Deutsche Bank at a glance

Deutsche Bank AG	1985	1984
	DM m.	DM m.
Business volume	146,800	143,400
Balance sheet total	141,900	137,900
Funds from outside sources	124,200	122,100
Total credit extended	84,500	80,500
Capital and reserves	7,745	6,235
Earnings on business volume	4,270	4,217
Earnings on services	1,394	1,167
Staff and other operating expenses	3,809	3,545
Taxes	1,324	937
Net income for the year	762	503
Allocations to disclosed reserves	378*)	150
*) incl. DM 100 m. from partial writing back of taxed valuation reserve (Section 26a Banking Act)		
Total dividend payment	384	353
Dividend per share of DM 50	DM 12	DM 12
Shareholders	245,000	245,000
Staff	41,674	41,126
Customers (excl. banks)	5.49 m.	5.46 m.
Offices	1,163	1,162

Group	1985	1984
	DM m.	DM m.
Business volume	242,700	238,400
Balance sheet total	237,200	232,300
Funds from outside sources	215,600	213,000
Total credit extended	174,600	177,300
Capital and reserves	9,392	7,699
Earnings on business volume	5,703	5,650
Earnings on services	1,609	1,350
Staff and other operating expenses	4,557	4,238
Taxes	1,684	1,241
Net income for the year	1,101**)	674
**) incl. DM 230 m. from partial writing back of taxed valuation reserves (Section 26a Banking Act)		
Staff	48,851	47,873
Customers (excl. banks)	6.50 m.	6.48 m.
Offices	1,410	1,411

Report for the Year 1985

Deutsche Bank AG

Cover and page 1: Bernd Zimmer, "Landzunge. Staffelsee", 1985

On February 3, 1986

Dr. Hans Feith

passed away in his 76th year.

He joined our bank in 1939 and from 1959 to 1976 was a Member of our Board of Managing Directors. After retiring from the Board of Managing Directors, he continued to support us as a member of the bank's Supervisory Board and its Credit Committee, and was one of our closest advisers.

With his exceptionally wide knowledge and experience, clear judgement and human qualities, his work achieved lasting success and our bank is greatly indebted to him. As an outstanding capital market expert, he was held in high esteem by German business circles and gave wise counsel to many.

The memory of his work and personality will always be treasured in our bank.

Contents

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Hermann J. Abs, Frankfurt am Main

Supervisory Board

Dr. Wilfried Guth, Frankfurt am Main
Chairman (from May 14, 1985)

Konrad Reeb, Munich*, *Deputy Chairman*
Deutsche Bank AG

Dr. Robert Ehret, Frankfurt am Main
(from May 14, 1985)

Dr. Hans Feith, Frankfurt am Main
(until May 14, 1985, † February 3, 1986)

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Deutsche Bank AG

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Klöckner & Co KGaA

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Chairman of the Supervisory Board of Robert Bosch GmbH

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Bankangestellten-Verband

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Deutsche Bank AG

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the National Executive of Deutsche
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Deutsche Bank AG

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

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(until May 14, 1985)

Dipl.-Kfm. Günter Vogelsang, Düsseldorf

Lothar Wacker, Cologne*
Deutsche Bank AG

Hannelore Winter, Düsseldorf

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* elected by the staff

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Deputy Chairman
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Directeur de l'Ecole Nationale d'Administration

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Georg Krupp, Deputy	

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Report of the Board of Managing Directors

On taxes and public debt

"Nothing requires more wisdom and prudence than the regulation of how much is taken from the subject and how much he is left".
Montesquieu

We have known for some years now that the state has reached its limits as taxer and borrower. It must change its course; we all must – because we, ourselves, are the state[1]).

In 1970, taxes and compulsory social security payments in the Federal Republic of Germany represented 36.5% of gross national product. By 1984, this figure had risen to more than 42%. In the last two years, the proportion of additional earned income absorbed by taxes and other compulsory payments was more than 60%. At the beginning of the sixties, the corresponding figure was only 22%. Depending on their structure and earnings, companies must today pay 70% or more of their profit to the state.

Between 1960 and 1985 public debt expanded from DM 52 bn. to roughly DM 760 bn. At the present time it is equivalent to 41% of GNP, compared with 17% in 1960. 10% of public revenue is today consumed by interest payments; in 1960, the figure was only 3%.

At first sight, it might seem paradoxical that, with such strong expansion in public revenue from taxes and compulsory social security payments, there had to be any borrowing at all. So why did it happen? The reason is that our tax system reacts in such a way to two all-important economic phenomena, namely growth and inflation, that public services and thus the public sector are almost bound to expand.

Let us take growth first. There are two basic principles on which a taxation system can be based: the "benefit" principle and the "ability-to-pay" principle. Under the benefit principle, the payments made by the taxpayer are determined by the services received in return. The maxim "do ut des" applies. There are no wider objectives, such as income redistribution. The ability-to-pay principle, on the other hand, does not establish a direct connection between individual tax burden and public services. A certain total public revenue is required to cover total public spending. Taxes are compulsory payments through which, among other things, taxpayers make nominally unequal contributions to financing the cost of public services. This differentiation is achieved by means of an income tax progression. Based on the assumption that the value of incremental income to the individual – or in economic terms: the marginal utility of income – decreases as income rises, people higher up the income scale are subjected to progressively higher tax rates. Underlying this is the idea of relatively equal sacrifice. If this sacrifice is to be made unequal for the purpose of income redistribution, the severity of the tax progression can be adjusted accordingly.

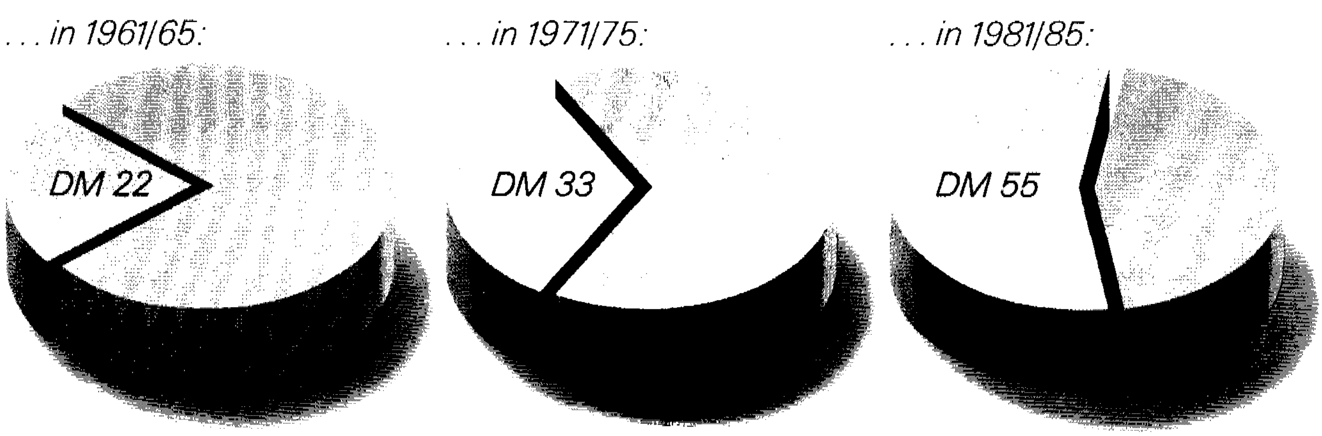
Taxation according to ability to pay, combined with redistributive corrections based on income size, has become a fundamental principle in the tax systems of almost all modern democracies. The result is that public revenue increases faster than national income as long as the economy expands; this expansion causes national income to grow, and more and more taxpayers move into higher tax brackets.

So much for growth. What about the effect of inflation? Taxation in our fiscal system is geared to nominal incomes in keeping with money illusion, i.e. the fiction that a deutsche mark is always a deutsche mark. Consequently, monetary depreciation *tends to inflate public revenue. Even without real economic growth and without real wage increases, inflation, acting through the tax progression, pushes taxpayers into higher tax brackets.*

Here, a third and psychological aspect comes into play. Since taxpayers can see no direct connection between public services and their tax payments, they eventually start to think they have unrestricted access to these public services and that other people will share the cost.

This increases demand for public-sector goods and services. Rational calculation will raise this demand as far as possible in order to maximize the ratio between the

Rising tax burden in the Federal Republic
Of every additional DM 100 earned in wages and salaries, the state claimed on average ...



services received from the state and the sacrifice made by the taxpayer. In fact, the individual today has, in many areas, hardly any realistic chance of not participating in the expansion of "public welfare", even if he thinks this is what a responsible citizen should do.

These three phenomena led to what Adolph Wagner described a hundred years ago as the "inevitable" expansion of public-sector activity and thus of the public sector itself. The public sector grows, on the one hand, because the scope for financing through taxation allows it to and because politicians are only too willing to exploit this in their struggle for votes; it expands, on the other hand, in response to a growing demand for more and more public services.

If, as is characteristic of modern democracies, these pressures are intensified by all manner of welfare-state thinking, a point will soon be reached where the effects of the tax progression are no longer sufficient to ensure the financing of public services and a general tax increase becomes necessary. This point will be reached all the more quickly if economic growth weakens or, even worse, if a contraction sets in. This was, in fact, the case in the seventies and at the beginning of the eighties. Real GNP growth in the Federal Republic averaged close on 8% p.a. in the fifties, 4½% in the sixties, and only 3% in the seventies. The line was crossed in 1981/82: national product actually fell by 1% (1980: +1.5%; 1981: 0%; 1982: −1%).

The level of public-sector activity attained in the seventies, the persistent additional expectations on the part of the population and politicians' promises to satisfy these *expectations upset the tax-financed budget balance. The decision that now had to be made, i.e. whether to stop the spread of public-sector activity or to increase the tax burden in order to restore equilibrium, produced a dilemma: both measures collided with what voters were presumed to want.*

One way out seemed to be an increase in public debt. In the view of politicians, the people would be more likely to tolerate this than a tax increase, at least as long as it remained within a certain proportion of GNP, which is generally the case when borrowing begins. In this way, a new budget balance was achieved, but, owing to the budget's inherent tendency to grow further – the additional interest-rate commitments alone increased spending – this balance, too, was soon upset: new debts had to follow the old as there was to be no curtailment of public services.

"We're free to enter, but once inside we're slaves." This quotation from Goethe would be an apt motto for the fiscal policy of many Western democracies during the last ten to fifteen years. We in the Federal Republic also went too far with regard to taxation and public debt. However, while impressive progress has been made since 1982 with the reduction of new public-sector borrowing, there are still serious defects in our tax system.

First of all, the German tax system is neither equitable nor simple. An equitable tax system cannot be simple. In order to be just, it must take account of the differences in group and individual situations. The growing complexity and obscurity of our tax law have, however, reached a point where a little less simplicity can no longer be justified by a little more equity. Income tax law in particular is labyrinthine. Innumerable tax privileges and special regulations aim at "individual equity", but the total effect is that the population as a whole is never sure whether it is being treated equitably, i.e. in accordance with its relative ability to pay.

The larger the number of special concessions, the larger the increase in tax rates has to be if tax revenue is not to fall sharply. High tax rates, however, increase the pressure of lobbies on parliament to create new exceptions. In this way, tax rates and tax relief interact to push each other upwards in a classical vicious circle.

Secondly, our tax system impedes performance, growth and market efficiency. No longer does individual performance determine tax, but vice versa. The tax burden imposed takes little account of the optimal use of economic resources or of individual motivation. That additional effort to work, to save or to invest – especially to invest at risk – is not made. In this way, "growth opportunities are squandered and energies and resources on an inestimable scale are misallocated – away from fixed capital formation into consumption, from productive investment into consumptive investment, from equity into debt . . ., from private into public economic activity"[2]. Markets adjust more slowly to new situations. International competitiveness is blunted.

Thirdly, our tax system damages the relationship between citizen and state. Every democratic state depends on the consent and active participation of its citizens. But the way our tax system works is causing people to lose patience with it. The citizen no longer grasps the principles according to which his income is "split" between him and the community. This is not conducive to increasing public confidence.

At the end of the fifties, 45% of taxpayers in the Federal Republic thought that their tax burden was too high. By the end of the seventies, this figure had risen to 65%. There is a growing tax gap. In particular, high marginal tax rates make it more attractive to shift income sources to where the tax authority cannot get at them. In the Federal Republic, the cost of the shadow economy in terms of tax foregone was estimated at DM 80 bn. in 1984 alone. This is just another sign of the damage that can be done to confi-

dence by a tax system which, in the view of the citizens, gives as little consideration to distributive justice as it does to maximum economic efficiency. This, in turn, undermines the conceptual basis of the social market economy, a fundamental principle of which is that the individual should contribute part of what he earns and owns to help ensure the proper functioning of the community as a whole, because the community contributes to his individual success.

Seen in this light, taxes reflect the people's confidence in the state. This confidence may be shaken if taxes become punitive and the basis for their calculation looks unclear and therefore, in many cases, arbitrary.

The conclusion to be drawn from all this is that our tax system is in need of reform. This reform must, however, be a real renewal if the defects described above are not to re-emerge sooner or later. It must eliminate the structural weaknesses that caused the problems in the first place. It must create a tax system which

- *is based, wherever possible, on the benefit principle. Market prices, charges, contributions and tax-earmarking must be used to re-establish a direct link with the public services consumed by the individual. This is the only way to ensure that the beneficiaries actually bear the cost of public goods and services.*

- *avoids as far as possible concealed progression effects. The curve of the progression must be softened, in particular the so-called "middle-class bulge" must be eliminated.*

- *is transparent, comprehensible and as straightforward as possible. The countless special concessions, subsidies and exceptions should be largely abolished.*

- *increases public confidence because it is regarded as more equitable. The citizen would still share what he earns with the state. But that can mean at most "fifty-fifty". Tax rates in excess of 50% look decidedly confiscatory. A general tax reduction is necessary, both in personal income tax and in the taxation of companies. It should be more worthwhile for individuals and firms than for the public sector to produce goods and services in exchange for money consideration. And: the taxation of the citizen must not depend on the category of his income.*

- *does not distort competition. Differences in the taxation of companies depending on legal form or field of business, such as double taxation under property tax regulations or the discriminatory treatment of entrepreneurs' remuneration, are harmful. The allocation of resources should be determined by the market, not by the tax system.*

- *encourages investment. Consequently, the reform of company taxation should not be subordinated to other tax plans. The reduction of the top rate of corporation tax and the abolition of tax on non-earning assets are urgently necessary.*

The effect of all these reforms would be to reduce revenue – at least temporarily – and so they will only be feasible if the principle of rationality and retrenchment is strictly maintained on the spending side. This, too, would have consequences:

- *If public spending is to be reduced, the scope of public services must be reduced as well. There are certain goods and services which have to be provided by the public sector, namely those for which there can be no market because their utility to the individual cannot be quantified (defence, legal system, social welfare and, generally, all sovereign functions).*

All goods that do not fall into this category can be provided through the market mechanism. They are, by nature, not "social goods". In borderline cases, the state should try to leave them to the market. It should as far as possible "privatize" them and the facilities for their production[3]).

- *The reduction of income inequality is also regarded as a "social good" in modern democracies. This is the reason why a large part of budgets consists of redistributive programmes[4]). Here, great caution is needed.*

  It is impossible to state an objective criterion for the right measure of public-sector activity in this area. Any assessment will depend on political opinions about distributive justice, on the existing distribution and on how incomes are expected to develop in future. Normative judgements on the appropriateness of a given or desired level of public-sector activity and its structure will therefore remain a subject for political debate. Be that as it may, it must always be remembered that redistributive measures and budgetary discipline could potentially conflict with one another.

- *Budgetary discipline as described requires discipline in borrowing. In the Keynesian era of economic policy, a clear distinction was made between public and private debt. In fact, under certain conditions borrowing by the state was extolled as an expression of fiscal wisdom. It represented an additional financing option providing more scope for political steering.*

  We now know that this effect only lasts for a while and is then reversed. Assuming that the state does not cease payments on its debt, then – if taxes are not to be increased – its outlays on services and benefits must gradually decrease. Under such conditions, tax cuts are out of the question. A rising public debt and a tax *reform that meets the requirements outlined above are mutually exclusive. The more options we think we are creating for ourselves, the smaller our budgetary scope becomes. Here, public-sector budgets are, at the final count, no different from private ones.*

The political steps leading up to the necessary corrections to taxation and public debt will require imagination, courage and perseverance. Without any doubt, a strategy for fiscal reform that takes account of all important facts and relationships, all discernible developments and all public and private expectations will be a monumental challenge to the organizational and leadership abilities of those concerned. There is a danger that, in attempting to tackle it, we might settle for shorter periods than are really necessary, or succumb to all-too-powerful lobbies and simply focus our attention on the immediate problems, thereby patching up the present at the expense of the future – a future in which the problems still remaining would be all the more difficult to solve. We should not waste the opportunity we now have to achieve a real and lasting increase in our freedom of action and in our liberty to decide as we think right.

1) Cf. Deutsche Bank's Annual Report for 1983
2) W. Engels, G. Fels, A. Gutowski, W. Stützel, C.C. von Weizsäcker, H. Willgerodt (Kronberger Kreis), Vorschläge zu einer "Kleinen Steuerreform", Bad Homburg v.d.H. 1983, p. 5
3) Cf. R.A. Musgrave, "On the appropriate size of the public sector and the excess hypothesis", in P. Koslowski et al "Chancen und Grenzen des Sozialstaats", Tübingen 1983, p. 90 ff.
4) R.A. Musgrave loc. cit. p. 110

Since 1980, Deutsche Bank has prefaced its annual reports with statements on problems of general social and economic relevance (1980: On Competitiveness. 1981: Less State Influence. 1982: Do we need élites? 1983: We, ourselves, are the state. 1984: On the Middle Classes). The above essay continues this series. We hope it will make a constructive contribution to the discussion of the problem.

General Economic Situation

Tension-free growth

In 1985 the German economy again made favourable progress. The upswing spread to sectors oriented towards the domestic market; there was a tangible rise in employment. Real GNP increased by 2.4%. Total expansion since the recovery began early in 1983 came to close on 9%. Growth continued in the third year of the upswing without any serious tensions. Prices remained stable, cost pressure was slight. This can be credited, not least, to an economic policy designed to take effect through a longer-term improvement in the fundamentals without recourse to government reflationary measures.

Competitiveness intact

German exports still suffered little in 1985 from the weakening of world trade. With growth of 6% in real terms they did expand more slowly than in the previous year, but about twice as fast as world trade. The export sector strengthened its position on foreign markets, without neglecting internal measures to enhance its competitiveness.

Exports to the U.S.A., which had expanded by 36% in real terms in 1984, rose 14% in 1985 despite the lower growth there. Deliveries to countries of the Economic Community were, by contrast, only 6% higher, mainly because continuing stabilization efforts made the French market less absorptive. Deliveries to the Asian-Pacific region (incl. Japan) were up 4%. Exports to China increased by more than 100% to DM 6.4 bn. Exports to the OPEC countries contracted further.

In the past five years the German export ratio rose from 28% to 35%. There has not been such strong expansion since the early fifties. In 1970 the ratio was still 23%, in 1960 it had been 20%. This means we are in the lead among the major industrial countries (1985 export ratios U.S.A.: 9%, Japan: 17%). Our dependence on the world market is correspondingly high. The increasing support for the upswing from domestic demand is therefore all the more welcome.

Domestic business picking up

This has been mainly the result of investment. Expenditure on machinery and equipment, which showed an increase of just 2% in 1984, rose 12% in 1985; that was the highest growth since 1979.

In part this has been a reaction to increased capacity utilization (end-1985: 85%) and more favourable sales prospects. A good quarter of investment in the manufacturing sector went mainly into expanding capacities. This is laying the foundations for inflation-free growth in the coming years.

Another crucial factor behind the rise in capital spending was the renewed improvement in company earnings. Gross entrepreneurial and property income increased by 8%. Earnings were good in sectors with high export ratios, but margins were unsatisfactory in numerous branches dependent on the domestic market.

Strong rise in employment...

For the first time since 1980 there was an increase in the number of jobs. The capital goods industry took on almost 110,000 additional people, and the services sector approx. 100,000.

Employment in the construction industry and other sectors hit by structural problems continued to fall. This put a strain on the labour market, but shows that firms are still persevering with necessary adjustments.

On balance, the number of persons employed rose in 1985 by 180,000. More than one-third of these were employed part-time. Short-time work decreased further; the number of vacancies rose. The business cycle has therefore entered the job-creating phase. From spring 1984 to end-1985 the number of gainfully employed persons went up by 310,000 and the number on short-time work fell by 450,000; in arithmetic terms, this is equivalent to an increase in employment by nearly half a million.

The possibilities for dated work contracts opened up by the Employment Promotion Act of May 1985 are being used. This course should be pursued further with, for example, longer terms for dated contracts and more flexible regulations on shop closing hours; this could lead to the creation of numerous part-time jobs.

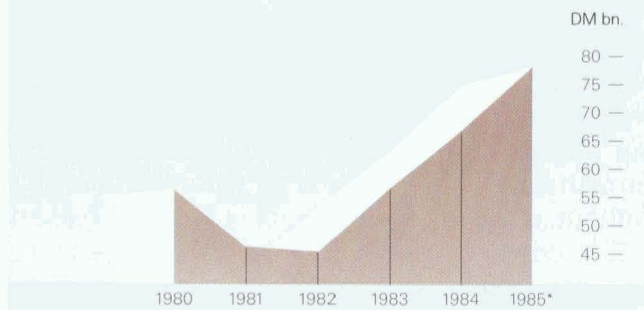
In 1985, trade and industry were again successful in their efforts to raise the number of apprenticeships offered: approx. 720,000 new apprentices were taken on.

...also a result of economic policy

The rise in employment, too, shows that economic policy is on the right track: progress can be made in solving the labour market problems without the government demand-side programmes some people have been calling for. New jobs are created even in times of only moderate growth, provided they are economic.

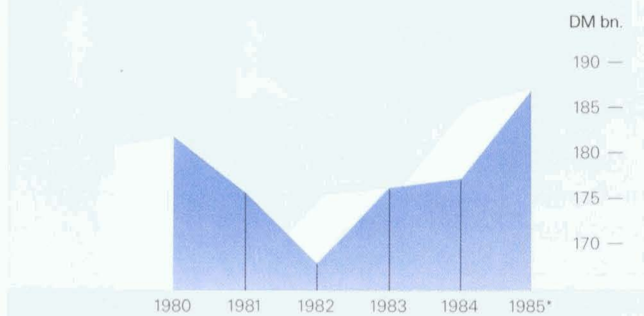
Improved earnings situation...

Annual net income of corporate sector



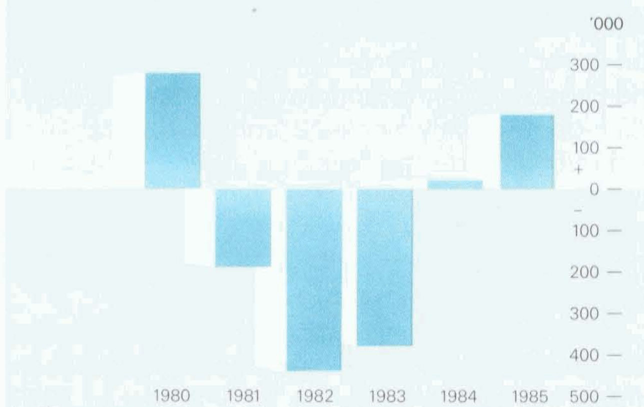
...brings more investment

Gross fixed capital formation of producing sector at 1980 prices



...and turn in employment trend

Change in number of gainfully employed over previous year



* Own estimate

Despite the increase in employment, the number of jobless remained high (2.3 million). A major reason was that the number of school-leavers was again large and that people formerly in the "hidden reserve" returned to working life. The number of foreign employees also rose again.

Disquieting South-North differential

The growth and employment differential between the South and the North and West of the Federal Republic remains unsatisfactory. One important reason for this disparity is that more growth industries (electrical engineering, aerospace, office and data technology, motor vehicles) are located in Bavaria and Baden-Wuerttemberg, whereas structurally weak sectors play a greater part in the North and West. In addition, innovative companies believe the business environment is more favourable in the southern Länder. It is important that government and private sector increase the attractiveness of the northern and western regions of the Federal Republic, ensure a balanced economic structure and better opportunities for growth throughout the country, and hence also encourage better use of the resources (especially the large reservoir of qualified labour) available in the North and West.

Growth of private consumption

Private consumption expanded by 1.7% in real terms in 1985. It was backed by higher income due to increased employment and by the additional purchasing power resulting from lower inflation. The saving ratio declined from 13.8% to 12.9% in the course of the year.

Construction investment down

Construction investment contracted by 6% in real terms in 1985, in the residential sector in fact by 11%. A large stock of existing properties for sale and high real interest rates weakened new building activity. There was a sharp decline in construction of condominiums, owing to the expiry of tax concessions for multi-party ownership models.

Consolidation makes further progress

The budget deficits of the central, regional and local authorities fell to DM 38.5 bn. (1984: DM 45 bn.). At 2.1% of GNP they were down to a reasonable level for the first time since the early seventies. Thanks to disciplined budget management on the part of the Federal and Länder Governments and local authorities, spending rose by only 3½%, while tax revenue grew by over 5%.

Seen in relation to GNP, public-sector expenditure decreased to 47.5%, the lowest figure since 1974. It would have fallen even further if spending by the social insurance funds had not risen again considerably because of the unfavourable development of the health insurance funds.

"Less state influence" in social policy, too

There is a pressing need for the social insurance funds to be included in fiscal consolidation, also in view of the expected demographic development. The ratio of contribution payers to pensioners – currently 2:1 – will deteriorate substantially in the coming years.

Under these circumstances, ideas about collective insurance against all risks at the expense of the state are neither feasible nor compatible with any claim to freedom of self-fulfilment. Solidarity requires that the strong members of society should share responsibility for the weaker members. But it also means that people should only turn to the community for assistance if their own capabilities are inadequate.

Challenge of dismantling subsidies

One area on which fiscal policy must continue to concentrate is the dismantling of subsidies, in order to lower public-sector spending and reduce the distortions in competition. The results so far are not very satisfactory. It would be disquieting if this continued. Despite numerous successes in other areas, the problem of subsidies could become a test case for the determination and credibility of the current economic policy.

High current account surplus

The external position of the Federal Republic continued to strengthen in 1985. The current account closed with a surplus of DM 38.6 bn. after DM 17.8 bn. in the previous year. The trade surplus rose DM 19.3 bn. to DM 73.3 bn. Exports grew 10%, imports 7%.

The rise in the surpluses is, in part, a delayed result of the earlier devaluation of the D-Mark against major currencies such as the dollar and the yen. In the last few months shifts in the terms of trade in our favour have also helped to boost the surpluses. The Federal Republic's current account surplus is therefore not too high from a structural point of view. The exchange rate corrections which started in spring 1985 and the recovery of domestic demand are tending gradually to reduce the German surplus. The latest oil-price developments are certainly working in the opposite direction, but all the other oil-importing countries are benefitting from them, too.

Stable prices

The rise in the cost of living – and in industrial producer prices – slackened to 2.2%. This was the smallest increase since 1969 and, along with the Japanese rate, the lowest inflation among all the

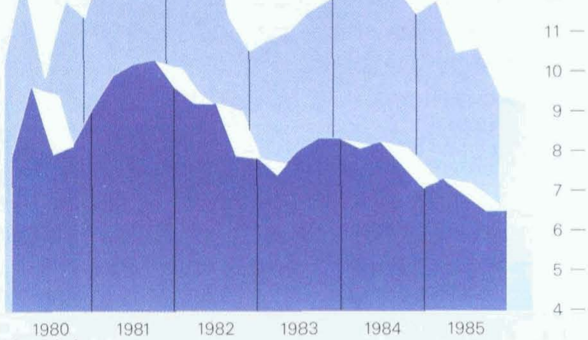
industrial countries. Agricultural prices declined; import prices fell 9% from March to December. Homebuilding prices remained practically unchanged.

More flexible Bundesbank policy

In 1985 the Bundesbank continued to steer a course between the wish for lower interest rates for domestic reasons and the need to pay attention to the exchange rate on the external front. In its money market steering operations, it made increasing use of securities transactions under repurchase agreements. Over the year they ranged between DM 35 bn. and DM 40 bn. Lombard credit, on the other hand, was gradually reduced to its original function of bridging the banks' temporary liquidity requirements.

At the beginning of February the lombard rate was raised from 5½% to 6%. In August the Bundesbank enlarged its rediscount quotas by DM 3 bn., and lowered the discount and lombard rates by half a point each, to 4% and 5½% respectively, in line with market rates. At close on 5% in 1985, growth in money stock was at the upper edge of the target corridor (3 to 5%).

Interest rate downtrend with fluctuations
Yields on long-term government bonds outstanding*



* At end of quarter

Bond market: increasing foreign demand

On the bond market the yield on paper outstanding fell, with pronounced fluctuations, from 7.0% in December 1984 to 6.6% in December 1985.

Gross new issue volume of domestic paper rose from DM 227 bn. to DM 261 bn. There was a particularly strong increase in new communal bonds, public sector bonds and bonds of the banks with special functions. The Federal Government raised funds almost exclusively in the bond market; the Länder Governments also had greater recourse to this source of financing.

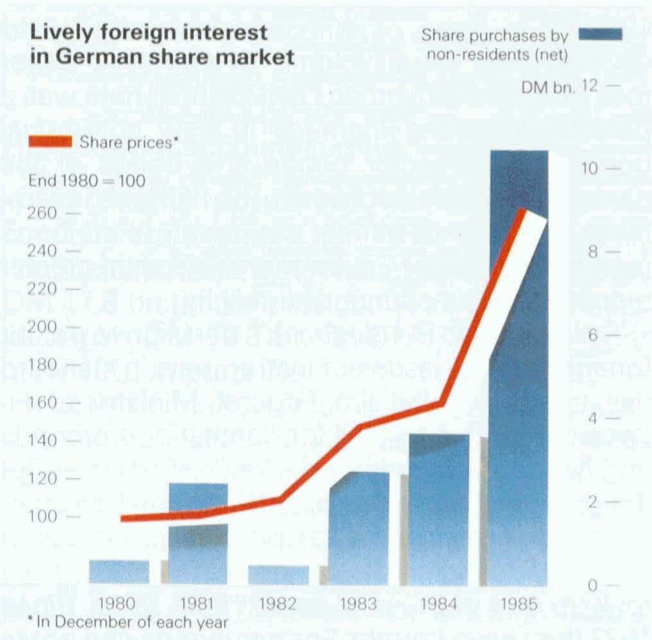
Following the Bundesbank's decision to permit foreign D-Mark issues of instruments in standard use internationally, the Federal Ministry of Finance gave its approval for domestic zero bonds and floating-rate notes, too, for the first time. But the volume of such issues has been small so far.

Foreign investors made up the largest group of buyers of domestic bonds and notes in 1985. They took up 41% of the new paper (1984: 20%). Since 1983 they have bought German bonds and notes (excl. Schuldscheine) for DM 56 bn. net. In the same period residents in the Federal Republic purchased foreign paper for over DM 48 bn.

Share market: new all-time high...

The German share market was in excellent shape in 1985. Quotations rose 72% over the year and reached a new all-time high. Compared internationally, the German stock exchanges were among the leaders, ahead of New York, London and Tokyo. Non-residents purchased German shares for DM 10.6 bn. (net), a figure far beyond the results of any past year. The volume of new issues of listed shares more than doubled compared with the previous year to DM 9.3 bn. (market value).

In 1985, 10 companies with a placement volume of DM 1.75 bn. were introduced to the stock exchange for the first time. The unbroken interest in new issues, especially among foreign investors, proves that the widening of the quotations list is very much in line with investors' requirements. The successful examples from the past three years should encourage more firms – especially family enterprises – to venture to go public in order to mobilize risk capital to finance the company.



...and shift away from defensive investment strategy

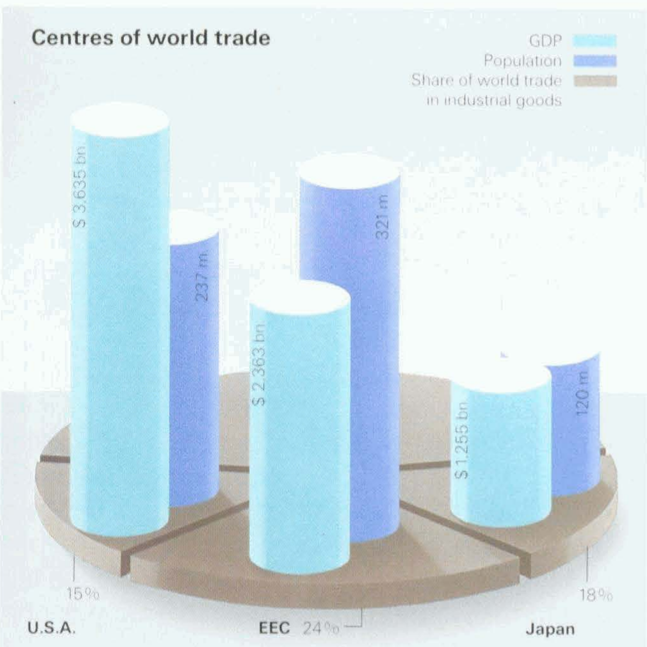
The share market profited from the steady economic uptrend, which was accompanied by stable prices, low interest rates, positive earnings and dividend expectations, a growth-oriented course in the public sector and the stronger position of the D-Mark as the second main reserve and investment currency.

The steep rise in quotations and the increase in new issues represent a caesura on the share market. But this upswing is part of a world-wide development. It is linked with the change in tenor of economic policies throughout the world and, not least, with the greater importance attached today quite generally to an investment-oriented environment and to private enterprise. The market is being determined increasingly by the behaviour of institutional investors, who are diversifying internationally on a growing scale.

The revival of private investors' interest in acquiring shares reflects – above all in the Federal

Republic – a change in the structure of monetary capital formation, which for years had been defensive. German savers have in the past tended, more than Americans, to put most of their money into bank deposits and bonds, and into what they thought were risk-free forms of investment, such as gold and real estate. The higher proportion of funds being channelled into shares since the start of the boom underscores the current trend towards mobilizing risk capital via the stock exchange.

The renaissance of the share as a financing and investment instrument has helped consolidate companies' balance sheets. This has created another stronger foundation – alongside the consolidation of public finances – for future economic development.



World economy: lower growth in industrial countries...

Growth of the world economy slowed during the reporting year. The industrial countries' total real production increased by not quite 3% (1984: 4.9%). Growth in the U.S.A. weakened from 6.6% to a good 2%. The Japanese economy also expanded more slowly – by roughly 4½% – than in 1984 (5.8%) as the flagging export boom was not fully balanced by domestic demand.

In Western Europe the moderate growth continued (1985: almost 2½%, 1984: 2.4%). The largest increase among the bigger industrial countries was recorded by the United Kingdom (3½%); the pre-year level there, however, had been depressed by the miners' strike. In Italy the growth rate was slightly down from 1984. In France it came to only about 1% as stability policy was continued.

...puts strain on developing countries

As overall growth in the industrial countries diminished, so too did the stimuli for the Third World. Mexico was under additional strain from the weakness of the oil markets and the effects of the earthquake disaster. In Argentina the Government adopted an austerity course aimed to promote the stabilization of the economy. Brazil on the other hand achieved higher growth in 1985 than in the previous year with approx. 8%. If Brazil is excluded, the countries of Latin America recorded scarcely 1% average real GDP growth.

Growth in South-East Asia, where some countries had recorded particularly high rates of expansion in past years, weakened appreciably; Singapore's economy actually contracted for the first time.

Still substantial differences in inflation

In the OECD countries inflation averaged a good 4½% (previous year: 5.3%). There were still substantial differences in inflation rates. Among the bigger industrial nations, Japan – along with the Federal Republic – came off best (a good 2%), Italy worst (over 9%).

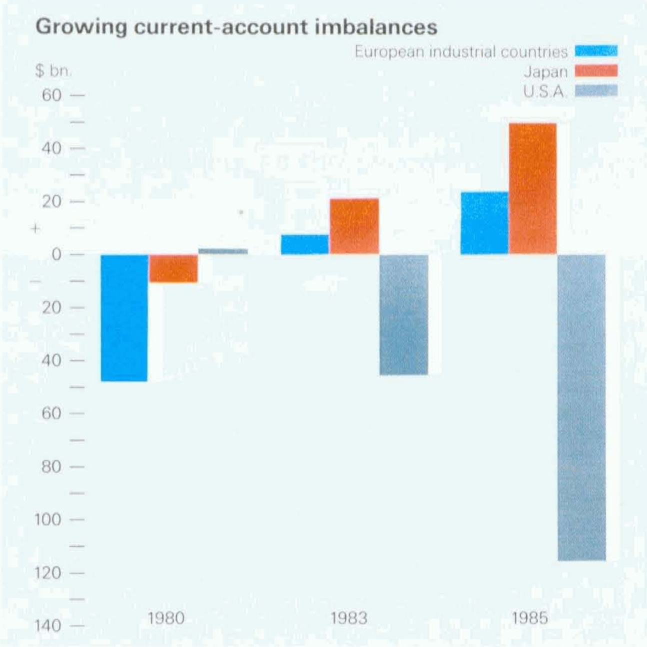
Of the developing countries, some Asian states came closer to price stability; in Latin America, on the other hand, inflation gathered speed – dramatically in some cases.

External imbalances larger again

The U.S. current account deficit increased from \$ 107 bn. to \$ 118 bn. Although the import pull abated as domestic demand eased, exports were impeded by the strong dollar and the reduced import capacity of Latin America. In Japan, the current account surplus rose to \$ 49 bn. (1984: \$ 35 bn.). This was due to the favourable development of the trade balance and also to rising investment income from abroad.

In Europe, the United Kingdom – as well as the Federal Republic – registered a larger current surplus (1985: roughly \$ 4 bn.). After a slight deficit in the previous year, France succeeded in balancing its current account, thanks mainly to higher revenue from tourism. Italy, which had turned in a deficit of close on \$ 3 bn. in 1984, again had a negative current balance, estimated at \$ 5 bn., owing partly to the relatively sharp rise in domestic costs.

The deficit for the OPEC countries as a whole was on a par with the results for the previous three years (\$ 15 to 20 bn. on average). With proceeds from oil exports falling, imports of goods and services were cut further. The global current deficit of the other developing countries, which had fallen between 1981 and 1984 by approx. \$ 70 bn. to a good \$ 25 bn., rose again. After expanding markedly in 1984, export receipts remained at that level as a result of slacker demand from the industri-



al countries and lower commodity prices. The other side of the account saw a further increase in import spending, partly as a result of much higher buying by China.

New assessment of the debt problems

The international debt scene presented a very varied picture in the reporting year; that can be said both of the economic situation and economic policies of the over-indebted countries and of the ways of tackling their payments problems.

Overall, a more sober assessment emerged with regard to the debt situation. Hopes that individual rescheduling countries would soon be able to raise funds on the free markets again, thanks to substantial progress already made with adjustment, turned out to be premature. The chances have become even slimmer as the latest slump in oil prices entails additional difficulties for a number of countries. That overcoming the debt crisis continues to be a long-term exercise fraught with a wide variety of external and internal risks has been confirmed.

The combined current account for the ten major rescheduling countries (Argentina, Brazil, Chile, Mexico, Nigeria, Peru, the Philippines, Poland, Venezuela and Yugoslavia), which had closed with a slight surplus a year earlier, was more or less balanced in 1985. After the previous year's strong rise, these countries' export receipts fell by 6%, in the case of Mexico and Brazil by 9% and 5%. Some debtor countries which had increased their foreign exchange reserves in the previous year used them in financing their external deficits.The pace of net new borrowing by the above group of countries fortunately continued to slow in 1985 – to a total of about $ 5 bn. At the end of the year their external liabilities amounted to $ 415 bn.; that was approx. 40% of the external debt of all non industrial countries.

In 1985 the banks again stretched debt maturities on a considerable scale; longer term multi-year reschedulings were agreed in a number of cases. With some countries, however, the rescheduling process has been appreciably delayed. Medium-term credit commitments for approx. $ 6 bn. in fresh money were given by the creditor banks in connection with reschedulings.

Faltering stabilization

Numerous debtor countries made no further progress with domestic economic stabilization in 1985 and capital flight set in on a larger scale again, in some instances. Economic-policy targets agreed with the International Monetary Fund (IMF) were not met in some cases, leading to the suspension of Fund programmes and loans. A few countries broke off cooperation with the IMF. At approx. $ 4 bn. (gross), credits provided by the Fund in 1985 were far below the pre-year amount. In all the highly indebted countries there was growing evidence of social and political limits to the adjustment process.

New impulses from the Baker Plan

The plan put forward by U.S. Treasury Secretary Baker at the Annual Meeting of the IMF and the World Bank aims to enable highly-indebted countries to regain their payment capacity in a way that will allow them to achieve sustained economic growth.

The debtor countries are to continue their stabilization efforts and to strengthen their economies through market-oriented and supply-side reforms. The IMF is to continue to play a central role in the endeavours to overcome the debt problem. At the same time, however, the World Bank and the other regional development banks are to have greater involvement. The World Bank and the Inter-American Development Bank will increase their net disbursements to 15 highly-indebted countries to a total of $ 20 bn. over the next three years. In the same period the commercial banks are also expected to provide net new lending of $ 20 bn.

Heavy demands on cooperation

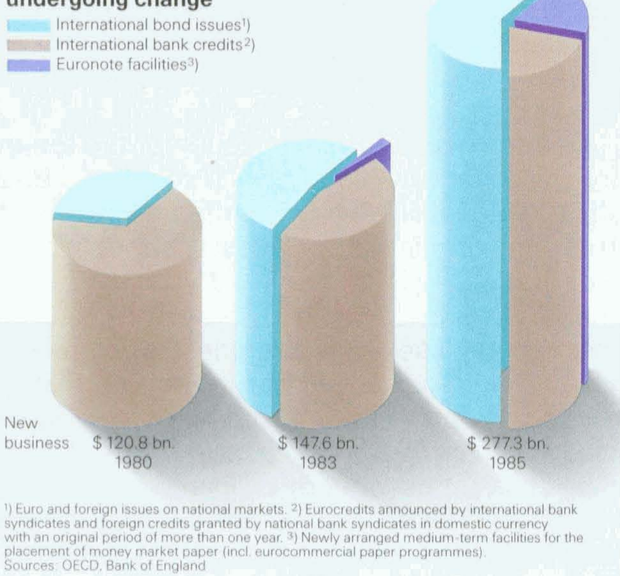
The Baker initiative builds on the cooperative approach followed so far. It has been received positively on the whole. From the banks' point of view it is crucial that the case-by-case approach be adhered to in addressing the debt problem and that the IMF continue to act as economic-policy adviser and coordinator. A pre-requisite for the extension of additional credits to debtor countries is that an economic programme designed to achieve consolidation and further growth be in place in every instance. Through a policy that re-establishes trust, the debtor nations must above all ensure that capital flight is stopped and that the inflow of foreign investment capital is increased. A balanced relationship must be maintained between the contributions from the multilateral institutions and those of the banks. The governments of the creditor countries are expected to provide multi-year reschedulings within the framework of the Paris Club and to pursue a constructive policy in the field of export financing and guarantees.

Even under the aegis of the Baker Plan, a favourable world economic environment will be indispensable for further progress in overcoming the debt problems. By applying responsible economic and fiscal policies, the industrial countries must ensure adequate, inflation-free growth and sustained lower interest rates, but, above all, they must open their markets further to the exports of the highly-indebted developing countries.

Competition among financial markets

Against the background of easing interest rates and pronounced exchange rate movements, there was an unexpectedly strong increase in activity on the international financial markets in both the new issue and trading sectors. International bond issues, longer-term bank credits and newly

International financial markets undergoing change



[1]) Euro and foreign issues on national markets. [2]) Eurocredits announced by international bank syndicates and foreign credits granted by national bank syndicates in domestic currency with an original period of more than one year. [3]) Newly arranged medium-term facilities for the placement of money market paper (incl. eurocommercial paper programmes).
Sources: OECD, Bank of England

arranged euronote facilities totalled $ 277 bn. gross in 1985, compared with $ 192 bn. in the previous year.

One of the main factors behind this expansion was the further deregulation of markets in Europe and Japan, and enhanced freedom of international capital flows. It resulted in a wider range of financing and investment instruments at the various financial centres and in the different currencies.

On the German capital market, the Bundesbank permitted foreign banks resident in the Federal Republic to act as syndicate leader for foreign D-Mark bond issues as of May 1985. At the same time it opened the new issue market to a number of internationally accepted bond instruments – such as floating-rate notes, zero bonds and similar instruments, as well as bonds linked with swaps. It is hoped that the secondary markets in these new instruments will remain based in the Federal Republic, but German stock exchange turnover tax is an obstacle here. In order to enhance the competitiveness of domestic financial centres, the Central Bank Council of the Deutsche Bundesbank took a policy decision in December to re-shape the minimum reserve regulations. When the new rules take effect, banks in the Federal Republic are also to be allowed to issue D-Mark certificates of deposit.

Euro-innovations alter market structures

The euromarkets were characterized by the increasing use and growing variety of new financing instruments. This wave of innovation is to be seen in connection with the rapid shift, at the expense of bank loans, towards marketable securities – particularly various forms of bonds and euronote facilities, often backed by standby lines in case the paper cannot be placed in the market. This trend towards securitization is linked with the fact that, since the debt crisis began, the enormous volume of international liquidity has been channelled largely to borrowers from industrial countries and with the intense competition among banks for prime addresses from this group. It also suits international – especially institutional – investors. The growing volume of banks' longer-term off balance-sheet commitments in connection with these new financing instruments warrants critical observation. It is to be hoped that regulations of the bank supervisory authorities in all the main countries – some have already made a start – will succeed in keeping the risks in this sector within reasonable bounds.

Rapid expansion on eurocapital market

In 1985 the volume of international bond issues in Europe hit a record $ 150 bn., which was almost 70% more than in the previous year when there had already been a 40% increase. This extraordinary expansion was partly due to the strong rise in swap transactions.

The range of issuing currencies widened in 1985, with the dollar still far in the lead (65% of new issues). The D-Mark's share was unchanged at around 7%. The proportion of bonds denominated in Swiss francs and sterling contracted to close on 10% (1984: 14%) and 4% (5%). ECU bonds strengthened their position further in 1985 to almost 5% (3%). With six times the previous year's volume, euroyen issues gained considerable ground – advancing from 1% to 4% of the market. The French franc and the Italian lira were back in the market as eurobond currencies for the first time in years.

In the eurodollar market, the role of floating-rate notes increased further in 1985. Half of the new issues were in this form. As in the previous year, straight bonds made up 45% of the total volume. The share of convertible bonds and bonds with stock warrants declined to only 5%.

Euronote facilities make strides

Medium-term facilities for the placement of money market paper – Note Issuance Facilities / eurocommercial paper programmes – have become firmly established in many forms on the European financial scene. Newly arranged facilities came to almost $ 50 bn. compared with close on $ 20 bn. in the previous year. It was mainly private borrowers from the major OECD countries – with U.S. companies in the lead – who were behind the growth.

Prime borrowers increasingly dispensed with bank back-up lines. According to data published by the Bank of England, the share of eurocommercial paper programmes in the total volume of new facilities rose from 4% in 1984 to 46% in the second half of 1985. This construction is cheaper for the borrower, but the expansion was probably also a reaction to the new regulations already passed or expected from supervisory authorities requiring this type of credit commitment from the banks to be backed by capital.

Drawings under euronote facilities have been relatively small so far. With a total volume of approx. $ 75 bn. in place as of end-1985, the amount mobilized through note issues was estimated at $ 12 to 15 bn. But the volume of notes in circulation increased tangibly in the reporting year and progress was made in establishing a secondary market.

Traditional eurocredits on the retreat

In 1985, the gross volume of newly contracted medium and long-term syndicated eurocredits – a good $ 53 bn. – was on a par with that of the previous year. With spreads continuing to fall, a substantial proportion of the credit arrangements was concluded to refinance outstanding loans. Actual new lending came to only close on $ 38 bn. (1984: $ 48 bn.).

Borrowers from industrial countries raised almost 40% less funds in 1985 with approx. $ 14 bn. Eurocredits of $ 17 bn. were granted to developing countries (excl. OPEC), compared with close on $ 22 bn. in 1984. "Organized" new credits to rescheduling countries, which are included in this figure, came to about $ 6 bn. in 1985, or only somewhat over half the pre-year amount. OPEC countries received a good $ 2 bn. in eurocredits – as in the year before. Recourse to the market by the Comecon group of countries rose almost 60% to a good $ 4 bn.; the main borrowers were the USSR and the German Democratic Republic.

Turn in the dollar trend

The foreign exchange markets were strongly influenced in 1985 by a sustained correction of the dollar rate. The accord reached among the Finance Ministers and Central Bank Governors of the five major industrial nations in New York on September 22 ushered in a new phase of monetary cooperation.

The decline in the dollar rate from March was accompanied by easing interest rates in the U.S.A. and – to a lesser extent – in Europe. The more cautious assessment of the American currency in relation to the other international trading and investment currencies reflected the economic fundamentals more strongly than before. But even with the altered exchange rate situation and outlook the U.S. current account deficit, up further from the previous year, was financed without difficulty by corresponding capital inflows.

Compared with its peak level at the end of February, the dollar had by year's end lost approx. 20% on a weighted average, 29% against the D-Mark and 24% against the Japanese yen. This improvement in exchange relationships was generally welcomed as a help to reducing dangerous international imbalances and to averting growing protectionist tendencies.

D-Mark in demand internationally

After a weak phase in the first two months of 1985, the D-Mark firmed markedly, backed by the continuing favourable development of the economic fundamentals. Towards the end of the year in particular it registered gains on a broad front. Over the year the effective exchange rate of the D-Mark rose 6½% against the currencies of 14 major trade partners. The appreciation was especially pronounced vis-à-vis the Canadian dollar (36%) and the U.S. dollar (28%). The D-Mark rose a good 3% in relation to the pound sterling and to the currencies that participate in the EMS exchange rate mechanism. Against the Japanese yen, the Swiss franc and the European Currency Unit (ECU) it moved up about 2%.

Sustained convergence in the EMS

On the whole, and given the strong fluctuations in the dollar, the development of exchange rates within the European Monetary System (EMS) was remarkably stable. In July, the calm that had prevailed for more than two years was temporarily disturbed in the case of the lira. The Italian currency was devalued by 7.8% – in terms of the bilateral central rates – against all the other partner currencies on July 20. There was further convergence of the economic and monetary policies of the EMS member countries in the reporting year. Liberalization of international payments and capital transactions made, in part, substantial progress in Denmark, France and Italy. Private use of the ECU in the markets continued to increase strongly. In June 1985 the Central Bank Governors from the EEC countries passed a number of measures designed to enhance use of the official ECU.

Turn in dollar trend
(Monthly averages)

Group Companies and Affiliates

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

Commercial banks

Company	Location	Capital and reserves	Holding
Deutsche Bank AG,	*Frankfurt am Main*	DM 7,744.9 m.	
Deutsche Bank Berlin AG,	*Berlin*	DM 447.0 m.	100%
Deutsche Bank Saar AG,	*Saarbrücken*	DM 76.0 m.	69.2%
Handelsbank in Lübeck AG,	*Lübeck*	DM 80.0 m.	90.2%

Mortgage banks

Company	Location	Capital and reserves	Holding
Deutsche Centralbodenkredit-AG,	*Berlin – Cologne*	DM 626.0 m.	87.3%
Frankfurter Hypothekenbank AG,	*Frankfurt am Main*	DM 620.8 m.	91.6%
Lübecker Hypothekenbank AG,	*Lübeck*	DM 163.0 m.	100%

Investment banking companies

Company	Location	Capital and reserves	Holding
Deutsche Gesellschaft für Fondsverwaltung mbH,	*Frankfurt am Main*	DM 17.1 m.	100%
DWS Deutsche Gesellschaft für Wertpapiersparen mbH,	*Frankfurt am Main*	DM 94.0 m.	50.7%
DB Consult GmbH,	*Frankfurt am Main*	DM 1.0 m.	100%
Deutsche Gesellschaft für Anlageberatung mbH,	*Frankfurt am Main*	DM 0.5 m.	85%
Deutsche Vermögensbildungsgesellschaft mbH,	*Bad Homburg v. d. H.*	DM 1.1 m.	60%

Instalment financing companies and specialized institutions

Company	Location	Capital and reserves	Holding
Deutsche Kreditbank für Baufinanzierung AG,	*Cologne*	DM 190.0 m.	100%
EFGEE Gesellschaft für Einkaufs-Finanzierung mbH,	*Düsseldorf*	DM 16.0 m.	100%
GEFA Gesellschaft für Absatzfinanzierung mbH,	*Wuppertal*	DM 110.0 m.	100%
Deutsche Beteiligungsgesellschaft mbH,	*Frankfurt am Main*	DM 4.4 m.	92.5%

Leasing companies

Company	Location	Capital and reserves	Holding
Deutsche Gesellschaft für Immobilien-Leasing mbH,	*Cologne*	DM 8.1 m.	95%
GEFA-Leasing GmbH,	*Wuppertal*	DM 45.0 m.	100%
ComCo Datenanlagen GmbH & Co. KG.,	*Korntal-Münchingen*	DM 10.0 m.	81%
DIL Deutsche Immobilien Leasing GmbH,	*Düsseldorf*	DM 55.0 m.	50%

International financing companies

Company	Capital and reserves	Holding
Deutsche Bank (Asia Credit) Ltd., *Singapore*	S$ 56.8 m	100%
Deutsche Bank (Canada), *Toronto*	Can$ 25.0 m.	100%
Deutsche Bank Compagnie Financière Luxembourg S.A., *Luxembourg*	LF 9,456.0 m.	100%
DB U.K. Finance Ltd., *London*	£ 14.2 m.	99.9%
European Asian Bank AG, *Hamburg*	DM 429.9 m.	60%
Deutsche Bank Australia Ltd., *Melbourne*	A$ 40.0 m.	99.9%
H. Albert de Bary & Co. N.V., *Amsterdam*	Guil. 90.8 m.	50%
Deutsche Bank Capital Corp., *New York*	$ 28.1 m.	100%
Deutsche Bank Capital Markets Ltd., *London*	£ 40.0 m.	99.9%
Deutsche Bank (Suisse) S.A., *Geneva*	SF 32.1 m.	99.9%
DB Capital Markets (Asia) Ltd., *Hong Kong*	HK$ 130.0 m.	53.8%
Capital Management International GmbH of Deutsche Bank, *Frankfurt am Main*	DM 4.0 m.	100%
Deutsche Credit Corp., *Deerfield/U.S.A.*	$ 19.5 m.	100%
DB Export-Leasing GmbH, *Frankfurt am Main*	DM 50,000	100%
Deutsche Bank Finance N.V., *Curaçao*	$ 1.0 m.	100%
Deutsche Bank Financial Inc., *Dover/U.S.A.*	$ 10,000	100%

The companies shown in grey boxes were not included in the Consolidated Statement of Accounts for 1985.

Not shown in the Table, but included in the Consolidated Statement of Accounts:
Elektro-Export-GmbH, Nuremberg · Hessische Immobilien-Verwaltungs-GmbH, Frankfurt am Main
Matura Vermögensverwaltung GmbH, Düsseldorf · Süddeutsche Vermögensverwaltung GmbH, Frankfurt am Main
Trinitas Vermögensverwaltung GmbH, Frankfurt am Main
Deutsche Credit Services, Inc., Dover/U.S.A.

Development of the Group and Deutsche Bank AG

A. Business policy, overall development and result

Another good year

For the bank, 1985 was a year of extremely successful securities business. We took the opportunities offered by favourable world stock markets and used our team of specialists, which we had strengthened in the years before, and our improved technical equipment to expand our turnover with customers, our own-account trading and our issuing activity. Thanks to the substantial growth in average business volume, we slightly increased the interest surplus, despite a lower interest margin.

In overall terms, we succeeded in improving our results compared with the good previous year. 1985 saw the highest operating result ever reported by Deutsche Bank AG and the entire Group; this is reflected, after strong provisioning once again for our national and international business and a renewed increase in our reserves, in a higher distributable profit.

Substantial strengthening of equity base

One of the main objectives of Group management is to strengthen the Group's equity base, taking account of our own growth and risk assessment and of the tighter capital adequacy requirements of the German Banking Act. In 1985, this was done in three ways:

– by an increase in our share capital, under favourable stock market conditions, which brought us more than one billion D-Marks in equity funds,

– by transferring DM 481 m. to disclosed reserves from Group net income for the year and

– a further transfer of DM 230 m. to disclosed reserves from the partial writing back of undisclosed taxed valuation reserves at several Group companies in accordance with Section 26a of the German Banking Act.

These three measures increased the bank's liable equity to such an extent that, under the new banking supervisory conditions too, the Group is well equipped for future business possibilities. This Group policy was continued in 1986, when we transferred to our legal reserve the premium of DM 142 m. from the issue of DM bonds with warrants for DM 710 m. through our subsidiary Deutsche Bank Finance N. V., Curaçao.

The visible reinforcement of our equity base reflects our efforts to strengthen the Group in the face of persistent latent risks in national and international business and growing exposures from new financing forms.

Group management oriented to earnings and risk

Our business policy in the Group had the following principal objectives:

– to expand our national and international securities trading and issuing business (investment banking); among other things, we extended our international network,

– to broaden our range of services in Germany and abroad and to provide our customers with innovative financing instruments without thereby exposing ourselves to excessive risks,

– to enable our branches to make greater use of their regional customer potential and to reduce costs by further increasing the modern technical aids at their disposal. By mid-1986, all domestic business offices will be equipped with the new second generation of terminals.

Our aim is for all Group units to complement and support each other in their activity, thereby optimizing the use of our entire resources from the point of view of efficiency and result. For this purpose, we further improved the instruments of our management information system.

New bases in London, Tokyo and Australia

At the end of 1985, the Group had 1,410 offices, of which 1,344 were in Germany and 66 abroad. In London, our new investment bank Deutsche Bank Capital Markets Ltd. commenced operations. In Tokyo we received a licence to set up an office for securities business, and in Australia we were given permission to open a trading bank with offices in Melbourne and Sydney.

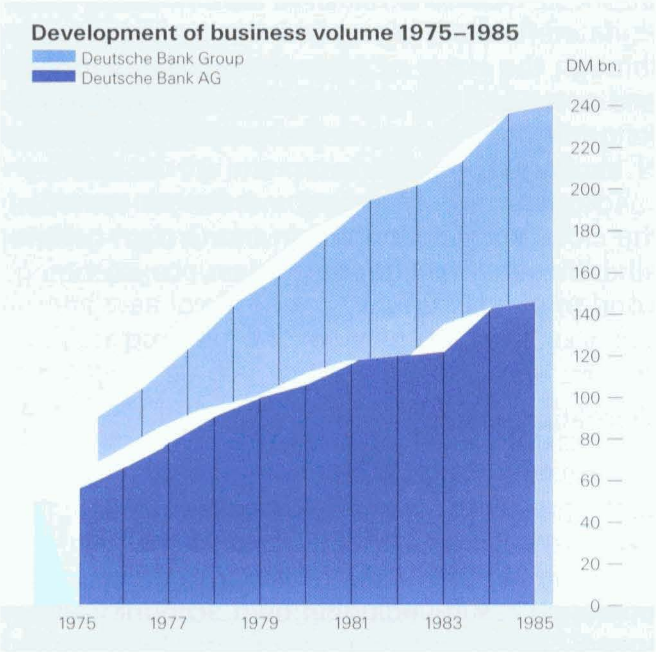
Group business volume: DM 242.7 bn.

From the end of 1984 to 31.12.1985, Group business volume expanded 1.8% to DM 242.7 bn. The main reasons why the growth was moderate were that we hardly increased our Group's interbank business over the year and that the D-Mark countervalue of our claims and liabilities in foreign currency decreased owing to the revaluation of the D-Mark from March 1985. The foreign-currency items on both sides of the Consolidated Balance Sheet account for roughly one-quarter of balance sheet total. They reflect the strong international component of our business. The largest proportion is accounted for by the dollar. The exchange rate effect alone caused a decline of roughly DM 13 bn. in Group business volume.

Business volume at Deutsche Bank AG came to DM 146.8 bn. at year's end; it accounts for a good half of the aggregate business volume of Group companies. Compared with the end of 1984, there was growth of 2.4%. This took place solely on the domestic side. The business volume of our foreign branches decreased, on the other hand, owing to the strong exchange rate changes and the reduction of interbank business.

Domestic lending business brisk

Domestic lending business picked up at the parent company and the mortgage banks. On the other hand, our foreign commercial banks recorded a decrease in their lending – partly owing to exchange rate developments. Total Group lending at year's end (DM 174.6 bn.) was therefore 2% lower, on balance, than one year before.



Total lending at Deutsche Bank AG expanded 5% in 1985 to DM 84.5 bn. Almost the entire growth came in the last third of the reporting year. Discounts eased 11%. Advances to banks rose 14%, claims on customers 6%.

Owing to the lower interest rate level, there was greater demand above all for long-term fixed-rate loans at Deutsche Bank AG. The total growth in long-term advances to customers (DM 6.0 bn.) is the highest recorded since the bank was re-united in 1957. The share of these loans in the bank's total claims on customers increased to 48% (end of 1984: 42%), thereby reattaining its 1980 level.

More long-term funds from outside sources

Group funds from outside sources rose by DM 2.6 bn. and came to DM 215.6 bn. at year's end.

Owing to the shift in maturities in its lending business, Deutsche Bank AG took in mainly longer-dated funds. It raised DM 4 bn. at longer term through the issue of savings certificates, bonds and notes and Schuldscheine as well as through long-term borrowing via Deutsche Bank Finance N. V., Curaçao.

To optimize our funding, we further extended the close cooperation within our Group – above all between Frankfurt am Main, Luxembourg, London and New York.

Operating result in the Group . . .

Deutsche Bank Group turned in a partial operating result (surplus on current business excluding own-account trading) of an unchanged DM 2.9 bn. in the year under review. The Group's total operating result (including own-account trading) rose 8.3%.

. . . and at Deutsche Bank AG

The operating result at Deutsche Bank AG (including own-account trading) increased 12.4% in the reporting year. It has improved every year since 1977 and quadrupled in overall terms.

The decisive factor behind the good operating result was the extremely high growth in commission business and own-account trading in securities (+47%); roughly three-quarters of this growth stemmed from business in shares, and one-quarter from bonds.

The strong increase in earnings on securities business, with an only slight rise in the interest surplus, shows the earnings possibilities offered by the universal banking system. But even with concentrated efforts to raise our earnings from own-account trading and services to a permanently higher level, we shall still have to reckon with substantial earnings fluctuations in future, too, especially in own-account trading.

Further contraction of interest margin

The interest surplus at Deutsche Bank AG (1985: DM 4.3 bn.) only expanded slightly in the year under review. Though average business volume increased by a good 9%, the resulting incremental earnings were offset by a reduction due to the further contraction of the interest margin to 2.96%. This margin has fallen for the second year in succession and is now more or less back to its 1981 level. The contraction was caused by the growing weight of long-term business, where spreads are usually smaller. Furthermore, we lowered the debit interest on advances at variable terms and conditions without being able to obtain a corresponding reduction immediately in the cost of deposits. Our funding costs did not sink until the discount and lombard rates were reduced in August by half a percentage point each. We lowered our interest rates on savings balances by half a percentage point in the middle of October.

Particularly strong growth in commission surplus

The commission surplus on services business increased by DM 227 m. (+19%) in 1985. The lion's share of this stemmed from securities commission business. However, we also recorded a gratifying increase in our income on services in international business.

Slightly higher increase in costs

Staff and other operating expenses at Deutsche Bank AG rose 7.5% in the year under review to DM 3.8 bn. This growth was slightly higher than in the previous year, above all owing to depreciation of terminals acquired for the ongoing modernization of our business operations. Depreciation of office furniture and equipment, which is contained in staff and other operating expenses, increased by just under one-third.

Staff expenses rose by 5%, general operating expenses by 11%.

Partial operating result and own-account trading

The partial operating result at Deutsche Bank AG (surplus on current business excluding own-account trading) increased by 0.8% in the year under review to DM 1.85 bn.

Earnings on own-account trading, which had already recorded gratifying expansion in the years before, were again substantially higher in the period under review. Here, too, the securities sector played a decisive role. Profits on foreign exchange trading also increased. Earnings on precious metals trading improved as well.

Further provision for risk essential

The cyclical upswing in the Federal Republic and the Western industrialized nations has not improved the overall national and international risk environment in which the banks operate. In 1985, for example, there was a total of 13,600 corporate insolvencies in the German economy. A strong setback was experienced in the building sector. In a number of highly indebted developing countries, the situation took a turn for the worse. Despite efforts on many sides, hardly any of these countries have succeeded in achieving an appropriate relationship between indebtedness and economic strength, that would make them eligible to tap the market again.

A careful watch will also have to be kept on the wide variety of new instruments, which all entail new risks, on the international financial markets.

We are therefore adhering to our policy of according high priority to provision for risk.

The new requirement for adjustments and provisions was lower than in the previous years. In addition, provisions for possible loan losses in the domestic and international sectors were written back. This had a compensatory effect. In the case of country risks, the need for new provisioning was lower because the DM equivalent of our foreign currency claims decreased for exchange rate reasons. Overall, however, we further increased our cover ratio through intensified provisioning for claims on problem countries. As in the years before, the formation of adjustments and provisions at all Group companies was based on the same percentage provision rates. In no case did we go beyond the limits to admissible cautious valuation. Write-downs in lending business, which had already increased in the previous years, were again substantial.

Our securities were valued at the lower of cost or market. Write-downs were only necessary on a small scale.

Account was taken in the year under review of the additional risks which arose at European Asian Bank AG, Hamburg. In this connection, we reduced the book value of our holding.

As in the past, we made use of the possibility of setting off profits on securities and earnings on the writing back of adjustments against write-downs of and adjustments to claims and securities (Section 4 of the Order concerning Banks' Statements of Accounts). The high profit on own-account trading in securities was one reason why no write-downs of and adjustments to claims and securities are reported in the Profit and Loss Account.

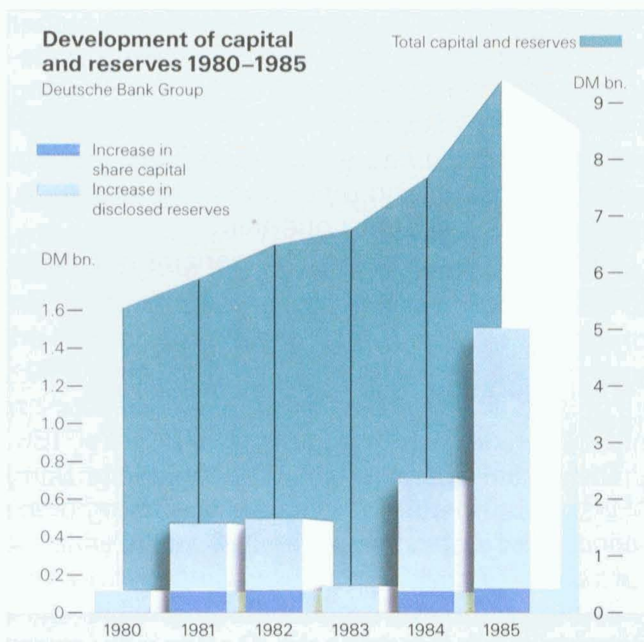
Group pre-tax profit: + 33.4%

Pre-tax profit, i. e. operating result less extraordinary items, increased 33.4% at Deutsche Bank Group in the year under review to DM 2.6 bn. At the same time, tax expense increased to DM 1.7 bn. (+35.7%); at Deutsche Bank AG alone the billion line was crossed for the first time ever with taxes of DM 1.3 bn.

Extraordinary allocation to disclosed reserves

The result for 1985 facilitated a strong increase in disclosed reserves within the Group. Of the total allocation of DM 481 m., DM 278 m. relates to the parent company and DM 203 m. to subsidiaries. In addition to this, Deutsche Bank AG wrote back DM 100 m., Deutsche Bank Berlin AG DM 50 m. and Deutsche Centralbodenkredit-AG and Frankfurter Hypothekenbank AG DM 40 m. each from their taxed valuation reserves in accordance with Section 26a of the German Banking Act and will transfer these amounts – partly subject to resolution of the respective Ordinary General Meetings – to disclosed reserves. Together with the capital increase at Deutsche Bank AG at the end of 1985, this raises Group capital and reserves by DM 1.8 bn. to more than DM 9.5 bn.

With respect to this partial conversion of taxed valuation reserves pursuant to Section 26a of the German Banking Act into disclosed reserves, this



was the first time we had ever additionally increased our admissible equity base in this way on a Group basis. We still regard Section 26a of the German Banking Act as a necessary instrument of our business policy; we intend to replenish these undisclosed taxed valuation reserves.

In February 1986, we transferred to our legal reserve the premium of DM 142 m. on the DM bonds with warrants issued to procure long-term funding. This brings Group capital and reserves to DM 9.7 bn.

We propose to the General Meeting that a dividend of DM 12 per share be paid to the shareholders of Deutsche Bank AG. Together with imputable corporation tax of DM 6.75 per share, this gives total income to our domestic shareholders of DM 18.75 per DM 50 share. As the new shares from the capital increase at the end of 1985 as well as the shares from the exercise of option rights are also entitled to a full dividend for the 1985 financial year, the total dividend payment will increase from DM 352.6 m. to DM 383.8 m.

B. Individual business sectors

1. Domestic corporate customers: more long-term loans

Group advances to domestic corporate customers increased 5.5% in 1985 to DM 44.0 bn. Owing to the lower interest rate level, the emphasis was on long-term financings, especially fixed-rate loans.

Lendings under our Small Business Loan (GAK) system, which is aimed specifically at small and medium-sized companies, rose 7.5% at Deutsche Bank AG. Over and above this, we acted on a larger scale as intermediary for low-interest loans to small and medium-sized companies under Federal and Länder Government programmes.

Availment of short and medium term loans was only slightly higher, owing to the improvement in companies' liquidity and earnings. Our eurocredit intermediation activity decreased.

Domestic corporate customers' demand deposits with Deutsche Bank AG grew by close on 5% to DM 10.1 bn. Time deposits rose by roughly 3% to DM 7.6 bn. Our securities business with companies developed well.

Electronic banking service widened

In the year under review, our new financial and profit-planning service, "db plan", was added to our existing range of information and advisory services, which we offer partly via electronic media and with which we assist our customers not only with regard to banking matters, but also in questions of general business management. The db-plan service is based on the "building block" principle and can be used at relatively low cost by small and medium-sized companies – using our data processing equipment if necessary. This new service met with an enthusiastic response from our customers.

In autumn we introduced our database service, "db-data". db-data gives companies quick and low-cost access to more than 500 specialized databases throughout the world with up-to-date information on markets, technological developments and other relevant business matters.

"db-direct", our international cash management system introduced in 1984, was briskly used by customers. The number of users of "db-transfer", our debit and credit transfer system, increased again substantially.

Leasing also available through the bank

The Group's comprehensive range of services in the fields of leasing, tied investment loans, factoring and forfaiting met with strong demand in the year under review. New commitments at GEFA-Leasing GmbH, Wuppertal, rose 23% in 1985. To give our customers easier access to leasing financings, it has been possible to conclude standard leasing business at the larger branches of Deutsche Bank AG since the end of the reporting year.

GEFA Gesellschaft für Absatzfinanzierung mbH, Wuppertal, which offers longer-term tied instalment loans and purchases claims based on merchandise, service and leasing transactions, also expanded its activities considerably. The aggregate business volume of the GEFA Group increased 12% to DM 3.2 bn.

We offer property leasing through DIL Deutsche Immobilien Leasing GmbH, Düsseldorf, in which we have a 50% holding. In 1985, DIL's business centred on production, storage and administrative buildings. At year's end, the company had 500 properties in its portfolio; its total investment volume exceeded DM 6 bn.

At the beginning of 1985 we entered international big-ticket leasing; the first transactions on behalf of German customers have already been concluded. The purpose of this business sector is to support Germany's export industry with low-cost and flexible financings supplementing classical export financing. Furthermore, our 100% subsidiary Deutsche Credit Corporation, Deerfield, Illinois, offers industrial instalment financings on the American market.

More venture capital

In the year under review, we made an additional DM 14 m. available for venture capital and innovation financings. This brought the total volume of stakes held by Deutsche Bank AG in venture capital companies to more than DM 70 m., compared with only DM 7 m. at the end of 1982.

The largest portion of this is accounted for by our holding in WFG Deutsche Gesellschaft für Wagniskapital mbH and the funds which it manages. This company strongly expanded its activities after the reorganization in 1984. Besides its headquarters in Frankfurt am Main and offices in Berlin and Munich, it is now also represented in Hamburg and Stuttgart. The services it offers include the provision of equity as well as advice on questions of management. In cooperation with local companies, it also serves its partners' subsidiaries abroad, above all in the U.S.A.

At the beginning of 1985, we joined "NEU-EUROPA" HITEC & BIOTEC Gesellschaft für Innovationen mbH & Co. KG, Berlin, as joint shareholder. Through Deutsche Bank Berlin AG, we also participated in a capital increase at VC-Gesellschaft für Innovation mbH, Berlin.

Serving small and medium-sized firms

Deutsche Beteiligungs AG Unternehmensbeteiligungsgesellschaft, Königstein (Taunus), which we had set up in the previous year with Schmidt-Bank in Hof (Saale), commenced operations in 1985; at the end of the year, it had twelve holdings in small and medium-sized companies with total turnover of DM 520 m. and more than 4,000 employees. Most of these holdings came from the portfolio of Deutsche Beteiligungsgesellschaft mbH, Frankfurt am Main.

The objective of Deutsche Beteiligungs AG Unternehmensbeteiligungsgesellschaft is to give small and medium-sized companies which are not (yet) able to float issues independently indirect access to the capital market, thereby reducing competitive disadvantages in the procurement of capital. At the moment, the size of these holdings ranges from DM 1 m. to DM 4 m. In December, 50% of the new company's share capital was offered for subscription to the investing public through the stock exchange.

Deutsche Beteiligungsgesellschaft mbH, which has successfully managed traditional capital holdings for twenty years, will continue to operate. It specializes in companies which either seem to be too new for a public portfolio or do not wish to meet the disclosure requirements this entails, or which are already planning to go public. At the end of 1985, the portfolio of Deutsche Beteiligungsgesellschaft mbH consisted of 31 holdings with a total value of DM 131 m.

Growing demand for M & A advice

Our subsidiary DB Consult GmbH, Frankfurt am Main, advises and assists customers who are interested in buying or selling companies. In 1985 it advised on several mergers and acquisitions transactions. We can see a growing requirement to help companies review their strategies, select suitable partners for cooperation and negotiate agreements.

2. Retail business: further growth

Our retail business, in which we serve more than five million customers, expanded in 1985 despite the unfavourable situation in the residential market in large parts of the Federal Republic and the growing competition from non-banks.

Building financing: more money for modernization projects

Commitments under our BauKreditSystem amounted to DM 9 bn. (previous year: DM 10 bn.). While financings for new buildings decreased, loans for house purchases, modernization projects and conversions increased markedly. The total volume of building financing loans, which we offer in close cooperation with our mortgage bank subsidiaries, rose in 1985 to more than DM 52 bn.

Many customers used the favourable interest rate situation to convert short and medium-term building loans into loans with longer fixed-interest-rate periods. The interim financings offered by Deutsche Bank AG contracted by one-quarter; long-term advances, on the other hand, rose 17%. In cooperation with our mortgage banks, we again offered loans with interest rates fixed for the entire maturity for the first time since the beginning of the seventies.

In overall terms, the Group-wide cooperation between commercial banks and mortgage banks again worked efficiently. Deutsche Bank Group administers the largest volume of building financing loans to households.

Brisk demand for consumer loans

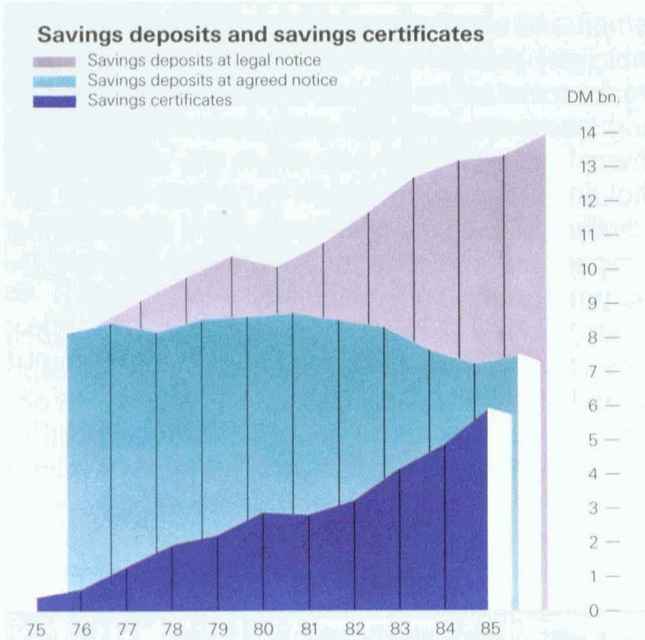
Households' demand for Personal Loans picked up as the consumer climate improved. Availment of overdrafts to cover short-term requirements rose by roughly 12% in 1985. New business in our medium-term instalment loans was impaired to an increasing extent by subsidized financings offered mainly by automobile companies to promote sales. There was lively demand for the Personal Loan under which the customer can make drawings at any time up to an agreed limit, a system we had introduced in the previous year. Lendings increased by DM 290 m. in 1985 to more than DM 600 m.

In cooperation with an insurance company, we offer our loan customers the additional possibility of insuring against personal risks such as sickness or death by taking out reasonably priced risk and residual-debt insurance policies. 1.9 million customers have made use of this offer since it was introduced.

Emphasis on deposits business

Customers' deposits at Deutsche Bank AG expanded 4.2% to DM 76.7 bn. One-third of this increase was accounted for by demand and time deposits, and two-thirds by savings deposits and savings certificates. This reflects our efforts to consolidate our funding and adjust it more closely to the development of long-term business. This allows us, at the same time, to accommodate savers' demand for higher interest-bearing forms of investment. The volume of outstanding savings certificates alone increased by more than 20% to DM 6.0 bn.; it has doubled in the last four years. There was particularly strong demand for discounted forms, where interest and compound interest are not paid until the savings certificates mature.

Savings deposits increased on balance by DM 900 m. to DM 21.6 bn., despite the high volume of matured savings agreements (DM 1.3 bn.) and



the use of savings balances for the purchase of securities.

The positive development of savings business was strongly influenced by the steady inflow of funds from Deutsche Bank savings plans with and without insurance cover. In 1985, once again, almost 100,000 agreements were signed for a total volume of DM 1.7 bn. The entire volume of these agreements came to DM 3.5 bn. at year's end. Thus, since its introduction a good two years ago, this new savings product has established itself on the market as an attractive addition to the range of instruments available for making financial provision for the future.

Since December 1985, we have offered "Deutsche Bank fixed-interest-rate saving"; this is a new medium-term form of saving with a one-year interest guarantee, which is particularly interesting for earnings-oriented investors.

More loans to the self-employed

The lendings made by Deutsche Bank AG to self-employed individuals totalled DM 11.6 bn. at the end of 1985. In our new business, the emphasis was on medium and longer-term loans.

Our savings plan for customers intending to set up in business met with a good response.

Target group: young adults

We further developed our products and services aimed at the "young adult" segment, especially in connection with career guidance and training information. Our "Youth Forum" meetings, at which school leavers can talk to representatives of the business community and the public sector, proved successful. By the end of 1985, we had held more than 100 meetings with over 50,000 participants in many cities of the Federal Republic.

3. Securities business: hausse on the equity market

Our securities business in 1985 was again influenced by an extremely good situation on the capital markets. Our turnover with institutional and private customers, already up by 13% in the previous year, rose by a further 16% to DM 120 bn. This rapid growth made considerable demands not only on our securities advisors and traders, but also on our settlement staff. The growth in our securities turnover was assisted by a further increase in staff and the enhancement of our technical equipment in the stock exchange information, trading and settlement sectors.

Our business in German shares doubled in 1985. Customers bought and sold an increasing volume of warrants and used the possibilities offered by option business. Foreign investors entered the German market through our trading offices to an unprecedented degree. Our investment banking subsidiary in New York, Deutsche Bank Capital Corporation, mobilized American investors' funds for the German market on a large scale.

Turnover in foreign shares expanded by one-third. At the centre of attention were shares from European countries, above all Switzerland and the Netherlands; business in American and Japanese securities was maintained at a high level.

In fixed-interest securities, we recorded further growth in 1985. Turnover increased slightly in DM bonds and strongly in foreign currency bonds.

Turnover in Schuldscheindarlehen decreased markedly.

The number of customers' safe-custody accounts in the Group increased by 48,300 in 1985 to 1.3 million. The market value of customers' safe-custody accounts increased 28% to DM 164 bn.

More portfolios under our management

In our portfolio management business, our successful investment policy again led to substantial increases in the value of our customers' portfolios. The total number and volume of portfolios under our management and of the assets entrusted to our management in connection with estates rose considerably in 1985.

Investment companies: inflows totalling DM 3 bn.

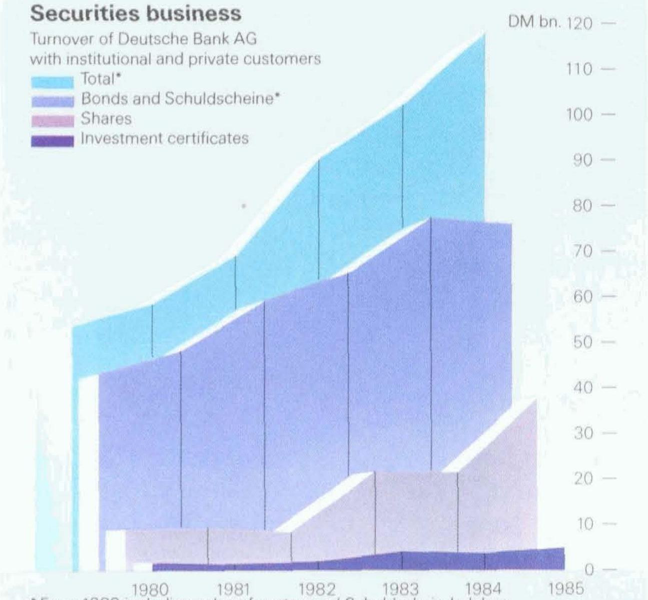
DWS Deutsche Gesellschaft für Wertpapiersparen mbH and Deutsche Gesellschaft für Fondsverwaltung mbH (DEGEF), both in Frankfurt am Main, recorded a combined inflow of DM 3 bn. in 1985. The assets of the two companies' funds expanded by more than one-quarter to DM 22.7 bn.

The new DWS equity fund PROVESTA was received with great interest. It is aimed primarily at investors wanting to participate in the growth opportunities of small and medium-sized German companies. INVESTA, the oldest and largest DWS equity fund, which is invested chiefly in German blue chips, recorded capital growth of 64%. The number of DEGEF-managed special funds for institutional investors and employee funds rose by 13 to 131. The assets of the funds expanded by DM 2.1 bn. to DM 9.4 bn.

The open-end property fund "grundbesitz-invest", which is managed by our subsidiary Deutsche Grundbesitz-Investmentgesellschaft mbH, Frankfurt am Main, increased its assets to DM 1.8 bn. as at September 30, 1985. In the year under review, DM 140 m. was invested in commercially used properties at good locations. The value of a share rose by 6.8%. For the 1984/85 financial year, a dividend of DM 3.40 was paid per share.

4. Issuing business: 40 capital increases for cash and . . .

In 1985, the bank participated in 40 capital increases for cash, through which the issuers obtained almost DM 7 bn. in equity funds. This was two-and-a-half times as much as in the year be-



* From 1983 including sales of customers' Schuldscheindarlehen

fore. The biggest single transactions, besides our own issue of shares, were the capital increases at Allianz AG Holding for DM 802 m., BASF AG (DM 760 m.), Nixdorf Computer AG (DM 720 m.) and THYSSEN AG (DM 468 m.). Besides Nixdorf Computer AG, several other "newcomers" to the stock exchange during the last few years (including ASKO Deutsche Kaufhaus AG and ZANDERS Feinpapiere AG) came to the market with capital increases.

Over and above that, we participated in bonus share issues for six companies.

... more new stock exchange listings

In the year under review, we participated in the introduction of five companies to the stock exchange and in this connection placed shares for DM 1.1 bn. on the market. The companies concerned were Axel Springer Verlags AG – the first media group on the German stock market – with registered shares with limited transferability for DM 558 m., Henkel KGaA with non-voting preferred shares for DM 432 m., the banking house Trinkaus & Burkhardt (converted into a limited partnership based on shares in 1985) with shares for DM 78 m. and FUCHS PETROLUB AG OEL + CHEMIE with non-voting preferred shares for DM 9 m. Shortly before year's end, non-voting preferred shares for DM 15 m. of Deutsche Beteiligungs AG Unternehmensbeteiligungsgesellschaft were placed and included in regulated unofficial trading.

In the last three years, we have introduced 24 companies to the stock exchange. Our experience to date has been encouraging, and we shall in future continue our efforts to persuade new companies to go public.

Of the shares of Didier-Werke AG, Wiesbaden, which we had purchased with a view to placing them elsewhere, paper representing 15% of the company's share capital was sold as at the turn of the year.

Purchase and placement of the Flick Group

As at the turn of the year 1985/86, our 100% subsidiary Alma Beteiligungsgesellschaft mbH, Frankfurt am Main, purchased 98% of the share capital of Friedrich Flick Industrieverwaltung KGaA, Düsseldorf, which had been converted into a joint stock corporation (AG), with a view to placing it elsewhere. The remaining 2% was purchased by Baden-Württembergische Bank AG. This transaction will not be reflected in the balance sheet until 1986.

Our intention was to sell those of the acquired holding's equity interests which were not essential to its business operations and then to introduce and place the shares on the stock market, thereby giving many interested parties an opportunity to buy them. In this way, we are contributing to the deconcentration of industrial assets.

In December 1985, prior to acquisition of the shares, Friedrich Flick Industrieverwaltung KGaA was converted into Feldmühle Nobel AG. This company's assets comprised the industrial "core", consisting of the Buderus, Dynamit Nobel and Feldmühle Groups, and holdings in W.R. Grace & Co., New York, Daimler-Benz AG and Versicherungsholding der Deutschen Industrie GmbH, which holds 51% of the Gerling Group. The groups forming the industrial core have long been linked together on a single-entity basis.

The 10% holding in Daimler-Benz AG was successfully placed in the year under review through an international bank syndicate and with our own customers. This transaction involved a total of 3.4 million shares worth DM 3.8 bn. Settlement took place in January 1986. The holdings in W.R. Grace & Co. and Versicherungsholding der Deutschen Industrie GmbH were sold by Feldmühle Nobel AG outside the stock exchange, taking account of existing rights of preemption and delivery commitments.

International bond issuing business continues to expand

In our international issuing business, the strong growth of the previous years continued. We participated in a management capacity in 575 bond issues (previous year: 366). They included 254 dollar issues and 218 issues in other foreign currencies. We took part in 103 DM issues (previous year: 87) and made use of the new possibilities on the German capital market. For example, as soon as the market opened, we immediately assumed the lead manager function for the first floating rate note issue for a foreign borrower (DM 1.5 bn. for the Kingdom of Sweden) and the first 30-year DM zero bond issue (DM 1 bn. for the World Bank). In summer, we floated the first issue on the European capital market for a borrower from the People's Republic of China (DM 150 m. for the Bank of China).

Alongside classical issuing business, we also participated – with the necessary caution – in the development of new financing instruments which combine elements of the money, credit and capital markets and which are particularly flexible and reasonably priced for the borrower. We placed "euronote facilities" at the disposal of several German companies.

New securities houses in London and Tokyo

We made good progress with the implementation of our international investment banking strategy. Our aim is to be represented by our own securities houses at all centres where international business is concentrated. These are London as the centre for the euromarket, New York for the U.S. market, Tokyo for the Pacific region as well as Frankfurt am Main, Geneva and Zürich for the Continental European market.

In spring, Deutsche Bank Capital Markets Ltd. began operations in London. In its first year, it already contributed substantially to our international issuing business.

In December 1985, our subsidiary DB Capital Markets (Asia) Ltd., Hong Kong, the successor to our former subsidiary DB Finance (Hong Kong) Ltd., Hong Kong, received a licence to open a branch in Tokyo which will engage chiefly in investment banking business in Japan. In line with a condition imposed by the Japanese Ministry of Finance, according to which our share of this company's voting capital may not exceed 50%, we were able to secure the participation of Bayer AG, Leverkusen, and Siemens Beteiligungen AG, Zürich, as shareholders with 25% each of the company's voting capital.

5. Foreign exchange and precious metals: higher earnings and stronger market position

The fluctuations in the dollar exchange rate and uncertainties in connection with the reversal of the long-lasting upward trend made heavy demands on our foreign exchange trading section. Our turnover in this sector, adjusted for exchange rates, was roughly at the 1984 level. A substantial improvement was achieved on the previous year's good result.

Even more than in the previous years, our customers were interested in the participation of our foreign exchange trading facility in solving their hedging problems. Within our range of hedging services, we made greater use of currency options; the great majority of our customers, however, preferred traditional hedging instruments.

Despite a persistently unfavourable market situation in precious metals business, we again reported a satisfactory profit, higher than that in 1984.

6. International business: brisk foreign trade financing . . .

Our commercial foreign business, i. e. the financial settlement of exports and imports, increased gratifyingly in the wake of expanding foreign trade. Thanks to a number of organizational and technical rationalization measures, we succeeded in improving the contribution to profits from foreign payment business.

In the medium and long-term export financing sector, we began or continued negotiations on several large-scale projects in the year under review. The fact that we were able to increase substantially our range of financing products and, among other things, transact international leasing business and co-financings, had a positive effect.

For rescheduling countries, we were able to accommodate our customers' requests for medium-term export financings in individual cases insofar as public-sector cover was available; we are maintaining short-term foreign trade financings within the framework of the international agreements in force for several of these countries.

AKA Ausfuhrkredit-Gesellschaft mbH, Frankfurt am Main, reduced its interest rates for medium and long-term buyer loans in the year under review and also took additional measures in favour of exporters. The reform of export insurance, which came into force at the beginning of 1986, has brought improvements, in particular the admission of progress payments under financial loans (expense-like disbursements) and access to international markets using the trustee model.

. . . and declining eurocredit volume

Our medium and long-term eurocredit business, mainly handled within the Group by our subsidiary Deutsche Bank Compagnie Financière Luxembourg S.A., Luxembourg, was concentrated in 1985 on first-class addresses. The emphasis was on project and export financings.

The total volume of our outstanding claims in eurocredit business declined. This was due not only to exchange rate effects, but also to the emergence of new financing instruments. They led to a further decrease in new traditional eurocredit commitments.

Within the framework of the bank advisory committees for Brazil and Mexico, we participated – jointly with these countries, with international organizations and the governments of the principal creditor countries – in working out programmes for rescheduling and for strengthening their ability to pay. The long-term objective of all rescheduling countries is still the restoration of their creditworthiness.

Expansion of our international presence

At the end of 1985, Deutsche Bank's international network comprised 15 branches, 10 100%

subsidiaries, 14 branches of European Asian Bank AG and 19 representative offices.

The emphasis in our foreign branches' business is on the servicing of German companies abroad. Over and above that, they also intensified their links with local customers and international corporations during the reporting year. Here, they are assisted by their intensive cooperation with our domestic offices.

At the beginning of February 1986, Deutsche Bank Australia Ltd., with offices in Melbourne and Sydney, commenced operations. It is a 100% subsidiary of Deutsche Bank AG and, with an unrestricted bank licence, transacts both commercial and investment banking business.

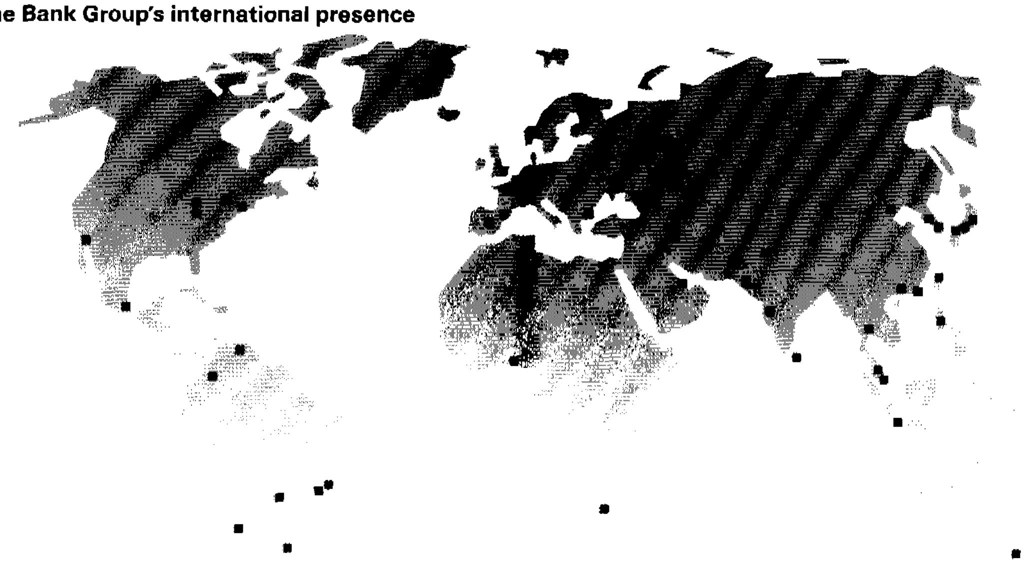
Project finance

In the field of project finance, we strengthened our market position. Here, projects outside the raw materials sector are also gaining importance, e.g. communications and infrastructural projects.

Restructuring of EBIC holdings

In the year under review, ownership structures at EBIC subsidiaries were reorganized to take account of divergent interests and activities on the

Deutsche Bank Group's international presence



part of the EBIC shareholder banks. For our bank, the following changes took place:

– Our share in European American Bancorp., New York, which we hold via German American Capital Corp., Baltimore (U.S.A.), increased from 20.1% to 23.2%.

– At the same time, we divested our 14.1% holding in European Banking Company Ltd., London; European Banking Group, which was formed in 1983 from European Banking Company, London, and Banque Européenne de Crédit, Brussels, was dissolved. We have an unchanged 14.3% holding in Banque Européenne de Crédit S.A.

– We sold our share in Euro-Pacific Finance Corporation Ltd., Melbourne, in connection with the establishment of our own subsidiary.

Our Staff

Further staff increase

In 1985 the number of persons employed in Deutsche Bank Group rose by a total of 978. Most of the expansion was at the parent company (+ 548). At the end of the reporting year 48,851 were employed in the Group, 41,674 at the parent company.

Reduced personnel requirements in administrative sectors were more than compensated by the additional numbers needed to serve and advise customers. We still aim to provide further training for members of staff released from their duties as a result of the increasing use of technology and – where possible – to offer them more highly qualified work within our organization.

Customers' growing demands on the quality of our counselling are also reflected in the structure of our staff. The total proportion of employees in middle and higher salary tariff groups has risen since 1980 from 70.8% to 74.9%. During the same period the proportion of non-tariff staff increased from 14.8% to 16.0%. By contrast, the proportion of employees in the lower salary groups declined from 14.4% to 9.1%.

The main thrust of expansion in 1985 was in our retail banking and corporate customer departments, and in our portfolio investment and new issue business. But the growth of our foreign operations, and particularly the establishment of Deutsche Bank Capital Markets Ltd., London, also made new recruitment necessary. Some of the vacancies in London were filled by qualified staff from our domestic network.

At the end of 1985, 3,759 employees were working at our branches and representative offices, subsidiaries and associated companies in other countries; that was 338 more than at the end of 1984. We consider it important to maintain a regular exchange of capable staff members within the Group's world-wide organization. In 1985, 95 were seconded abroad. At the end of the reporting year the total number of staff members delegated to other countries then came to 371.

More intensive personnel work abroad

One of the main areas of our personnel work in 1985 was a drive to step up training of promising employees abroad. We want in future to cover an increasing proportion of the staff requirements of our foreign branches and our international banks and financing companies from local personnel and to be able also to offer these members of staff appropriate opportunities for promotion.

At the end of the reporting year, 45 apprentices were receiving basic training in banking at our Brussels, Buenos Aires, Madrid and São Paulo branches. 30 members of local staff have already successfully completed their apprenticeship.

Some foreign branches recruited a larger number of graduates from universities in their respective host countries.

After completing their basic training locally, promising members of staff at our foreign offices are deployed for a time to our domestic bank network.

A new training centre was inaugurated in Buenos Aires in April 1985. Last year, our branch there ran 26 seminars, which were attended by 318 members of staff. In Singapore we set up a training centre jointly with European Asian Bank AG; it opened in March 1986.

Another increase in domestic apprenticeships

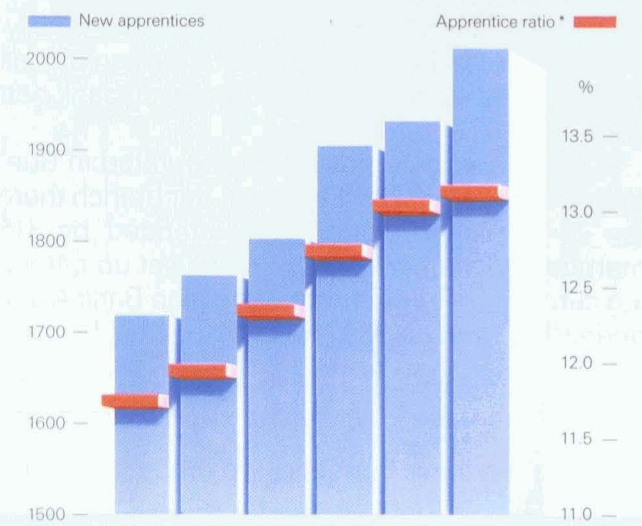
In the Federal Republic we once again increased the number of places offered for vocational training. We took on 2,018 new apprentices; that was more than ever before. At the end of

1985, 4,571 young people were receiving vocational training.

The apprentice ratio (number of apprentices as a proportion of domestic staff excluding apprentices) at the parent company was 13.2% at the end of 1985; we are therefore one of the most training-intensive companies in the Federal Republic. Since 1980, Deutsche Bank AG has trained over 8,500 young bank clerks.

In the reporting year the pass rate in the final examination was 98.2%; 56% of the candidates passed with "distinction" or "merit". In 1985 we again took on as regular members of staff all who qualified and were interested in joining our bank (over 80%). Most of the other young clerks left us to go to university.

Rising number of apprenticeships offered



*As a percentage of domestic staff (excl. apprentices)

Opportunities for young qualified clerks...

Our Supraregional Development Group for particularly well-qualified young bank clerks was enlarged in 1985. The candidates take part in a four-year training programme designed to intensify their knowledge in specific areas and to prepare them for taking on higher duties in domestic and foreign retail banking and corporate customer business, or in business departments at Central Office. At the end of 1985 there were 183 young bank clerks in the Supraregional Development Group.

Employees with a background of practical training regard the group as a good chance for people without a university degree also to take advantage of the development opportunities offered within the bank's whole organization. At Deutsche Bank AG there are about 600 positions in the non-tariff sector alone to be filled each year.

...and university graduates

Since we are clearly going to need more staff with an academic background in future, we at the same time increased the number of management trainees at Deutsche Bank AG to 246. The main emphasis here is on the classical form of training, covering all sectors of business. In addition, we introduced programmes for specific sectors, making it possible to assign the members of staff to particular areas more quickly. For instance, we ran a special training course on investment banking for the first time in the reporting year. Participants have usually absolved a banking apprenticeship with special emphasis on securities business. This is followed by an intensive, several-week course at home and abroad covering all areas of investment banking, which is organized in collaboration with New York University. After successfully completing the programme, the participants are assigned to our investment banking subsidiaries in London, New York or Tokyo or to positions in our domestic investment, trading and new issue business.

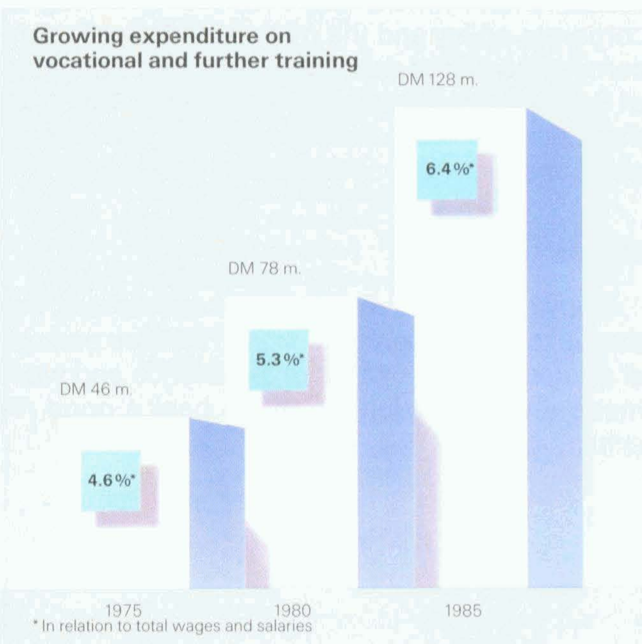
In selecting the graduates we used a group selection procedure in which experienced members of our management participated.

Over 1,100 seminars and working groups

During the reporting year a total of 20,234 members of staff attended 1,127 in-house seminars for further training. Once again we extended the range of training offered in corporate customer business. Selected seminars and working groups were held to encourage the dialogue between the management of client companies and our customer counsellors and account managers, with the aim of solving complex financing problems. The seminars on personnel management remained one of the main areas of management training in the reporting year.

The parent bank's further-training facilities are also available to our subsidiaries and associated companies.

Total expenditure on basic and further training came to DM 128 m. in 1985. That was equivalent to 6.4% of wages and salaries. DM 66 m. of the total was spent on vocational training and DM 62 m. on further training and management training.



Staff shares very attractive

The staff shares we again offered our employees in the reporting year – taking full advantage of the price reduction allowable for tax purposes – met with a very positive reponse, as in previous years, despite the higher market quotation. 84.2% of all eligible members of staff of Deutsche Bank AG and the domestic subsidiaries accepted the offer and bought staff shares. At the end of 1985, there were 44,800 holders of staff shares of Deutsche Bank AG. Together with retired members of staff, our employees held 3.2% of share capital.

Expenditure by the bank on this voluntary type of capital formation by our employees amounted to DM 26.7 m. in the reporting year. Since the first issue in 1974, the bank has spent a total of DM 170.1 m.

Promotion of company sport

In the reporting year we set up a sports centre for the almost 6,000 members of staff employed in and around Frankfurt am Main. Altogether

Deutsche Bank AG had 110 company sports clubs in 1985 with roughly 16,000 members; that is approx. 40% of domestic staff.

Early retirement scheme in use

In the reporting year a greater number of employees took advantage of the early retirement arrangements introduced under the salary tariff agreement. Of the tariff employees eligible in 1985, 63% retired early.

In 1985, 530 members of staff celebrated 25 years with the bank and 31 employees celebrated their 40th anniversary. Two members of staff were able to look back on 50 years of service.

Deutsche Bank AG assisted 10,318 pensioners and widows and 200 orphans in the reporting year.

Cooperation with Staff Councils

In 1985, cooperation with the staff representatives was once again cordial and constructive. At the regular meetings of the Board of Managing Directors with the General Staff Council and its committees and with the Group Staff Council, discussion centred on questions relating to future applications of new technology, and to personnel and organizational measures connected with the introduction of new services. In the Economic Committee the development of the bank's business and general economic problems were also discussed in depth.

The Board of Managing Directors and the General Staff Council concluded a new in-house agreement on the "Principles of the company suggestion scheme". The most significant amendment compared with the old arrangements was the substantial increase in the level of bonuses. We regard the scheme as a valuable incentive to staff and one we would like to use more in future.

We would like to thank the members of the Staff Councils, the General Staff Council, the Economic Committee and the Group Staff Council, the youth representatives and the spokesmen for the severely disabled for their responsible and objective cooperation.

Committee of Spokesmen for Senior Executives

The Board of Managing Directors discussed the development of business, issues relating to corporate policy and the matters specifically concerning the senior executives with the Committee of Spokesmen. We wish to thank the members of the Committee for their personal commitment and constructive cooperation.

Thanks to our staff

Above all, however, we want to express our thanks to all our members of staff for their personal efforts. Their knowledge, experience and work made a vital contribution to the bank's good results.

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

Emmi Artz, Düsseldorf
Erika Bartsch, Frankfurt
Dr. Helmut Bendig, Frankfurt
Hans Peter Berger, Baden-Baden
Christine Blanck, Hamburg
Herbert Böthling, Hamburg
Hans-Josef Bossmann, Kleve
Andreas Brzozowski, Kiel
Luise Büscher, Mettmann
Steffi Conrad, Mainz
Walter Evers, Moers
Ewald Frank, Eschweiler
Horst Giese, Düsseldorf
Anneliese Görgen, Essen
Lieselotte Gonnermann, Kassel
Otmar Grob, Frankfurt
Kurt Häfner, Frankfurt
Jens Hansohm, Kiel
Klaus Haubenthal, Gelsenkirchen
Josef Held, Taunus-Zentrum Eschborn
Ingrid Herbst, Frankfurt
Jürgen Hirsch, Kaiserslautern
Gustav Jöris, Düsseldorf
Ernst Jung, Düsseldorf
Dr. Stephan Karl Koenigs, Munich
Richard Kötterl, Munich
Dieter Kohlstruck, Düsseldorf
Harald Kreyser, Hildesheim
Edith Lanfer, Münster
Marion Lütjens, Hamburg
Maria Mackenstein, Krefeld
Angelika Meyer, Düsseldorf
Manfred C. E. Meyer, Bremen
Edgar Müller, Wiesbaden
Klaus Münch, Taunus-Zentrum Eschborn
Erwin Müschen, Kassel
Karl Obermoser, Karlsruhe
Rolf Paulsen, Hamburg
Matthias Polzin, Hamburg
Gisela Sauren, Düsseldorf
Hans-Wilhelm Schäfer, Taunus-Zentrum Eschborn
Wolfgang Schlüter, Spenge
Maria-Luise Schmidt, Villingen-Schwenningen
Werner Schmidt, Wissen
Lieselotte Schmitz, Grevenbroich
Evelyn Schorm, Reutlingen
Dirk unten Schrievers, Wuppertal
Renate Schröders, Viersen
Enno Sommer, Münster
Johannes Springub, Osnabrück
Antonio Staschen, Buenos Aires
Francisco Tamayo, Frankfurt
Marie Luise Veh, Düsseldorf
Helmut Wege, Dillenburg
Waltraud Wooszmann, Hamburg
Werner Zweibäumer, Werl

We mourn the passing away of 291 retired employees of our bank.
We shall always honour their memory.

Notes on the Statement of Accounts of Deutsche Bank AG for 1985

Balance Sheet

Business volume

The bank's *business volume* (balance sheet total plus endorsement liabilities) increased by DM 3.4 bn. (+ 2.4%) to DM 146.8 bn. in the 1985 financial year. The modest growth in 1985 was largely influenced by the decline in the dollar exchange rate which led in particular to a fall in the D-Mark equivalent of the business volume at our foreign branches.

Balance sheet total as at 31. 12. 1985 was DM 4.0 bn. (+ 2.9%) higher at DM 141.9 bn.

The structure of our balance sheet changed compared with the end of 1984 as a result of the deliberate reduction of interbank business abroad at the same time as strong growth in claims on and liabilities to our domestic private and corporate customers. The bank's capital and reserves were increased by DM 1.5 bn. and at the end of 1985 represented 5.5% of balance sheet total.

Details of the movements on our balance sheet by source and use of funds are given in the *financing balance* on page 67.

The *turnover* on our non-bank customers' accounts increased by 10.7% compared with the previous year to DM 5,003 bn. With an average effective staff of 35,400 (1984: 35,000), turnover per employee was DM 141 m. (1984: DM 129 m.). The number of business transactions booked per employee rose to 16,900.

Compared with the end of 1984, the following changes were recorded in our balance sheet:

Assets		DM m.
Cash reserve	+	1,326
Cheques and other items received for collection	+	73
Bills of exchange	–	238
Claims on banks		2,186
Treasury bills and discountable Treasury notes	+	755
Bonds and notes	–	582
Other securities	+	685
Claims on customers	+	3,835
short and medium-term	–	2,150
long-term (4 years or more)	+	5,985
Subsidiaries, associated companies and trade investments	+	118
Land and buildings	+	46
Office furniture and equipment	+	143
Other assets		60
Remaining assets	+	102
Balance sheet total	+	4,017

Liabilities		DM m.
Liabilities to banks	–	1,750
Liabilities to customers	+	3,088
including: demand deposits	+	669
time deposits	+	1,493
savings deposits	+	926
Bonds and notes	+	854
Own acceptances and promissory notes outstanding	–	104
Provisions	+	575
Share capital and disclosed reserves	+	1,510
Remaining liabilities	–	156
Balance sheet total	+	4,017

Liquidity

At the end of the year, the cash reserve, consisting of cash on hand, the balance with Deutsche Bundesbank and the balances on postal giro accounts, had risen to DM 7.3 bn., while liabilities to banks and customers, bonds and notes, own acceptances, promissory notes and other liabilities together totalled DM 126.4 bn. This raised our *cash liquidity* to 5.7% (31. 12. 1984: 4.8%).

Our *overall liquidity* – the ratio between total liquid assets of DM 24.9 bn. and the above-mentioned liabilities – increased to 19.7% at the end of 1985 (31. 12. 1984: 18.3%).

Liquid assets and liabilities are as follows:

	End of 1985 DM m.	End of 1984 DM m.
Cash on hand	571.3	555.5
Balance with Deutsche Bundesbank	6,685.6	5,371.0
Balances on postal giro accounts	8.7	13.0
Cash reserve	7,265.6	5,939.5
Cheques and other items received for collection	271.9	199.4
Bills of exchange rediscountable at Deutsche Bundesbank	745.6	1,226.0
Claims on banks payable on demand	8,612.2	7,472.7
Treasury bills and discountable Treasury notes	1,866.2	1,110.5
Bonds and notes eligible as collateral for Bundesbank advances	6,139.0	6,802.2
Total liquid assets	24,900.5	22,750.3
Liabilities to:		
banks	44,148.7	45,898.8
customers	76,686.8	73,599.1
Bonds and notes	3,407.1	2,553.2
Own acceptances and promissory notes outstanding	2,017.5	2,121.8
Other liabilities	137.0	47.2
Total liabilities	126,397.1	124,220.1

The principles regarding capital resources and liquidity prescribed by the Federal Banking Supervisory Office pursuant to Sections 10 and 11 of the German Banking Act were observed at all times in 1985. Following the capital increase at the end of 1985, our capital adequacy ratio under the consolidated Principle I pursuant to Section 10a of the German Banking Act was well below the prescribed ceiling, for the observance of which the Federal Banking Supervisory Office has fixed a deadline of January 1, 1991.

Assets

Securities

Bonds and notes were reduced on balance by DM 0.6 bn. to DM 10.2 bn. The decrease relates exclusively to holdings at foreign branches, whereas the paper held in the domestic sector increased by DM 0.8 bn. Items eligible as collateral in accordance with Deutsche Bundesbank regulations had a total value of DM 6.1 bn. (= 60%).

Securities not to be shown elsewhere increased by DM 685 m. to DM 3.8 bn. Included in this figure are shares with syndicate commitments amounting to DM 393 m. The packages of shares in non-banking companies reported under this item are held by the bank as financial investments and not for the purpose of business participation or entrepreneurial influence. The book value of holdings of more than 10% of a company's share capital, which have to be reported separately, amounted to DM 1,107 m. at the end of 1985. Of this amount, DM 1,054 m. related to shares of at least 25%.

The following companies, in which we have holdings of more than 25% of share capital, have been notified in accordance with Section 20 of the Joint Stock Corporation Act:

Bergmann-Elektricitäts-Werke AG, Berlin
Daimler-Benz AG, Stuttgart
Deutsche Dampfschifffahrts-Gesellschaft "Hansa" AG i. L., Bremen
Didier-Werke AG, Wiesbaden
Hapag-Lloyd AG, Hamburg
Philipp Holzmann AG, Frankfurt am Main
Karstadt AG, Essen
Süddeutsche Zucker-AG, Mannheim

The bank does not have a majority holding at any of the companies mentioned. With regard to the development of these companies, we refer to their annual and interim reports.

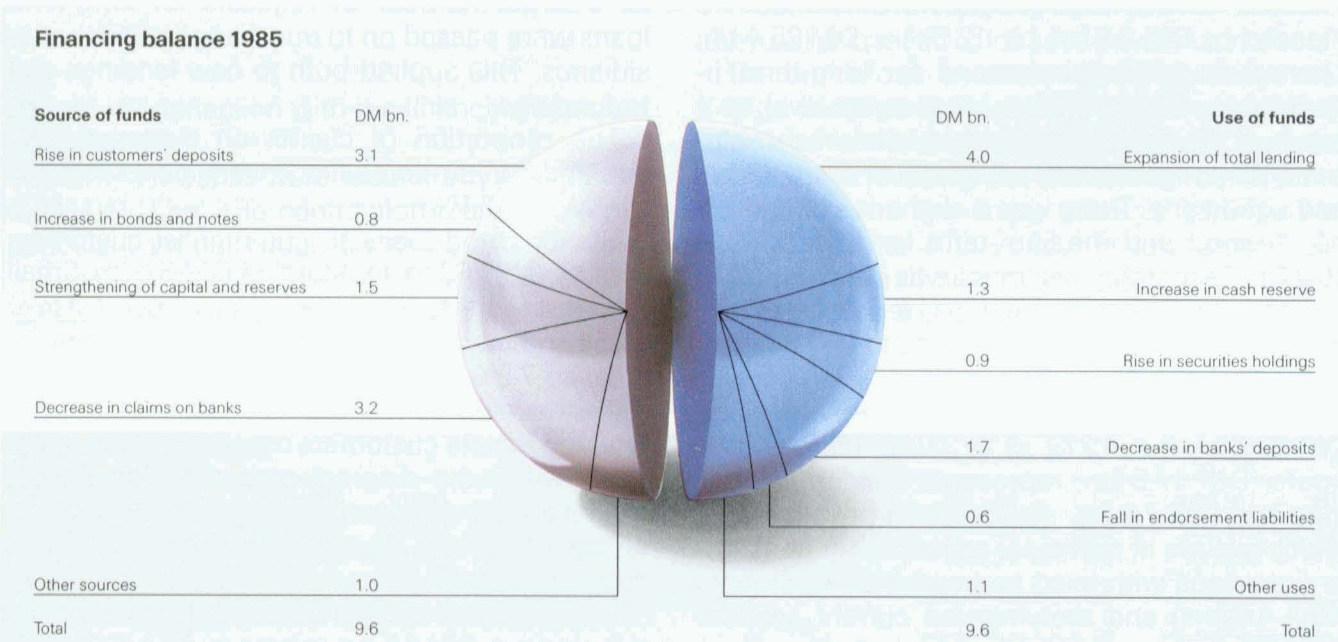
Of the shares in Didier-Werke AG, Wiesbaden, purchased for the purpose of further placement, paper representing 15% of the company's share capital was sold to VIAG AG, Berlin/Bonn, as at the turn of the year 1985/1986. This opened up new business possibilities for both companies through intensified cooperation. Part of the share capital of VIAG AG, which is currently owned by the Federal Government, will be dispersed in the market in mid-1986.

Our entire securities holdings have been valued, as hitherto, at the lower of cost or market.

Total credit extended

Demand for loans did not pick up appreciably until the closing months of the year under review. *Total credit extended* (excluding guarantees and letters of credit) rose by DM 4.0 bn. (+5.0%) to DM 84.5 bn. as at 31. 12. 1985. This growth stemmed from stronger availment of long-term loans by both corporate and private customers.

Claims on customers rose by DM 3.8 bn. (+5.8%) to DM 69.6 bn. This increase results from growth of DM 6.0 bn. in long-term claims and a reduction of DM 2.2 bn. in short and medium-term loans. As a result of this strong shift in favour of the long-term sector, the maturity structure changed – as in the two previous years; as at



Total credit extended	End of 1985		End of 1984		Change	
	DM m.	% share	DM m.	% share	DM m.	%
Claims on customers						
short and medium-term	36,091	42.7	38,241	47.5	– 2,150	– 5.6
long-term (4 years or more)	33,465	39.6	27,480	34.1	+ 5,985	+ 21.8
	69,556	82.3	65,721	81.6	+ 3,835	+ 5.8
Discounts	6,906	8.2	7,764	9.7	– 858	– 11.1
Lendings to banks	8,050	9.5	7,037	8.7	+ 1,013	+ 14.4
Total credit extended	84,512	100.0	80,522	100.0	+ 3,990	+ 5.0

31. 12. 1985, long-term claims on customers accounted for a share of 48.1% (end of 1984: 41.8%).

Of the long-term claims on customers, 48% were due in less than four years or consisted of registered paper which had already been sold forward.

Loans to *domestic corporate customers* increased by DM 2.8 bn. (+ 12.5%) to DM 25.4 bn. There was particular demand for long-term financings owing to the low interest rate level, as a result of which the growth related almost exclusively to longer-dated advances at fixed terms and conditions. There was a slight rise of DM 0.3 bn. in short and medium-term lendings to DM 15.2 bn. Eurocredit availment was weaker (– DM 0.7 bn.). Including eurocredits, lendings to domestic corporate customers came to DM 31.3 bn. at the end of 1985.

Claims on *domestic private customers* totalled DM 32.8 bn. (+ 4.2%) as at 31. 12. 1985. Of this figure, DM 17.5 bn. represents building financings and DM 7.2 bn. standardized private loans, which include in particular advances for consumer financings with fixed and variable instalments (DM 4.4 bn.) and drawings on current account (DM 2.8 bn.).

There was a slight increase in private loans for consumer purposes and for the purchase of consumer durables. New business was impaired, however, by financings offered at subsidized interest rates above all by car manufacturers.

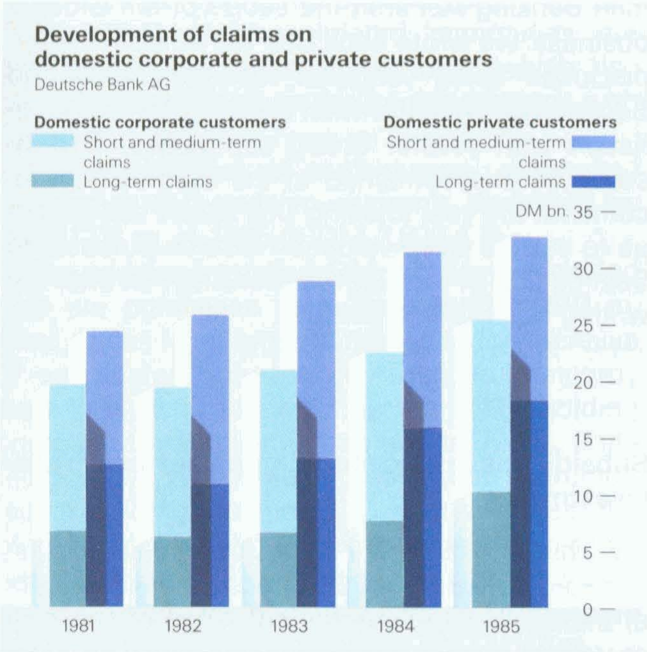
Building financings decreased by DM 0.4 bn., as a larger number of requests for long-term loans were passed on to our mortgage bank subsidiaries. This applied both to new lendings and to fundings.

The proportion of claims on customers accounted for by domestic private borrowers fell slightly to 47.1%.

Standardized loans to commercial customers rose by DM 180 m. to a total of DM 3.6 bn. Small Business Loans, which we offer in particular to small and medium-sized business customers, increased 7.5% to DM 2.6 bn.

The development of claims on domestic corporate and private customers over the last five years is shown in the diagram opposite. Since 1981, claims on domestic corporate customers have risen by 28.8% and advances to domestic private customers by 34.1%.

Discounts fell by DM 0.9 bn. to DM 6.9 bn. Of this amount, DM 0.5 bn. relates to AKA/GEFI bills



bought in connection with the financing of export transactions.

Claims on banks were reduced by DM 2.2 bn. to DM 41.0 bn. The contraction relates solely to deposits with our Group banks abroad.

Lendings to banks rose by DM 1.0 bn. to DM 8.0 bn. largely in connection with Schuldscheine and registered bonds. As at 31. 12. 1985, 81% of long-term lendings to banks were due within four years or had already been sold forward to third parties.

Owing to exchange rate changes in 1985, our total foreign lending volume decreased 10.7% to DM 12.4 bn. A good three-quarters of lendings to non-residents were provided by our foreign branches.

Tied funds from public-sector lending programmes were offered on a larger scale to our small and medium-sized business customers in 1985 too – frequently in connection with loans from our bank. These funds, provided chiefly by the Reconstruction Loan Corporation, Frankfurt am Main, at their terms and conditions, increased by DM 0.5 bn. (+ 16.2%) to DM 3.4 bn. The growth relates solely to long-term funds.

Our lendings to customers – broken down by size – are broadly dispersed. The number of loans of more than DM 10,000 to DM 100,000 increased above all as a result of loans to private customers.

The breakdown by sector of our domestic and foreign loans to customers is based on the system used in the borrower statistics of Deutsche Bundesbank. Among our borrowers, manufacturing industry is the most strongly represented business sector with 26.9%. Private individuals, excluding the self-employed, account for 28.3% of our total loans to customers.

Customer commitments	End of 1985 Number	%	End of 1984 Number	%
up to DM 10,000	661,936 =	57.6	665,357 =	58.2
more than DM 10,000 up to DM 100,000	374,408 =	32.6	368,442 =	32.2
more than DM 100,000 up to DM 1,000,000	103,023 =	9.0	100,923 =	8.9
more than DM 1,000,000	9,154 =	0.8	8,559 =	0.7
	1,148,521 =	100.0	1,143,281 =	100.0

The limits prescribed by Section 13 and Section 13a of the German Banking Act with respect to large credits were observed at all times.

Our lending commitments were valued with the usual care. Appropriate adjustments and provisions were made for all discernible risks – whether for individual borrowers or for countries. In no case did we exceed the limits to admissible cautious valuation. The general provisions prescribed by the Federal Banking Supervisory Office were made for latent risks. In order to strengthen the liable capital and reserves of Deutsche Bank Group, which under the new German Banking Act limit the scope of the Group's business, we wrote back DM 100 m. from the undisclosed taxed valuation reserve pursuant to Section 26a of the German Banking Act in coordination with several Group companies. This income item is contained in the reported net income for the year totalling DM 762 m. We continue to carry a taxed valuation reserve pursuant to Section 26a of the German Banking Act after the writing back of this amount.

Breakdown of customer credits (claims and discounts) by sector as at December 31	1985	1984
Steel construction, mechanical engineering and vehicle manufacture; manufacture of office equipment, data-processing equipment and systems	6.7%	6.7%
Electrical engineering, precision and optical goods; production of hardware, musical instruments, sports equipment, jewellery; photographic and film laboratories	5.0%	4.5%
Metal production and processing	2.4%	2.6%
Chemical industry, production and processing of nuclear fuels, petroleum processing	3.2%	4.1%
Leather, textile and clothing manufacture	2.5%	2.4%
Wood, paper and printing trades	2.5%	2.6%
Food industry, tobacco processing	2.3%	2.0%
Other industries	2.3%	2.1%
Manufacturing industry, total	26.9%	27.0%
Trade	14.2%	14.3%
Other business sectors and public authorities	30.6%	30.3%
Private borrowers (other than self-employed)	28.3%	28.4%
	100.0%	100.0%

Subsidiaries, associated companies and trade investments

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

This entry also includes smaller equity holdings in foreign banks and financing companies, especially in developing countries. We assist these companies, often together with other banks with international activities, with capital and advice.

Holdings which do not fulfil these conditions and which are thus not intended as business participations as described are reported under "securities" or, if they are not in the form of securities, under "other assets". This applies in particular to the shareholdings listed on page 66.

A complete list of our subsidiaries, associated companies and trade investments, showing our respective capital holdings, is given on pages 138 to 141 of this report. The situation and business development of consolidated companies are dealt with in the Report of the Group, which also contains information on the bank's relations with Group companies.

The book value of subsidiaries, associated companies and trade investments increased by DM 117.5 m. in 1985 to DM 2,809.4 m.

The additions totalled DM 295.5 m.; included here are purchases amounting to DM 29.3 m. Most of this latter amount relates to the increase of our share in European American Bancorp., New York, which is held by our 100% holding company German American Capital Corp., Baltimore, U.S.A. Within the framework of a restructuring of holdings in the EBIC joint ventures, the aforementioned holding company raised its share from 20.1% to 23.2% in the middle of the year. At the same time, the bank divested its 14.1% share in European Banking Company Ltd., London.

The additions also include DM 35.4 m. from capital increases. Our Hong Kong subsidiary DB Capital Markets (Asia) Ltd. – with a branch in Tokyo – which was formed from our previous subsidiary DB Finance (Hong Kong) Ltd., Hong Kong, increased its capital in 1985 by the issue of voting and non-voting shares. This two-tier capital increase was necessary because, pursuant to a condition imposed by the Japanese Ministry of Finance, our share in this company's voting capital may not exceed 50%. Bayer AG, Leverkusen, and Siemens Beteiligungen AG, Zürich, each have 25% of the voting capital of DM Capital Markets (Asia) Ltd., Hong Kong.

DB Export-Leasing GmbH, Frankfurt am Main, converted from a 100% stock administration company of the bank, handles cross-border big-ticket leasing, thereby supplementing classical export financing with low-cost and flexible leasing services.

Capital payments, which came to DM 75.5 m. in 1985, related mainly to Deutsche Beteiligungs AG Unternehmensbeteiligungsgesellschaft, Königstein/Taunus. One-half (DM 15 m.) of this company's share capital was placed with the general public in the year under review in the form of non-voting preferred shares and included in regulated unofficial trading at the Frankfurt and Düsseldorf Stock Exchanges. This reduced the bank's share in the company's capital from 92.5% to 46.25%; its share in the company's voting capital, however, is still 92.5%.

The amount of DM 155.2 m. used for the establishment of new companies relates almost exclusively to Deutsche Bank Capital Markets Ltd., London, which commenced operations in London in spring 1985. This subsidiary was established within the framework of our international investment banking strategy, namely to be represented at the principal securities and stock exchange centres. Our newly founded subsidiary Deutsche Bank Financial Inc., Dover, Delaware, U.S.A., extends the bank's funding base through the issue of commercial paper on the American market.

Sales totalled DM 44.8 m. They related, among other things, to the above-mentioned partial placement of shares in Deutsche Beteiligungs AG Unternehmensbeteiligungsgesellschaft, Königstein/Taunus, our holding in European Banking Company Ltd., London, and the divestment of our holding in Euro-Pacific Finance Corporation Ltd., Melbourne, in connection with the foundation of our own subsidiary in Australia.

The other divestments totalling DM 63.2 m. relate in particular to Deutsche Credit Services Inc., Dover, Delaware, U.S.A., as it was possible to reduce the capital resources of Deutsche Credit Corporation owing to a change in the company's funding base.

The write-downs of DM 70.0 m. stem chiefly from European Asian Bank AG, Hamburg.

Important changes were as follows:

Purchases
Banco Comercial Transatlántico, Barcelona
Deutsche Centralbodenkredit-AG, Berlin-Cologne
Frankfurter Hypothekenbank AG, Frankfurt am Main
German American Capital Corp., Baltimore, U.S.A (Increase of share in European American Bancorp., New York)

Capital increases
Al-Bank Al-Saudi Al-Alami Ltd., London
Capital Management International GmbH of Deutsche Bank, Frankfurt am Main
DB Capital Markets (Asia) Ltd., Hong Kong
DB Export-Leasing GmbH, Frankfurt am Main
European Arab Holding S.A., Luxembourg
IMOBAL-Imobiliária e Administradora Ltda., São Paulo, Brazil
Lombardkasse AG, Berlin-Frankfurt am Main
Rhein-Neckar Bankbeteiligung GmbH, Stuttgart

Capital payments
Banco de Montevideo, Montevideo, Uruguay
Deutsche Beteiligungs AG Unternehmensbeteiligungsgesellschaft, Königstein/Taunus
Deutsche Credit Services Inc., Dover, U.S.A.
German American Capital Corp., Baltimore, U.S.A.
HOSTRA Beteiligungsgesellschaft mbH, Düsseldorf

New companies
Deutsche Bank Capital Markets Ltd., London
Deutsche Bank Financial Inc., Dover, U.S.A.
Deutsche Bank Gestion S.A., Paris

Sales
Deutsche Beteiligungs AG Unternehmensbeteiligungsgesellschaft, Königstein/Taunus
Euro-Pacific Finance Corporation Ltd., Melbourne
European Banking Company Ltd., London
National Investment Bank for Industrial Development S.A., Athens

Other divestments
Deutsche Credit Services Inc., Dover, U.S.A.

Fixed assets

Land and buildings are reported DM 45.7 m. higher at DM 861.9 m. Additions total DM 99.6 m., as against disposals of DM 0.8 m., depreciation of DM 44.8 m. and offset amounts totalling DM 8.3 m. from written-back reserves pursuant to Section 6b of the Income Tax Act.

Land purchases account for DM 16.7 m. of the additions, and new buildings and conversions for DM 82.9 m. New branch premises were completed in Celle; a staff sports centre was opened in Eschborn. New buildings were begun in Bochum, Neustadt a. d. W. and Paderborn.

The bank uses 8 buildings completed on a leasing basis. At year's end, the value of the leased properties was DM 257.6 m. Leasing rentals paid came to DM 25.7 m.

Rent amounting to DM 31.4 m. was paid for the new Taunusanlage premises leased on a long-term basis from Deutsche Grundbesitz Beteiligungsgesellschaft Dr. Rühl u. Co. - Anlagefonds 1 – KG, Frankfurt am Main.

Office furniture and equipment increased by DM 143.6 m. to DM 558.1 m. The additions of DM 318.8 m. include minor items amounting to DM

12.4 m. which were written off immediately. Total depreciation came to DM 175.1 m., disposals to DM 0.1 m. The bank again spent considerable amounts on EDP equipment for the further modernization of our business operations.

Other asset items

Recovery claims on Federal and Länder authorities under the Currency Reform Acts decreased in 1985, after scheduled repayments, by DM 15.4 m. to DM 206.0 m.

Loans on a trust basis, transmitted in connection with trust business in our name, but for third party account, declined by DM 64.6 m. to DM 153.7 m.

Under *Other assets* we report claims and assets which cannot be included under other asset items. They consist chiefly of precious metals holdings such as gold bars, coins, medallions, as well as equity rights not documented in security form and which we do not regard as business participations. The book value of these capital holdings of at least 25% increased to DM 521.7 m.

The table below details the holding companies through which we participate indirectly in holdings of at least 25% of the capital of joint stock corporations. Only in one case does the bank's share

Holding company	holds at least 25% of:
Allgemeine Verwaltungsgesellschaft für Industriebeteiligungen mbH, Munich – our share 25%	Metallgesellschaft AG, Frankfurt am Main
Consortia Versicherungs-Beteiligungsgesellschaft mbH, Frankfurt am Main – our share 25% –	Nürnberger Lebensversicherung AG, Nuremberg
D & C Holdinggesellschaft mbH, Frankfurt am Main – our share 34% –	Deinhard & Co KGaA, Koblenz
Deutsche Gesellschaft für Anlageverwaltung mbH, Frankfurt am Main – our share 75% –	Horten AG, Düsseldorf Niederkassel
Energie-Verwaltungs-Gesellschaft mbH, Düsseldorf – our share 25%	Vereinigte Elektrizitätswerke Westfalen AG, Dortmund
Groga Beteiligungsgesellschaft mbH, Frankfurt am Main – our share 50%	Leonische Drahtwerke AG, Nuremberg
Kistra Beteiligungsgesellschaft mbH, Frankfurt am Main – our share 75% –	Hutschenreuther AG, Selb (Bay.)
Rossma Beteiligungsgesellschaft mbH, Frankfurt am Main – our share 60% –	Didier Werke AG, Wiesbaden

in the corporation concerned exceed 25% of share capital. Gesellschaft für Elektrowerte mbH, Frankfurt am Main, reported last year, is in liquidation. The shares it held in Olympia-Werke AG were sold to AEG in 1985. For information on the development of the corporations, we refer to their annual reports.

Under "Other assets" we again report leasing equipment relating to a large-scale cross-border transaction. In future, leasing business of this kind is to be handled by DB Export-Leasing GmbH, Frankfurt am Main, reported under "Subsidiaries, associated companies and trade investments".

Own shares

At the end of 1985 we held 40,150 Deutsche Bank shares of DM 50 par value each (= 0.13% of our share capital), which we had bought at an average price of DM 703.55 in order to offer them to the employees of the bank and its domestic Group companies as staff shares pursuant to Section 71 (1) 2 of the Joint Stock Corporation Act. They were purchased on the following dates: 11. 12. 1985: 40,000 shares; 12. 12. 1985: 50 shares; 19. 12. 1985: 100 shares.

The 131,500 Deutsche Bank shares of DM 50 par value each which we bought in the early months of 1985 at an average price of DM 428.13 were used in May 1985 for the issue of staff shares of the bank and its German subsidiaries at a preferential price of DM 201 each. The difference of DM 26.7 m., which is borne by the bank, is included in staff expenses.

Over and above this, we and related companies bought and resold 3,446,007 Deutsche Bank shares of DM 50 par value each at current market prices during 1985, spread over the year, pursuant to Section 71 (1) 1 of the Joint Stock Corporation Act to protect the efficiency of the market in our shares. The average purchase price was DM 564.87, the average selling price DM 568.93. The sales proceeds remained in working funds. The shares of our bank bought and sold in this connection during 1985 correspond to 10.78% of our share capital; the largest holding on any one day was 0.40% of our share capital, the average daily holding was 0.06%.

As at 31. 12. 1985, 110,500 Deutsche Bank shares of DM 50 par value each, i. e. 0.35% of our share capital, were pledged to the bank and its related companies as security for loans.

Liabilities

Funds from outside sources

Funds from outside sources increased – after particularly strong growth in 1984 (+ DM 17.9 bn.) – by DM 2.2 bn (+ 1.8%) in the reporting year to DM 124.2 bn. This rise did not take place until towards the end of the year owing to the funding requirement relating to our higher lending volume. The new funds taken up stemmed solely from the domestic German sector; funds from outside sources at our foreign branches decreased strongly.

Liabilities to banks had fallen to DM 44.1 bn. at year's end. The decline was mainly in short-term time deposits for less than three months (– DM 3.5 bn). On the other hand, we took in DM 1.7 bn. more long-term deposits from banks (end of 1985: DM 10.5 bn.). As at 31. 12. 1985, liabilities to banks represented 35.5% of total funds from outside sources.

Customers' deposits increased by a total of DM 3.1 bn. to DM 76.7 bn. Demand deposits exceeded DM 20 bn. (31. 12. 1985: DM 20.5 bn.).

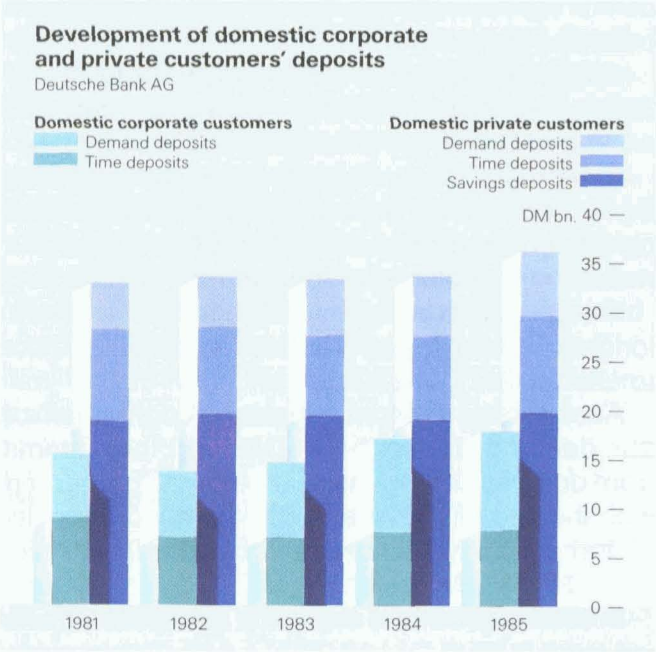
Customers' time deposits were increased by DM 1.5 bn. to DM 34.6 bn. The expansion centred chiefly on long-term time deposits to fund the much higher volume of long-term loans.

The savings certificates included in customers' long-term time deposits increased by DM 1.0 bn. to DM 6.0 bn. (+ 21.2%).

Analyzed by customer group, roughly half of our demand deposits (= DM 10.1 bn.) stems from domestic companies. The growth compared with the end of 1984 was 4.8%. Demand deposits of domestic private individuals rose by DM 0.4 bn. (+ 7.0%) to DM 6.4 bn.

In the case of time deposits, domestic private individuals, with DM 10.0 bn. (+ 15.2%), provide the largest share. Domestic companies maintained time deposits of DM 7.6 bn. (+ 2.8%) with us.

Funds from outside sources	End of 1985		End of 1984		Change		
	DM m.	% share	DM m.	% share		DM m.	%
Liabilities to banks							
payable on demand	11,712	9.4	10,568	8.7	+	1,144	= 10.8
time deposits	32,276	26.0	35,160	28.8	–	2,884	= 8.2
customers' drawings on other banks	161	0.1	171	0.1	–	10	= 6.0
	44,149	35.5	45,899	37.6	–	1,750	= 3.8
Liabilities to customers							
payable on demand	20,512	16.5	19,843	16.3	+	669	= 3.4
time deposits	34,593	27.8	33,100	27.1	+	1,493	= 4.5
savings deposits	21,582	17.4	20,656	16.9	+	926	= 4.5
	76,687	61.7	73,599	60.3	+	3,088	= 4.2
Bonds and notes	3,407	2.8	2,553	2.1	+	854	= 33.4
Total funds from outside sources	124,243	100.0	122,051	100.0	+	2,192	= 1.8



Savings deposits increased by DM 926 m. to DM 21.6 bn. The growth was roughly DM 150 m. higher than the interest credited at year's end. The change in savings deposits was again influenced by the high volume of matured savings under state premium and capital formation schemes and cash savings plans (1985: DM 1.3 bn.). Nevertheless, the item "Other savings deposits" increased by DM 252 m.; this was largely due to the Deutsche Bank Savings Plan with Insurance Cover. At the end of 1985, DM 419 m. (+ DM 312 m.) had been paid into these accounts, with a total contract volume of DM 3.5 bn. The total volume of savings – including savings certificates – reflected in the balance sheet increased by 7.7% to DM 27.5 bn.

Total new saving of DM 4.4 bn. (changes in savings deposits and savings certificates outstanding, the balance of purchases and sales of securities booked to savings accounts) was 37.1% higher than the pre-year figure. This development was due solely to account saving and the higher volume of savings certificates outstanding. Saving in securities decreased 12.6% to DM 2.4 bn.

Our commitments of DM 100 m. from gold and silver certificates, which are covered by appropriate precious metals holdings reported unter "Other assets", are included in customers' deposits payable on demand.

Commitments from certificates of deposit, which are issued by our foreign branches and reported under liabilities to customers or banks, decreased by DM 2.8 bn to DM 2.2 bn.

In the year under review, our own *Bonds and notes* in circulation rose by DM 0.9 bn. to DM 3.4 bn. They serve to fund our long-term claims on customers at fixed terms and conditions.

Own acceptances and promissory notes outstanding are shown at DM 2.0 bn. (– DM 0.1 bn.).

Provisions

Provisions, as a whole, increased by DM 575 m. to DM 6.2 bn. in 1985.

Provisions for pensions, shown at their actuarially calculated part value, rose by DM 109 m. to DM 1,679 m.

Other provisions, which rose by DM 466 m. to DM 4.5 bn. in 1985, relate chiefly to tax provisions, provisions for lending/country risks, for commitments to pay anniversary bonuses and also for obligations resulting from the Early Retirement Act.

Other liability items

Other liabilities (DM 136.7 m.) comprise liabilities arising outside our banking business, including wage tax, church tax and social security contributions to be paid over.

Liabilities to *endowments and benevolent funds* of DM 0.2 m. relate to the Franz Urbig- und Oskar Schlitter-Stiftung GmbH, Frankfurt am Main, the assets of which amounted to DM 7.1 m. at the end of 1985. Of this, DM 6.9 m. was invested in securities.

The *Deferred items on the liabilities side* (DM 1.0 bn.) contain income already received, but imputable to future financial years, in particular deferred interest and handling fees in standardized lending business, as well as the discount on long-term loans.

Special items with partial reserve character

Special items with partial reserve character decreased to DM 15.8 m.

The *Reserve in accordance with the Tax Act regarding Developing Countries* fell to DM 7.5 m. after the writing back of DM 1.8 m.

The sum of DM 8.3 m. was written back from the *Reserve in accordance with Section 6b of the Income Tax Act* and set off against purchase and building costs in connection with land and buildings. Eligible profits from the sale of land and shares amounting to DM 4.8 m. were added to the reserve, which totalled DM 6.5 m. at the end of 1985.

Furthermore, a *replacements reserve* pursuant to Section 35 of the Income Tax Directive was formed in the amount of DM 0.8 m.

The *Reserve in accordance with Section 3 of the Foreign Investment Act* is reported at DM 1.0 m. after the writing back of DM 2.7 m.

Contingent liabilities

Own drawings in circulation were DM 12.4 m. at the end of 1985.

Endorsement liabilities on rediscounted bills of exchange fell, after the lowering of our rediscount quota at Deutsche Bundesbank, by DM 606 m. to DM 4.9 bn. Bills in the process of collection totalled DM 131 m.

Contingent liabilities from guarantees, including guarantees for bills and cheques, and from indemnity agreements declined by DM 1.2 bn. to DM 19.8 bn. Foreign business accounts for 67% of this total after 69% at the end of 1984.

Commitments from the sale of assets subject to repurchase agreements were carried in the amount of DM 105 m. at our foreign branches only.

Miscellaneous liabilities

There were *liabilities for possible calls* on not fully paid-up shares in public and private limited companies and on other shares amounting to DM 88 m. at the end of 1985. Our joint liabilities pursuant to Section 24 of the GmbH Act amounted to DM 48 m. Where we have other joint liabilities, the standing of the co-shareholders is beyond doubt in all cases.

There is an obligation arising out of our holding in Liquiditäts-Konsortialbank GmbH, Frankfurt am Main, to pay further capital of up to DM 57.0 m. and a proportional contingent liability to fulfil the capital obligations of other shareholders who are also members of the Bundesverband deutscher Banken e. V., Cologne.

Pursuant to Section 5 (10) of the Statute of the Deposit Insurance Fund, we have undertaken to indemnify the Bundesverband deutscher Banken e. V., Cologne, for any losses that might be incurred through measures in favour of banks in which we have a majority holding.

Loans received in the amount of DM 23 m. were secured on real estate.

Legal stipulations required the provision of security in connection with the business activity of our foreign branches; this tied up assets in the amount of DM 108 m.

Profit and Loss Account

Earnings on business volume

Average business volume expanded in 1985 by DM 11.4 bn. = 9.1% to DM 137.2 bn. This was chiefly due to the development of long-term loans and deposits with banks as well as the respective funding. The interest margin, which had already narrowed in 1984, decreased by 0.20 percentage points to 2.96% owing to the volume growth, the fall in interest rates charged on loans and the acceptance of additional long-term deposits.

Interest income decreased by DM 136.7m. and interest expenses by DM 189.9 m. Their development was also influenced by changes in the dollar exchange rate. Particularly affected here were our foreign branches, whose foreign currency balances converted into D-Mark were substantially lower than in the previous year. In the German domestic sector, on the other hand, interest income rose by 4.7% and interest expenses by 8.2%.

Earnings on business volume (interest surplus) rose by DM 53.2 m. = 1.3% to DM 4,270.6 m. They developed in detail as follows:

	1985 DM m.	1984 DM m.	Change
Interest income from lending and money market transactions	8,802.5	8,916.8	– 1.3%
Current income from securities, Government-inscribed debt and subsidiaries, associated companies and trade investments (incl. profit-transfer agreements)	1,179.3	1,201.7	– 1.9%
Total interest income	9,981.8	10,118.5	– 1.4%
Total interest expenses	5,711.2	5,901.1	– 3.2%
Earnings on business volume	4,270.6	4,217.4	+ 1.3%

Earnings on services

In the year under review, the bank raised its *surplus from commissions and other service charges received* by DM 226.7 m. to DM 1,393.5 m. This annual increase, the biggest ever recorded by our bank, stemmed largely from our extremely successful securities business. Particularly influential here was the expansion of our commission business in shares. The contribution to earnings from our foreign business also increased substantially.

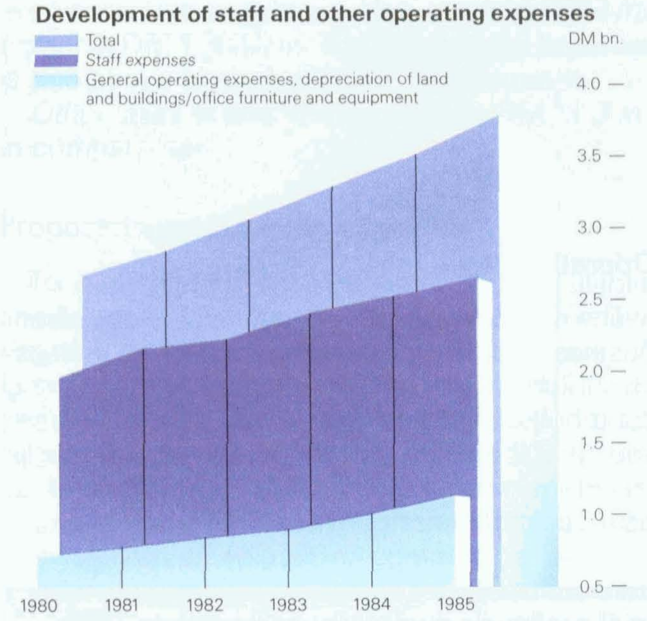
Staff and other operating expenses

With an increase of DM 264.3 m. = 7.5% (1984: + DM 229.2 m.), *staff and other operating expenses* totalled DM 3,809.2 m. in 1985. They are made up as follows:

	1985 DM m.	1984 DM m.	Change
Staff expenses	2,669.6	2,539.2	+ 5.1%
General operating expenses	919.7	830.7	+10.7%
Depreciation of and adjustments to land and buildings and office furniture and equipment (excl. special dep'n under Sect. 6b Income Tax Act)	219.9	175.0	+25.6%
Total staff and other operating expenses	3,809.2	3,544.9	+ 7.5%

Depreciation of office furniture and equipment (+ 30%) increased relatively strongly. This reflected in particular the declining-balance depreciation of substantial purchases of new EDP equipment.

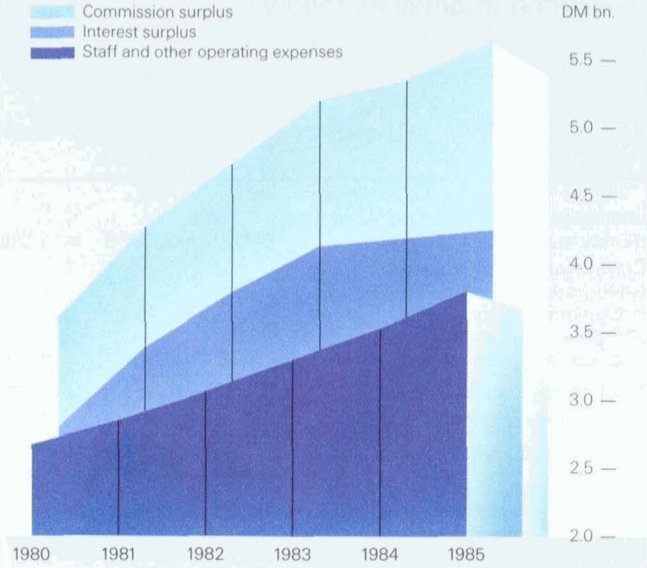
Development of staff and other operating expenses



Staff expenses amounted to DM 2,669.6 m. The increase of DM 130.4 m. (1984: DM 121.6 m.) stemmed largely from the increase in tariff salaries from March 1, 1985 by 3.6% flat (1984: 3.4%) and the rise in capital formation payments per employee from DM 624 to DM 780 p.a. Non-tariff salaries were adjusted accordingly. Additional expenses were caused by the 1% average increase in the number of employees. *Salaries and wages* and *Compulsory social security contributions* rose by a total of DM 125.4 m. = 5.8% to DM 2,303.1 m. *Expenses for pensions and other employee benefits* totalled DM 366.5 m. (+ 1.4%).

The increase in *General operating expenses* continued unabated, with growth of DM 89.0 m. to DM 919.7 m. Incremental expenses arose in connection with the maintenance, operation and leasing of banking premises – in particular for our new Taunusanlage premises in Frankfurt am Main – and in connection with customer advertising and rental/operating costs for modern technical equipment.

Development of interest and commission surplus and of staff and other operating expenses



Operating result

The *operating result*, i. e. the surplus on current business including own-account trading, increased 12.4% in 1985. A particularly strong contribution to this improvement came from securities business, where incremental earnings raised our result in services business and in own-account trading. There was also a strong increase in earnings in foreign exchange and precious metals trading. This produced record total profits on own-account trading in 1985.

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

"Other income" is shown at DM 553.8 m. (1984: DM 361.6 m.).

This item includes in particular, pursuant to balance sheet regulations, profits from own-account trading in securities, foreign exchange and precious metals, from the sale of securities and fixed assets and from the writing back of adjustments no longer required in lending business. In the year under review, the bank again made use of the possibility given under Section 4 of the Order concerning Banks' Statements of Accounts to offset profits from securities and income from adjustments no longer needed against write-downs of and adjustments to claims and securities. There remained an income surplus as reported.

Write-downs, depreciation and adjustments

After offsetting with the above-mentioned profits and income, which had increased substantially in the year under review, it was no longer necessary to report *Write-downs of and adjustments to claims and securities, transfers to provisions for possible loan losses* (1984: DM 672.8 m.), although we again made substantial provision for risk. With regard to our provisioning for possible loan losses in domestic and international business, we have made detailed comments on pages 45 f.

Consideration for the minimum-value principle necessitated write-downs of our fixed-interest securities and shares on a small scale; however, higher profits from the sale of securities were available.

Depreciation of and adjustments to land and buildings and office furniture and equipment totalled DM 228.2 m. (1984: DM 194.1 m.). Of this amount, DM 219.9 m. related to normal depreciation, which we include in staff and other operating expenses for the calculation of our operating result, and DM 8.3 m. to special depreciation in accordance with Section 6b of the Income Tax Act.

The *Write-downs of and adjustments to subsidiaries, associated companies and trade investments,* amounting to DM 70.0 m., related chiefly to European Asian Bank AG, Hamburg.

Remaining expenses

Other expenses of DM 384.8 m. contained, among other things, the allocations to provisions not relating to lending business, in particular the provision requirement with respect to obligations to pay anniversary bonuses and early retirement benefits.

Also reported unter this item are write-downs of leasing equipment for a large-scale project connected with an international leasing transaction.

The total emoluments of the Board of Managing Directors amounted to DM 15,263,506.20. Former members of the Board of Managing Directors of Deutsche Bank AG or their surviving dependents received DM 4,730,497.67. A fixed payment of DM 295,800 was made to the Supervisory Board. The dividend-related emoluments of the Supervisory Board amount to DM 1,140,000. The Advisory Board received DM 462,840 and the members of the Regional Advisory Councils DM 3,418,273.80.

Taxes

Taxes on income and assets were DM 382.7 m. higher at DM 1,307.0 m. The incremental expense is due above all to the higher taxable profit.

Other taxes of DM 17.1 m. include DM 11.3 m. in company tax.

Proposed appropriation of profits

To strengthen Deutsche Bank Group's liable capital and reserves which, under the new German Banking Act, determine the scope of business of the entire Group, we wrote back DM 100,000,000 from the undisclosed taxed valuation reserve pursuant to Section 26a of the German Banking Act. This income item is included in the reported net income for the year totalling DM 762,022,596.

The Profit and Loss Account for 1985 closes as follows:

Income	DM	12,132,245,487
Expenses	DM	11,370,222,891
Net income for the year	DM	762,022,596
Allocations to disclosed reserves		
to the reserve for own shares	DM	28,247,500
to other reserves (voluntary)	DM	250,000,000
to other reserves (voluntary) from the partial writing back of the undisclosed taxed valuation reserve pursuant to Section 26a of the German Banking Act	DM	100,000,000
Distributable profit	DM	383,775,096

It will be proposed to shareholders that a dividend of DM 12 per share of DM 50 par value, i. e. DM 383,775,096, be paid on the share capital of DM 1,599,062,900, with the new shares from the capital increase at the end of 1985 and from the exercise of option rights being entitled to the full dividend for the 1985 financial year. As a result of this, the total dividend payment is DM 31.2 m. higher than in the previous year. Together with imputable corporation tax of DM 6.75 per share, the total income for our domestic shareholders is DM 18.75 per DM 50 share.

Capital and reserves

Under the authorization resolved by the General Meeting on May 18, 1983 to increase the bank's share capital once or more than once by a total of DM 400 m. with the consent of the Supervisory Board until April 30, 1988, through the issue of new shares against cash payment, with pre-emptive rights being granted to shareholders, a further part amount of DM 117.0 m. was mobilized at the end of 1985.

The shareholders were offered the new shares from the capital increase at the end of 1985 at 1 for 15 at a price of DM 450 per DM 50 share. The premium of DM 936.0 m. was added to the legal reserve in accordance with Section 150 of the Joint Stock Corporation Act.

Furthermore, 258,356 shares – corresponding to a total par value of DM 12.9 m. – were subscribed from conditional capital against warrants from the 4½% dollar bonds with stock warrants of 1977/87 of Deutsche Bank Compagnie Financière Luxembourg S.A., Luxembourg. The premium of DM 65.5 m. on the par value was also added to the legal reserve.

The sum of DM 28,247,500 had to be added to the reserve for own shares prescribed by Section 150a of the Joint Stock Corporation Act, which thus corresponds to the amount reported for own shares on the assets side of the balance sheet.

Other reserves (voluntary) were allocated DM 250 m. from net income for 1985 and DM 100 m. from the partial writing back of the undisclosed taxed valuation reserve pursuant to Section 26a of the German Banking Act.

Taken in total, the bank strengthened its *capital and reserves* by DM 1,509.7 m. in 1985. They are now made up as follows:

Share capital	DM	1,599,062,900
Disclosed reserves		
a) legal reserve	DM	3,913,423,338
b) reserve for own shares	DM	28,247,500
c) other reserves (voluntary)	DM	2,204,147,280
Total capital and reserves	DM	7,744,881,018

By resolution of the General Meeting on May 14, 1985, the share capital was conditionally increased by DM 150 m. to grant option rights to the bearers of warrants from the bonds with stock warrants to be issued until April 30, 1990. Accordingly, there was conditional capital totalling DM 443.2 m. and authorized capital of DM 170.0 m. as of December 31, 1985.

Frankfurt am Main, March 1986

The Board of Managing Directors

Report of the Supervisory Board

Report of the Supervisory Board

At the Supervisory Board meetings last year, and in individual conversations, we obtained detailed information on the bank's situation and on the fundamental questions of business policy and discussed them with the Board of Managing Directors. Besides the development of the balance sheet and the profit and loss account, the matters discussed included the new Banking Act, lending business with its risks at home and abroad, the situation on the capital markets, the stock exchange reform, the steering of the Group and new services of the bank. The cyclical and monetary situation was the subject of extensive reports and discussion. We examined important individual business transactions and dealt with the matters submitted to us for approval in accordance with legal requirements or the bank's Articles of Association. Furthermore, general and specific problems of personnel policy were discussed by the Supervisory Board.

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

Treuverkehr Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, who were elected auditors of the annual accounts by the Ordinary General Meeting, have examined the Annual Statement of Accounts, the Report of the Board of Managing Directors and the accounting and have found them to be in conformity with legal requirements and the Articles of Association. We accept the Report of the Auditors.

Furthermore, we have examined the Annual Statement of Accounts as of December 31, 1985, the proposed appropriation of profits and the Annual Report. We had no objections to raise.

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

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

Frankfurt am Main, April 8, 1986

The Supervisory Board

Chairman

Deutsche Bank AG

Annual Balance Sheet as of December 31, 1985

Profit and Loss Account
for the period from January 1 to December 31, 1985

Development of the Balance Sheet
from January 1, 1952 to December 31, 1985

Assets

Deutsche Bank Aktiengesellschaft

		DM	DM	31. 12. 1984 in DM 1,000
Cash on hand			571,332,441	555,485
Balance with Deutsche Bundesbank			6,685,619,304	5,371,052
Balances on postal giro accounts			8,653,540	12,978
Cheques, matured bonds, interest and dividend coupons, items received for collection			271,883,964	199,359
Bills of exchange			1,812,128,992	2,050,011
including:				
a) rediscountable at Deutsche Bundesbank	DM 745,642,679			
b) own drawings	DM 122,605,810			
Claims on banks				
a) payable on demand		8,612,223,667		7,472,673
b) with original periods or periods of notice of				
ba) less than three months		12,571,148,741		16,912,408
bb) at least three months, but less than four years		14,537,150,189		15,110,523
bc) four years or more		5,279,612,708		3,690,830
			41,000,135,305	43,186,434
Treasury bills and discountable Treasury notes				
a) of the Federal and Länder Governments		1,559,589		32,469
b) of other issuers		1,864,587,216		1,078,024
			1,866,146,805	1,110,493
Bonds and notes				
a) with a life of up to four years				
aa) of the Federal and Länder Governments	DM 1,272,279,755			
ab) of banks	DM 1,331,027,429			
ac) of other issuers	DM 191,169,743	2,794,476,927		5,091,321
including: eligible as collateral for Deutsche Bundesbank advances	DM 1,895,841,193			
b) with a life of more than four years				
ba) of the Federal and Länder Governments	DM 2,154,645,935			
bb) of banks	DM 3,049,627,418			
bc) of other issuers	DM 2,184,783,967	7,389,057,320		5,673,906
			10,183,534,247	10,765,227
including: eligible as collateral for Deutsche Bundesbank advances	DM 4,243,203,011			
Securities not to be shown elsewhere				
a) shares marketable on a stock exchange and investment fund certificates		3,635,265,401		2,967,345
b) other		129,652,742		112,697
			3,764,918,143	3,080,042
including: holdings of more than one tenth of the shares of a joint stock corporation or a mining company, unless shown as Subsidiaries, associated companies and trade investments	DM 1,106,690,921			
Claims on customers with original periods or periods of notice of				
a) less than four years		36,090,715,439		38,240,850
b) four years or more		33,465,476,270		27,480,241
			69,556,191,709	65,721,091
including:				
ba) secured by mortgages on real estate	DM 6,376,862,885			
bb) communal loans	DM 2,052,465,394			
due in less than four years	DM 16,162,655,000			
Recovery claims on Federal and Länder authorities under Currency Reform Acts			206,023,362	221,404
Loans on a trust basis at third party risk			153,661,061	218,284
Subsidiaries, associated companies and trade investments			2,809,422,796	2,691,882
including: investments in banks	DM 2,332,710,933			
Land and buildings			861,872,300	816,176
Office furniture and equipment			558,131,000	414,536
Own shares			28,247,500	
nominal amount	DM 2,007,500			
Own bonds			178,481,604	24,908
nominal amount	DM 68,756,750			
Other assets			1,374,493,966	1,434,029
Deferred items			13,931,539	14,438
Total Assets			141,904,809,578	137,887,829

Total Assets and the recourse claims from the contingent liabilities shown below the line on the liabilities side include:		
a) claims on related companies	13,679,783,829	19,034,111
b) claims arising from loans falling under Section 15 (1) 1 6 and (2) of the Banking Act, unless included under a)	546,148,295	1,752,705

Balance Sheet as of December 31, 1985

Liabilities

	DM	DM	DM	31. 12. 1984 in DM 1,000
Liabilities to banks				
a) payable on demand		11,711,353,794		10,568,065
b) with original periods or periods of notice of				
ba) less than three months	8,170,455,336			
bb) at least three months, but less than four years	13,589,397,287			
bc) four years or more	10,516,383,593	32,276,236,216		35,159,296
including: due in less than four years . . . DM 7,186,841,000				
c) customers' drawings on other banks		161,110,401		171,414
			44,148,700,411	45,898,775
Liabilities to customers				
a) payable on demand		20,512,173,098		19,842,974
b) with original periods or periods of notice of				
ba) less than three months	19,706,794,347			
bb) at least three months, but less than four years	6,568,440,592			
bc) four years or more	8,317,414,635	34,592,649,574		33,100,344
including: due in less than four years . . . DM 7,895,179,000				
c) savings deposits				
ca) subject to legal period of notice	14,027,467,369			
cb) other	7,554,504,837	21,581,972,206		20,655,829
			76,686,794,878	73,599,147
Bonds and notes with a life of				
a) up to four years		623,500		763
b) more than four years		3,406,514,800		2,552,427
including: maturing in less than four years . . . DM 1,826,833,800			3,407,138,300	2,553,190
Own acceptances and promissory notes outstanding			2,017,537,775	2,121,865
Loans on a trust basis at third party risk			153,661,061	218,284
Provisions				
a) for pensions		1,678,562,700		1,569,550
b) other		4,511,937,535		4,045,626
			6,190,500,235	5,615,176
Other liabilities			136,728,954	47,066
Endowments and benevolent funds				
Endowment assets		7,143,326		6,961
less investments in securities		6,918,437		6,855
			224,889	106
Deferred items			1,019,107,050	1,223,474
Special items with partial reserve character				
a) in accordance with the Tax Act regarding Developing Countries		7,472,275		9,230
b) in accordance with Section 6b of the Income Tax Act		6,481,236		9,970
c) replacements reserve		774,400		...
d) in accordance with Section 3 of the Foreign Investment Act		1,032,000		3,733
			15,759,911	22,933
Share capital			1,599,062,900	1,469,145
Conditional capital DM 443,198,300				
Disclosed reserves				
a) legal reserve	2,911,925,956			
Allocation in accordance with Section 150 (2) 2 of the Joint Stock Corporation Act	1,001,497,382	3,913,423,338		2,911,926
b) reserve for own shares	–			
Allocation from Net income for the year	28,247,500	28,247,500		–
c) other reserves (voluntary)	1,854,147,280			
Allocation from Net income for the year	350,000,000	2,204,147,280		1,854,147
			6,145,818,118	4,766,073
Distributable profit			383,775,096	352,595
Total Liabilities			141,904,809,578	137,887,829

Own drawings in circulation	12,426,655	9,596
including: those discounted for borrowers' account . . . DM 12,426,655		
Endorsement liabilities on rediscounted bills of exchange	4,913,912,949	5,520,338
Contingent liabilities from guarantees, including guarantees for bills and cheques, and from indemnity agreements (cf. also page 70 of the Annual Report)	19,816,572,388	21,038,628
Commitments (not to be shown under liabilities) from the sale of assets subject to repurchase agreements	105,478,630	154,087
Savings premiums under the Savings Premium Act	79,938,150	130,344
Total Liabilities, together with contingent liabilities and other commitments shown below the line, include liabilities to related companies of	12,118,770,580	9,773,128

Profit and Loss Account

	DM	DM	1984 in DM 1,000
Interest and similar expenses		5,711,179,569	5,901,140
Commissions and similar service charges paid		41,220,999	33,753
Write-downs of and adjustments to claims and securities, transfers to provisions for possible loan losses		–	672,806
Salaries and wages		2,003,815,312	1,889,930
Compulsory social security contributions		299,366,607	287,816
Expenses for pensions and other employee benefits		366,473,260	361,490
General operating expenses		919,656,919	830,637
Depreciation of and adjustments to land and buildings and office furniture and equipment		228,171,382	194,090
Write-downs of and adjustments to subsidiaries, associated companies and trade investments		69,971,147	52,866
Taxes			
a) on income and assets	1,307,056,849		924,311
b) other	17,101,327		12,629
		1,324,158,176	936,940
Expenses from assumption of loss		15,809,619	811
Allocations to Special items with partial reserve character		5,594,553	1,942
Other expenses		384,805,348	74,160
Net income for the year		762,022,596	502,595
Total Expenses		12,132,245,487	11,740,976

Net income for the year

Allocations to Disclosed reserves from Net income for the year
- a) legal reserve
- b) reserve for own shares
- c) other reserves (voluntary)

  other reserves (voluntary) from the partial writing back of the taxed valuation reserve in accordance with Section 26a of the Banking Act

Distributable profit

In the year under review the bank paid DM 158,145,453 in pensions and contributions to the Beamtenversicherungsverein des Deutschen Bank- und Bankiergewerbes (a. G.), Berlin. The payments to be made in the next five years will probably amount to 108%, 117%, 126%, 136% and 146% of the above sum.

Frankfurt am Main, March 4, 1986

Deutsche Bank Aktiengesellschaft

The Board of Managing Directors

Blessing Burgard Cartellieri Christians

Herrhausen van Hooven Kopper

Mertin Weiss Zapp

Breuer Krupp

	DM	DM	1984 in DM 1,000
Interest and similar income from lending and money market transactions		8,802,507,434	8,916,860
Current income from			
a) fixed-interest securities and Government-inscribed debt	659,293,781		697,805
b) other securities	352,377,624		348,069
c) subsidiaries, associated companies and trade investments	145,758,421		136,244
		1,157,429,826	1,182,118
Commissions and other service charges received		1,434,674,032	1,200,529
Other income, including income from the writing back of provisions for possible loan losses		553,832,650	361,624
Income from profit-pooling, profit-transfer and partial profit-transfer agreements		21,846,285	19,622
Income from the writing back of provisions, unless it has to be shown under "Other income"		49,187,807	37,665
Income from the writing back of special items with partial reserve character		12,767,453	22,558
Income from the partial writing back of the taxed valuation reserve in accordance with Section 26a of the Banking Act		100,000,000	–
Total Income		12,132,245,487	11,740,976

DM	DM	1984 DM	1984 DM
	762,022,596		502,594,824
		–	
28,247,500		–	
250,000,000		150,000,000	
100,000,000	378,247,500	–	150,000,000
	383,775,096		352,594,824

The accounting, the annual financial statements and the management report, which we have examined with due care, comply with law and the company's statutes.

Frankfurt am Main, March 25, 1986

Treuverkehr
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Fandré
Wirtschaftsprüfer

Dr. Fliess
Wirtschaftsprüfer

Development of the Balance Sheet of Deutsche Bank AG

– Amounts in DM millions –

Balance Sheet

End of	1985	1984	1983	1982	1981	1980
Assets						
Cash reserve	7,266	5,940	5,235	5,455	6,679	7,524
Bills of exchange	1,812	2,050	2,119	1,994	2,462	2,939
Claims on banks	41,000	43,186	31,598	34,608	34,246	26,165
Treasury bills and discountable Treasury notes	1,866	1,111	1,189	1,144	614	612
Bonds and notes	10,183	10,765	9,436	7,709	6,569	6,374
Securities not to be shown elsewhere	3,765	3,080	2,739	2,327	2,249	2,158
Claims on customers	69,556	65,721	59,409	56,572	56,089	52,874
short and medium-term	36,091	38,241	35,939	34,655	31,161	26,995
long-term (four years or more)	33,465	27,480	23,470	21,917	24,928	25,879
Recovery claims on Federal and Länder authorities under Currency Reform Acts	206	221	237	256	273	288
Loans on a trust basis at third party risk	154	218	207	212	227	233
Subsidiaries, associated companies and trade investments	2,810	2,692	2,507	2,048	1,829	1,681
Land and buildings	862	816	784	765	731	757
Office furniture and equipment	558	415	324	308	293	276
Other assets	1,374	1,434	1,424	1,341	1,471	1,760
Remaining assets	493	239	576	757	741	605
Balance Sheet Total	141,905	137,888	117,784	115,496	114,473	104,246
Liabilities						
Liabilities to banks	44,149	45,899	38,226	37,396	35,732	34,016
including: time deposits	32,437	35,331	29,411	28,621	27,153	26,752
Liabilities to customers	76,687	73,599	64,425	63,080	64,698	57,157
including: time deposits	34,593	33,100	27,130	26,614	30,654	23,296
savings deposits	21,582	20,656	20,934	21,114	20,353	19,628
Bonds and notes	3,407	2,553	1,545	2,659	3,081	3,635
Provisions	6,190	5,615	4,382	3,618	2,867	2,292
for pensions	1,678	1,569	1,453	1,291	1,269	1,148
other	4,512	4,046	2,929	2,327	1,598	1,144
Share capital	1,599	1,469	1,356	1,356	1,232	1,114
Disclosed reserves	6,146	4,766	4,162	4,018	3,641	3,284
legal reserve	3,914	2,912	2,458	2,458	2,084	1,729
other reserves	2,232	1,854	1,704	1,560	1,557	1,555
Remaining liabilities	3,343	3,634	3,363	3,071	2,981	2,525
Distributable profit	384	353	325	298	241	223
Balance Sheet Total	141,905	137,888	117,784	115,496	114,473	104,246
Own drawings in circulation (discounted)	12	10	13	49	73	31
Endorsement liabilities	4,914	5,520	4,960	4,525	3,604	3,165
Business Volume	146,831	143,418	122,757	120,070	118,150	107,442
Contingent liabilities from guarantees, etc.	19,817	21,039	21,005	21,013	21,182	18,245

Figures from the Profit and Loss Account

for the year	1985	1984	1983	1982	1981	1980
Earnings on business volume (Interest surplus)	4,270	4,217	4,146	3,810	3,412	2,812
Earnings on services (Commission surplus)	1,394	1,167	1,076	941	892	807
Staff and other operating expenses	3,809	3,545	3,316	3,076	2,868	2,687
Taxes	1,324	937	940	757	553	482
Net income for the year	762	503	469	302	242	343
Allocations to Disclosed reserves	378	150	150	4	1	120
Distributable profit	384	353	325	298	241	223
Dividend in DM per share or in %*)	12.—	12.—	12.—	11.—	10.–	10.–
*) plus tax credit for shareholders with unlimited domestic tax liability	(6.75)	(6.75)	(6.75)	(6.19)	(5.63)	(5.63)
Number of staff at year's end	41,674	41,126	40,570	40,325	39,836	39,242

1979	1978	1977	1976	1974	1972	1970	1960	1956	1. 1. 1952
9,722	6,723	5,401	4,522	5,183	5,138	2,763	1,388	699	417
2,359	6,311	6,219	6,626	4,742	3,743	4,095	2,109	1,897	598
26,261	26,433	21,988	15,973	11,066	5,911	4,303	983	686	347
524	387	96	248	–	249	408	482	54	64
4,949	5,243	3,940	3,098	1,466	1,272	1,482	557	333	3
2,005	1,774	1,846	1,875	1,123	1,148	1,325	706	352	60
47,710	40,406	34,301	30,767	23,294	19,823	14,785	4,128	2,805	1,690
23,326	19,281	17,120	16,903	15,147	12,082	8,893	3,696	2,396	1,458
24,384	21,125	17,181	13,864	8,147	7,741	5,892	432	409	232
306	324	343	363	402	443	481	501	476	417
238	272	281	199	61	105	52	65	87	46
1,554	1,463	1,396	1,250	1,051	773	534	80	54	9
759	765	742	681	575	389	345	154	118	61
269	266	240	225	169	142	101	–	–	20
1,348	1,152	1,261	1,118	780	639	462	10	33	1
773	611	554	416	421	459	296	59	27	25
98,777	92,130	78,608	67,361	50,333	40,234	31,432	11,222	7,621	3,758
32,708	30,245	23,419	19,285	12,031	8,901	6,776	1,744	1,810	589
26,392	24,358	17,422	13,420	7,278	4,328	3,618	692	1,149	391
53,264	50,215	44,950	39,828	33,905	28,182	22,397	8,475	5,092	2,652
20,411	17,210	14,282	10,549	10,915	8,450	7,331	2,551	1,652	731
18,912	19,055	18,123	17,654	13,444	11,048	8,187	2,200	964	197
4,725	4,663	3,982	2,844	528	–	–	–	–	–
1,959	1,673	1,453	1,298	973	666	522	281	209	188
1,038	961	877	805	658	433	364	146	127	76
921	712	576	493	315	233	158	135	82	112
1,114	1,040	960	900	720	640	480	250	200	100
3,164	2,850	2,490	2,200	1,549	1,274	880	300	150	41
1,729	1,505	1,265	1,085	634	474	170	50	25	25
1,435	1,345	1,225	1,115	915	800	710	250	125	16
1,649	1,257	1,181	826	483	463	291	132	135	188
194	187	173	180	144	108	86	40	25	-
98,777	92,130	78,608	67,361	50,333	40,234	31,432	11,222	7,621	3,758
7	7	–	–	–	–	–	–	–	–
2,231	158	127	437	502	1,432	640	167	317	794
101,015	92,295	78,735	67,798	50,835	41,666	32,072	11,389	7,938	4,552
16,307	16,503	15,515	16,445	9,007	4,406	4,185	1,473	816	461

1979	1978	1977	1976	1974	1972	1970	1960	1956	1952
2,385	2,099	1,955	1,708	1,636	997	901			
698	655	591	535	453	360	249			
2,398	2,197	2,007	1,849	1,621	1,152	884			
448	423	333	293	207	144	96			
284	307	283	280	234	158	116	90	50	
90	120	110	100	90	50	30	50	25	
194	187	173	180	144	108	86	40	25	
9.—	9.—	9.—	10.—	10.—	9.—	9.—	16%	12%	
(5.06)	(5.06)	(5.06)							
39,081	37,729	36,034	36,319	35,820	34,914	33,070	19,106	16,597	12,080

	Share Capital DM	Disclosed Reserves DM	Share Capital and Reserves DM
January 1, 1952 (opening balance sheet)	100,000,000	40,500,000	140,500,000
Capital increase: 1955 (1 for 2 at par)	50,000,000		50,000,000
Capital increase: 1956 (1 for 3 at par)	50,000,000		50,000,000
Allocations from net income 1952–1956 and from the Conversion Account		109,500,000	109,500,000
December 31, 1956	200,000,000	150,000,000	350,000,000
Capital increase: 1958 (1 for 4 at par)	50,000,000		50,000,000
Allocation from net income 1957–1960		150,000,000	150,000,000
December 31, 1960	250,000,000	300,000,000	550,000,000
Capital increase: 1961 (1 for 5 at par)	50,000,000		50,000,000
Capital increase: 1965 (1 for 6 at par)	50,000,000		50,000,000
Capital increase: 1966 (1 for 7 at par)	50,000,000		50,000,000
Capital increase: 1968 (1 for 5 at DM 125 per share of DM 50)	80,000,000	120,000,000	200,000,000
Allocation from net income 1961–1970		460,000,000	460,000,000
December 31, 1970	480,000,000	880,000,000	1,360,000,000
Capital increase: 1971 (1 for 6 at DM 140 per share of DM 50)	80,000,000	144,000,000	224,000,000
Capital increase: 1972 (1 for 7 at DM 150 per share of DM 50)	80,000,000	160,000,000	240,000,000
Capital increase: 1973 (1 for 8 at DM 150 per share of DM 50)	80,000,000	160,000,000	240,000,000
Capital increase: 1975 (1 for 4 at DM 175 per share of DM 50)	180,000,000	450,000,000	630,000,000
Capital increase: 1977 (1 for 15 at DM 200 per share of DM 50)	60,000,000	180,000,000	240,000,000
Capital increase: 1978 (1 for 12 at DM 200 per share of DM 50 and exercise of option rights)	80,132,900	240,427,359	320,560,259
Capital increase: 1979 (1 for 15 at DM 200 per share of DM 50)	74,000,000	223,249,108	297,249,108
Capital increase: 1980 by exercise of option rights	1,000	3,334	4,334
Allocation from net income 1971–1980		846,000,000	846,000,000
December 31, 1980	1,114,133,900	3,283,679,801	4,397,813,701
Capital increase: 1981 (1 for 10 at DM 200 per share of DM 50)	118,000,000	355,649,340	473,649,340
Allocation from net income 1981 for own shares		1,440,396	1,440,396
December 31, 1981	1,232,133,900	3,640,769,537	4,872,903,437
Capital increase: 1982 (1 for 10 at DM 200 per share of DM 50)	124,000,000	373,372,489	497,372,489
Allocation from net income 1982 for own shares		3,977,474	3,977,474
December 31, 1982	1,356,133,900	4,018,119,500	5,374,253,400
Withdrawals for own shares		6,270,590	6,270,590
Allocation from net income 1983		150,000,000	150,000,000
December 31, 1983	1,356,133,900	4,161,848,910	5,517,982,810
Capital increase: 1984 (1 for 12 at DM 250 per share of DM 50) and sale of convertible bonds not subscribed	113,011,200	454,224,326	567,235,526
Allocation from net income		150,000,000	150,000,000
December 31, 1984	1,469,145,100	4,766,073,236	6,235,218,336
Capital increase: 1985 (1 for 15 at DM 450 per share of DM 50) and exercise of option rights	129,917,800	1,001,497,382	1,131,415,182
Allocation from net income 1985		350,000,000	350,000,000
Allocation from net income 1985 for own shares		28,247,500	28,247,500
December 31, 1985	1,599,062,900	6,145,818,118	7,744,881,018

Development of Reserves

Allocations from the Conversion Account	41,766,357
Allocations from net income	2,241,628,423
Premium from capital increases incl. sale of residual shares	3,862,423,338
Total disclosed reserves	6,145,818,118

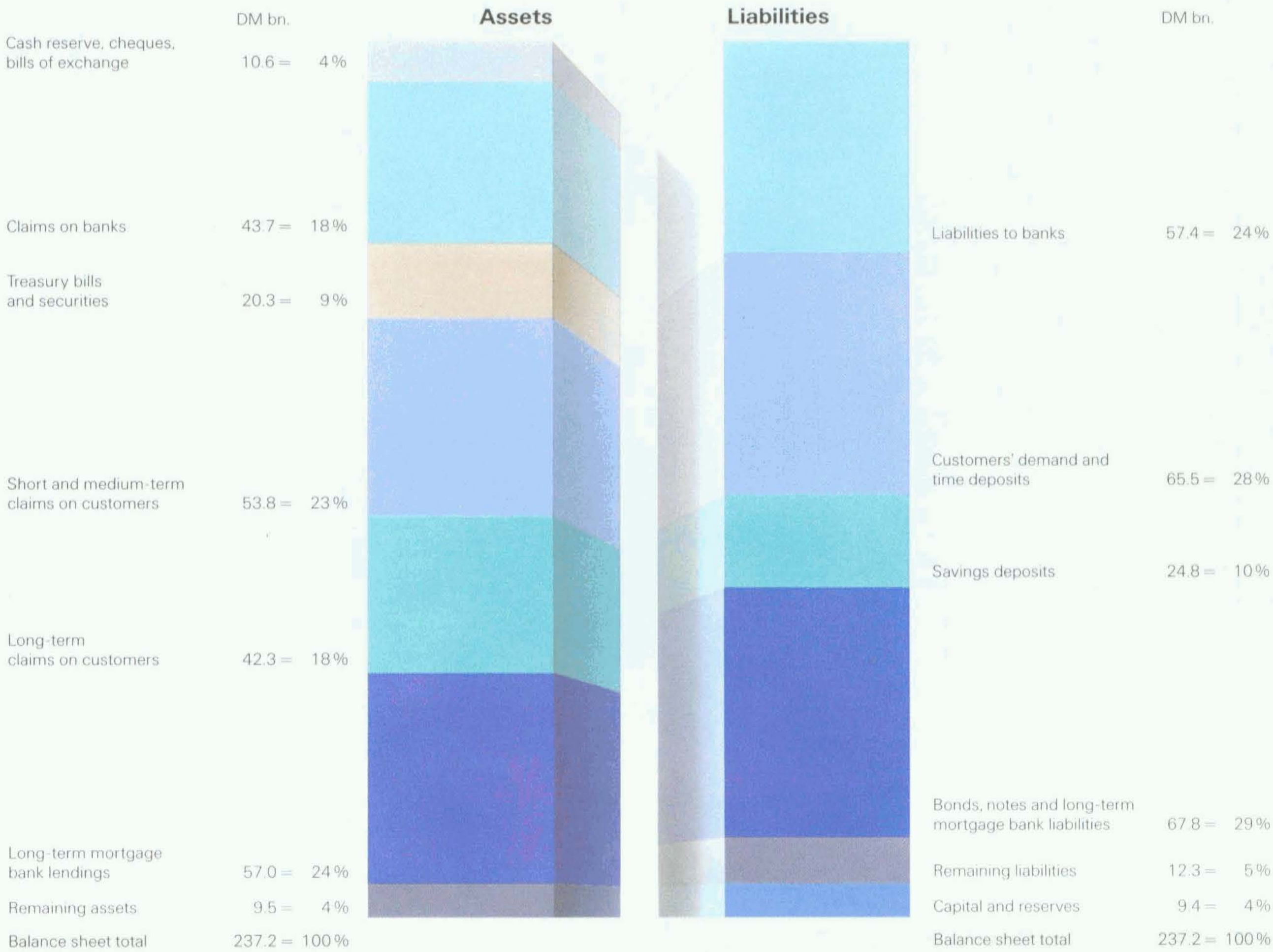
Deutsche Bank AG

Report of the Group for 1985

Deutsche Bank Group

Capital and reserves DM 9,392.5 m.

Balance sheet structure of Deutsche Bank Group, end of 1985



Deutsche Bank Group

General survey

For Deutsche Bank Group the 1985 financial year was a year of further expansion, rounding off different business activities and strengthening the equity base to enable the Group to take advantage of future business opportunities.

The range of services was widened, particularly in the investment banking sector, through the establishment of Deutsche Bank Capital Markets Ltd. in London and the renaming of DB Finance (Hong Kong) Ltd. as DB Capital Markets (Asia) Ltd. in Hong Kong, with a branch in Tokyo. Deutsche Bank Group is now represented in the world's major centres for international securities business. The Group's domestic and international investment banking companies are listed on pages 40 and 41. DB Capital Markets (Asia) Ltd., Hong Kong, was not included in the Consolidated Statement of Accounts as, under Japanese regulations, Deutsche Bank AG is only permitted to hold 50% of the voting capital.

Leasing activities in the Group have been further widened and intensified through the business of DB Export-Leasing GmbH, Frankfurt am Main. Cross-border leasing for appropriate big-ticket projects is handled through this new subsidiary. The Group's range of leasing services is thus being extended internationally.

Deutsche Bank Financial Inc., Dover, U.S.A., which was founded in 1985 and consolidated for the first time, engages solely in procuring short-term funds on the U.S. money market through commercial paper. It therefore helps, along with Deutsche Bank Finance N.V., Curaçao, to supply the Group with funds at favourable interest rates.

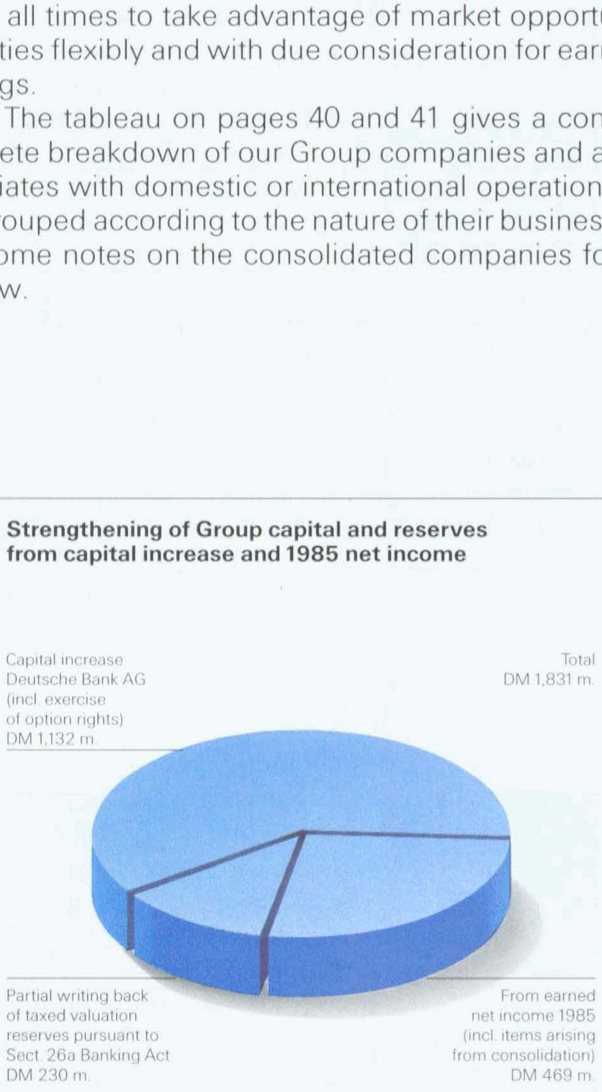
Since Deutsche Bank Australia Ltd., which was set up in 1985 with its registered office in Melbourne and a branch in Sydney, did not receive its licence and commence operations until the beginning of 1986, it was not consolidated. As a member of the Group, this "trading bank" will take advantage of business opportunities in Australia and in the Pacific region.

The Group's dynamic development and the resultant expansion of business volume made it necessary – also in view of the stipulations of the new Banking Act – to strengthen capital and reserves within the Group. Deutsche Bank AG fulfilled these requirements towards the end of the 1985 financial year by increasing its capital substantially (incl. exercise of option rights: DM 1,132 m.). All other possible ways of enlarging the disclosed equity funds were also used, so as to broaden visibly the liable capital base. DM 481 m. is being allocated to disclosed reserves from net income for the 1985 financial year at Group companies – in some cases after resolution by the General Meeting. In addition, Deutsche Bank AG and several Group companies are transferring to disclosed reserves part of their undisclosed taxed valuation reserves in accordance with Section 26a of the German Banking Act (DM 230 m.). Following the allocation to the legal reserve of the DM

142 m. premium on the 6¼% bonds with stock warrants issued in February 1986 by Deutsche Bank Finance N.V., Curaçao, the Group's capital and reserves will amount to DM 9,673 m. Deutsche Bank Group therefore has sufficient capital resources to enable all Group companies at all times to take advantage of market opportunities flexibly and with due consideration for earnings.

The tableau on pages 40 and 41 gives a complete breakdown of our Group companies and affiliates with domestic or international operations, grouped according to the nature of their business. Some notes on the consolidated companies follow.

Strengthening of Group capital and reserves from capital increase and 1985 net income

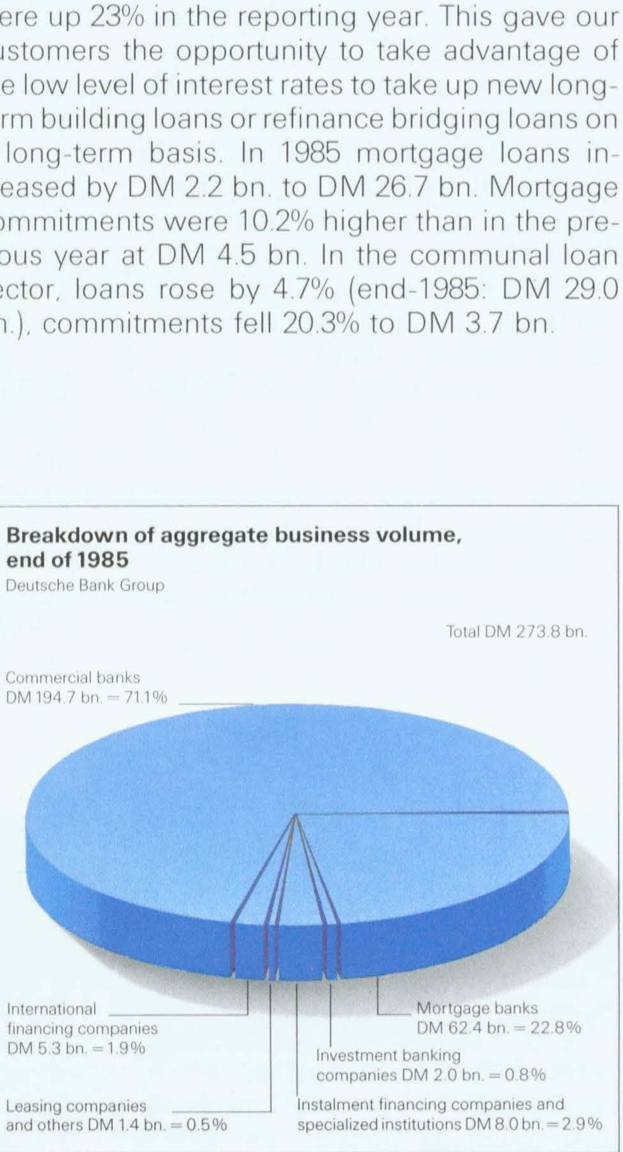


The group of *commercial banks* comprises, apart from Deutsche Bank AG, three domestic banks and five with international operations. The three domestic commercial banks – Deutsche Bank Berlin AG, Berlin, Deutsche Bank Saar AG, Saarbrücken, and Handelsbank in Lübeck AG, Lübeck – complement the parent company's business in particular regions. Their aggregate business volume contracted by 1.8% to DM 11.4 bn. The combined operating result rose 17.3%. Deutsche Bank Berlin AG will propose to its General Meeting that capital be raised by DM 20 m. from company funds, to DM 100 m., with dividend entitlement for 1985.

Of the five international banks, European Asian Bank AG, Hamburg, with its branches and Deutsche Bank (Canada), Toronto, operate as full-service banks in the Asian-Pacific region and North America respectively. By contrast, Deutsche Bank (Asia Credit) Ltd., Singapore, which concentrates principally on international lending business and on money and foreign exchange dealing, and Deutsche Bank Compagnie Financière Luxembourg S.A., Luxembourg, with its main activities in eurocredit business and in long-term syndicated business, are commercial banks which provide services that supplement and broaden the range offered by the Group for domestic and foreign corporate customers. In London, DB U.K. Finance Ltd. complements the activities of the parent company's London Branch in credit and money market business. Aggregate business volume of the five international commercial banks fell 18.4%, owing especially to exchange rate movements. The combined operating result was down by 10.4%, mainly as a result of lower currency conversion rates at year-end.

Within the Group the provision of long-term financing for private and commercial buildings is handled largely by the three *mortgage banks*. They conduct their business partly in close cooperation with the offices of Deutsche Bank AG and the domestic commercial bank subsidiaries. Building financing loans referred to the mortgage banks by the branches of the parent company were up 23% in the reporting year. This gave our customers the opportunity to take advantage of the low level of interest rates to take up new long-term building loans or refinance bridging loans on a long-term basis. In 1985 mortgage loans increased by DM 2.2 bn. to DM 26.7 bn. Mortgage commitments were 10.2% higher than in the previous year at DM 4.5 bn. In the communal loan sector, loans rose by 4.7% (end-1985: DM 29.0 bn.), commitments fell 20.3% to DM 3.7 bn.

Breakdown of aggregate business volume, end of 1985
Deutsche Bank Group



The earnings position of the three mortgage bank subsidiaries was again satisfactory; their combined operating result increased by 3.0%. The share capital of Deutsche Centralbodenkredit-AG, Berlin – Cologne, is to be raised by DM 6 m. from company funds to DM 72 m. when the General Meeting has given its approval. At Frankfurter Hypothekenbank AG, Frankfurt am Main, it is to be proposed to the General Meeting that the share capital be increased by DM 6.4 m. from company funds to DM 76.8 m. When the General Meetings have given their approval, the increased share capital at both companies will be entitled to the full dividend for the 1985 financial year.

The Group's securities and portfolio investment business at home and abroad is conducted by five consolidated *investment banking companies* in addition to DB Capital Markets (Asia) Ltd. in Hong Kong, which is not consolidated, and the commercial banks. In Germany, portfolio investment business is complemented with investment-fund saving offered by DWS Deutsche Gesellschaft für Wertpapiersparen mbH, Frankfurt am Main. Deutsche Gesellschaft für Fondsverwaltung mbH (DEGEF), Frankfurt am Main, manages special funds for institutional investors. Total assets of the 16 DWS securities funds rose to DM 13.3 bn. in 1985; at the end of 1985 DEGEF had 131 funds on its books (1984: 118) worth DM 9.4 bn. (end-1984: DM 7.3 bn.). On the American Continent, Deutsche Bank Capital Corporation, New York, engages in investment banking for an internationally oriented clientele.

In London, the heart of the euromarket, Deutsche Bank Capital Markets Ltd. serves the interests of our international customers in investment banking, and in its first year of business it already made a major contribution to the Group's success in this sector. In the Continental European market, Deutsche Bank Group is represented in Switzerland by Deutsche Bank (Suisse) S.A. in Geneva and Zürich – besides having branches of the parent company at important stock market centres; as an institution that specializes in portfolio investment for international private customers, the Swiss company is active in investment counselling, portfolio management, and trades in securities, foreign exchange and precious metals.

Among the *instalment financing companies and specialized institutions,* EFGEE Gesellschaft für Einkaufs-Finanzierung mbH, Düsseldorf, and GEFA Gesellschaft für Absatzfinanzierung mbH, Wuppertal, provide special sales financing for both trade and industry and private persons. In the U.S.A., Deutsche Credit Corporation, Deerfield, Illinois, and its 6 branches engage in instalment financing business.

Deutsche Kreditbank für Baufinanzierung AG, Cologne, as a member of the Group, offers a large number of special services in the building financing sector. In particular, it provides loans for the purchase and development of sites and loans to property developers.

The *international financing companies* devote themselves entirely to raising funding for the Group's business. The funds are taken up both in D-Marks and in foreign currency.

The Group's *business volume* rose – after consolidation – by DM 4.3 bn. to DM 242.7 bn. The increase in assets was due to the expansion of long-term claims on customers (+ DM 3.8 bn.) and long-term lendings in mortgage bank business (+ DM 3.6 bn.). Among the liabilities, the most pronounced change was in liabilities to banks, which were reduced by DM 3.3 bn. By contrast, there was an increase of DM 1.9 bn. in customers' deposits and of DM 1.0 bn. in bonds and notes of the commercial banks and international financing companies.

Of the Group's aggregate business volume amounting to DM 273.8 bn., 71.1% is attributable to the domestic and foreign commercial banks and 22.8% to the mortgage banks. At the end of 1985, the investment banking companies had a share of 0.8% in business volume, the instalment financing and specialized institutions 2.9%. The share of the leasing companies, international financing companies and consolidated property management companies came to 2.4% of consolidated business volume.

At the end of 1985, Deutsche Bank Group employed 48,851 *members of staff* (previous year: 47,873), 45,092 of whom were in the German network (previous year: 44,452). Our customers were served by 1,410 offices, of which 1,344 were in the Federal Republic and 66 abroad.

For notes on the individual items of the consolidated balance sheet and profit and loss account please refer to pages 116 to 124.

Consolidated companies

The following companies are included with Deutsche Bank AG in the Consolidated Statement of Accounts as of December 31, 1985:

Company	Group's capital share pursuant to § 16 Joint Stock Corp. Act
Commercial banks	
Deutsche Bank Berlin AG, Berlin	100 %
Deutsche Bank Saar AG, Saarbrücken	69.2%
Handelsbank in Lübeck AG, Lübeck	90.2%
Deutsche Bank (Asia Credit) Ltd., Singapore	100 %
Deutsche Bank (Canada), Toronto	100 %
Deutsche Bank Compagnie Financière Luxembourg S.A., Luxembourg	100 %
DB U.K. Finance Ltd., London	99.9%
European Asian Bank AG, Hamburg	60 %
Mortgage banks	
Deutsche Centralbodenkredit-AG, Berlin – Cologne	87.3%
Frankfurter Hypothekenbank AG, Frankfurt am Main	91.6%
Lübecker Hypothekenbank AG, Lübeck	100 %
Investment banking companies	
Deutsche Gesellschaft für Fondsverwaltung mbH, Frankfurt am Main	100 %
DWS Deutsche Gesellschaft für Wertpapiersparen mbH, Frankfurt am Main	50.7%
Deutsche Bank Capital Corporation, New York	100 %
Deutsche Bank Capital Markets Ltd., London	99.9%
Deutsche Bank (Suisse) S.A., Geneva	99.9%
Instalment financing companies and specialized institutions	
Deutsche Kreditbank für Baufinanzierung AG, Cologne	100 %
EFGEE Gesellschaft für Einkaufs-Finanzierung mbH, Düsseldorf	100 %
GEFA Gesellschaft für Absatzfinanzierung mbH, Wuppertal	100 %
Deutsche Credit Corporation, Deerfield, USA	100 %
Deutsche Credit Services, Inc., Dover, USA	100 %

Company	Group's capital share pursuant to § 16 Joint Stock Corp. Act
Leasing companies	
Deutsche Gesellschaft für Immobilien-Leasing mbH, Cologne	95 %
GEFA-Leasing GmbH, Wuppertal	100 %
DB Export-Leasing GmbH, Frankfurt am Main	100 %
International financing companies	
Deutsche Bank Finance N.V., Curaçao	100 %
Deutsche Bank Financial Inc., Dover, U.S.A.	100 %
Other domestic companies	
Elektro-Export-Gesellschaft mbH, Nuremberg	100 %
Hessische Immobilien-Verwaltungs-Gesellschaft mbH, Frankfurt am Main	100 %
Matura Vermögensverwaltung mbH, Düsseldorf	100 %
Süddeutsche Vermögensverwaltung GmbH, Frankfurt am Main	100 %
Trinitas Vermögensverwaltung GmbH, Frankfurt am Main	100 %

In accordance with Section 329 (2) of the Joint Stock Corporation Act, the *domestic* Group companies listed on page 113 f. have not been consolidated owing to their minor importance for Group assets and income. Their aggregate balance sheet total of DM 874 m. is equivalent to 3.7‰ of the consolidated balance sheet total.

Since the *foreign* Group companies which are also not consolidated owing to their minimal importance have a combined balance sheet total of only DM 866 m., the Consolidated Statement of Accounts of Deutsche Bank AG provides a comprehensive view of Group assets and income and satisfies the requirements of a world statement of accounts.

Commercial banks

Business volume at *Deutsche Bank Berlin AG, Berlin,* declined by 2.9% in 1985 to DM 7,509 m.

The reduction of holdings of Schuldscheine and other registered paper caused total credit extended to fall to DM 4,343 m. (– 8.5%). Lendings to corporate and private customers rose to DM 2,826 m. (+ 5.6%).

Total customers' deposits expanded by 3.3% to DM 4,664 m. Savings deposits increased by 5.0% to DM 2,251 m. Banks' deposits, on the other hand, were reduced to DM 1,368 m. (– 24.2%) and own bonds and notes to DM 333 m. (– 7.6%).

The operating result rose 21.9%, owing especially to the improvement in earnings from securities business. Adequate provision was made for all discernible risks in lending business.

Net income for the year amounts to DM 120 m. This includes DM 50 m. from the partial writing back of the undisclosed taxed valuation reserve in accordance with Section 26a of the Banking Act. DM 60 m. was transferred to disclosed reserves. It is to be proposed to the General Meeting that a further DM 40 m. be allocated to disclosed reserves. The bank's capital and reserves then total DM 487 m.

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

At year-end, the bank employed 1,756 members of staff at 77 business offices.

Deutsche Bank Saar AG, Saarbrücken, expanded its business volume by 2.3% to DM 1,860 m. in 1985.

At DM 968 m., total credit extended was down 4.0% at end-1985 from a year earlier (DM 1,008 m.). Owing to reduced short and medium-term lending, claims on customers contracted by 3.6% to DM 828 m. Building financing loans decreased by 3.3% to DM 327 m.

Total funds from outside sources rose 4.0% to DM 1,517 m.; customers' deposits, which are included in this amount, increased by 5.5% to DM 996 m.

The operating result fell by 17.4%. The main reasons for the decline were renovation work at head office and the introduction of customer terminals. Adequate provision was made for all discernible risks in lending business through the formation of adjustments and provisions.

It is to be proposed to the General Meeting that the DM 4.2 m. net income for the year be used to distribute an unchanged dividend of DM 6 per share of DM 50 par value.

Capital and reserves are unchanged at DM 76.0 m.

At *Handelsbank in Lübeck AG, Lübeck,* business volume contracted – mainly through the reduction of securities holdings and banks' deposits – by 1.3% to DM 2,018 m. in the reporting year.

Total credit extended decreased by 2.6% to DM 1,180 m. Funds from outside sources declined by 1.0% to total DM 1,819 m. Customers' funds (including bonds and notes) rose 1.3% to DM 1,343 m., which includes a 6.0% increase in savings deposits to DM 645 m.

The bank's operating result was 24.6% higher than a year before. Provision was made for all discernible risks in lending business.

Of the DM 6.6 m. net income for the year, DM 3.0 m. was transferred to disclosed reserves. Capital and reserves now total DM 80 m.

It is to be proposed to the General Meeting that a dividend of DM 9 per share of DM 50 par value be distributed.

Deutsche Bank (Asia Credit) Ltd., Singapore, engages in international lending business and in money and foreign exchange dealing. The bank acted selectively and with restraint in granting credit, whereas foreign exchange dealing activities were stepped up further in the past financial year.

At the end of 1985, the balance sheet total came to DM 1.9 bn. (converted). After provision had been made for country risks, net income for the year equivalent to DM 4.4 m. was distributed to the parent company. Capital and reserves amounted to DM 66.4 m. (converted).

Deutsche Bank (Canada), Toronto, which operates as a commercial bank under the Canadian Bank Act, engages in lending and deposits business with corporate and private customers. It is also active in foreign exchange dealing and in the settlement of foreign trade business and in international payments business.

In 1985 the bank was once again able to expand both its clientele and its business volume. For its funding paper the bank received the highest rating possible in Canada. At the end of 1985, balance sheet total came to C$ 414 m. (+ 34%). After provision had been made for risks, C$ 0.9 m. remained as net income for the year. Capital and reserves totalled C$ 25.0 m. at year-end.

The balance sheet total of *Deutsche Bank Compagnie Financière Luxembourg S.A., Luxembourg,* was 15.9% lower than in 1984 at Lux. Frs. 539 bn. (DM 26.2 bn.). Roughly half of the decrease is attributable to the development of the dollar rate.

In assets-side business, deposits with banks were reduced to Lux. Frs. 55 bn. (DM 2.7 bn.). Lendings to banks were practically unchanged at Lux. Frs. 191 bn. (DM 9.3 bn.).

Lendings to customers fell 29.6% to Lux. Frs. 239 bn. (DM 11.6 bn.); short-term business with international addresses was affected most here. The bank acted selectively and with restraint in long-term syndicated credit business, especially with regard to the new financing instruments developed in the market.

The bank participated in the establishment in 1985 of *Société Européenne des Satellites S.A., Luxembourg,* taking up 7.4% of the share capital (Lux. Frs. 608 m.). The object of the company is to acquire a satellite in order to utilize and lease transmission frequencies.

In liabilities-side business, short-term borrowing from banks continued to be the main source of funding. Long-term funds were raised in the form of further bonds of Deutsche Bank Finance N.V., Curaçao, which were guaranteed by the bank. The procurement risks connected with roll-over credits have therefore been limited.

Earnings developed satisfactorily. The operating result almost matched the pre-year level, declining by only 4.8%. Owing to the risk situation in international lending business and the further deterioration in some countries, the bank once again gave priority to risk provision.

For the 1985 financial year the bank reported distributable profit of Lux. Frs. 750 m. (DM 36.4 m.), Lux. Frs. 744 m. of which is to be transferred to disclosed reserves. Capital and reserves then amount to Lux. Frs. 10.2 bn. (DM 495.2 m.).

DB U.K. Finance Ltd., London, is mainly active in lending business.

Business volume contracted – largely owing to the development of the dollar rate – by 4.7% to DM 1,812 m. Total lending accounts for DM 1,422 m. of this amount. Net income for the year increased to £ 2.8 m. (1984: £ 2.1 m.). At end-1985, capital and reserves amounted to £ 14.2 m. (1984: £ 12.4 m.).

European Asian Bank AG, Hamburg, operates primarily in the Asian-Pacific region.

Business volume, including liabilities from guarantees and letters of credit, contracted by DM 2.6 bn. in 1985 to DM 9.0 bn. Total credit extended fell by 27.7% to DM 5.0 bn. Funds from outside sources were reduced owing to the lower funding requirements; at year-end they amounted to DM 6.5 bn. (– 22.4%).

Taking into account the deterioration in the economic environment in a number of Asian countries and the fact that the outlook is not yet satisfactory again, allowance was made for all discernible risks in the statement of accounts for 1985. The necessary provision was made, again with the participation of the shareholders – insofar as the earnings available did not suffice – in order to consolidate the bank's assets situation.

The 1985 financial year closed with a balanced result. At year-end, capital and reserves were unchanged at DM 430 m.

The number of staff rose by 169 in 1985 compared with the previous year to 1,554.

Mortgage banks

Deutsche Centralbodenkredit-Aktiengesellschaft, Berlin – Cologne, transacts, as a mortgage bank, all business permitted under the Mortgage Bank Act in the Federal Territory and West Berlin.

The bank granted 7,533 mortgage loans in the reporting year. The volume of new commitments was 10.8% higher than in the previous year at DM 1,597 m.

Financing of new residential properties (DM 494 m.), lending secured on older properties (DM 602 m.) and on commercial properties (DM 501 m.) each accounted for about one-third of new mortgage business.

Mortgage loans outstanding at the end of 1985 totalled DM 11.0 bn. (+ 6.8%). In communal loan business the bank granted 192 loans (1984: 218) amounting to DM 2,022 m. (1984: DM 2,220 m.). At DM 3,619 m., total new loan commitments were 1.1% down from the previous year.

New bonds were sold for DM 3,960 m. and loans amounting to DM 218 m. were taken up to fund new business and because of adjustments to terms and conditions.

Balance sheet total increased by 5.9% to DM 27.3 bn. in 1985. The operating result was 4.1% higher than in the previous year.

After partially writing back the undisclosed taxed valuation reserve in accordance with Section 26a of the Banking Act, in the amount of DM 40.0 m., the bank reports net income of DM 87.3 m. for 1985. DM 43.0 m. of this was transferred to disclosed reserves. It is to be proposed to the General Meeting that the share capital be increased by DM 6 m. from company funds to DM 72 m. and that out of the distributable profit of DM 44.3 m. a further DM 27 m. be allocated to reserves in accordance with Section 7 of the Mortgage Bank Act. The remaining DM 17.3 m. is to be used to distribute an unchanged dividend of DM 12 per share of DM 50 par value on the increased capital. Capital and reserves will then amount to DM 653 m.

The number of staff increased by 13 to 435 at the end of 1985.

Frankfurter Hypothekenbank Aktiengesellschaft, Frankfurt am Main, was able to maintain its new mortgage loan commitments at a high level for the third year in succession; in 1985 they amounted to DM 1,955 m. Despite slackening demand for financing in the homebuilding sector, against the backdrop of weak business in the construction industry and stagnating real estate markets, it was possible to stimulate mortgage business further. Loan commitments for older residential properties were higher than in 1984 in terms of both volume (DM 848 m./+ 52%) and number (5,713/+ 53%). Commitments for new residential properties fell by 35.9%. Lending to trade and industry, which increased in importance, was expanded in 1985 in terms of the number of loans by 53% to 491 (volume of commitments: DM 800 m.).

Loans granted in the communal sector were reduced to DM 1,480 m. (end-1984: DM 1,974 m.). Total new loan commitments decreased by 12.6% as a result, to DM 3,435 m.

The upward trend in the volume of loans due for prolongation, which has continued for years, came to a standstill in 1985 with 18,879 loans for a total of DM 3.2 bn. to be prolonged. 83% of these were kept on the bank's books at new terms and conditions.

Sales of securities amounted to DM 4,207 m. (– 12.8%).

Balance sheet total rose 4.4% to DM 28.0 bn. The operating result improved by 1.7% compared with the previous year; it was influenced by increased expenditure on renovation work. Provision was made for all discernible risks.

From the DM 88.4 m. net income for the year, which includes DM 40.0 m. from the partial writing back of the undisclosed taxed valuation reserve in accordance with Section 26a of the Banking Act, DM 44.0 m. was transferred to disclosed reserves. It is to be proposed to the General Meeting that reserves be increased by a further DM 26.0 m. Reported capital and reserves then come to DM 646.8 m. The share capital amounts to DM 70.4 m. and, following a resolution by the General Meeting, is to be increased by DM 6.4 m. to DM 76.8 m. through the capitalization of reserves in accordance with Section 7 of the Mortgage Bank Act. The capital created from company funds is to be entitled to the dividend for the 1985 financial year. A dividend of DM 12 per share of DM 50 par value is planned for the 1985 financial year.

Lübecker Hypothekenbank Aktiengesellschaft, Lübeck, with ten business offices, transacts all business permitted under the Mortgage Bank Act. It conducts business in the Federal Territory and West Berlin. Communal loans are also granted within the European Community.

In 1985 the bank achieved its best-ever result in mortgage business. New commitments increased by 37.9% to DM 960 m. The bank reduced its communal loan commitments to DM 241 m. (1984: DM 501 m.). As in the previous year, total new commitments came to DM 1.2 bn.

Mortgage lendings amounted to DM 4.0 bn. At the end of the reporting year disbursements of communal loans came to DM 2.0 bn.

The bank placed mortgage bonds for DM 957 m. (+ 29.7%), communal bonds for DM 611 m. (– 17.7%) and other bearer bonds for DM 294 m.

Loans of DM 18.0 m. were taken up against Schuldscheine.

Balance sheet total increased by DM 691 m. to DM 7.0 bn. (+ 10.9%). The operating result improved by 4.1% compared with the previous year.

The share capital is unchanged at DM 22.0 m. and is held entirely by the Group.

Besides permitting adequate provision for risk, the result for the year allows disclosed reserves to be strengthened by DM 15.0 m. DM 6.0 m. of this amount is to be allocated from distributable profit following a resolution by the General Meeting. The bank's capital and reserves will then be reported at DM 169.0 m.

Distribution of a 20% dividend is planned for the 1985 financial year.

Investment banking companies

Deutsche Gesellschaft für Fondsverwaltung mbH (DEGEF), Frankfurt am Main, manages individualized investment funds (special funds) for institutional investors, such as insurance companies, company pension and benevolent funds, professional associations' pension schemes, social insurance and other institutions, and staff funds. The number and assets of the funds it manages increased further during the past financial year. At the end of 1985 total assets of the 131 funds managed by DEGEF (previous year: 118) amounted to DM 9.4 bn. (previous year: DM 7.3 bn.).

The Shareholders' Meeting resolved at the beginning of 1986 that the capital be increased by DM 3.0 m. from reserves to DM 17.0 m. and that a distribution of DM 2.5 m. be made for the 1984/85 financial year.

DWS Deutsche Gesellschaft für Wertpapiersparen mbH, Frankfurt am Main, can look back on a successful year in 1985. Sales of new certificates generated revenues of DM 2,216.1 m. compared with DM 915.3 m. in the previous year.

Total assets of the DWS funds, which now number 16 (previous year: 15), increased by DM 2.8 bn. to DM 13.3 bn. at the end of 1985. DM 971.4 m. was distributed to certificate holders in 1985. At year-end the DWS funds again accounted for 27.3% of the total assets of the securities-based public investment funds associated in the Bundesverband Deutscher Investment-Gesellschaften (BVI).

By resolution of the Shareholders' Meeting the capital of DWS, in which the Group has a majority holding, was raised by DM 6.0 m. out of company funds to DM 47.0 m. Including the transfer of DM 6.0 m. to disclosed reserves from profit for the year, capital and reserves at DWS totalled DM 94.0 m. at 31. 12. 1985. For the 1984/85 financial year, which ended on 30. 9. 1985, an unchanged dividend of 6% was paid on the increased capital of DM 47.0 m.

Deutsche Bank Capital Corporation, New York, engages in securities and issuing business for an internationally-oriented clientele. The record turnover on practically all capital markets made it possible to increase the result by $ 1.8 m. to $ 3.5 m. in 1985. Balance sheet total was $ 113.8 m. higher than in the previous year at $ 185.2 m. At the end of the year, share capital and reserves totalled $ 28.1 m.

Deutsche Bank Capital Markets Limited commenced operations in London in April 1985. Its activities include syndication of euro-issues not denominated in D-Marks and dealing in and placement of euro-securities. This new company in London is a major extension of the investment banking and issuing business conducted by Deutsche Bank AG and other Group companies in the Federal Republic of Germany.

In its first year the company developed satisfactorily. It has fully paid-up capital of £ 40 m. At year-end there was a staff of 108.

These last two companies have teams to help our customers initiate and carry out swap transactions.

Deutsche Bank (Suisse) S.A., Geneva and Zürich, as a specialized portfolio investment company, serves its international private clientele in the fields of investment counselling, portfolio management, and securities, foreign exchange and precious metals dealing.

The volume of assets entrusted to it and the number of customer relationships were increased considerably in 1985.

The bank participated actively in the flotation of bonds and notes denominated in Swiss francs and confirmed its role in this sector of business.

The balance sheet total rose to SFrs 413.7 m. (+ 14.0%). Capital and reserves amount to SFrs 32 m. It is to be proposed to the General Meeting that the net income for the year of SFrs 2.5 m. be allocated to disclosed reserves.

Instalment financing companies and specialized institutions

Deutsche Kreditbank für Baufinanzierung AG, Cologne, operates as a specialized bank in the building financing sector. It transacts business in the Federal Territory and West Berlin. The bank grants loans for the purchase and development of land, loans to property developers, preliminary and bridging financings for mortgages and building savings contracts, and long-term financings.

The unfavourable business situation in the construction and housing sectors affected the bank. It deliberately operated cautiously in this difficult market, so that, as expected, the pre-year volume of new commitments was not equalled. The total volume of newly agreed loans was DM 1,909 m. (1984: DM 2,399 m.). Short-term business made up 40% of this amount, long-term business 60%.

As of 31. 12. 1985, the balance sheet total came to DM 4,775 m. (end-1984: DM 5,363 m.).

Waiving payment of a dividend, the bank made appropriate provision for all discernible risks in the reporting year.

The bank's share capital is unchanged at DM 90 m. Capital and reserves amount to DM 190 m.

EFGEE Gesellschaft für Einkaufs-Finanzierung mbH, Düsseldorf, engages in consumer financing. In 1985, despite continued reserve on the part of consumers towards borrowing, the company was able to maintain its new business at the pre-year level. At the end of 1985, total lending came to DM 249 m. The company's profit, which declined slightly owing to the low level of interest rates, was transferred to GEFA Gesellschaft für Absatzfinanzierung mbH, Wuppertal, in accordance with the existing profit and loss assumption agreement.

The range of services offered by *GEFA Gesellschaft für Absatzfinanzierung mbH, Wuppertal,* comprises medium-term tied loans, lease purchase and factoring. In 1985, the company was once again able to expand its activities. Lending increased by 20% to DM 1.1 bn. The average volume of financing provided in the factoring sector more than doubled. Total receivables rose 11.8% to DM 1,703 m.

In the year under review balance sheet total expanded by 10.3% to DM 1,884 m.

Provision was made for all discernible risks. DM 10 m. of the result was transferred to disclosed reserves. Under the existing profit and loss transfer agreement DM 20.1 m. was paid to Deutsche Bank AG. At the end of 1985 capital and reserves amounted to DM 110 m.

GEFA continues to hold all shares in *GEFI Gesellschaft für Mobilien-Leasing und Finanzierungsvermittlung mbH, Berlin,* and in *Heinz Langer Versicherungsdienst GmbH, Stuttgart,* which are not consolidated owing to their minor importance for the Group's assets and income position.

Deutsche Credit Corporation, Deerfield, Illinois (U.S.A.) and its 6 branches engage in instalment financing business in various regions of the U.S.A., primarily through tied loans to dealers and final customers. It places special emphasis on expanding cooperation with German firms seeking financing for their products in the U.S.A.

At the end of 1985, the balance sheet total came to $ 388 m. After assumption of all funding by Group companies, capital was reduced by $ 24 m. to $ 19.5 m. Write-downs and adjustments led to a loss of $ 4.8 m. for the year. A positive result is expected for 1986.

Leasing companies

GEFA-Leasing GmbH, Wuppertal, established in 1968, conducts leasing business in movables. Compared with the overall market development, business in the reporting year was above average. New business was expanded by 23% to over DM 600 m. The volume of rental claims under current leasing contracts rose by 14% to DM 1,407 m. The leasing equipment reported in the balance sheet came to DM 1,063 m. (end-1984: DM 916 m.).

Adequate account was taken of all discernible risks. DM 5 m. of the profit for the year was transferred to disclosed reserves. The remaining profit of DM 21.6 m. was transferred to GEFA Gesellschaft für Absatzfinanzierung mbH, with which there is a profit and loss assumption agreement. At the end of 1985 capital and reserves were reported at DM 45 m.

Deutsche Gesellschaft für Immobilien-Leasing mbH, Cologne, manages its properties according to schedule and achieved a satisfactory result also in 1985.

DB Export-Leasing GmbH, Frankfurt am Main, which transacted its first business in the reporting year, engages in cross-border leasing to support German exporting industry.

At the end of 1985, the balance sheet total came to DM 47 m.

There is a profit-transfer agreement between DB Export-Leasing GmbH and Deutsche Bank AG.

International financing companies

The financing company *Deutsche Bank Finance N.V., Curaçao, Netherlands Antilles,* floated four new bond issues in the reporting year. This resulted in a higher total new issue volume of $ 1,316 m. (previous year: $ 910 m.). The proceeds of the issues serve as long-term financing for Group companies.

Deutsche Bank Financial Inc., Dover, Delaware (U.S.A.) was set up in 1985 as a financing company to take up short-term funding on behalf of Deutsche Bank AG in the commercial paper market in the U.S.A. The volume issued in 1985 amounted to $ 1.6 bn.

Other German companies

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

Matura Vermögensverwaltung mbH, Düsseldorf, and *Süddeutsche Vermögensverwaltung GmbH, Frankfurt am Main,* manage property for their own and third party account. *Elektro-Export-GmbH, Nuremberg,* a 100% subsidiary of Süddeutsche Vermögensverwaltung GmbH, finances the export of electronic products.

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

Non-consolidated companies

In accordance with Section 329 (2) of the Joint Stock Corporation Act the following domestic members of the Group with an aggregate balance sheet total of DM 874 m. have not been included in the Consolidated Statement of Accounts owing to their minor importance for the Group's assets and income position:

Wilh. Ahlmann GmbH, Kiel
Alma Beteiligungsgesellschaft mbH, Frankfurt am Main
"Alwa" Gesellschaft für Vermögensverwaltung mbH, Hamburg
BACUL Vermietungsgesellschaft mbH, Düsseldorf
BAMUS Vermietungsgesellschaft mbH, Düsseldorf
BARIS Vermietungsgesellschaft mbH, Düsseldorf
BATOR Vermietungsgesellschaft mbH, Düsseldorf
BELUS Vermietungsgesellschaft mbH, Düsseldorf
Beteiligungsgesellschaft für Flugzeugleasing mbH, Frankfurt am Main
BONUS Vermietungsgesellschaft mbH, Düsseldorf
CADMUS Vermietungsgesellschaft mbH, Düsseldorf
CALOR Vermietungsgesellschaft mbH, Düsseldorf
CAMPANIA Vermietungsgesellschaft mbH, Düsseldorf
CANDOR Vermietungsgesellschaft mbH, Düsseldorf
Capital Management International GmbH of Deutsche Bank, Frankfurt am Main
Castolin Grundstücksgesellschaft mbH, Düsseldorf
CGT Canada Grundbesitz Treuhand GmbH, Frankfurt am Main
ComCo Datenanlagen GmbH u. Co. KG, Korntal-Münchingen
ComCo Verwaltungsgesellschaft mbH, Korntal-Münchingen
DB Consult GmbH, Frankfurt am Main

Deutsche Beteiligungs AG
Unternehmensbeteiligungsgesellschaft, Königstein (Taunus)
Deutsche Beteiligungsgesellschaft mbH, Frankfurt am Main
Deutsche Canada-Grundbesitzverwaltungsgesellschaft mbH, Frankfurt am Main
Deutsche Gesellschaft für Anlageberatung mbH, Frankfurt am Main
Deutsche Grundbesitz Anlagegesellschaft mbH & Co. Löwenstein Palais, Cologne
Deutsche Vermögensbildungsgesellschaft mbH, Bad Homburg v. d. H.
DIL Grundstücksgesellschaft für Verwaltungs- und Lagergebäude mbH, Düsseldorf
DIW Deutsche Industriewartung Holding GmbH, Munich/Stuttgart
"Domshof" Beteiligungs-Gesellschaft mbH, Bremen
MS "Essen" Schiffahrts-Gesellschaft mbH, Bremen
Essener Grundstücksverwertung Dr. Ballhausen, Dr. Bruens, Dr. Möller KG, Essen
Frankfurter Gesellschaft für Vermögensanlagen mbH, Frankfurt am Main
GADES Grundstücks-Vermietungsgesellschaft mbH, Düsseldorf
GEFI Gesellschaft für Mobilien-Leasing und Finanzierungsvermittlung mbH, Berlin
gr Grundstücks GmbH Objekt Corvus, Frankfurt am Main
gr Grundstücks GmbH Objekt Corvus u. Co. Besitzgesellschaft Westend-Center, Frankfurt am Main
gr Grundstücks GmbH Objekt Lyra i. L., Frankfurt am Main
gr Grundstücks GmbH Objekt Lyra u. Co. Besitzgesellschaft Marienstrasse i. L., Frankfurt am Main
Grundstücksgesellschaft Grafenberger Allee mbH, Düsseldorf
Grundstücksgesellschaft Otto-Hahn-Strasse mbH, Düsseldorf
Grundstücksvermietungsgesellschaft Wilhelmstrasse mbH, Cologne
Grundstücksverwaltungsgesellschaft Objekt Geislingen mbH, Frankfurt am Main
Hochhaus und Hotel Riesenfürstenhof Aufbaugesellschaft mbH, Frankfurt am Main
Hypotheken-Verwaltungs-Gesellschaft mbH, Berlin
Immobilien-Gesellschaft in Lübeck GmbH, Lübeck
IZI Bielefeld Informations-Zentrum Immobilien GmbH, Bielefeld
IZI Dortmund Informations-Zentrum Immobilien GmbH, Dortmund
JG Japan Grundbesitzverwaltungsgesellschaft mbH, Frankfurt am Main
Jubiläumsstiftung der Deutschen Überseeischen Bank GmbH Unterstützungskasse i. L., Frankfurt am Main
Kapital-Beteiligungs- und Verwaltungsgesellschaft Norden mbH, Lübeck
Heinz Langer Versicherungsdienst GmbH, Stuttgart
Mago Beteiligungsgesellschaft mbH, Frankfurt am Main
"modernes Frankfurt" private Gesellschaft für Stadtentwicklung mbH, Frankfurt am Main
Nordhamburgische Bauträgergesellschaft mbH, Hamburg
Nordwestdeutscher Wohnungsbauträger GmbH, Braunschweig (profit-transfer agreement with Deutsche Bank AG)
Peina Grundstücksverwaltungsgesellschaft mbH, Düsseldorf
Saarländische Immobilien-Gesellschaft mbH, Saarbrücken
SB Bauträger GmbH, Frankfurt am Main
SB Bauträger GmbH u. Co. Urbis Hochhaus-KG, Frankfurt am Main
SB Bauträger GmbH u. Co. Urbis Verwaltungs-KG, Frankfurt am Main
Schisa Grundstücksverwaltungsgesellschaft mbH, Düsseldorf
Selekta Grundstücksverwaltungsgesellschaft mbH, Düsseldorf
Süddeutsche Bank GmbH, Frankfurt am Main
Tauernallee Grundstücksgesellschaft mbH, Berlin
Terraingesellschaft Gross-Berlin GmbH, Berlin
Transgermania Verwaltungsgesellschaft mbH, Hamburg
Franz Urbig- und Oscar Schlitter-Stiftung GmbH, Frankfurt am Main
Westend Grundstücksgesellschaft mbH, Lübeck
WINWE Beteiligungsgesellschaft mbH, Frankfurt am Main
Wohnbau-Beteiligungsgesellschaft mbH, Lübeck
Wohnungsbaugesellschaft Lubeca GmbH, Lübeck

The related domestic companies listed below (aggregate balance sheet total at end of 1985: DM 815 m.) are not under the uniform management of Deutsche Bank AG and are therefore not eligible for consolidation:

AV America Grundbesitzverwaltungsgesellschaft mbH, Frankfurt am Main
Burstah Verwaltungsgesellschaft mbH, Hamburg

Deutsche Canada-Grundbesitz GmbH u. Co., Frankfurt am Main
Deutsche Eisenbahn Consulting GmbH, Frankfurt am Main
Deutsche Gesellschaft für Anlageverwaltung mbH, Frankfurt am Main
Deutsche Gesellschaft für Immobilienanlagen "America" mbH, Bad Homburg v. d. H.
Futura Beteiligungs-GmbH, Bielefeld
Kistra Beteiligungsgesellschaft mbH, Frankfurt am Main
Rossma Beteiligungsgesellschaft mbH, Frankfurt am Main
Speditionsgesellschaft "Westfalia" mbH, Hagen-Hohenlimburg
Stöckl GmbH u. Co. Poligrat-Immobilien KG, Düsseldorf

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

All business between the members of the Group was transacted at normal market conditions.

Principles of consolidation

The consolidated balance sheet and profit and loss account are based on the special sheets published for banks with the legal form of an "Aktiengesellschaft" (joint stock corporation) and for mortgage banks.

The figures shown in the individual balance sheets were taken over unchanged into the consolidated balance sheet. Interim statements as at 31. 12. 1985 were drawn up pursuant to Section 331 (3) of the Joint Stock Corporation Act for three companies whose financial year differs from that of the remainder of the Group. The statements of our foreign companies were converted at the rates valid on balance sheet date (Frankfurt midrates).

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

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

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

Notes on the Consolidated Balance Sheet

Liquidity

The *cash reserve* (cash on hand, balances with Deutsche Bundesbank and on postal giro accounts) rose to DM 8.0 bn. at the end of 1985 (end of 1984: DM 6.6 bn.). Since liabilities (excluding long-term mortgage bank liabilities) were almost unchanged, *cash liquidity* increased to 4.9% compared with 4.1% at the end of 1984.

Total liquid assets (cash reserve, items received for collection, bills of exchange rediscountable at Deutsche Bundesbank, claims on banks payable on demand, Treasury bills and Treasury notes as well as fixed-interest securities eligible as collateral for Bundesbank advances) expanded to DM 30.4 bn. (end-1984: DM 27.0 bn.) owing mainly to an increase in claims on banks payable on demand and to higher holdings of Treasury bills. Thus, *overall liquidity* (total liquid funds as a percentage of liabilities) improved to 18.9% as of 31. 12. 1985 (end of 1984: 16.7%).

Assets

Treasury bills, securities

Securities holdings, including Treasury bills, were raised by DM 2,463 m. to DM 20.3 bn. at the end of 1985, so that they more than doubled in the past five years.

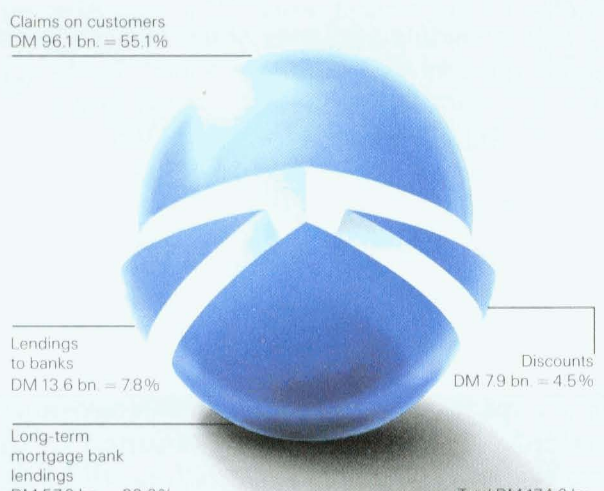
Treasury bills and discountable Treasury notes – especially of foreign issuers – rose by DM 831 m. to DM 2.0 bn.

Bonds and notes totalling DM 14.4 bn. contributed DM 906 m. of the growth in securities holdings. Buying centred on long-term bonds of the Federal and Länder Governments (+ DM 1.6 bn.); altogether, they account for 36% of bonds and notes. Paper worth DM 9.3 bn. (= 64% of total holdings) was eligible as collateral for Deutsche Bundesbank advances.

Other securities – shares and investment fund certificates – rose to DM 3.9 bn. (end-1984: DM 3.2 bn.). Shares of more than 10% of the capital of a company, which have to be shown as a sub-total, amounted to DM 1,108 m. and were held almost exclusively by the parent company.

Securities holdings reported in the consolidated balance sheet were valued at the lower of cost or market.

Composition of total lending, end of 1985
Deutsche Bank Group



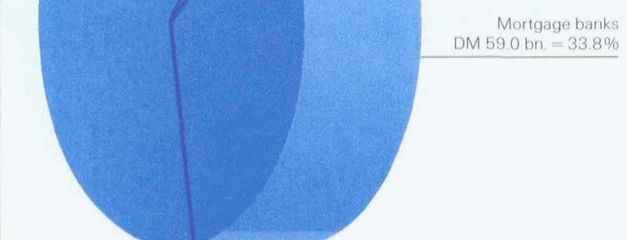
Total credit extended	End of 1985 DM m.	% share	End of 1984 DM m.	% share	Change DM m.	%
Claims on customers						
short and medium-term	53,836	30.9	61,685	34.8	– 7,849	= 12.7
long-term (4 years or more)	42,287	24.2	38,521	21.7	+ 3,766	= 9.8
	96,123	55.1	100,206	56.5	– 4,083	= 4.1
Long-term mortgage bank lendings	56,953	32.6	53,372	30.1	+ 3,581	= 6.7
Discounts	7,891	4.5	8,830	5.0	– 939	= 10.6
Lendings to banks						
short and medium-term	5,230	3.0	7,175	4.0	– 1,945	= 27.1
long-term (4 years or more)	8,386	4.8	7,720	4.4	+ 666	= 8.6
	13,616	7.8	14,895	8.4	– 1,279	= 8.6
Total credit extended	174,583	100.0	177,303	100.0	– 2,720	= 1.5

Total credit extended

Total credit extended by the Group was DM 2.7 bn. (– 1.5%) lower than on 31. 12. 1984 at DM 174.6 bn. The contraction was largely the result of the DM 8.7 bn. decrease to DM 29.7 bn. in lendings to non-residents; the countervalue of these advances was strongly influenced by exchange rate changes. At all consolidated companies, commitments in lending business were valued with unaltered caution. Provision was made for all discernible risks – both for individual borrowers and for country risks – by forming adjustments and provisions in accordance with uniform standards applied throughout the Group. Even after taxed valuation reserves in accordance with Section 26a of the German Banking Act were partially written back, in the amount of DM 230 m., at Deutsche Bank AG and a number of consolidated companies in order to strengthen the Group's li-

Total lending, by Group companies, end of 1985

Deutsche Bank Group



able capital and reserves, these institutions still have undisclosed taxed valuation reserves in accordance with Section 26a of the Banking Act.

Claims on customers fell by a total of DM 4.1 bn. (– 4.1%) to DM 96.1 bn. Short and medium-term claims on customers declined to DM 53.8 bn. (end of 1984: DM 61.7 bn.). By contrast, long-term claims on customers – especially claims on domestic corporate customers – expanded by DM 3.8 bn. to DM 42.3 bn. at year-end. The proportion of long-term claims to total claims on customers therefore rose to 44.0% from 38.4% at the end of 1984.

The increase in *long-term mortgage bank lendings* by a total of DM 3.6 bn. was due to the DM 2.2 bn. rise in mortgage loans to DM 26.7 bn. and the DM 1.3 bn. growth in communal loans (DM 29.0 bn.). Communal loans then made up 51% (end of 1984: 52%) of total mortgage bank lendings.

Lendings to banks decreased in the short and medium-term sector by DM 1.9 bn., while long-term lendings rose DM 0.7 bn. Credits extended to banks then amounted to DM 13.6 bn. (end-1984: DM 14.9 bn.). *Dated deposits with banks* declined by DM 1.2 bn. to DM 20.2 bn.

Fixed assets

Holdings in non-consolidated *Subsidiaries, associated companies and trade investments* are shown at DM 756 m. (end-1984: DM 648 m.). Holdings in banks account for DM 296 m. of the total.

DM 938 m. of the DM 1,062 m. shown as the balance sheet value of *Land and buildings* at 31. 12. 1985 (end of 1984: DM 1,004 m.) relates to property used for banking business.

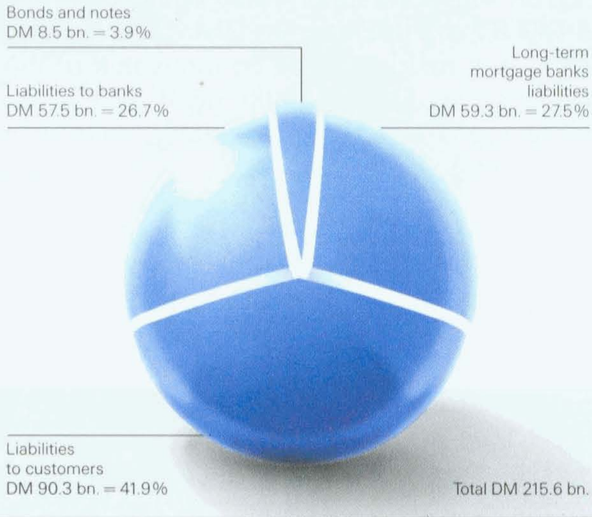
Office furniture and equipment is reported at DM 647 m.

Leasing equipment came to DM 1,476 m. at the end of 1985. The land and buildings contained in this item with a value of DM 158 m. (end-1984: DM 163 m.) are held by Deutsche Gesellschaft für Immobilien-Leasing mbH, Cologne. Most of the movable leasing equipment reported at DM 1,318 m. belongs to GEFA-Leasing GmbH, Wuppertal. The item also includes leasing equipment of DB Export-Leasing GmbH, Frankfurt am Main, Deutsche Credit Corporation, Deerfield, U.S.A., and leasing equipment of Deutsche Bank AG from a cross-border big-ticket transaction.

Other asset items

As of 31. 12. 1985, *Other assets* amounted to DM 1,742 m. (end-1984: DM 2,044 m.). This item

Composition of funds from outside sources, end of 1985
Deutsche Bank Group

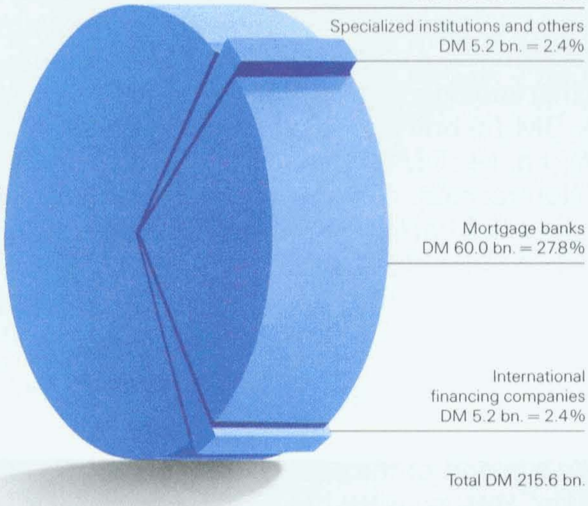


Funds from outside sources	End of 1985 DM m.	% share	End of 1984 DM m.	% share	Change DM m.	%
Liabilities to banks						
payable on demand	11,104	5.2	10,546	4.9	+ 558	= 5.3
time deposits	46,185	21.4	50,034	23.5	– 3,849	= 7.7
customers' drawings on other banks	161	0.1	173	0.1	– 12	= 6.8
	57,450	26.7	60,753	28.5	– 3,303	= 5.4
Liabilities to customers						
payable on demand	23,669	11.0	23,191	10.9	+ 478	= 2.1
time deposits	41,889	19.4	41,501	19.5	+ 388	= 0.9
savings deposits	24,773	11.5	23,695	11.1	+ 1,078	= 4.5
	90,331	41.9	88,387	41.5	+ 1,944	= 2.2
Bonds and notes	8,474	3.9	7,505	3.5	+ 969	= 12.9
Long-term mortgage bank liabilities	59,314	27.5	56,362	26.5	+ 2,952	= 5.2
	67,788	31.4	63,867	30.0	+ 3,921	= 6.1
Total funds from outside sources	215,569	100.0	213,007	100.0	+ 2,562	= 1.2

consists largely of shares not in the form of securities and which we do not regard as business participations, and also of precious metals holdings, such as gold bars, coins and medallions. These precious metals holdings are, in part, used as cover for the precious metals certificates issued by Deutsche Bank AG and Deutsche Bank Compagnie Financière Luxembourg S.A.

Funds from outside sources, by Group companies, end of 1985

Deutsche Bank Group



Liabilities

Funds from outside sources

In the Group, *funds from outside sources* were increased by DM 2.6 bn. in the reporting year to DM 215.6 bn. Long-term monies, taken up in line with credit demand, determined the development of these funds.

Liabilities to banks contracted by DM 3.3 bn. (= 5.4%) to DM 57.5 bn. Time deposits with an original period of less than 4 years fell by DM 4.8 bn., while long-term bank deposits were raised by DM 0.9 bn. The proportion of liabilities to banks in total funds from outside sources decreased to 26.7% (end of 1984: 28.5%).

Liabilities to customers increased by a total of DM 1.9 bn. to DM 90.3 bn. Expansion was strongest in customers' deposits with an original period of more than 4 years (+ DM 1.6 bn. to DM 9.1 bn.). The rise in savings certificates at Deutsche Bank AG accounts for DM 1.0 bn. of the increase. By contrast, short-term customers' deposits with an original period of less than 3 months dropped by DM 2.0 bn. (− 7.8%). After declining slightly in 1984, savings deposits rose by DM 1.1 bn. in the reporting year to DM 24.8 bn. (+ 4.5%). Besides growth in savings deposits with the legal period of notice (+ DM 0.8 bn.) there was also an increase of DM 0.3 bn. in other savings deposits.

The volume of *Bonds and notes* in circulation rose to DM 8.5 bn. (end-1984: DM 7.5 bn.).

Long-term mortgage bank liabilities increased in line with funding requirements, expanding by DM 3.0 bn. to a total of DM 59.3 bn. The mortgage bonds contained in this item came to DM 23.7 bn. (+ DM 1.6 bn.) and the communal bonds to DM 28.8 bn. (+ DM 0.6 bn.).

Non-resident customers and banks accounted for DM 72.3 bn. (end of 1984: DM 78.6 bn.) or one-third of funds from outside sources.

Provisions, special items with partial reserve character

At the end of the year, *Provisions* totalled DM 5.9 bn. *Provisions for pensions* accounted for DM 1,929 m. (+ DM 124 m.) of this amount.

Other provisions were increased by DM 498 m. to DM 3,937 m. This item contains primarily provisions for taxes and for lending and country risks from guarantees. Also included here are commitments to pay anniversary bonuses and liabilities under the Early Retirement Act.

Special items with partial reserve character decreased to DM 27 m. at the end of 1985.

Contingent liabilities

Endorsement liabilities on rediscounted bills of exchange and *Own drawings in circulation* fell by DM 863 m. to DM 5.5 bn. Of the own drawings in circulation (DM 57 m.), DM 13 m. was discounted for borrowers' account.

Contingent liabilities from guarantees, including guarantees for bills and cheques and from indemnity agreements decreased to DM 20.2 bn. (end-1984: DM 21.6 bn.).

The *Commitments from the sale of assets subject to repurchase agreements* amounting to DM 105 m. relate entirely to the foreign branches of the parent company.

Miscellaneous liabilities

As at year's end *liabilities for possible calls* on shares not fully paid up in public and private limited companies, insofar as they were not shown on the liabilities side, came to DM 97 m. *Joint liabilities* pursuant to Section 24 of the GmbH Act amounted to DM 48 m. Where we have other joint liabilities, the standing of the co-shareholders is beyond doubt in all cases.

In connection with the holding in Liquiditäts-Konsortialbank GmbH, Frankfurt am Main, there are Group obligations to pay further capital of up to DM 64 m. and a proportional contingent liability to fulfil the capital obligations of other shareholders who are also members of the Bundesverband deutscher Banken e.V., Cologne. The obligations to pay further capital on other holdings came to DM 4 m. on 31. 12. 1985.

Included under liabilities to customers and banks are *funds taken up for specific projects* amounting to DM 4,096 m. which were, for the most part, provided by the Reconstruction Loan Corporation, Frankfurt am Main; they were passed on to the borrowers on the conditions stipulated by the lenders. In connection with Berlin order financings, securities in the amount of DM 9 m. were pledged. Loans of DM 413 m. taken up were secured on real estate. Legal stipulations required the provision of security in connection with the business activity of the foreign branches of Deutsche Bank AG; this tied up assets in the amount of DM 108 m.

In addition, we refer to the declaration of backing which appears in the Notes of Deutsche Bank AG for certain related banks and property management companies.

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

Consolidated Profit and Loss Account

Earnings on business volume

Earnings on business volume (interest surplus) expanded by DM 53 m. (+ 0.9%) to DM 5.7 bn. The increase in earnings resulting from the 6.7% growth in average business volume balanced the earnings lost through the declining interest margin.

The surplus from non-recurrent expenses and income in the mortgage banks' issue and loan business, which is contained in earnings on business volume, amounted to DM 80 m. in the year under review (previous year: DM 78 m.).

	1985 DM m.	1984 DM m.	Change
Interest income from lending and money market transactions	11,529	12,571	− 8.3%
Interest income in the mortgage bank business	4,476	4,242	+ 5.5%
Current income from securities, Government-inscribed debt and subsidiaries, associated companies and trade investments (incl. profit-transfer agreements)	1,401	1,426	− 1.7%
Total interest income	17,406	18,239	− 4.6%
Interest and similar expenses	7,651	8,716	−12.2%
Interest expenses in the mortgage bank business	4,132	3,951	+ 4.6%
Total interest expenses	11,783	12,667	− 7.0%
Net non recurrent income of the mortgage banks	80	78	+ 2.1%
Earnings on business volume	5,703	5,650	+ 0.9%

Earnings on services

Commissions and other service charges received increased by 20.0% to DM 1,675 m. Commissions paid amounted to DM 66 m. This produced a commission surplus of DM 1,609 m., representing growth of 19.2%.

Staff and other operating expenses

Staff and other operating expenses within the Group rose DM 319 m. (+ 7.5%) to DM 4,557 m. The staff expenses included in the item increased by 5.2%; they made up 69.1% of the total in 1985 (previous year: 70.6%).

Operating result

The Group's *operating result* – surplus on current business including own-account trading – rose by 8.3% (previous year: + 1.3%). The improvement was largely due to the development of earnings at the parent company.

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

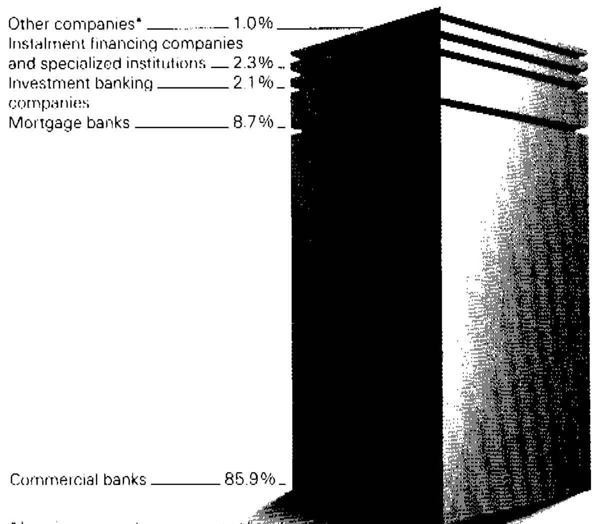
After full offsetting of eligible income with write-downs of and adjustments to claims and securities pursuant to Section 4 of the Order concerning Banks' Statements of Accounts, *Other income* amounted to DM 1,414 m. (previous year: DM 901 m.). The current income of our leasing companies included here came to DM 509 m. (previous year: DM 454 m.).

	1985 DM m.	1984 DM m.	Change
Staff expenses	3,149	2,994	+ 5.2%
General operating expenses	1,154	1,036	+11.4%
Normal depreciation of movables and real property	254	208	+22.0%
Total staff and other operating expenses	4,557	4,238	+ 7.5%

Write-downs, depreciation and adjustments

Expenses for *Write-downs of and adjustments to claims and securities, transfers to provisions for possible loan losses* fell DM 525 m. to DM 739 m. after offsetting with increased profits from securi-

Breakdown of operating result 1985
Deutsche Bank Group



* Leasing, property management and international financing companies

ties and with adjustments and provisions written back (pursuant to Section 4 of the Order concerning Banks' Statements of Accounts).

Depreciation of and adjustments to land and buildings and office furniture and equipment came to DM 690 m. (previous year: DM 580 m.). Of this total, DM 254 m. (1984: DM 208 m.) relates to normal depreciation of movables and real property and DM 388 m. (1984: DM 339 m.) to depreciation of leasing equipment of the Group's leasing companies.

Taxes

Group tax expenses totalled DM 1,684 m. *Taxes on income and assets* rose by DM 437 m. to DM 1,658 m. The additional 20% corporation tax on subsidiaries' profits for 1985 to be distributed to the parent company in 1986 has not been taken into account.

Profit, capital and reserves

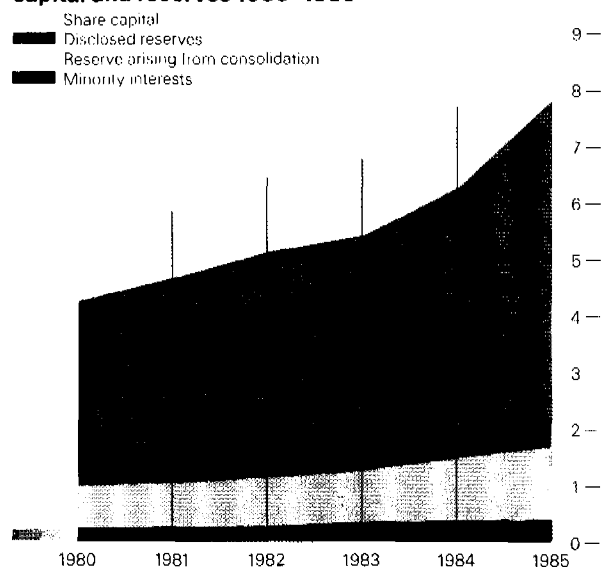
The consolidated profit and loss account closed with *Net income for the year* of DM 1,101.4 m., an increase of DM 427.8 m. This includes DM 230 m. from undisclosed taxed valuation reserves in accordance with Section 26a of the German Banking Act which have been written back and are being transferred to disclosed reserves. After addition of DM 97.6 m. profit brought forward from 1984, transfer of DM 573.3 m. to Group disclosed reserves and after taking into account profit of DM 16.2 m. attributable to minority interests, consolidated profit comes to DM 609.5 m. (1984: DM 490.6 m.).

According to the proposals for the appropriation of profits, DM 391.0 m. of this amount (previous year: DM 359.5 m.) is to be distributed to the shareholders of the parent company and minority shareholders in subsidiaries.

At the end of 1985, the *Reserve arising from consolidation*, which was calculated by offsetting the book values of subsidiaries, associated companies and trade investments with the proportionate shares of capital and reserves, amounted to DM 1,257.1 m. The increase of DM 174.4 m. arose from proportionate transfers to reserves at subsidiaries and from the difference resulting from the currency conversion of foreign consolidated companies' statements of accounts.

Minority interests of DM 405.4 m. include profits of DM 14.9 m. attributable to minority interests. DM 390.5 m. of this item, therefore, has equity character.

Development of Group capital and reserves 1980–1985



The Group strengthened total *capital and reserves* by DM 1,693.1 m. in 1985. They amounted to DM 9,392.5 m. at the end of 1985 and were made up as follows:

	31. 12. 1985 DM m	31. 12. 1984 DM m.
Share capital of Deutsche Bank AG	1,599.1	1,469.1
Disclosed reserves of Deutsche Bank AG	6,145.8	4,766.1
Capital and reserves of Deutsche Bank AG	7,744.9	6,235.2
Reserve arising from consolidation	1,257.1	1,082.7
Minority interests	390.5	381.5
Total Group capital and reserves	9,392.5	7,699.4

As a result of resolutions by the General Meetings of subsidiaries, a further DM 138.1 m. of the consolidated profit is to be allocated to disclosed reserves. Group capital and reserves – including the DM 142.0 m. premium from the bonds with stock warrants issued by Deutsche Bank Finance N.V., Curaçao, in February 1986 – will then come to DM 9,673 m.

At Deutsche Bank AG there is also authorized capital of DM 170.0 m. and conditional capital totalling DM 443.2 m.

Frankfurt am Main, March 1986

The Board of Managing Directors

Deutsche Bank AG

Consolidated Balance Sheet as of December 31, 1985

Consolidated Profit and Loss Account
for the period from January 1 to December 31, 1985

Assets

Deutsche Bank Aktiengesellschaft

	in DM 1,000	in DM 1,000	31. 12. 1984 in DM 1,000
Cash on hand		668,936	645,635
Balance with Deutsche Bundesbank		7,264,815	5,987,708
Balances on postal giro accounts		22,195	16,615
Cheques, matured bonds, interest and dividend coupons, items received for collection		416,077	302,628
including:			
used as cover in mortgage bank business . . . DM thou. 22,800			
Bills of exchange		2,209,947	2,470,797
including:			
a) rediscountable at Deutsche Bundesbank . . . DM thou. 837,229			
b) own drawings . . . DM thou. 163,588			
Claims on banks			
a) payable on demand	9,900,059		8,829,634
b) with original periods or periods of notice of			
ba) less than three months	8,240,997		9,508,529
bb) at least three months, but less than four years	17,213,461		16,692,000
bc) four years or more	8,386,080		7,720,117
including:		43,740,597	42,750,280
used as cover in mortgage bank business . . . DM thou. 824,500			
Treasury bills and discountable Treasury notes			
a) of the Federal and Länder Governments	87,163		32,469
b) of other issuers	1,898,024		1,121,635
		1,985,187	1,154,104
Bonds and notes			
a) with a life of up to four years			
aa) of the Federal and Länder Governments . . . DM thou. 1,435,777			
ab) of banks . . . DM thou. 2,169,966			
ac) of other issuers . . . DM thou. 330,138	3,935,881		5,449,595
including:			
eligible as collateral for Deutsche Bundesbank advances . . . DM thou. 2,911,714			
used as cover in mortgage bank business . . . DM thou. 66,500			
b) with a life of more than four years			
ba) of the Federal and Länder Governments . . . DM thou. 3,822,305			
bb) of banks . . . DM thou. 3,674,825			
bc) of other issuers . . . DM thou. 3,012,085	10,509,215		8,089,610
including:		14,445,096	13,539,205
eligible as collateral for Deutsche Bundesbank advances . . . DM thou. 6,356,484			
used as cover in mortgage bank business . . . DM thou. 379,004			
Securities not to be shown elsewhere			
a) shares marketable on a stock exchange and investment fund certificates	3,724,627		3,040,818
b) other	156,105		114,057
including: holdings of more than one tenth of the shares of a joint stock corporation or a mining company, unless shown as Subsidiaries, associated companies and trade investments . . . DM thou. 1,107,653		3,880,732	3,154,875
Carried forward		74,633,582	70,021,847

Consolidated Balance Sheet as of December 31, 1985

Liabilities

	in DM 1,000	in DM 1,000	in DM 1,000	31. 12. 1984 in DM 1,000
Liabilities to banks				
a) payable on demand		11,103,806		10,546,563
b) with original periods or periods of notice of				
ba) less than three months	12,272,042			
bb) at least three months, but less than four years	27,203,408			
bc) four years or more including: due in less than four years DM thou. 3,349,566	6,710,035	46,185,485		50,033,595
c) customers' drawings on other banks		161,110		172,823
			57,450,401	60,752,981
Liabilities to customers				
a) payable on demand		23,669,308		23,191,102
b) with original periods or periods of notice of				
ba) less than three months	23,703,449			
bb) at least three months, but less than four years	9,067,489			
bc) four years or more including: due in less than four years DM thou. 8,572,246	9,118,205	41,889,143		41,501,127
c) savings deposits				
ca) subject to legal period of notice	16,365,578			
cb) other	8,407,247	24,772,825		23,695,459
			90,331,276	88,387,688
Bonds and notes with a life of				
a) up to four years		70,782		65,343
b) more than four years including: maturing in less than four years DM thou. 4,545,457		8,403,140	8,473,922	7,439,409 7,504,752
Bonds issued by mortgage banks				
a) mortgage bonds including: registered bonds DM thou. 7,063,932		23,658,658		22,020,019
b) communal bonds including: registered bonds DM thou. 7,524,404		28,808,196		28,184,567
c) other bonds in accordance with Section 5 (1) 4c of the Mortgage Bank Act including: registered bonds DM thou. –		1,293,345		1,112,033
d) bonds drawn and called for redemption		354,891		178,326
including: maturing or to be taken back in less than four years DM thou. 30,079,316 further: registered mortgage bonds given to lender as security for loans taken up DM thou. 730,895 and registered communal bonds DM thou. 536,502			54,115,090	51,494,945
Bonds to be delivered			1,351,316	1,364,538
Carried forward			211,722,005	209,504,904

Assets

Consolidated Balance Sheet

	in DM 1,000	in DM 1,000	31. 12. 1984 in DM 1,000
Brought forward		74,633,582	70,021,847
Claims on customers with original periods or periods of notice of			
a) less than four years	53,836,394		61,685,097
including: used as cover in mortgage bank business DM thou. 1,353,044			
b) four years or more	42,286,998		38,520,828
including:		96,123,392	100,205,925
ba) secured by mortgages on real estate DM thou. 6,978,204			
bb) communal loans DM thou. 3,032,637			
due in less than four years DM thou. 21,448,319			
Mortgage bank lendings with original periods of four years or more			
a) mortgages	26,699,236		24,486,966
used as cover DM thou. 23,594,578			
b) communal loans	29,041,964		27,728,366
used as cover DM thou. 28,526,260			
c) other	40,940		47,112
including: to banks DM thou. 4,535,168		55,782,140	52,262,444
Accrued interest on long-term mortgage bank lendings			
a) pro rata interest	1,078,382		1,015,721
b) interest due after October 31, 1985 and on January 2, 1986	92,554		94,371
c) interest arrears	–		–
		1,170,936	1,110,092
Recovery claims on Federal and Länder authorities under Currency Reform Acts		260,753	281,594
including: used as cover in mortgage bank business DM thou. 30,817			
Loans on a trust basis at third party risk		1,556,216	1,235,538
Subsidiaries, associated companies and trade investments		755,853	648,073
including: investments in banks DM thou. 296,258			
Land and buildings		1,062,158	1,004,403
including: taken over in mortgage business DM thou. 19,582			
Office furniture and equipment		647,018	489,737
Leasing equipment			
a) land and buildings	158,084		163,383
b) movables	1,318,323		930,468
		1,476,407	1,093,851
Own shares		28,248	–
nominal amount DM thou. 2,008			
Bonds and notes issued by consolidated companies		1,848,355	1,570,671
nominal amount DM thou. 1,565,094; US$ thou. 61,872; A$ thou. 20			
Other assets		1,742,269	2,043,848
Deferred items			
a) difference in accordance with Section 156 (3) of the Joint Stock Corporation Act	80,850		40,095
b) other	59,295		268,176
		140,145	308,271
Total Assets		237,227,472	232,276,294

Total Assets and the recourse claims from the contingent liabilities shown below the line on the liabilities side include:		
a) claims on related companies	744,869	703,549
b) claims arising from loans falling under Section 15 (1) 1–6 and (2) of the Banking Act, unless included under a)	657,395	2,054,785

	in DM 1,000	in DM 1,000	in DM 1,000	31. 12. 1984 in DM 1,000
Brought forward			211,722,005	209,504,904
Loans taken up in the mortgage bank business, with original periods or periods of notice of four years or more				
a) from banks		518,998		434,918
b) other		1,110,370		952,045
including:			1,629,368	1,386,963
with partial liability . . . DM thou. 121				
due in less than four years . . . DM thou. 824,252				
Accrued interest on bonds issued and loans taken up in the mortgage bank business				
a) pro rata interest		1,792,270		1,634,575
b) interest due (including interest due on January 2, 1986)		425,625		480,501
			2,217,895	2,115,076
Own acceptances and promissory notes outstanding			2,196,631	2,421,550
Loans on a trust basis at third party risk			1,556,216	1,235,538
Provisions				
a) for pensions		1,928,626		1,804,640
b) other		3,937,395		3,439,702
			5,866,021	5,244,342
Other liabilities			203,528	120,696
Endowments and benevolent funds				
Endowment assets		7,143		6,961
less investments in securities		6,918		6,855
			225	106
Deferred items				
a) in accordance with Section 25 of the Mortgage Bank Act		278,406		241,939
b) other		1,513,520		1,769,174
			1,791,926	2,011,113
Special items with partial reserve character				
a) in accordance with the Tax Act regarding Developing Countries		7,472		9,230
b) in accordance with Section 6b of the Income Tax Act		6,481		9,970
c) in accordance with Section 52 (5) of the Income Tax Act		11,011		12,647
d) replacements reserve		775		–
e) in accordance with Section 3 of the Foreign Investment Act		1,032		3,733
			26,771	35,580
Share capital			1,599,063	1,469,145
Conditional capital DM thou. 443,198				
Disclosed reserves				
a) legal reserve		3,913,423		2,911,926
b) reserve for own shares		28,248		–
c) other reserves (voluntary)		2,204,147		1,854,147
			6,145,818	4,766,073
Reserve arising from consolidation			1,257,120	1,082,677
Minority interests			405,407	391,980
including: from profit . . . DM thou. 14,885				
Consolidated profit			609,478	490,551
Total Liabilities			237,227,472	232,276,294
Own drawings in circulation			56,754	273,897
including: those discounted for borrowers' account . . . DM thou. 12,857				
Endorsement liabilities on rediscounted bills of exchange			5,486,488	6,132,212
Contingent liabilities from guarantees, including guarantees for bills and cheques, and from indemnity agreements			20,248,906	21,626,189
Commitments (not to be shown under liabilities) from the sale of assets subject to repurchase agreements			105,479	154,087
Savings premiums under the Savings Premium Act			88,012	144,043
Total Liabilities, together with contingent liabilities and other commitments shown below the line, include liabilities to related companies of			478,983	454,602

Expenses

Consolidated Profit and Loss Account

	in DM 1,000	in DM 1,000	1984 in DM 1,000
Interest and similar expenses		7,650,910	8,715,647
Interest expenses in the mortgage bank business for			
a) mortgage bonds	1,700,729		1,619,982
b) communal bonds	2,226,268		2,118,851
c) other bonds in accordance with Section 5 (1) 4c of the Mortgage Bank Act	81,574		91,139
d) loans taken up	123,490		121,404
		4,132,061	3,951,376
Commissions and similar service charges paid		65,892	46,416
Non-recurrent expenses in the mortgage banks' issue and loan business		159 466	177,314
Write-downs of and adjustments to claims and securities, transfers to provisions for possible loan losses		739 299	1,263,895
Salaries and wages		2,381,055	2,244,990
Compulsory social security contributions		347,612	333,190
Expenses for pensions and other employee benefits		420,183	415,603
General operating expenses		1,153,843	1,036,161
Depreciation of and adjustments to land and buildings and office furniture and equipment		690,045	579,524
Write-downs of and adjustments to subsidiaries, associated companies and trade investments		69,971	52,926
Taxes			
a) on income and assets	1,657,527		1,220,522
b) other	26,148		20,460
		1,683,675	1,240,982
Expenses from assumption of loss		2,256	3,232
Allocations to Special items with partial reserve character		5,595	1,942
Other expenses		433,043	136,525
Net income for the year		1,101,375	673,566
Total Expenses		21,036,281	20,873,289

Net income for the year

Profit brought forward from the previous year

Allocations to Disclosed reserves

a) Deutsche Bank Aktiengesellschaft

b) consolidated companies

Profit attributable to minority interests

Consolidated profit

Frankfurt am Main, March 18, 1986

Deutsche Bank Aktiengesellschaft

The Board of Managing Directors

Blessing Burgard Cartellieri Christians

Herrhausen van Hooven Kopper

Mertin Weiss Zapp

for the period from January 1 to December 31, 1985 — Income

	in DM 1,000	in DM 1,000	1984 in DM 1,000
Interest and similar income from lending and money market transactions		11,529,420	12,570,443
Current income from			
a) fixed-interest securities and Government-inscribed debt	1,007,801		1,047,770
b) other securities	358,147		353,063
c) subsidiaries, associated companies and trade investments	33,312		23,848
		1,399,260	1,424,681
Interest income in the mortgage bank business from			
a) mortgages	1,996,948		1,863,639
b) communal loans	2,478,824		2,378,640
		4,475,772	4,242,279
Commissions and other service charges received		1,674,599	1,395,967
Non-recurrent income from the mortgage banks' issue and loan business		239,264	255,483
Other income, including income from the writing back of provisions for possible loan losses		1,413,734	900,638
Income from profit-pooling, profit-transfer and partial profit-transfer agreements		1,932	1,406
Income from the writing back of provisions, unless it has to be shown under "Other income"		57,897	57,995
Income from the writing back of special items with partial reserve character		14,403	24,397
Income from the partial writing back of the taxed valuation reserve in accordance with Section 26a of the Banking Act		230,000	–
Total Income		21,036,281	20,873,289

in DM 1,000	in DM 1,000	1984 in DM 1,000
	1,101,375	673,566
	97,600	90,191
	1,198,975	763,757
378,248		150,000
195,055		111,631
	573,303	261,631
	625 672	502,126
	16,194	11,575
	609,478	490,551

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

Frankfurt am Main, March 26, 1986

Treuverkehr
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Fandré *Dr. Fliess*

Deutsche Bank AG

Development of the Consolidated Balance Sheet 1967–1985

Development of the Balance Sheet of Deutsche Bank Group

– Amounts in DM millions –

End of	1985	1984	1983	1982	1981	1980
Consolidated Balance Sheet						
Assets						
Cash reserve	7,956	6,650	5,915	5,972	7,138	8,006
Bills of exchange	2,210	2,471	2,582	2,127	2,620	3,075
Claims on banks	43,741	42,750	40,006	43,261	42,308	33,549
Treasury bills and discountable Treasury notes	1,985	1,154	1,351	1,162	615	613
Bonds and notes	14,445	13,539	11,226	8,395	6,890	6,933
Securities not to be shown elsewhere	3,881	3,155	2,793	2,345	2,265	2,174
Claims on customers	96,123	100,206	88,112	81,047	79,768	73,050
short and medium-term	53,836	61,685	53,814	49,365	44,674	37,833
long-term (4 years or more)	42,287	38,521	34,298	31,682	35,094	35,217
Long-term mortgage bank lendings	56,953	53,372	49,443	46,005	41,653	38,148
Recovery claims on Federal and Länder authorities under Currency Reform Acts	261	282	303	328	350	370
Loans on a trust basis at third party risk	1,556	1,235	999	988	1,924	1,727
Subsidiaries, associated companies and trade investments	756	648	560	556	602	647
Land and buildings	1,062	1,004	965	945	839	868
Office furniture and equipment	647	490	390	352	325	306
Leasing equipment	1,476	1,094	1,006	995	898	865
Bonds and notes issued by consolidated companies	1,848	1,571	1,607	2,101	1,809	1,724
Other assets	1,742	2,044	2,036	1,803	1,676	1,862
Remaining assets	585	611	874	793	733	677
Balance Sheet Total	237,227	232,276	210,168	199,175	192,413	174,594
Liabilities						
Liabilities to banks	57,450	60,753	56,804	56,812	56,427	53,059
including: time deposits	46,346	50,206	47,406	48,274	47,305	44,765
Liabilities to customers	90,331	88,387	78,323	72,791	73,671	65,114
including: time deposits	41,889	41,501	35,147	31,681	34,730	27,102
savings deposits	24,773	23,695	23,955	23,912	22,998	22,243
Bonds and notes	8,474	7,505	5,888	5,592	4,199	4,595
Long-term mortgage bank liabilities	59,314	56,362	51,978	48,382	43,074	38,597
Provisions	5,866	5,244	4,640	3,866	3,417	2,911
for pensions	1,929	1,805	1,669	1,475	1,446	1,312
other	3,937	3,439	2,971	2,391	1,971	1,599
Group capital and reserves	9,392	7,699	6,772	6,492	5,891	5,365
Share capital	1,599	1,469	1,356	1,356	1,232	1,114
Disclosed reserves	6,146	4,766	4,162	4,018	3,641	3,284
Reserve arising from consolidation	1,257	1,083	889	851	765	732
Minority interests (excl. from profits)	390	381	365	267	253	235
Remaining liabilities	5,791	5,835	5,309	4,868	5,353	4,660
Consolidated profit	609	491	454	372	381	293
Balance Sheet Total	237,227	232,276	210,168	199,175	192,413	174,594
Own drawings in circulation (discounted)	13	10	14	50	74	31
Endorsement liabilities	5,487	6,133	5,480	4,849	3,902	3,446
Business Volume	242,727	238,419	215,662	204,074	196,389	178,071
Contingent liabilities from guarantees, etc.	20,249	21,626	21,198	20,495	21,470	18,717

Figures from the Consolidated Profit and Loss Account

for the year	1985	1984	1983	1982	1981	1980
Earnings on business volume (Interest surplus)	5,703	5,650	5,488	4,824	4,199	3,455
Earnings on services (Commission surplus)	1,609	1,350	1,257	1,020	996	892
Staff and other operating expenses	4,557	4,238	3,952	3,557	3,272	3,052
Taxes	1,684	1,241	1,238	977	818	735
Net income for the year	1,101	674	654	343	412	457
Number of staff at year's end	48,851	47,873	47,256	45,618	44,800	44,128

1979	1978	1977	1976	1975	1974	1973	1972	1970	1967
10,199	7,184	5,813	4,845	5,106	5,625	7,021	5,575	3,021	1,553
2,535	6,466	6,624	6,952	7,076	5,300	3,975	4,122	4,332	4,009
31,776	30,237	26,772	20,334	15,587	12,898	7,510	5,871	4,317	2,269
549	449	152	275	189	49	23	250	409	1,704
5,928	6,566	4,759	3,860	2,433	1,846	1,698	1,679	1,803	943
2,020	1,795	1,857	1,881	1,538	1,128	1,113	1,156	1,331	1,047
63,427	54,913	46,521	39,802	35,160	30,859	27,086	23,806	17,186	9,015
32,086	27,151	24,268	21,729	21,052	19,634	17,609	14,789	10,353	6,860
31,341	27,762	22,253	18,073	14,108	11,225	9,477	9,017	6,833	2,155
33,995	31,117	24,768	21,578	19,528	16,570	14,323	12,854	3,517	–
402	433	451	475	513	541	571	605	639	575
1,378	1,225	1,146	947	783	583	450	442	146	228
619	604	598	435	374	358	314	261	302	138
872	879	843	801	739	776	609	514	407	286
300	294	256	241	208	357	282	228	133	78
801	825	752	636	468					
995	1,038	973	583	411	553	251	272	67	–
1,475	1,339	1,362	1,167	916	806	712	653	472	43
814	680	596	435	510	449	436	470	316	245
158,085	146,054	124,243	105,247	91,539	78,698	66,374	58,758	38,398	22,133
46,561	42,778	35,771	28,574	21,574	17,540	10,404	9,812	7,598	3,168
39,862	36,546	29,796	22,616	16,373	12,711	5,909	5,347	4,526	1,500
59,687	55,965	49,508	44,073	41,571	38,147	36,499	31,124	24,460	17,010
22,889	19,185	15,955	12,064	10,469	12,724	13,972	9,346	7,976	4,133
21,475	21,544	19,972	19,441	18,367	14,963	13,298	12,215	9,030	6,542
5,554	5,410	4,283	2,844	1,220	528	200	–	–	–
35,081	32,219	26,183	22,439	20,444	17,127	14,653	13,659	3,656	–
2,619	2,198	1,842	1,629	1,460	1,298	981	899	626	431
1,185	1,097	989	907	844	745	551	491	408	327
1,434	1,101	853	722	616	553	430	408	218	104
5,056	4,573	4,003	3,522	3,325	2,524	2,394	2,099	1,462	1,111
1,114	1,040	960	900	900	720	720	640	480	400
3,164	2,851	2,490	2,200	2,100	1,549	1,459	1,274	880	650
565	474	404	293	192	124	83	63	45	53
213	208	149	129	133	131	132	122	57	8
3,248	2,630	2,358	1,858	1,667	1,313	1,082	1,024	498	325
279	281	295	308	278	221	161	141	98	88
158,085	146,054	124,243	105,247	91,539	78,698	66,374	58,758	38,398	22,133
7	7	3	2	2	1	–	2	–	1
2,492	345	254	603	138	710	842	1,633	875	143
160,584	146,406	124,500	105,852	91,679	79,409	67,216	60,393	39,273	22,277
16,357	16,609	14,688	14,326	12,429	9,457	6,497	4,721	4,482	2,222

1979	1978	1977	1976	1975	1974	1973	1972	1970	1967
2,950	2,711	2,464	2,180	2,133	2,025	1,346	1,235	1,044	513
785	754	652	602	580	514	452	400	274	338
2,735	2,519	2,249	2,078	1,944	1,842	1,455	1,311	989	608
665	657	532	455	417	305	174	208	121	139
427	408	408	440	391	320	192	206	131	140
43,942	42,494	40,614	40,772	40,839	40,578	39,951	39,582	36,957	

Annexes

Subsidiaries, associated companies and trade investments of Deutsche Bank AG

		Capital	Our holding
German banks			
AKA Ausfuhrkredit Gesellschaft mbH, Frankfurt am Main	DM	40.0 m.	26.1%
Deutsche Bank Berlin AG, Berlin	DM	80.0 m.	100 %
Deutsche Bank Saar AG, Saarbrücken	DM	35.0 m.	69.2%
Deutsche Centralbodenkredit Aktiengesellschaft, Berlin – Cologne	DM	66.0 m.	87.3%
Deutsche Gesellschaft für Fondsverwaltung mbH, Frankfurt am Main	DM	14.0 m.	100 %
DWS Deutsche Gesellschaft für Wertpapiersparen mbH, Frankfurt am Main	DM	47.0 m.	47.3%
Deutsche Grundbesitz-Investmentgesellschaft mbH, Frankfurt am Main	DM	6.0 m.	37.5%
Deutsche Kreditbank für Baufinanzierung Aktiengesellschaft, Cologne	DM	90.0 m.	100 %
Deutsche Schiffahrtsbank Aktiengesellschaft, Bremen	DM	35.0 m.	25.5%
Deutsche Schiffspfandbriefbank Aktiengesellschaft, Berlin – Bremen	DM	1.0 m.	25.3%
Deutsche Vermögensbildungsgesellschaft mbH, Bad Homburg vdH	DM	1.0 m.	60.0%
Frankfurter Hypothekenbank Aktiengesellschaft, Frankfurt am Main	DM	70.4 m.	91.6%
GEFA Gesellschaft für Absatzfinanzierung mbH, Wuppertal	DM	45.0 m.	100 %

		Capital	Our holding
Gesellschaft zur Finanzierung von Industrieanlagen mbH, Frankfurt am Main	DM	1.0 m.	26.3%
Handelsbank in Lübeck Aktiengesellschaft, Lübeck	DM	20.0 m.	90.2%
Industriebank von Japan (Deutschland) Aktiengesellschaft – The Industrial Bank of Japan (Germany) –, Frankfurt am Main	DM	60.0 m.	25.0%
Liquidations-Casse in Hamburg AG, Hamburg	DM	1.2 m.	25.0%
Liquiditäts-Konsortialbank GmbH, Frankfurt am Main	DM	310.0 m.	6.1%
Lombardkasse Aktiengesellschaft, Berlin – Frankfurt am Main	DM	20.0 m.	16.4%
Lübecker Hypothekenbank Aktiengesellschaft, Lübeck	DM	22.0 m.	25.0%
Privatdiskont-Aktiengesellschaft, Frankfurt am Main	DM	10.0 m.	14.1%
Schiffshypothekenbank zu Lübeck Aktiengesellschaft, Kiel	DM	35.0 m.	29.0%
Süddeutsche Bank GmbH, Frankfurt am Main	DM	3.0 m.	100 %
International banks and financing companies			
Al Bank Al Saudi Al Alami Ltd., London	£	100.0 m.	5.0%
Banco Bradesco de Investimento, S.A., São Paulo	Cr $	350,000.0 m.	5.0%
Banco Comercial Transatlántico, Barcelona	Ptas.	1,452.0 m.	34.4%

		Capital	Our holding
Banco del Desarrollo Económico Español S.A., Madrid	Ptas.	929.8 m.	1.8%
Banco de Montevideo, Montevideo, Uruguay	Ur. pes.	300.0 m.	45.3%
Banque Commerciale Congolaise, Brazzaville, Congo	CFA francs	3,500.0 m.	3.1%
Banque Commerciale du Maroc, Casablanca, Morocco	Dirham	87.5 m.	7.1%
Banque Européenne de Crédit S.A., Brussels	Belg. frs.	3,500.0 m.	14.3%
Banque Nationale pour le Développement Economique, Rabat, Morocco	Dirham	140.0 m.	0.4%
Banque Tchadienne de Crédit et de Dépôts, N'Djamena, Chad	CFA francs	440.0 m.	7.5%
H. Albert de Bary & Co. N.V., Amsterdam	Dutch guil.	25.0 m.	50.0%
Corporación Financiera Colombiana, Bogotá, Colombia	Col. pesos	372.0 m.	0.2%
Deutsche Bank Gestion S.A., Paris	F. francs	0.25 m.	99.8%
Deutsche Bank (Asia Credit) Ltd., Singapore	S$	37.5 m.	100 %
Deutsche Bank Australia Ltd., Melbourne[1])	A$	40.0 m.	99.9%
Deutsche Bank (Canada), Toronto, Canada	Can.$	20.0 m.	100 %
Deutsche Bank Capital Corp., New York	US$	0.28 m.	100%
Deutsche Bank Capital Markets Ltd., London	£	40.0 m.	99.9%
Deutsche Bank Compagnie Financière Luxembourg, Luxembourg	Lux. francs	3,250.0 m.	99.9%
Deutsche Bank Finance N.V., Curaçao, N.A.	US$	1.0 m.	100 %

		Capital	Our holding
Deutsche Bank Financial Inc., Dover, Delaware, U.S.A.	US$	0.01 m.	100 %
Deutsche Bank (Suisse) S.A., Geneva	Sw. francs	30.0 m.	99.9%
Deutsche Credit Services, Inc., Dover, Delaware, U.S.A.	US$	200.0	100 %
DB Capital Markets (Asia) Ltd., Hong Kong[2])	HK$	130.0 m.	53.8%
DB U.K. Finance Ltd., London	£	5.0 m.	99.9%
EDESA Société Anonyme Holding, Luxembourg	US$	16.0 m.	6.3%
European Arab Holding S.A., Luxembourg	Lux. francs	3,554.0 m.	13.0%
European Asian Bank Aktiengesellschaft, Hamburg	DM	196.0 m.	60.0%
European Brazilian Bank Ltd., London	£	25.0 m.	13.7%
German American Capital Corporation, Baltimore, U.S.A.	US$	0.01 m.	100 %
Intermex Holding S.A., Luxembourg	US$	36.7 m.	12.0%
International Investment Corporation for Yugoslavia S.A., Luxembourg	US$	13.5 m.	1.2%
M.D.M.-Sociedade de Investimentos, S.A.R.L., Lisbon	Esc.	408.0 m.	33.3%
Morgan Grenfell Holdings Limited, London[3])	£	70.4 m.	4.1%
Société Camerounaise de Banque, Yaoundé, Cameroon	CFA francs	5,000.0 m.	3.2%

[1]) paid up on 10.1.1986
[2]) our share of the voting capital 50.0%
[3]) our share of the voting capital 5.0%

		Capital	Our holding
Société Ivoirienne de Banque, Abidjan, Ivory Coast	CFA francs	6,000.0 m.	6.0%
Union Gabonaise de Banque, Libreville, Gabon	CFA francs	2,000.0 M.	7.5%
Union Sénégalaise de Banque pour le Commerce et l'Industrie, Dakar, Senegal	CFA-francs	2,000.0 m.	1.9%
Union Togolaise de Banque, Lomé, Togo	CFA-francs	1,500.0 m.	18.0%

Other German enterprises

		Capital	Our holding
"Alwa" Gesellschaft für Vermögensverwaltung mbH, Hamburg	DM	1.0 m.	95.0%
AV America Grundbesitz-verwaltungsgesellschaft mbH, Frankfurt am Main	DM	0.1 m.	55.0%
CGT Canada Grundbesitz Treuhand GmbH, Frankfurt am Main	DM	0.1 m.	55.0%
Capital Management International GmbH of Deutsche Bank, Frankfurt am Main	DM	4.0 m.	100 %
DB Consult GmbH, Frankfurt am Main	DM	1.0 m.	100 %
DB Export-Leasing GmbH, Frankfurt am Main	DM	0.05 m.	100 %
Deutsche Beteiligungs AG Unternehmensbeteiligungs-gesellschaft, Königstein (Taunus)[1]	DM	30.0 m.	46.2%
Deutsche Beteiligungs-gesellschaft mbH, Frankfurt am Main	DM	1.5 m.	92.5%
Deutsche Canada-Grundbesitz-verwaltungsgesellschaft mbH, Frankfurt am Main	DM	0.1 m.	55.0%
Deutsche Gesellschaft für Anlageberatung mbH, Frankfurt am Main	DM	0.5 m.	85.0%
Deutsche Gesellschaft für Immobilien-Anlagen "America" mbH, Bad Homburg vdH	DM	0.1 m.	55.0%
DIL Deutsche Immobilien-Leasing GmbH, Düsseldorf	DM	45.0 m.	50.0%
WFG Deutsche Gesellschaft für Wagniskapital mbH, Frankfurt am Main	DM	1.0 m.	30.0%
WFG Deutsche Gesellschaft für Wagniskapital mbH & Co. KG von 1984, Frankfurt am Main	DM	80.0 m.	30.0%
Deutsche Grundbesitz-Anlagegesellschaft mbH, Frankfurt am Main	DM	1.0 m.	37.5%
Deutsche Grundbesitz-Anlage-gesellschaft mbH u. Co. Löwenstein Palais, Cologne	DM	30.0 m.	99.7%
Deutsche Wagnisfinan-zierungs-Gesellschaft mbH, Frankfurt am Main	DM	50.0 m.	14.3%
Erste Sicherheitentreuhand GmbH "Ruhrkohle", Düsseldorf	DM	0.1 m.	33.3%
Essener Grundstücks-verwertung Dr. Ballhausen, Dr. Bruens, Dr. Möller KG, Essen	DM	1.5 m.	96.7%
Euro Travellers Cheque Deutschland GmbH, Frankfurt am Main	DM	0.065 m.	35.7%
Gesellschaft für Kredit-sicherung mbH, Cologne	DM	0.3 m.	36.7%

[1] our share of the voting capital 92.5%

		Capital	Our holding
G Z S Gesellschaft für Zahlungssysteme mbH, Frankfurt am Main	DM	50.0 m.	12.0%
Hessische Immobilien-Verwaltungs-Gesellschaft mbH, Frankfurt am Main	DM	1.0 m.	95.0%
HOSTRA Beteiligungsgesellschaft mbH, Düsseldorf	DM	51.2 m.	33.3%
JG Japan Grundbesitzverwaltungsgesellschaft mbH, Frankfurt am Main	DM	0.1 m.	100 %
Mago Beteiligungsgesellschaft mbH, Frankfurt am Main	DM	0.05 m.	98.0%
Matura Vermögensverwaltung mbH, Düsseldorf	DM	0.3 m.	100 %
"modernes Frankfurt" private Gesellschaft für Stadtentwicklung mbH, Frankfurt am Main	DM	0.1 m.	100 %
Nordwestdeutscher Wohnungsbauträger GmbH, Braunschweig	DM	0.2 m.	100 %
Rhein-Neckar Bankbeteiligung GmbH, Stuttgart	DM	54.7 m.	49.1%
Sicherheiten Treuhand GbR, Düsseldorf	DM	0.1 m.	33.3%

		Capital	Our holding
Süddeutsche Vermögensverwaltung GmbH, Frankfurt am Main	DM	4.0 m.	100 %
Trinitas Vermögensverwaltung GmbH, Frankfurt am Main	DM	1.0 m.	100 %
Franz Urbig- und Oscar Schlitter-Stiftung GmbH, Frankfurt am Main	DM	0.05 m.	100 %
WINWE Beteiligungsgesellschaft mbH, Frankfurt am Main	DM	0.6 m.	100 %

Other foreign enterprises

		Capital	Our holding
Compañia de Mandatos Inmobiliaria y Financiera S.A., Buenos Aires, Argentina	Austral	1,600	99.3%
European Banks' International Company S.A., Brussels	Belg. francs	140.0 m.	14.3%
IMOBAL – Imobiliária e Administradora Ltda., São Paulo, Brazil	Cr$	12,864.5 m.	100 %
Society for Worldwide Interbank Financial Telecommunication S.C. SWIFT – Brussels	Belg. francs	412.0 m.	1.8%

Security issuing, other syndicate transactions and listings on the stock exchange

In the case of foreign issuers, only those transactions have been listed in which the bank participated as lead manager, manager or co-manager.

Domestic bond issues of public authorities

7.625%, 7.5%, 7.25%, 7%, 6.75% and 6.5% bond issues of the Bundesrepublik Deutschland of 1985
7.125% and 7% bond issues of the Deutsche Bundesbahn of 1985
7%, 6.625% and 6.5% bond issues of the Deutsche Bundespost of 1985
6.75% bond issue of the Land Baden-Württemberg of 1985
7.25% bond issue of the Freistaat Bayern of 1985
6.75% bond issue of the Land Berlin of 1986
6.5% notes of the Freie und Hansestadt Hamburg of 1985
6.75% bond issue of the Land Hessen of 1985
6.5% bond issue of the Land Niedersachsen of 1985
5.5% notes of the Land Niedersachsen of 1985
7.25% and 6.25% Treasury discount paper of the Land Niedersachsen of 1985
7.5%, 7%, 6.75% and 6.5% bond issues of the Land Nordrhein-Westfalen of 1985
6.75% bond issue of the Land Schleswig-Holstein of 1985
7.75%, 6.75% and 6.5% bond issues of the Kreditanstalt für Wiederaufbau of 1985

Other domestic bond issues, mortgage and communal bonds

denominated in Deutsche Mark:

Schenker & Co. Gesellschaft mit beschränkter Haftung

denominated in foreign currencies:

DG Bank Deutsche Genossenschaftsbank
Landesbank Schleswig-Holstein Girozentrale

Convertible bonds, bonds with warrants and warrants of domestic and foreign issuers

denominated in Deutsche Mark:

Adia Resources Limited
ASKO FINANCE B.V.
Bayer Capital Corporation N.V.
BHF-Bank Finance (Jersey) Limited
Copenhagen Handelsbank A/S
Credit Suisse Finance (Panama) S.A.
Daishinpan Co., Ltd.
Didier-Werke Aktiengesellschaft
Fujitsu Limited
Fuji Electric Co., Ltd.
Herlitz Financiering B.V.
Honda Motor Co., Ltd.
Hussel Holding Aktiengesellschaft
Kaufhof Finance B.V.
Movenpick Finance Limited
Nippon Shinpan Co., Ltd.
N.V. Philips' Gloeilampenfabrieken
Renown Incorporated
SBC Finance (Cayman Islands) Limited
Teijin Seiki Co., Ltd.
TOYOBO CO., LTD.
Trio-Kenwood Corporation
Union Bank of Switzerland Finance N.V.
Volkswagen International Finance N.V.

denominated in foreign currencies:

Ajinomoto Co., Inc.
American General Corporation
Banque Française du Commerce Extérieur
Banque Nationale de Paris
BSN
BTR plc
Cadbury Schweppes Public Limited Company
Canon Inc.
CIR International S.A.
The Coca-Cola Company
Compagnie Financière des Etablissements Michelin
Crédit Commercial de France
Crédit Foncier de France
CSR Finance Limited
The Dai-Ichi Kangyo Bank, Limited
Dart & Kraft Financial Corporation
Electricité de France
FANUC LTD
Gaz de France
General Electric Credit Corporation
GUNZE LIMITED
KLM Royal Dutch Airlines
Kokusai Kogyo Co., Ltd.
Komori Printing Machinery Co., Ltd.
Mazda Motor Corporation
McDonald's Corporation
Mitsubishi Estate Company, Ltd.
Nippon Sheet Glass Co., Ltd.
Nisshinbo Industries, Inc.
Onoda Cement Co., Ltd.
Pabelfima B.V.
The Procter & Gamble Company
The Royal Bank of Canada
The Sanwa Bank, Limited
Sekisui Chemical Co., Ltd.
Shin-Etsu Chemical Co., Ltd.
Sony Corporation
The Sumitomo Bank, Limited
Swiss Volksbank Finance (Cayman Islands) Ltd.
Toshiba Ceramics Co., Ltd.
Union Bank of Switzerland Finance N.V.

Bonds of foreign issuers

denominated in Deutsche Mark:

AMCA Overseas Finance Corporation
ASFINAG Autobahn- und Schnellstrassen-Finanzierungs Aktiengesellschaft
Asiatische Entwicklungsbank
Bank of China
Bank of Greece
Banque Française du Commerce Extérieur
Banque Nationale de Paris
Beecham Group p.l.c.
Königreich Belgien
Canadian Imperial Bank of Commerce
China International Trust and Investment Corporation (CITIC)
Commerzbank Overseas Finance N.V.
Commonwealth of Australia
Department of Posts and Telecommunications
Deutsche Bank Finance N.V.
DG Finance Company B.V.

The Dow Chemical Company
Emhart Corporation
ESCOM Electricity Supply Commission
EUROFIMA Europäische Gesellschaft für die Finanzierung von Eisenbahnmaterial
Europäische Gemeinschaft für Kohle und Stahl
Europäische Investitionsbank
Europäische Wirtschaftsgemeinschaft
Republik Finnland
Ford Motor Credit Company
The Gillette Company
Haindl Finance B.V.
Heron International Finance B.V.
Hoesch International Finance B.V.
Hypothekenbank und Finanzverwaltung des Königreichs Dänemark
IKB Finance B.V
The Industrial Bank of Japan Finance Company N.V.
Inter-Amerikanische Entwicklungsbank
Intercontinental Rubber Finance B.V.
Internationale Bank für Wiederaufbau und Entwicklung (Weltbank)
Irland
ITT Corporation
Japan Finance Corporation for Municipal Enterprises
Jydsk Telefon Aktieselskab
Koninklijke Nederlandsche Hoogovens en Staalfabrieken N.V.
Stadt Kopenhagen
Malaysia
MEGAL Finance Company Ltd.
Mitsubishi Finance (Hong Kong) Limited
J. P. Morgan & Co. Incorporated
Neste Oy
Republik Österreich
Österreichische Elektrizitätswirtschafts-Aktiengesellschaft (Verbundgesellschaft)
Oesterreichische Kontrollbank Aktiengesellschaft
Owens-Corning Fiberglas Corporation
The Pillsbury Company
Republik Portugal
The Royal Bank of Canada
Königreich Schweden
Société Luxembourgeoise de Centrales Nucléaires S.A.
South African Transport Services
Königreich Spanien
Sperry Curaçao N.V.
Republik Südafrika
Tenneco Corporation
Thyssen Caribbean Finance N.V.
Ungarische Nationalbank
Union Bank of Finland Ltd
Wells Fargo & Company

denominated in foreign currencies:

Akzo nv
Alcoa of Australia Limited
All Nippon Airways Co., Ltd.
Aluminium Company of Canada Limited
American Brands, Inc.
American Express Overseas Credit Corporation Limited
N.V. Amev
Arizona Public Service Company
ASEA Finance Inc.
Asiatische Entwicklungsbank
Atlantic Richfield Company
Australia and New Zealand Banking Group, Limited
The Australian Gas Light Company
Australian Industry Development Corporation
Australian Telecommunications Commission
Republic of Austria
Banca Nazionale dell'Agricoltura S.p.A.
BankAmerica Corporation
Bank of China
Bank Mees & Hope
Bank of Montreal Realty Inc.
The Bank of Tokyo, Limited
Bank of Tokyo (Curaçao) Holding N.V
Bankers Trust New York Corporation
Banque Française du Commerce Extérieur
Banque Nationale de Paris
Bayerische Vereinsbank Overseas Finance N.V.
Königreich Belgien
Betawest Properties, Inc.
BHP Finance Limited
BMW Finance N.V
Boise Cascade Corporation
BP (Overzee) B. V.
BP Capital B.V.
BPCA Finance Ltd.
Caisse Nationale des Télécommunications
Campbell Soup Company
Canadian National Railway Company
Canadian Pacific Limited
Cargill, Incorporated
Christiania Bank og Kreditkasse
Chrysler Credit Canada Ltd.
Chrysler Financial Corporation
Chubu Electric Power Company, Incorporated
Citicorp Australia Holdings Limited
Citicorp Banking Corporation
Club Méditerranée
G. J. Coles & Coy. Limited
Commonwealth Bank of Australia
Commonwealth of Australia
Compagnie Générale d'Electricité
Compagnie des Machines Bull
Compagnie de Saint-Gobain
City of Copenhagen
Copenhagen Handelsbank A/S
Copenhagen Telephone A/S
Corporate Property Investors
CRA Finance Limited
Creditanstalt-Bankverein
Crédit Commercial de France
Credit for Exports PLC
Crédit Foncier de France
Crédit Industriel et Commercial
Crédit National
Crédit du Nord
Credit Suisse Finance (Panama) S.A.
The Kingdom of Denmark
Dayton Hudson Corporation
Den Danske Provinsbank A/S
Den norske stats oljeselskab a.s (Statoil)
John Deere Credit Company
Deutsche Bank Finance N.V.
Die Erste österreichische Spar-Casse-Bank
The Dow Chemical Company
Eastman Kodak Company
A/S Eksportfinans
Electricité de France
AB Electrolux
Eli Lilly and Company
Emhart Corporation
Equitable-Lord Realty Corporation
ESCOM Electricity Supply Commission
EUROFIMA Europäische Gesellschaft für die Finanzierung von Eisenbahnmaterial

Europäische Gemeinschaft für
Kohle und Stahl
Europäische Investitionsbank
Europäische Wirtschaftsgemeinschaft
European American Bancorp
Export Development Corporation
The Export-Import Bank of Japan
Fiat Finance & Trade Ltd.
Finnish Paper Mills'Association-Finnpap
Republic of Finland
Ford Credit Australia Limited
Ford Credit Canada Limited
Ford Motor Company
Ford Motor Credit Company
Forsmarks Kraftgrupp AB
The Fuji Bank, Limited
General Electric Credit Corporation
General Foods Capital Corporation
General Motors Acceptance Corporation
Genfinance N.V.
H. J. Heinz Company
Heron International Finance B.V.
Homestead Savings, a Federal Savings and
Loan Association
Honda Motor Co., Ltd.
Hospital Corporation of America
Hypothekenbank und Finanzverwaltung
des Königreichs Dänemark
IBM Credit Corporation
IBM France
IBM World Trade Corporation
Republic of Iceland
IKB Finance B.V.
Imperial Chemical Industries PLC
Industrial Bank of Finland
The Industrial Bank of Japan, Limited
Inter-Amerikanische Entwicklungsbank
Internationale Bank für Wiederaufbau und
Entwicklung (Weltbank)
International Paper Company
Ireland
Italex Limited
C. Itoh & Co., Ltd
ITT Corporation
Japan Air Lines Company, Ltd.
The Japan Development Bank
Japan Finance Corporation for
Municipal Enterprises
Kanada
Kansallis-Osake-Pankki
Koninklijke Nederlandsche
Hoogovens en Staalfabrieken N.V.
John Labatt Limited
Landsvirkjun
The Long-Term Credit Bank
of Japan, Limited
The Long-Term Credit Bank
of Japan Finance N.V.
Malaysia
Marketable Eurodollar Collateralised
Securities Ltd. (MECS)
Merrill Lynch & Co., Inc.
Metlife Funding, Inc.
The Mitsubishi Bank, Limited
Mitsubishi Corporation
Mitsubishi Estate Company, Limited
Mitsubishi Heavy Industries, Ltd.
Mitsubishi Trust Finance Asia Limited
Mitsui & Co., Ltd.
Mitsui Finance Asia Limited
Moët-Hennessy
Montreal Trustco Inc.
Montreal Urban Community
J. P. Morgan & Co. Incorporated
Morgan Guaranty Australia Limited
Morgan Guaranty Trust Company
of New York
Mortgage Intermediary Note Issuer (No. 1)
Amsterdam B.V.
Motorola, Inc
Mount Isa Finance N.V
National Australia Bank
National Bank of Hungary
N.V. Nederlandse Gasunie
Nersa
Nestlé Holdings, Inc.
New South Wales Treasury Corporation
New Zealand
The Nikko Securities Co. (Asia) Limited
Nippon Steel Corporation
Nippon Telegraph & Telephone
Corporation
Nippon Telegraph & Telephone
Public Corporation
Nord/LB Finance (Curaçao) N.V.
Nordiska Investeringsbanken
(Nordic Investment Bank)
Norsk Hydro a.s
Océ-van der Grinten N.V.
Oesterreichische Kontrollbank
Aktiengesellschaft
Österreichische Länderbank
Aktiengesellschaft
Österreichische Postsparkasse P.S.K.
Olivetti Holding N.V.
Olympia & York Credit Corporation
Olympia & York Maiden Lane
Finance Corporation
Osaka Gas Co., Ltd.
Oskarshamnsverkets Kraftgrupp AB
Parbel Finance N.V.
Péchiney S.A.
PepsiCo Capital Resources, Inc.
Philip Morris Companies Inc.
Philip Morris Credit Corporation
Philips International Finance S. A.
The Pillsbury Company
PIMA Savings and Loan Association
Postipankki
Privatbanken A/S
Province of British Columbia
Province of New Brunswick
Province of Nova Scotia
Province of Saskatchewan
Quantas Airways Limited
Queensland Government
Development Authority
Redland Finance PLC
E. Rémy Martin & Cie S.A.
R. J. Reynolds Industries, Inc.
Rhône Poulenc S.A.
Rockwell International Corporation
The Royal Bank of Canada
Royal Trustco Limited
SBSA Finance Corporation Limited
Kingdom of Sweden
Security Pacific Australia Limited
Sears Acceptance Company Inc.
Shell Canada Limited
Shell Oil Company
Shikoku Electric Power
Company, Incorporated
The Signal Companies, Inc.
Société Générale
Société Nationale des Chemins
de Fer Français
Société Nationale de Crédit
à l'Investissement
Société Nationale Elf Aquitaine
Solvay Finance Bermuda
Republic of South Africa

South African Transport Services
Southland Canada, Inc.
State Bank of India
State Bank of New South Wales
State Bank of South Australia
State Electricity Commission of Victoria
Student Loan Marketing Association
Sumitomo Corporation
Sumitomo Electric Industries, Ltd.
Sumitomo Metal Industries, Ltd.
Sumitomo Trust Finance (H.K.) Limited
Sun Capital Corporation
Sydkraft AB
Takugin International (Asia) Limited
Telefonaktiebolaget L. M. Ericsson
Tenneco Corporation
Texaco Capital Inc
Texas Commerce Bancshares, Inc.
Textron Inc.
Thyssen Caribbean Finance N.V.
Thyssen Holding Corporation
The Tokyo Electric Power Company, Incorporated
Toshiba Corporation
Toyota Motor Credit Corporation
Tricentrol PLC
Trio-Kenwood Corporation
Trusthouse Forte PLC
United Kingdom
UT Financial Services
City of Vancouver
Victorian Public Authorities Finance Agency
Volvo Capital B.V.
Walt Disney Productions
Wells Fargo & Company
WestLB Finance N.V.
Westpac Banking Corporation
Xerox Canada Finance Inc.
Xerox Credit Corporation
Yamaichi International (Nederland) N.V.
Yasuda Trust and Finance (Hong Kong) Limited
Yokohama Asia Limited
Zentralsparkasse u. Kommerzialbank, Wien

Dual-currency bonds:

denominated in Deutsche Mark:

Export Development Corporation

denominated in foreign currencies:

Phibro-Salomon Inc.
R. J. Reynolds Industries, Inc.

Domestic shares

Adt Aktiengesellschaft
AEG Aktiengesellschaft
Allianz Aktiengesellschaft Holding
Allianz Versicherungs-Aktiengesellschaft
Allweiler Aktiengesellschaft
ALTANA Industrie-Aktien und Anlagen Aktiengesellschaft
ASKO Deutsche Kaufhaus Aktiengesellschaft
BASF Aktiengesellschaft
Bayer Aktiengesellschaft
Joh. Friedrich Behrens Aktiengesellschaft
Berliner Elektro-Beteiligungen Aktiengesellschaft
Bremer Woll-Kämmerei Aktiengesellschaft
Brown, Boveri & Cie Aktiengesellschaft
CEAG Industrie-Aktien und Anlagen Aktiengesellschaft
CONTIGAS Deutsche Energie-Aktiengesellschaft
Daimler-Benz Aktiengesellschaft
Deutsch-Atlantische Telegraphen-Aktiengesellschaft
Deutsche Beteiligungs AG Unternehmensbeteiligungsgesellschaft
Deutscher Eisenhandel Aktiengesellschaft
Didier-Werke Aktiengesellschaft
Diskus Werke Frankfurt Aktiengesellschaft
Dyckerhoff Aktiengesellschaft
FAG Kugelfischer Georg Schäfer Kommanditgesellschaft auf Aktien
Frankona Rückversicherungs-Aktien-Gesellschaft
Fuchs Petrolub Aktiengesellschaft Oel + Chemie
Gerling-Konzern Allgemeine Versicherungs-Aktiengesellschaft
Henkel Kommanditgesellschaft auf Aktien
Herlitz Aktiengesellschaft
Hochseefischerei Nordstern Aktiengesellschaft
Hoechst Aktiengesellschaft
Hussel Holding Aktiengesellschaft
Industriekreditbank Aktiengesellschaft – Deutsche Industriebank
Industrie-Werke Karlsruhe Augsburg Aktiengesellschaft
Isar-Amperwerke Aktiengesellschaft
JAGENBERG AKTIENGESELLSCHAFT
Katz Werke AKTIENGESELLSCHAFT
KAUFHOF AKTIENGESELLSCHAFT
Klöckner-Humboldt-Deutz Aktiengesellschaft
König & Bauer Aktiengesellschaft
Kötitzer Ledertuch- und Wachstuch-Werke Aktiengesellschaft
Leonische Drahtwerke Aktiengesellschaft
Linde Aktiengesellschaft
Lombardkasse Aktiengesellschaft
H. Maihak Aktiengesellschaft
Main-Kraftwerke Aktiengesellschaft
Mannesmann Aktiengesellschaft
Markt- und Kühlhallen Aktiengesellschaft
Metallgesellschaft Aktiengesellschaft
Motoren-Werke Mannheim Aktiengesellschaft vorm. Benz Abt. stat. Motorenbau
Nixdorf Computer Aktiengesellschaft
Nordwestdeutsche Kraftwerke Aktiengesellschaft
Pelikan Aktiengesellschaft
G.M. Pfaff Aktiengesellschaft
Pfalzwerke Aktiengesellschaft
Rheinelektra Aktiengesellschaft
Rheinmetall Berlin Aktiengesellschaft
Rütgerswerke Aktiengesellschaft
Salamander Aktiengesellschaft
Scheidemandel Aktiengesellschaft
Schering Aktiengesellschaft
Schichau Unterweser Aktiengesellschaft
Sektkellerei Schloss Wachenheim Aktiengesellschaft
Siemens Aktiengesellschaft
Axel Springer Verlag Aktiengesellschaft
Stöhr & Co. Aktiengesellschaft
A. Stotz Aktiengesellschaft
THYSSEN AKTIENGESELLSCHAFT vorm. August Thyssen-Hütte

Trinkaus & Burkhardt
Kommanditgesellschaft auf Aktien
Überlandwerk Unterfranken
Aktiengesellschaft
VEBA Aktiengesellschaft
Vereinigte Aachen-Berlinische
Versicherung Aktiengesellschaft
Vereinigte Elektrizitätswerke
Westfalen Aktiengesellschaft
Vereinigte Schmirgel- und
Maschinen-Fabriken Aktiengesellschaft
Volkswagenwerk Aktiengesellschaft
YMOS Aktiengesellschaft
Industrieprodukte
ZANDERS Feinpapiere Aktiengesellschaft
ZEAG Zementwerk Lauffen-Elektrizitätswerk
Heilbronn Aktiengesellschaft

Foreign shares

Amsterdam-Rotterdam Bank N.V.
Banca Toscana
Banco de Bilbao S.A.
Britoil plc
La Centrale (Finanziaria)
Fisons plc
Generale Bank
Holderbank Financière Glarus AG
Jacobs Suchard AG
Koninklijke Nederlandsche
Hoogovens en Staalfabrieken N.V.
Nestlé S.A.
Norsk Data A.S.
R. J. Reynolds Industries, Inc.
RODAMCO N.V.
Saab Scania AB
Schweizerische Aluminium AG (Alusuisse)
Schweizerische Bankgesellschaft
Schweizerische Kreditanstalt
Schweizerischer Bankverein
Société Générale de Belgique
Stet-Società Finanziaria Telefonica p.a.
Union Bank of Switzerland Finance N.V.

Central Office: Frankfurt am Main/Düsseldorf

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

Domestic branches:

Aachen
with 5 sub-branches
Aalen (Württ)
with 1 sub-branch
Achim (Bz Bremen)
Ahaus
Ahlen (Westf)
Ahrensburg (Holst)
Albstadt
with 1 sub-branch
Alfeld (Leine)
Alsdorf (Rheinl)
Alsfeld (Oberhess)
Altena (Westf)
Altenkirchen (Westerw)
Alzey
Amberg
Andernach
Ansbach
Arnsberg
with 1 sub-branch
Aschaffenburg
Asperg
Attendorn
Augsburg
with 6 sub-branches
Aurich
Backnang
Bad Berleburg
Bad Driburg (Westf)
Bad Dürkheim
Baden-Baden
Bad Harzburg
Bad Hersfeld
Bad Homburg v d Höhe
Bad Honnef
Bad Iburg
Bad Kreuznach
Bad Laasphe
Bad Lauterberg
Bad Lippspringe
Bad Mergentheim
Bad Münstereifel
Bad Neuenahr
Bad Oeynhausen
Bad Oldesloe
Bad Pyrmont
Bad Reichenhall
Bad Sachsa (Südharz)
Bad Säckingen
Bad Salzuflen
with 1 sub-branch
Bad Segeberg
Bad Tölz
Bad Wildungen
Bad Wörishofen
Bad Zwischenahn
Balingen
Bamberg
Barsinghausen
Baunatal
Bayreuth
Beckum (Bz Münster)
Bendorf (Rhein)
Bensheim
Bergheim (Erft)
Bergisch Gladbach
with 1 sub-branch
Bergneustadt
Bernkastel-Kues
Betzdorf (Sieg)
Biberach (Riss)
Biedenkopf
Bielefeld
with 7 sub-branches
Bietigheim (Württ)
Bingen (Rhein)
Blomberg (Lippe)
Bocholt
Bochum
with 7 sub-branches
Böblingen (Württ)
Bonn
with 6 sub-branches
Bonn-Bad Godesberg
Boppard
Borken
Bottrop
with 1 sub-branch
Bramsche (Bz Osnabrück)
Braunschweig
with 12 sub-branches
Bremen
with 14 sub-branches
Bremen-Vegesack
Bremerhaven
with 3 sub-branches
Bretten
Brilon
Bruchsal
Brühl (Bz Cologne)
Brunsbüttel
Buchholz i d Nordheide
Bühl (Baden)
Bünde
Burgdorf (Han)
Burscheid (Rhein)
Buxtehude
Castrop-Rauxel
with 1 sub-branch
Celle
Clausthal-Zellerfeld
Cloppenburg
Coburg
Coesfeld
Cologne
with 27 sub-branches
Crailsheim
Cuxhaven
Dachau
Darmstadt
with 5 sub-branches
Datteln (Westf)
Deggendorf
Deidesheim
Delmenhorst
Detmold
Dietzenbach
Dillenburg
Dinslaken (Niederrhein)
with 1 sub-branch
Donaueschingen
Dormagen (Niederrhein)
Dorsten
Dortmund
with 13 sub-branches
Dreieich
Dülmen
Düren (Rheinl)
with 1 sub-branch
Düsseldorf
with 32 sub-branches
Düsseldorf-Benrath
with 1 sub-branch
Duisburg
with 23 sub-branches
Duisburg-Hamborn
Einbeck
Eislingen
Eitorf
Ellwangen (Jagst)
Elmshorn
Elten
Eltville
Emden
Emmendingen
Emmerich
Emsdetten
Engelskirchen
Ennepetal
with 1 sub-branch
Erding
Erkelenz
Erkrath (Bz Düsseldorf)
Erlangen
Eschborn
Eschwege
Eschweiler
Espelkamp
Essen
with 26 sub-branches
Esslingen (Neckar)
Ettlingen
Euskirchen
Eutin
Fellbach (Württ)
Flensburg
with 3 sub-branches
Forchheim
Frankenthal (Pfalz)
Frankfurt am Main
with 25 sub-branches
Frankfurt (Main)-Höchst
Frechen
Freiburg (Breisgau)
with 6 sub-branches
Freising
Freudenberg (Kr Siegen)
Friedberg (Hess)
Friedrichshafen
Fürstenfeldbruck
Fürth (Bay)
with 1 sub-branch
Fulda
with 1 sub-branch
Gaggenau (Murgtal)
Garmisch-Partenkirchen
Geesthacht
Geislingen (Steige)
with 1 sub-branch
Geldern
Gelsenkirchen
with 5 sub-branches
Gengenbach
Georgsmarienhütte
with 1 sub-branch
Gerlingen (Württ)
Germering

Gernsbach (Murgtal)
Gersthofen
Geseke (Westf)
Gevelsberg
Giengen (Brenz)
Giessen
Gifhorn
with 1 sub branch
Ginsheim-Gustavsburg
Gladbeck (Westf)
with 1 sub branch
Goch
Göppingen
with 1 sub-branch
Göttingen
with 1 sub branch
Goslar
with 1 sub-branch
Grefrath
Grenzach-Wyhlen
Greven (Westf)
Grevenbroich
Griesheim ü/Darmstadt
Gronau (Leine)
Gronau (Westf)
Gross-Gerau
Grünwald
Günzburg
Gütersloh
with 1 sub branch
Gummersbach
Haan (Rheinl)
Hagen (Westf)
with 8 sub branches
Haiger
Halle (Westf)
Hamburg
with 45 sub branches
Hamburg Altona
Hamburg Bergedorf
Hamburg-Harburg
Hameln
Hamm (Westf)
with 3 sub branches
Hanau
Hanover
with 18 sub-branches
Hann. Münden
Harsewinkel
Haslach (Kinzigtal)
Hattingen (Ruhr)
Heidelberg
with 4 sub branches

Heidenheim (Brenz)
Heilbronn (Neckar)
with 1 sub branch
Heiligenhaus (Düsseldorf)
Heinsberg
Helmstedt
Hemer
Hennef (Sieg)
Heppenheim
Herborn (Dillkr)
Herdecke (Ruhr)
Herford
Herne
with 4 sub branches
Herten (Westf)
Herzberg (Harz)
Herzogenrath
with 1 sub branch
Heusenstamm
Hilden
with 1 sub branch
Hildesheim
with 2 sub branches
Hockenheim (Baden)
Höhr-Grenzhausen
Höxter
Holzminden
Horn – Bad Meinberg
Hückelhoven
Hückeswagen
Hürth (Bz Cologne)
Husum (Nordsee)
Ibbenbüren
Idar-Oberstein
with 1 sub-branch
Ingelheim (Rhein)
Ingolstadt (Donau)
with 3 sub branches
Iserlohn
with 1 sub-branch
Itzehoe
Jever
Jülich
Kaarst
Kaiserslautern
with 1 sub branch
Kamp-Lintfort
Karlsruhe
with 6 sub branches
Kassel
with 5 sub branches
Kehl

Kempen (Niederrhein)
Kempten (Allgäu)
Kerpen
Kevelaer
Kiel
with 7 sub branches
Kierspe (Westf)
Kirchheim unter Teck
Kleve (Niederrhein)
with 1 sub branch
Koblenz
with 1 sub-branch
Königsbrunn
Königstein (Taunus)
Konstanz
with 2 sub branches
Konz ü/Trier
Kornwestheim (Württ)
Korschenbroich
Krefeld
with 7 sub-branches
Krefeld-Uerdingen
Kreuzau
Kreuztal (Kr Siegen)
Kronberg (Taunus)
Kunzelsau
Kulmbach
Laatzen
Lage (Lippe)
Lahnstein
Lahr (Schwarzw)
Landau (Pfalz)
Landsberg (Lech)
Landshut
Landstuhl
Langen (Hess)
Langenfeld (Rheinl)
Langenhagen (Han)
with 1 sub branch
Lauenburg
Lauf a d Pegnitz
Lauterbach (Hess)
Leer (Ostfriesl)
Leichlingen (Rheinl)
Leinfelden
Lemgo
Lengerich (Westf)
Lennestadt

Leonberg (Württ)
Leutkirch
Leverkusen
with 2 sub branches
Leverkusen-Opladen
Limburg
Limburgerhof
Lindau (Bodensee)
Lingen
Lippstadt
Löhne (Westf)
Lörrach
with 1 sub-branch
Lohne (Oldb)
Ludwigsburg (Württ)
with 1 sub branch
Ludwigshafen (Rhein)
with 6 sub branches
Lübbecke
Lübeck
with 5 sub-branches
Lüdenscheid
Lüneburg
with 1 sub-branch
Lünen
with 1 sub-branch
Mainz
with 4 sub branches
Mannheim
with 17 sub branches
Marbach
Marburg (Lahn)
Marktoberdorf
Marl (Kr Recklinghausen)
Mayen
Meckenheim (Rheinl)
Meerbusch
with 1 sub branch
Meinerzhagen (Westf)
Melle
Memmingen
Menden (Sauerl)
Meppen
Meschede
Mettmann
Metzingen (Württ)
Miltenberg
Minden (Westf)
Mönchengladbach
with 8 sub-branches
Mönchengladbach-Rheydt

Moers
with 2 sub branches
Monheim (Rheinl)
Montabaur
Mosbach (Baden)
Mühlacker (Württ)
Mühldorf (Inn)
Mühlheim (Main)
Mülheim (Ruhr)
with 3 sub branches
Müllheim (Baden)
Münster (Westf)
with 8 sub-branches
Munich
with 46 sub branches
Munster
Nagold
Neckarsulm
Nettetal
with 1 sub branch
Neuburg (Donau)
Neuenrade
Neu-Isenburg
Neumarkt (Oberpf)
Neumünster
Neunkirchen (Kr Siegen)
Neuss
with 4 sub branches
Neustadt (b Coburg)
Neustadt (Weinstr)
Neu-Ulm
Neuwied
with 1 sub-branch
Nienburg (Weser)
Nördlingen
Norden
Norderney
Norderstedt
Nordhorn
Northeim
Nürtingen
Nuremberg
with 14 sub-branches
Oberhausen (Rheinl)
with 9 sub-branches
Oberkirch (Baden)
Obertshausen
Oberursel (Taunus)
Öhringen
Oelde
Oerlinghausen
Offenbach (Main)
with 2 sub-branches
Offenburg (Baden)

Oldenburg (Oldbg)
with 1 sub-branch
Olpe (Westf)
Osnabrück
with 4 sub branches
Osterholz Scharmbeck
Osterode (Harz)
Ottobrunn
with 1 sub-branch
Paderborn
Papenburg
Passau
Peine
Pforzheim
with 3 sub branches
Pfullingen (Württ)
Pinneberg
Pirmasens
with 1 sub branch
Planegg
Plettenberg
Plochingen
Quakenbrück
Radevormwald
Radolfzell
Rastatt
Ratingen
with 3 sub-branches
Raunheim
Ravensburg
with 1 sub branch
Recklinghausen
Regensburg
with 4 sub branches
Reinbek (Bz Hamburg)
Remagen
Remscheid
with 5 sub-branches
Rendsburg
Reutlingen
with 1 sub-branch
Rheda Wiedenbrück
Rheinbach
Rheinberg (Rheinl)
Rheine (Westf)
with 2 sub branches
Rheinfelden (Baden)
Rinteln (Weser)
Rodgau
Rosenheim (Bay)
Rottenburg

Rottweil
Rüsselsheim (Hess)
with 1 sub branch
Salzgitter-Bad
with 2 sub branches
Salzgitter-Lebenstedt
with 1 sub branch
Salzgitter-Watenstedt
St Georgen (Schwarzw)
Schmallenberg (Sauerl)
Schopfheim
Schorndorf (Württ)
Schüttorf
Schwabach
Schwäbisch Gmünd
with 1 sub-branch
Schwäbisch Hall
Schweinfurt
Schwelm
Schwerte (Ruhr)
Schwetzingen
Seesen
Siegburg
Siegen
with 4 sub branches
Sindelfingen
Singen (Hohentwiel)
Soest
Solingen
with 4 sub-branches
Soltau
Sonthofen
Spaichingen
Spenge
Speyer
Sprockhövel (Westf)
Stade
Stadthagen
Stadtlohn
Starnberg
Steinfurt
with 1 sub-branch
Stolberg (Rheinl)
Straubing
Stuttgart
with 13 sub-branches
Stuttgart Bad Cannstatt
Sundern (Sauerl)
Taunusstein
Tettnang
Titisee-Neustadt
Tönisvorst
Traben Trarbach

Triberg (Schwarzw)
Trier
with 1 sub branch
Troisdorf
Tübingen
with 1 sub-branch
Tuttlingen
Übach-Palenberg
Überlingen (Bodensee)
Uelzen
Ulm (Donau)
with 1 sub-branch
Unna
Vechta
Velbert (Rheinl)
with 1 sub branch
Verden (Aller)
Verl
Viernheim (Hess)
Viersen
with 3 sub branches
VS – Schwenningen
VS – Villingen
Voerde
Vohburg
Vreden (Westf)
Waiblingen
Waldbröl
Waldkirch (Breisgau)
Waldshut
Waltrop
Wangen (Allgäu)
Warendorf
Wedel (Holst)
Weener (Ems)
Wegberg
Wehr (Baden)
Weiden (Opf)
Weil (Rhein)
Weilheim
Weingarten (Württ)
Weinheim (Bergstr)
with 1 sub-branch
Weissenthurm
Werdohl
Werl (Westf)
Wermelskirchen
Werne
Wesel (Niederrhein)
with 1 sub branch
Wesseling (Bz Cologne)
Westerland
Wetzlar

Wiesbaden
with 6 sub-branches

Wiesloch

Wilhelmshaven

Willich (Bz Düsseldorf)
with 1 sub-branch

Winnenden

Wipperfürth

Wissen (Sieg)

Witten
with 2 sub-branches

Wittlich

Wolfenbüttel

Wolfsburg
with 4 sub-branches

Worms

Wülfrath

Würselen (Kr Aachen)

Würzburg
with 2 sub-branches

Wuppertal
with 15 sub-branches

Xanten

Zell (Mosel)

Zirndorf

Zweibrücken

German subsidiaries

Deutsche Bank Berlin Aktiengesellschaft,
Berlin
77 offices

Deutsche Bank Saar Aktiengesellschaft,
Saarbrücken
17 offices

Handelsbank in Lübeck Aktiengesellschaft,
Lübeck
38 offices

Deutsche Centralbodenkredit-Aktiengesellschaft,
Berlin–Cologne
11 offices

Frankfurter Hypothekenbank Aktiengesellschaft,
Frankfurt am Main
11 offices

Lübecker Hypothekenbank Aktiengesellschaft,
Lübeck
10 offices

Deutsche Kreditbank für Baufinanzierung Aktiengesellschaft,
Cologne
15 offices, 13 representative offices

GEFA Gesellschaft für Absatzfinanzierung mbH,
Wuppertal
19 offices

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

Deutsche Gesellschaft für Fondsverwaltung mbH,
Frankfurt am Main

DWS Deutsche Gesellschaft für Wertpapiersparen mbH,
Frankfurt am Main

Our bases throughout the world

Foreign branches

Argentina
Deutsche Bank AG
Sucursal Buenos Aires
Casilla de Correo 995, 1000 Correo Central
Bmé. Mitre 401, 1036 Buenos Aires
Karl Ostenrieder, Gerente General
Jürgen Rebouillon, Gerente General
Reinhard Scheele, Gerente General
Raúl G. Stocker, Gerente General

Belgium
Deutsche Bank AG
Succursale de Bruxelles
Boîte Postale 1405, 50 Boulevard du Régent
1000 Bruxelles
Deutsche Bank AG
Filiaal Antwerpen
Postbus 228, Britselei 10
2000 Antwerpen
Hans-Detlev von Garnier, Directeur
Dr. Dirk-Joachim von Walcke-Wulffen, Directeur

Brazil
Deutsche Bank AG
Filial São Paulo
Caixa Postal 30427, 01051 São Paulo/SP
Rua 15 de Novembro, 137
01000 São Paulo/SP
Manfred Hamburger, Gerente Geral
Christian Reckmann, Gerente Geral

France
Deutsche Bank AG
Succursale de Paris
Boîte Postale 466, 75026 Paris Cedex 01
10, Place Vendôme, 75001 Paris
Franz Hesso zu Leiningen, Directeur

Hong Kong
Deutsche Bank AG
Hong Kong Branch
G.P.O. Box 9879
33rd Floor, Gloucester Tower
11 Pedder Street
Central Hong Kong

Italy
Deutsche Bank AG
Filiale di Milano
Casella Postale 1773,
20100 Milano
Via Sant'Orsola, 3, 20123 Milano
Jean-Luc Spetz, Direttore Generale
Winfrido G. Verhoeven, Direttore Generale

Japan
Deutsche Bank AG
Tokyo Branch
C.P.O. Box 1430, Tokyo 100-91
Yurakucho Denki Building S
1-7-1, Yurakucho, Chiyoda-ku
Tokyo 100
Günter Barthel, General Manager
Dr. Hans J. Beck, General Manager

Deutsche Bank AG
Osaka Branch
P. O. Box 215, Higashi, Osaka 540-91
Nihon Seimei Sakaisuji
Honmachi Building, 2-55-1, Honmachi
Higashi-ku, Osaka 541
Dr. Hans-Dieter Laumeyer, Manager
Akira Suzuki, Manager

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

Spain
Deutsche Bank Aktiengesellschaft
Sucursal en España
Paseo de la Castellana, 42
28046 Madrid
Dr. Thomas Feske, Director Gerente
Rainer Klinke, Director Gerente
Oficina de Barcelona:
Paseo de Gracia, 111-12º, 08008 Barcelona

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

U.S.A.
Deutsche Bank AG
New York Branch
P.O. Box 890, New York, NY 10101
9 West 57th Street, New York, NY 10019
Executive Vice Presidents
and General Managers:
Hans-Joachim Buhr,
Dr. Helmut v. Natzmer,
Michael Rassmann,
Detlev Staecker

Representative offices abroad

Arab Republic of Egypt
Deutsche Bank AG
Representative Office
P.O. Box 2306, 23, Kasr el Nil Street, Cairo
Burkhart Klein
Region: Egypt, Ethiopia, Sudan

Australia
Deutsche Bank AG
Representative Office
G.P.O. Box 3479, Sydney, NSW 2001
15 Castlereagh Street, 12th Floor,
Sydney, NSW 2000
Bernard L. O'Neill

Bahrain
Deutsche Bank AG
Representative Office
P.O. Box 20619
Manama Centre (Entrance 1)
Government Road, Manama, State of Bahrain
Dr. Gerhard Fischer
Region: Bahrain, Iraq, Jordan, Kuwait, Lebanon, Oman, People's Democratic Republic of Yemen, Qatar, Saudi Arabia, Syria, United Arab Emirates, Yemen Arab Republic

Brazil
Representação do Deutsche Bank AG
Caixa Postal 1392, 20001 Rio de Janeiro/RJ
Av. Rio Branco 123-15. and., cj. 1510
From 2nd qtr. 1986:
Rua da Assembleia, 77–20 and.
20040 Rio de Janeiro/RJ
Albrecht Völckers

Canada
Deutsche Bank AG
Representative Office for Canada
P.O. Box 408
2 First Canadian Place, Suite 3610
Toronto, Ontario, M5X 1E3
Paul v. Benckendorff

Chile
Representación del Deutsche Bank AG
Casilla de Correo 3897, Estado 359, Piso 12
Santiago de Chile
Frank Thümmler
Region: Chile, Bolivia

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

Colombia
Representación del Deutsche Bank AG
Apartado Aéreo No. 8597
Carrera 7 No. 32-33, Piso 12
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Bernd Zimmer is regarded internationally as one of the artists who have helped German painting attain new renown; it is now inconceivable that an exhibition of German postwar art be held without his work. He became a member of the now legendary Selbsthilfe-Galerie ("self help gallery") on Berlin's Moritzplatz and, after breaking off his studies of philosophy and religious science to be able to devote himself entirely to painting, he exhibited publicly for the first time. The artist – who was born in Planegg near Munich in 1948 – attracted attention immediately by his very choice of topics. While others sought to give expression to life in the metropolis of Berlin, he was fascinated right from the start by the challenge of portraying landscapes, the drama of the mountains, or the stillness and might of the forests. Bernd Zimmer takes up academic subjects, which he tackles and interprets unacademically and with great vigour. In his works, most of them in large format, gouaches and prints, he succeeds as practically no other painter of our century has done in conveying his personal impression of nature through his own expressive pictorial language.

Zimmer's extensive travels throughout the world were a constant source of inspiration. His work reflects impressions from Asia or Italy, and above all from the Alps. In numerous paintings the artist contrasts this experience of nature with the cold and desolate backdrop of concrete suburbia.

After being awarded the Karl Schmidt-Rottluff scholarship for 1979-1981, Bernd Zimmer also received the 1982 Villa Massimo prize. He left Berlin to go and work in Italy and spent some time in Rome before moving to Polling at the foot of the Alps, where he now lives and works.

List of plates: