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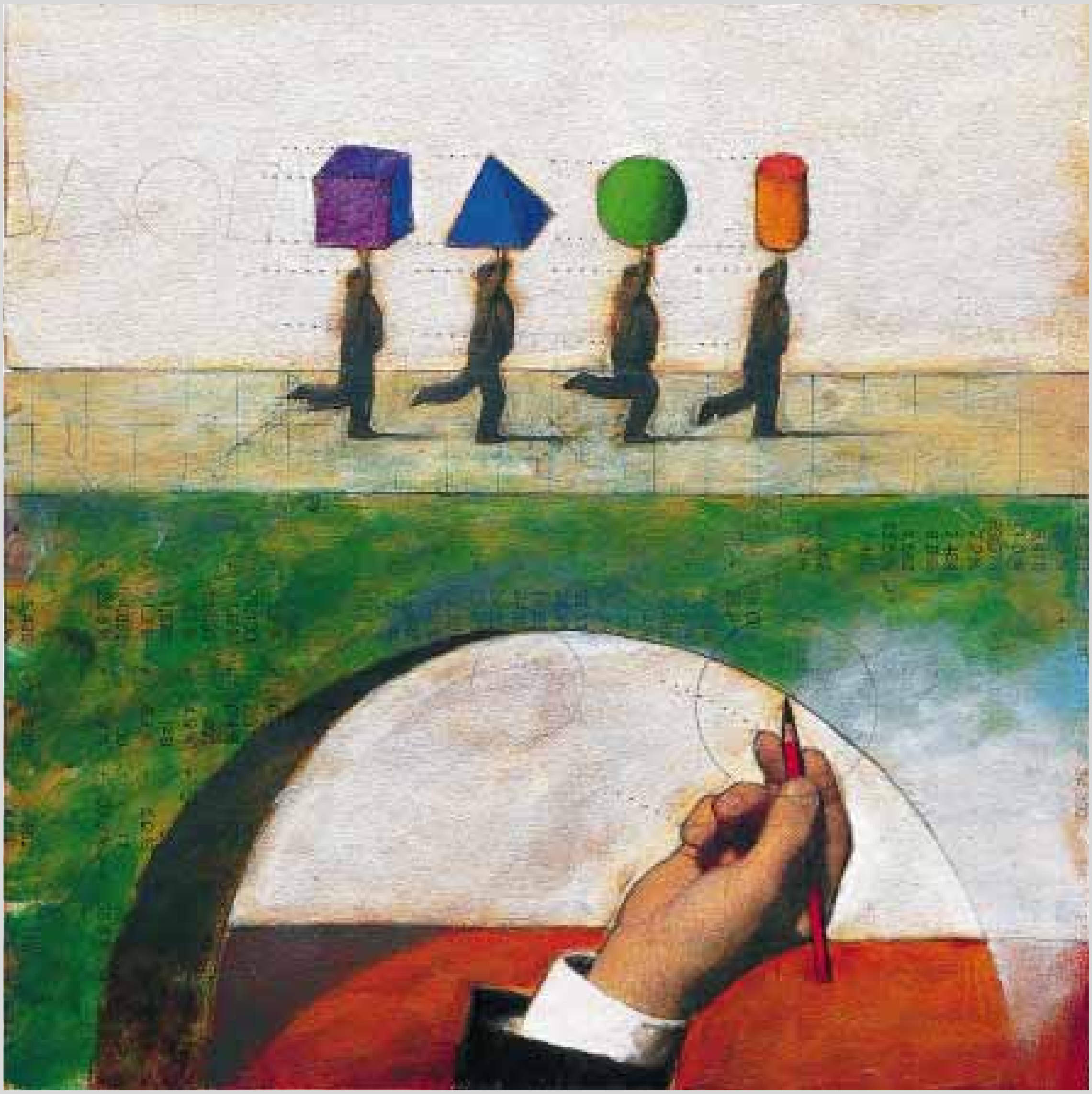
Annual Report

Annual Report for 1996

Deutsche Bank

Contents



In the reorganization of management in July 1996, four Group Divisions were formed,
each one globally active and with full operational responsibility.

Deutsche Bank

Dear Shareholders,

For Deutsche Bank, 1996 was a good year on the whole, though not without difficulties. It was a year of ambitious goals, changes to internal structures and new business ventures. The operating result again advanced substantially.

The banking world – including our domestic market – is changing continuously. Clients and markets demand flexibility and the readiness to adjust quickly. Technology provides the necessary tools and, at the same time, requires larger units than before. We have concentrated administrative and settlement functions at regional centres, thereby creating more capacity for personalized client services. This is something many of our customers still want, even in this electronic environment. Our branch restructuring and the elimination of a hierarchy level would have been incomplete had we not also formed larger regions in western Germany; in the new federal states they had existed from the outset. We now have eight regions with nineteen head branches.

To focus more closely than ever on clients and their needs, the bank has to be in the right place at the right time. We intend to make full use of the extended shopping hours. Our new service in supermarkets got off to a promising start and will be continued. BANK 24, our remote bank, is expanding. By the end of its first full financial year it had 80,000 customers, 100,000 accounts and had considerably widened its product range.

At our investment banking arm, the build-up of Global Markets has been successfully completed. In the Investment Banking Division it will take us longer to achieve our goals, but already real progress has been made. We have also made considerable headway in our international equities business. Last year saw us developing investment banking services for companies, for example, in the high tech sector.

We have a strong track record in asset management for private and institutional clients, and 1996 was a particularly successful year, with over DM 350 billion under management. But it was here that a problem arose last year in a relatively small section of our business in London. The cause was not a lack of controls, but managers who failed to take sufficient action. We severed our ties with them. Our early decision to protect investors from losses was correct. Investors continue to have confidence in us.

In a year of ups and downs, the privatization of Deutsche Telekom was one of the highlights. It enabled Deutsche Morgan Grenfell to strengthen its international position. The placement of this issue in Germany was an impressive demonstration of a modern universal bank's capabilities.

Deutsche Bank can no longer be managed as it was for a hundred years or more. The scale and complexity of our business, the reorganization of our branch network, the efforts being made in investment banking and the responsibility for coordination and cohesion in the Group called for a reform of its management structure. We opted for a divisional organization that is both client and product-driven, created four Group Divisions – Retail and Private Clients, Corporate and Institutional Banking, Investment Banking and Group Services – and vested them with operational responsibility. The divisions are like large separate financial service providers with their own management. The competition within the bank for capital and return on equity is intentional. It fosters an enterprise culture, which benefits clients and shareholders. The legal unity of the Group remains intact under the Deutsche Bank name; the Board of Managing Directors is responsible for its strategy.

We feel that the decision by one of three agencies no longer to award Deutsche Bank its top rating cannot pass without comment. If a large universal bank with a modern, global investment banking franchise is not to be rated AAA on principle, such a criterion should be disclosed and explained. We reaffirm our decision that, in view of the growing competition in our traditional markets, investment banking will help guarantee the bank's future and that our commitment to this business is therefore vital.

In 1996 we continued to invest heavily in Deutsche Bank's future. This generates costs; closely monitoring and limiting their growth is a major priority. The figures prove our success: in 1996 Deutsche Bank Group achieved net income after tax of DM 2.2 billion. The mainstays of this result were net interest income, net commission income and trading profit. Although net interest income after provision for losses on loans and advances, at DM 9.7 billion, is still by far the most important component of income, the individual figures highlight the changes in our business. While net interest income rose by only 3.0 %, trading profit increased 58.5 % to DM 3.2 billion. Net commission income advanced 22.3 % to DM 6.9 billion; here, growth in securities business and asset management was particularly strong.

At DM 15.2 billion, general administrative expenses were roughly DM 1.6 billion higher than the corresponding pre-year figure. Operating profit rose 37.0 % to DM 5.8 billion.

Return on equity before tax increased 3.4 percentage points to 17.1 %, while the cost/income ratio of just under 72 % is roughly on a par with comparable multinational universal banks. The Group's capital and reserves grew to DM 29.7 billion after DM 1.2 billion had been transferred to retained earnings.

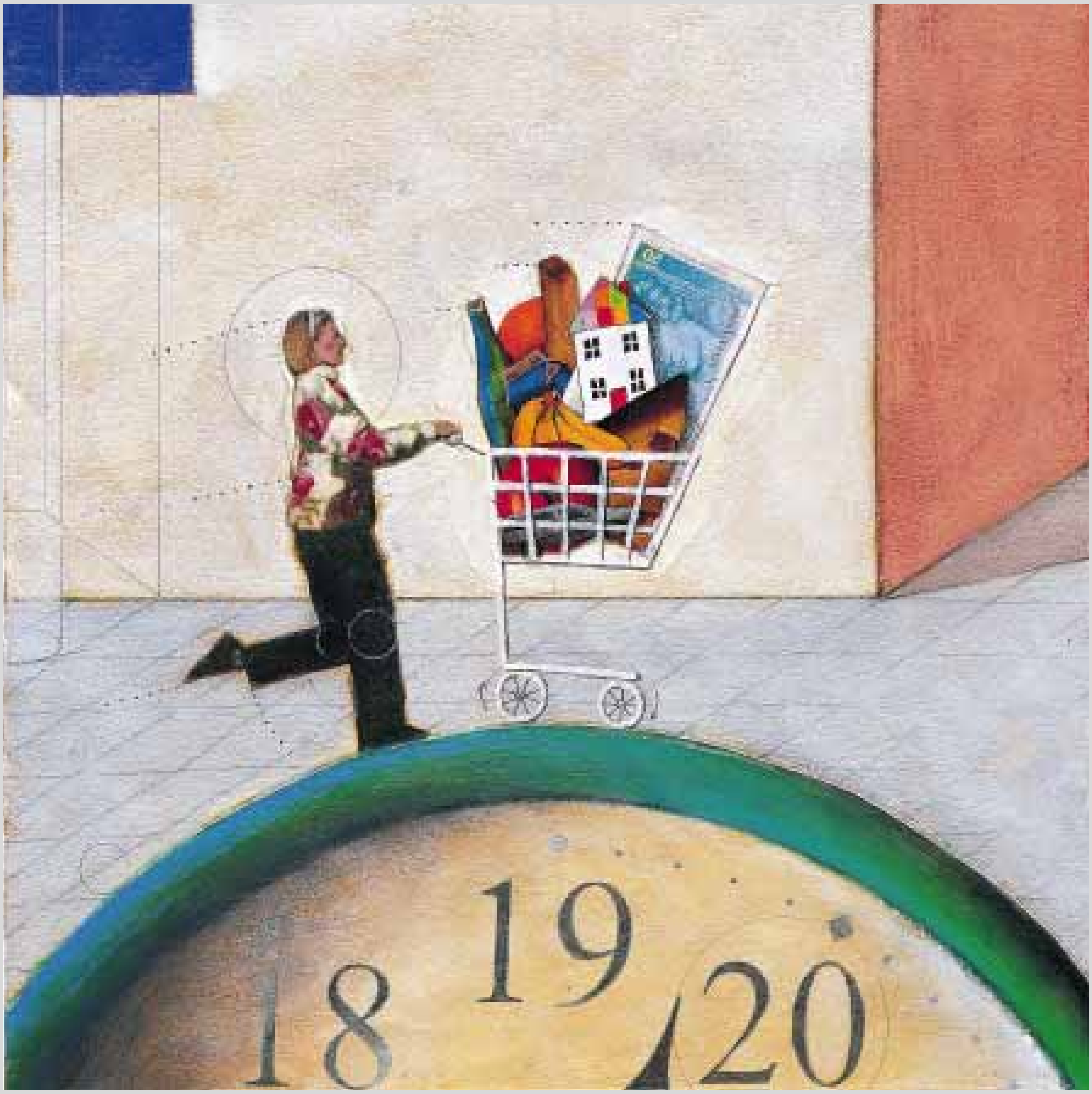
It will be proposed to the General Meeting on May 20, 1997 that a dividend of DM 1.80 per DM 5 share be paid.

Frankfurt am Main, March 1997
Deutsche Bank AG
The Board of Managing Directors

Josef Ackermann | *Carl L. von Boehm-Bezing* | *Rolf-E. Breuer* | *Ulrich Cartellieri*

Michael Dobson | *Michael Endres* | *Tessen von Heydebreck* | *Hilmar Kopper*

Jürgen Krumnow | *Georg Krupp* | *Ronaldo H. Schmitz* | *Ulrich Weiss*



Deutsche Bank opened its first banking shop on November 1 in Rheine. Customer-friendly business hours and the absence of partitions, doors and panes of glass between staff and customers create a totally new banking atmosphere.

Retail and Private Clients

The Retail and Private Clients Division generated about a third of Group results in the financial year under review. Far-reaching restructuring has been initiated. The aim is to increase client focus in service and distribution and improve cost efficiency.

The Retail and Private Clients Group Division has approximately 1,500 offices and 260 investment centres in Germany serving roughly 6.5 million customers with a total of more than DM 300 billion in credits, deposits and custody accounts. Domestic and foreign subsidiaries manage fund assets of over DM 140 billion as well as insurance policies and home loan and savings contracts for another DM 100 billion. Private Banking manages a volume of more than DM 40 billion for high-net-worth clients abroad. In Italy and Spain, Deutsche Bank has an extensive branch network for private customers, with a corresponding volume of over DM 50 billion. It is the leading foreign bank in both countries.

New structure for Group Division

In the year under review, the Group Division was restructured and divided up into four areas: "Branch Sales and Customer Service" looks after retail and private clients from our stationary network. In Germany, "Private Banking" will gradually take over major private clients with global investment needs and will expand international private banking business. "New Distribution Channels and Business Processing" is responsible for the increasingly important new ways of accessing the bank, alternative distribution routes and efficient and customer-friendly business processing. We are the first big bank in Germany to establish a separate unit for "Marketing and Product Management" in response to the growing impact of these activities.

Branch Sales and Customer Service

Longer business hours

The top priority of branch banking has remained the same: customers should be satisfied with us and our services. Only if they are can we strengthen client relationships and attract new customers. To this end, we gladly made use of the opportunities provided by the new act governing shop opening hours. Many of our branches already have considerably longer business hours and others are to follow.

Customers shape the bank

The far-reaching changes launched in 1996 in distribution, services and processing give us the necessary flexibility to provide the right answers to the continuously changing ideas and demands of our clients. To support our staff and managers even better in future, regional centres are relieving them of administrative duties. In advanced training, we have increased the emphasis on behavioural training.

Growth while costs remain constant

The growth achieved in all major areas of branch banking make one thing clear: cost-cutting and sales success are not mutually exclusive. Costs remained unchanged, despite a substantial expansion of business.

1996 was by far our best year in property finance. Double-digit growth was again registered in home loan and savings contracts referred to Deutsche Bank Bauspar-AG and insurance policies of Deutsche Bank's insurance group. Deutsche Bank accounts for roughly 10 % of life insurance policies sold over bank counters in Germany. The 300 financial advisors who work for us as tied agents and constitute an "extended arm" of our branches, made a much greater contribution to our marketing success than in the preceding year.

Focus on equity investments

In view of favourable overall conditions, our customers showed a keen interest in securities investments. The Deutsche Telekom initial public offering, the biggest ever in Europe, drew an overwhelming response from our private clients. With a subscription volume of DM 3.8 billion, many newcomers were attracted to the stock market.

There was again a marked rise in the numbers and volumes of portfolios managed by us. Fiduciary management of private assets in Deutsche Bank Group now stands at about DM 170 billion.

Innovation as driving force

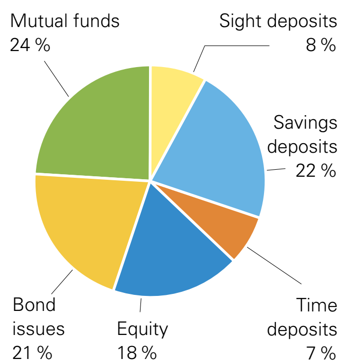
DWS Group is Deutsche Bank Group's Center of Competence in German and international retail fund business. It also owns Finanza & Futuro in Italy as well as investment companies in Switzerland, Austria, France and the Far East. With assets of roughly DM 100 billion under management, DWS is Europe's leading fund management group. DWS was able to slightly increase its market share in Germany to 25 %. This was largely due to new products geared to the shareholder value concept ("Top 50" funds).

Besides DWS, Deutsche Bank Group has eight more foreign investment fund companies. Aggregate retail fund assets in the Group came to about DM 140 billion at the end of 1996.

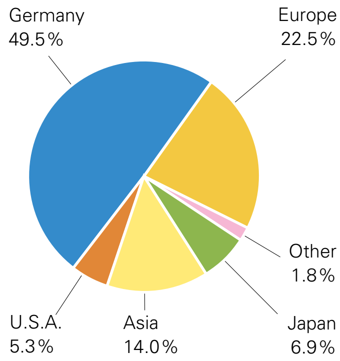
Investors in DWS mutual funds earned good results in 1996. Nearly all the equity funds achieved double-digit performance figures, and for the most part outperformed their benchmarks. The Group was awarded a number of prizes: the Micropal Award for the best large investment company again went to DWS. Apart from receiving the Bopp Award in Switzerland, its Luxembourg subsidiary DBIM won the Offshore Funds Award.

A good performance was also achieved by the fixed-income funds – between 8 % by German bond funds and up to 19 % by European funds. With assets of DM 19 billion, Inter-Renta, the world's biggest bond fund, generated a 13.3 % return for its investors.

Investment volume as at December 31, 1996



DWS Group: geographic analysis of equities under management



DWS Investment Pension Plan

There is also strong demand for tax-optimized DWS Group funds. DWS is today market leader in Germany for money market funds; its DWS Geldmarkt Plus fund is Germany's biggest money market fund with a volume of DM 8.1 billion. The number of equity and bond funds without front end load was increased.

Private pension schemes are becoming more important than ever. In view of the approaching deficits in the state pension plan, awareness of this has grown perceptibly. "DWS Investmentrente" offers a new private pension concept. Core elements are regular contributions to equity funds, a market-oriented portfolio stabilization towards maturity into less volatile fixed-income funds, and low running costs. The excellent response underlines the importance of this new product, which enhances the range of our Group's pension products.

Private Banking

Our target for 1996 of expanding private banking on a worldwide scale was tackled with great energy in the reporting year. The new "Private Banking" unit combines the competencies and the organizational prerequisites needed to strengthen our international position in this core business, building on our market leadership in Germany.

One-stop private banking in 26 countries

Some 500 staff members serve clients in 26 countries through 70 Private Banking units which offer one-stop service. By contrast, Private Banking outside Germany is managed out of five centres: New York, London, Geneva/Zürich, Luxembourg and Singapore. On the one hand, this clear focussing allows account managers to devote more time to their clients. And, on the other hand, this concentration enhances the capabilities of our portfolio managers.

Special emphasis will be placed on expanding our trust and foundation services, despite the fact that we are already one of the leading suppliers in this field. We consider these services to be a key factor in extending private banking.

International coverage expanded

In onshore private banking, we have begun to set up investment centres in Spain and Italy – as we did years ago in Germany. We shall continue to pursue this concept, as client response has been very favourable. In Asia we expanded our presence above all in India and Malaysia. We are also satisfied with product acceptance in North America. We shall continue to expand in both regions.

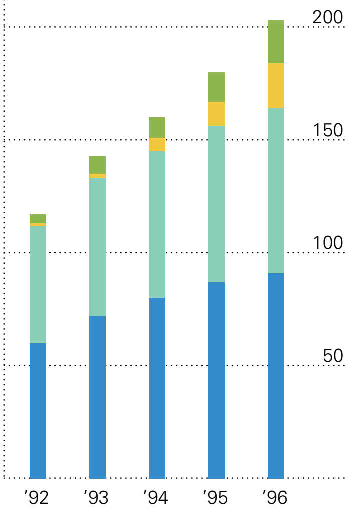
New Distribution Channels and Business Processing

The transition from a branch banking system to the many ways of accessing a bank available today will inevitably cause further changes in demands placed on staff and management, as well as in working conditions. An example: BANK 24, our remote bank, which can be reached by customers around the clock, is not governed by the general salary agreements for banks with their rigid regulations. The same applies to staff in our new supermarket branches.

Development of self-service and home banking transactions

Number of transactions in millions

- Home banking
- Customer terminals
- Cash dispensers
- Account statement printers



BANK 24 and Deutsche Bank's new banking shops in supermarket locations are designed to strengthen our market position. BANK 24 now has over 100,000 customers, 85 % of whom are from other banks. Our initial experience with our banking shops and their customer-friendly hours has been very positive.

We have extended our self-service capabilites and have improved convenient alternatives to access the branches. A total of 4,700 self-service terminals are at our customers' disposal. A modern Call Center has been in operation since the beginning of the year to provide more convenient telephone links for our customers.

We have developed our own portfolio management system called AM-Portfolio. It provides customers with up-to-date and intelligent analyses of their securities portfolios and also increases productivity in portfolio management and investment counselling.

In home banking, AM-Online is a newly developed software which enables customers to call up price information via T-Online, to conduct chart and portfolio analyses and place securities orders.

Growth impulses from partnership with Visa

We further expanded our strong position in card business. The new partnership with Visa, in place since the end of 1996, is expected to produce major impulses for growth.

Centers improve efficiency

Our Credit Service Centers take complex loan decisions and are responsible for overall credit administration. Processing Service Centers have assumed administrative duties formerly carried out by the branches. In this division of labour, which is still in the optimization phase, we see considerable scope for improving efficiency.

Marketing and Product Management

Our new unit, Marketing and Product Management, covers the entire range of our marketing activities. This includes everything from market research – especially our customer satisfaction barometer – to sales marketing, building up new brands under the roof of Deutsche Bank, as well as complaint and quality management. Thus, the new unit ensures efficient and integrated product development and marketing. Our target is to achieve improved market transparency and product quality.

Efficient and integrated product development

In database marketing – on the basis of a client-oriented data system – we were able to upgrade our individualized approach to customer relationship management.

Customized advisory services

In advising our customers, we always focus on their individual needs. Our staff develop tailored solutions with the help of about 30 product families and over 100 product alternatives. Our guiding principle is that product variety is not an end in itself, but the means to meet the demands of our customers.

At Deutsche Bank every coverage officer seeks the right solution
to even the most complex problems.

Corporate and Institutional Banking

Corporate and Institutional Banking – including the allocated Group subsidiaries – employs about 13,000 staff worldwide, roughly 8,600 of whom are in Germany. It generated approximately half of Deutsche Bank Group's total profits. To enhance this division's client focus and efficiency, it has been divided into four new business units: SMEs (small and medium-sized enterprises) and Sales Finance, MNCs (multinational corporations) and Public-Sector Entities, Financial Institutions, and Commercial Real Estate.

The economic environment in domestic lending business continues to place substantial demands on risk management. Our specialist coverage groups for companies undergoing restructuring have helped a large number of customers master the difficult economic situation.

Industry expertise increasingly important

In future, client coverage, advisory functions and risk management will remain closely linked. The reorganization of the bank's domestic credit process, which was begun in 1996 and centres on a creative approach to our clients' business, is working towards this goal. Consequently, knowledge of specific industries is becoming increasingly important for our coverage. We are therefore expanding our in-house industry analysis into an integrated industry information system.

SMEs and Sales Finance

Focus on SMEs

We devote special attention to small and medium-sized enterprises. We further enhanced our "Programm 2000", which since 1995 has been providing our corporate clients with help – not only with finance but also in entrepreneurial matters – particularly regarding companies' needs in the dynamically growing international marketplace.

Committed to environmental protection

We inform our customers in a variety of ways about the opportunities and risks presented by the planned single European currency. Our offering on this subject – for example the "Eurofit" workshop – has been very well received. The same applies to the issue of multimedia. The Environmental Management Audit Scheme was one of the focal points of our advisory services as part of our commitment to environmental protection and the SMEs operating in this sector.

Support for technology companies

We stepped up the support we give to innovative, fast-growing technology companies in Germany by providing comprehensive information and suitably trained technology officers at our head branches. Deutsche Gesellschaft für Mittelstandsberatung mbH has also set up additional consultancy services for these companies. Apart from supplying them with advice, our efforts focus on strengthening their capital base. These capabilities are provided through Deutsche Gesellschaft für Innovationsbeteiligung mbH and Deutsche Mittelstandsbeteiligungsgesellschaft mbH, which have taken on sixteen participating interests to date, stabilizing or creating jobs in industries oriented to the future.

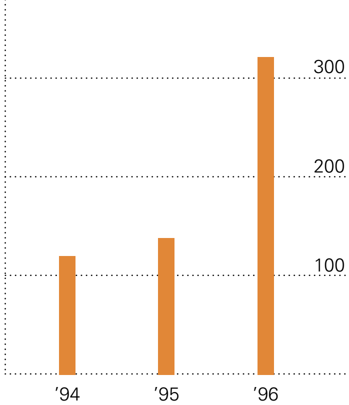
Capital for SMEs

In addition, we offer our SME clients all forms of equity finance through Deutsche Beteiligungs AG Unternehmensbeteiligungsgesellschaft as a partner of Deutsche Bank. It obtains funding in the capital market and is currently the only listed company of its kind in Germany.

Sales finance expanding internationally

Within Deutsche Bank Group, GEFA Gesellschaft für Absatzfinanzierung mbH is looking to play a leading role in sales finance throughout Europe together with its subsidiary GEFA-Leasing GmbH and other subsidiaries. In Germany, its core businesses of commercial investment credit, leasing and factoring were expanded. Its international strategy currently focusses on expanding its activities in Europe. Our "db-leasing" product, distributed jointly with GEFA through our domestic branches, is enjoying growing success.

Volume development "db-leasing"
DM million



In North America, Deutsche Financial Services Corporation is the largest non-captive supplier of sales finance for manufacturers, wholesalers and retailers, financing goods worth over U.S.$ 26 billion in 1996. Its activities outside America have so far concentrated on its U.K. outlet. International expansion is planned for 1997.

Owing to the ongoing weakness of the commercial real estate market, DIL Deutsche Immobilien Leasing GmbH stepped up its real estate leasing business with public-sector entities and corporates. The services provided by its subsidiary DIL Deutsche Baumanagement GmbH and its fund leasing finance produced a satisfying business volume, thereby expanding market share.

Our international business, despite the growing pressure on fees and commissions, made a substantial contribution to profits from this area. Our market share here advanced to approximately 30% in Germany.

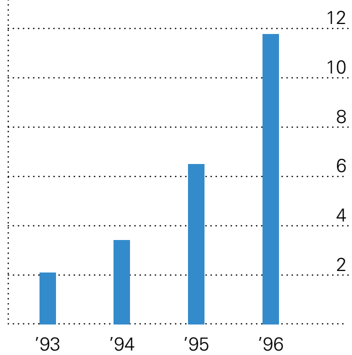
More advisors in international business

Processes were streamlined and automated; however, the number of client advisors working in international business rose. For example, we enhanced our SME advisory services in interest rate and currency management. By doing this and increasing our EMU expertise, we aim to offset the revenue decline expected in foreign exchange trading after the planned single European currency is introduced.

Electronic communication plays an increasing part in our day-to-day business with our domestic and international corporate clients. Although our customers are still chiefly interested in account information and payments business, they are increasingly using electronic banking facilities to answer detailed questions in cash management and treasury management. In developing software for corporates, we follow the guiding principles of user friendliness, security and efficiency. Security is a major issue in the use of the Internet.

Point-of-sale turnover

DM billion



Point-of-sale business, especially with large chain stores, continued its steep upward trend. Our customers carried out roughly 62 million transactions worth a total of about DM 12 billion at more than 26,000 points of sale.

MNCs and Public-Sector Entities

One face to the customer

In view of our clients' growing needs in the face of economic globalization, we offer a similar range of financial services worldwide. The introduction of Group Account Management places global responsibility for a particular customer with one person, who liaises with Deutsche Morgan Grenfell to form a client service team. This team selects the advisory services and products that add the greatest value for our MNC clients, who appreciate our chosen coverage approach.

New: Financial Engineering Groups

Since the middle of last year we have also been providing investment banking services for our MNC clients, public-sector entities and SMEs on a decentralized basis through Financial Engineering Groups. Together with the respective Group Account Manager, these service groups cover the need for advisory-intensive products and, where necessary, draw on the Group's product specialists.

Intelligent solutions for the public sector

Germany's local authorities are under considerable financial strain. The high level of public-sector investment needed for infrastructure requires the development of special financing solutions, such as operator models, for a number of areas. For Kaiserslautern's municipal services, for example, we devised a leasing model for ducted heating, which was the first time in Germany that the network was leased. We also provide intelligent solutions for rationalizing administrative work and for payments.

With over 900 staff at 31 offices in 23 countries, the independently managed consulting company Roland Berger & Partner GmbH earned fee income of approximately DM 420 million. It offers customers from various sectors tailor-made, practical advice on all aspects of management and business strategy.

Financial Institutions

No. 1 in D-Mark clearing

We strengthened our business with banks and other financial institutions. In a clearing services market characterized by consolidation we successfully defended our leading position in D-Mark clearing and expanded our activities in other currencies. With a view to European economic and monetary union, comprehensive training has been introduced to enable our relationship managers to provide sophisticated clients with expert advice and support in their preparations.

Worldwide success with custody services

Our custody business continued its positive trend. We cover more than 2,400 institutional investors in over 40 countries and rank fourth worldwide in custody volume of cross-border assets. Our service is available in 65 financial markets; at 23 locations we operate through our outlets in America, Asia and Europe. The focus on added-value products and services has generated a good response from our customers. Our units in Thailand, Spain and Germany were awarded the top quality rating in a survey among over 3,500 institutional investors. We aim to step up our activities.

Intensive cooperation with international financial institutions

During the year under review we maintained our intensive cooperation with international financial institutions such as the World Bank. This applies not only to our various direct relationships but also to our participation in these institutions' co-financing programmes.

Frankfurt debt agreement with the Russian Federation

After the Russian Federation and the Bank Advisory Committee under our chairmanship had reached agreement in November 1995 on rescheduling the former Soviet Union's external bank liabilities, almost all creditors – with capital claims of approximately U.S.$ 24 billion and interest arrears of roughly U.S.$ 8 billion – undertook to sign the debt agreement. Russia paid the agreed interest instalments totalling U.S.$ 2 billion, as arranged, into a trust account with the Bank of England. The creditors are entitled to the income from the investment of these funds. The agreement is to be signed as soon as the ongoing reconciliation of claims has been finalized.

Commercial Real Estate

The Real Estate Division employs approximately 1,400 staff from Deutsche Bank and its Group companies who together manage a financing volume of around DM 60 billion and real estate assets held in trust of roughly DM 15 billion. In addition, the Group's mortgage banks have provided the public sector with loans totalling approximately DM 45 billion.

Concentrated real estate capabilities

Since the middle of last year we have had eight real estate service centers (in Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg, Leipzig, Munich and Stuttgart), where we offer comprehensive advice and support on all aspects of real estate investment. Since client coverage, credit processing, property valuation and loan commitments are provided from one source, decision-making has been much accelerated and service quality improved. Over 80% of all financings are granted at the discretion of the service centers.

Substantial new business

In the second half, these new units committed financings in the total amount of DM 3.1 billion, DM 2.1 billion of which was booked for Deutsche Bank AG and DM 1.0 billion for Frankfurter Hypothekenbank Centralboden AG (FHC).

The development of business at the Group's mortgage banks – which, in addition to FHC, include Lübecker Hypothekenbank AG, Europäische Hypothekenbank S.A. and European Mortgage Bank (Ireland) Ltd. – was uneven. While loans committed to the public sector grew 27.5% to DM 10.5 billion as a result of the ongoing high public-sector borrowing requirement, new mortgage commitments fell 18.6 % to DM 4.5 billion owing to weak construction activity in Germany.

The marked decline in investor demand for commercial construction financing was felt particularly by FHC, which specializes in large-volume financing of new building and, to maintain the quality of its portfolio, continued to pursue a restrictive lending policy towards risk. In other west European countries, however, the mortgage banks expanded their market position considerably with a commitment volume of DM 1.5 billion in 1996. Their total new lending advanced 9.1 % to DM 15.0 billion, the proportion of foreign business amounting to 10%.

Real estate funds – the right choice for every investor

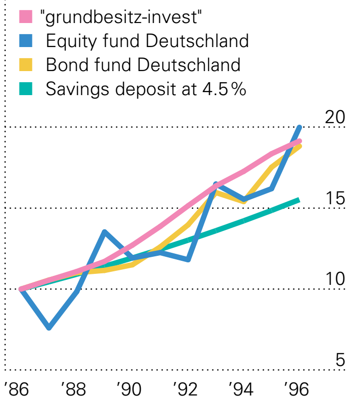
Real estate trust assets under management consist of one open-end and 22 closed-end property funds with a volume of just under DM 15 billion.

Deutsche Grundbesitz-Investmentgesellschaft mbH manages the open-end property fund "grundbesitz-invest". It achieved very good sales in the 1995/96 financial year, with net accruals of DM 1.4 billion. This confirms that open-end real estate funds remain one of the most popular investment vehicles, which is primarily due to the stable performance of their units.

Fund volume increased in the 1995/96 financial year to DM 9.5 billion. The overall return of 4.3% reflects the development of the property and capital markets. Average annual fund performance over the past ten years was 6.7%, 48.6% of it tax free (provided the units are held as private assets).

Mutual funds

Development of a DM 10,000 investment

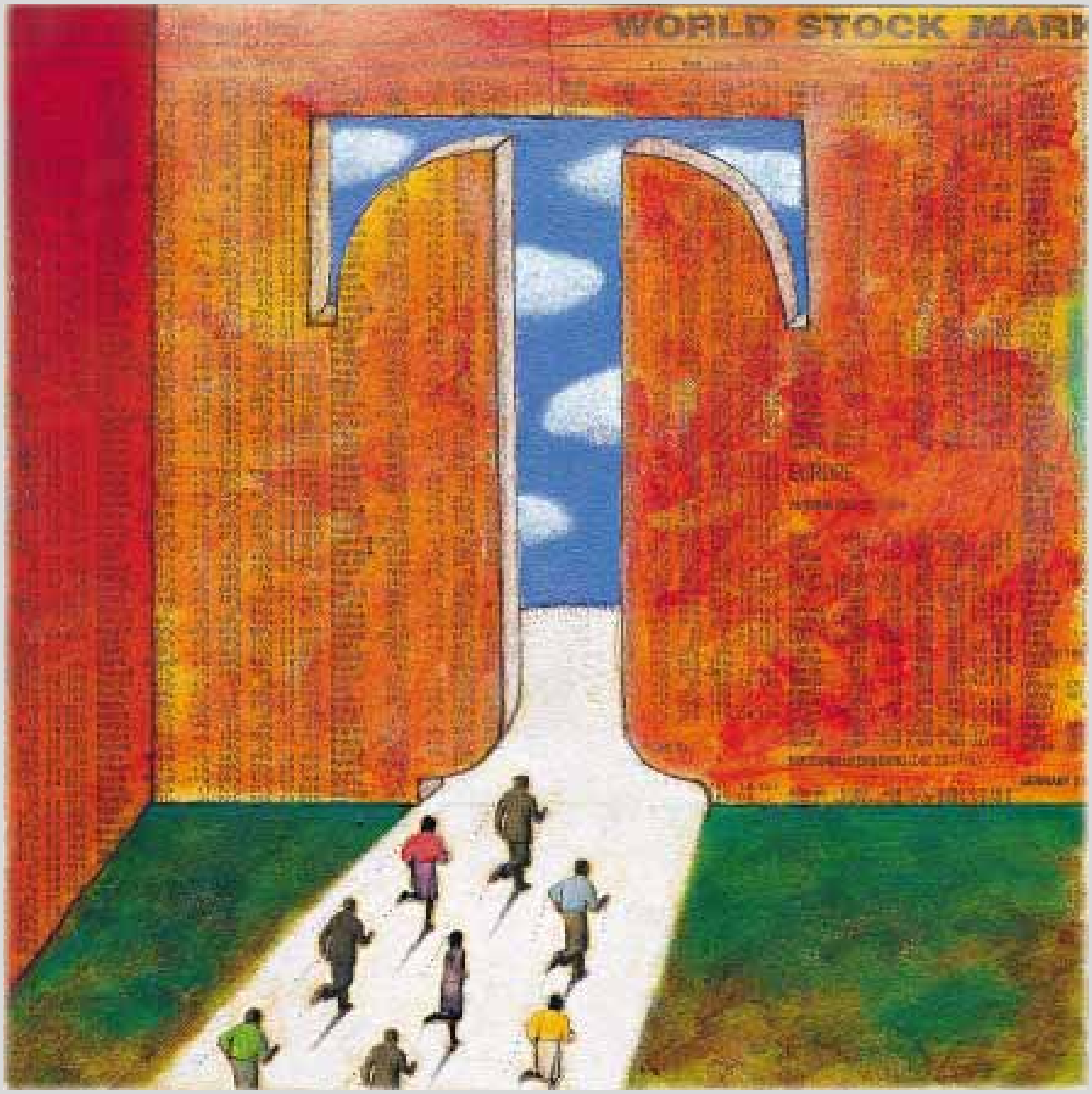


Despite the continuing tightness on the market for quality real estate, nine properties and projects with an investment volume of DM 1.2 billion were acquired. With approximately 30% of total investment in 1996 in the U.K. and the Netherlands, the company continued to raise the proportion of exposure abroad to enhance its risk/reward profile.

Strong demand for closed-end real estate funds and private placements

1996 saw strong demand for closed-end real estate funds. Capital placed through Deutsche Immobilien Anlagegesellschaft mbH amounted to roughly DM 370 million, the total investment volume exceeding DM 600 million. A notable success was the placement of DB Immobilienfonds 7, with Leipzig Central Station and properties in Hamburg and Potsdam.

With its new private placements line, Deutsche Immobilien Anlagegesellschaft mbH now offers interesting investment options for private and institutional investors. Since it launched this business in the middle of 1996 it has already sold property for an aggregate DM 420 million.



Deutsche Telekom was privatized in 1996, creating a breakthrough for the European stock market. Initial stock exchange listing was on November 18.

Investment Banking – Deutsche Morgan Grenfell

1996 represented the first full financial year for the Deutsche Morgan Grenfell Group Division. In the course of the year, we substantially improved both the quality and breadth of our global investment banking product range and enhanced our ability to provide our clients with unique and innovative solutions across the full spectrum of their needs. 1996 was therefore a year of heavy investment in the business but profits increased by roughly 30 %.

Deutsche Morgan Grenfell consists of six global divisions: Global Markets, Equities, Investment Banking Division, Proprietary Trading (Emerging Markets), Structured Finance and Institutional Asset Management. There are also additional groups providing Private Equity and Offshore Banking services. Integration of our activities is an important principle – both for the coordination of client service within Deutsche Morgan Grenfell and for cooperation with the other Group Divisions. The investment bank draws its strength from its membership of Deutsche Bank Group.

Measured expansion in key areas

At the end of the year, Deutsche Morgan Grenfell employed approximately 7,100 front-office staff in more than 40 offices around the globe. Of these, about 2,550 worked in the U.K., 1,150 in Germany, 710 in the rest of Europe, 1,100 in North and South America, and 1,500 in Asia/Pacific. About 90 staff work in other centres around the world. The total adjusted headcount at Deutsche Morgan Grenfell increased by about 19 % during 1996. We intend to continue a measured expansion in certain key areas.

Under one roof

To present a uniform appearance, we integrated further capital markets subsidiaries under the Deutsche Morgan Grenfell brand name: Bain & Company Ltd. now operates under the name Deutsche Morgan Grenfell Holdings Australia Ltd.; our U.S. company C.J. Lawrence Inc. operates as Deutsche Morgan Grenfell Inc., and McLean McCarthy is now called Deutsche Morgan Grenfell Canada Ltd. In November we acquired the remaining 50 % of the shares in Ivor Jones, Roy & Company (Pty) Ltd. in South Africa and renamed it Deutsche Morgan Grenfell (Pty) Ltd. All this reflects the global approach and the solid foundation of our investment bank.

Our corporate, institutional and government clients generate continuously changing demands for high quality services in fields such as securities, funding, and asset and liability management. Additionally, they face structural changes in the markets in which they operate, driven by privatization, mergers and acquisitions, and restructuring. In developing our investment banking services and focussing them in Deutsche Morgan Grenfell, we are actively positioning ourselves to support clients in a changing environment.

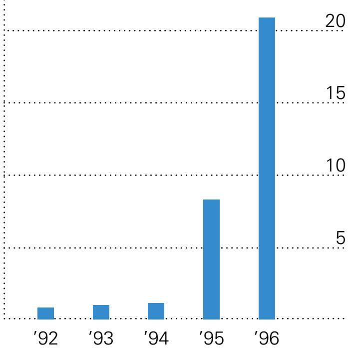
Build-up phase not over

Deutsche Morgan Grenfell has not yet reached the end of its build-up phase, but future expansion will continue to be measured and focussed. Although we have begun to challenge a number of our international competitors in their home markets, we still need to build up our activities in Europe (especially in Equities and our Investment Banking Division, which includes Corporate Finance and Mergers & Acquisitions activities) and in Asia, where we have not yet matched the penetration of other Group divisions of Deutsche Bank. Following the successful establishment of our Technology Group, Deutsche Morgan Grenfell also intends to continue the selective development of its capabilities in North America.

Of the many transactions led by Deutsche Morgan Grenfell in 1996, several could claim to be our deal of the year. One, however, stands out from all the rest: Deutsche Telekom's global initial public offering in November, which raised almost DM 20 billion. This amount alone exceeded the total volume of all new issues in Germany over the previous seven years. We were global bookrunner and one of three global coordinators of what was the world's second-largest initial public offering ever.

Record year for company launches on the stock exchange thanks to Deutsche Telekom

Issue volume in DM billion



The Deutsche Telekom issue, which was five times oversubscribed, was of great significance to Deutsche Bank Group in several respects. Firstly, of course, it cemented an important relationship with a major client; secondly, it dispelled the common misconception that German retail investors are fundamentally averse to investment in equities; and thirdly, it provided the first opportunity for Deutsche Morgan Grenfell to prove that it could lead a major global transaction.

Global Markets

The Global Markets Division has a staff of over 2,250 in more than thirty countries. With its unified, global management structure it offers a comprehensive array of risk management services across most currencies, with product capabilities covering the full scope of the yield curve. Activities include sales, trading and research for debt instruments, foreign exchange, money markets, metals and commodities. There are also execution capabilities in all major derivative instruments traded over the counter or through an exchange.

Stronger presence, wider product range

Throughout 1996, Global Markets continued to refine and develop its business infrastructure, substantially expanding its presence and product capabilities in North America and Asia, particularly in Japan, where dealing in Japanese government bonds commenced in November. Within Europe, the fixed-income activities in Germany were centralized to provide more efficient and liquid pricing for clients. In London, trading activities were consolidated into the firm's new 500-person, state-of-the-art trading floor, with substantial investments in technology and world-class recruitment. In foreign exchange business, a hub-and-spoke infrastructure with centralized risk management capabilities was implemented.

Innovative structures on the world markets

The results of the year's investment and the restructuring of the Division have been highly encouraging. Deutsche Morgan Grenfell earned an excellent reputation in the derivatives markets. Lead-management assignments more than doubled in North America and Europe, with many prestigious borrowers tapping the Debt Capital Markets team for their innovative structures. The year's most interesting transactions included securing access for Newscorp to long-term funding from a previously under-utilized investor base and the successful placement of a zero coupon bond for the European Investment Bank into the highly illiquid long-term Italian lira market. This effectively led to the creation of a new market for long-term zero coupon issues in high-yield currencies. We also offered risk management support to borrowers who were beginning to develop investor bases outside their traditional markets, including Mexico, Poland, South Africa, and the Federal National Mortgage Association in the United States.

Risk management for emerging market borrowers

In 1997 Global Markets will continue to expand its product capabilities with the ultimate objective of being able to price and hedge any risk profile that our clients wish to assume or avoid, while enhancing its position as one of the pre-eminent global markets firms, as measured by profitability, client reputation and market share.

Equities

The Equities Division employs approximately 1,600 staff in 23 countries. Work in 1996 concentrated on strengthening our international links, in order to integrate the resources of this geographically diversified business. We also developed the range of services that we offer: this involved the build-up of some product lines (such as convertible securities and OTC derivatives) and the consolidation of others. This strategy is already bearing fruit in terms of strong gains in market share with our target customer base. At the end of the year we resumed our equity trading activities on the London Stock Exchange.

Wide range of services in equity business

In addition to the trading and sales of equities and derivatives in the secondary market, this Division also carries out the distribution of capital market offerings. Our worldwide reach was amply demonstrated in the Deutsche Telekom flotation.

Investment Banking Division

The Investment Banking Division employs about 800 staff, of whom almost 300 are located in London. The Division has a product-oriented, rather than regional structure recognizing the global nature of capital flows and the worldwide ambitions of our client base.

Product-oriented – not regional – focus

Telecommunications and technology provided two concrete examples of our approach. In addition to our worldwide research coverage of the sector, we have developed a specialized telecommunications team, without which we would not have been able to lead the Deutsche Telekom public offering. Our Technology Group, operating with just under 100 staff in London, Menlo Park (California) and New York, provides a textbook example of the fully integrated team approach that we use in Equities, Mergers & Acquisitions and Equity Capital Markets. The Technology Group covers all investment banking capabilities in this major industry and enjoys a unique reputation. In addition to these two industries, we provide specialized client coverage in the Media, Financial Institutions, Capital and Consumer Goods, Pharmaceuticals, Chemicals and Utilities sectors.

Successful M&A advisory services

In addition to our success with Deutsche Telekom, significant transactions during the year included our advice to Auchan in France during its successful takeover of Docks de France, one of the largest contested acquisitions ever completed in France. We were the global bookrunner and lead manager for the international tranche of a U.S.$ 344 million stock placement for MGM Grand. This deal was the largest U.S. equity issue to be bookrun by a non-U.S. house. We were also joint global coordinator and joint global bookrunner for a secondary placement of PT Telekomunikasi, raising U.S.$ 611 million on behalf of the government of Indonesia, one of the largest block trades in Asia in 1996.

Institutional Asset Management

During 1996, the Institutional Asset Management Division of Deutsche Morgan Grenfell increased its assets under management by 14 % to over DM 183 billion, of which 43 % is managed on behalf of clients outside the U.K. and Germany. 1996 was a record year for Morgan Grenfell Asset Management, with net new business of DM 21 billion. This success primarily reflected the continuing high returns being achieved for clients across virtually all product areas.

Fund affair overshadows successful year

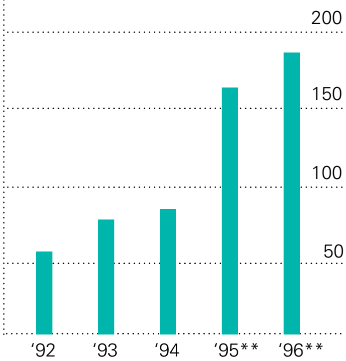
Sadly, this success was somewhat overshadowed by events in September, when three mutual funds were suspended from trading for three days due to irregularities centring on unquoted securities with an uncertain value. These three funds represented approximately 2 % of the total funds under management at the time. The portfolio manager responsible for two of these funds was dismissed. After a careful internal investigation which brought to light several management failings, we severed our ties with four more managers.

Top priority: protecting investors' interests

At the time of the incident, Deutsche Bank AG immediately bought out the troubled securities in these funds. This swift remedial action allowed the funds to resume trading quickly. At the same time, all investors in the funds were promised compensation, details of which have meanwhile been agreed with the appropriate regulatory authorities. Simultaneously, a major review of the Division's management structure and control systems was initiated to prevent such an incident from happening again. The speed and commitment with which the bank acted in order to protect investors' interests has been well received by many of our clients and the market as a whole.

Funds under management

in DM bn.*



* translated at the end-1996 exchange rate
** including DEGEF/ DBAM

Asset Management, therefore, despite the embarrassment and cost of these recent events, had a successful year – both in terms of the new business won and investment performance achieved. The Division remains a mainstay of Deutsche Morgan Grenfell. We are confident that the recent changes in management and control systems, when combined with the professionalism and high-quality performance of the 1,300 staff based in Frankurt, London, New York, Philadelphia, Singapore and Tokyo, will ensure that we continue to achieve our clients' objectives and maintain our position as a world leader in the provision of global investment management services.

The Private Equity arm of Asset Management, with 40 staff employed in operations in France, Hong Kong, Italy, Singapore and the U.K. has venture capital funds of £ 675 million under management. The U.K. business has set aside £ 77 million of its new £ 350 million fund for investment in Western Europe. The French and Italian businesses have raised funds and have made their first investments. The U.K.'s first two funds are now fully invested and have produced a net annualized internal rate of return to investors of 39 %.

Wide range of offshore banking services

From its offices in five offshore locations, Deutsche Morgan Grenfell offers a mix of banking, investment and fiduciary services to corporate and institutional clients. Core products include the establishment and management of offshore funds for third party promoters, the creation and administration of complex corporate structures to facilitate intra-group funding transactions, and the provision of innovative tax-based financing solutions. The Offshore Banking Group consolidated its position as one of the premier

Channel Islands banks and extended its market leadership in Jersey and Dublin as a provider of specialist fund administration services. Valuable mandates were secured for offshore investment and treasury management.

Emerging Markets

New divisional structure

Until now, Deutsche Morgan Grenfell has combined all its emerging market activities in a separate global division. In 1996, we continued to grow our client-facing businesses, including the establishment of a major new equities team for Latin America. With the Division's client-oriented businesses all having reached maturity, the decision has been taken to transfer them to the other product divisions with global structures. This will now enable them to offer their customers a full range of products worldwide. Under its new name "Proprietary Trading (Emerging Markets)", the Division will concentrate on its extremely profitable own account business.

Structured Finance

The Structured Finance Division has approximately 500 staff worldwide. There are six global product groups: Project and Export Finance, Securitization, International Leasing, Syndicated Loans, Leveraged Finance and Special Products. The Division maintains a strong international market position in all these areas. In particular, we continue to be No. 1 in the worldwide rankings of project finance advisors, No. 2 in the league tables of European syndicated loan arrangers and No. 1 in the growing German market for asset securitization.

Online banking on the Internet is one of Deutsche Bank’s new services.

Group Services

Combined in the Group Services Division are, for the most part, Human Resources and Information Technology/Operations for the Group, and specifically for Deutsche Morgan Grenfell. The objective is to speed up business processes, cut the administrative burden and achieve rationalization gains.

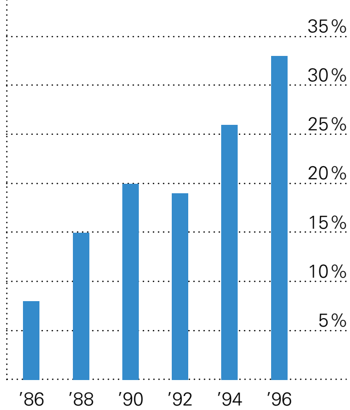
Our Staff

Number of Group staff constant

At the end of the year, the Group employed 74,356 persons (previous year: 74,119). In terms of the new Group Divisions, the personnel structure is as follows: 40 % of staff worldwide are in Retail and Private Clients, 17 % in Corporate and Institutional Banking, 9 % in Investment Banking, 24 % in Group Services and 10% in the Staff Divisions.

The almost constant number of Group employees conceals, as in the previous years, regional developments in opposite directions: while the number of staff in the Group's foreign organization increased by 2,524, there was a decrease of 2,287 in the German network. The foreign workforce was expanded, in particular in London, New York and Singapore. A total of 24,686 staff worked outside Germany (previous year: 22,162).

Share of employees abroad



At Deutsche Bank AG, the workforce decreased to 47,684 (previous year: 48,415). In Germany it fell by 1,878. Here, natural fluctuation was taken advantage of to the extent possible. At Deutsche Bank AG in Germany alone, more than 6,200 employees were assigned to jobs with different content in 1996. In cases where we had to terminate employment relationships, we endeavoured to do so by mutual agreement.

Giving a human quality to change through modern personnel work

If we want to improve our service quality, operating structures must be further developed. With the far-reaching redesign of our career and remuneration system for appointed staff, we are responding to our employees' growing requirement for more participation and greater performance orientation. In Germany, we introduced levels of responsibility to replace the previous titular hierarchy. The relatively rigid system of salary groups was substituted by four broad and overlapping salary bands linked to these levels of responsibility, hence ending the direct connection between title, hierarchical rank and remuneration. Human resource deployment has become more flexible and remuneration more performance-oriented. The elimination of titles as hierarchical levels shortens decision times. Hier-

From titles to levels of responsibility – a new career and remuneration system archies are becoming flatter. Delegation of discretionary powers is encouraged in the interest of greater speed, flexibility and client focus.

A new vision of career in flat hierarchies

We support a modified vision of what is career: the assumption of more responsible tasks, personal responsibility for individual development and capability enhancement, broadening the knowledge base and acquiring trust and discretionary scope are more important than a career based solely on rising through the ranks.

Management by agreement of objectives

New demands are being made on our executives. With the aim of better management quality, we are emphasizing management by agreement of objectives. This creates clarity, a stable orientation and scope for personal discretion because objectives are agreed, not specific measures to achieve them. Such a management concept suits flat hierarchies and broad reporting levels: dedicated staff pursue agreed objectives and, in doing so, are promoted, challenged and supported by their superiors. Management becomes a service. At the same time, the basis is created for the planned introduction of a flexible bonus system.

Training and advanced training: important investment in the future

As at year's end, 3,254 young people were receiving vocational training in the Group. Our demand for university graduates – the second most important reservoir of young management potential – has been covered in two ways. On the one hand, 301 new employees from Germany and abroad completed an individual management trainee programme; on the other, we directly recruited 256 highly qualified graduates.

International personnel work of growing importance

Owing to the internationality of our business, successful communication between staff across national and cultural borders is immensely important. Language courses are not enough; international contacts and cooperation are much more suited to develop an understanding of the culturally driven views and attitudes of counterparts from other countries. At present, 89 qualified young people are working in a foreign branch under an international exchange programme.

In addition to cross-border personnel development, we have added experienced top-quality people to our teams at major international financial centres.

In total, more than 36,000 staff took part in roughly 6,900 seminars. In the Group, we spent DM 339 million (previous year: DM 318 million) on training and advanced training. This equals 4.5 % of the total Group payroll.

Thanks to our staff

Thanks and acknowledgement are due to our staff, whose hard work and personal effort facilitated the Group's good result. These words of thanks also apply 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 commitment in times of great changes.

Information Technology and Operations

Our IT activities in 1996 focussed on the installation of our New Operating Systems (NOS) in the domestic banking network, the establishment of the infrastructure for our global investment banking, and on the introduction of Internet technology at the bank as an additional distribution channel.

New Operating Systems

In the implementation of the New Operating Systems (NOS), the emphasis was on equipping our branches with a modern client/server architecture. A third of our domestic branches had been converted by the end of the year. Through the use of NOS, staff will be increasingly relieved of administrative work such as the manual disposition of current account movements and this will create additional capacities for customer service.

With the same objective, a Call Center was set up to provide a personalized telephone service for retail customers, which is also available outside normal banking hours. The necessary infrastructure and systems environment were installed.

Infrastructure in investment banking

As part of the ongoing implementation of our investment banking strategy (DMG), a number of new business areas worldwide were equipped with modern technological infrastructure. Besides the installation of new trading floors in London, New York, Tokyo and Hong Kong, this applies in particular to the expansion of equities business (front-end risk management and back-office systems) in London, including OTC equities business. At the same time, the foundations were laid for the start-up of U.K. market-making and country basket trading, the commencement of dealing in Japanese government bonds in Tokyo, London and New York, as well as convertible bond trading. For this, the settlement of cross-border business, above all, was further automated. The implementation of new front-office systems, especially for money market and repo business worldwide and for fixed income in New York, also supported the introduction of new products and the expansion of business. To improve communications between our present 4,500 dealer desks worldwide, real-time systems were installed for the exchange of written and spoken information, into which the new offices in South Africa, San Francisco and Stockholm have already been integrated.

Internet banking

Deutsche Bank Group's Internet offering was upgraded from an information service into a new medium for the settlement of banking business. Since autumn 1996, Deutsche Bank and BANK 24 have offered Internet banking with account-keeping and remittance functions. Thanks to the innovative road we have taken, customers can for the first time transact home banking on the Internet without prior installation of software components. Further new electronic banking products are "db-custody" for access to global custody services, "AM-Online" in asset management for private clients, and "db-gateway^{PLUS}" for home banking.

Improvement of internal communications

We have enhanced our present office communications system by installing a powerful internal Group infrastructure for global communications. It offers highly advanced functions for convenient electronic communication, document interchange, and the distribution and management of information. Over and above that, mechanisms will be available to support teamwork and group work and for the integration of multimedia applications.

Efficiency and quality in processing

We continued to concentrate our computer centres by completing the consolidation of the German facilities and closing our location in Spain. With the reduction of settlement centres for securities services from seven in 1991 to the two now operating in Eschborn and Düsseldorf, a further step was taken towards the fully automated settlement of securities business. The concentration of our domestic payments business at four settlement centres was concluded.

The settlement of our international global payments business is channelled through our high-performance clearing centres in Eschborn, London, New York and Singapore. This gives us a regional structure geared to optimum client service and efficiency.

To safeguard and further improve the high quality standards in cashless payments in Germany, a quality management system was introduced at our four processing centres, which was successfully certified by DQS Deutsche Gesellschaft zur Zertifizierung von Managementsystemen mbH in accordance with DIN EN ISO 9001. This is a further step towards establishing a comprehensive quality culture for our services.

From Selected Staff Divisions

The Staff Divisions of the bank perform advisory, supervisory and steering functions for the entire Group.

Risk Management

The assumption and management of risks is inextricably linked to banking business. Traditional lending business and investment banking primarily entail credit, market and liquidity risks, as well as operations and legal risks.

Functional segregation of risk management and risk controlling

Besides internal demands on risk management, there are also regulatory requirements to be met. In response to the "Minimum Requirements for the Transaction of Banks' Dealing Business" passed by the Federal Banking Supervisory Office in 1996, detailed guidelines were issued on organizational procedures, including concrete risk management instructions. We at Deutsche Bank successfully manage and effectively monitor Group risks by means of a Group-wide functional segregation of Risk Management and Risk Controlling. Risk Controlling is responsible for neutral, Group-wide monitoring and reporting of market, credit and other risks. It also ensures data quality and uniform data structures. Analyses are conducted jointly by Group Market Risk Management and Credit Risk Management, and subsequently made available to the Group Divisions and the Board of Managing Directors.

New management structure in risk management

In the wake of the reorganization of the management structure of Deutsche Bank Group, the management of market, credit and liquidity risks is being transferred to one member of the Board of Managing Directors as core responsibility. Below the Group Board level, separate Staff Divisions are responsible for managing credit, market and liquidity risks; they do so in close cooperation with each other and with the various Group Divisions.

Credit Risk Management

The Credit Risk Management function is a counterweight to the various functionally organized Group Divisions and the largely decentralized credit decision-making process.

Global risk management headed by Chief Credit Officer

On the one hand, it defines, updates and monitors the framework for the Group's credit business via credit policies and guidelines. It is also responsible for upgrading credit risk management instruments, developing Group-wide portfolio management, and analysing the Group's major exposures.

On the other hand, in major regions abroad the Credit Risk Management Division will make decentralized credit decisions for exposures which go beyond the discretionary authorities of local business units. The work of the regional Credit Risk Management offices covers all customer groups and products, and also includes credit risk-related activities for investment banking, such as exposure management in derivatives business.

The Staff Division "Credit Risk Management" is headed by the Chief Credit Officer. Apart from his professional responsibility for the credit functions of the various domestic parts of the Group Divisions, the CCO is also Chairman of the Head Office-based Group Credit Committee, which decides on credit exposures exceeding regional discretionary authorities, submits large exposures to the Board of Managing Directors for their decision, and takes resolutions on credit policies as well as on credit portfolio planning and monitoring.

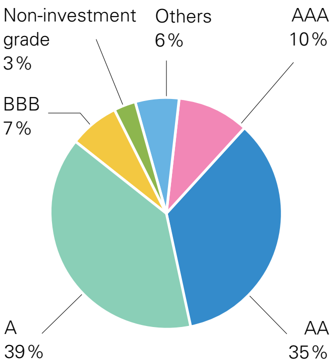
Transparent and manageable credit risks

Significant progress was made in 1996 in the development and introduction of RAROC (Risk-Adjusted Return on Capital). This steering instrument will form the basis for future credit portfolio management. Here, credit risk information, such as risk profile analyses, actual as well as stress scenarios and portfolio planning data, is regularly reported to the Board of Managing Directors.

Managing credit risks relating to derivatives

Special attention is given to the management of credit risks associated with OTC derivatives. In contrast to traditional lending business, the risks involved in trading business, and OTC derivatives in particular, do not relate

Average credit exposure to derivatives per rating category



to the notional volume. Instead, the extent of the default risk depends on the current replacement costs.

The average default risk in 1996 amounted to DM 44.11 billion. It is clear that we make strict demands on the creditworthiness of counterparties in derivatives business. Consequently, an average of 84 % of our borrower default risks in 1996 was rated A/AA/AAA according to Standard & Poor's equivalent.

Individual credit lines have been arranged for every counterparty. Drawings are monitored as in the case of commercial loans; portfolios are analyzed by counterparty category, product, maturity and country.

Reduced settlement risk

In 1996 the bank undertook steps to quantify and to improve the monitoring of settlement risks in foreign exchange transactions. Our participation in the Bundesbank's electronic settlement system helped to reduce settlement risks in domestic payment business. Further measures aim at shortening reaction times in emergencies.

Market Risk Management

Market risk is generally defined as the uncertainty of future earnings resulting from changes in market conditions. It arises, more specifically, from changes in interest rates, exchange rates and the prices of underlying instruments (bonds, equities, precious metals) and their derivatives, such as futures, swaps, options and FRAs.

Group Market Risk Management responsible for managing market risk

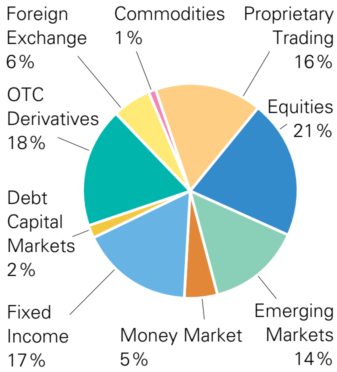
Group Market Risk Management is responsible for managing the market risk which is taken in Deutsche Morgan Grenfell, the Treasury and other areas of the Group. The Head of Group Market Risk Management reports directly to the respective member of the Board of Managing Directors.

Group Market Risk Management monitors all the market risks taken within the Group and provides an independent view of these risks, highlighting any concerns to the appropriate level of management. The overall review process also involves regular meetings of the Market Risk Committees.

Value at risk used as general yardstick

In line with international standards, Deutsche Bank uses the value-at-risk (VAR) methods for measuring and controlling market risk at the highest level of generality. The VAR of a portfolio of positions measures the maximum change in the value of this portfolio which can be expected over a certain holding period with a particular level of confidence. Our internal standard for VAR is a one-day holding period with a confidence level of two standard deviations. This means there is a 97.7% probability that a daily loss will not exceed the calculated VAR. Non-linear risks are always included in the VAR numbers.

Distribution of market risk across trading sectors



The basic approach to limiting market risk starts with a number of global VAR and other limits, which are proposed by Group Market Risk Management and approved by the Board of Managing Directors. VAR limits are set for each business unit which takes market risk.

Liquidity risk

Liquidity risks managed by Treasury and Group Market Risk Management

A liquidity risk may arise under certain market conditions which make it impossible to finance assets at customary market prices or reasonably meet contractual obligations. Group-wide liquidity risks are managed and monitored by the Treasury and Group Market Risk Management Staff Divisions by setting local and global maximum cash outflow limits (MCOs). Worldwide emergency plans are in force for sudden, unexpected liquidity bottlenecks resulting from market or banking developments. In accordance with Group guidelines, each local Treasury unit is responsible for its own liquidity management.

Operations and legal risks

Operations risks can arise in communications, information and settlement systems. In most cases they are caused by defective systems, human error or inadequate controls. To counter the danger of technical breakdowns, we have backup systems that can be immediately activated. Contingency plans on what to do in such emergencies can be regularly examined and revised. Ongoing intensive staff training, clear working instructions and regular checks help to prevent operational malfunctions or errors. We have also made certain that staff numbers can be flexibly adjusted to transaction volumes at any given time.

Principles of legal documentation

Legal risks consist primarily of non-enforceable claims on borrowers or counterparties. We cover such risks by checking carefully that counterparties are legally capable and authorized to transact, by examining any prohibition, tax or other legal provisions, and by using customary standard contracts.

Netting reduces credit risks

Both in traditional lending and financial derivatives business, it is important to ensure that, in case of counterparty insolvency, amounts receivable and amounts payable on individual transactions can be offset or netted to reduce the default risk. One way we do this, particulary in financial derivatives business, is to conclude global netting agreements with the respective counterparty. The legal preconditions for netting have improved considerably over the past few years, both in Germany and in a number of OECD countries.

Treasury

Capital Allocation Committee manages equity capital

The Capital Allocation Committee, which is headed by Treasury, puts forward proposals for the allocation of equity capital to the various Group Divisions.

Treasury is responsible for managing maturities on both the assets and liabilities side of the Group balance sheet. The maturities structure was further improved in 1996, and the geographical reach of our deposits base was extended. In Japan, we were the first foreign commercial bank to sell our own bonds to private investors. We won over private investors in Denmark and Italy for the first time with the placement of a 30-year zero bond issue at attractive rates, and also launched an issue in the U.S. Yankee market. We floated issues in the equivalent of DM 17 billion worldwide. Additional funds were raised by the sale of medium-term notes, short-term commercial paper and certificates of deposit.

Controlling

As a result of the reorganization of our corporate structure, Controlling has been established as a Staff Division with steering functions for all Group Divisions worldwide. Besides monitoring Group business operations with the help of a comprehensive information system, critical analyses are also produced to support decision-making in the management of the Group. The information is gathered on the basis of uniform methods and procedures established by Group Controlling.

Effective divisional controlling

To apply divisional management, an efficient divisional controlling is required for each Group Division. This unit supplies the Divisional Board members and the heads of operational business units in all regions with relevant information needed for management decisions.

The infrastructure of Operational Controlling is divided into the four regions Germany, Europe (excluding Germany), America and Asia/Pacific, the main task being to efficiently provide all information required.

Increased efficiency through balance sheet concentration

Major projects were realized or brought closer to conclusion in 1996. For the first time International Accounting Standards (IAS) were applied to the Consolidated Financial Statements for 1995, and this concept has been extended to our Interim Reports. We have expanded the reporting of segment information in this year's IAS financial statements. A substantial increase in efficiency has been achieved within the domestic bank through the concentration of the accounting operations of all head branches on five processing units.

Prompt application of regulatory requirements

The extended standards of the 5th Amendment to the German Banking Act had to be included in the reporting for regulatory purposes for the first time. They require the inclusion of securities and derivatives in the large credit as well as million-credit reporting, which is why we reorganized our internal reporting structure. In addition, the "Minimum Requirements for the Transaction of Banks' Dealing Business" were introduced. In 1996/97 particular significance will be attached to implementing new banking supervisory regulations, such as the EU Capital Adequacy Directive within the framework of the 6th Amendment to the German Banking Act.

In Risk Controlling, significant progress was made in all three risk groups – market, credit, and operations risks. Increased activities in investment banking constituted a special challenge to Risk Controlling. Effective risk analysis requires the integration of all worldwide trading activities into the technical infrastructure. This will facilitate the improvement and expansion of all services, such as risk reporting to the Board of Managing Directors and the business units. In addition, we continued to develop and standardize guidelines and documentation, such as the "Risk Control Guidelines", used as a yardstick for risk monitoring.

Risk-adjusted capital allocation

To adequately support the global management of the decentralized units, the use of risk-adjusted steering elements was extended and integrated into the planning process. A number of projects aimed at achieving RAROC-based overall bank management were brought to a successful conclusion.

International Accounting Standards (IAS)

Deutsche Bank's Consolidated Financial Statements are now being published for the second time after 1995 in accordance with the International Accounting Standards (IAS). With this voluntary reporting, we submit to our shareholders and to the general public Consolidated Financial Statements which are comparable worldwide and, over and above that, fulfil the partly more extensive disclosure requirements of the European Union. The Consolidated Financial Statements according to the German Commercial Code (CommC) are prepared separately. We expect legislation to be passed which will allow us to submit only IAS financial statements for the coming years. KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft has audited both sets of financial statements, the Consolidated Financial Statements according to IAS and the Consolidated Financial Statements in accordance with CommC, and expressed an unqualified opinion.

Consolidated IAS reporting, compared with the financial statements according to CommC, not only gives a clearer picture of the company's assets, liabilities, financial position and profit situation, but also supplies significantly more information. The basic difference compared with German reporting is that the formation of hidden reserves and cross-compensation are no longer possible. Taxed reserves pursuant to § 340f CommC are to be released, special depreciation made for tax purposes and goodwill amounts so far offset against capital and reserves must be reversed. A further effect is the valuation of assets held for dealing purposes according to the mark-to-market method. Another major material change results from the valuation of pension provisions: besides the current market interest rate, the development of salaries and the adjustment of current pension payments to the general price level must be taken into account.

	IAS	German CommC
in DM m.	**1996**	
Net income	2,218	2,403
Capital and reserves	29,690	24,125
in DM m.	**1995**	
Net income	2,120	2,185
Capital and reserves	28,043	22,213

The information in the Notes, which is more extensive than required under German law, gives more comprehensive insight into the assets, liabilities, financial position and profit situation of the Group. In particular, the amount and development of total provisions for losses on loans and advances, the market values of investments and, for the first time for 1996, the fair value of financial instruments have to be disclosed. The reporting of segment information shows the profit situation of individual Group Divisions in accordance with the structural reorganization of the Group.

Balance Sheet of Deutsche Bank Group

Assets in millions of DM	(Notes)	31.12.1996	31.12.1995
Cash reserve	(13)	23,157	17,913
Placements with, and loans and advances to, other banks	(3, 14)	136,001	109,218
Loans and advances to customers	(3, 15)	460,068	409,529
Total provisions for losses on loans and advances	(4, 18)	–13,202	–14,314
Assets held for dealing purposes	(5, 19)	177,172	110,837
Investments	(6, 20)	55,400	49,372
Property and equipment	(7, 21)	10,375	9,062
Insurance companies' capital investments	(22)	24,323	20,664
Other assets	(23)	12,796	9,384
Total Assets		**886,090**	**721,665**

Liabilities in millions of DM	(Notes)	31.12.1996	31.12.1995
Deposits from other banks	(9, 26)	213,953	178,853
Amounts owed to other depositors	(9, 27)	375,629	301,386
Promissory notes and other liabilities evidenced by paper	(28)	141,610	126,895
Provisions	(10, 29)	43,053	36,014
Other liabilities	(30)	71,125	41,624
Subordinated capital	(31)	10,425	8,300
Minority interests		605	550
Capital and reserves	(32)	29,690	28,043
Subscribed capital		2,501	2,492
Capital reserve		12,201	12,088
Retained earnings		14,088	12,566
Consolidated profit		900	897
Total Liabilities		**886,090**	**721,665**

Income Statement of Deutsche Bank Group

Income Statement in millions of DM	(Notes)	1.1. - 31.12. 1996	1.1. - 31.12. 1995
Interest and similar income		41,566	39,220
Interest expense and similar charges		31,023	28,410
Net interest income	(33)	**10,543**	**10,810**
Provision for losses on loans and advances	(18, 34)	797	1,347
Net interest income after provision for losses on loans and advances		**9,746**	**9,463**
Fee and commission income		7,893	6,325
Fee and commission expense		1,043	723
Net commission income	(35)	**6,850**	**5,602**
Gains less losses arising from dealing activities (trading profit)	(36)	3,226	2,035
Net income from insurance business	(37)	620	608
General administrative expenses	(38)	15,219	13,636
Other income	(39)	2,430	846
Other expenses	(40)	2,763	1,353
Net income before tax		**4,890**	**3,565**
Income taxes	(41)	2,672	1,445
Net income		**2,218**	**2,120**

Appropriation of net income in millions of DM	1996	1995
Net income	2,218	2,120
Profit attributable to minority interests	92	71
Loss attributable to minority interests	8	11
Addition to retained earnings	1,234	1,163
Consolidated profit	**900**	**897**

Cash Flow Statement of Deutsche Bank Group

Cash Flow Statement in millions of DM	*(Notes) (43)*	1996	1995
Net income		2,218	2,120
Non-cash positions in net income and adjustments to reconcile net income with net cash provided by operating activities			
Write-downs, depreciation, adjustments, write-ups and change in provisions		9,840	8,624
Change in other non-cash positions		– 91	– 1,018
Profit from the sale of investments, property and equipment		– 1,893	– 275
Other adjustments (net)		– 9,149	– 10,019
Sub-total		925	– 568
Change in assets and liabilities from operating activities after correction for non-cash components			
Amounts receivable		– 77,014	– 65,318
Securities held for dealing purposes		– 38,544	– 29,635
Other assets from operating activities		– 3,320	– 3,071
Liabilities		106,867	92,507
Promissory notes and other liabilities evidenced by paper		14,403	12,880
Other liabilities from operating activities		2,053	678
Interest and dividend receipts		41,566	39,220
Interest payments		– 31,023	– 28,410
Extraordinary proceeds		20	–
Extraordinary payments		– 350	–
Income tax payments		– 1,179	– 791
Net cash provided by operating activities		**14,404**	**17,492**
Proceeds from the sale of			
investments		31,552	13,081
property and equipment		684	681
Payments for the acquisition of			
investments		– 35,810	– 21,844
property and equipment		– 3,465	– 805
Effects of the change in the group of companies included in consolidation		– 51	– 1,332
Other investing activities (net)		– 3,659	– 3,256
Net cash used by investing activities		**– 10,749**	**– 13,475**
Proceeds from the issuance of shares		122	1,343
Dividends paid		– 897	– 925
Other financing activities (net)		2,125	951
Net cash provided by financing activities		**1,350**	**1,369**
Cash and cash equivalents at end of previous period		**17,913**	**12,697**
Net cash provided by operating activities		14,404	17,492
Net cash used by investing activities		– 10,749	– 13,475
Net cash provided by financing activities		1,350	1,369
Effects of exchange rate changes on cash and cash equivalents		239	– 170
Cash and cash equivalents at end of period		**23,157**	**17,913**

Notes

The Consolidated Financial Statements of Deutsche Bank AG for the 1996 financial year are in accordance with the International Accounting Standards (IAS). The figures in these Consolidated Financial Statements in accordance with IAS are expressed in principle in millions of D-Mark for reasons of clarity.

Accounting and valuation principles

(1) Companies included in consolidation

The Consolidated Financial Statements include, besides Deutsche Bank AG, 101 domestic enterprises (1995: 91) and 278 foreign enterprises (1995: 276). 11 domestic enterprises and 16 foreign enterprises were consolidated for the first time; one domestic enterprise and 14 foreign enterprises were excluded from the group of consolidated companies.

The enterprises consolidated for the first time are in particular the newly founded subsidiaries

– db Services SARL unipersonnelle, Paris,
– Deutsche Fonds Holding GmbH, Frankfurt am Main
– Deutsche Bank Rt., Budapest
– Deutsche Morgan Grenfell Arbitrage Ltd., London
– Deutsche Morgan Grenfell Equity Hedge Ltd., London
– EA Strategies L.L.C., Dover/U.S.A.
– EA Advisers, Inc., Dover/U.S.A.,

the company acquired in September 1996

– Deutsche Morgan Grenfell Trust Bank Ltd., Tokyo

and

– Deutsche Asset Management North America Inc., Dover/U.S.A.
– DI Deutsche Immobilien Baugesellschaft mbH, Frankfurt am Main
– DI Deutsche Immobilien Treuhandgesellschaft mbH, Frankfurt am Main.

Furthermore, our sub-group Deutsche Morgan Grenfell Group recorded additions of 8 enterprises and the disposal of 11 companies. Eight companies of Deutsche Immobilien Leasing GmbH, Düsseldorf, were also consolidated for the first time.

DB Research GmbH, Frankfurt am Main, was merged into Deutsche Bank AG with retroactive effect as at January 1, 1996, and Deutsche Financial Services Canada Corp., Mississauga, into Deutsche Bank Canada, Toronto.

The change in the companies included in consolidation did not have a substantial influence on the situation of the Group.

Owing to their minor importance for the assets, liabilities, financial position and profit situation, a total of 479 domestic and foreign related companies were not consolidated; their share in aggregate total assets of the Group is roughly 0.4 %. A further 88 companies were excluded from consolidation pursuant to IAS 27, as the exercise of voting rights is restricted or the shares are held for reasons of subsequent disposal.

The group of companies valued at equity was extended by Deutsche Interhotel Holding GmbH & Co KG, Berlin. Furthermore, Deutsche Morgan Grenfell (Pty) Ltd., Johannesburg, formerly: Ivor Jones, Roy & Company (Pty) Ltd., of which 50 % was acquired at the beginning of 1996, was valued at equity. One domestic company was excluded from the group of companies valued at equity. A total of 15 enterprises have been reported in accordance with the equity method; the financial statements of these enterprises were not adjusted to uniform accounting policies of the Group.

Owing to minor importance, 35 holdings in associated companies were not valued at equity. The complete list of shareholdings is filed with the Commercial Register in Frankfurt am Main. It can be ordered free of charge using the form on page 108.

(2) Principles of consolidation

Capital consolidation was carried out using the book value method. For companies consolidated for the first time in 1996, the basis taken was the respective time of acquisition. Goodwill is amortized on a straight-line basis.

Intra-Group transactions, expenses and profits as well as interim results are eliminated, unless they are of minor significance. The financial statements of the insurance companies, with the exception of fluctuation provisions, are included unchanged in the Consolidated Financial Statements. Owing to the special nature of this business, intra-Group positions of the insurance companies, in principle, were not offset.

The Consolidated Financial Statements according to IAS contain no special depreciation or valuations permissible solely under provisions of tax law.

(3) Loans and advances

Placements with, and loans and advances to, other banks and loans and advances to customers are reported at their nominal amount or at cost, where necessary less write-offs. Premiums and discounts are deferred in line with maturity and reported under interest. Pre-maturity compensation payments are booked to revenue over 4 years (average remaining life).

Despite the existence of a legal claim, interest income is not booked to revenue in cases where realization of the interest income is almost certainly not to be expected.

(4) Total provisions for losses on loans and advances

Provision for risks in lending business comprises value adjustments and provisions for all discernible creditworthiness and country risks and for latent default risks.

Creditworthiness risks are provisioned in accordance with prudent standards applied uniformly throughout the Group in the amount of the expected default.

The transfer risk from exposures to borrowers in foreign states (country risk) is valued using a rating system which takes into account the respective economic, political and regional situation.

The latent credit risk is provided for by general value adjustments. Here, empirical values of Group companies from past defaults are used as a basis.

The amount added to total provisions for losses on loans and advances is determined by estimates of loan defaults to be expected in the future, the economic situation, the composition, quality and performance of the various loan portfolios and other significant factors. This valuation covers cash drawings and off-balance-sheet positions, e.g. interest rate or currency deals, guarantees and letters of credit.

(5) Assets held for dealing purposes

All dealing activities are reported in the balance sheet at market values.

(6) Investments

Shares in non-consolidated related companies are shown at cost. Associated enterprises are valued at equity in the Consolidated Financial Statements; in case of minor significance, valuation is at cost. Write-downs are made for declines in value which are other than temporary.

Bonds and other fixed-income securities, equities and other variable-yield securities as well as other shareholdings serving investment purposes are reported at cost; write-downs are deducted for permanent declines in value. If the reasons which led to a write-down cease to apply, the position is written up.

(7) Property and equipment, intangible assets

Property and equipment, and intangible assets acquired for consideration are accounted for at cost of acquisition or manufacture, where applicable reduced by scheduled depreciation.

The respective assets are depreciated over their estimated useful lives:

in years	Normal useful life
Land and buildings	25–50
EDP equipment	2– 6
Goodwill	15
Office furniture and equipment	3–10

In determining the useful life of an item of property or equipment, the physical life, technical obsolescence as well as contractual and legal restrictions are taken into account. Goodwill is written down over the probable useful life of 15 years.

In the case of declines in value which are probably other than temporary, unscheduled write-downs are made.

Measures to maintain property and equipment are recorded as expense, as long as they do not change the nature of the asset and recur regularly.

(8) Leasing

The Group as lessee

Lease payments for assets under leasing agreements where the risks and rewards incident to ownership of an asset rest with the lessor ("operating lease") are treated as rental expense.

The Group as lessor

Leasing assets to be allocated in accordance with IAS principles to the lessee ("finance lease") are reported under loans and advances in the amount of the present values of the contractually agreed payments and any residual values.

Leasing assets to be allocated in accordance with IAS principles to the lessor ("operating lease") are reported under property and equipment. Depreciation is made in accordance with the principles applicable to the respective fixed assets. Lease payments are booked to revenue in accordance with usage.

(9) Deposits, amounts owed, liabilities evidenced by paper

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

(10) Provisions

Pension obligations

Provisions for pensions and similar obligations are calculated using the "projected unit credit method" in accordance with actuarial principles. As a principle, the rates used for salary development, pension adjustment and interest discounting are those which take into account specific country conditions. Some Group companies comply with national provisions by forming benefit funds.

Other provisions

"Tax provisions" and "Other provisions" are formed in the amount of uncertain liabilities or possible losses from pending transactions.

(11) Currency translation

Assets and debts denominated in foreign currency and spot deals not yet settled are translated in principle at the spot mid-rate on balance sheet date; forward exchange deals at the forward rate on balance sheet date.

In the Consolidated Financial Statements, the items in the balance sheets and the income statements 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 capital consolidation are offset with retained earnings. Translation profits and losses from the consolidation of debts, expense and income are treated neutrally for profit purposes.

(12) Deferred taxes

In accordance with IAS 12, deferred taxes are formed for timing differences between accounting income pursuant to IAS and taxable income. Permanent differences, i.e. differences which do not reverse within three years or for which, as at reporting date, there is no concrete indication that they will definitively reverse over a longer period, do not lead to deferred taxes.

Deferred taxes are computed using the specific country rates which are to be expected upon reversal of the timing differences ("liability method"). In case of changes to tax rates, the deferred taxes formed are adjusted accordingly.

Information on the Balance Sheet of the Group

(13) Cash reserve

The cash reserve of the Group is made up as follows:

in DM m.	31.12.1996	31.12.1995
Cash on hand and balances with central banks	10,846	6,995
Debt instruments of public-sector entities and bills of exchange eligible for refinancing at central banks	12,311	10,918
Treasury bills, discountable Treasury notes and similar debt instruments of public-sector entities	7,778	9,771
Bills of exchange	4,533	1,147
Total	**23,157**	**17,913**

Analysis of loans and advances by customer groups and types of credit:

(14) Placements with, and loans and advances to, other banks

	Domestic banks		Foreign banks	
in DM m.	31.12.1996	31.12.1995	31.12.1996	31.12.1995
Current/clearing accounts	3,647	2,392	17,903	8,576
Money market	7,243	7,484	88,256	74,869
Loans and advances	8,972	4,162	9,980	11,735
Total	**19,862**	**14,038**	**116,139**	**95,180**
thereof: reverse repos	1,858	1,642	55,971	33,577

(15) Loans and advances to customers

in DM m.	31.12.1996	31.12.1995
Domestic customers	262,160	248,559
Enterprises and financial institutions	105,824	103,530
Retail and private clients	113,357	106,109
Public sector	42,316	38,253
Other	663	667
Foreign customers	197,908	160,970
Enterprises and financial institutions	179,262	146,064
Retail and private clients	8,635	7,193
Public sector	7,387	7,039
Other	2,624	674
Total	**460,068**	**409,529**
thereof: reverse repos	76,268	51,334

Loans and advances to related companies and companies with which a participation relationship exists

	Related companies		Companies with which a participation relationship exists	
in DM m.	31.12.1996	31.12.1995	31.12.1996	31.12.1995
Loans and advances to banks	1	60	363	440
Loans and advances to customers	1,680	1,177	2,169	2,157
Other assets of the insurance companies	20	18	–	–

(16) Discounts

(unless reported under loans and advances)

in DM m.	31.12.1996	31.12.1995
Domestic customers	4,464	4,671
Enterprises and financial institutions	4,112	4,287
Retail and private clients	–	–
Banks	352	384
Other	–	–
Foreign customers	4,142	648
Enterprises and financial institutions	4,127	607
Retail and private clients	1	–
Banks	14	41
Other	–	–
Total	**8,606**	**5,319**

(17) Total credit extended

Total credit extended by the Group amounted at year's end 1996 to DM 411.4 billion (1995: DM 379.4 billion) and was divided up as follows:

in DM m.	31.12.1996	31.12.1995
Loans and advances to customers*	383,800	358,195
Discounts**	8,606	5,319
Placements with, and loans and advances to, other banks	18,952	15,897
Total	**411,358**	**379,411**

* excl. reverse repos in the amount of DM 76.3 bn. (+DM 25.0 bn.)
** unless reported under loans and advances

Of total credit extended, DM 275.3 billion (1995: DM 257.3 billion) or 66.9% related to domestic borrowers and DM 136.1 billion (1995: DM 122.1 billion) or 33.1% to foreign borrowers.

Leasing business

Total credit extended includes finance leases totalling DM 6,194 million. The gross investment in leases reported as finance leases is DM 7,264 million and the related unearned finance income is DM 1,070 million.

(18) Total provisions for losses on loans and advances

Total provisions for losses on loans and advances developed as follows:

in DM m.	Creditworthiness risks 1996	Creditworthiness risks 1995	Country risks 1996	Country risks 1995	Latent risks (general value adjustment) 1996	Latent risks (general value adjustment) 1995	Total 1996	Total 1995
As at 1.1.	**11,933**	**12,121**	**1,248**	**1,681**	**1,133**	**994**	**14,314**	**14,796**
Additions								
formed to the debit of P&L	3,269	4,047	60	40	223	142	3,552	4,229
Deductions								
write-offs	2,061	1,649	1	142	–	–	2,062	1,791
released to the credit of P&L	2,103	2,552	278	330	374	–	2,755	2,882
Difference from currency translation	+ 136	– 34	+ 1	– 1	+ 16	– 3	+ 153	– 38
As at 31.12.	**11,174**	**11,933**	**1,030**	**1,248**	**998**	**1,133**	**13,202**	**14,314**

Analysis of total provisions for losses on loans and advances

Total provisions for losses on loans and advances in the sum of DM 13,202 million (1995: DM 14,314 million) are divided up as follows:

in DM m.	31.12.1996	31.12.1995
Placements with, and loans and advances to, other banks	829	1 028
Loans and advances to customers	11,223	12,144
Discounts (unless reported under loans and advances)	6	6
Other positions (endorsement liabilities, guarantees, letters of credit, etc.)	1,144	1,136

The loan portfolio includes non-accruing value-adjusted exposures in the amount of DM 5.4 billion (1995: DM 5.5 billion).

The assets held for dealing purposes are made up as follows:

(19) Assets held for dealing purposes

in DM m.	31.12.1996	31.12.1995
Bonds and other fixed-income securities	**100,092**	**65,250**
Money market instuments	6,728	8,739
Bonds and notes issued by		
public-sector issuers	55,724	30,609
other issuers	37,640	25,902
thereof: own bonds	1,680	1,968
including:		
securities eligible for stock exchange listing	100,092	65,250
thereof: listed	89,628	54,358
Equity shares and other variable-yield securities	**12,026**	**8,594**
Equity shares	10,206	7,086
Investment certificates	452	550
Other	1,368	957
including:		
securities eligible for stock exchange listing	11,634	8,244
thereof: listed	10,686	6,775
Positive market values from derivative financial instruments	**64,572**	**35,980**
Other assets held for dealing purposes	**482**	**1,013**
Total	**177,172**	**110,837**

Stocks of metals attributable to the Group’s dealing activities are reported under "Other assets held for dealing purposes", as from 1996 with an adjusted comparative figure for the previous year.

(20) Investments

The position Investments, reported at DM 55,400 million, includes shares in non-consolidated related companies and in companies valued according to the equity method, as well as other investments.

Structure and development

The following table shows the structure and development in detail:

in DM m.	Shares in non-consolidated related companies	Shares in companies valued at equity	Other investments Bonds and other fixed-income securities	Equity shares and other variable-yield securities	Other share-holdings
Acquisition cost					
as at 1.1.1996	718	1,127	30,554	16,302	1,370
differences from currency translation	+ 22	+ 4	+ 623	+ 35	+ 9
additions	395	124	30,024	2,724	294
transfers	+ 51	+ 723	–	–	– 774
disposals	49	121	26,481	1,140	175
as at 31.12.1996	1,137	1,857	34,720	17,921	724
Write-ups in the reporting year	–	–	–	–	–
Adjustments		– 128			
Write-downs					
as at 1.1.1996	45	50	115	478	11
differences from currency translation	+ 1	–	0	0	0
current write-downs	71	110	11	80	88
transfers	–	–	–	–	–
disposals	0	–	102	127	0
as at 31.12.1996	117	160	24	431	99
Book values					
as at 31.12.1996	1,020	1,569	34,696	17,490	625
as at 31.12.1995	673	1,077	30,439	15,824	1,359
including:					
securities eligible for stock exchange listing	–	22	34,696	7,688	–
securities listed on the stock exchange	–	22	27,537	6,940	–

The adjustments from valuation at equity relate to the proportionate losses of companies valued at equity in the amount of DM 85 million and from dividends in the amount of DM 43 million.

Syndication commitments amounted to DM 25 million (1995: DM 107 million). Over and above that, there were no restrictions on sale or on the receipt of income from disposal.

The list of shareholdings details all non-consolidated related companies, associated companies and other shareholdings from 20 % upwards.

Significant associated companies in the non-banking sector valued at equity

31.12.1996	Share of capital in %
AIH Agrar-Industrie-Holding GmbH	25.0
Consortia Versicherungs-Beteiligungsgesellschaft mbH	30.0
DBG Vermögensverwaltungsgesellschaft mbH	45.0
Deutsche Beteiligungs AG Unternehmensbeteiligungsgesellschaft	20.0
Deutsche Beteiligungsgesellschaft mbH	40.0
Deutsche Beteiligungsgesellschaft mbH & Co. Fonds I KG*	92.5
Deutsche Interhotel Holding GmbH & Co. KG	45.6
Deutsche Morgan Grenfell (Pty) Ltd. (formerly: Ivor Jones, Roy & Company (Pty) Ltd.)	50.0
Energie-Verwaltungs-Gesellschaft mbH	25.0
GROGA Beteiligungsgesellschaft mbH	50.0
ILV Immobilien-Leasing Verwaltungsgesellschaft Düsseldorf mbH	50.0
K & N Kenanga Holdings Bhd.	22.5
Rhein-Neckar Bankbeteiligung GmbH**	49.1
SEBA Beteiligungsgesellschaft mbH	50.0

* different voting share: 45.5 %; ** different voting share: 50.0 %

Securities held as financial fixed assets

Securities forming part of other investments are made up as follows:

in DM m.	31.12.1996	31.12.1995
Bonds and other fixed-income securities	**34,696**	**30,439**
Money market instruments	2,037	2,369
Bonds and notes issued by		
public-sector issuers	12,951	11,653
other issuers	19,708	16,417
thereof: own bonds	3,629	3,224
Equity shares and other variable-yield securities	**17,490**	**15,824**
Equity shares	8,708	8,012
Investment certificates	8,739	7,741
Other	43	71
Total	**52,186**	**46,263**

Market value of investments

The market value of securities listed on the stock exchange (including securities held by intermediary holding companies) totalled DM 57.8 billion. This amount results from the market values of shares in non-banking enterprises of DM 27.1 billion (see page 60), other shareholdings of DM 2.9 billion – mostly less than 5 % – and bonds and other fixed-income securities of DM 27.8 billion. These market values compare with book values of DM 27.5 billion for bonds and DM 6.9 billion for equity shares (see page 58), resulting in a price reserve of DM 23.4 billion.

Significant shareholdings in the non-banking sector …

With regard to significant shares held by Deutsche Bank AG and Group companies in non-banking enterprises of 5 % or more in the companies' share capital, the total percentages and market values directly and/or indirectly attributable to Deutsche Bank AG are as follows:

… listed companies

… unlisted companies

	Share of capital in %	Market value at 31.12.1996 in DM m.
Aachener und Münchener Beteiligungs-AG	5.0	270
Allianz AG Holding	10.0	6,363
Continental AG	10.2	267
Daimler-Benz AG	22.6	12,227
Deutz AG (formerly: Klöckner-Humboldt-Deutz AG)**	44.7	195
FUCHS PETROLUB AG OEL + CHEMIE (Share in voting capital 9.3%)	10.0	27
Hapag-Lloyd AG	10.0	202
Heidelberger Zement AG (Share in voting capital 10.2%)	10.1	528
Philipp Holzmann AG	25.8	414
Hutschenreuther AG*	25.1	11
Karstadt AG	10.0	430
Leifheit AG	11.0	33
Leonische Drahtwerke AG*	12.5	28
Linde AG	10.1	791
Metallgesellschaft AG	16.5	697
Münchener Rückvers.-Ges. AG (Share in voting capital 9.9 %)	10.0	3,052
Nürnberger-Beteiligungs-AG**	26.0	356
Phoenix AG	10.0	28
Salamander AG	10.7	30
Südzucker AG (Share in voting capital 13.5 %)	11.0	421
Vereinigte Elektrizitätswerke AG* (Share in voting capital 3.9%)	6.3	627
VERSEIDAG AG	10.4	11
Vossloh AG*	7.7	30
WMF Württembergische Metallwarenfabrik AG* (attributable total share in voting capital 13.7%)	9.2	35
Total		**27,073**
Gerling-Konzern Versicherungs-Beteiligungs-AG* (Share in voting capital 24.9%)	30.0	
Mannesmann Arcor AG & Co. KG*	5.0	

* held indirectly; ** held directly and indirectly

With regard to the above-mentioned shareholdings, we pursue no entrepreneurial objectives and exert no influence on financial and operating decisions. For this reason, the shares are valued at cost.

(21) Property and equipment, intangible assets

in DM m.	Property and equipment: Land and buildings	Office furniture and equipment	Leasing equipment	Intangible assets
Cost of acquisition/ manufacture				
as at 1.1.1996	5,158	4,131	4,167	3,682
differences from currency translation	+ 55	+ 136	+ 84	+ 1
additions	544	1,631	1,224	66
transfers	+ 58	–	– 58	–
disposals	349	482	1,246	–
as at 31.12.1996	5,466	5,416	4,171	3,749
Write-ups in the reporting year	–	–	–	–
Depreciation				
as at 1.1.1996	702	1,736	1,956	507
differences from currency translation	+ 4	+ 38	+ 32	0
current depreciation	149	1,039	742	300
transfers	+ 1	–	– 1	–
disposals	115	482	1,123	–
as at 31.12.1996	741	2,331	1,606	807
Book values				
as at 31.12.1996	4,725	3,085	2,565	2,942
as at 31.12.1995	4,456	2,395	2,211	3,175

The additions to "Property and equipment" include DM 2 million (1995: DM 37 million) resulting from the acquisition of assets in connection with first-time consolidations. Unscheduled depreciation/write-downs were not made in the financial year.

"Office furniture and equipment" includes DM 272 million in capitalized development costs; in the financial year, DM 136 million was written off according to schedule.

Land and buildings with a book value totalling DM 3,300 million (1995: DM 2,990 million) are used within the scope of our own activities.

Rental income from property and equipment amounted to DM 113 million (1995: DM 85 million) in the financial year.

Prepayments of DM 183 million (1995: DM 90 million) were made for property and equipment.

The additions to "Intangible assets" include in particular goodwill from the acquisition of stockbrokers Deutsche Morgan Grenfell (Pty) Ltd., Johannesburg, and of Deutsche Morgan Grenfell Trust Bank Ltd., Tokyo.

(22) Insurance companies' capital investments

The "Insurance companies' capital investments" are made up as follows:

in DM m.	Balance sheet value 31. 12. 1995	Additions	Transfers	Disposals	Write-ups	Write-downs	Balance sheet value 31. 12. 1996
Land and buildings	1,257	56		18		25	1,270
Participating interests, shares in related companies	229	29		4			254
Equity shares, investment certificates and other variable-yield securities	2,962	2,768		1,067		26	4,637
Bearer bonds and other fixed-income securities	1,419	278	+ 5	241		4	1,457
Registered bonds, Schuldschein claims and loans (incl. loans to related companies)	10,517	4,126	– 5	2,774			11,864
Claims from mortgages, land charges and annuity land charges	3,010	1,302		1,522			2,790
Deposits with banks	369	298		138			529
Other	1,467	385		60	198		1,990
Total	**21,230**	**9,242**		**5,824**	**198**	**55**	**24,791**
Offsetting	– 557						– 468
Capital investments after offsetting	**20,673***						**24,323**

* after adjustment of DM 9 million in exchange rate changes

The "Insurance companies' capital investments" include bearer bonds in the amount of DM 6 million (1995: DM 6 million) issued by Group companies and other placements with consolidated related companies in the sum of DM 1,567 million (1995: DM 716 million). The offsetting relates largely to registered securities not eligible for stock market listing and shares in consolidated companies.

(23) Other assets

in DM m.	31.12.1996	31.12.1995
Intangible assets	2,942	3,175
Sundry assets	6,337	3,197
Other assets of the insurance companies	1,480	1,767
Deferred items	2,037	1,245
Total	**12,796**	**9,384**

Intangible assets

The "Intangible assets" include goodwill in the amount of DM 2,919 million (1995: DM 3,172 million).

Sundry assets

"Sundry assets" include claims to tax rebates against tax authorities, option premiums as well as cheques and matured bonds.

Other assets of the insurance companies

Included in the position "Other assets of the insurance companies" are mainly claims arising from insurance business, current balances with banks, as well as interest and rental claims.

(24) Subordinated assets

in DM m.	31.12.1996	31.12.1995
Placements with, and loans and advances to, other banks	12	7
Loans and advances to customers	693	387
Bonds and other fixed-income securities	312	565
Equity shares and other variable-yield securities	33	–
Insurance companies' capital investments	790	105

(25) Business subject to repurchase agreements

As at December 31, 1996, the book value of assets reported in the balance sheet and sold subject to a repurchase agreement amounted to DM 31,702 million (1995: DM 19,290 million); of this total, DM 4,915 million (1995: DM 4,321 million) related to open market transactions in securities offered by Deutsche Bundesbank DM 26,787 million to securities sold subject to repurchase agreements.

(26) Deposits from other banks

Composition of liabilities by customer groups:

as at 31.12. in DM m.	Domestic banks 1996	Domestic banks 1995	Foreign banks 1996	Foreign banks 1995
Repayable on demand	14,088	7,257	55,210	41,089
With agreed period or period of notice	38,427	34,688	106,228	95,819
Total	**52,515**	**41,945**	**161,438**	**136,908**

(27) Amounts owed to other depositors

Savings deposits and building saving deposits

as at 31.12. in DM m.	Savings deposits with agreed period of notice of three months 1996	1995	Savings deposits with agreed period of notice of more than three months 1996	1995	Building saving deposits 1996	1995
Domestic customers	**18,432**	**13,759**	**19,702**	**24,219**	**3,781**	**3,485**
Enterprises and financial institutions	17	31	34	94	86	42
Retail and private clients	18,281	13,675	19,511	23,976	3,660	3,425
Public sector	22	1	6	0	31	15
Other	112	52	151	149	4	3
Foreign customers	**2,686**	**2,198**	**2,389**	**2,722**	**29**	**24**
Enterprises and financial institutions	0	1	3	12	0	–
Retail and private clients	2,608	2,098	2,380	2,704	29	24
Public sector	8	8	1	0	–	–
Other	70	91	5	6	–	–
Total	**21,118**	**15,957**	**22,091**	**26,941**	**3,810**	**3,509**

Other liabilities

as at 31.12. in DM m.	Other liabilities repayable on demand 1996	1995	with agreed period or period of notice 1996	1995
Domestic customers	**57,029**	**46,049**	**84,010**	**83, 066**
Enterprises and financial institutions	31,989	26,256	56,139	54,358
Retail and private clients	20,887	18,069	24,582	24,739
Public sector	3,296	745	1,847	2,767
Other	857	979	1,442	1,202
Foreign customers	**78,895**	**50,705**	**108,676**	**75,159**
Enterprises and financial institutions	66,969	41,365	89,502	59,859
Retail and private clients	9,731	6,852	11,925	11,060
Public sector	1,733	2,104	2,766	2,570
Other	462	384	4,483	1,670
Total	**135,924**	**96,754**	**192,686**	**158,225**

Liabilities to related companies and companies with which a participation relationship exists

as at 31.12. in DM m.	Related companies 1996	1995	Companies with which a participation relationship exists 1996	1995
Deposits from other banks	45	44	94	59
Amounts owed to other depositors	250	301	1,631	1,111
Other liabilities of the insurance companies	9	12	–	–

(28) Liabilities evidenced by paper

in DM m.	31.12.1996	31.12.1995
Bonds in issue	94,663	88,484
Money market instruments in issue	39,729	32,233
Own acceptances and promissory notes in circulation	515	234
Other	6,703	5,944
Total	**141,610**	**126,895**

(29) Provisions

in DM m.	31.12.1996	31.12.1995
Provisions for taxes	5,288	3,696
current taxes	3,369	2,609
deferred taxes	1,919	1,087
Other provisions	37,765	32,318
provisions for pensions and similar obligations	6,518	6,684
provisions in insurance business	23,627	20,597
other provisions	7,620	5,037
Total	**43,053**	**36,014**

Provisions for taxes

The provisions for current taxes contain payment obligations towards the public sector. The deferred taxes show future tax burdens from timing differences between accounting income according to IAS and taxable income as computed at Group companies.

Pension obligations

As a result of commitments with regard to company retirement pensions, there are obligations to a large proportion of the employees of Group companies. Besides internal commitments, they also include commitments from external institutions.

The pension commitments are largely direct commitments and individual agreements for which provisions have been formed in the amount of DM 6,518 million (1995: DM 6,684 million).

The expense in the 1996 financial year in the amount of DM 94 million (1995: DM 741 million) consists of the increase of the obligation owing to growth in years of service in the financial year, from the increase owing to commitment enhancements relating to previous years of service, and expense corrections resulting from adjustments and changes to the actuarial assumptions. The calculations are made on the basis of the "projected unit credit method".

These calculations are currently based on interest rates of 5 % to 9 %, a salary development of 2.5 % to 5 % and a pension adjustment of 2 % to 4 %. The actuarial calculations are done annually.

Other commitments have been separated into external benefit funds.

Provisions in insurance business

in DM m.	31.12.1996	31.12.1995
Provisions in life insurance business provided the investment risk is borne by policyholders	970	726
Other provisions in insurance business		
cover reserve	19,855	17,165
reserve for pending claims etc.	350	349
reserve for premium refunds	1,695	1,664
other provisions	757	693
Total	**23,627**	**20,597**

Other provisions

"Other provisions" include, among other things, provisions for end-of-year special payments and early retirement obligations.

(30) Other liabilities

in DM m.	31.12.1996	31.12.1995
Other liabilities of the insurance companies	1,995	1,810
Sundry liabilities	3,018	2,348
Deferred items	3,747	2,504
Liabilities from dealing activities	62,365	34,962
Total	**71,125**	**41,624**

Other liabilities of the insurance companies

"Other liabilities of the insurance companies" include above all liabilities from insurance business towards policyholders.

Sundry liabilities

"Sundry liabilities" include, among other things, the distribution for 1996 on participatory capital, accrued, but not yet matured interest for subordinated liabilities and withholding tax to be paid over.

The portion of sundry liabilities which relates to leasing agreements amounts to DM 161 million (1995: DM 183 million).

Liabilities from dealing activities

Liabilities from dealing activities include the negative market values from derivative financial instruments.

(31) Subordinated capital

The subordinated capital is made up of the following subordinated liabilities and participatory capital:

in DM m.	31.12.1996	31.12.1995
Subordinated liabilities	7,725	5,600
Participatory capital	2,700	2,700
Total	**10,425**	**8,300**

Important subordinated liabilities:

Subordinated liabilities

Amount	Issuer/type	Interest rate	Maturity
DM 600,000,000.–	Deutsche Bank bearer bonds (series 2) of 1990 with warrants	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
U.S.$ 1,100,000,000.–	Deutsche Bank Financial Inc. "Yankee" Bond of 1996	6.70 %	13. 12. 2006

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 claims which are not also subordinated 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 421 million (1995: DM 408 million). Accrued, but not yet matured interest of DM 295 million (1995: DM 289 million) included in the figure is reported under "Sundry liabilities".

Participatory capital

The issued participatory capital 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 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 carries an annual dividend, which ranks prior to the profit share attributable to shareholders, of 8.75% of par value.

Interest on the participatory capital for 1996 in the total amount of DM 239 million (1995: DM 239 million) is reported under "Sundry liabilities".

(32) Capital and reserves

Development of subscribed, authorized and conditional capital

in DM	Subscribed capital	Authorized capital	Authorized capital excluding shareholders' pre-emptive rights	Conditional capital
As at 31.12.1995	2,492,171,450	600,000,000	89,328,800	474,535,100
Issue of staff shares	+ 6,378,485		– 6,378,485	
Increase according to resolution of General Meeting on May 28, 1996			+ 40,000,000	+ 40,000,000
Shares subscribed against submission of warrants	+ 2,336,500			– 2,336,500
Expiry of exercise period for option rights				– 49,699,500
Expiry of resolution of General Meeting on May 23, 1991			– 82,950,315	– 75,000,000
As at 31.12.1996	**2,500,886,435**	**600,000,000**	**40,000,000**	**387,499,100**

"Subscribed capital" is divided up into 500,177,287 shares of DM 5 par value each.

Authorizations by the General Meeting

By resolution of the General Meeting on May 28, 1996, the Board of Managing Directors was 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 40 million on or before April 30, 2001 through the issue of new shares against cash payments. The pre-emptive rights of shareholders are excluded. This authorized capital is designated for the issue of staff shares.

Over and above that, the Board of Managing Directors was authorized by resolution of the General Meeting on May 28, 1996 to issue interest-bearing bonds with warrants to managers with the consent of the Supervisory Board, once or more than once, by up to a total nominal amount of DM 40 million on or before April 30, 2001, with a maturity of 10 years at most, and to attach option rights to these bonds which allow the purchaser to acquire shares of Deutsche Bank Aktiengesellschaft in accordance with the conditions of warrants. The pre-emptive rights of shareholders are excluded. This General Meeting resolution is still the subject of legal action.

Outstanding option rights

Issue	Subscription period	Subscription price for 10 shares of DM 5 each	Conditional capital in DM
Reserved conditional capital			**147,499,100**
Warrants attaching to participatory rights of Deutsche Bank AG of 1992	until 30. 6. 1997	610	147,499,100
Still open conditional capital			**240,000,000**
Total			**387,499,100**

Change in capital and reserves

The Group's capital and reserves developed as follows:

in DM m.		
Capital and reserves of Deutsche Bank Group as at December 31, 1995		28,043
Distribution by Deutsche Bank AG in 1996	–	897
Increase in subscribed capital of Deutsche Bank AG	+	9
Allocation of share premium from the increase in subscribed capital to capital reserve	+	113
Allocation to retained earnings from net income for 1996	+	1,234
Consolidated profit for 1996	+	900
Difference from currency translation	+	288
As at 31.12.1996		**29,690**

Group capital and reserves, as defined by BIS, amounted to a total of DM 43,789 million (1995: DM 39,908 million). The core capital ratio at year's end 1996 was 5.4 % (1995: 5.7 %).

Own shares

At the end of 1996, Deutsche Bank AG and its related companies had no Deutsche Bank shares in their holdings.

On December 31, 1996, 3,387,987 Deutsche Bank shares of DM 5 par value each were pledged to Deutsche Bank AG and its related companies as security for loans (1995: 2,993,621); that was 0.68 % (1995: 0.60 %) of share capital.

Information on the Income Statement of the Group

(33) Net interest income

Net interest income is made up as follows:

in DM m.	1996	1995
Interest income from lending and money market business as well as from fixed-income securities*	38,942	35,307
Current income from		
equity shares and other variable-yield securities and other equity rights	796	1 019
shares in related companies	51	65
shares in companies valued at equity	–	39
Interest expense and similar charges for		
deposits	20,890	18,285
promissory notes and other liabilities evidenced by paper	8,478	7,515
subordinated capital	660	647
Profit from leasing business	782	827
Total	**10,543**	**10,810**

* Interest income from fixed-income securities DM 1,678 million

(34) Risk provisioning

Risk provisioning is made up as follows:

in DM m.	1996	1995
Provisions formed to the debit of P&L	3,552	4,229
Provisions released to the credit of P&L	2,755	2,882
Total	**797**	**1,347**

(35) Net commission income

Net commission income is made up as follows:

in DM m.	1996	1995
Securities business	2,121	1,576
Asset management	1,429	1,054
Local payments	1,125	1,016
Foreign commercial business, travel payment media	699	730
Loan processing and guarantees	637	504
Other activities	839	722
Total	**6,850**	**5,602**

Services provided for third parties

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

- custodian
- asset management
- administration of assets held on trust
- referral of mortgages, insurance policies and property finance agreements
- mergers and acquisitions

(36) Trading profit

Trading profit is calculated at mark-to-market. A market risk deduction is made in line with the value-at-risk concept of the Basle Committee on Banking Supervision. Interest and dividend income, funding costs and commissions corresponding to trading activities are included in trading profit.

in DM m.	1996	1995
Proprietary dealing in securities	**1,508**	**1,150**
Debt instruments and related derivatives	1,246	791
Equities and related derivatives	262	359
Proprietary dealing in foreign exchange, metals and foreign note/coin	**626**	**571**
Foreign exchange	591	532
Metals and foreign note/coin	35	39
Other proprietary dealing activities	**1,092**	**314**
OTC interest rate derivatives/swaps	586	206
Other financial instruments	506	108
Total	**3,226**	**2,035**

(37) Net income from insurance business

Our insurance business reports net income of DM 620 million (1995: DM 608 million) in 1996. It is made up as follows:

Income in DM m.	1996	1995	**Expenses** in DM m.	1996	1995
Net premiums earned	4,324	4,385	Claims	1,805	1,798
Contributions from gross provision for premium refunds	345	300	Change in net provisions in insurance business	2,926	3,077
Income from capital investments	1,749	1,562	Premiums refunded	538	501
Other income	213	386	Expenses for insurance operations	399	369
			Expenses for capital investments	78	90
			Other expenses	265	190
Total	**6,631**	**6,633**	**Total**	**6,011**	**6,025**

(38) General administrative expenses

General administrative expenses are made up as follows:

in DM m.	1996	1995
Staff expenses	**9,336**	**8,756**
wages and salaries	7,537	6,480
compulsory social security contributions	1,077	996
expenses for pensions and other employee benefits	722	1,280
Other administrative expense	**4,653**	**3,918**
Depreciation and adjustments	**1,230**	**962**
land and buildings as well as office furniture and equipment	1,188	947
other sundry assets	42	15
Total	**15,219**	**13,636**

(39) Other income

"Other income" contains:

in DM m.	1996	1995
Profits/losses/write-downs from investments (net)	1,336	206
Other operating income	1,074	640
Extraordinary income	20	–
Total	**2,430**	**846**

Other operating income

Of the "Other operating income", DM 271 million (1995: DM 255 million) was attributable to the writing back of provisions not connected with lending or securities business, DM 82 million (1995: DM 81 million) related to receipts from loans and advances written off in previous years.

(40) Other expense

"Other expense" is made up as follows:

in DM m.	1996	1995
Write-downs to intangible assets	300	311
Other taxes	328	235
Other operating expenses	485	470
Result from shares in associated companies	162	–
Extraordinary expenses	1,488	337
Total	**2,763**	**1,353**

Write-downs to intangible assets

"Write-downs to intangible assets" include write-downs to goodwill in the sum of DM 298 million (1995: DM 296 million).

Other operating expenses

"Other operating expenses" include, among other things, DM 169 million (1995: DM 155 million) in additions to provisions for uncertain liabilities and possible losses not relating to lending or securities business.

Extraordinary expenses

The "Extraordinary expenses" of DM 1,488 million include costs connected with restructuring measures and the expense incurred in connection with the damages at Morgan Grenfell Asset Management, London.

(41) Income taxes

The following table establishes the relationship between the income taxes derived from net income before tax and income taxes actually reported. The derived income taxes were calculated at the corporation tax rate valid in Germany of 45 % – from 1995 plus the solidarity surcharge of 7.5 % (= 48.4 % total burden).

in DM m.	1996	1995
Derived income taxes from net income before tax	2,367	1,725
Tax rate differences relating to profit subject to taxation abroad	– 127	– 118
Tax effects due to different legal norms	+ 184	– 193
Permanent differences	+ 229	+ 65
Other	+ 19	– 34
Reported income taxes	**2,672**	**1,445**

The "Tax effects due to different legal norms" consist mainly of the trade tax imposed especially in Germany on certain components of profit and the tax deductions allowable under German corporation tax law on pay-outs by domestic Group companies. The tax position benefited especially as a result of "extraordinary expenses" in the amount of DM 497 million.

(42) From the Income Statement of the Group

in DM m.	1996	1995	Change	in %
Interest and similar income[1]	41,566	39,220	+ 2,346	+ 6.0
Interest expenses and similar charges[2]	31,023	28, 410	+ 2,613	+ 9.2
Net interest income	**10,543**	**10,810**	**– 267**	**– 2.5**
Provision for losses on loans and advances	797	1,347	– 550	– 40.8
Net interest income after provision for losses on loans and advances	**9,746**	**9,463**	**+ 283**	**+ 3.0**
Fee and commission income	7,893	6,325	+ 1,568	+ 24.8
Fee and commission expense	1,043	723	+ 320	+ 44.3
Net commission income	**6,850**	**5,602**	**+ 1,248**	**+ 22.3**
Trading profit	**3,226**	**2,035**	**+ 1,191**	**+ 58.5**
Insurance business				
Income	6,631	6,633	– 2	
Expenses	6,011	6,025	– 14	– 0.2
Net income from insurance business	**620**	**608**	**+ 12**	**+ 2.0**
Wages and salaries	7,537	6,480	+ 1,057	+ 16.3
Compulsory social security contributions[3]	1,799	2,276	– 477	– 21.0
Other administrative expenses[4]	5,883	4,880	+ 1,003	+ 20.6
General administrative expenses	**15,219**	**13,636**	**+ 1,583**	**+ 11.6**
Balance of other operating income/expense	589	170	+ 419	
Operating profit	**5,812**	**4,242**	**+ 1,570**	**+ 37.0**
Balance of other expense/income	922	677	+ 245	
Net income before tax	**4,890**	**3,565**	**+ 1,325**	**+ 37.2**
Income taxes	2,672	1,445	+ 1,227	+ 84.9
Net income	**2,218**	**2,120**	**+ 98**	**+ 4.6**

1) from lending and money market business as well as fixed-income securities, from equity shares and other variable-yield securities and other equity rights, shares in related companies (incl. profit and loss transfer agreements), the result from shares in companies valued at equity and income from leasing business
2) including expenses and depreciation from leasing business
3) including expenses for pensions and other employee benefits
4) other administrative expense and depreciation and adjustments to tangible assets and other sundry assets

Information on the Cash Flow Statement

(43) Size and development of cash and cash equivalents

The Cash Flow Statement provides information about the size and development of the Group's cash and cash equivalents. Payment flows are allocated to operating activities in line with the deferral of operating profit. The position "Change in other non-cash positions" contains the positive and negative market values from derivative financial instruments, net allocations to deferred taxes, the change in claims to tax rebates and the profit attributable to minority interests (net). A total of DM 51 million (1995: DM 1.6 billion) was spent in the current financial year for the acquisition of shares in fully consolidated companies. Changes in cash and cash equivalents resulting from movements in the group of companies included in consolidation are reported separately in the Cash Flow Statement. There were no non-cash investing and financing activities. The reported amount of cash and cash equivalents comprises in detail cash on hand, balances with central banks, and debt instruments of public-sector entities and bills of exchange eligible for refinancing at central banks.

Other information

(44) Reporting segment information

… by Group Divisions

In Deutsche Bank's divisional management structure, the divisional profitability calculation has paramount importance as a central steering and control instrument. The reporting of segment information is as follows:

in DM m.	Retail and Private Clients	Corporate and Institutional Banking	Investment Banking	Group Services	Other/ Consoli-dation	Total Group
Income	8,322	6,139	5,701	46	1,620	21,828
Costs	– 6,264	– 3,492	– 4,762	– 525	– 973	– 16,016*
Performance**	1,778	2,453	896	– 462	1,147	5,812
Cost/income ratio	75 %	57 %	84 %			
Risk-weighted assets	66,816	248,404	107,401	–	20,644	443,265
Staff	27,735	12,680	6,466	15,995	4,345	67,221

* General administrative expenses plus risk costs
** after risk costs

In reconciling the performance of Group Divisions with the reported operating profit in accordance with IAS, Staff Divisions, participating interests, and other assets and liabilities which cannot be directly allocated to Group Divisions as well as valuation differences were recorded in the column "Other/Consolidation".

Performance after risk costs is obtained after inclusion of risk costs for credit risks, market risks and operations risks. KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft comments that the calculated performance is plausible and the reconciliation with operating profit, in accordance with IAS, is demonstrable.

The calculated divisional performance figures are compared internally with the respective allocated economic capital, which gives the "risk-adjusted return on capital – RAROC" ratio. We have abstained from disclosing these figures, which are decisive for competition. Instead, we give the following qualitative information: the economic capital serves in the Group Divisions primarily to cover credit risks, market risks and operations risks. We quantify these risks with a confidence level of 99.98 %.

The risk-weighted assets are the assets weighted for bank-regulatory purposes in accordance with BIS. The figures for staff relate in each case to the annual average number of employees (including part-time staff).

… by geographical regions

The following allocation in the reporting of segment information is determined by the domicile of the Group company or the branch office:

	Total assets		Total credit extended		Deposits from after banks, amounts owed to other depositors		Income from operating business	
in DM m.	31.12. 1996	31.12. 1995	31.12. 1996	31.12. 1995	31.12. 1996	31.12. 1995	1996	1995
Germany	473,986	400,716	284,525	264,302	554,528	451,379	15,553	14,879
Europa (excluding Germany)	452,627	386,133	97,943	90,736	139,654	113,526	5,934	4,346
Asia/Pacific	124,709	65,218	40,389	20,769	27,589	8,396	1,315	883
North America	174,927	95,806	50,870	34,321	77,466	42,670	1,827	1,170
South America	19,512	17,368	17,518	16,040	3,467	2,935	267	251
Consolidation of intra-Group transactions	– 359,671	– 243,576	– 79,887	– 46,757	– 213,122	– 138,667	– 3,068	– 2,304
Total	**886,090**	**721,665**	**411,358**	**379,411**	**589,582**	**480,239**	**21,828**	**19,225**

Income from operating business comprises net interest income, net commission income, trading profit, net income from insurance business and the balance of other operating income/expenses.

(45) Fair Value of financial instruments

With the following table we provide for the first time, in accordance with IAS 32, information on the fair value of all on-balance sheet and off-balance sheet financial instruments:

Assets in DM bn.	Fair Value	Book value
Cash reserve	23.2	23.2
Placements with, and loans and advances to, other banks	135.4	135.2
Related derivatives	0.0	–
Loans and advances to customers	461.8	448.9
Related derivatives	0.3	–
Assets held for dealing purposes	177.2	177.2
Investments	47.4	44.9
Related derivatives	– 0.4	–

Liabilities in DM bn.	Fair Value	Book value
Deposits from other banks	214.1	214.0
Related derivatives	0.2	–
Amounts owed to other depositors	379.3	375.6
Related derivatives	– 0.1	–
Liabilities evidenced by paper	147.4	141.6
Related derivatives	0.2	–
Liabilities from dealing activities	62.4	62.4
Subordinated capital	11.3	10.4

Other positions in DM bn.	Fair Value	Book value
Contingent liabilities	56.0	56.0
Credit commitments and placement obligations	85.5	85.3
Non-allocatable derivatives	– 0.6	–

The fair value of undated and short-term amounts receivable and liabilities with maturities or fixed-interest periods of up to one year was calculated, depending on product and market situation, either at book value or at present value.

The stated values correspond in our opinion to the amounts at which the financial instruments could have been traded on a fair basis on balance sheet date between knowledgeable, willing parties in arm's-length transactions.

In calculating the values, we proceeded as follows:

– Market prices were taken where available. This was the case in particular for securities and derivatives traded on stock exchanges and on active markets.

– For other financial instruments, we used internal valuation models, in particular the present value procedure.

– Shareholdings in the non-bank sector as well as insurance companies' assets and liabilities were not taken into account.

As at December 31, 1996, the aggregate difference between the fair value and the book value of financial instruments amounts to DM 4.3 billion. The development of this figure over time depends on movements in the market parameters which are included in the valuation, as well as additions to and disposals of financial instruments.

(46) Foreign currency

The total amount of assets denominated in foreign currency at balance sheet date was the equivalent of DM 453,109 million (1995: DM 302,568 million); the figure for liabilities was the equivalent of DM 441,662 million (1995: DM 295,707 million).

in DM m.	31.12.1996	31.12.1995
Foreign-currency assets	453,109	302,568
thereof U.S.$	164,924	125,868
Foreign-currency liabilities (excl. capital and reserves)	441,662	295,707
thereof U.S.$	182,541	136,912
Change in total assets owing to parity changes of foreign currencies*	+ 19,000	– 11,700
thereof due to U.S.$	+ 10,000	– 6,400

* based on the assets side

Exchange rate changes

Effects of exchange rate changes on important positions in the Income Statement of the Group:

in DM m.	Effects	Adjusted changes	in %
Net interest income	+ 275	– 542	– 5.0
Net commission income	+ 302	+ 946	+ 16.9
Trading profit	+ 211	+ 980	+ 48.2
General administrative expenses	+ 623	+ 960	+ 7.0

(47) Information on significant concentrations of assets and liabilities

The Group's total portfolio from business in loans, advances, placements and deposits has a heterogeneous structure and shows no dependence on particular sectors. Over and above that, there were no significant large-scale exposures as at 31.12.1996 or which could have led to a concentration of assets or liabilities.

Analysis of lending business by industry and product

Lending business (excl. banks and financial institutions) was divided up as follows as at 31.12.1996 over the important industries and products:

in DM m.	Loans to customers	Bills of exchange	Guaran-tees	Total	Share of lending business in %
Manufacturing	49,132	3,794	14,675	67,601	18,3
Households	58,560	25	507	59,092	16,0
Public sector	35,936	13	103	36,052	9,8
Trade	27,453	3,160	3,987	34,600	9,4
Building industry	16,399	250	7,517	24,166	6,6

Credit risk concentration derivatives business

Within trading activities, too, significant concentrations of credit risks were avoided in OTC derivatives. The current replacement costs can be regarded as an appropriate indicator for credit risk in OTC derivatives. They are calculated using the current positive market values and state the amount which would have to be spent to close the position if a counterparty defaulted on reporting date.

Credit risk concentration for the 10 biggest counterparties from dealing activities in derivatives as at 31.12.1996 (in DM million):

Creditworthiness categories or equivalent according to Standard & Poor's rating	Notional amount	Current replacement costs
AAA	68,051	1,249
AA	542,363	9,629
A	352,220	5,233
Total	**962,634**	**16,111**

The figures for credit risk by rating categories show that at balance sheet date the 10 biggest counterparties were rated at least A. This made it possible to avoid a counterparty-related concentration of credit risk.

(48) Derivatives business

The following table shows the derivatives transactions by product area from our dealing activities still outstanding on balance sheet date:

in DM m.	Notional amount with remaining life of up to 1 year	1–5 years	over 5 years	Total	Current replacement costs*
Interest-rate-related transactions	**1,470,621**	**940,369**	**375,395**	**2,786,385**	**30,340**
OTC products					
FRAs	281,139	17,779	–	298,938	261
interest rate swaps (same currency)	398,028	621,668	314,049	1,333,745	26,412
interest rate option purchases	78,197	99,297	27,730	205,224	3,667
interest rate option sales	68,874	123,446	33,161	225,481	
other interest rate trades	208	88	–	296	0
Exchange-traded products					
interest rate futures	562,293	78,071	455	640,819	
interest rate options	81,882	–	–	81,882	
Currency-related transactions	**1,575,042**	**87,285**	**23,028**	**1,685,355**	**33,314**
OTC products					
forward exchange trades	1,372,250	28,760	248	1,401,258	27,567
cross-currency swaps	14,273	50,033	22,761	87,067	3,938
forex option purchases	93,497	4,495	12	98,004	1,806
forex option sales	93,758	3,806	7	97,571	
other forex trades	183	191	–	374	3
Exchange-traded products					
forex futures	846	–	–	846	
forex options	235	–	–	235	
Equity/index-related transactions	**28,788**	**6,145**	**150**	**35,083**	**685**
OTC products					
equity/index swaps	1,321	567	–	1,888	178
equity/index option purchases	9,493	1,710	93	11,296	507
equity/index sales	5,012	2,983	57	8,052	
other equity/index trades	–	–	–	–	–
Exchange-traded products					
equity/index futures	6,026	–	–	6,026	
equity/index options	6,936	885	–	7,821	
Other transactions	**38,921**	**1,346**	**–**	**40,267**	**233**
OTC products					
precious metal trades	8,570	117	–	8,687	115
non-precious metal trades	14,215	740	–	14,955	118
Exchange-traded products					
futures	15,614	429	–	16,043	
options	522	60	–	582	
Total	**3,113,372**	**1,035,145**	**398,573**	**4,547,090**	**64,572**

* Since exchange-traded products and short positions in options do not involve counterparty risk, no replacement costs are given here.

In addition to the analysis by product group, the maturity structure is shown on the basis of notional amounts. During the 1996 financial year, there was an expansion of derivatives business mainly due to the growth of investment banking activities. In particular, dealing activities in the product divisions interest rate swaps and forward exchange business were strongly expanded. The growth of derivatives business is also reflected in the higher current replacement costs. In the 1996 financial year, these amounted on average to DM 44.11 billion and at balance sheet date to DM 64.57 billion (1995: DM 35.98 billion). However, this figure represents a worst-case view of credit risk, as it is assumed that all counterparties default at the same time.

Rating analysis according to Standard & Poor's

The classification of the OTC derivatives portfolio in our dealing activities by rating category allows a more detailed analysis of the counterparty structure:

Creditworthiness category (corresponding to a Standard & Poor's equivalent)	Notional volume in DM bn. with remaining life of up to 1 year	1-5 years	over 5 years	Total notional volume in DM bn.	Current replacement costs in DM bn.	In % of notional volume
AAA	174.73	75.98	56.36	307.07	6.41	2.09
AA	808.79	310.87	155.56	1,275.22	23.60	1.85
A	900.51	350.02	121.29	1,371.82	24.85	1.81
BBB	114.02	41.91	13.12	169.05	3.52	2.08
Non-investment grade	38.31	16.25	7.47	62.03	1.75	2.82
Others	235.02	30.44	11.09	276.55	4.44	1.61
Total	**2,271.38**	**825.47**	**364.89**	**3,461.74**	**64.57**	**1.87**

The table shows that, as at 31.12.1996, roughly 85 % of the portfolio was in rating category A and better (previous year: 79 %). The high rating of counterparties underlines the stringent criteria applied to the quality of counterparties. At the same time, the distribution of notional volumes totalling DM 3,461.74 billion (1995: DM 2,005.26 billion) over the remaining life bands shows that 65 % of derivatives business will be settled within up to one year.

Credit equivalent volume in derivatives business

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

Counterparty type in DM bn.	**Credit equivalent volume** 31.12.1996**	**31.12.1995**
OECD central governments*	1.1	1.0
OECD banks*	77.2	44.5
OECD financial institutions	6.8	3.6
Other enterprises, private individuals	20.1	12.4
Non-OECD central governments	–	–
Non-OECD banks	2.2	1.0
Non-OECD financial institutions	0.2	0.1

* with corresponding preferential risk weighting
** calculated using the maturity method

Hedging interest rate and currency risks

Derivatives transactions were also used outside dealing activities. They were applied, among other things, as an instrument to reduce the interest risk in our assets/liabilities management.

(49) Market risk

Deutsche Bank calculates market risk on the basis of the value-at-risk concept. The figures stated here are published in accordance with BIS parameters. They state the maximum potential loss assuming a holding period of 10 business days and a confidence interval of 99%. The historical volatilities and correlations used are based on a one-year history with each day being weighted equally.

The following table shows the value-at-risk figures for the various dealing units in the Group as at the end of 1996. The minimum, average and maximum value-at-risk figures refer to the 1996 financial year.

Dealing units in DM m.	Fixed Income	Money Market	Debt Capital Markets	OTC-Derivatives	Foreign Exchange	Commodities	Proprietary Trading	Equities	Emerging Markets	Total
Value at risk as at 31. 12. 1996	43.91	13.48	5.12	45.94	15.47	3.72	40.78	53.71	35.26	103.89
Minimum value at risk in 1996	29.47	8.25	1.25	14.81	7.52	2.28	22.58	19.23	19.27	63.81
Average value at risk in 1996	49.99	16.80	4.53	24.17	15.18	4.57	28.88	30.69	32.09	81.31
Maximum value at risk in 1996	98.73	25.16	11.49	45.94	27.96	7.26	40.78	79.61	57.80	121.17

As at 31.12.1996, the value at risk of the dealing units amounts to DM 103.89 million, and is thus between the maximum and average value-at-risk figure for the 1996 financial year. The minimum and maximum value-at-risk figures mark the band within which the value-at-risk figures fluctuated in 1996. The improved integration of historical correlations in 1996 led, in comparison with the 1995 financial year, to a reduction in the calculated value-at-risk figures.

Back-testing is used to control the value-at-risk models. It is effected by daily profit and loss comparison with the calculated value-at-risk figures. Additionally, the assumptions underlying the value-at-risk models are regularly tested by the analysis of historical time series. Stress-testing is carried out to estimate the economic effects of extreme market fluctuations on the dealing portfolio. It is done weekly for global interest rate, equity, commodity and currency risks. The results of the value-at-risk calculation and stress-testing are passed on directly to the members of the Board of Managing Directors responsible for dealing and the monitoring of dealing activities.

(50) Operations risk

Operations risks which can arise in communication, information and settlement systems are covered by immediately activating backup systems, emergency plans, strict segregation of dealing and settlement, and by independent controls.

(51) Relevant maturity groupings based on the remaining period

Assets in DM m.	up to 3 months 31.12.1996	31.12.1995	> 3 months - 1 year 31.12.1996	31.12.1995	> 1 year - 5 years 31.12.1996	31.12.1995	more than 5 years 31.12.1996	31.12.1995
Loans and advances to customers	210,862	178,095	35,264	37,140	90,989	81,875	122,953	112,419
Dated placements with, and loans and advances to, other banks								
Loans and advances	4,400	4,735	2,976	2,710	6,015	4,552	5,321	3,414
Money market	80,801	68,470	6,337	7,756	179	271	87	106
Total	**296,063**	**251,300**	**44,577**	**47,606**	**97,183**	**86,698**	**128,361**	**115,939**

Liabilities in DM m.	up to 3 months 31.12.1996	31.12.1995	> 3 months - 1 year 31.12.1996	31.12.1995	> 1 year - 5 years 31.12.1996	31.12.1995	more than 5 years 31.12.1996	31.12.1995
Time deposits from other banks	108,594	100,846	16,893	15,079	9,679	7,616	9,489	6,966
Savings deposits and building saving deposits	21,404	16,202	16,934	24,346	7,841	5,734	840	125
Other dated amounts owed to other depositors	144,301	109,991	13,542	11,869	17,184	20,118	17,659	16,247
Promissory notes and other liabilities evidenced by paper	40,420	34,098	18,260	19,045	54,754	50,344	28,176	23,408
Subordinated capital	0	37	200	0	1,154	1,097	9,071	7,166
Total	**314,719**	**261,174**	**65,829**	**70,339**	**90,612**	**84,909**	**65,235**	**53,912**

(52) Contingent liabilities and other obligations

in DM m.	31.12.1996	31.12.1995
Contingent liabilities	**55,953**	**50,307**
from rediscounted bills of exchange	4,021	4,106
from guarantees and indemnity agreements	51,932	46,201
Other obligations	**135,105**	**93,130**
Placement and underwriting obligations	465	644
Irrevocable credit commitments	84,878	84,754
Netted repo business	27,146	–
Delivery obligations from securities lending	18,726	5,489
Other obligations	3,890	2,243
Total	**191,058**	**143,437**

Placement and underwriting obligations

The placement and underwriting obligations not utilized amounted to DM 465 million. DM 76 million had been utilized at the end of 1996.

Irrevocable credit commitrments

Of the irrevocable credit commitments, DM 76,447 million relates to commitments to non-banks in respect of book credits and discounts.

Netted repo business

On the basis of enforceable rights of set-off (master netting agreements) repo business in the sum of DM 27,146 million had to be set off.

Other obligations

The annual payment obligations resulting from rental agreements total DM 470 million, with a remaining period of up to 25 years. Contingent liabilities and other obligations in connection with leasing agreements amounted to DM 273 million.

Liabilities for possible calls on not fully paid-up shares in public and private limited companies and other shares amounted to DM 403 million at the end of 1996. Joint liabilities pursuant to § 24 GmbH Act amounted to DM 62 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 2.4 million on December 31, 1996.

Pursuant to § 5 (10) of the Statute of the Deposit Insurance Fund, Deutsche Bank 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 1,865 million as a result of legal stipulations.

Obligations from transactions on futures and options exchanges and towards clearing centres, for which securities had to be deposited as collateral, amounted to DM 538 million as at December 31, 1996.

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

In connection with the resale of the trading house Klöckner & Co. AG, Duisburg, there are contingent liabilities totalling DM 148 million.

(53) Assets transferred as collateral security

Assets were transferred in the amounts stated for the following liabilities and contingent liabilities:

in DM m.	31.12.1996	31.12.1995
Deposits from other banks	11,990	11,053
Amounts owed to other depositors	4,728	1,506
Contingent liabilities	–	2,347
Total	**16,718**	**14,906**

The assets transferred as security are made up as follows:

in DM m.	31.12.1996	31.12.1995
Placements with, and loans and advances to, other banks	203	187
Loans and advances to customers	11,813	13,605
Assets held for dealing purposes	4,682	1,100
Investments	19	13
Property and equipment	1	1

(54) 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
DB Fund Management Ltd., Singapore
DB Investment Management S.A., Luxembourg
DB Investments (GB) Ltd., London
DB Leasing s.r.o., Prague
Deutsche Asset Management GmbH, Frankfurt am Main
Deutsche Australia Ltd., Melbourne (formerly: DB Australia Ltd.)
Deutsche Bank Argentina S.A., Buenos Aires
Deutsche Bank Bauspar-Aktiengesellschaft, Frankfurt am Main
Deutsche Bank Canada, Toronto
Deutsche Bank (C.I.) Ltd., Guernsey
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 Gilts Ltd., London
Deutsche Bank Lübeck Aktiengesellschaft vormals Handelsbank, Lübeck
Deutsche Bank Luxembourg S.A., Luxembourg
Deutsche Bank (Malaysia) Bhd., Kuala Lumpur
Deutsche Bank North America Holding Corp., Dover/U.S.A.
Deutsche Bank Polska S.A., Warsaw
Deutsche Bank Rt., Budapest
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 Finance (Netherlands) B.V., Amsterdam
Deutsche Gesellschaft für Fondsverwaltung mbH, Frankfurt am Main
Deutsche Grundbesitz-Investmentgesellschaft mbH, Frankfurt am Main
Deutsche Immobilien Anlagegesellschaft mbH, Frankfurt am Main
Deutsche Morgan Grenfell Capital Markets Ltd., Hong Kong (formerly: Deutsche Bank Capital Markets (Asia) Ltd.)
Deutsche Morgan Grenfell Futures Ltd., London (formerly: DBMG Futures & Options Ltd.)
Deutsche Morgan Grenfell Group plc, London (formerly: Morgan Grenfell Group plc.)
Deutsche Morgan Grenfell Holdings Australia Ltd., Sydney (formerly: Bain & Company Ltd.)
Deutsche Morgan Grenfell SdB S.N.C., Paris
Deutsche Morgan Grenfell (Singapore) Ltd., Singapore (formerly: Deutsche Bank (Asia Pacific) Ltd.)
Deutsche Morgan Grenfell Trust Bank Ltd., Tokyo
Deutsche Sharps Pixley Metals Ltd., London
Deutsche Vermögensbildungsgesellschaft mbH, Bad Homburg v.d.H.
DWS Deutsche Gesellschaft für Wertpapiersparen mbH, Frankfurt am Main
Europäische Hypothekenbank S.A., Luxembourg
Finanza & Futuro S.p.A., Milan
Frankfurter Hypothekenbank Centralboden Aktiengesellschaft, Frankfurt am Main
Grunelius KG Privatbankiers, Frankfurt am Main
Lübecker Hypothekenbank Aktiengesellschaft, Lübeck
Schiffshypothekenbank zu Lübeck Aktiengesellschaft, Hamburg
Süddeutsche Bank GmbH, Frankfurt am Main
Versicherungsholding der Deutschen Bank Aktiengesellschaft, Berlin and Bonn
Vertriebsgesellschaft mbH der Deutschen Bank für Privatkunden, Frankfurt am Main

Companies with which a profit and loss transfer agreement exists are marked in the List of Shareholdings.

(55) Trust activities

The following table shows the volume of trust activities not reported in the consolidated balance sheet:

Trust assets in DM m.	31.12. 1996	31.12. 1995	Trust liabilities in DM m.	31.12. 1996	31.12. 1995
Placements with, and loans and advances to, other banks	1,557	1,647	Deposits from other banks	142	186
Loans and advances to customers	1,024	792	Amounts owed to other depositors	3,297	2,520
Bonds and other fixed-income securities	59	72			
Participating interests	799	195			
Total	**3,439**	**2,706**	**Total**	**3,439**	**2,706**

(56) Our staff

The average number of effective staff employed during the financial year totalled 66,833 (1995: 66,566), of whom 29,666 (1995: 30,151) were women. Part-time staff are included in these figures proportionately. An average of 23,049 (1995: 21,034) members of staff worked abroad.

(57) Emoluments of the Board of Managing Directors and Supervisory Board, and loans granted

In 1996 the total emoluments of the Board of Managing Directors amounted to DM 27,656,985.78. Former members of the Board of Managing Directors of Deutsche Bank AG or their surviving dependents received DM 11,914,590.84. In addition to a fixed payment of DM 296,700, the Supervisory Board received dividend-related emoluments totalling DM 1,840,000.

Provisions for pension commitments to former members of the Board of Managing Directors and their surviving dependents totalled DM 99,537,788.

At the end of 1996 advances and loans granted and liabilities assumed for members of the Board of Managing Directors amounted to DM 13,216,757.03 and for members of the Supervisory Board of Deutsche Bank AG to DM 3,443,490.98.

The members of the Supervisory Board and the Board of Managing Directors are listed on pages 94 and 96.

Outlook

In 1996, the world economy was in good condition overall. Inflation rates and capital market interest rates reached record lows. In the U.S.A., growth accelerated and the already high utilization of productive capacities increased further. In Europe, the cyclical recovery continued; at the same time, the prospects on the labour markets in several countries are not encouraging. The East Asian region still continues to record the highest real growth rates; several markets, however, are characterized by structural upheavals.

In Germany, we expect positive impulses for our business in 1997. Credit demand on the part of companies and households should remain buoyant, with an unchanged low level of interest rates. We expect trading business to remain brisk in all areas. Our priorities are to expand our distribution channels and streamline processing and settlement processes. The new structure of our branch network offers a good basis for this.

Abroad, we shall continue to strengthen our exposure selectively and at the same time expand our investment banking activities according to schedule. On the basis of the capital investment made last year in our dealing activities, we expect a strong increase in profits from this business area. Special attention will also be paid to the further development of private banking – especially asset management for high-net-worth private clients – in regions with strong growth.

Competition on financial markets will continue to intensify. In the current year, too, there is likely to be ongoing pressure on margins, continued high costs, and hardly any reduction in the need for risk provisioning. Against this background, we attach prime importance to efficient cost and risk management.

For 1997, we remain confident overall. The reorganization of the bank, undertaken with great effort, will further strengthen our market position. We are convinced that the strategic decisions and structural changes in the Group, which entail considerable preliminary costs, will have an even stronger positive impact on the future development. We therefore expect another improved overall result.

Statement by the Board of Managing Directors

The Board of Managing Directors of Deutsche Bank AG is responsible for the preparation and presentation of the Consolidated Financial Statements. The Consolidated Financial Statements have been prepared in accordance with the International Accounting Standards and also comply with the European Union's disclosure requirements, which are partially more extensive. The information in the Annual Report is consistent with that in the Consolidated Financial Statements.

The responsibility for correct accounting requires the implementation and maintenance of an efficient internal management and control system and a functioning audit apparatus. Deutsche Bank's internal control system is based on written communication of policies and procedures governing structural and procedural organization, the establishment of time-critical risk controlling for counterparty and market risks as well as the segregation of duties. The internal control system covers all business transactions, assets and records. Deutsche Bank's audit is carried out in accordance with the extensive audit plans covering all divisions of the Group and also including compliance with the organizational terms of reference.

KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft audited the Consolidated Financial Statements in accordance with the International Standards on Auditing and expressed an unqualified opinion.

We granted KPMG Deutsche Treuhand-Gesellschaft and the Auditing Department of Deutsche Bank free access to all documents needed in the course of their audits for an evaluation of the Consolidated Financial Statements and for an assessment of the appropriateness of the internal control system.

Frankfurt am Main, March 12, 1997

Deutsche Bank AG

Hilmar Kopper | Jürgen Krumnow

Auditor’s Report

To the Board of Managing Directors and Supervisory Board of Deutsche Bank AG.

We have audited the Consolidated Financial Statements of Deutsche Bank AG as at December 31, 1996, as well as the Consolidated Cash Flow Statement for the financial year. The preparation and content of these Consolidated Financial Statements are the responsibility of the company’s Board of Managing Directors. Our responsibility is to express an opinion, having conducted an audit, on the compliance of these Consolidated Financial Statements with the International Accounting Standards.

We conducted our audit in accordance with the International Standards on Auditing as set by the International Federation of Accountants (IFAC). These Standards require that we plan and perform the audit on the Consolidated Financial Statements to obtain reasonable assurance about whether the Consolidated Financial Statements are free of material misstatement. Performing an audit on the Consolidated Financial Statements includes examining, on a test basis, evidence supporting the preparation of accounts and the disclosures in the Consolidated Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Managing Directors, as well as evaluating the overall presentation of the Consolidated Financial Statements. We are confident that our audit provides a sufficiently sound basis on which to make an assessment.

In our opinion, the Consolidated Financial Statements and Consolidated Cash Flow Statement give a true and fair view of the company's net assets and financial position as at December 31, 1996, and of the income and cash flow situation of the financial year then ended and are in accordance with the standards set by the International Accounting Standards Committee (IASC).

Frankfurt am Main, March 14, 1997

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Fliess
Wirtschaftsprüfer

Brackert
Wirtschaftsprüfer

Report of the Supervisory Board

At its four meetings last year and in individual talks, the Supervisory Board was kept informed about the bank's situation and current questions of business policy. The current development of business and important individual transactions were the subject of intensive discussion as were Corporate Banking, developments at BANK 24, Investment Banking, Credit Risk Management and other matters of major business significance.

The general economic situation was also discussed in detail, particularly from business, tax and monetary aspects, along with many questions relating to European Monetary Union.

The Supervisory Board acknowledged the restructuring of Group Management. Four Group Divisions were formed (Retail and Private Clients, Corporate and Institutional Banking, Investment Banking and Group Services), each with their own Divisional Board, which carries full operational responsibility, and initially four Staff Divisions. Responsibility pursuant to German stock corporation law lies, however, as before with the Board of Managing Directors. The Supervisory Board was also informed about the introduction of levels of responsibility for executive staff and about the plan to introduce variable remuneration.

Changes in the bank's portfolio of participating interests were discussed. The relevant proposals of the Board of Managing Directors were closely examined and approved where required by German law or the Articles of Association.

The Credit Committee of the Supervisory Board discussed with the Board of Managing Directors, in the set periods, all loans subject to mandatory approval under German law and the Articles of Association, as well as loans entailing greater risks and, where necessary, gave its approval. Here, country risks and the loan portfolio in the real estate sector were discussed in particular detail.

With effect from April 10, 1996, Dr. Henning Schulte-Noelle resigned from the Supervisory Board of Deutsche Bank. We wish to thank him for his valuable cooperation. Mr. Adolf Kracht, Munich, was appointed in his place.

In its meeting of March 27, 1996, the Supervisory Board accepted Sir John Craven's request to be released from his contract relating to the Board of Managing Directors after the General Meeting on May 28, 1996. At the same meeting, the Supervisory Board resolved to appoint Mr. Michael Dobson (previously Chief Executive of the Investment Banking Group Division) as a full member of the Board of Managing Directors of Deutsche Bank AG with effect from May 28, 1996. In its meeting on October 30, 1996, the Supervisory Board accepted the wish of Ms. Schneider-Lenné to resign from the Board of Managing Directors on December 31, 1996, and the wishes of Dr. Cartellieri and Mr. Kopper to resign from the Board of Managing Directors after the General Meeting on May 20, 1997. At the same meeting, Dr. Josef Ackermann (until recently President of the Executive Board of Crédit Suisse) was appointed full member of the Board of Managing Directors.

Ms. Ellen Ruth Schneider-Lenné, member of the Board of Managing Directors, passed away on December 25, 1996 at the age of 54. She had been with the bank for almost three decades and, over the years, had always displayed great energy and personal commitment. A fine, upstanding person with an engaging character, she possessed broad knowledge and a clear sense of judgement which she applied to the benefit of the bank, achieving great success particularly in the areas of international business and credit risk management. She was highly regarded in the business and banking communities and her sound advice was greatly appreciated.

KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, the auditor of the Annual Financial Statements elected at last year's General Meeting, has audited the accounting, the Annual Financial Statements, and the Management Report, and expressed an unqualified opinion. We agree with the results of this audit.

Moreover, we have examined the Annual Financial Statements as at December 31, 1996, the Management Report and the proposed appropriation of profits. We have no objections to them. The Consolidated Financial Statements, the Management Report of the Group and the report of the auditor of the Consolidated Financial Statements were submitted to us.

Representatives of the bank's auditor attended the balance sheet meetings of the Supervisory Board and its Credit Committee and commented on questions raised.

The Consolidated Financial Statements were drawn up in accordance with the regulations issued by the International Accounting Standards Committee (IASC). These Consolidated Financial Statements were explained to us in detail.

The Annual Financial Statements prepared 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 24, 1997

The Supervisory Board

Christians

Dr. F. Wilhelm Christians
Chairman

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

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

Ulrich Kaufmann*
Deutsche Bank AG
Düsseldorf

Dr. Elmar Kindermann*
Deutsche Bank AG
Frankfurt am Main

Adolf Kracht
Consultant
Munich
from May 9, 1996

**Professor Dr.-Ing. E. h. Dipl.-Ing.
Berthold Leibinger**
Chairman of the
Board of Management of
TRUMPF GmbH + Co.
Ditzingen

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

Margret Mönig-Raane*
First Chairperson of the
Gewerkschaft Handel, Banken und
Versicherungen
Düsseldorf
from January 9, 1996

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
until April 10, 1996

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

Dr.-Ing. E. h. Werner H. Dieter
Chairman
Lohr

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

Dr. Joachim Funk
Chairman of the Executive Board
of Mannesmann AG
Düsseldorf
from May 28, 1996

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

Dr. Eckart van Hooven
Hamburg
until May 28, 1996

Adolf Kracht
Member of the Board of Management
of Gerling Group
Rheinische Versicherungs-Gruppe AG
Cologne
until May 9, 1996

Hans Jakob Kruse
Hamburg
until May 28, 1996

Yoh Kurosawa
Chairman of the Board of Directors
IBJ The Industrial Bank
of Japan, Ltd.
Tokyo

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

Helmut Loehr
Member of the Board of Management
of BAYER AG
Leverkusen

Francis Mer
Président Directeur Général
d'Usinor Sacilor
Paris

August Oetker
General Partner
Dr. August Oetker
Bielefeld
from May 28, 1996

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

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

Edzard Reuter
Stuttgart
until March 25, 1996

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

Jürgen E. Schrempp
Chairman of the Board of
Management of
Daimler-Benz AG
Stuttgart
from May 28, 1996

Sir David A. G. Simon CBE
Chairman of the Board
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

Marcus Wallenberg
Executive Vice President
INVESTOR AB
Stockholm
from May 28, 1996

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

Dr. Herbert Zapp
Frankfurt am Main

Dr. Jürgen Zech
Chairman of the Board of Management
of Gerling Group
Versicherungs-Beteiligungs-
Aktiengesellschaft
Cologne
from May 28, 1996

Board of Managing Directors in the Reporting Year

Josef Ackermann
(from October 30, 1996)

Carl L. von Boehm-Bezing

Rolf-E. Breuer

Ulrich Cartellieri

Sir John A. Craven
(until May 28, 1996)

Michael Dobson
(from May 28, 1996)

Michael Endres

Tessen von Heydebreck
(Deputy
until January 29, 1996)

Hilmar Kopper

Jürgen Krumnow

Georg Krupp

Ronaldo H. Schmitz

Ellen R. Schneider-Lenné
(† December 25, 1996)

Ulrich Weiss

Reorganization of Group Management

Since mid-1996, all business activities have been combined in the Group Divisions "Retail and Private Clients", "Corporate and Institutional Banking", "Investment Banking" and "Group Services". They have full operating management responsibility and are active worldwide. Staff Divisions exercise Group-wide advisory, supervisory and steering functions.

Group management is made up as follows:

Group Board

The *Group Board* consists of the Members of the Board of Managing Directors of Deutsche Bank AG as appointed by the Supervisory Board in accordance with German stock corporation law. The Group Board manages the Group in accordance with uniform guidelines, exercises control over all divisions of the Group, and has ultimate responsibility in all questions relating to the Group.

Divisional Boards

Divisional Boards have been formed to relieve the Group Board of operational assignments and at the same time to strengthen the management of the Group Divisions. Their members comprise, on the one hand, Group Board members as Spokesmen and, on the other, members appointed by the Group Board.

Group Executive Committee

Group Board and Divisional Boards, together with specifically appointed Heads of Staff Divisions and the Chief Executive Officers of the Asia/Pacific and North America regions, form the *Group Executive Committee*. It institutionalizes the management of Deutsche Bank on a Group-wide basis.

Group Executive Committee (from May 21, 1997)

Members of the Group Board	Heads of Staff Divisions	Staff Divisions	Staff Division Heads outside the Group Executive Committee
Rolf-E. Breuer (Spokesman)	Hans-Peter Ferslev Heinz Fischer	Group Strategy Senior Management Development Communications	(Siegfried Guterman, Dierk Hartwig, Hans-Dieter Liesering, Brigitte Seebacher-Brandt)
Josef Ackermann	John A. Ross John Lake Otto Steinmetz	Treasury Market Risks Credit Risks Economics	(Axel Siedenberg, Norbert Walter)
Jürgen Krumnow	Manfred Timmermann	Accounting and Controlling/ Risk Controlling Taxes	(Horst Langel, Erhard Ullrich)

	Members of the Divisional Boards	Group Divisions	
		Retail and Private Clients	
Tessen von Heydebreck **Georg Krupp**	Richard Steinig Bernd-Albrecht von Maltzan Burkhardt Pauluhn Hans J. Lange	Branch Sales and Customer Service Private Banking New Distribution Channels and Business Processing Marketing and Product Management	
		Corporate and Institutional Banking	
Carl L. von Boehm-Bezing **Michael Endres**	Klaus Juncker Jürgen Bilstein Jürgen Fitschen Lutz Mellinger	SMEs and Sales Finance MNCs and Public-Sector Entities Financial Institutions Commercial Real Estate	
		Investment Banking	
Michael Dobson **Ronaldo H. Schmitz**	Jonathan Asquith Edson Mitchell Michael Philipp Maurice Thompson/ W. Carter McClelland Rick Haller Robert Smith	Chief Operating Officer Global Markets Equities Investment Banking Division Proprietary Trading (Emerging Markets) Institutional Asset Management	
		Group Services	
Michael Endres **Ulrich Weiss**	Peter Gerard Marc Sternfeld Klaus Kohler Heinz Fischer	Information Technology/Operations Information Technology/Operations Investment Banking Legal Personnel Compliance Auditing	(Dieter Eisele) (Jürgen Schuricht)

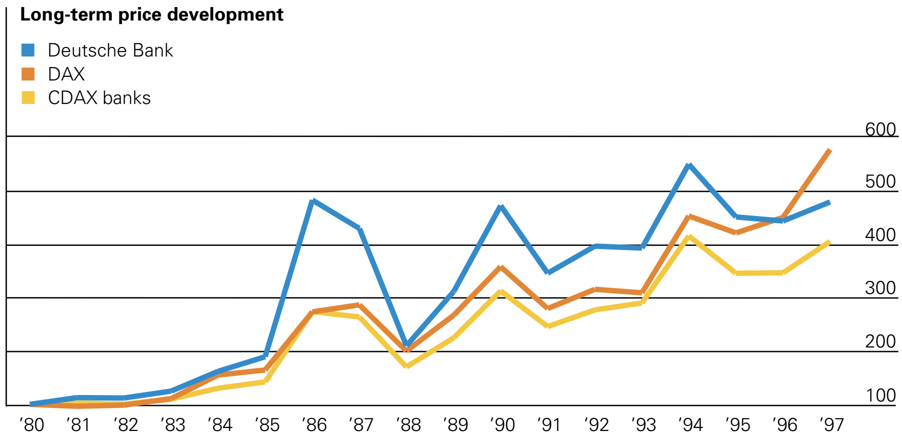
	Regional Chief Executive Officers	Overseas Regions
Josef Ackermann **Ronaldo H. Schmitz**	Simon Murray W. Carter McClelland	Asia/Pacific North America

The Deutsche Bank Share

It will be proposed to the General Meeting on May 20, 1997 that an unchanged dividend of DM 1.80 per DM 5 share be paid. Including the tax credit of DM 0.77, the total income for our domestic shareholders will again be DM 2.57. In relation to the end-of-year price on December 30, 1996 in Frankfurt of DM 71.90, this means a dividend yield of 3.6 % with the tax credit and 2.5 % without it. The total dividend appropriation for the 1996 financial year will be DM 900 million compared with DM 897 million for 1995.

Modest price performance

The value of our share (increase in share price plus reinvested dividend) rose in 1996 by 8.1 %. Considering, however, that within the same period the German share index (DAX) rose by 28.2 % and the CDAX for banks advanced by 16.9 %, we were not satisfied with the development in the price of the Deutsche Bank share. Its modest performance also reflected investors' reaction to the unfortunate events at the former Klöckner-Humboldt-Deutz AG, in which we hold a large stake, and at Morgan Grenfell Asset Management. The development of our share price and many discussions with investors during the first weeks of 1997 have increased our confidence that measures introduced over the last few years to increase profitability will have a positive effect on the value of our share.



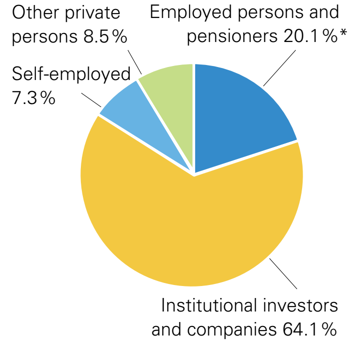
(Total Return Index,1980=100)

The long-term comparison with the German equity market looks much better. For example, an investor who bought DM 10,000 worth of Deutsche Bank shares at the beginning of 1980, used the cash dividends to buy more shares and took advantage of capital increases without injecting additional funds had a portfolio worth DM 48,158 at the end of 1996. That corresponds to an average annual return of 9.7 % compared with 10.9 % on the DAX and 8.6 % on the sectoral index.

As in the previous year, the Deutsche Bank share was the third most heavily traded equity on all German stock exchanges, including the IBIS computer trading system, and accounted for 6.5 % of total domestic equity sales (1995: 8.7 %). Of these, almost half were carried out on IBIS, a system which is becoming increasingly important. On the DTB, the German futures and options exchange, options on the Deutsche Bank share ranked second among all German shares in terms of the option premium paid. At the end of 1996, 500,177,287 shares of DM 5 par value were outstanding. With a market value for these shares of approximately DM 36.0 billion, Deutsche Bank accounted for 3.5 % of the total market capitalization of all domestic shares traded in Germany (1995: 4.1 %). In London, the most important stock exchange for the Deutsche Bank share outside of Germany, it is one of the most popular German shares traded.

Distribution of share capital

Total: DM 2,501 million



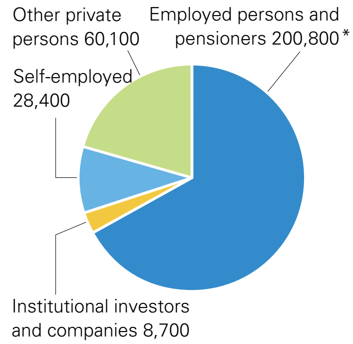
* thereof staff shareholders 2.5 %

After being the first and only German bank to report in 1995 according to International Accounting Standards, we are making our business even more transparent in this year's report. For the 1996 financial year we have disclosed for the first time the performance of individual Group Divisions.

The annual survey on shareholder structure showed that the number of shareholders in December 1996 was 298,000 against 286,000 in December 1995. The share of equity held by institutional investors increased further to 64.1 % (1995: 62.3 %). The share held by foreign investors continued to decrease and now stands at 37 % (1995: 40 %). Sales of Deutsche Bank shares were carried out mainly by British and Swiss investors. With a stake of 5.03 % of the bank’s equity, Allianz Holding AG continues to be the only major shareholder reported under § 21 of the German Securities Trading Act.

Shareholder Structure

298,000 shareholders



* thereof staff shareholders 51,000

Approximately 3,800 shareholders and shareholders’ representatives attended our 1996 General Meeting in Frankfurt am Main, which lasted roughly eleven and a half hours. As in the previous year, 47 % of the bank's share capital was represented. In future, our General Meeting will be held regularly in Frankfurt, where the company is based. Our aim here is to cut back the organizational time and effort involved and substantially reduce costs.

Group Long-Term Record

Group Long-Term Record in DM million

Figures according to IAS[1])				Figures according to German CommC							
1996	**1995**	**1994**	**Balance Sheet**	**1993[2])**	**1992[2])**	**1990**	**1985**	**1980**	**1975**	**1970**	**1967[4])**
886,090	721,665	592,634	**Total Assets**	556,636	498,711	399,850	237,227	174,594	91,539	38,398	22,133
			Assets								
23,157	17,913	12,697	Cash reserve	7,522	8,948	6,541	7,956	8,006	5,106	3,021	1,553
136,001	109,218	101,133	Placements with, and loans and advances to, other banks	97,940	95,646	93,530	43,741	33,549	15,587	4,317	2,269
460,068	409,529	353,161	Loans and advances to customers	309,262	294,560	246,799	153,076	111,198	54,688	20,703	9,015
– 13,202	– 14,314	– 14,796	Total provisions for losses on loans and advances								
177,172	110,837	65,629	Assets held for dealing purposes								
55,400	49,372	40,609	Investments								
10,375	9,062	8,996	Property and equipment	12,341	11,136	7,838	3,185	2,039	1,415	540	364
411,358	379,411	348,531	**Total credit extended[3])**	332,793	321,521	273,324	174,583	127,707	65,208	27,443	14,144
			Liabilities								
213,953	178,853	123,857	Deposits from other banks	106,984	98,874	82,986	57,450	53,059	21,574	7,598	3,168
375,629	301,386	263,875	Amounts owed to other depositors	275,954	242,218	204,444	104,919	74,658	44,243	24,871	17,010
47,019	46,407	45,111	thereof: savings deposits and building saving deposits	46,740	45,430	37,615	24,773	22,243	18,367	9,030	6,542
135,924	96,754	82,390	repayable on demand	82,862	70,152	51,709	23,669	15,769	12,735	7,454	6,335
192,686	158,225	136,374	with agreed period or period of notice	146,352	126,636	115,120	56,477	36,646	13,141	8,387	4,133
141,610	126,895	114,015	Promissory notes and other liabilities evidenced by paper	109,489	100,467	81,838	55,397	34,832	19,209	3,355	15
43,053	36,014	29,714	Provisions	25,067	22,082	8,894	5,866	2,911	1,460	626	431
10,425	8,300	8,215	Subordinated capital	8,185	5,765						
29,690	28,043	25,875	Capital and reserves	21,015	19,324	15,566	9,392	5,365	3,325	1,462	1,111
			Derivatives								
3,384,436	1,968,506	1,781,683	Notional volume	1,341,414	1,107,113	601,991					
26,710	14,749	17,500	Credit risk equivalent pursuant to BIS	15,896	12,002	6,809					

1996	**1995**	**1994**	**Income Statement**	**1993**	**1992**	**1990**
10,543	10,810	11,299	Net interest income	11,706	10,899	8,773
797	1,347	2,257	Provision for losses on loans and advances	3,286	1,910	2,257
6,850	5,602	5,596	Net commission income	5,846	4,630	3,930
620	608	559	Net income from insurance business	511	92	32
3,226	2,035	1,039	Trading profit	1,997	1,134	606
15,219	13,636	12,531	General administrative expenses	11,731	10,420	8,163
5,812	4,242	3,629	**Operating profit**	5,266	4,553	2,971
2,672	1,445	1,822	Income taxes	2,059	1,574	1,128
2,218	2,120	1,715	**Net income**	2,243	1,830	1,067

1996	**1995**	**1994**	**Key figures**	**1993**	**1992**	**1990**					
DM 1.80	DM 1.80	DM 1.65[5])	Dividend per DM 5 share	DM 1.65	DM 1.50	DM 1.40					
900	897	783[5])	Dividend appropriation Deutsche Bank AG	778	695	618					
DM 4.25	DM 4.15	DM 3.55	Net income per DM 5 share	DM 4.60	DM 3.90	DM 2.35					
17.1 %	13.7 %	14.1 %	Return on equity before tax (RoE)	24.5 %	21.0 %	16.2 %					
71.7 %	71.6 %	67.8 %	Cost/income ratio	58.5 %	62.2 %	61.2 %					
9.9 %	10.1 %	10.4 %	BIS capital ratio	11.3 %	10.5 %	10.7 %					
43,789	39,908	37,540	Capital and reserves pursuant to BIS	40,740	34,910	29,075					
74,356	74,119	73,450	Staff at year's end	73,176	74,256	69,272	48,851	44,128	40,839	36,957	28,800

[1]) Owing to the application of the IAS, the figures from the Balance Sheet, the Income Statement and the key figures for 1994 to 1996 are only to a certain extent comparable with the previous years

[2]) Owing to the application of bank accounting law, the Balance Sheet figures for 1992 and 1993 are only to a certain extent comparable with the previous years; in the Profit and Loss Account the comparative figures have been adjusted as from 1990.

[3]) Excluding reverse repos (money market business backed by securities).

[4]) First Consolidated Financial Statements.

[5]) Excluding anniversary bonus of DM 0.30 per DM 5 share, or DM 142 million.

Deutsche Bank 100 Years Ago

Siebenundzwanzigster Geschäfts-Bericht

Deutschen Bank

1. Januar bis 31. December 1896.

When this advertisement was published by Deutsche Bank in 1896, it was still unusual for banks to advertise their services.

Highlights for 1896

Total assets	M. 569,376,177
Share capital	M. 100,000,000
Profit	M. 13,303,807
Staff	1,340

The buildings along the Anatolia Railways were modelled on German originals; the photo shows the station at Eskichehir.

Various circumstances have rendered the year 1896 a good one for Germany. The country was favoured with a bountiful harvest, which the farmers were able to realise at steadily increasing prices, and all branches of industry were busily employed in executing on a remunerative basis the constantly increasing volume of home orders, as well as those received from abroad. If in certain trades progress was arrested, and if a few agricultural products – for instance, sugar – did not yield such profitable results as were expected, the cause was not due to the general commercial position, but should rather be sought for in the operation of new laws which were of too partial a character and did not lead to the result desired.

On the German Bourses a reactionary tendency manifested itself, which in the latter half of the year became very marked. Owing to the limitations imposed on time bargains and the development which was thereby produced in dealings for cash, a larger supply of working capital was required for conducting the business of the Bourses under the new regulations. This extra demand for Capital, arising concurrently with an increased demand for money for industrial and trade purposes, effected a rise in interest rates. On the other hand the shrinkage thereby entailed in the volume of business caused a reduction in the amount of commissions earned. That these circumstances are only partially reflected in our Balance Sheet for the past year is explained by the increased business transacted by our Branches and profits arising from some fresh international connections. The total amount of commissions earned by the Bank thus shows even a slight increase.

The number of officials in the Bank's service at the end of the year 1896 was 1,340.

The Branches in London, Bremen and Hamburg have again achieved good results, and the satisfactory progress made by the Munich and Frankfort Branches has assisted in consolidating the Bank's position in the South of Germany.

The business of the Deutsche Ueberseeische Bank (Banco Aleman Transatlántico) has continued to expand and to yield satisfactory profits. In view of the opening of a Branch at Valparaiso, the paid up capital has been increased to £640,000. The dividend for 1895 on the shares held by the Deutsche Bank amounted to £33,993, and has been included in the Accounts now presented. The dividend for 1896 will be credited in our Accounts for the current year (1897).

The reorganisation of the Northern Pacific Railroad Company, as well as of the Oregon Railway and Navigation Company, has now been concluded. It is especially satisfactory to the Bank to be able to state that at present quotations, compared with the prices at which the securities of these companies were originally introduced to the German market, there remains no longer any loss to the German public as an entirety.

The construction of the Anatolia Railways has been completed. The traffic receipts early in the year were unfavourably affected by political troubles, the cholera and bad crops of the previous season; but the good harvest of 1896 and the better prices obtainable for cereals produced a marked improvement in the earnings of the last three months of 1896, which improvement is continuing in a satisfactory manner. The guarantee of the Turkish Government during 1896 has been punctually paid.

The Salonica-Monastir Railway is making satisfactory progress. The guarantee for 1896 was paid in full already in February, 1897.

The Bank has continued its efforts to bring to a satisfactory issue the claims of the Bondholders of the Five per cent. Gold Loan of the Province of Buenos Ayres. Although, thus far, no tangible result has been obtained, the improvement which has taken place in the situation of the Argentine Republic, and more particularly in the economic condition of the Province of Buenos Ayres, encourages us to look forward with greater hope to the future.

Glossary: technical terms used in the Annual Report for 1996

BIS capital ratio
Key figure for the cover of international banks' default risks (risk-weighted assets including off-balance-sheet transactions) by regulatory capital (core capital and supplementary capital → capital and reserves according to BIS). The minimum ratio of Tier I (core) plus Tier II (supplementary) capital to risk-weighted assets is 8% (thereof at least 4% core capital).

Capital Adequacy Directive
EU directive on the availability of adequate capital and reserves with respect to the market risks resulting from the dealing activities of securities firms and banks. Planned transposition into German law in 1997.

Capital and reserves according to BIS
Regulatory capital and reserves according to the Basle Capital Adequacy Accord of 1988 for international banks. They consist of core capital (especially share capital and reserves) and supplementary capital (primarily participatory capital, subordinated liabilities, hidden reserves and revaluation reserves in quoted securities such as bonds, shares and participating interests).

Cash flow statement
Calculation and presentation of the cash flow a company has generated or consumed during a financial year as a result of operating, investing and financing activities, and reconciliation of holdings of cash and cash equivalents at the beginning and end of the financial year.

Confidence level
The probability of a potential loss arising within the interval stated by the → VAR.

Convertible bond
A bond conferring on the holder, in addition to a fixed interest payment, the irrevocable right, under certain conditions, to convert the bond into shares of the company concerned. Upon conversion the convertible bond is subsumed in the share.

Cost/income ratio
In general: a key figure for assessing a company's cost efficiency; the ratio of operating expenses to operating income. *Here:* general administrative expenses as a percentage of → regular income.

Credit risk
The risk that a borrower may not be able to meet its obligations towards the creditor; also known as counterparty or default risk.

Credit risk equivalent
Figure showing the credit risk for regulatory purposes (risk-weighted assets) that must be backed by capital and reserves (corresponding to the product of the risk-equivalent volume [credit equivalent] and a weighting depending on credit standing).

Derivative
A product whose value derives largely from the price, price fluctuations or price expectations of an underlying instrument (e.g. share, bond, foreign exchange or index). Derivatives include swaps, options and futures.

Equity method
Valuation method for holdings in companies whose business policy can be significantly influenced (associated companies) and where the pro rata share of the company's net income/loss for the year is reflected in the book value of the holding. For distributions the value is reduced by the pro rata amount.

Fair value
The amount at which assets or liabilities would be traded fairly between knowledgeable, willing and independent counterparties (IAS 32). Fair value is not necessarily synonymous with → market price.

FRA
(future/forward rate agreement)
An OTC interest rate forward contract. The counterparties 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 prevailing at maturity is settled between the counterparties.

Future
A forward contract standardized with respect to quantity, quality and delivery date whereby an instrument traded on the money, capital, precious metal or foreign exchange market is to be delivered or purchased at an agreed price at a certain future date. Cash settlement is often stipulated for such contracts (e.g. those on equity indices) to meet the existing obligation (instead of physical delivery or purchase of securities).

Home banking
Facility for carrying out banking transactions from home around the clock via an electronic network (T-Online, Internet) or by telephone through a remote bank, such as BANK 24.

IAS
(International Accounting Standards)
Accounting standards developed by international associations of accountants, preparers of financial statements and financial experts; these standards ensure comparability of balance sheets and disclosure not just within the European Union but worldwide. The main objective of such reporting is to present information needed for decision-making by a broad group of parties interested in annual financial statements, especially investors. The body of rules contains general accounting principles and, at present, over 30 standards.

Mark to market
The valuation of a bank's proprietary dealing activities (→ trading profit) at current market prices irrespective of acquisition costs, with booking of unrealized capital gains to revenue.

Market maker
A market participant which provides binding bid and offer prices (e.g. for equities, bonds, foreign exchange and options), thus ensuring market liquidity.

Market price
The price that in an active market would have to be paid for a purchase or could be realized from a sale (IAS 32).

Mergers & acquisitions (M&A)
Company fusions and takeovers.

Money market fund
A mutual fund which concentrates on money market instruments.

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

	net interest income (after loan-loss provisioning)
+	net commission income
+	trading profit
+	net income from insurance business
–	general administrative expenses
+	balance of other operating income/expenses
=	operating profit.

Option
The right to buy (call) or sell (put) a specific quantity of a particular asset (e.g. security or foreign exchange) at a predetermined price at or before a specific future date.

OTC derivative
A non-standardized financial instrument (→ derivative) that is traded not on a stock exchange but directly between market participants (over the counter).

Portfolio
In general: part or all of the securities investment held by a customer or company (securities book).
Here: combination of similar deals, in particular securities and/or derivatives, from a price risk viewpoint.

Proprietary trading
Trading carried out by a bank for its own account in securities, financial instruments, foreign exchange or precious metals (→ trading profit).

Rating
Standardized assessment of issuers' credit standing and their debt instruments by specialized agencies.

Regular income
At banks: net interest income, net commission income and trading profit.

Repo
An agreement to repurchase securities sold (genuine repurchase agreement where the asset is still to be allocated to the seller). From the buyer's viewpoint, the transaction is a reverse repo.

Return on equity (RoE)
In general: ratio showing the income situation of a company or bank, relating profit (net income for the year) to capital employed.
Here: net income for the year (before tax) as a percentage of average capital employed over the year – excluding minority interests.

Secondary market
The market for securities already in issue (the counterpart of the primary market). Stock exchanges are the most important secondary markets.

Securitization
In general: rights evidenced by securities (e.g. shares or bonds).
Here: replacement of loans or financing of claims of various kinds through the issuance of securities (such as bonds or commercial paper).

Segment information
Disclosure of a company's assets and income analyzed by activity and geographical area.

Shareholder value
A management concept that gears strategic and operational decision-making to constantly increasing a company's value. The guiding principle is that only returns above the cost of capital create shareholder value.

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

Trading profit
Balance of income and expenses from proprietary trading in securities, financial instruments (especially → derivatives), foreign exchange or precious metals valued at market prices (→ mark to market). This item also includes the proportion of interest accruing, dividends and funding components allocated to trading activities, plus commissions from proprietary trading.

Value at risk (VAR)
A procedure for calculating the potential loss from price movements. This risk value is calculated on the basis of market-oriented price changes. Value at risk states the maximum loss to a certain probability (e.g. 97.7 %) for a given holding period (e.g. one day).

Yankee bond market
The market in which US dollar-denominated bonds of prime non-American issuers are traded.

Yield curve
A graph depicting bond yields over time.

Zero bond
A bond without coupons. Instead of periodic interest payments, the discount on face value represents the yield to maturity. The investor thus only receives one payment, namely the current market price if he sells the bond prior to maturity, or the face value if he holds it until maturity.

Index

Contents CD-ROM 1996

As a digital medium, the CD-ROM 1996 complements the printed version of the Annual Report in addition to containing useful and informative features such as a financial calculator, a glossary, and events in 1996. As last year, you can also select an English language version.

Consolidated Financial Statements according to IAS

Facts and Figures comprises Deutsche Bank Group's Consolidated Financial Statements according to IAS in figures and diagrams, as well as a short profile of all Deutsche Bank Group companies. Events in 1996 is a multimedia presentation of selected highlights of the year with excerpts from the Annual Press Conference on March 26, 1997.

Events in 1996

Financial calculator

Glossary of banking and stock market terms

You can do financial calculations for securities, loans, saving and investments and obtain information on the bank's products. A glossary explains banking and stock market terms. Lists includes a list of our shareholdings, Deutsche Bank's Advisory Council members, the Directory of Offices in Germany and abroad, and a list of bank codes. A time scale leading up to the present chronicles the history of European monetary union. You can also look up key terms in the Euro Glossary or Euro Archive. The CD-ROM enables you to obtain current information on the Internet.

History of European monetary union

You can order the CD-ROM 1996 using the form on the next page.

Publications

We would be pleased to send you these additional publications

☐ **Annual Report of Deutsche Bank Group (IAS)**
☐ German ☐ French ☐ Spanish
☐ Japanese (due at mid-year)

☐ **Consolidated Financial Statements and Management Report of Deutsche Bank for 1996 (CommC)**
☐ German ☐ English ☐ French

☐ **Annual Financial Statements and Management Report of Deutsche Bank AG for 1996**
☐ German ☐ English ☐ French

☐ **List of Shareholdings 1996** (German/English)

☐ **List of Advisory Council Members**

☐ **Directory of Deutsche Bank Offices worldwide** (German/English)

☐ **CD-ROM 1996** (German/English)

☐ **Brochure "Initiative fördern – das Umweltengagement der Deutschen Bank"** (available in German only)

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From

Name

Street

Postcode Town/City

Country

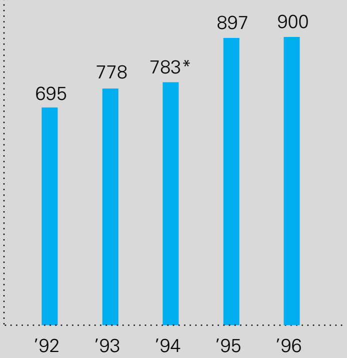
Deutsche Bank AG
Aktionärsservice
Z/IT Operations CS
CA Proxy Voting –PKS–

D-65755 Eschborn

Deutsche Bank Group Highlights according to International Accounting Standards (IAS)

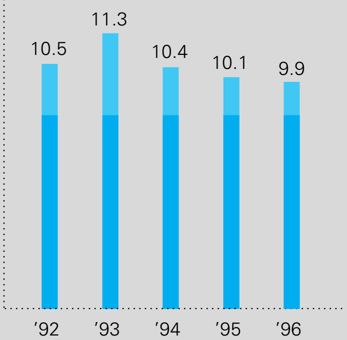
Dividend appropriation of Deutsche Bank AG

DM million



*excluding anniversary bonus of DM 142 million

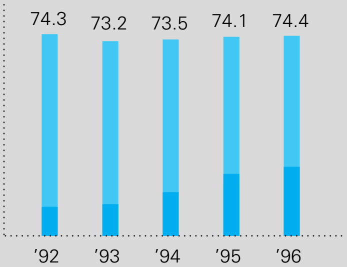
BIS capital ratio (Tier I + II)
Minimum ratio 8 %



Staff at year's end

in thousands

in Germany
abroad



	1996	1995
Dividend per DM 5 share	DM 1.80	DM 1.80
Dividend appropriation Deutsche Bank AG	DM 900 m.	DM 897 m.
Net income per DM 5 share	DM 4.25	DM 4.15
Return on equity (RoE) before tax	17.1 %	13.7 %
Cost/income ratio	71.7 %	71.6 %
BIS capital ratio (Tier I + II)	9.9 %	10.1 %
BIS capital (Tier I + II)	DM 43.8 bn.	DM 39.9 bn.
	DM million	DM million
Net interest income	10,543	10,810
Provision for losses on loans and advances	797	1,347
Net commission income	6,850	5,602
Trading profit	3,226	2,035
General administrative expenses	15,219	13,636
Operating profit	5,812	4,242
Net income before tax	4,890	3,565
Income taxes	2,672	1,445
Net income	2,218	2,120
Total assets	886,090	721,665
Loans and advances to customers	460,068	409,529
Amounts owed to other depositors	375,629	301,386
Liabilities evidenced by paper	141,610	126,895
Derivatives		
notional volume	DM 3,384 bn.	DM 1,969 bn.
credit risk equivalent pursuant to BIS	DM 26.7 bn.	DM 14.7 bn.
	Number	Number
Branches	2,417	2,494
in Germany	1,627	1,691
abroad	790	803
Staff	74,356	74,119
in Germany	49,670	51,957
abroad	24,686	22,162
Long-term rating		
Moody's Investors Service, New York	Aa1	Aaa
Standard & Poor's, New York	AAA	AAA
IBCA, London	AAA	AAA

Deutsche Bank Group Companies

Group Divisions

Retail and Private Clients

Branch Sales and Customer Service
Private Banking
New Distribution Channels and Business Processing
Marketing and Product Management

Deutsche Bank AG*
Frankfurt am Main

Bank 24 AG
Bonn

Bonnfinanz AG für Vermögensberatung und Vermittlung
Bonn

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

DB Immobilien GmbH
Heidelberg

DB Investment Management S.A. Sociedad Gerente de Fondos Comunes de Inversión
Buenos Aires

DB Investment Management S.A.
Luxembourg

DB Vida – Companhia de Seguros de Vida, S.A.
Lisbon

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

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

Deutsche Bank Argentina S.A.*
Buenos Aires

Deutsche Bank Bauspar-AG
Frankfurt am Main

Deutsche Bank Credit, S.A.
Madrid

Deutsche Bank Fondi S.p.A.
Milan

Deutsche Bank Lübeck AG vormals Handelsbank*
Lübeck

Deutsche Bank Luxembourg S.A.*
Luxembourg

Deutsche Bank Saar AG*
Saarbrücken

Deutsche Bank, S.A.E.*
Barcelona

Deutsche Bank S.p.A.*
Milan

Deutsche Bank (Suisse) S.A.
Geneva

Deutsche Bank Trust Company
New York

Deutsche Vermögens-bildungsgesellschaft mbH
Bad Homburg

Deutscher Herold Allge-meine Versicherungs-AG der Deutschen Bank
Bonn

Deutscher Herold Lebensversicherungs-AG der Deutschen Bank
Bonn

Deutscher Herold Rechtsschutz-versicherungs-AG der Deutschen Bank
Bonn

DWS Deutsche Gesellschaft für Wertpapiersparen mbH
Frankfurt am Main

Finanza & Futuro S.p.A.
Milan

Globale Krankenversicherungs-AG
Cologne

Grunelius KG Privatbankiers
Frankfurt am Main

Vertriebsgesellschaft mbH der Deutschen Bank für Privatkunden
Frankfurt am Main

* allocated to more than one Group Division

Corporate and Institutional Banking

Small and Medium-Sized Enterprises/Sales Financing
Multinational Corporations/Public-Sector Entities
Financial Institutions
Commercial Real Estate

Deutsche Bank AG*
Frankfurt am Main

ALD AutoLeasing D GmbH
Hamburg

DB Export-Leasing GmbH
Frankfurt am Main

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

DEBEKO Immobilien GmbH
Eschborn

Deutsche Bank Argentina S.A.*
Buenos Aires

Deutsche Bank de Bary N.V.*
Amsterdam

Deutsche Bank de Investimento, S.A.*
Lisbon

Deutsche Bank Factoring S.p.A.
Milan

Deutsche Bank Leasing S.p.A.
Milan

Deutsche Bank Lübeck AG vormals Handelsbank*
Lübeck

Deutsche Bank Luxembourg S.A.*
Luxembourg

Deutsche Bank Polska S.A.*
Warsaw

Deutsche Bank Rt.
Budapest

Deutsche Bank Saar AG*
Saarbrücken

Deutsche Bank S.A. – Banco Alemão*
São Paulo

Deutsche Bank, S.A.E.*
Barcelona

Deutsche Bank S.p.A.*
Milan

Deutsche Financial Services Corp.
St. Louis

Deutsche Gesellschaft für Mittelstandsberatung mbH
Munich

Deutsche Grundbesitz-Investmentgesellschaft mbH
Frankfurt am Main

Deutsche Immobilien Anlagegesellschaft mbH
Frankfurt am Main

Deutsche Immobilien Leasing GmbH
Düsseldorf

Europäische Hypothekenbank S.A.
Luxembourg

Frankfurter Hypothekenbank Centralboden AG
Frankfurt am Main

GEFA Gesellschaft für Absatzfinanzierung mbH
Wuppertal

GEFA-Leasing GmbH
Wuppertal

Lübecker Hypothekenbank AG
Lübeck

Schiffshypothekenbank zu Lübeck AG
Hamburg

Investment Banking

Global Markets
Equities
Investment Banking Division
Institutional Asset Management
Proprietary Trading (Emerging Markets)
Structured Finance

Deutsche Bank AG*
Frankfurt am Main

Deutsche Asset Management GmbH
Frankfurt am Main

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

Deutsche Australia Ltd.
Melbourne

Deutsche Bank de Bary N.V.*
Amsterdam

Deutsche Bank Canada
Toronto

Deutsche Bank de Investimento, S.A.*
Lisbon

Deutsche Bank France S.N.C.
Paris

Deutsche Bank Gilts Ltd.
London

Deutsche Bank Luxembourg S.A.*
Luxembourg

Deutsche Bank Polska S.A.*
Warsaw

Deutsche Bank S.A. – Banco Alemão*
São Paulo

Deutsche Bank, S.A.E.*
Barcelona

Deutsche Bank S.p.A.*
Milan

Deutsche Gesellschaft für Fondsverwaltung mbH
Frankfurt am Main

Deutsche Morgan Grenfell Argentina Sociedad de Bolsa S.A.
Buenos Aires

Deutsche Morgan Grenfell Asia Pacific Holdings Pte. Ltd.
Singapore

Deutsche Morgan Grenfell Canada Ltd.
Toronto

Deutsche Morgan Grenfell Capital Markets Ltd.
Hong Kong – Tokyo

Deutsche Morgan Grenfell Financial Products Corp.
New York

Deutsche Morgan Grenfell Futures Inc.
New York

Deutsche Morgan Grenfell Holdings Australia Ltd.
Sydney

Deutsche Morgan Grenfell Inc.
New York

Deutsche Morgan Grenfell SdB S.N.C.
Paris

Deutsche Morgan Grenfell SIM S.p.A.
Milan

Deutsche Morgan Grenfell (Singapore) Ltd.
Singapore

Deutsche Morgan Grenfell Trust Bank Ltd.
Tokyo

Deutsche Sharps Pixley Metals Ltd.
London

Morgan Grenfell Asset Management Ltd.
London

Morgan Grenfell Development Capital Holdings Ltd.
London

Morgan Grenfell & Co. Ltd.
London

Group Services

Personnel
Information Technology/Operations
Information Technology/Operations Investment Banking

Deutsche Bank AG*
Frankfurt am Main

Bonndata Gesellschaft für Datenverarbeitung mbH
Bonn

DB Tecnología y Servicios, A.I.E.
Barcelona

Deutsche Software (India) Pvt. Ltd.
Bangalore

Gesellschaft für Finanz-marketing mbH (GEFM)
Eschborn

Deutsche Bank Group is represented in over 50 countries by 2,417 branches, 1,627 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 form on page 108. All offices are listed on our current CD-ROM. The CD-ROM also gives short profiles and the addresses of all Group companies listed here.

Financial calendar for 1997/1998

May 20, 1997, 10 a.m.	**General Meeting Festhalle, Frankfurt am Main (Exhibition Centre)**
May 21, 1997	Dividend payment
End of July 1997	Interim Report as at June 30, 1997
End of October 1997	Interim Report as at September 30, 1997
Mid-February 1998	Publication of key figures for the 1997 financial year
End of March 1998	Annual Press Conference and publication of the Annual Report for 1997
May 20, 1998, 10 a.m.	**General Meeting Festhalle, Frankfurt am Main (Exhibition Centre)**

The illustrations for this Annual Report were done by David E. Lesh. Events of importance for the bank were chosen as motifs.

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Deutsche Bank
Communications Division

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