train planned to link Berlin and Hamburg.

We obtained significant mandates from German and international clients to arrange asset-backed commercial paper programmes.

Leasing financing strongly expanded

There was a marked rise in our financing of cross-border leasing serving to promote German exports. The main focus of our activities was on rail-borne public transport and power generation. Lease financings involving the U.S.A. and Japan continue to play a major role; we have received advisory mandates to finance rail-borne vehicles, power stations and telecommunications facilities in those countries. In the field of aircraft financing, in which we already had numerous mandates, we launched and placed our first fund.

Lead management of 102 syndicated loans for U.S.$ 11.5 billion

The market for syndicated loans showed strong volume growth compared with the year before. Many transactions related to the restructuring of existing loans at more favourable terms and conditions or to the financing of acquisitions. The high liquidity on the euromarkets and keener competition caused a drastic fall in margins. In this difficult environment we managed to further consolidate our position as a major international arranger, lead-managing 102 transactions for a total of U.S.$ 11.5 billion.

Closed-end property fund launched

Deutsche Immobilien Anlagegesellschaft mbH placed a closed-end property fund for real estate in Leipzig with retail and trade customers of the bank. In addition, the management holding company for property investment business placed a stake in a building project in Berlin with an institutional investor. Projects in Berlin, Leipzig, Potsdam and elsewhere have been acquired for future funds. Advisory activities have been extended. Deutsche Grundbesitz-Investmentgesellschaft mbH represents a major holding with its open-end property fund "grundbesitz-invest", whose assets rose by DM 1.5 billion in the 1993/94 financial year to DM 7.7 billion. "grundbesitz-invest" is also broadening its activities in other European countries. The fund currently manages 78 commercial properties.

Trading & Sales

Unexpected trends in interest and foreign exchange rates

Interest and foreign exchange rates developed along unexpected lines. The strong growth of the U.S. economy triggered worldwide interest rate hikes despite falling or already low inflation rates on a long-term comparison. The low level of interest rates in Germany did not last very long. The foreign exchange markets initially saw a dollar rally, but over the year the U.S. currency shed 15% against the D-Mark, eventually tumbling to a record low in March 1995.

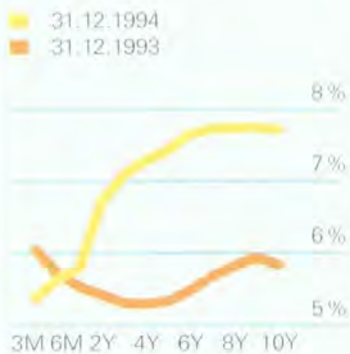
Against this background, turnover for customers fell sharply both in foreign exchange and bond dealing. The volume of new bond issues on the international capital markets declined from DM 702 billion to DM 659 billion. The fact that business was still brisk in exchange-traded derivatives is a sign that market participants are still very much in need of hedging instruments.

Deutsche Bank has developed state-of-the-art EDP products to help clients with their liquidity management and interest and currency risk control. Known as "db analyst" and "db treasury network", these systems were launched on the market in early 1995.

Net income from financial transactions amounted to DM 537 million (previous year: DM 1,997 million). Trading in equities, short-term interest paper and emerging market debt (Morgan Grenfell) were the mainstays of this result. Precious and non-ferrous metal dealing also did well. Foreign exchange trading reported setbacks, and bond trading a loss.

These figures, however, are not just a reflection of interest, foreign exchange or equity market developments. Structural changes on the markets also had an impact. In brokerage business for liquid instruments, the market only leaves room for very low fees barely above settlement costs. Banks are still expected to act as market-makers when it comes to preserving market liquidity, but the narrow margins afford them very little compensation for doing so.

Interest rate curves for public-sector DM bonds



Development of U.S.$/DM exchange rate

Capital Markets

In the eurobond market, Deutsche Bank managed 74 issues in ten different currencies for a total equivalent of U.S.$ 13.6 billion.

We held our lead in the DM bond sector, where we have a market share of more than 20%. Of particular significance in this context

Leading position in DM bonds

were three global issues launched for Italy, Portugal and L-Bank in Stuttgart. With jumbo issues for Canada and DSL-Bank in Bonn we also played a prominent role in the foreign currency sector.

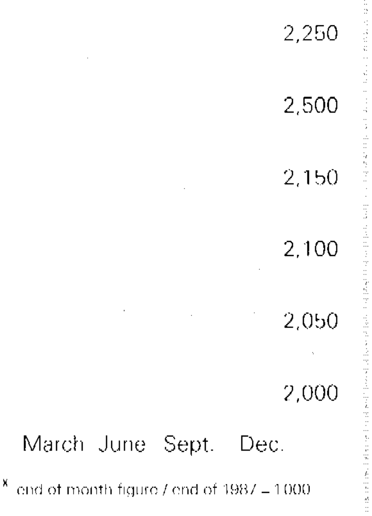
In 1994 we further expanded our private placements business, where we conducted over 60 transactions in various currencies for a total of about DM 3 billion.

Among top ten in equity placements

Last year, we participated in over 20% of the more than 560 equity placements and so were reinstated in the league of the world's top ten investment banks in terms of business volume. One of the highlights was the international placement of shares of Daimler-Benz AG. In Germany we handled 23 capital increases for cash, and in 30 other instances we were involved as a co-manager or underwriter. The placement of Buderus shares was unique in that it marked the first exclusive use of the book-building technique in Germany.

1994 share prices

Share index of Frankfurt Stock Exchange (DAX)*



In the market for new issues, we lead-managed three transactions and participated in two further issues.

Derivatives in certificate form continued their steep climb in 1994. We now offer more than 260 different warrant series of DB Capital Markets (Deutschland) GmbH based on various securities.

Equities

To enhance the quality and speed of our customer service, we further expanded our teams of specialists. This policy enables us to keep pace with the demands of the market and offer increasingly complex investment and hedging alternatives. A major feature here was the integration of futures and options.

Futures and options play an important role

One of the year's most prominent transactions was the repositioning of VEBA shares, formerly held by the City of Frankfurt am Main (in the amount of DM 650 million). It was the outcome of a request by the municipal authorities for advice on how to reduce their debts.

The international equity activities of Deutsche Bank Group have been pooled in a network known as Global Equity Management (GEM).

Equity trading profits remained below the previous year's level. In view of the strong international price fluctuations, however, 1994 can still be considered a satisfactory year, mainly thanks to good results achieved in Germany, the U.S.A. and Australia.

1994 yields in comparison

Fixed income

The sharp rises in interest rates on the international capital markets in the course of the year produced losses which had not been recouped by the end of the year. Further progress was made in coordinating our worldwide trading activities.

Money markets

The liberalization of Germany as a financial centre gave a boost to German money market trading. That was one factor prompting us to create a single organizational unit to handle trading in short-term interest rate instruments, including derivatives and securities. A repo group was newly constituted to conduct trading in collateralized short-term instruments. Income from these operations improved.

Foreign exchange

Trading network spans the globe

The growing significance of institutional investors in foreign exchange trading prompted us to carry out certain organizational changes, for example installing a trading network between the major dealing centres Frankfurt am Main, London, New York, Singapore and Tokyo. The network is designed to serve institutional investors around the clock. Furthermore, a group in charge of worldwide foreign exchange option business was set up in Frankfurt am Main. Creating global networks involves a considerable input of human and technological resources, but we regard this a necessary investment in our bank's future.

Foreign exchange trading profits were distinctly below the previous year's result.

Metal trading

The metal markets showed little change in 1994 and mainly took their cue from the U.S. futures markets. However, there was a pronounced upswing in non-ferrous metals.

Greater know-how in metal trading

Since the Sharps Pixley group - a time-honoured name in metal trading - was purchased at the beginning of 1994, we have been offering a trading and advisory capability of international renown in non-ferrous metals to complement our precious metal activities. Results at this subsidiary have developed well since its acquisition.

Morgan Grenfell

Morgan Grenfell's business performance in 1994 was shaped by two opposing influences: the continued success of its fee-earning business and a considerable decline in the levels of income from own-account trading compared with the exceptional year 1993.

Major commitment to international corporate finance

Morgan Grenfell provides a corporate finance capability to major international companies and is responsible for Deutsche Bank Group's global mergers and acquisitions activities. The total value of M&A transactions on which Morgan Grenfell advised was roughly £ 17 billion, the vast majority of which related to cross-border business. Morgan Grenfell participated in share issues with a total value of £ 1.6 billion. Morgan Grenfell also has a major commitment to international corporate finance and completed a number of significant transactions in Continental Europe, Latin America, South East Asia and in its traditional home market of the United Kingdom.

Excellent year in customer business

The renewed high levels of volatility in the treasury markets and movements in foreign exchange and interest rates took many market participants by surprise. In its trading in treasury products, Morgan Grenfell reduced its risk position, which led to lower trading profits. This was offset, however, by an excellent year in customer business. The joint venture with Deutsche Bank in listed futures contracts recorded a 50% rise in volumes.

Our historical core activity of trading in emerging-market paper saw volumes exceed U.S.$ 150 billion. The equities group, which joined in late 1993, placed convertible bonds to support the privatization of banks in Colombia and Peru. Our emerging markets business ranged from secondary trading in Russian equities to the placement of Pakistani shares and expanded trade financing in South East Asia.

Morgan Grenfell Development Capital launched a new fund for equity investment in management buy-outs. It quickly reached a volume of more than £ 300 million. In the course of the year, £ 47 million was invested in three major MBOs. This was the largest amount invested in any year since the company was founded in 1989.

The offshore group continued to broaden the scope of its activities through DBMG Fiduciary Services and offers private trust services throughout Deutsche Bank Group.

Regional research know-how

The Asian equity markets had a quiet year. We upgraded our research product with special emphasis on the regional component. Specialist sales teams for Asian equities have meanwhile been established in London and New York.

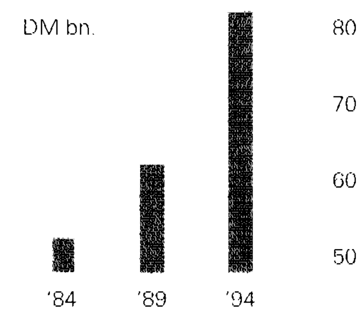
Mortgage Banking

Mortgage banks with substantial market shares

The mortgage banks in Deutsche Bank Group – Deutsche Centralbodenkredit-AG (DCB), Frankfurter Hypothekenbank AG (FHB), Lübecker Hypothekenbank AG (LHB) and Europäische Hypothekenbank S.A. (EHB) – achieved considerable market shares in Germany among the pure private mortgage banks: 13% of total assets, 16% of total mortgage books and 11% of lending to the public sector.

Good progress was made with business in the new German federal states. Their share of new mortgage commitments was 38%. The new federal states account for 16% of total lending to public entities.

Stable growth in loans extended by Group mortgage banks



The Pfandbrief – the traditional source of funding for private mortgage banks – remained as attractive as ever. Last year the total volume of Pfandbriefe outstanding grew by 8% to DM 653 billion. Our three domestic mortgage bank subsidiaries accounted for 10% of this. In 1994 alone they issued Pfandbriefe for DM 10 billion. The Pfandbrief market is not only one of the biggest, but also one of the most dynamic debt securities markets in the world. Standard & Poor's awarded the AAA rating to the Pfandbriefe of DCB, FHB and LHB.

Stronger position on the European market

To strengthen our competitive position in property financing, we intend – subject to approval by the companies' general meetings – to merge DCB and FHB retroactively with effect from January 1, 1995 and to incorporate LHB by a management agreement. Within Deutsche Bank Group, EHB handles mortgage and public-sector lending outside Germany. In June of last year it opened a representative office in Amsterdam to extend its activities on the European market.

Moderate loan demand expected for 1995

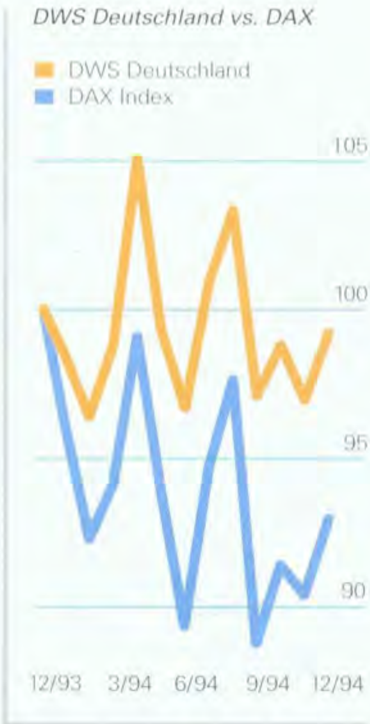
While 1993 results were favourably influenced by special factors, the collapse of the property developer Schneider undermined our performance perceptibly in the reporting year. For 1995, new business is expected to remain at the previous year's level. Demand for home-building loans should increase slightly. Since the market for office and retail space is still saturated there will only be moderate demand for loans in this segment. Business with the public sector is expected to stagnate owing to the consolidation course the public authorities are following.

Schiffshypothekenbank zu Lübeck AG (SHL) is the Group's specialist for ship financings. It is legally entitled to issue ship mortgage bonds and cooperates closely with Deutsche Bank AG in Hamburg. Though SHL has worldwide activities, its focus is on Germany and Norway where leading shipping companies are among its long-standing customers. With a commitment volume of DM 3.4 billion and a lending volume of DM 2.8 billion at balance sheet cut-off date, SHL has established a strong market position. A positive development is again expected for 1995, despite continued difficulties in certain segments of the market.

Asset Management

Last year, asset management at Deutsche Bank Group (including Morgan Grenfell) was expanded to almost DM 250 billion. This business relates to retail funds and the management of private and institutional portfolios. Worldwide the Group has 46 asset management units operating in all major markets.

In the retail fund sector, along with the DWS group and the mutual fund subsidiaries of the Morgan Grenfell Asset Management group, we also operate seven other fund management companies abroad. Last year, our worldwide retail fund assets passed the DM 100 billion mark for the first time.



Dynamic growth in equity funds

Mutual funds have meanwhile become a firm favourite with the general public: one in four D-Marks privately invested went into retail funds. The DWS group (made up of DWS Deutsche Gesellschaft für Wertpapiersparen and Deutsche Vermögensbildungsgesellschaft in Germany as well as DB Investment Management in Luxembourg) registered net accruals of DM 11.4 billion in 1994. With more than DM 78 billion in mutual fund assets under its management and a market share of over 25% at the end of 1994, DWS group held on to its leading position in securities-based retail funds.

A substantial DM 3.1 billion net was newly invested in equity funds on behalf of customers. All these funds outperformed the market indices. Investor interest focused on funds investing primarily in German shares.

There was also greater demand for internationally investing equity funds. Additional regional funds were launched to extend the product range.

In fixed-income funds, Inter-Renta - with assets of over DM 18 billion under management - recorded net accruals of roughly DM 4 billion, thus enabling it to consolidate its leading market position. Performance was affected by weak prices on bond markets throughout the world. But as yields rose, bond funds again became more attractive.

New market impulses: money market and "no-load" funds

The introduction of German money market funds, made possible by the Second Financial Markets Act, gave fund business a substantial boost. DWS made use of this opportunity to launch two money market funds in September, which helped fill a product gap. Net placements of over DM 11 billion since this launch show the interest in this liquid instrument as a short-term, profitable investment vehicle.

Four equity and two bond funds, all "no-load", were launched, partly with performance-related fees.

Deutsche Gesellschaft für Fondsverwaltung mbH offers specialized funds for domestic and foreign institutional investors as well as staff funds. It managed to maintain its leading market position despite tougher competition.

Deutsche Asset Management GmbH specializes in managing the institutional assets of international clients. It supplements the range of products offered by Morgan Grenfell Asset Management Ltd. and its subsidiaries, who look after the assets of international investors worldwide and whose total volume of assets under management came to roughly £ 31 billion last year. Worldwide, a total of 16 subsidiaries are engaged in asset management on behalf of our institutional clientele.

In the industrialized countries, private pension schemes are steadily gaining in importance. Asset management for both private and institutional investors – and particularly pension funds – will benefit from this trend. Deutsche Bank Group will also make use of this opportunity.

Asset Management

Breakdown of total assets by activity

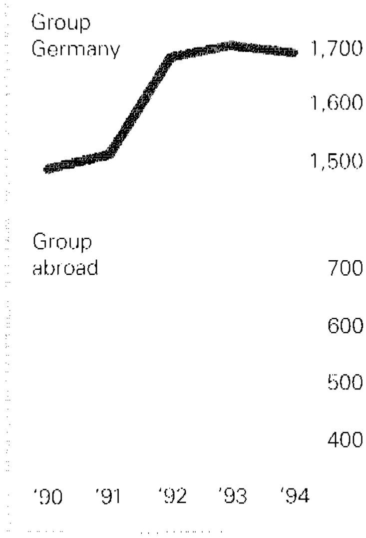
Deutsche Bank Abroad

Only those who expand prudently into international markets will ultimately be able to hold their home market position. Deutsche Bank looks to compete in and beyond Europe in order to act as a global market player in terms of productivity, reliability and innovation.

A European bank has emerged

We have long been a European bank and, in some areas, the network of our activities spans the entire globe. At the end of 1994, Deutsche Bank was Italy's and Spain's largest foreign bank - if indeed this term is still appropriate given the financial integration taking place in Europe. Deutsche Bank Luxembourg is the leading bank in the Grand Duchy, and we rank among the top foreign institutions in the U.K. and the Netherlands. Deutsche Bank's roughly 2.5% market share in the European Union is small, but bigger than that of any other bank.

Further rise in number of branches abroad



We continued to expand Deutsche Bank Group's global network in 1994. In January DB Bourse S.N.C., a wholly-owned subsidiary of Deutsche Bank AG, commenced its business operations in France. It is a broker, clearer and member of the French Stock Exchange, which trades spot on the electronic market, CAC Index futures and options on CAC Index futures, as well as selected securities.

In Italy, Banca d'America e d'Italia S.p.A. changed its name to Deutsche Bank S.p.A. Banca Popolare di Lecco, acquired in 1993, continues to operate under this name, though with the addition "Divisione della Deutsche Bank".

Business operations in Asia-Pacific expanded

The Asia-Pacific region - apart from Japan - experienced a continuing economic upswing. The bank significantly expanded its activities in this region. With an existing base of 3,200 staff at 60 operating units across 17 countries, we are also expanding our custody and private banking operations. A further branch was opened in India, in Bangalore, and a Guangzhou branch in China in March 1995. In 1995 we will extend our branch network in the Philippines and Vietnam. Given sustained growth, which will vary from country to country due to political uncertainties, we expect results for the region to improve further in the current year.

A more competitive organization in North America

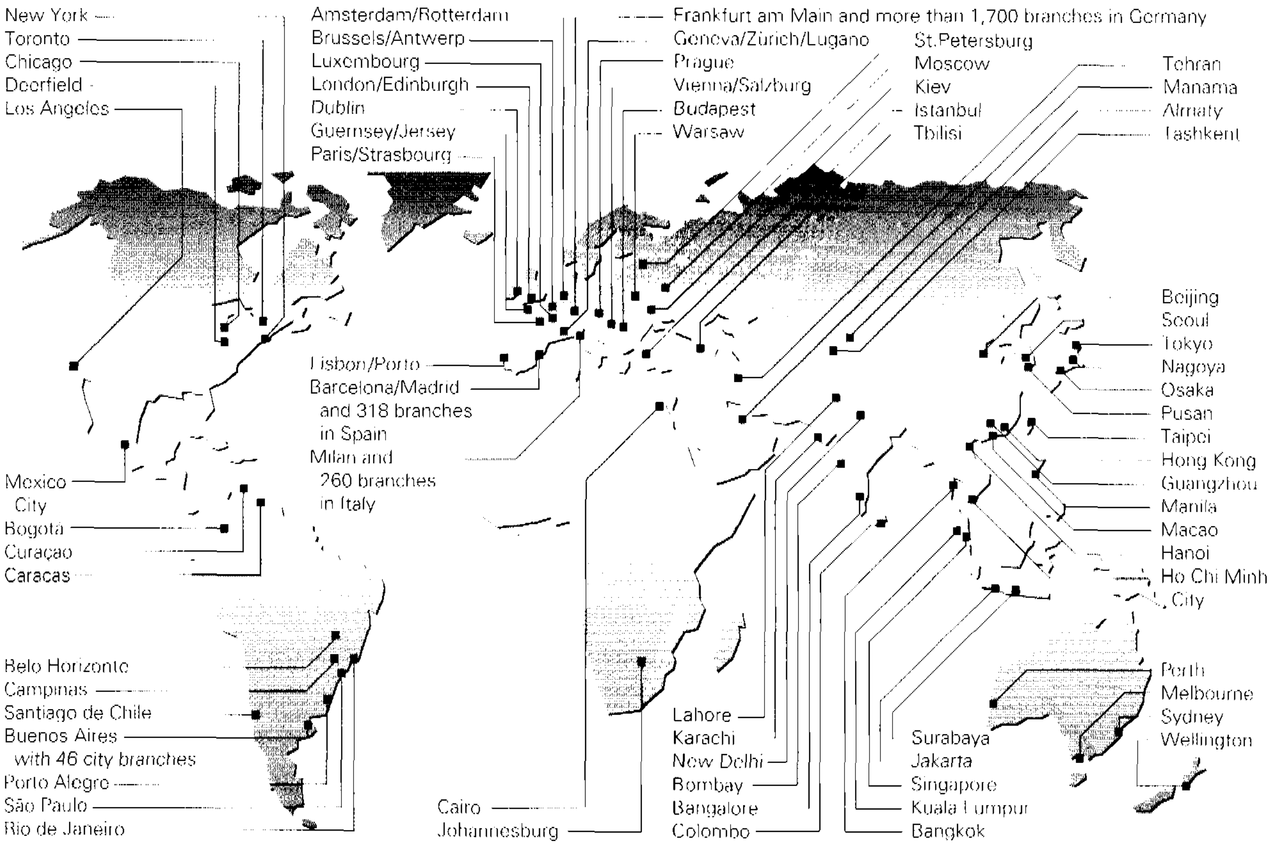
Deutsche Bank North America (DBNA) invested heavily in staff and technology to increase its competitiveness. Service was improved by the introduction of new product areas. Business in Canada improved further.

Following the decision by the Mexican finance ministry to grant DBNA a broker/dealer licence for foreign exchange and securities business, the process of setting up the respective operations in Mexico is now well under way.

Acquisition of ITT Commercial Finance expands asset-based finance business

An agreement was reached with ITT Corporation to acquire its commercial finance division. The company is a full-service provider of inventory financing and asset-based lending in the U.S.A. It serves roughly 1,800 manufacturers and wholesalers and over 16,000 traders. 39 offices are maintained nation-wide. There are subsidiaries in Canada, Puerto Rico and the U.K. The company employs about 1,500 staff. The aim of this acquisition is to expand our asset-based finance business in North America. Based on the company's excellent standing and its strong customer loyalty, we anticipate promising new contacts with American companies.

Presence in the World



Our Staff

Group staff figure virtually unchanged

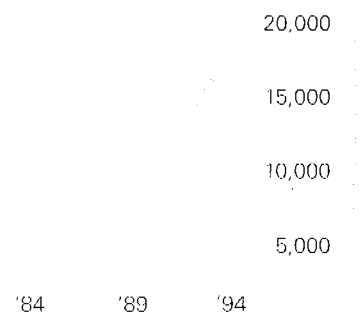
Deutsche Bank Group had 73,450 members of staff at year's end (previous year: 73,176). Behind this virtually unchanged figure there are contrary regional developments: personnel at Deutsche Bank Group in Germany fell by 2,521, while the number employed by the Group outside Germany grew by almost the same number to 19,066 (previous year: 16,271). This rise is chiefly attributable to the integration of Banca Popolare di Lecco, with 1,179 staff.

At Deutsche Bank AG, the number of staff fell to 50,216 (previous year: 53,867). This was partly due to the separation of the Argentine and Brazilian branches, which became subsidiaries, from the parent company. In addition, we reduced staff numbers at Deutsche Bank AG in Germany by 2,559.

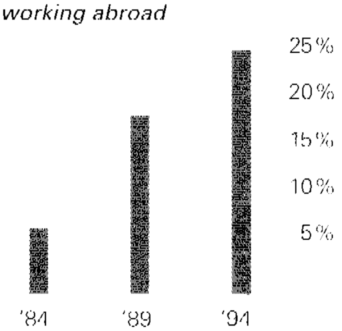
Our international character shapes staff development

The Group's internationalization is apparent in the more than 500 cross-border staff movements. Our personnel policy target is to devote special attention to developing management and specialist staff with international experience. The task here is not simply to acquire specialized knowledge, but also to pass it on to others.

Strong growth in staff abroad



Proportion of Group staff working abroad



The international quality of our staff services has been given a special accent by the gradual integration of investment banking at Deutsche Bank and Morgan Grenfell. Many new opportunities for talented and ambitious employees will arise from the forthcoming concentration of specialized investment banking know-how in London and the increase in staff employed there. Group employees will thus be even more mobile internationally.

Only service companies that satisfy customer needs faster, better and more cheaply than competitors will survive in future. Our "Closer to the Customer" project aims at making our staff more aware of customer wishes. The guiding principle in this process of coming closer to market and customer is "local responsibility". The functional restructuring strengthens decentralized responsibilities and increases the discretionary powers of head branches and branches. It changes the activities of our staff at all levels. Employees, especially those with direct customer contact, act more entrepreneurially and with greater autonomy; they make full use of their radius for action and are aware of their personal responsibility for profits.

Management means promoting our service orientation

Our executives are working in a changed management organization featuring shorter decision-making channels and a flatter hierarchy. Leadership quality today, more than in the past, means stimulating an all-round service mentality and customer orientation among staff. The first step taken towards establishing this concept in the bank was to train about 300 "promoters" at workshops lasting several days. Change requires a framework conducive to it.

Highly qualified staff through ongoing training

At year's end, the Group had 4,735 young people undergoing vocational training. For university graduates, a management or specialist programme was created in Deutsche Bank Group. Direct on the job training or an individual trainee programme is chosen depending on applicants' qualifications and professional expectations as well as our requirements. In Germany and abroad, 304 university graduates completed a management trainee course. This gave them a good basis for a successful career in the Group.

In line with the growing importance of our international investment banking activities, we have developed an interdisciplinary multi-stage training programme to meet the requirements of this business.

Overall, more than 35,000 staff took part in roughly 6,300 seminars. Group-wide, DM 332 million or 5.5% of our total payroll was spent on training and further training in 1994.

Thanks to our staff

Special thanks and recognition go to our staff, whose commitment and personal performance contributed to the progress of Deutsche Bank Group. We also extend our thanks to all staff councils and their committees and to the Group Committee of Spokesmen and the Committee of Spokesmen for Senior Executives for their cooperation and readiness to participate constructively in finding common solutions.

Technical Infrastructure

Electronic information and services are an essential part of the bank's product range. Nowadays competition also turns on technical competence. Deutsche Bank has further consolidated its position through its electronic and network services and their global configuration.

More efficient electronic financial services

Our new telephone banking service in Germany uses the bank's own telecommunications network. It can therefore be provided at an inexpensive local rate all over Germany. Our Home Banking service with Datex-J was upgraded and is currently witnessing a strong rise in demand. The number of installed multifunctional self-service machines was doubled to more than 680.

International payments with faster settlement and favourable fixed prices have been expanded to all 17 EU/EFTA countries. This included a link-up with the U.K. clearing system.

Technical network infrastructure updated

We have further modernised the technical network infrastructure for electronic services. A significant role was played by our 25% participating interest in CNI Communications Network International GmbH, which operates our comprehensive corporate network for language and data communication. Through our stake in GfD Gesellschaft für Datenfunk mbH, the first private company to receive a national data transmission licence in 1994, we intend to offer our customers further flexible ways to access our services.

International integration of EDP systems

Deutsche Bank's growth worldwide was assisted by the expansion of our information infrastructure. Our new acquisitions in Spain and Italy (Banco de Madrid and Banca Popolare di Lecco) were integrated into the Group EDP system. Through further consolidation of our computer centres in Germany and abroad, we reduced operating costs and at the same time provided better protection against breakdowns in our data-processing systems.

Of our many EDP activities in international securities and foreign exchange trading, the installation of market information systems in dealing rooms, the global networking of large trading centres and the coordination of settlement systems are particularly noteworthy. A comprehensive treasury system giving information, analysis and a direct interface to the money market and foreign exchange system has been completed and will be set up in our branches and on customers' premises.

Risk Management

1994, too, saw further intensification of the links between international money and financial markets; trading volumes rose again substantially, and the volatility of interest rates and prices increased further. This had an impact in particular on the complexity and diversity of financial innovations, which have decisively altered the overall conditions of modern banking business.

In summer 1993, the Group of Thirty - with Deutsche Bank participating - tackled this subject, published a study on the principles of derivative instruments and made recommendations for risk management. In 1994 the International Organization of Securities Commissions (IOSCO) and the Basle Committee on Banking Supervision at the Bank for International Settlements (BIS) published guidelines for the risk management of derivatives.

At national level, the Accounting Committee of the Federal Association of German Banks published recommendations for the public disclosure of financial derivatives in December 1994.

International standards for risk management

Deutsche Bank has supported these efforts to achieve greater transparency and security on the financial markets by establishing international standards of risk management. It feels confirmed in its own efforts by the consensus now achieved. Responsibility for these different but increasingly interdependent risk areas (market, credit, legal and operations risks) is being combined in an independent Group-wide risk management function.

The principles of risk management and the measuring procedures and limit systems in use have been approved by the Board of Managing Directors and inspected by the Group auditors. Those responsible for Group risk management (the Chairmen of the Risk Management Committee and the Credit Committee) report directly to the Board of Managing Directors.

Risk Management in our Trading Activities

Spot instruments and derivatives are linked products

In modern trading business, traditional spot instruments and the respective derivatives are linked products. They are combined in portfolios and managed accordingly. Risk control must observe this: risk management in our trading activities therefore relates, in line with international practice, to all positions, irrespective of whether they result from spot or derivative instruments.

Organization and tasks of risk management

The Risk Management Committee (RMC) monitors current trading business: it is made up of the Chairman, the heads of individual trading groups worldwide, the Chief Credit Officer and specialists from Controlling and Treasury. Every week it analyzes the bank's risk and income position, monitors limits and comments on market developments. The RMC is directly subordinated to the Board of Managing Directors and reports to it.

Regular monitoring of trading activities at all trading centres

The Global Risk Management Group (RMG), which is functionally segregated from the business divisions, is subordinated to the Chairman of the RMC. RMG members are deployed at all international trading centres. The RMG is responsible for controlling market risks (qualitative evaluation of risk and income figures; compliance with limits), examining new trading products and valuation procedures, calculating trading-specific credit risks, and contractual documentation.

Principles

Risk management is conducted on both a regional and local basis at the respective trading centres and also centrally for the entire Group, and is independent of trading. The basis consists of measuring procedures for all types of risk, limits to restrict them, and an information system for the valuation, controlling and management of risks. Risks are recorded Group-wide, and all positions are valued daily. The assumptions and principles used for this purpose are reviewed regularly and adjusted to market developments.

Risk management is independent

Specifically, market, credit, legal and operations risks are monitored.

Market risks

Market risks are price and liquidity risks. They arise from changes in interest rates, exchange rates and the prices of the underlying financial instruments (equities, foreign exchange, precious metals etc.) and the respective derivatives (futures, options, swaps and FRAs).

Measurement of market risks by money at risk

In line with international standards, we use the money-at-risk concept to calculate market risk. By aggregating all portfolio components and their sensitivities we obtain an indicator for the loss potential in the event of price or interest rate changes. Future risks are calculated on the basis of historical price and interest rate changes for a fixed period of 90 days. Here, we work with a 1.65 standard deviation, which means that the loss potential can be stated with 95% probability. Correlations defined in the past between different maturities or currencies are taken into account in the money-at-risk calculation.

On this basis, our trading stocks at year's end had the following money at risk:

in DM m.	fixed income	money markets	swaps	equities	foreign exchange	precious metals
money at risk	56.8	16.6	13.2	29.7	10.3	4.2

The money at risk for Deutsche Bank Group totalled DM 130.8 million as at December 31, 1994.

Besides the calculation of risks with the money-at-risk procedure, special option price procedures are required to analyze option risks. With them, the changes in the value of the option portfolios resulting from convexity (gamma), the change of volatility (vega) and the time effect (theta) are calculated regularly.

Crash scenarios depict crisis situations

In the remaining 5% of cases which are not covered by the above-mentioned procedures, liquidity risks could arise, for example, as a result of inadequate market depth. Here, we work through so-called crash scenarios regularly, which among other things reproduce historical crisis situations. In addition to that, nominal limits restrict volumes in individual financial instruments, in the case of exchange-traded products partly depending on open contracts in circulation in the market, in order to show market size and our market share as mutually dependent reference criteria.

Risk management is supplemented by a comparison of income development with money at risk. In the year under review, the development of income at all times remained within the framework forecast on the basis of money at risk.

Credit risks

Replacement costs determine size of default risk

The credit risk in trading arises when a contractual partner is no longer able to meet his obligations. The risks from trading business, including derivative transactions, do not, however, in contrast to traditional lending business, relate to nominal volumes. The size of the default risk results from the replacement costs, i.e. the costs that will be incurred in closing the open position.

Current replacement costs are used as the measure of credit risks from OTC derivatives in line with international standards. For the Group, the credit risk as at December 31, 1994 was DM 21.4 billion with a notional portfolio volume of DM 1,855.7 billion.

Listed by credit ratings, Deutsche Bank Group's OTC derivatives look as follows:

Credit rating or equivalent (Standard & Poor's rating)	Notional amounts DM bn.	Current replacement costs DM bn.	in % of notional amount
AAA	122.07	1.75	1.43
AA	913.24	10.83	1.19
A	525.48	5.61	1.07
BBB	91.25	1.44	1.58
Non investment grade	92.23	1.20	1.30
Other	111.42	0.59	0.53
Total	1,855.69	21.42	1.15

Altogether, the OTC derivatives have the following maturity structure:

Credit rating or equivalent (Standard & Poor's rating)	Notional amounts with remaining life of in DM bn.				Notional amount total DM bn.
	up to 1 year	1–5 years	5–10 years	>10 years	
AAA	65.12	43.33	13.08	0.54	122.07
AA	583.72	244.50	83.03	2.00	913.24
A	385.04	103.78	36.26	0.40	525.48
BBB	52.48	29.46	9.17	0.14	91.25
Non-investment grade	57.80	26.52	7.17	0.74	92.23
Other	101.56	7.89	1.65	0.32	111.42
Total	1,245.72	455.48	150.36	4.14	1,855.69

Strict standards for counterparty credit standing

Strict standards are applied with regard to the credit standing of counterparties. Hence, 85% of the portfolio has a credit rating of at least A.

Individual credit lines have been established for all counterparties. Utilization is monitored as with commercial loans; the portfolio is analyzed by counterparty category, product, maturity and country.

Legal risks

Contractual documentation monitored centrally

Legal risks arise mainly from the inability to enforce claims against trading partners. We counter such risks by a careful examination of the legal authority and power of attorney of counterparties, of prohibitive, taxation and other legal regulations, and by using customary standard agreements.

Netting policy

Netting leads to reduction of credit risks

In business with financial derivatives, it is important to ensure that, in the event of the counterparty's insolvency, claims and liabilities from individual transactions can be netted in order to reduce the credit risks linked with these transactions. We try to do this, among other things, by concluding master agreements giving us the authority to carry out such netting.

There have to be clear legal foundations for netting - under the counterparty's jurisdiction, too. For counterparties in Germany it was made clear by new insolvency regulations in 1994 that such netting in case of insolvency must be recognized in law.

Operations risks

Operations risks may arise in communication, information and settlement systems. The causes are defective systems, human error or inadequate control procedures. We counter these risks by the strict segregation of trading and settlement and by independent control groups. Systems support and operating capacities are being adjusted to the scale and growing complexity of trading. In 1994 Deutsche Bank invested DM 69 million in risk management systems.

Strict segregation of trading, settlement and control

Accounting

We account for trades on the basis of the following principles: the derivatives portfolio is split up into main products and associated hedging products and then combined to form a broadly defined valuation unit. The calculated net present value of a portfolio must be realizable with adequate certainty over the lifetime of the contracts. A positive total net present value of all main and hedging products is apportioned over the remaining life of the portfolio on an accruals basis and not, as customary in the U.S.A., booked in total to profit and loss account. Under German regulations, however, a negative total net present value must be provisioned immediately in full.

Principles of our valuation in derivatives business

Accounting thus quantifies the profit contributions of trading books or portfolios in accordance with the principles for valuation units. Here, still unrealized profits are offset until compensated with still unrealized losses.

Credit Risk Management

Faster lending decisions

We come to terms with new and complex methods of financing, international networking and changing risk concentrations in banking by steadily expanding our instruments for the valuation and management of credit risks. At the same time, efficient risk management requires adequate organizational rules with clear responsibilities and discretionary powers allowing quick lending decisions without impairing quality.

Overall risk management in lending business

For the Corporate Banking Division, therefore, we have increased decentralized discretionary powers and at the same time improved the range of management instruments. In the Retail Banking and Trade Customers Division, there is a stronger standardization and centralization of credit decisions at head branch level. These measures require, as a counterweight in the field of risk management and control, an independent and Group-wide credit risk management function. This is a Head Office task.

Appointment of Chief Credit Officer in the Group

Credit risk management in the Group is the responsibility of the Chief Credit Officer (CCO), who participates in establishing the discretionary powers of the heads of business units and lending departments. He is in charge of the Credit Risk Management Department (CRM). This department establishes, adjusts and monitors the procedural framework for the bank's lending business, i.e. the lending principles, guidelines and decision-making process. A further important activity of the CCO is the systematic examination of local lending business, which is carried out in cooperation and consultation with Group Auditing. CRM has no customer responsibility, and after a transitional phase will only be involved in lending decisions in exceptional cases.

Credit Committee as decision-making body

Part of the internal credit decision-making process, on the other hand, is the Credit Committee, which is also based at Head Office. It decides on loans which go beyond the discretionary powers of the decentralized decision-makers and are not subject to submission to the Board of Managing Directors.

Meetings are held at regular intervals and with the participation of Controlling to discuss the risk content of the portfolio, credit portfolio planning and the effects of changing external conditions on the credit risk profile. The Credit Committee is chaired by the CCO and comprises representatives of the business divisions, CRM and the Chairman of the Risk Management Committee (RMC). The Credit Committee, like its opposite number for market risks, is subordinated directly to the Board of Managing Directors and reports to it.

Making credit risks transparent and manageable

CRM - in close cooperation with the Controlling Division - is working on the further development of the range of credit risk management instruments in accordance with international standards. To manage the credit risk position, credit risks are made transparent and valued within the framework of portfolio planning and management. The results of portfolio management – among other things analyses of the portfolio risk profile, commentaries on portfolio planning and possible scenarios – are submitted by CRM at regular intervals to the Board of Managing Directors.

Basic and further training are common tasks

As part of our strategy to decentralize discretionary powers to the business units operating in the market, the systematic basic and further training of our employees in lending business is a common task which all those involved must fulfil in order to sustain the high standard of credit training.

Controlling

The Group's international presence and the increasing range of our activities place high demands on Controlling in terms of analysis and reporting. Adequate answers must be found to the questions raised by the valuation of new financial instruments. They are coming progressively closer to Anglo-Saxon practices.

High requirement profile

In our accounting, we are increasingly making use of the bank's data network. For the Group, we ensure that new foreign subsidiaries - besides local reporting obligations - draw up their accounts uniformly on a Group-wide basis and in line with German accounting standards. As far as bank supervisory requirements are concerned, the future provisions of the 5th Amendment to the German Banking Act (KWG) and the EU Capital Adequacy Directive are important guidelines.

"Closer to the Customer" applies to Controlling as well

The bank's "Closer to the Customer" project applies to Controlling, too. For this reason, regional divisional controlling is being implemented at head branches to analyze and comment neutrally on the income and cost development of these business divisions in the various regions. Furthermore, the development of more efficient information systems and management instruments will support the delegation of responsibilities to local level and shorten decision-making channels.

Business processes optimized

Improved analytical instruments have made it possible to enhance the transparency of income and costs. With the help of process cost analysis by cost controlling and by cooperating with the business and service divisions being inspected, the efficiency of work flows can be increased. Income controlling focuses on the development of net interest income and net commission income. In addition to reasons for changes, it highlights strengths and weaknesses in the development of income. One of our most important management information systems, Business Division Profitability Calculation, is being developed to mirror our organizational structure. Time-critical reporting gives an overview of personnel deployment, capital and reserves, risk capital and income, which will be compared regularly with target figures. Deviations from divisional targets are analyzed, and in the case of negative developments counter-measures are called for. Risk measurement has been considerably refined.

The individual business divisions are responsible for managing their own positions within given discretionary limits. Supra-divisional management functions are exercised by the Risk Management Committee and the Credit Committee.

Risk controlling as a supra-divisional analysis instrument

For supra-divisional risk analysis a specialized department, Risk Controlling, has been formed in Deutsche Bank's Controlling Division. It is responsible for the neutral Group-wide and supra-divisional compilation and evaluation of market, credit and other risks, ensuring data quality and the complete and correct quantification of business divisions' central management parameters. The respective analyses are placed at the disposal of management, the Risk Management Group (RMG) and Credit Risk Management (CRM) as well as the business divisions.

Regarding trading activities, the neutral daily computation of risk and performance, for example, and the calculation of limit utilization are all part of the assignment of Risk Controlling. Here, the principal valuation criteria are also controlled neutrally. Before new products are launched in trading, Controlling (accounting and bank supervision as well as risk and performance measurement) examines all processes relevant to valuation after RMG, which coordinates the development of new products, has signed off the new products from a trading standpoint.

In close cooperation with business divisions as well as CRM and RMG, Controlling is actively engaged in developing uniform risk analysis and limit systems appropriate to the growing complexity of our business.

Untitled, 1985
Water paint, crackle lacquer and thinner on canvas, 200 x 220 cm

Management Report

Group operating profit DM 4.1 billion

In 1994 the Group achieved an operating profit of DM 4.1 billion. This was DM 1.2 billion, or 23.1%, down on the extraordinarily good pre-year result. The main reason for this decline was the marked fall in net income from financial transactions. Substantial new risk provisioning was again required in our domestic lending business. On balance, however, risk provisioning was lower than in 1993 due to higher write-backs.

Half of the DM 1.0 billion profit on the sale of participating interests and shares in related companies was appropriated on a tax-privileged basis in accordance with § 6b Income Tax Act, and was therefore not included in net income.

Total assets rise to DM 573 billion

Group net income came to DM 1.4 billion. Total assets grew by DM 16 billion to DM 573 billion.

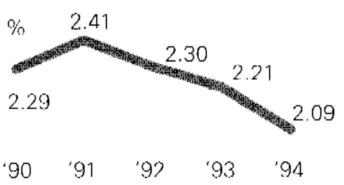
Our subsidiary Banca d'America e d'Italia S.p.A., Milan, has been operating since October 1, 1994 under the name of Deutsche Bank S.p.A., Milan. On December 1, 1994 it merged with Banca Popolare di Lecco S.p.A., Lecco, which was consolidated for the first time in 1994 with total assets of DM 5.4 billion.

Our subsidiaries Banco Comercial Transatlántico, S.A., Barcelona, and Banco de Madrid, S.A., Madrid, merged their activities at the beginning of 1994 to form Deutsche Bank, S.A.E., Barcelona.

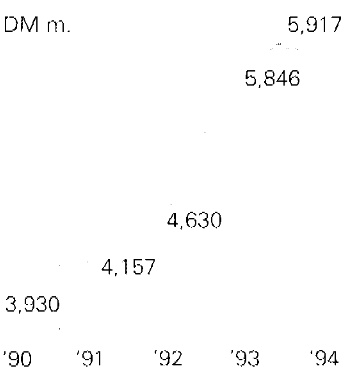
In taking over the Sharps Pixley group, which deals in precious and non-ferrous metals, we have substantially strengthened our precious metal capability. Sharps Pixley is one of the few trading houses involved in the London gold and silver fixing.

During the period under review our branch network was increased by 52 to 2,483 offices; this includes 761 (+64) branches abroad.

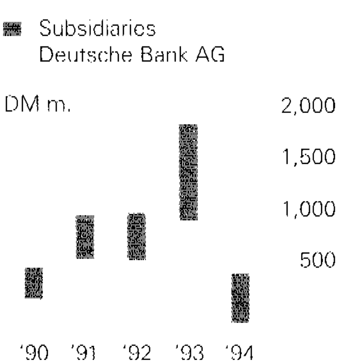
Overall interest margin



Net commission income



Net income from financial transactions



Profit and Loss Account

After substantial increases in previous years, net interest income (including net income from leasing busines) declined by DM 167 million (-1.4%) to DM 11,539 million. This includes tax-induced special payments from our shareholdings. The narrowing of the overall interest margin was primarily due to the growth of lower-margin money market activities.

Our net commission income of DM 5,917 million was up DM 71 million (+1.2%) on the good pre-year result. Portfolio management and loan processing generated substantially higher commission income. There was also a rise in commission from payments and foreign commercial business. Commission income from securities services business dropped by 11%, largely owing to the decline in sales of foreign mutual funds. Commissions from equities business exceeded the high income of the previous year.

The surplus from insurance business rose DM 43 million to DM 554 million. Including administrative expense, operating profit rose 27% to DM 116 million.

In the 1994 financial year Deutsche Bank's insurance group further improved its position on the German life insurance market. Gross premiums amounted to DM 3,834 million (1993: DM 3,053 million). New business during the year under review increased to DM 13.2 billion. The total volume of life insurance contracts reached DM 73.6 billion (1993: DM 65.6 billion). Aggregate capital invested increased by DM 3.0 billion to DM 17.9 billion.

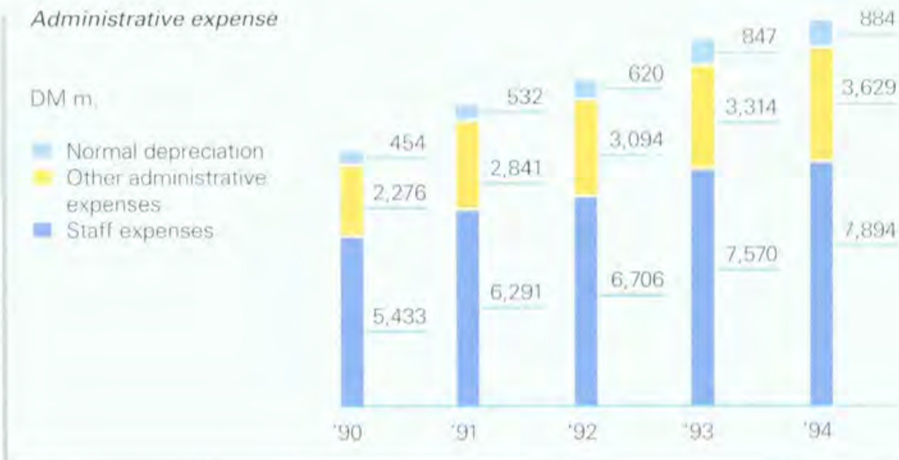
Net income from financial transactions in 1994 stood at DM 537 million, after DM 1,997 million in the previous year. Proprietary trading in securities made only a modest contribution to this result in 1994, since bond trading posted a loss following several interest rate hikes. Equity trading, on the other hand, reported sound income. Income from foreign exchange, emerging markets trading and OTC interest rate derivatives fell markedly. Trading in precious metals posted higher income.

Cost increase reduced further

The Group's administrative expense in 1994 rose by 5.8%, or DM 676 million, to DM 12,407 million. Excluding first-time consolidations the rise was 3.6%, or DM 427 million, following 6.5% in the previous year. This slower increase reflects our ongoing efforts to cut costs.

Staff expenses came to DM 7,894 million. They increased by DM 324 million (+4.3%) as a result of the rise in wages and salaries and especially owing to the greater expenses for compulsory social security contributions and pensions. The average number of staff (full-time equivalents) grew by 0.8% owing to the increase abroad.

Other administrative expenses as well as normal depreciation of tangible and intangible assets totalled DM 4,513 million. The rise of DM 352 million (+8.4%) stemmed primarily from greater expenditure on bank premises, equipment (EDP) and general business operations.



Administrative expense incurred as a result of the Co-Determination Act was DM 32 million in 1994 at Deutsche Bank AG alone.

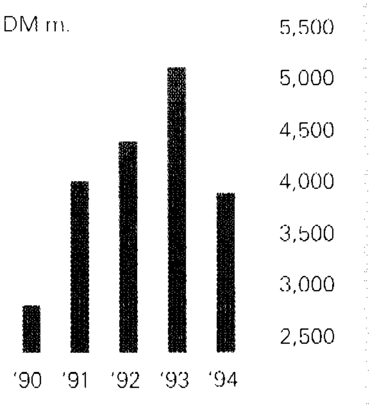
High risk provisioning again in lending business

Write-downs of and adjustments to claims and certain securities as well as transfers to provisions for possible loan losses in the Group amounted to DM 2,169 million (1993: DM 3,286 million) after offsetting with income permissible under § 340f (3) CommC. The vast majority of the provisions related to provisions for our domestic lending.

During the reporting year, the Group's operating profit declined by 23.1%, or DM 1,216 million, to DM 4,050 million after having improved substantially over the previous three years.

Operating profit at Deutsche Bank AG totalled DM 2,918 million (+2.7%)

Operating profit



Income from write-ups of participating interests, shares in related companies and securities treated as financial investments totalled DM 748 million after offsetting with expenses permissible under § 340c (2) CommC. This includes profits on the sale of parts of our holdings in Daimler-Benz AG and Karstadt AG and from the sale of our indirect stake in Horten AG.

Of the remaining items in the Profit and Loss Account, DM 852 million refers to special depreciation of tangible and intangible assets (including DM 207 million pursuant to § 6b Income Tax Act) and DM 342 million relates to allocations to special items with partial reserve character. The DM 458 million in extraordinary expenditure includes DM 296 million for the bank's 125th anniversary and DM 137 million in restructuring costs.

Pre-tax profit was 31.0%, or DM 1,426 million, lower at DM 3,173 million. Income taxes fell by DM 565 million (-27.4%) to DM 1,494 million. The tax loss carried forward by our subsidiary Deutsche Centralbodenkredit-AG, Berlin – Cologne, will have a tax-reducing effect in subsequent years. Other taxes came to DM 319 million.

Net income declines to DM 1,360 million

We allocated DM 411 million of our DM 1,360 million in net income for the year (1993: DM 2,243 million) to "other revenue reserves" of the Group. The profit attributable to minority interests was DM 24 million net. Consolidated profit then came to DM 925 million.

Proposed dividend of DM 16.50 plus DM 3.00 anniversary bonus per share

It is proposed that a dividend of DM 16.50 plus an anniversary bonus of DM 3.00 per share of DM 50 par value on the share capital of DM 2,371 million be resolved. The sum appropriated for this purpose is up DM 147 million (+18.9%) on the previous year.

Including imputable corporation tax of DM 8.36 per share, the total income for our domestic shareholders is DM 27.86 per DM 50 share, after DM 23.57 for the 1993 financial year.

From the Consolidated Profit and Loss Account

	1994 DM m.	1993 DM m.	Change DM m.	in %
Interest income[1]	35,122	36,905	1,783	– 4.8
Current income[2]	4,036	4,081	– 45	1.1
Interest expenses[3]	27,619	29,280	– 1,661	– 5.7
Net interest income	11,539	11,706	– 167	1.4
Commission income	6,534	6,373	+ 161	+ 2.5
Commission expenses	617	527	+ 90	+ 17.1
Net commission income	5,917	5,846	+ 71	+ 1.2
Insurance business				
Income	6,184	5,043	+ 1,141	+ 22.6
Expenses	5,630	4,532	+ 1,098	+ 24.2
Surplus from insurance business	554	511	+ 43	+ 8.4
Net income from financial transactions	537	1,997	– 1,460	– 73.1
Wages and salaries	5,989	5,853	+ 136	+ 2.3
Compulsory social security contributions[4]	1,905	1,717	+ 188	+ 10.9
Other administrative expenses[5]	4,513	4,161	+ 352	+ 8.4
Administrative expense	12,407	11,731	+ 676	+ 5.8
Balance of other operating income/expenses	79	223	– 144	– 64.9
Risk provisioning	2,169	3,286	– 1,117	– 34.0
Operating profit	4,050	5,266	– 1,216	– 23.1
Balance of other expenses/income	– 877	– 667	– 210	– 31.3
Profit before taxes	3,173	4,599	– 1,426	– 31.0
Taxes	1,813	2,356	– 543	– 23.0
Net income	**1,360**	**2,243**	**– 883**	**– 39.3**

[1] from lending and money market business, fixed income securities and government inscribed debt;
[2] from equity shares and other variable-yield securities, participating interests, shares in related companies (including profit-transfer agreements), leasing business and the profit from shares in associated companies;
[3] including expenses and normal depreciation from leasing business;
[4] including expenses for pensions and other employee benefits;
[5] including normal depreciation of tangible assets.

Balance Sheet

At the end of 1994, the Group's capital and reserves (including consolidated profit) amounted to DM 21.2 billion (end-1993: DM 21.0 billion). The DM 33.2 billion in capital and reserves for bank regulatory purposes pursuant to the German Banking Act (KWG) consists mainly of equity capital and reserves as well as participatory capital, subordinated liabilities and reserves as defined by § 10 (4a) sentence 1 No. 4 German Banking Act. The BIS capital ratio (Tier I + II) was 10.4% and thus well above the minimum ratio of 8.0%.

Composition of aggregate total assets at end of 1994

Total assets DM 724.5 bn (unconsolidated)

Our subsidiaries made a substantial contribution to the growth in the Group's total assets, which rose by DM 16.4 billion, or 2.9%, on year-end 1993 to DM 573.0 billion.

Off-balance-sheet business reaches DM 1,782 billion

The notional amount pursuant to the German Banking Act of not reported off-balance-sheet items grew by DM 440 billion to DM 1,782 billion. They include forward exchange transactions (DM 738 billion), swaps (DM 544 billion) and interest rate futures (DM 470 billion). The credit risk equivalent, calculated according to the EU solvency coefficient, was DM 12.6 billion.

Total credit extended

At the end of 1994, total credit extended amounted to DM 331.1 billion. Short and medium-term loans to customers declined by DM 7.2 billion to DM 125.9 billion (claims and discounts). On the other hand, we report a DM 6.0 billion increase in long-term lending, particularly by our mortgage banks. The DM 187.2 billion in long-term lendings to customers includes DM 13.1 billion in loans from tied funds under government support programmes.

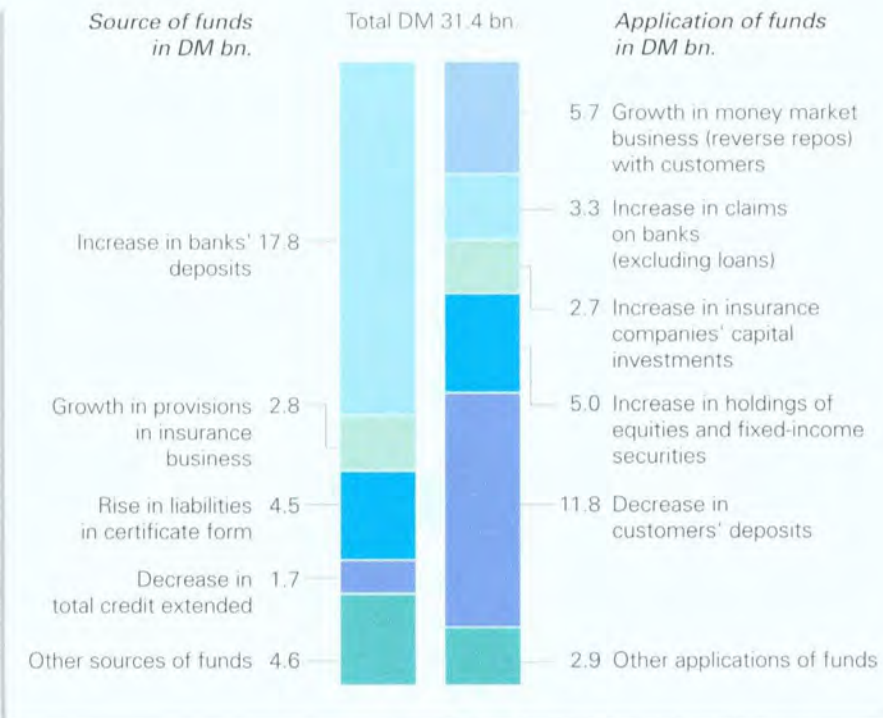
Of our total credit extended, DM 232.6 billion, or 70%, related to domestic borrowers, and DM 98.5 billion, or 30%, to clients abroad.

	End of 1994	End of 1993	Change		
	DM bn.	DM bn.	DM bn.		%
Claims on customers					
short and medium-term*)	120.2	128.1	– 7.9	=	6.1
long-term	187.2	181.2	+ 6.0	=	3.3
Total claims on customers	307.4	309.3	– 1.9	=	0.6
Discounts**)	6.1	5.4	+ 0.7	=	12.4
Advances to banks					
short and medium-term	7.6	7.3	+ 0.3	=	4.2
long-term	10.0	10.8	– 0.8	=	7.6
Total advances to banks	17.6	18.1	– 0.5	=	2.8
Total credit extended	331.1	332.8	– 1.7	=	0.5

*) excluding reverse repos (money market transactions backed by securities) in the amount of DM 28.6 bn. (+DM 5.7 bn.)
**) unless reported under claims

Claims on banks rose DM 2.8 billion to DM 100.7 billion. Of our deposits held at banks abroad (DM 67.6 billion), DM 20.3 billion related to reverse repos (money market transactions backed by

Financing balance



securities). Liabilities to banks grew substantially by DM 17.8 billion to DM 124.8 billion as a result of additional short-term time deposits.

Securities

Holdings of bonds and other fixed-income securities rose DM 3.5 billion to DM 63.2 billion.

Equity shares and other variable-yield securities rose DM 1.5 billion to DM 16.3 billion.

The participating interests totalling DM 3.0 billion are largely held by Deutsche Bank AG.

Shares in associated companies amount to DM 1.2 billion.

Customers' deposits

Following the substantial DM 33.7 billion rise in the previous year, customers' deposits decreased by DM 11.8 billion to DM 264.1 billion. Time deposits declined by DM 9.7 billion to DM 136.6 billion. Demand deposits stood at DM 82.4 billion. Savings deposits declined by DM 2.0 billion to DM 41.8 billion, primarily as a result of the

Liabilities

	End of 1994 DM bn.	End of 1993 DM bn.	Change DM bn.	%
Liabilities to banks				
– repayable on demand	28.9	33.1	– 4.2	– 12.4
with agreed period or period of notice	95.9	73.9	+ 22.0	= 29.7
Total liabilities to banks	124.8	107.0	+ 17.8	= 16.7
Liabilities to customers				
savings deposits	41.8	43.8	– 2.0	= 4.6
building savings deposits	3.3	2.9	+ 0.4	– 13.2
other				
– repayable on demand	82.4	82.9	– 0.5	– 0.6
– with agreed period or period of notice	136.6	146.3	– 9.7	= 6.6
Total liabilities to customers	264.1	275.9	– 11.8	= 4.3
Liabilities in certificate form				
bonds and notes in issue	86.7	84.9	+ 1.8	– 2.2
other liabilities in certificate form	27.3	24.6	+ 2.7	= 10.9
(thereof: money market paper)	(20.2)	(16.8)	(+ 3.4	= 19.9)
Total liabilities in certificate form	114.0	109.5	+ 4.5	= 4.1

switch to securities. Building savings deposits grew by DM 0.4 billion to DM 3.3 billion.

The liabilities in certificate form totalling DM 114.0 billion contain DM 86.7 billion (+DM 1.8 billion) in issued bearer bonds.

Outlook for 1995

The uncertainties on the interest-rate and securities markets continued during the first three months of this year and were compounded by the turbulence on the international foreign exchange markets. The economic recovery will only have a delayed positive impact on our business. In Germany the tail end of the severe recession is still affecting the level of our risk provisioning for possible loan losses.

Against this background it is particularly difficult to make predictions for the whole of 1995. As things stand today, however, we assume that we shall achieve a markedly higher result than last year, unless the further course of the year is affected by unpredictable, unfavourable events on the market.

The diagrams do not form part of the statutory Management Report.

Balance Sheet of Deutsche Bank Group

				31. 12. 1993
		DM m.	DM m.	DM m.
Cash reserve				
a) cash on hand		1,862		2,173
b) balances with central banks		5,349		5,224
thereof: with Deutsche Bundesbank	DM m. 3,515			(3,710)
c) balances with post office banks		29		125
			7,240	7,522
Debt instruments of public-sector entities and bills of exchange eligible for refinancing at central banks				
a) Treasury bills, discountable Treasury notes and similar debt instruments of public-sector entities		4,163		2,926
thereof: eligible for refinancing at Deutsche Bundesbank	DM m. 5			(397)
b) bills of exchange		1,291		588
thereof: eligible for refinancing at Deutsche Bundesbank	DM m. 477			(386)
			5,454	3,514
Claims on banks				
a) repayable on demand		14,926		19,963
b) other claims		85,796		77,977
thereof:			100,722	97,940
mortgage banks' loans to the public sector	DM m. 2,676			(3,240)
money market business backed by securities (reverse repos)	DM m. 20,556			(13,635)
Claims on customers			336,036	332,131
thereof:				
mortgage banks' mortgage loans	DM m. 44,255			(42,611)
loans to public-sector entities	DM m. 45,442			(38,916)
building loans in property finance business	DM m. 452			(263)
other claims secured by mortgage charges	DM m. 34,391			(31,279)
money market business backed by securities (reverse repos)	DM m. 28,581			(22,869)
Bonds and other fixed-income securities				
a) money market instruments				
aa) of public-sector issuers	DM m. 1,701			321
ab) of other issuers	DM m. 2,661			2,542
		4,362		2,863
b) bonds and notes				
ba) of public-sector issuers	DM m. 28,777			24,458
bb) of other issuers	DM m. 23,957			26,843
thereof:		52,734		51,301
eligible as collateral for Deutsche Bundesbank advances	DM m. 15,661			(16,365)
c) own debt instruments of the Group		6,071		5,507
nominal amount	DM m. 6,015			(5,336)
			63,167	59,671
Equity shares and other variable-yield securities			16,255	14,711
Capital investments of the insurance companies		17,914		14,951
less amounts offset		506		287
			17,408	14,664
Other assets of the insurance companies			1,419	1,330
Participating interests			3,024	3,705
thereof: in banks	DM m. 102			(100)
Shares in associated companies			1,186	1,092
thereof: in banks	DM m. 63			(57)
Shares in related companies			770	1,300
thereof: in banks	DM m. 46			(484)
Assets held on a trust basis			2,660	2,759
thereof: loans on a trust basis	DM m. 797			(729)
Recovery claims against the public sector and bonds resulting from their exchange			14	45
Intangible assets			19	9
Tangible assets			12,611	12,341
Other assets			4,135	3,157
Deferred items			902	745
Total Assets			573,022	556,636

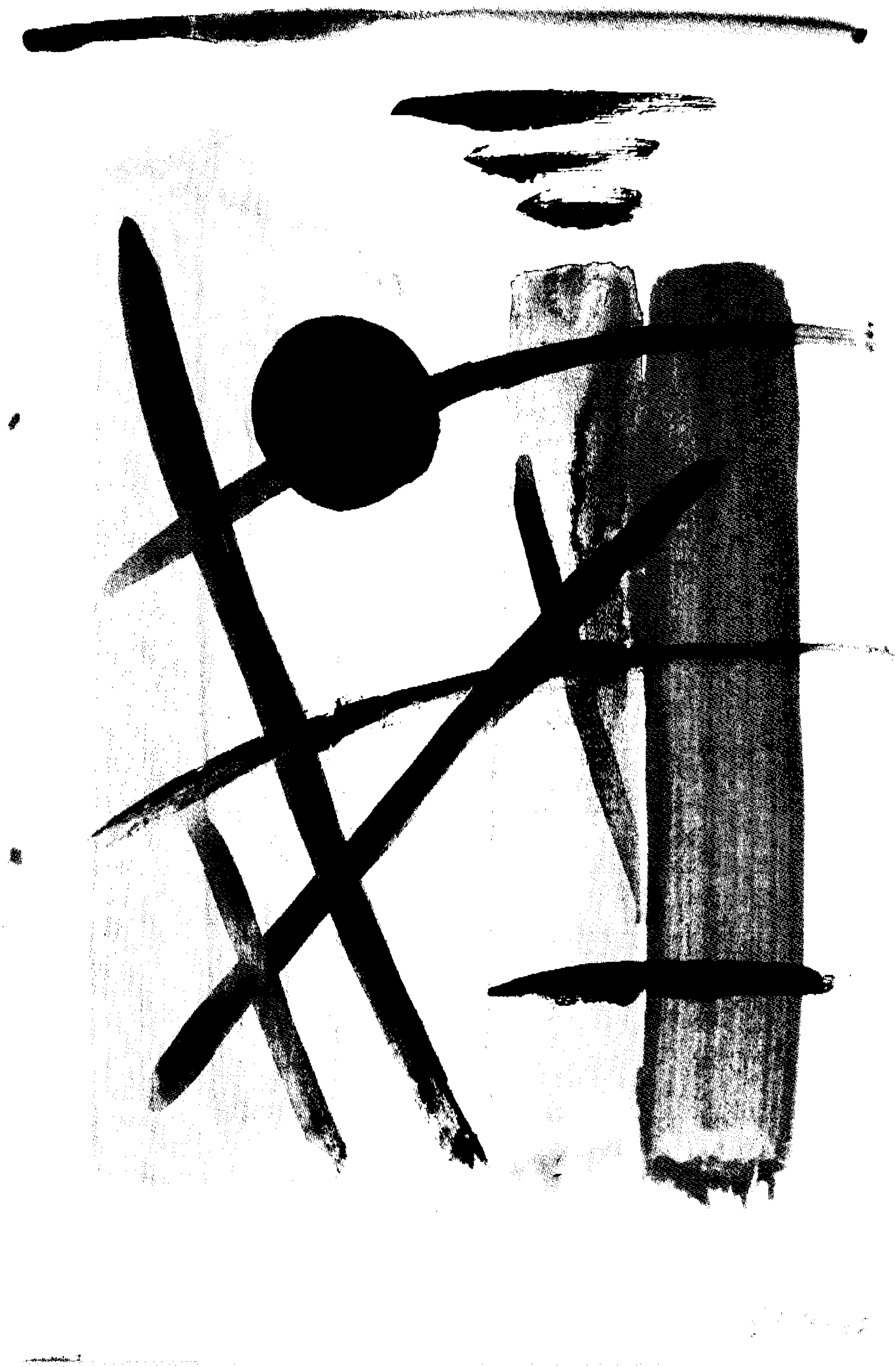
		DM m.	DM m.	31. 12. 1993 DM m.
Liabilities to banks				
a) repayable on demand		28,939		33,054
b) with agreed period or period of notice		95,888		73,930
			124,827	106,984
thereof:				
registered mortgage Pfandbriefe in issue	DM m. 1,629			(1,762)
registered Pfandbriefe backed by claims on the public sector in issue	DM m. 1,528			(946)
money market business backed by securities (repos)	DM m. 15,489			(10,562)
Liabilities to customers				
a) savings deposits				
aa) with agreed period of notice of three months	DM m. 15,290			17,699
ab) with agreed period of notice of more than three months	DM m. 26,496			26,104
		41,786		43,803
b) building savings deposits		3,325		2,937
c) other liabilities				
ca) repayable on demand	DM m. 82,390			82,862
cb) with agreed period or period of notice	DM m. 136,649			146,352
		219,039		229,214
thereof:			264,150	275,954
registered mortgage Pfandbriefe in issue	DM m. 13,874			(13,721)
registered Pfandbriefe backed by claims on the public sector in issue	DM m. 10,168			(11,096)
money market business backed by securities (repos)	DM m. 15,560			(13,077)
Liabilities in certificate form				
a) bonds in issue				
aa) mortgage Pfandbriefe	DM m. 19,601			20,008
ab) Pfandbriefe backed by claims on the public sector	DM m. 24,888			23,538
ac) other bonds	DM m. 42,195			41,303
		86,684		84,849
b) other liabilities in certificate form		27,331		24,640
			114,015	109,489
thereof:				
money market instruments	DM m. 20,183			(16,839)
own acceptances and promissory notes in circulation	DM m. 552			(717)
Liabilities held on a trust basis			2,660	2,759
thereof: loans on a trust basis	DM m. 797			(729)
Other liabilities			2,296	1,973
Deferred items			5,152	3,918
Provisions				
a) provisions for pensions and similar obligations		3,980		3,707
b) provisions for taxes		2,382		2,500
c) provisions in insurance business		17,418		14,596
d) other provisions		4,888		4,264
			28,668	25,067
Cover fund in property finance business			104	90
Other liabilities of the insurance companies			1,392	1,194
Special items with partial reserve character			345	8
Subordinated liabilities			5,515	5,485
Participatory capital			2,700	2,700
Capital and reserves				
a) subscribed capital		2,371		2,357
conditional capital DM 591 m. (31. 12. 1993: DM 600 m.)				
b) capital reserve		10,866		10,739
c) revenue reserves				
ca) statutory reserve	DM m. 25			25
cb) other revenue reserves	DM m. 6,514			6,573
		6,539		6,598
d) minority interests		497		543
e) consolidated profit		925		778
			21,198	21,015
	Total Liabilities		573,022	556,636
Contingent liabilities				
a) contingent liabilities from rediscounted bills of exchange		4,787		4,834
b) liabilities from guarantees and indemnity agreements		39,591		39,889
(see also pages 77 and 79)			44,378	44,723
Other obligations				
a) placement and underwriting obligations		740		948
b) irrevocable credit commitments		74,124		72,867
			74,864	73,815
Special assets managed for shareholders			112,901	105,800

Profit and Loss Account of Deutsche Bank Group

		DM m.	DM m.	1993 DM m.
Interest expenses			25,716	27,385
Commission expenses			617	527
Expenses in insurance business			5,630	4,532
Administrative expense				
a) staff expenses				
aa) wages and salaries	DM m. 5,989			5,853
ab) compulsory social security contributions and expenses for pensions and other employee benefits	DM m. 1,905			1,717
thereof:		7,894		7,570
for pensions	DM m. 724			(648)
b) other administrative expenses		3,629		3,314
			11,523	10,884
Write-downs, depreciation of and value adjustments to intangible assets and tangible assets			3,461	3,351
Other operating expenses			545	622
Write-downs of and value adjustments to claims and certain securities as well as additions to provisions for possible loan losses			2,169	3,286
Write-downs of and value adjustments to participating interests, shares in related companies and securities treated as financial investments			–	–
Expenses from assumption of loss			1	1
Allocations to special items with partial reserve character			342	2
Extraordinary expenses			458	50
Income taxes			1,494	2,059
Other taxes, unless reported under "Other operating expenses"			319	297
Net income for the year			1,360	2,243
Total Expenses			53,635	55,239

	1994 DM m.	1993 DM m.
Net income for the year	1,360	2,243
Profits attributable to minority interests	52	77
Loss attributable to minority interests	28	2
Allocation to other revenue reserves	411	1,390
Consolidated profit	925	778

	DM m.	DM m.	1993 DM m.
Interest income from			
a) lending and money market business	31,476		33,506
b) fixed-income securities and government-inscribed debt	3,646		3,399
		35,122	36,905
Current income from			
a) equity shares and other variable-yield securities	747		821
b) participating interests	375		392
c) shares in related companies	65		37
		1,187	1,250
Result from shares in associated companies		80	84
Income from profit-pooling, profit-transfer and partial profit-transfer agreements		4	6
Commission income		6,534	6,373
Income from insurance business		6,184	5,043
Net income from financial transactions		537	1,997
Income from write-ups of participating interests, shares in related companies and securities treated as financial investments		748	106
Other operating income		3,211	3,461
Income from the writing back of special items with partial reserve character		4	14
Extraordinary income		24	–
Total Income		53,635	55,239



Untitled, 1968
Watercolour on lined loose-leaf paper,
20.5 x 14.5 cm

Notes to the Accounts

The consolidated financial statements of Deutsche Bank AG for the 1994 financial year have been prepared in accordance with the regulations of the Balance Sheet Directives Act (§§ 290 ff HGB/Commercial Code/CommC) and of the Bank Balance Sheet Directive Act (§§ 340 ff CommC; RechKredV/SOBA). For the sake of clarity, the figures are reported in millions of DM.

Foundations and methods

Figures for property lending and finance have been incorporated into the forms in so far as they have particular importance. Summary items from the form for insurance companies have been added to the balance sheet and profit and loss account; we have allocated administrative expense as well as write-downs/depreciation of and adjustments to insurance companies' intangible and tangible assets to the appropriate items in the profit and loss account. Specifically insurance-related items are commented on in the Notes to the Accounts.

Consolidated companies

The consolidated financial statements include - besides Deutsche Bank AG - 82 German companies (1993: 67) and 247 foreign companies (1993: 224).

15 German and 28 foreign companies were consolidated for the first time; 5 foreign companies were left out of the consolidated financial statements.

One of the companies consolidated for the first time was Banca Popolare di Lecco S.p.A., Lecco, which merged with Deutsche Bank S.p.A., Milan, in 1994. The Sharps Pixley Group, which was acquired in the 1994 financial year, was also consolidated for the first time. Deutsche Bank Capital Markets (Asia) Ltd., Hong Kong, which was previously valued according to the equity method, was included for the first time in the consolidated financial statements after we had increased our share of the company's voting capital to 100%. 16 subsidiaries of Deutsche Immobilien Leasing GmbH, Düsseldorf, have also been consolidated for the first time; details of the property and management companies are omitted pursuant to § 313 (3) CommC. The change in the number of consolidated companies has not had a substantial impact on the situation of the Group.

Owing to their minor importance for the Group's net assets, financial and profit situation (§ 296 (2) CommC), a total of 364 domestic and foreign related companies are not consolidated; their share in the Group's aggregate total assets is roughly 0.4%. A further 79 companies have been excluded from consolidation pursuant to § 296 (1) No. 1 and 3 CommC as the exercise of voting rights is restricted or the shares are held for resale. Details of the property and management companies of Deutsche Immobilien Leasing GmbH, Düsseldorf, excluded from consolidation are omitted pursuant to § 313 (3) CommC.

15 holdings in associated companies have been accounted for using the equity method. These are mainly financial institutions. 16 holdings in associated companies were not valued using the equity method owing to minor importance.

The complete list of shareholdings pursuant to § 313 (2) CommC has been deposited with the Commercial Register in Frankfurt am Main. It can be ordered free of charge using the enclosed order card.

Principles of consolidation

The consolidated financial statements have been drawn up uniformly in accordance with the accounting and valuation methods of Deutsche Bank AG. The following consolidation principles also apply to holdings in associated companies whose statements were not adjusted to the standard Group-wide accounting and valuation principles.

Capital consolidation was carried out using the book value method. The acquisition date was used for those companies consolidated for the first time in 1994.

Goodwill was directly offset with revenue reserves.

Intercompany claims and liabilities, intercompany expenses, income and profit are offset if they are not of minor importance. The elimination of intercompany profits is also dispensed with for transactions settled at normal market conditions anyway if the calculation of intercompany profits results in unreasonably high expense.

In divergence from these principles, the financial statements of the insurance companies are included unchanged in the consolidated financial statements owing to the special nature of their business. Intercompany items of the insurance companies are therefore, as a general rule, not offset.

Depreciation, write-downs and values only admissible under tax legislation in the individual financial statements of consolidated companies are taken over unchanged in accordance with § 308 (3) CommC.

Accounting and valuation principles for:

– claims

Claims on banks and customers are reported at nominal amount or at cost; necessary value adjustments are deducted.

– securities

All holdings of "bonds and other fixed-income securities" and "equity shares and other variable-yield securities" are accounted for using the strict lower-of-cost-and-market principle applicable to current assets, i.e. at acquisition cost or market value (if lower) or at the attributable value (if lower). The lower values are retained if this is a precondition for retention in the calculation of profits for tax purposes.

– participating interests

– tangible assets

Participating interests and shares in unconsolidated companies as well as tangible assets and intangible assets acquired for consideration are reported at acquisition or manufacturing cost less any scheduled depreciation. Unscheduled depreciation is effected in the case of presumably long-term value losses. Minor-value assets are written off in full in the year of acquisition. Shares in associated companies include holdings valued using the equity method. The offsetting option under § 340c (2) CommC was utilized.

– liabilities

Liabilities are valued at their repayment or nominal amount. Bonds issued on a discounted basis and similar liabilities are reported at present value.

– provisions

Provisions for pensions and similar liabilities are reported on the basis of actuarial principles in accordance with the present value method.

"Provisions for taxes" and "other provisions" are formed in accordance with the principles of prudent commercial assessment in the amount of uncertain liabilities or impending losses from pending transactions.

– risk provisioning

Provisioning for possible loan losses comprises value adjustments and provisions for all discernible credit and country risks, for latent default risks and the provision for general banking risks.

For credit risks, provision is formed in accordance with prudent standards applied uniformly throughout the Group in the amount of the expected default.

The transfer risk in cross-border lending (country risk) is valued on the basis of a rating system which takes account of the economic, political and regional situation. For cross-border exposures to certain states, provision is made in accordance with prudent standards applied uniformly throughout the Group.

Account is taken of the latent lending risk in the form of the collective value adjustment in accordance with commercial-law principles.

In addition, general banking risks are provisioned in accordance with § 340f CommC. The option pursuant to § 340f (3) CommC was utilized.

– proprietary trading

In the calculation of results from proprietary trading activities, the principle of prudence is applied. Trading business in securities, financial instruments, including derivatives, foreign exchange and precious metals, is structured, also for the purposes of accounting, as books or portfolios. An institutionalized risk management system and the application of tight limits lead to a direct adjustment of risk positions, so that to a very large extent market and price risks balance each other out in the sense of a compensatory development of values.

Results from portfolios in OTC interest rate derivatives are calculated using the net present value method. Positive values are recognized pro rata temporis for the reporting period; for negative values, provisions are formed for the full amount.

Accounting thus quantifies the profit contributions of trading books or portfolios in accordance with the principles for valuation units. Here, still unrealized profits are offset until compensated with still unrealized losses.

Currency translation

Currency translation in the individual financial statements is in line with the principles set forth in § 340h CommC.

Assets denominated in foreign currencies and treated as fixed assets, but not separately covered in the same currency, are reported at historical acquisition cost. Other assets and debts denominated in foreign currency and spot deals still not settled are translated at the spot mid-rate on balance sheet date, forward exchange deals at the forward rate on balance sheet date. In calculating the income or expense from foreign exchange deals, we used the option pursuant to § 340h (2) CommC, i.e. inclusion of unrealized profits, to balance out only temporary expenses. Any remaining losses are provisioned.

In the consolidated financial statements, the items in the balance sheets and profit and loss accounts of foreign consolidated companies are translated into D-Mark at Frankfurt mid-rates on the respective balance sheet date (reporting date method). Translation profits and losses from the consolidation of debt and income are treated neutrally for profit and loss purposes. Translation profits and losses resulting from capital consolidation are allocated directly to revenue reserves.

Notes to the Balance Sheet of the Group

Securities eligible for listing on a stock exchange

Securities eligible for listing on a stock exchange and contained in the following balance sheet positions are classified as below:

in DM m.	Listed 31.12.1994	31.12.1993	Unlisted 31.12.1994	31.12.1993
Bonds and other fixed-income securities	54,949	52,647	8,218	7,024
Equity shares and other variable-yield securities	8,677	8,208	279	259
Participating interests	704	1,296	6	7
Shares in associated companies	22	25	–	–
Shares in related companies	–	477	–	–

Capital investments of the insurance companies

"Capital investments of the insurance companies" are broken down as follows:

in DM m.	Balance sheet value 31.12.1993	Additions	Disposals	Write-downs	Balance sheet value 31.12.1994
Mortgages and claims under land charges	3,046	1,432	1,068	0	3,410
Registered securities and loans	6,275	2,662	942	–	7,995
Securities and shares, unless they belong to other positions	3,540	1,718	689	66	4,503
Fixed-term deposits and time deposits	413	16	132	–	297
Land and buildings	1,038	155	41	19	1,133
Other	622	175	219	2	576
Total	14,934	6,158	3,091	87	17,914
Offsetting: Registered securities not eligible for listing on a stock exchange, Schuldscheine, shares in consolidated companies	– 287				– 506
Capital investments after offsetting	14,647				17,408

"Capital investments of the insurance companies" contains bearer bonds issued by Group companies in the sum of DM 16 million (nominal value DM 18 million) and other deposits with consolidated related companies in the amount of DM 845 million. In the balance sheet value as at December 31, 1993, any parity changes resulting from translation at reporting-date exchange rates at the foreign company were adjusted.

Other assets of the insurance companies

"Other assets of the insurance companies" mainly comprises claims from insurance business, balances with banks and interest and rental claims.

Development of assets

The Group's fixed assets and financial investments developed as follows:

in DM m.	Acquisition/manufacturing costs				Depreciation/write-downs and value adjustments			Book values	
	as at 1.1.1994	Additions*	Transfers	Disposals	Cumulative	Current year	Disposals	as at 31.12.1994	as at 31.12.1993
Intangible assets	15	18	–	12	2	7	12	19	9
Tangible assets	18,534	5,045	0	3,140	7,828	3,423	1,854	12,611	12,341
thereof:									
– land and buildings	3,641	352	4	67	808	419	10	3,122	3,259
office furniture and equipment	2,475	932	-	118	1,228	732	117	2,061	1,887
– leasing equipment	12,418	3,761	4	2,955	5,792	2,272	1,727	7,428	7,195
Other assets	119	54	–	8	60	31	1	105	89
	Changes								
Participating interests	– 681							3,024	3,705
Shares in associated companies	+ 94							1,186	1,092
Shares in related companies	– 530							770	1,300
Bonds and other fixed-income securities	+ 616							621	5
Equity shares and other variable-yield securities	+ 555							3,615	3,060

* incl. items brought forward at companies consolidated for the first time in 1994

The combination of financial investments possible pursuant to § 34 (3) SOBA was utilized. Parity changes resulting at foreign offices from currency translation at reporting-date exchange rates were included in the calculation of acquisition/manufacturing costs (as at January 1, 1994) and in the accumulated depreciation/write-downs and value adjustments.

Land and buildings with a book value totalling DM 1,991 million were used within the framework of our own activities.

Subordinated assets

The following positions include subordinated assets in the stated amounts:

in DM m.	31.12.1994	31.12.1993
Claims on banks	16	–
Claims on customers	382	335
Bonds and other fixed-income securities	662	668
Equity shares and other variable-yield securities	1	8

Other assets

Under "other assets" we report in particular precious metal holdings, claims to tax rebates on tax authorities, options on securities as well as cheques, matured bonds.

Other liabilities

"Other liabilities" includes, among other things, the distribution for 1994 on participatory capital and accrued, but not yet matured, interest for subordinated liabilities, a valuation equalization for specially covered foreign exchange positions and withholding tax to be paid over.

Provisions in insurance business

in DM m.	31.12.1994	31.12.1993
Provisions in insurance business for fund-linked life insurance covered by the investment cover fund	287	249
Other provisions in insurance business		
cover reserve	14,577	12,003
reserve for pending claims, etc.	326	305
reserve for premium refunds	1,609	1,527
other provisions	619	512
Total	17,418	14,596

Other liabilities of the insurance companies

"Other liabilities of the insurance companies" includes mainly liabilities to policyholders from insurance business.

Special items with partial reserve character

The special items with partial reserve character have been formed in accordance with the following legal foundations:

in DM m.	31.12.1994	31.12.1993
pursuant to § 6b Income Tax Act	330	3
pursuant to § 3 (2a) Border Territory Promotion Act	12	2
pursuant to foreign law	3	3
Total	345	8

Subordinated liabilities

Important subordinated liabilities:

Amount	Issuer/type	Interest rate	Maturity
DM 600,000,000	Deutsche Bank bearer bonds (Series 2) of 1990 with warrant	8.00 %	11.4.2000
DM 600,000,000	Deutsche Finance (Netherlands) B.V. bond issue of 1992	8.00 %	6.2.2002
DM 500,000,000	Deutsche Finance (Netherlands) B.V. bond issue of 1992	8.125%	6.5.2002
DM 2,000,000,000	Deutsche Finance (Netherlands) B.V. bond issue of 1993	7.50 %	10.2.2003

For the above subordinated liabilities there is in no case a premature redemption obligation on the part of the issuers. In the case of liquidation, bankruptcy, composition or any other procedure to avoid bankruptcy, the claims and interest claims resulting from these liabilities are subordinate to the non-subordinated claims of all creditors of the issuers.

These conditions also apply in principle to the subordinated borrowings not specified individually.

Interest expenses for the entire subordinated liabilities amounted to DM 400 million. Accrued, but not yet matured interest of DM 289 million included in the figure is reported under "other liabilities".

Participatory capital

The issued participatory capital accords with the preconditions of § 10 (5) German Banking Act and is made up of the following issues:

- DM 1.2 billion bearer participatory certificates with warrants of 1991, maturing on December 31, 2002. Redemption will be on June 30, 2003, subject to the stipulations on loss participation. The participatory certificate entitles the bearer to an annual dividend payment of 9% of par value, which ranks prior to the profit share attributable to shareholders.
- DM 1.5 billion bearer participatory certificates with warrants of 1992, maturing on December 31, 2003. Redemption will be on June 30, 2004, subject to the stipulations on loss participation. The participatory certificate entitles the bearer to an annual dividend payment of 8.75% of par value, which ranks prior to the profit share attributable to shareholders.

The distribution for 1994 in the total amount of DM 239 million is reported under "other liabilities". The General Meeting on May 19, 1993 authorized the Board of Managing Directors to issue up to April 30, 1998, once or more than once, participatory certificates or bonds with warrants up to a total of DM 2 billion.

Own shares

At the end of 1994, Deutsche Bank AG and its related companies had no Deutsche Bank shares in their holdings.

On December 31, 1994, 298,488 Deutsche Bank shares of DM 50 par value each, i.e. 0.63% of share capital, were pledged to Deutsche Bank and its related companies as security for loans.

Development of subscribed, authorized and conditional capital

in DM	Subscribed capital	Authorized capital	Authorized capital excl. shareholders' subscription rights	Conditional capital
as at 31.12.1993	2,356,790,250	500,000,000	101,500,000	599,723,750
Issue of staff shares	+ 5,933,700		– 5,933,700	
Shares subscribed against submission of convertible bond	+ 7,547,200			7,547,200
Shares subscribed against submission of warrants	+ 958,650			– 958,650
Expiry of exercise period for convertible bond of 1984				– 292,300
as at 31.12.1994	2,371,229,800	500,000,000	95,566,300	590,925,600

The subscribed capital is divided up as follows:

300,000 shares in the nominal amount of DM	1,000	= DM	300,000,000
500,000 shares in the nominal amount of DM	100	= DM	50,000,000
40,424,596 shares in the nominal amount of DM	50	= DM	2,021,229,800

Of the authorized capital with exclusion of subscription rights for shareholders, DM 20.6 million is designated for the issue of staff shares. A further DM 75 million is designated, according to the resolution of the General Meeting on May 23, 1991, for the listing of the Deutsche Bank share on foreign stock exchanges.

Outstanding option rights

Issue	Subscription period	Subscription price per DM 50 share	Conditional capital DM
Warrants attaching to participatory rights of 1991 of Deutsche Bank AG	up to 30. 6. 1995	550	116,365,200
Warrants attaching to 6¼ % bond of Deutsche Bank Financc N.V., Curaçao, of 1986 (taken over through debtor substitution by Deutsche Finance [Netherlands] B.V., Amsterdam)	up to 28. 2. 1996	793	49,700,000
Warrants attaching to participatory rights of 1992 of Deutsche Bank AG	up to 30. 6. 1997	610	149,860,400
Reserved conditional capital			315,925,600
Still open conditional capital			275,000,000
Total			590,925,600

The 4% bearer convertible bonds of 1984, reported under the balance sheet item "subordinated liabilities", decreased as a result of the exercise of conversion rights by DM 37,736,000 to DM 1,461,500. The still outstanding convertible bonds were due for repayment at the nominal amount on January 2, 1995.

Development of capital and reserves

		in DM m.
Capital and reserves of Deutsche Bank Group as at 31.12.1993		21,015
Distribution by Deutsche Bank AG in 1994	–	778
Increase in subscribed capital at Deutsche Bank AG	+	14
Allocation of share premium from the increase in subscribed capital to capital reserves	+	127
Allocation to revenue reserves from net income for 1994	+	411
Consolidated profit for 1994	+	925
Offsetting of goodwill		329
Change in minority interests	–	46
Difference from currency translation	–	141
As at 31.12.1994		21,198

Group capital and reserves for bank-regulatory purposes pursuant to the German Banking Act totalled DM 33,160 million.

Reserves pursuant to § 10 (4a) sentence 1 No. 4 German Banking Act, which form part of capital and reserves for bank-regulatory purposes, amount to DM 4,748 million.

Contingent liabilities

In the balance sheet item "liabilities from guarantees and indemnity agreements" we report:

in DM m.	31.12.1994	31.12.1993
Guarantees	32,275	31,964
Letters of credit	6,536	6,692
Credit liabilities	780	1,233

Other obligations

Placement and underwriting obligations not utilized are reported at DM 740 million. Utilizations stood at DM 184 million.

Of the "irrevocable credit commitments" reported in the balance sheet (DM 74,124 million), DM 68,596 million relates to commitments for book loans and discounts to non-banks.

Miscellaneous obligations

Annual payment obligations resulting from rental agreements or leasing contracts amount to DM 456 million with a residual maturity of up to 25 years.

Liabilities for possible calls on not-fully-paid-up shares in public and private limited companies and other shares amounted to DM 167 million at the end of 1994. Joint liabilities pursuant to § 24 GmbH Act amounted to DM 91 million. Where other joint liabilities exist, the standing of the co-shareholders is beyond doubt in all cases.

In connection with our participating interest in Liquiditäts-Konsortialbank GmbH, Frankfurt am Main, there is an obligation to pay further capital of up to DM 129 million and a proportionate contingent liability to fulfil the capital obligations of other shareholders belonging to the Bundesverband deutscher Banken e. V., Cologne.

Liabilities for possible calls on other shares and an existing indemnity obligation amounted to a total of DM 3.2 million on December 31, 1994. Pursuant to § 5 (10) of the Statute of the Deposit Insurance Fund, Deutsche Bank AG has undertaken to indemnify the Bundesverband deutscher Banken e. V., Cologne, for any losses incurred through measures taken in favour of banks majority-held by Deutsche Bank.

Within the framework of our business activity, collateral security was required in a total amount of DM 436 million owing to legal stipulations and in connection with trading in financial futures contracts.

Obligations from transactions on futures and options exchanges for which securities had to be provided as collateral amounted to DM 115 million as at December 31, 1994.

DB Investment Management S.A., Luxembourg, has given performance guarantees for specified periods for some of the investment funds it manages.

In connection with the resale of the trading house Klöckner & Co. AG, Duisburg, there are contingent liabilities of DM 153 million.

Declaration of backing

For the following banks and affiliated companies, Deutsche Bank AG ensures, except in the case of political risk, that they are able to meet their contractual liabilities:

ALD AutoLeasing D GmbH, Hamburg
Bain & Company Ltd., Sydney
DB Australia Ltd., Melbourne
DB (Belgium) Finance S.A./N.V., Brussels
DB Bourse S.N.C., Paris
DB Finanziaria S.p.A., Milan
DB Investment Management S.A., Luxembourg
DBMG Futures & Options Ltd., London
DB Research GmbH Gesellschaft für Wirtschafts- und Finanzanalyse, Frankfurt am Main
DB U.K. Finance plc, London
DEBEKO Immobilien GmbH, Eschborn
DEBEKO Immobilien GmbH & Co Grundbesitz Berlin OHG, Berlin
DEBEKO Immobilien GmbH & Co Grundbesitz OHG, Eschborn
Deutsche Asset Management GmbH, Frankfurt am Main
Deutsche Bank Argentina S.A., Buenos Aires
Deutsche Bank (Asia Pacific) Ltd., Singapore
Deutsche Bank (Austria) Aktiengesellschaft, Vienna
Deutsche Bank Bauspar-Aktiengesellschaft, Frankfurt am Main
Deutsche Bank Canada, Toronto
Deutsche Bank Capital Markets (Asia) Ltd., Hong Kong
Deutsche Bank de Bary N.V., Amsterdam
Deutsche Bank de Investimento, S.A., Lisbon
Deutsche Bank Finance N.V., Curaçao
Deutsche Bank Financial Inc., Dover/U.S.A.
Deutsche Bank France S.N.C., Paris
Deutsche Bank Gestion S.A., Paris
Deutsche Bank Gilts Ltd., London
Deutsche Bank Lübeck Aktiengesellschaft vormals Handelsbank, Lübeck
Deutsche Bank Luxembourg S.A., Luxembourg
Deutsche Bank (Malaysia) Berhad, Kuala Lumpur
Deutsche Bank North America Holding Corp., Dover/U.S.A.
Deutsche Bank S.A. Banco Alemão, São Paulo
Deutsche Bank Saar AG, Saarbrücken
Deutsche Bank, Sociedad Anónima Española, Barcelona
Deutsche Bank Società per Azioni, Milan
Deutsche Bank (Suisse) S.A., Geneva
Deutsche Centralbodenkredit-Aktiengesellschaft, Berlin Cologne
Deutsche Finance (Netherlands) B.V., Amsterdam
Deutsche Gesellschaft für Fonds verwaltung mbH, Frankfurt am Main
Deutsche Grundbesitz-Investmentgesellschaft mbH, Frankfurt am Main
Deutsche Immobilien Anlagegesellschaft mbH, Frankfurt am Main
Deutsche Immobilienvermittlungs-Holding GmbH, Frankfurt am Main
Deutsche Sharps Pixley Metals Ltd., London
Deutsche Vermögensbildungs gesellschaft mbH, Bad Homburg v.d.H.
Deutscher Herold Aktiengesellschaft, Bonn and Berlin
DWS Deutsche Gesellschaft für Wertpapiersparen mbH, Frankfurt am Main
Europäische Hypothekenbank S.A., Luxembourg
Frankfurter Hypothekenbank Aktiengesellschaft, Frankfurt am Main
Grunelius KG Privatbankiers, Frankfurt am Main
Lebensversicherungs-Aktiengesellschaft der Deutschen Bank, Frankfurt am Main
Lübecker Hypothekenbank Aktiengesellschaft, Lübeck
Morgan Grenfell Group plc, London
Schiffshypothekenbank zu Lübeck Aktiengesellschaft, Hamburg
Süddeutsche Bank GmbH, Frankfurt am Main
Vertriebsgesellschaft mbH der Deutschen Bank für Privatkunden, Frankfurt am Main

Maturity structure

– of claims

in DM m.	31.12.1994	31.12.1993
Other claims on banks with originally agreed period or period of notice of		
a) less than three months	34,438	34,962
b) at least three months, but less than four years	41,177	32,116
c) four years or more	10,181	10,899
Total	85,796	77,977
Claims on customers with originally agreed period or period of notice of		
a) less than four years	148,807	150,921
b) four years or more	187,229	181,210
Total	336,036	332,131
Bonds and notes of		
a) public-sector issuers with an original life of		
aa) up to four years	6,283	6,088
ab) more than four years	22,494	18,370
Total	28,777	24,458
b) other issuers with an original life of		
ba) up to four years	5,095	8,170
bb) more than four years	18,862	18,673
Total	23,957	26,843

– of liabilities

in DM m.	31.12.1994	31.12.1993
Liabilities to banks with originally agreed period or period of notice of		
a) less than three months	51,879	29,370
b) at least three months, but less than four years	23,572	23,937
c) four years or more	20,437	20,623
Total	95,888	73,930
thereof: due in less than four years	87,665	70,367
Other liabilities to customers with originally agreed period or period of notice of		
a) less than three months	71,422	84,023
b) at least three months, but less than four years	25,736	23,658
c) four years or more	39,491	38,671
Total	136,649	146,352
thereof: due in less than four years	118,471	130,296
Liabilities in certificate form with an original life of		
a) up to four years	36,778	31,597
b) more than four years	77,237	77,892
Total	114,015	109,489
thereof: maturing in less than four years	81,303	78,554

Deferred items

The assets-side deferred items of DM 902 million include balances in the amount of DM 229 million pursuant to § 250 (3) CommC and DM 1 million pursuant to § 340e (2) CommC. The deferred items on the liabilities side in the amount of DM 5,152 million contain DM 943 million in balances pursuant to § 340e (2) CommC.

Business on a trust basis

Structure of assets and liabilities held on trust:

Assets held on a trust basis in DM m.	31.12.1994	31.12.1993	Liabilities held on a trust basis in DM m.	31.12.1994	31.12.1993
Claims on banks	1,710	1,894	Liabilities to banks	218	282
Claims on customers	732	630	Liabilities to customers	2,442	2,477
Bonds and other fixed-income securities	3	–			
Participating interests	215	235			
Total	2,660	2,759	Total	2,660	2,759

Information concerning related companies and companies with which a participation relationship exists

in DM m.	Related companies		Companies with which a participation relationship exists	
	31.12.1994	31.12.1993	31.12.1994	31.12.1993
Claims on banks	2	[illegible]	530	327
Claims on customers	986	760	1,824	1,790
Bonds and other fixed-income securities	–	–	17	21
Capital investments of the insurance companies	0	34	–	–
Other assets of the insurance companies	27	12	–	–
Liabilities to banks	40	[illegible]	166	86
Liabilities to customers	265	227	1,343	2,096
Liabilities in certificate form	–	30	120	–
Other liabilities of the insurance companies	5	2	–	–

Assets transferred as collateral

For the following liabilities and contingent liabilities, assets have been transferred in the stated value:

in DM m.	31. 12. 1994	31. 12. 1993
Liabilities to banks	12,088	12,086
Liabilities to customers	582	520
Contingent liabilities	9	31

Transactions subject to sale and repurchase agreements

As at December 31, 1994, the book value of assets reported in the balance sheet and sold subject to a repurchase agreement amounted to DM 6,236 million; of this amount, DM 3,726 million referred to securities repo transactions with Deutsche Bundesbank.

Foreign currencies

The total amount of assets in foreign currency was the equivalent of DM 225,021 million on balance sheet date; the total value of debts was the equivalent of DM 205,655 million.

Derivatives business

A breakdown of the credit equivalent volume (volume before creditworthiness rating in accordance with Principle I) by counterparty type reveals the following picture for derivatives:

Counterparty type	Credit equivalent volume*) 31.12.1994 (in DM bn.)
OECD central governments	0.6
OECD banks	37.9
OECD financial institutions	3.1
Other enterprises, private individuals	9.3
Non-OECD central governments	0.1
Non-OECD banks	0.8
Non-OECD financial institutions	0.1

*) calculated using the maturity method

The following table shows the derivatives transactions from our trading activities still outstanding on balance sheet date. In addition to being broken down by product group, the maturity structure is shown on the basis of the notional amounts. The current replacement costs are also given. These trading transactions are largely used to hedge each other and the on-balance-sheet instruments held as part of our proprietary trading.

Notional amounts and current replacement costs in derivatives business by product type as at December 31, 1994 (in DM m.)

Interest rate related transactions		Notional amount after remaining life				Current replacement costs
		up to 1 year	1 – 5 years	> 5 years	total	
OTC products	FRAs	393,267	60,963	–	454,230	535
	interest rate swaps (same currency)	111,979	298,756	99,262	509,997	9,330
	interest rate option purchases	17,783	34,168	17,947	69,898	1,002
	interest rate option sales	27,367	38,155	24,707	90,229	
	other interest rate trades	959	3,213	–	4,172	70
exchange-traded products	interest rate futures	87,799	29,973	131	117,903	
	interest rate options	2,699	3,061	72	5,832	
Currency-related transactions		Notional amount after remaining life				Current replacement costs
		up to 1 year	1 – 5 years	> 5 years	total	
OTC products	forward exchange trades	695,778	53,206	74	749,058	8,109
	cross-currency swaps	7,412	14,106	5,749	27,267	1,485
	forex option purchases	23,231	896	529	24,656	380
	forex option sales	23,526	1,519	548	25,593	
	other forex trades	3,049	–	–	3,049	5
exchange-traded products	forex futures	11,017	–	–	11,017	
	forex options	–	–	–	–	
Equity/index-related transactions		Notional amount after remaining life				Current replacement costs
		up to 1 year	1 – 5 years	> 5 years	total	
OTC products	equity/index swaps	41	–	–	41	26
	equity/index option purchases	1,444	450	2	1,896	110
	equity/index option sales	1,409	517	–	1,926	
	other equity/index trades	13	–	–	13	0
exchange-traded products	equity/index futures	36,677	–	–	36,677	
	equity/index options	506	587	–	1,093	
Other transactions		Notional amount after remaining life				Current replacement costs
		up to 1 year	1 – 5 years	> 5 years	total	
OTC products	precious metal trades	3,806	132	–	3,938	68
	non-ferrous metal trades	7,317	230	–	7,547	300
exchange-traded products	futures	39,575	219	–	39,794	
	options	185		–	185	

In addition, the above types of derivatives transaction were also used to hedge interest-rate and currency risks from general banking business.

Notes to the Profit and Loss Account of the Group

Income by geographical market

The total amount of interest income, current income from equity shares and other variable-yield securities, participating interests and shares in related companies, commission income, net income from financial transactions and other operating income is spread out over the following markets:

in DM m.	1994	1993
Federal Republic of Germany	29,404	32,194
Europe excl. Germany	11,319	12,719
America	3,372	2,981
Asia/Australia	2,496	2,092
Total	46,591	49,986

Administration and agency services for third parties

The following administration and agency services were provided for third parties:

- safe custody account administration
- asset management
- administration of assets held on a trust basis
- mergers and acquisitions

Insurance business

Structure of income and expenses in insurance business:

Income			**Expenses**		
in DM m.	1994	1993	in DM m.	1994	1993
Net premiums earned	4,387	3,459	Claims	1,110	984
Contributions from gross provision for premium refunds	266	247	Increase in provisions in insurance business	2,638	2,051
Income from capital investments	1,313	1,114	Premiums refunded	474	476
Other income	218	223	Agents' commissions, front end fees	426	361
			Expenses for capital investments	121	49
			Other expenses	861	611
Total	6,184	5,043	Total	5,630	4,532

Other operating income

The item "other operating income" in the amount of DM 3,211 million contains above all income from leasing business (DM 2,765 million). It also includes DM 166 million from the writing back of provisions not relating to lending or securities business, DM 44 million in revenue from the sale of furniture and fittings and profits from the sale of bank premises as well as other property in the amount of DM 27 million.

Other operating expenses

"Other operating expenses" of DM 545 million relate, among other things, to additions of DM 217 million to provisions for uncertain liabilities and possible losses not relating to lending or securities business. Also included are other expenses for leasing business amounting to DM 178 million.

Special depreciation

Besides tax-related special depreciation pursuant to the Regional Development Act in the sum of DM 75 million, profits of DM 207 million subject to the tax privilege conferred by § 6b Income Tax Act were offset with tangible assets. Burdens arising from this valuation and corresponding measures in previous years are spread out over several years and therefore only have minor importance for future annual results.

Extraordinary expenses

The extraordinary expenses of DM 458 million include DM 296 million for the bank's anniversary and DM 137 million in restructuring costs.

Other Information

Emoluments of the Board of Managing Directors and Supervisory Board, and loans granted

In 1994 the total emoluments of the Board of Managing Directors amounted to DM 22,039,254.35. In addition, the Board of Managing Directors received DM 1,674,243.27 for functions it performed at subsidiaries. Former members of the Board of Managing Directors of Deutsche Bank AG or their surviving dependents received DM 11,961,061.20. In addition to a fixed payment of DM 296,700, the Supervisory Board received dividend-related emoluments totalling DM 2,012,500.

Provisions for pension commitments to former members of the Board of Managing Directors and their surviving dependents totalled DM 80,618,263.

At the end of 1994, advances and loans granted and liabilities assumed for members of the Board of Managing Directors amounted to DM 15,719,508.37 and for members of the Supervisory Board of Deutsche Bank AG to DM 3,250,122.14.

The names of the members of the Supervisory Board and of the Board of Managing Directors are listed on pages 95 and 97.

Staff

The average number of effective staff employed during the financial year totalled 65,058 (1993: 64,559), of whom 29,984 were women. Part-time staff are included in these figures proportionately. An average of 18,016 (1993: 15,621) members of staff worked abroad.

Frankfurt am Main, March 15, 1995

Deutsche Bank Aktiengesellschaft
The Board of Managing Directors

Auditor's Certificate

The Consolidated Financial Statements, which we have audited in accordance with professional standards, comply with the legal provisions. With due regard to generally accepted accounting principles, the Consolidated Financial Statements give a true and fair view of the Group's net assets, financial and profit situation. The Group Management Report is consistent with the Consolidated Financial Statements.

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Frankfurt am Main, March 17, 1995

Brackert	Dr. Fliess
Wirtschaftsprüfer	Wirtschaftsprüfer

At its meetings last year and in individual talks, the Supervisory Board was kept informed about the bank's situation, recent business policy decisions and the development of its current business. In particular, financial derivatives and the connected demands upon systematic risk management were discussed in detail. Group lending risks in Germany and abroad were dealt with on repeated occasions.

At its meetings, the Credit Committee of the Supervisory Board discussed with the Board of Managing Directors all loans subject to mandatory approval under German law and the bank's articles of association in the set periods and gave its approval. In addition, all large loans and loans entailing greater risks were discussed intensively and assessed. The bank's auditors attended the balance sheet meeting of the Credit Committee and their views were heard on questions submitted for discussion.

The Schneider exposure was the subject of an extraordinary meeting of the Supervisory Board. The professional opinion of Wollert-Elmendorff Industrie-Treuhand GmbH and the report of Internal Auditing on this overall subject were discussed in detail. The measures proposed for improving the processing of commercial property financings were approved.

Property commitments in the Group were submitted to us and analyzed in depth - particularly with respect to their risk potential. We also looked at the planned merger of the Group mortgage banks (Deutsche Centralbodenkredit-AG, Frankfurter Hypothekenbank AG, Lübecker Hypothekenbank AG). Considerations on the expansion of our investment banking activities and the principles for refining the bank's structure were the subjects of detailed discussion.

Major changes in the bank's participating interests were discussed, and the proposals of the Board of Managing Directors were approved as required. In addition, we examined a number of significant business transactions and gave our vote where required by German law or the bank's articles of association.

Economic and monetary developments, and especially their repercussions on the bank's business, were the subject of numerous reports and discussions.

KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, the auditor of the annual accounts elected at last year's Annual General Meeting, has inspected the accounting, the Annual Financial Statements and the Management Report, and has given them its unqualified certificate. We agree with the results of this inspection.

Moreover, we have examined the Annual Financial Statements as at December 31, 1994, the Management Report and the proposed appropriation of profits, and have no objections. The Consolidated Financial Statements, the Management Report of the Group and the report of the auditor of the Consolidated Financial Statements have been submitted to us.

The Annual Financial Statements, drawn up by the Board of Managing Directors, have been approved by us today and are thus established. We agree with the proposed appropriation of profits.

Frankfurt am Main, March 28, 1995

The Supervisory Board

Dr. F. Wilhelm Christians
Chairman

The Deutsche Bank Share

Payment to shareholders bigger than ever before

It will be proposed to the Annual General Meeting on May 18, 1995 that a dividend of DM 16.50 per DM 50 share be paid for the 1994 financial year. In addition to this, shareholders will receive a bonus of DM 3 per share to mark Deutsche Bank's 125th Anniversary. Including the tax credit of DM 8.36, the total income for our domestic shareholders will be DM 27.86 per DM 50 share, compared with DM 23.57 in the previous year. Taking into account the planned dividend and the bonus, the bank will distribute a total of DM 925 million to its shareholders.

In 1994, the Deutsche Bank share price developed in an environment particularly unfavourable for financials and was unable to match the especially high price level at the turn of the year 1993/1994. After the annual high of DM 886.50 on the first day of trading in January, the share price closed at the end of 1994 at DM 720.00. Including a reinvestment of the cash dividend during the year, the yield (-17.3%) remained below the DAX performance, which fell 7.1%. This development is not satisfactory.

The Deutsche Bank share over time

Taking a more long-term view, however, say over 10 years, the value of an investment in Deutsche Bank's equity has grown at an average 9.7% p.a. If, for example, an investor had put DM 10,000 in Deutsche Bank stock at the beginning of 1985, reinvested cash dividends in more shares and participated in capital increases without injecting additional funds, the value of his holding at the end of 1994 would have been DM 25,330.

Deutsche Bank shares continue to be listed on the eight German stock exchanges and on eleven foreign exchanges (Amsterdam, Antwerp, Basle, Brussels, Geneva, London, Luxembourg, Paris, Tokyo, Vienna and Zürich).

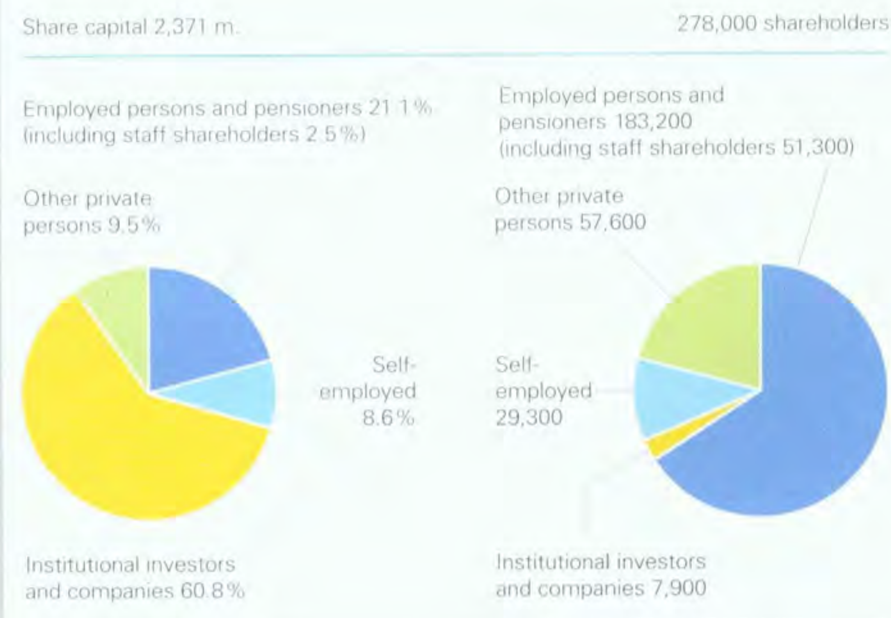
In 1994, the Deutsche Bank share was the most actively traded equity

In 1994, the Deutsche Bank share was the most actively traded equity on German stock exchanges. In total, shares with an aggregate market value of DM 224.6 billion changed hands. This represented 12% of total turnover in all German shares. Options on Deutsche Bank shares were also leaders on the Deutsche Terminbörse (DTB), the German Options and Futures Exchange.

Institutional investors show greater interest in Deutsche Bank shares

Deutsche Bank shares remain widely spread. According to a survey as at December 1, 1994, the number of our shareholders rose to 278,000 (1993: 256,000). Of these, 51,300 were staff shareholders (1993: 50,600). The share of total equity owned by private persons fell slightly to 39.2% in favour of the institutional investors' share which was 60.8% (1993: 58.5%). This reflects the greater interest shown by insurance and investment companies in the Deutsche Bank share. The share capital owned by foreign, mainly institutional, investors decreased compared with the pre-year reporting date to 43% (1993: 46%). Among foreign shareholders, the United Kingdom, Switzerland, the U.S.A., the Benelux countries, Japan and France were very well represented. Together, they account for roughly 88% of foreign holdings.

Who owns Deutsche Bank? – Shareholder structure at end of 1994



To meet the information needs of our investors worldwide, we have increased our investor relations activities by:

- ongoing dialogue with shareholders and financial analysts and
- financial presentations in London, Edinburgh, New York, Boston, Paris, Zürich, Tokyo and several times in Frankfurt am Main.

The Annual General Meeting on May 19, 1994 in Düsseldorf was attended by 4,200 shareholders and their representatives. 45.5% of share capital was represented.

Group Figures – Long-Term Comparison in DM m.

Balance Sheet*) end of	1994	1993
Total assets	573,022	556,636
Assets		
Cash reserve	7,240	7,522
Claims on banks	100,722	97,940
Claims on customers	307,455	309,262
short and medium-term**)	120,226	128,052
long-term (4 years or more)	187,229	181,210
Bonds and other fixed-income securities	63,167	59,671
Equity shares and other variable-yield securities	16,255	14,711
Participating interests, shares in related/associated companies	4,980	6,097
Tangible assets	12,611	12,341
Total credit extended)**	331,148	332,793
Liabilities		
Liabilities to banks	124,827	106,984
Liabilities to customers	264,150	275,954
thereof: savings deposits and building savings deposits	45,111	46,740
repayable on demand	82,390	82,862
time deposits	136,649	146,352
Liabilities in certificate form	114,015	109,489
Provisions	28,668	25,067
Subordinated liabilities/Participatory capital	8,215	8,185
Capital and reserves	21,198	21,015
Off-balance-sheet		
notional amount } pursuant to German Banking Act	1,781,683	1,341,414
credit risk equivalent } pursuant to German Banking Act	12,612	11,006

Profit and Loss Account for the year*)	1994	1993
Net interest income	11,539	11,706
Net commission income	5,917	5,846
Net income from insurance business	554	511
Net income from financial transactions	537	1,997
Administrative expense	12,407	11,731
Risk provisioning	2,169	3,286
Operating profit	4,050	5,266
Taxes	1,813	2,356
Net income	1,360	2,243

Key figures	1994	1993
Net income per DM 50 share	DM 28.00	DM 46.00
Dividend appropriation Deutsche Bank AG	925****)	778
Dividend per DM 50 share	DM 16.50	DM 16.50
Anniversary bonus per DM 50 share	DM 3.00	
Return on equity	6.8%	12.1%
BIS capital ratio (Tier I + II)	10.4%	11.3%
Staff at year's end	73,450	73,176

*) Owing to application of the new bank accounting law, the 1992-1994 balance sheet figures are only partially comparable to those of the preceding years; the comparative figures in the P & L have been adjusted from 1990 onwards.

1992	1991	1990	1985	1980	1975	1970	1967***)
498,711	448,785	399,850	237,227	174,594	91,539	38,398	22,133
8,948	8,266	6,541	7,956	8,006	5,106	3,021	1,553
95,646	104,948	93,530	43,741	33,549	15,587	4,317	2,269
294,560	272,511	246,799	153,076	111,198	54,688	20,703	9,015
130,094	116,939	102,282	53,836	37,833	21,052	10,353	6,860
164,466	155,572	144,517	99,240	73,365	33,636	10,350	2,155
38,315	27,364	22,388	16,293	8,657	2,844	1,870	943
9,912	10,006	7,182	2,825	2,174	1,538	1,331	1,047
5,993	4,415	3,625	2,522	647	374	302	138
11,136	10,038	7,838	3,185	2,039	1,415	540	364
321,521	299,723	273,324	174,583	127,707	65,208	27,443	14,144
98,874	102,607	82,986	57,450	53,059	21,574	7,598	3,168
242,218	227,395	204,444	104,919	74,658	44,243	24,871	17,010
45,430	41,647	37,615	24,773	22,243	18,367	9,030	6,542
70,152	59,579	51,709	23,669	15,769	12,735	7,454	6,335
126,636	126,169	115,120	56,477	36,646	13,141	8,387	4,133
100,467	83,875	81,838	55,397	34,832	19,209	3,355	15
22,082	10,108	8,894	5,866	2,911	1,460	626	431
5,765	1,200						
19,324	17,067	15,566	9,392	5,365	3,325	1,462	1,111
1,107,113	701,445	601,991					
8,890	6,631	5,250					

1992	1991	1990
10,899	10,328	8,773
4,630	4,157	3,930
92	74	32
1,134	1,114	606
10,420	9,664	8,163
1,910	1,660	2,257
4,553	4,182	2,971
1,906	2,046	1,371
1,830	1,410	1,067

1992	1991	1990
DM 38.70	DM 30.10	DM 23.20
695	688	618
DM 15.00	DM 15.00	DM 14.00
10.3%	8.7%	7.1%
10.5%	10.7%	10.7%

74,256	71,400	69,272	48,851	44,128	40,839	36,957	28,800

**) Excluding money market business backed by securities (reverse repos)
***) First Consolidated Financial Statements
****) Including anniversary bonus of DM 142 million

Principal Shareholdings

Principal shareholdings in non-banks

Shareholdings of Deutsche Bank AG and Group companies of 5% or more in company capital; total percentages and market values directly and/or indirectly attributable to Deutsche Bank AG.

Listed companies	Holding in %	Market value 31.12.1994 DM m.
Aachener und Münchener Beteiligungs-AG	5.00	275
Allianz AG Holding	10.00	5,117
Continental AG	10.25	215
Daimler-Benz AG	24.40	9,507
FUCHS PETROLUB AG OEL + CHEMIE (9.30% share of voting capital)	10.03	31
Hapag Lloyd AG	10.00	284
Heidelberger Zement AG	10.00	481
Philipp Holzmann AG	25.83	974
Hutschenreuther AG*)	25.09	27
Karstadt AG	10.00	475
Klöckner-Humboldt-Deutz AG**)	31.82	369
Leifheit AG	11.00	39
Leonische Drahtwerke AG*)	12.50	24
Linde AG	10.01	634
Metallgesellschaft AG	13.09	259
Münchener Rückvers.-Ges. AG	10.00	2,178
Nürnberger-Beteiligungs-AG**)	25.95	433
Phoenix AG	10.00	33
Salamander AG	10.69	65
Schmalbach Lubeca AG	10.00	122
Südzucker AG (15.68% share of voting capital)	12.76	444
VERSEIDAG AG	10.00	15
Vögele AG (10.36% share of voting capital)	10.00	10
Vossloh AG*)	6.97	28
WMF Württembergische Metallwarenfabrik AG*) (13.53% total indirect share of voting capital)	9.02	46
		22,085

Unlisted companies	Holding in %
Dynamit Nobel AG	14.29
Gerling-Konzern Versicherungs-Beteiligungs-AG (24.93% share of voting capital)	30.00
Intertractor AG*)	99.50

*) held indirectly; **) held directly and indirectly

Hermann J. Abs
Honorary President
Frankfurt am Main
† 5. 2. 1994

Supervisory Board

Dr. F. Wilhelm Christians
Chairman
Düsseldorf

Hagen Findeisen*
Deputy Chairman
Deutsche Bank AG
Hamburg

Jürgen Bartoschek*
Deutsche Bank AG
Frankfurt am Main

Dr. Marcus Bierich
Chairman of the
Supervisory Board of
Robert Bosch GmbH
Stuttgart

Dr. Horst Burgard
Frankfurt am Main

Heidrun Förster*
Deutsche Bank AG
Berlin

Dr. Ing. E. h.
Hermann Oskar Franz
Chairman of the
Supervisory Board
of Siemens AG
Munich

Dr. Wilfried Guth
Frankfurt am Main

Louis R. Hughes
President
General Motors
International Operations
Glattbrugg/Zürich

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Düsseldorf

Dr. Elmar Kindermann*
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Frankfurt am Main

Dr. Klaus Liesen
Chairman of the
Board of Management
of Ruhrgas AG
Essen

Heinz-Jürgen Neuhaus*
Deutsche Bank AG
Frankfurt am Main

Dr. Michael Otto
Chairman of the
Board of Management of
Otto-Versand (GmbH & Co.)
Hamburg

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

Dr. Henning Schulte-Noelle
Chairman of the Board of
Management of Allianz AG
Munich

Lorenz Schwegler*
Attorney
Düsseldorf

Herbert Seebold*
Deutsche Bank AG
Stuttgart

Lothar Wacker*
Deutsche Bank AG
Cologne

Dipl.-Ing. Albrecht Woeste
Chairman of the Supervisory
Board and the Shareholders
Committee of Henkel KGaA
Düsseldorf

** elected by the staff*

Advisory Board

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Werner H. Dieter
Chairman
Former Chairman of the Executive Board of Mannesmann AG
Düsseldorf

Dipl.-Volkswirt
Dr. h. c. Tyll Necker
Deputy Chairman
President of Hako-Werke GmbH & Co.
Bad Oldesloe

Hans H. Angermueller
Attorney
New York

Dr. rer. oec.
Karl-Hermann Baumann
Member of the Managing Board of Siemens AG
Munich

Dr. jur. Walter Deuss
Chairman of the Executive Board of Karstadt AG
Essen
from 14. 3. 1994

Dr. Robert Ehret
Frankfurt am Main

Ulrich Hartmann
Chairman of the Board of Managing Directors of VEBA Aktiengesellschaft
Düsseldorf

Dr. Eckart van Hooven
Hamburg

Adolf Kracht
Chairman of the Board of Management of Gerling-Konzern Versicherungs-Beteiligungs-Aktiengesellschaft
Cologne

Hans Jakob Kruse
Hamburg

Yoh Kurosawa
President
IBJ The Industrial Bank of Japan, Ltd.
Tokyo

Dr.-Ing. E. h.
Berthold Leibinger
President of TRUMPF GmbH + Co.
Ditzingen

Dr. h. c. André Leysen
Chairman of the Supervisory Board of Agfa-Gevaert Group
Mortsel/Belgium

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Member of the Board of Management of BAYER AG
Leverkusen

Francis Mer
Président Directeur Général d'Usinor Sacilor
Paris

Dr. techn. h. c.
Dipl.-Ing. ETH
Ferdinand Piëch
Chairman of the Board of Managing Directors of Volkswagen AG
Wolfsburg

Prof. Dr. Hans-Jürgen
Quadbeck-Seeger
Member of the Board of Executive Directors of BASF Aktiengesellschaft
Ludwigshafen

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Chairman of the Board of Management of Daimler-Benz AG
Stuttgart

Dr. rer. pol. Dipl.-Kfm.
Gerhard Rüschen
Chairman of the Supervisory Board of Nestle Deutschland AG
Frankfurt am Main

David A. G. Simon CBE
Chief Executive Officer
The British Petroleum Company p.l.c.
London

Dipl.-Ing. Hans Peter Stihl
Chairman and Chief Executive Officer of Andreas Stihl
Waiblingen

Dr. Frank Trömel
Chairman of the Board of Managing Directors of DELTON Aktiengesellschaft für Beteiligungen
Bad Homburg v. d. Höhe

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

Dr. Herbert Zapp
Frankfurt am Main
from 23. 8. 1994

Corporate Group	**Board of Managing Directors**	Business/Service Division *Staff Department*	Domestic Region *Foreign Region*
	Hilmar Kopper Spokesman	*Group Strategy* *Communications*	Cologne
Private Banking	Georg Krupp	Retail Banking and Trade Customers	Berlin, Leipzig *Asian CIS states, Eastern Europe*
	Tessen von Heydebreck *Deputy from 25. 1. 1994*	Private Banking	Mainz, Saarbrücken *Belgium, Netherlands*
Corporate/ Institutional Banking	Carl L. von Boehm-Bezing	Corporate Banking	Bielefeld, Frankfurt am Main *Latin America*
	Herbert Zapp *until 19. 5. 1994*	Corporate Banking *Legal*	Berlin, Düsseldorf
	Ellen R. Schneider-Lenné	Financial Institutions	Wuppertal *United Kingdom, Ireland*
	John A. Craven	Mergers & Acquisitions	Morgan Grenfell Group
	Ronaldo H. Schmitz	Corporate Finance	Freiburg *North America*
	Rolf-E. Breuer	Trading & Sales: Equities, Fixed Income, Capital Markets	Stuttgart *France, Near and Middle East, Switzerland*
	Ulrich Cartellieri	Trading & Sales: FX, Money & Precious Metal Trading, OTC Derivatives *Economics*	Düsseldorf, Essen *Asia-Pacific*
Resources & Controlling	Ulrich Cartellieri	Treasury	
	Ellen R. Schneider-Lenné	Credit Risk Management	
	Ulrich Weiss	Personnel *Compliance, Auditing*	Mannheim *Italy, Luxembourg, Portugal, Spain*
	Michael Endres	Organization and Operations *Legal*	Munich *Austria, Israel, Southeastern Europe*
	Jürgen Krumnow	Controlling *Taxes*	Bremen, Hamburg, Hanover, Lübeck *Africa, Scandinavia*

Glossary: technical terms used in the Annual Report for 1994

Asset-backed commercial paper
Special form of debt securitization in the form of short-term securities. In a typical case, a legally independent financing company (special-purpose vehicle) buys certain financial assets (for example trade receivables) from companies and raises funding by issuing commercial paper.

Asset management
Management of certain portfolio investments by the bank on the basis of a management mandate from a customer.

BIS capital ratio (Tier I + II)
Ratio for assessing international banks' equity capital resources for supervisory purposes with respect to credit risks (Basle equity capital accord of 1988); relationship between capital and reserves and risk-weighted assets (including off-balance-sheet commitments). A distinction is drawn between core capital and supplementary capital. The minimum standards are a core capital ratio

$$= \frac{\text{core capital}}{\text{risk-weighted assets}}$$

of 4% and
an overall capital ratio

$$= \frac{\text{core capital} + \text{supplementary capital}}{\text{risk-weighted assets}}$$

of 8%.

Since January 1, 1994, provisions for country risks may no longer be counted as supplementary capital.

Book-building procedure
Syndication procedure for international share issues with the aim of a long-term placement of the equities with investors. The price is established at the end of the book-building period (selling period).

Cap
Agreement to fix an interest rate ceiling.

Capital Adequacy Directive
EU directive on the availability of adequate capital and reserves with respect to the market risks resulting from the trading activities of securities firms and banks. Planned transposition into German law within the framework of the 6th Amendment to the German Banking Act.

Capital and reserves pursuant to German Banking Act
Liable capital and reserves for bank supervisory purposes pursuant to § 10 German Banking Act. It is made up of core capital (above all share capital and reserves) and supplementary capital (in particular participatory capital, subordinated liabilities, undisclosed reserves pursuant to § 340 f CommC and revaluation reserves in securities and property).

Convertible bonds
This form of bond allows the investor to convert a number of bonds within a certain period into equities at a fixed conversion price subject to the conditions of issue.

Credit risk
The risk that a borrower may not be able to fulfil his obligations towards the creditor; also known as default risk.

Credit risk equivalent
Orientation figure for the credit risk relevant for bank supervisory purposes (risk-weighted assets) which must be backed by capital and reserves (corresponding to the product of the risk-equivalent volume (credit equivalent) and a weighting factor depending on credit standing).

Derivatives
These are products, the value of which is determined largely by the price, price fluctuations and price expectations of an underlying instrument (e.g. equities, bonds, foreign exchange, indexes). Derivatives include in particular swaps, options and futures.

FRAs (Future Rate Agreements/Forward Rate Agreements)
OTC interest rate futures contracts. The partners agree on an interest rate and at the same time fix the currency, nominal amount and reference period. The difference between the agreed interest rate and the one valid on maturity date is settled between the partners.

Futures
Futures contracts standardized with respect to quantity, quality and delivery date where an item traded on the money, capital, precious metals or foreign exchange market is to be delivered or taken up at the agreed price at a certain date in the future. It is often the case with such contracts (e.g. those based on equities indexes) that a compensatory payment must be made to fulfil the existing obligation (instead of physical delivery or take-up of securities).

Management buy-out (MBO)
Takeover of a company by its managers.

Market-maker
A market participant who provides binding bid and offer prices (e.g. for equities, bonds, foreign exchange, options) and hence ensures market liquidity.

Money at risk
This is a procedure for calculating the loss potential from price changes in a trading position. This loss potential is calculated on the basis of market-oriented price changes and stated on the assumption of a certain probability (e.g. 95%).

Money market funds
Mutual funds which invest in money market instruments.

Net income from financial transactions
The balance to be reported in banks' profit and loss accounts of the income and expenses from their own-account trading in securities, financial instruments, foreign exchange and precious metals. A net expense must be reported if expense exceeds income.

Operating profit
Key figure for presenting a bank's profit from its operating business:

	net interest income
+	net commission income
+/–	result from insurance business
+/	net income/expense from financial transactions (trading result)
–	administrative expense
+/–	balance of other operating income/expenses
+/–	risk provisioning
=	operating profit

Option
The right to purchase (call) or sell (put) a specific quantity of a particular asset (e.g. securities or foreign exchange) at a specified price at or before a specific date in the future.

OTC derivatives
Financial instruments (→ derivatives) which are not standardized and are not traded on a stock exchange, but directly between the market participants (over the counter).

Portfolio
In principle: part or all of the investment in securities which a customer or a company owns (securities book). *Here:* combination of similar deals, in particular securities and/or derivatives, from the point of view of price risk.

Proprietary trading
Trading carried out by a bank for its own account in securities, financial instruments, foreign exchange and precious metals (→ net income from financial transactions).

Rating
Standardized assessment of the credit standing of the issuer and his debt instruments by specialized agencies.

Repo
This is an agreement to repurchase securities sold (genuine repurchase agreements where the asset is still to be allocated to the seller). From the point of view of the buyer, the transaction is a reverse repo.

Return on equity (RoE)
In principle: ratio showing the income situation of a company/bank relating profit (net income for the year) to capital input. *Here:* net income for the year (after taxes) as a percentage of average capital input over the year excluding minority interests.

Securitization
In principle: embodiment of rights in securities (e.g. equities and bonds). *Here:* substitution of loans or the financing of all kinds of claims by the issuance of securities (e.g. bonds or commercial paper).

Swaps
In principle: exchange of payment flows. *Interest rate swap:* exchange of interest payment flows in the same currency with different terms and conditions (e.g. fixed/floating). *Currency swap:* exchange of interest payment flows and capital amounts in different currencies.

Syndication
Lending (syndicated loan) or securities issue (syndicated bond issue) by a syndicate of institutions.

Volatility
The fluctuation margin of a price.

Publications

In addition to this Annual Report, we would be pleased to send you the publications listed on the postcard.

This Annual Report also appears in German, French, Spanish and Japanese and as a short summary in German and English.

Please send me the following publications:

- ☐ Annual Financial Statements and Management Report of Deutsche Bank AG for 1994
- ☐ List of Shareholdings 1994
- ☐ List of Regional Advisory Council members
- ☐ Directory of Deutsche Bank Offices
- ☐ "Die Deutsche Bank 1870-1995 – 125 Jahre deutsche Wirtschafts- und Finanzgeschichte", Verlag C. H. Beck, Munich.
  Special edition for shareholders until May 31, 1995 at a preferential price of DM 58 (plus postage). Delivery as from July 1995. English version available from October 1995.

Name

Street

Postcode Town/city

Country

Art in the Annual Report

This Annual Report presents works by Sigmar Polke from Deutsche Bank's art collection.

Born in Oels (Silesia) in 1941, the artist moved to the Federal Republic of Germany, where he completed a glass painting apprenticeship and studied at the State Academy of Art in Düsseldorf under Karl Otto Götz and Gerhard Hoehme from 1961 to 1967.

In 1993 he developed a German form of Pop Art jointly with Gerhard Richter and Konrad Fischer-Lueg known as "Capitalist Realism". From 1970 to 1971 and in 1977 and 1991 Polke was a professor at the College of Fine Arts in Hamburg. He received the first prize in painting at the 42nd Biennale of Venice in 1986, the Lichtwark Prize of the City of Hamburg in 1987 and the Prize of the Erasmus Foundation, Amsterdam in 1994.

Sigmar Polke lives and works in Cologne.

Cover illustration

Untitled, 1968, watercolour on checkered paper
20.5 x 14.5 cm

Deutsche Bank
Aktiengesellschaft
Taunusanlage 12
60262 Frankfurt am Main

Edited by Deutsche Bank Press Department

This paper is *environment-friendly.*

Deutsche Bank
Aktiengesellschaft

Invitation to the General Meeting

We take pleasure in inviting our shareholders to the

Ordinary General Meeting

convened for

Thursday, May 18, 1995, 10 a.m.

at the International Congress Centre
Messedamm 22, 14055 Berlin.

Agenda

1. **Presentation of the established Annual Financial Statements and the Management Report for the 1994 financial year with the Report of the Supervisory Board, Presentation of the Consolidated Financial Statements and Group Management Report for the 1994 financial year.**

2. **Appropriation of distributable profit**
The Board of Managing Directors and the Supervisory Board propose that the distributable profit of DM 924,779,622 be used to pay a dividend of DM 16.50 plus an anniversary bonus of DM 3 per share in the nominal amount of DM 50.

3. **Ratification of the acts of management of the Board of Managing Directors for the 1994 financial year**
The Board of Managing Directors and the Supervisory Board propose that the acts of management be ratified.

4. **Ratification of the acts of management of the Supervisory Board for the 1994 financial year**
The Board of Managing Directors and the Supervisory Board propose that the acts of management be ratified.

5. **Election of the auditor for the 1995 financial year**
The Supervisory Board proposes that KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, be appointed auditor for the 1995 financial year.

6. **Authorization to acquire own shares**
The Board of Managing Directors and the Supervisory Board propose that the following be resolved:
The company is authorized to buy and sell until September 30, 1996 its own shares for trading purposes at prices within a margin of 10% above or below the share's average daily quoted price on the Frankfurt Stock Exchange over the 3 preceding trading days. Holdings of shares bought under this authorization may not, at the end of any day, exceed 5% of the share capital of Deutsche Bank AG. The existing authorization to acquire own shares issued by the General Meeting on May 19, 1994 and dated until September 30, 1995 is void as from the date on which the new authorization comes into effect.

7. **Election to Supervisory Board**
Dr. Wilfried Guth, Frankfurt am Main, has resigned from his Supervisory Board mandate for reasons of age with effect from the end of this year's General Meeting.
The Supervisory Board proposes that

   Dipl.-Ing. Dr.-Ing. E.h. Berthold Leibinger
   President of
   TRUMPF GmbH & Co., Ditzingen,

be elected to the Supervisory Board as shareholders' representative for the rest of the term of office. Furthermore, the Supervisory Board proposes that

   Dieter Berg
   Head of the Legal Department of
   Robert Bosch GmbH, Stuttgart,

   and

   Dr. Peter Wasköni g
   Head of the Secretariat to the Board of Management of
   Daimler-Benz AG, Stuttgart,

substitute members for the remaining shareholders' representatives, also be elected substitute members for Dr. Leibinger to replace him in the order in which they are named in the event of his leaving the Supervisory Board and to resume the status of substitute members if, after they have joined the Supervisory Board, the General Meeting resolves to hold a new election for this Supervisory Board position. Pursuant to §§ 96 (1) and 101 (1) Joint Stock Corporation Act and § 7 (1) Sentence 1, No. 3 Co-determination Act of May 4, 1976, the Supervisory Board consists of 10 members elected by the shareholders and 10 members elected by the employees. In electing the shareholders' representatives, the General Meeting is not bound by any election proposals.

8. **Alteration of nominal amounts of shares, creation of DM 5 shares and amendment to Articles of Association**

Since August 1994, § 8 Joint Stock Corporation Act as amended by the Second Financial Markets Act has given joint stock corporations the possibility of reducing the par value of their shares to DM 5.

The Board of Managing Directors and Supervisory Board propose that this possibility be used and that the entire share capital be restructured.

a) Each share in the nominal amount of DM 1,000 shall be replaced by 200 shares in the nominal amount of DM 5 each, each share in the nominal amount of DM 100 shall be replaced by 20 shares in the nominal amount of DM 5 each, and each share in the nominal amount of DM 50 shall be replaced by 10 shares in the nominal amount of DM 5 each. The voting rights attaching to the shares shall be adjusted accordingly.

b) Subparagraphs 1 and 2 of § 4 of the Articles of Association shall be combined to form subparagraph 1 with the following wording:
"(1) The share capital is DM 2,377,467,300.
It is divided into
475,493,460 shares in the nominal amount of DM 5 each."

The previous § 4 (3) shall become § 4 (2); the following new subparagraph 3 shall be added:
"(3) Insofar as the company is entitled, subject to the following subparagraphs, to issue shares in the nominal amount of DM 50 each, it may issue ten shares in the nominal amount of DM 5 each instead of each share in the nominal amount of DM 50."

The convertible bonds covered by the conditional capital pursuant to § 4 (4) of the Articles of Association expired at the end of 1994. The conditional capital required for them is no longer required. § 4 (4) of the Articles of Association is therefore deleted. The former subparagraphs 5 to 11 become subparagraphs 4 to 10 in unchanged order.

§ 5 (3) of the Articles of Association is supplemented by the following sentences 3 and 4:
"Global certificates may be issued. The shareholders' claim to issuance of individual share certificates is excluded."

9. **Creation of new authorized capital and amendment to Articles of Association**

The Board of Managing Directors and the Supervisory Board propose the following resolution:

a) The Board of Managing Directors is authorized to increase the share capital with the consent of the Supervisory Board once or more than once by up to a total of DM 100 million on or before April 30, 2000 through the issue of new shares against cash payment. Shareholders shall be granted pre-emptive rights subject to the following restrictions. The Board of Managing Directors is, however, authorized to except fractions from the shareholders' pre-emptive rights and also to exclude the pre-emptive rights insofar as is necessary to provide the holders of the warrants and convertible bonds issued by Deutsche Bank Aktiengesellschaft and its subsidiaries with such pre-emptive rights to new shares as they would be entitled to after exercising the option or conversion rights. Furthermore, the Board of Managing Directors is authorized to exclude with the consent of the Supervisory Board shareholders' pre-emptive rights in full if the issue price of the new shares is not substantially lower than the market price of the already listed shares with the same terms and conditions at the time the issue price is fixed.
The Supervisory Board is authorized to re-word § 4 of the Articles of Association after the full or partial execution of the increase of the share capital or after expiry of the authorization period.

b) The following new subparagraph 11 is added to § 4 of the Articles of Association:
"(11) The Board of Managing Directors is authorized to increase the share capital with the consent of the

Supervisory Board once or more than once by up to a total of DM 100 million on or before April 30, 2000 through the issue of new shares against cash payment. At such time(s), pre-emptive rights shall be granted to the shareholders subject to the following restrictions. The Board of Managing Directors is, however, authorized to except fractions from the shareholders' pre-emptive rights and also to exclude the pre-emptive rights insofar as is necessary to provide the holders of the warrants and convertible bonds issued by Deutsche Bank Aktiengesellschaft and its subsidiaries with such pre-emptive rights to new shares as they would be entitled to after exercising the option or conversion rights. Furthermore, the Board of Managing Directors is authorized with the consent of the Supervisory Board to exclude shareholders' pre-emptive rights when utilizing the authorization if the issue price of the new shares is not substantially lower than the market price of the already listed shares with the same terms and conditions at the time the issue price is fixed."

10. Approval of management and profit-transfer agreement between Deutsche Bank AG, Frankfurt am Main, and Projekt 24 Beteiligungs-Aktiengesellschaft, Bonn

Deutsche Bank AG and its 100% subsidiary Projekt 24 Beteiligungs-Aktiengesellschaft, signed a management and profit-transfer agreement on March 21, 1995. The material content of the agreement is as follows:

Projekt 24 Beteiligungs-Aktiengesellschaft, which was founded in March 1995 and which, after issuance of the necessary banking licence and after a change of style, will form a new banking subsidiary of Deutsche Bank, subordinates the management of its company to Deutsche Bank AG and undertakes to transfer its profit as calculated for the purposes of commercial law to Deutsche Bank AG. On the other hand, Deutsche Bank AG undertakes to balance out net annual losses of its subsidiary pursuant to § 302 Joint Stock Corporation Act. The paying over of income from the writing back of precontractual reserves of the subsidiary is excluded. The formation of new other revenue reserves is admissible insofar as it is justified for business reasons in accordance with prudent commercial principles. The agreement is valid with retroactive effect as from the date of foundation of the company, with the exception of the right of management control, which only arises upon registration in the Commercial Register. It also applies to the period after commencement of banking business. The agreement has been concluded for the period up to December 31, 2000, and will be extended automatically by one year as from that date, unless previously terminated with six months' notice.

As from the convening of the General Meeting, the following documents will be available for inspection by shareholders on the premises of Deutsche Bank AG, Taunusanlage 12, 60325 Frankfurt am Main:

- the management and profit-transfer agreement,
- the annual financial statements and management reports of Deutsche Bank AG for the 1992, 1993 and 1994 financial years, and
- the joint report of the Boards of Managing Directors of Deutsche Bank AG and Projekt 24 Beteiligungs-Aktiengesellschaft on the management and profit transfer agreement.

The aforementioned documents will also be available for inspection at the General Meeting. Upon request, shareholders will be sent a copy of these documents without delay and free of charge.

The Board of Managing Directors and the Supervisory Board propose that the management and profit-transfer agreement be approved.

Report of the Board of Managing Directors to the General Meeting in accordance with § 203 (2) sentence 2 in conjunction with § 186 (4) Joint Stock Corporation Act on Agenda Item 9:

Upon utilization of the authorized capital of DM 100 million proposed under Agenda Item 9, pre-emptive rights will in principle be granted to shareholders. The authorization applied for, however, also stipulates the possibility that pre-emptive rights may be excluded for fractions. This will allow the authorization to be utilized in round amounts and will facilitate smooth settlement of shareholders' pre-emptive rights. The exclusion of pre-emptive rights in favour of the holders of warrants and convertible bonds has the advantage that, in the event of utilization of this authorization, the option and conversion prices do not have to be reduced in accordance with the so-called dilution protection clauses in the conditions of warrants and conversion, but that holders of warrants and convertible bonds may also be granted such pre-emptive rights as they would be entitled to after exercising the option or conversion rights. This authorization gives

the Board of Managing Directors the possibility, when utilizing the authorized capital, to choose between these two alternatives after carefully weighing up the respective interests.
Over and above that, the management is authorized to exclude pre-emptive rights pursuant to § 186 (3) sentence 4 Joint Stock Corporation Act. This statutory possibility of excluding pre-emptive rights allows the management to make use of favourable situations on the stock market at short notice and, by issuing the shares at a close-to-market price, to achieve the highest possible new issue amount and thus strengthen capital and reserves as far as possible. This is of great importance for banks in view of the special demands on their capital and reserves.
The authorization is for an amount equal to a good 4% of share capital, which is well below the volume permitted under law. In the event of its using this possibility of increasing capital, the management will probably restrict any markdown of the issue price compared with the market price to a maximum of 3%, but under no circumstances more than 5%.

Shareholders who deposit their shares with one of the depositaries listed below by Thursday, May 11, 1995 at the latest until the end of the General Meeting shall be entitled to participate in the General Meeting and to exercise their voting rights. The deposit shall also be deemed to have been properly effected when shares, with the approval of a depositary, are held blocked for it with other banks until conclusion of the General Meeting.

Depositaries in Germany: all offices of

Deutsche Bank AG, Frankfurt am Main,
Deutsche Bank Lübeck AG vormals Handelsbank, Lübeck,
Deutsche Bank Saar AG, Saarbrücken,

in Austria:
Deutsche Bank (Austria) AG, Vienna,
Creditanstalt-Bankverein, Vienna,

in Belgium:
Deutsche Bank AG, Succursale de Bruxelles and Filiaal Antwerpen,
Generale Bank N.V., Brussels and Antwerp,

in France:
Deutsche Bank AG, Succursale de Paris,
Société Générale, Paris,

in Luxembourg:
Deutsche Bank Luxembourg S.A., Luxembourg,
Banque de Luxembourg S.A., Luxembourg,

in the Netherlands:
Deutsche Bank de Bary N.V., Amsterdam,
ABN Amro Bank N.V., Amsterdam,

in Switzerland:
all offices of
Deutsche Bank (Suisse) S.A., Geneva,
Crédit Suisse, Zürich,
Union Bank of Switzerland, Zürich, and
Swiss Bank Corporation, Basle,

in the United Kingdom:
Deutsche Bank AG, London,
Midland Bank plc, London.

The shares may also be deposited with a German notary or with a collective security deposit bank. In these cases please present the statement of confirmation to be issued by the notary or a collective security deposit bank to a depositary no later than one day after the last date of deposit.

Frankfurt am Main, March 1995

The Board of Managing Directors

Deutsche Bank
Aktiengesellschaft

Extension of the Agenda and Counter-proposals for the General Meeting

After convention of our General Meeting for Thursday, May 18, 1995, in Berlin (publication in Federal Gazette No. 63 dated March 30, 1995, page 3731), Professor Dr. Ekkehard Wenger, Würzburg, as authorized representative of shareholders Christian Erich Nold, Darmstadt, Dr. Rainer Trost, Stuttgart, and C.I.C.S. Gesellschaft zur Vermietung von Rechenanlagen mbH, Karlsruhe, requested the publication of further matters for resolution by the General Meeting pursuant to §§ 122 (2), 124 (1) Joint Stock Corporation Act. We complied with this request by publication in Federal Gazette No. 70 dated April 8, 1995. Shareholders have also given notice that they will table counter proposals.

I. Extension of the Agenda:

11. Amendment to the Articles of Association: redefinition of the object of the company

It is proposed that the following resolution be passed:
the following subparagraph 3 be added to § 2 of the Articles of Association:
"(3) Not the object of the company is the acquisition and management of capital shares in domestic listed joint stock corporations in so far as such acquisition or management is for the company's own account or for the account of a dependent undertaking and the acquired or managed capital shares exceed 0.5% of the respective type of corporate rights in the company concerned. In so far as the company or an undertaking dependent on it holds capital shares on May 17, 1995 which do not accord with the provisions of sentence 1, such capital shares must be reduced within a period of three years as soon as Parliament has given banks the possibility of disposing of their shares without a tax burden on their undisclosed reserves. Sentence 1 does not apply if the capital shares have been acquired or are managed for the purpose of restructuring an undertaking threatened by insolvency or if an intercompany agreement within the meaning of § 291 or § 292 of the Joint Stock Corporation Act has been or is to be concluded, or if integration pursuant to § 320 Joint Stock Corporation Act is to be prepared. Sentence 1 does not apply either to shares which are to be deemed part of trading stock."

Reasons:
Further statutory measures to restrict banks' holdings in other joint stock corporations are necessarily foreseeable, because the concentration of power associated with them is socially undesirable. It is damaging to shareholders, because the existing network of mutual equity participations leads to the undermining of control mechanisms, which executive boards would be happy to escape. Furthermore, there are tax disadvantages if the company retains profits to acquire shares. If shareholders themselves buy shares from the incremental distributions, capital gains normally remain tax-free; the company, on the other hand, has to tax realized capital gains. The disposal of old participations should begin as soon as Parliament makes it possible for this to be done without a tax impact.

12. Amendment to the Articles of Association: extension of the duty of the Board of Managing Directors to give information on the financial and profit situation

It is proposed that the following resolution be passed:
the following subparagraphs 3 and 4 be added to § 22 of the Articles of Association:
"(3) Insofar as the company or one of its consolidated undertakings holds listed equities or has them held by third parties for its own account, it must provide the information which mutual fund companies are obliged to provide pursuant to § 24a Mutual Fund Companies Act. That information must be provided on real estate assets not essential to the company's business operations which is required by § 49 of the Directive of the Council of European Communities regarding the financial statements and consolidated financial statements of insurance companies. The information must be either given in the annual report or displayed for inspection in written form at the general meeting.
(4) The Board of Managing Directors may not make use of the possibilities to refuse to give information pursuant to § 131 (3) No. 2, 3, 4 and 6. The classification of capital and reserves in the balance sheet for tax purposes must be stated in the annual report. The same applies to profits and losses from the sale of capital shares in so far as they exceed the sum of DM 10 million in individual cases."

Reasons:
The company holds listed equities worth billions. It should be natural for the company to inform its shareholders about them in the same way as any mutual fund has to do. The shareholder must be informed about the company's capital investments and tax situation in accordance with international standards. The possibilities for refusing information permitted under German company law are an anachronism of the worst kind, and must be taken away from the Board of Managing Directors. The Federal Constitutional Court is currently examining whether this represents a breach of the property guarantee pursuant to the basic law, and has asked the Federal Ministry of Justice for its comments.

13. Application for resolution on the holding of a special audit pursuant to § 142 (1) Joint Stock Corporation Act to look into the suspicion of irregular exercise of proxy voting rights, especially at the general meetings in the last five years at the following joint stock corporations: BASF, Bayer, Bayerische Hypotheken- und Wechsel-Bank, Bayerische Vereinsbank, Boge, Commerzbank, Dresdner Bank, Deutsche Bank, Daimler-Benz, Mercedes-Holding, Metallgesellschaft, Moto-Meter, RWE, Siemens, Siemens-Nixdorf, Tucher-Bräu, VEBA, Viag, VW.

Reasons:
As proxies for their safe custody account customers, banks have to protect shareholders' interests (§ 128 Joint Stock Corporation Act). Numerous exercises of voting rights in the recent past have, however, been totally incomprehensible from the point of view of the small shareholder, and have met with resistance from shareholders' associations, which have so far acted very tolerantly towards the infamous mistakes made by the cartel of group officers. At Daimler-Benz, with the banks' approval, tax advantages of up to DM 300 per share for the most favoured shareholders were simply given away. It must be examined what voting recommendations were made in detail, and whether they were based on irrelevant criteria - for example, the principle shared by German group officers of mutual solidarity at the expense of small shareholders.

14. Amendment to the Articles of Association: restriction of the exercise of proxy voting rights

It is proposed that the following resolution be passed:
the following subparagraph 4 be added to § 2 of the Articles of Association:
"(4) The company exercises the voting rights attaching to shares of its safe custody account customers at general meetings of German joint stock corporations only if it has received a power of attorney issued specifically for the respective general meeting. It does not obtain powers of attorney pursuant to § 135 (2) sentence 1 Joint Stock Corporation Act which are valid for up to 15 months."

Reasons:
The proposed amendment to the Articles of Association corresponds to the reform proposal concerning the "proxy voting right" in the original draft for the Joint Stock Corporation Act 1965. At that time, to strengthen the legal position of the shareholder, the power of attorney, then valid for longer periods and sadly customary today, was to be excluded because it gave banks excessive discretionary scope and thus too much power. This sensible reform proposal was brought down by the banking lobby. A series of irregular exercises of voting rights, which met with substantial criticism among institutional investors abroad (Manager-Magazin, March 1993, page 143) and did serious damage to the reputation of German banks, shows how necessary the unsuccessful reform of 1965 would have been and still is today.

15. Application for resolution on the holding of a special audit pursuant to § 142 (1) Joint Stock Corporation Act to look into the question of whether adequate care was exercised in the extension of credit to Metallgesellschaft and whether the underwriting of participatory certificates and new shares of Metallgesellschaft accords with the interests of the bank's shareholders.

Reasons:
Analyst circles protested in public at the beginning of 1993 because at Metallgesellschaft the annual financial statements as at September 1992 had been strongly doctored and had nothing to do with the situation of the company. It must therefore be examined whether adequate care was taken when the loan commitment was assumed and/or monitored and when the scope for borrowing was temporarily reduced. It also needs to be examined to what extent the company subscribed to shares or participatory certificates of Metallgesellschaft or underwrote them against the conversion of loans, the subscription price of which was substantially lower than the asset value of these financial instruments, and whether this was intended to hide the mistakes of German group officers at the expense of shareholders.

16. Application for resolution on the holding of a special audit pursuant to § 142 (1) Joint Stock Corporation Act to look into the question of whether the prevention of a tax-saving "pay out and take back" measure at the extraordinary general meeting of Daimler-Benz AG in December 1993 could have created the basis for claims for damages on the part of shareholders against the Board of Managing Directors of Deutsche Bank.

Reasons:
For no conceivable reason, the Board of Managing Directors failed to utilize a tax advantage of about DM 800 million when it prevented a tax saving capital measure at Daimler, which, according to Daimler, had to be omitted for the following reason:
"Many small shareholders do not, as a rule, measure their shareholding against subscribed capital or ... the revenue reserve, but against the number of shares which they hold. A shareholder who, for example, has 100 shares and is satisfied with the size of this holding could accept the distribution but subscribe no new shares, because he would regard this as an additional commitment."
If the Board of Managing Directors can offer nothing better, it should pay damages.

17. Recall of Dr. F. Wilhelm Christians, Chairman of the Supervisory Board, and Dr. Horst Burgard, member of the Supervisory Board, owing to their extensive responsibility for serious business and personnel policy mistakes.

The General Meeting should resolve to recall Dr. Christians, Chairman of the Supervisory Board, and Dr. Burgard, member of the Supervisory Board, from the Supervisory Board pursuant to § 103 I Joint Stock Corporation Act.

Reasons:
Since Hilmar Kopper has been Spokesman of the Board of Managing Directors, shareholders have had to take the rap for a whole row of serious mistakes. The Supervisory Board cannot be expected to make any personnel changes to the Board of Managing Directors as long as ex-members of the Board of Managing Directors, such as Christians and Burgard, are still on it. With regard to their "culture of non interference" vis a vis the Board of Managing Directors, Kopper is quoted as follows in the press: "They don't intervene 'at all' in the management of the bank"... "New appointments of members of the Board of Managing Directors are traditionally left to the Board of Managing Directors."
As ex-members of the Board of Managing Directors cannot be expected to give up such "traditions" beyond the normal retirement age, they should leave the Supervisory Board, like Mr. Guth, so that the management problems can be corrected.

We recommend that these proposals be rejected for the following reasons:

Ad Item 11

Our non-banking equity participations are financial investments which contribute to the bank's profits and thereby help to avoid the typical income risks in a universal bank. Here, to reduce the bank's radius of action and to except, for example, only participations held for restructuring purposes is in the interests neither of the German economy nor of the bank and its shareholders.

Ad Item 12

The scope of disclosure and the duty of information is stipulated in law. There is no reason to change our information policy, which already goes beyond the legal requirements. The provisions for mutual fund companies and insurance companies mentioned here are based on special features of the business activities of these companies, and were deliberately not applied to banks by Parliament.

Ad Item 13

Deutsche Bank recommends that its safe custody account customers participate as far as possible themselves in general meetings, or at least give concrete instructions. In its own voting proposals to safe custody account customers, it is guided solely by the interests of shareholders. Moreover, its compliance with its legal duties under §§ 125, 135 Joint Stock Corporation Act are inspected annually by a safe custody account auditor appointed by the Federal Banking Supervisory Office. There is therefore no need for a special audit.

Ad Item 14

In 1965, Parliament decided against an amendment to the proxy voting right as proposed here as an amendment to the Articles of Association in order to guarantee an appropriate presence at general meetings in the interests of shareholders and to avoid chance majorities. Every safe custody account customer is informed by us in detail about approaching general meetings. He may then decide for himself whether to attend the general meeting, to be represented there by third parties, or to give the depositary bank express instructions on how to exercise his voting rights.

Ad Item 15

Our lending decisions are made on the basis of a careful analysis in accordance with strict criteria of the credit standing of borrowers. Existing credit commitments are continuously monitored. This also applies to lending to Metallgesellschaft. Last year, we stated in detail that our participation in the measures to safeguard the existence of Metallgesellschaft was a responsible and necessary contribution to restructuring the company, and that this protected the bank and our shareholders from damage.

Ad Item 16

The "pay out and take back" measure has been dealt with in detail at past general meetings of Daimler-Benz AG, Deutsche Bank AG and other companies. For Deutsche Bank AG, as shareholder of Daimler-Benz AG, it would have been disadvantageous as a whole. We therefore did not approve this measure.

Ad Item 17

The criticism of Dr. Christians and Dr. Burgard is unfounded. The quotations are wrong.

II. Counter-proposals

Concerning Agenda Item 2:

Mr. Christoph Beck, Berlin, proposes as follows:

Deutsche Bank AG should donate DM 1 million from its distributable profit in equal amounts to the campaign "Producing for Life - Stop Arms Exports" in Idstein, to the BUKO campaign "Stop Arms Exports" in Bremen and to the "Armaments Information Office in Baden-Württemberg" in Freiburg. The dividend payment to the bank's shareholders should be reduced by this amount.

Reasons:

"As a result of its 24.8% stake in Daimler-Benz, Germany's largest armaments producer, Deutsche Bank receives substantial amounts from the former's dividend payment. These dividends also contain profits from the export of armaments to war zones such as Turkey and Sudan.

For several years now, the above three campaigns have been informing people about the inhumane consequences of arms exports and demanding that they be stopped. By making donations to these campaigns, Deutsche Bank's shareholders could make it clear that in future they are no longer interested in receiving a war dividend and do not wish to earn money from the death of human beings."

Comments:

Deutsche Bank is well aware of its responsibility in this field. It points out that Daimler-Benz AG engages in no armaments exports that are not permitted under the laws and statutory orders of the Federal Republic of Germany.

Gesellschaft für Wertpapierinteressen e. V., Langenfeld, intends to withhold its approval if shares of the Aktiengesellschaft Deutsche Bank (old bank shares - also known as residual quotas) are not issued at the same time as the dividend.

Reasons:

"Deutsche Bank received nothing for its holding of roughly 120 million shares under the Equalization Payments Act. Shareholders, however, according to the the President of the Federal Office for Unresolved Wealth Questions, received DM 10,000 each in compensation. In this way, it was possible to equalize former dividend changes as a result of depreciation. Taken in total, all shareholders of the old Deutsche Bank would receive roughly DM 200 million in compensation. This opportunity should not be missed."

Comments:

The "old bank shares - residual quotas" in the bank's possession are indeed non-valeurs, as the bank as a legal person is not entitled to compensation pursuant to the Equalization Payments Act. A "distribution" of residual quotas to our shareholders would not change this situation. Entitled to compensation pursuant to the aforementioned act are only such persons who held shares at the time of the occupation related expropriation (1945-1949) and have held them ever since, and their heirs.

Mr. Klaus Milke, Hamburg, proposes that the bank's profits be appropriated in such a way that only DM 1 of the bank's anniversary dividend payment be distributed to shareholders, and that the rest be placed in a fund for sustainable development, environmental protection and debt forgiveness.

Reasons:

"Since Deutsche Bank's management always claims, when asked, that it meets its responsibility for the debt crisis and in the context of the banks' Rio statement of 1992, it is now up to the shareholders to provide special funds for major questions facing us in future. This should underpin the necessary efforts being made towards debt forgiveness, global environmental protection and sustainable development. This fund would provide financing for information campaigns and expertise in these areas. In addition, the bank should acquire a stake in the European Business Council for a Sustainable Energy Future."

Comments:
In so far as it is still involved at all in loans to Third World countries, Deutsche Bank has for years now been actively supporting debt rescheduling, and has waived substantial amounts of principal and interest on loans. Against this background, we believe it would be neither necessary nor reasonable to place an additional burden on our shareholders by reducing the anniversary bonus.

Concerning Agenda Item 3:
Mr. Christoph Beck, Berlin, Mr. Eduard Bernhard, Kleinostheim, Mr. Christian Erich Nold, Darmstadt, Mr. Paul Sandner, Stuttgart, and Mr. Jürgen Siebert, Braunschweig, propose that the acts of management of the Board of Managing Directors not be ratified.

Mr. Christoph Beck's reason:
"Deutsche Bank holds a 24.8% stake in Daimler-Benz, Germany's largest arms producer, and provides its supervisory board chairman. It therefore bears some responsibility for this company's arms production and sales of weapons.
For example, Daimler Benz intends to build the fighter plane "Eurofighter 2000" – formerly "Jäger 90" – which will cost billions. It is wasting several billion marks of taxpayers' money to develop this controversial, superfluous weapons system.
According to statistics of the Protestant Working Group of the CDU/CSU, however, there are almost one million people living in Germany at the same time without a decent roof over their heads.
In view of this and the high level of government debt, the toleration of Daimler Benz's large scale squandering of taxes casts a dark shadow over Deutsche Bank's sense of financial responsibility."

Comments:
We do not share the views put forward in the counter-proposal. Moreover, they do not concern Deutsche Bank's General Meeting.

Mr. Bernhard's reasons:
"Insufficient information on
- shareholdings/exposures in the nuclear and arms industries (company and annual turnover for 1994)
- exposures/shareholdings in the ecology sector (company and annual turnover for 1994)
- financial situation concerning debt forgiveness for Third World countries/developing countries from 1990 to 1994
- the publicly criticized behaviour of Board member Dr. Ronaldo Schmitz in connection with the 'billion DM scandal' and 'near bankruptcy' of Metallgesellschaft AG, Frankfurt!
- guidelines/regulations at the company for particularly ecological behaviour, for example saving electricity, saving resources, use of public transport, using the railways instead of flying, etc.
- the number of supervisory board mandates at other companies."

Comments:
We have already commented in the press and in publications on the various questions mentioned. The accusation of insufficient information is therefore unjustified.

Mr. Nold's reasons:
"The Board of Managing Directors bears the main responsibility for the disastrous Metallgesellschaft scandal, which cost billions. Thanks to its supervision, billions of marks were gambled away at the expense of the unsuspecting DB shareholders; the company should immediately have been declared bankrupt, instead of which the Board of Managing Directors gave billions to the almost belly-up Metallgesellschaft at the expense of DB shareholders. The Board of Managing Directors is also responsible for the fact that a payment of $ 6 million was made to von der Heyden, and that others lined their pockets at Deutsche Bank's expense, the fall in the Deutsche Bank share price, the decline in investors' confidence, and members of Deutsche Bank's Board of Managing Directors failed to act correctly in the cases of Balsam, Procedo and Schneider..."

Comments:
Our part in restoring Metallgesellschaft's equity capital at the beginning of last year and the subsequent measures taken represents a responsible and necessary contribution to the company's restructuring, while at the same time averting damage to the bank and its shareholders. Deutsche Bank's Board of Managing Directors is not responsible for payments made by Metallgesellschaft subsidiaries to their advisors.

Mr. Sandner's reasons:
"Deutsche Bank is planning to enter into large-scale deals concerning road traffic, and is therefore blocking the necessary moves to avoid traffic and shift it on to the railway. This is documented by Henrik Paulitz, member of the environmental organization Robin Wood, in his latest book, "Manager of the Environmental Catastrophe - Deutsche Bank and its Transport and Energy Policies". Deutsche Bank is urging the construction of new motorways, the introduction of traffic control systems and the operation of a nationwide, electronic toll system. Consequence: after billions have been wasted building roads, and in order to prevent the lucrative source of revenue from drying up, the environmentally damaging traffic has to be kept going."

Comments:
The infrastructure concepts put forward by Deutsche Bank relate to all transport systems, including rail transport. Deutsche Bank offers efficient financing concepts, which would save public money, for the realization of infrastructural measures in these sectors.

Mr. Siebert's reasons:
"Hilmar Kopper, Spokesman of the bank's Board of Managing Directors, sits on the supervisory boards of RWE and VEBA. He and Deutsche Bank Board members Krumnow (VIAG supervisory board), Krupp (VEW), Breuer (Badenwerk), Weiss (ABB) and Cartellieri (Siemens), together with senior executives of other financial institutions, exercise substantial influence on the leading power utilities and power station producers. According to research done by the environmental organization Robin Wood, Deutsche Bank is urging the construction of large fossil fuel and nuclear power stations in Eastern Europe. The Slovakian nuclear power station Mochovce is to be built by Siemens and the VIAG subsidiary Bayernwerk with totally inadequate safety technology. A modern gas-fired power station would be much more cost effective. But since the bank continues to stick fanatically to nuclear energy, a serious reactor catastrophe is only a question of time."

Comments:
The business policies pursued by other companies are not the subject of Deutsche Bank's general meeting.

Concerning Agenda Item 4:
Mr. Christoph Beck, Berlin, Mr. Eduard Bernhard, Kleinostheim, Mr. Joachim Müllensiefen, Ibbenbüren, Mr. Christian Erich Nold, Darmstadt, Mr. Paul Sandner, Stuttgart, and Mr. Jürgen Siebert, Braunschweig, propose that the acts of management of the Supervisory Board not be ratified.

Mr. Beck's reasons:
"Through its stakes in a number of large German industrial groups and mandates on their supervisory boards, Deutsche Bank bears substantial responsibility for their business. This includes the production of internationally shunned environmental poisons, business in lethal nuclear energy and morally reprehensible exports of weapons.
The Supervisory Board both tolerates and promotes these companies' policies. In doing so, it clearly ignores all the arguments against these types of business, which are documented, for example, by the Dachverband der kritischen Aktionärinnen und Aktionäre, Schlackstr. 16, D-50737 Cologne, Germany, in its publications and can be sent to anyone interested for a nominal fee of DM 5."

Comments:
Our Supervisory Board does not concern itself with the business policies pursued by other companies.

Mr. Bernhard's reasons:
"For tolerating the policy pursued by the Board of Managing Directors as described in the reasons given for the counter-proposal to Agenda Item 3."

Comments:
See our comments on Mr. Bernhard's counter-proposal to Agenda Item 3.

Mr. Müllensiefen's reasons:
"As Daimler-Benz shareholder, the Supervisory Board (decision-making body for votes cast at AGMs) repeatedly omitted to support shareholder proposals not to ratify the acts of management of supervisory board member Steinkühler! Ignoring risks to jobs, his threat of strike action against Daimler-Benz brought about excessive pay settlements; his supervisory board mandate (lack of competence) increased the willingness to strike! After initial devastating effects among small and medium-sized enterprises (1990: 280,000 company closures with 14,000 bankruptcies, already 25,000 bankruptcies in 1994), now mass layoffs at Daimler-Benz, delayed by (job destroying!) transfer of production abroad, increased imports of finished parts! Consequences of collective pay bargaining not obliged to adhere to macro-economic facts: 6 million unemployed, excessive pay deductions for 'still employed beneficiaries'; damage to Deutsche Bank shareholders! Mistake: Deutsche Bank's call to improve Germany as industrial location a vague platitude, instead of using own actively legitimized, objective initiative to urge the need for new legislation! (possibility to recall employee representatives, economic responsibility of management and unions)."

Comments:
As we have made clear in our comments on the counter-proposals repeatedly put forward by Mr. Müllensiefen over the past few years, the exercise of voting rights at affiliated companies does not constitute a valuation of the pay settlements in the respective industry.

Mr. Nold's reasons:
"Supervisory boards are partly to blame for the loss of confidence and falling share prices; they, too, never admit to making mistakes and appear arrogant."

Comments:
The accusations are unjustified.

Mr. Sandner's reasons:
"After Daimler-Benz, Deutsche Bank donated the second-largest amount to the Bonn coalition parties in 1993. The CDU received DM 490,150, the F.D.P. DM 100,000 and the CSU DM 50,000. Figures are not yet available for the 'marathon election year' of 1994. Through his involvement in the association 'Wir Wirtschafts-Initiativen für Deutschland', Hilmar Kopper, the Spokesman of Deutsche Bank's Board of Managing Directors, together with Wolfgang Roller of Dresdner Bank and Martin Kohlhausen of Commerzbank, assisted indirectly in Chancellor Helmut Kohl's election campaign in 1994. These activities fuel suspicion of the 'bought Republic'."

Comments:
In the 1994 financial year Deutsche Bank also made donations to political parties not belonging to the governing coalition. The accusation of the "bought Republic" is absurd.

Mr. Siebert's reasons:
"As Henrik Paulitz, member of the environmental organization Robin Wood, documents in detail in his latest book, 'Manager of the Environmental Catastrophe. Deutsche Bank and its Transport and Energy Policies', which was published by Werkstatt Verlag, Göttingen, in 1994, Deutsche Bank exercises substantial influence on the power industry. Supervisory Board Chairman Wilhelm Christians, ex-supervisory board member of RWE, VEBA, VIAG and VEW, still sits on the RWE advisory board. As chairman of the Board of Patrons of 'Forum für Zukunftsenergien' (Forum for Energy Forms of the Future), Mr. Christians occupies a pivotal role between the power industry and politics. He supports the further production of nuclear waste in East and West and the destruction of the earth's atmosphere through the burning of fossil fuels in huge power stations."

Comments:
The accusations are unfounded.

Concerning Agenda Items 3 and 4:
Gesellschaft für Wertpapierinteressen e. V., Langenfeld, intends to propose that ratification should only be given if old bank shares are issued/distributed to shareholders.

Reasons:
"The Board of Managing Directors always described shares of 'Deutsche-Bank' as non valeurs, but bought, acquired them nevertheless – most recently from Mr. Krages – and wrote them off. These asset and dividend reductions must now be remedied. About DM 200 million was withheld from shareholders by the possible error of the management bodies. If that happened, it would have to be seen as behaviour extremely hostile to shareholders and could establish a duty of compensation."

Comments:
We refer to our comments on the counter proposal of Gesellschaft für Wertpapierinteressen e. V. regarding Agenda Item 2.

Mr. Volker Hermann, Saarwellingen, proposes that the acts of management of the Board of Managing Directors and of the Supervisory Board should be ratified individually.

Reasons given by Mr. Hermann for his counter-proposal to Agenda Item 3:
"Since it is to be expected that this proposal will be put again, as it was last year, and will thus involve a certain delay at the general meeting, this point should be cleared up in advance."

Reasons given by Mr. Hermann for his counter-proposal to Agenda Item 4.
"As it is to be expected that this proposal will also be put, and will thus involve a certain delay at the general meeting, this point should also be cleared up in advance."

Comments:
There are no reasons for not ratifying the acts of management of the Board of Managing Directors and of the Supervisory Board en bloc, or for ratifying them individually; nor are such reasons given by Mr. Hermann.

Concerning Agenda Item 6:
Mr. Christian Erich Nold, Darmstadt, proposes that no authorization be given for the acquisition of own shares.

Reasons:
"This leads to the further expropriation of shareholders and intransparent transactions in favour of third parties. This is always at the expense of the public shareholder. Executive Boards and Supervisory Boards, as shown by the case of Metallgesellschaft and the payment made to a good friend of the Board of Managing Directors by the name of von der Heyden ($ 6 million after only a few weeks' work), not 'fit for authorization'; where authorizations are concerned, the small shareholder is always the one to suffer. Demanding such authorizations is unjustified and leads to disadvantages and loss of confidence."

Comments:
Trading in the bank's own shares helps to maintain a liquid market, and is therefore in the interests of the bank and its shareholders. This has been given due consideration by Parliament in the Second Financial Markets Act.

Concerning Agenda Item 7:
Mr. Christian Erich Nold, Darmstadt, proposes voting against the election proposals.

Reasons:
"These are practically mutual relationships, and thanks to certain manipulation – numbered voting cards, etc. – the votes often produce 99% Honecker-type majorities ... this is anything but an 'election' in the sense of 'selection'..."

Comments:
The numbering of the voting cards is essential for technical reasons. This in no way influences voting.

Concerning Agenda Item 8:
Mr. Christian Erich Nold, Darmstadt, proposes voting against the introduction of the DM 5 share.

Reasons:
"The bank's share price has fallen so much that experiments such as the DM 5 share can only cause further damage; following the Metallgesellschaft scandal, for which the BOARD OF MANAGING DIRECTORS denies ALL responsibility, investors' confidence has declined so much that not even DM 5 shares will help anymore..."

Comments
By changing the nominal value of our shares to DM 5, we are aiming to bring the Deutsche Bank share into line with national and international standards and make it "lighter". This should also promote trading in our shares.

Concerning Agenda Item 9:
Gesellschaft für Wertpapierinteressen e. V., Langenfeld, and Mr. Christian Erich Nold, Darmstadt, intend to propose voting against the creation of new authorized capital.

Reasons of Gesellschaft für Wertpapierinteressen e. V.:
"The problem is in paragraph a, penultimate sentence. The possibility of excluding in full the subscription rights of shareholders is a breach of shareholders' property rights and is therefore hostile to shareholders. The door is wide open for manipulation. Reference is made to the counter proposals for the 'Commerz- und Dresdner-Bank' general meetings to save space here."

Comments
It has been stated in detail in the report of the Board of Managing Directors to the general meeting regarding Agenda Item 9 that the authorization to exclude subscription rights may be required in individual cases.

Mr. Nold's reasons:
"This amounts to giving carte blanche to the Board of Managing Directors and the Supervisory Board, which would be totally unjustified in view of the Metallgesellschaft scandal and the $ 6 million payment made to von der Heyden at the expense of DB shareholders..."

Comments:
The proposed authorization will enable the bank to expand its equity base. Sufficient equity capital is essential to a positive development of business.

Frankfurt am Main, April 1995

The Board of Managing Directors