

Deutsche Bank at a glance

Deutsche Bank AG

	1986	1985
	DM m.	DM m.
Business volume	164,100	146,800
Balance sheet total	159,900	141,900
Funds from outside sources	140,300	124,200
Total credit extended	94,400	84,500
Capital and reserves	8,282	7,745
Earnings on business volume	5,465	4,317
Earnings on services	1,581	1,394
Staff and other operating expenses	4,264	3,809
Taxes	1,243	1,324
Net income for the year	824	762
Allocations to disclosed reserves	272	378*)
*) incl. DM 100 m. from partial writing back of taxed valuation reserve (Section 26a Banking Act)		
Total dividend payment	552	384
Dividend per share of DM 50	DM 12	DM 12
Bonus per share of DM 50	DM 5	-
Shareholders	245,000	245,000
Staff	42,928	41,674
Customers (excl. banks)	5.55 m.	5.49 m.
Offices	1,167	1,163

Group

	1986	1985
	DM m.	DM m.
Business volume	261,900	242,700
Balance sheet total	257,200	237,200
Funds from outside sources	233,800	215,600
Total credit extended	179,800	174,600
Capital and reserves	10,043	9,392
Earnings on business volume	6,888	5,751
Earnings on services	1,848	1,609
Staff and other operating expenses	5,088	4,557
Taxes	1,624	1,684
Net income for the year	1,068	1,101**))
**) incl. DM 230 m. from partial writing back of taxed valuation reserves (Section 26a Banking Act)		
Staff	50,590	48,851
Customers (excl. banks)	6.57 m.	6.50 m.
Offices	1,410	1,410

Report for the Year 1986

Deutsche Bank AG



On March 16, 1987

Mr. Franz Heinrich Ulrich

passed away in his 77th year.

He joined our bank in 1936 and devoted all his energies to it. For twenty-five years he was Member of the Board of Managing Directors, and its Spokesman from 1967. After leaving the Board of Managing Directors, Mr Ulrich assumed the Chairmanship of the bank's Supervisory Board and Credit Committee, which he retained until 1984.

With his broadly based knowledge and experience, clarity of judgement and strong sense of responsibility, he worked with outstanding success during all these years and played a major role in shaping the development of the bank. He enjoyed high esteem in the business community and the banking industry worldwide and was a wise counsellor to many.

We have lost a great personality and a good friend. Our memories of him will never fade.

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Cover and frontispiece: Walter Stöhrer, "Inspiration ist die These,
die den Künstler zum blassen Beobachter macht", 1977 ("Inspira-
tion is the idea that makes the artist a mere observer", 1977)

Honorary President

Hermann J. Abs, Frankfurt am Main

Supervisory Board

Dr. Wilfried Guth, Frankfurt am Main
Chairman

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

Dr. Robert Ehret, Frankfurt am Main

Hagen Findeisen, Hamburg*
Deutsche Bank AG

Dr. Friedrich Karl Flick, Düsseldorf

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

Gerd Hirsbrunner, Berlin*
Deutsche Bank Berlin AG

H. F. van den Hoven, Rotterdam

Karlheinz Krippendorf, Cologne*
Deutsche Bank AG

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

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

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

Josef Pfaff, Cologne*
Deutsche Bank AG

Dipl.-Ing. Dr.-Ing. E.h. Bernhard Plettner,
Munich
Chairman of the Supervisory Board of Siemens AG

Gerhard Renner, Hamburg*
Head of the National Section for Banks and Savings Banks in
the National Executive of Deutsche
Angestellten Gewerkschaft

Irene Rodermund, Salzgitter*
Deutsche Bank AG

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

Dipl.-Kfm. Günter Vogelsang, Düsseldorf

Lothar Wacker, Cologne*
Deutsche Bank AG

Hannelore Winter, Düsseldorf

* elected by the staff

Advisory Board

Otto Wolff von Amerongen, Cologne, *Chairman*
Chairman of the Supervisory Board
of Otto Wolff AG

Dr. Wolfgang Schieren, Munich
Deputy Chairman
Chairman of the Board of Managing Directors of
Allianz Versicherungs-AG

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

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

Professor Dipl.-Ing. Werner Breitschwerdt,
Stuttgart
Chairman of the Board of Management of
Daimler-Benz AG

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

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

Professor Dr. Dipl.-Chem. Herbert Grünwald,
Leverkusen
Chairman of the Supervisory Board of BAYER AG

Dr. Carl H. Hahn, Wolfsburg
Chairman of the Board of Managing Directors of
Volkswagen AG

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

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

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

Dr. Andreas Kleffel, Düsseldorf

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

Reinhard Mohn, Gütersloh (until 30. 6. 1986)
Chairman of the Supervisory Board of Bertelsmann AG

Dr. Heribald Närger, Munich
Member of the Board of Managing Directors of Siemens AG

Dr. rer. nat. Dietrich Natus,
Frankfurt am Main
Chairman of the Board of Managing Directors of
Metallgesellschaft AG

Dr. Mark Wössner, Gütersloh (from 21. 10. 1986)
President and Chief Executive Officer of Bertelsmann AG

Board of Managing Directors

Werner Blessing

Horst Burgard

Ulrich Cartellieri

F. Wilhelm Christians

Alfred Herrhausen

Eckart van Hooven

Hilmar Kopper

Klaus Mertin

Ulrich Weiss

Herbert Zapp

Rolf-E. Breuer, Deputy

Georg Krupp, Deputy

Executive Vice Presidents

Senior Vice Presidents

Executive Vice Presidents

Dr. Klaus Gaertner
Dr. Siegfried Gropper
Rudolf Habicht
Dr. Klaus Juncker
Dr. Hanns Kippenberger
Christoph Könneker
Dr. Jürgen Krumnow
Heinrich Kunz
Günter Olf
Axel Osenberg
Barthold von Ribbentrop
Hans Rosentalski
Dr. Hans Walter Schlöter
Gerd Schmitz-Morkramer
Dr. Werner Schwilling
Günter Sonnenburg
Christian L. Vontz
Johann Wieland
Dr. Karl Friedrich Woeste

Chief Economist
Dr. Franz-Josef Trouvain

Senior Vice Presidents at the Central Office

Horst Achenbach
Michael Altenburg
Peter Beitel
Claus-Werner Bertram
Dr. Fritz Bessell
Helmut von der Bey
Detlef Bindert
Dr. Rainer W. Boden
Dr. Dieter Bökenkamp
Dr. Ulrich Bosch
Dr. Dieter Boschert
Michael von Brentano
Hans Buskase
Ulrich Cutik
Dr. Jürgen Delbrück
Robert Dörner
Dr. Michael Endres
Dr. Hans-Peter Ferslev
Hans Joachim Funck
Josef Gerhard
Karl-Heinz Gersemksy
Dr. Peter Grasnick
Dr. Frank Heintzeler
Dr. Ulrich Hoppe
Dr. Martin Hüfner
Henning Jess
Hans-Joachim Kespe
Heinz Köhler
Gerhard O. Koenig
Paul Körtgen
Dr. Klaus Kohler
Dr. Siegfried Kümpel
Gisela Kurtz
Peter Laube
Klaus Leukert

Dr. Klaus Liske
Dr. Theo Loevenich
Dr. Hans Otto Mehl
Günter Meissner
Dr. Niels Minners
Dr. Martin Murtfeld
Horst Peters
Fritz-Otto Plass
Helmut Pottgiesser
Dr. Peter Rösler
Max Schläger
Wilhelm Schlaus
Ellen-Ruth Schneider-Lenné
Heinz Kurt Schulz
Rolf Sexauer
Dr. Hans-Dieter Spanier
Dr. Hans-Joachim Spranger
Heinz Starzinski
Helmut Trötscher
Alexander Trog
Erhard Ullrich
Hans-Werner Voigt
Horst Volke
Gerd Volkemer
Walther Weber
Dr. Olaf Wegner
Claus Wreth

Executive Vice Presidents and Senior Vice Presidents at the Regional Head Branches

Bielefeld	Frankfurt	Munich
Ernst Cremer	Carl-Ludwig von Boehm-Bezing	Dr. Siegfried Gropper
Dr. Harald Link	Dr. Bernhard Klaus Dott	Dr. Hans-Peter Binder
Dr. Axel Wiesener	Karlheinz Pfeffer	Hans J. Buhr
Lothar Zelz	Dr. Hugo Graf von Walderdorff	Dr. Hans-Joachim Schniewind
		Dr. Hans Sedlmayr
Bremen	Freiburg	Hans Siegburg
Dr. Roland Bellstedt	Dr. Dieter Eisele	Stuttgart
Peter Hartmann	Dr. Hans-Peter Hirner	Hellmut Ballé
Dr. Tessen von Heydebreck		Gerhard Burk
	Hamburg	Norbert Elsen
Cologne	Dr. Hanns Kippenberger	Dr. Wolfram Freudenberg
Dr. Wolf-Roderich Bringewald	Christoph Könneker	Michael Osterwind
Wilhelm Clemens	Dr. Hans-Dieter Bartels	Dr. Burkhardt Pauluhn
Dr. Klaus Dintelmann	Dr. Jan Hiemsch	
Karl-Heinz Fink	Günther Hoops	Wuppertal
Friedhelm Wolff	Christoph Woermann	Dr. Hans Hinrich Asmus
		Dr. Walter A. Blum
Düsseldorf	Hanover	Rolf-Peter Rosenthal
Günter Geller	Wolfgang Büsselberg	Dr. Gerd Weber
Wolfgang Möller	Dr. Heyko Linnemann	
Günter Sengpiel	Horst Risse	
Dr. Rüdiger Weber	Werner Rissmann	
	Dr. Dieter Wefers	
	Mainz	
	Karl-Heinrich Scherer	
	Dr. Klaus Stapper	
	Mannheim	
Essen	Dr. Günter Frowein	
Wolfgang Kellert	Dr. Fritz Lamb	
Dr. Theodor E. Pietzcker	Karlheinz Reiter	
Karl Ernst Thiemann	Michael Prinz von Sachsen-	
Dr. Wolfgang Tillmann	Weimar	

Report of the Board of Managing Directors

On the Power and Influence of Banks . . .

With the following remarks, we continue the series of statements with which Deutsche Bank has commented since 1980 on problems of general socio-political significance. We hope to contribute in this way to constructive discussion.*

Power is the ability to influence social processes in line with one's own objectives¹⁾. By this definition, a wide range of social groups wield power: political parties, the media, companies and confederations, trade unions, churches, schools and universities – and banks, too. They are all able and determined to play a part in steering social and political developments. A glance around will confirm this: power, as Bertrand Russell propounds, is the fundamental concept in social science, in the same sense in which energy is the fundamental concept in physics²⁾.

By contrast with energy, however, before talking about power, we must take something else into consideration, namely initiative, or the will to achieve a certain effect. The forces of nature, such as energy, are potential agents for change but they lack volition, perception, any designed pursuit of a specific goal or purpose³⁾.

Power, on the other hand, is at once ability and desire to shape society. "We can only talk about power in the true sense of the word if two elements are given", says Romano Guardini: "First, veritable energies that can effectively modify things as they are in reality, that can determine their condition and their interrelationships. Besides this, however, there must be a consciousness aware of these energies; a will that sets targets; a force that prompts energies towards these targets."⁴⁾

In dynamic terms: an increase in power means greater potential to shape, a diminution means less such potential. The question then arises: where is power and influence increasing and at whose expense, or, as the case may be, where is a loss of power being balanced out, and if so, how?

* 1980: On Competitiveness · 1981: Less State Influence · 1982: Do We Need Elites? · 1983: We, Ourselves. Are The State · 1984: On the Middle Classes · 1985: On Taxes and Public Debt

Our considerations on power and influence now come to a crucial point: the greatest concentration of power is to be found in those social systems where all power is allegedly in the hands of the people. Instead of a fragmentation which would actually accord with the "demos"-cratic principle as such, we find in these systems a total concentration of power in the controlling organs of a party – only one, it should be noted – and government. Singularistic societies have no division of power on the basis of numerous independent bodies endowed with a certain amount of autonomy. In the power structures of such societies, the exercise of delegated authority is a reflection of the omnipotence of party headquarters. Expansion in the latter's power always goes hand in hand with a further reduction in the residual power of the weak. Even if the aims pursued in the exercise or aggrandizement of central power were, in an individual case, morally and de facto acceptable, there still remains a basic pattern which rules out any general acceptance: the total absence of a balance of power, whereby numerous power centres control and restrict each other in diverse ways, thereby preventing the emergence of a monopoly of power.

This is one important reason why we chose a different system after the Second World War: a pluralistic society with various levels of influence and a large number of autonomous power centres. Our open society is based on decentralized power structures in deliberate opposition to any monopoly of power in the hands of the state or a party. We wanted and we now have a large number of autonomous power centres with the ability of the individual power centre to influence and mould limited in each case by that of the others. In this way, the balance of power is perceived as a model for socio-political order. Banks, too, have a place in this model of pluralistic power structures, just like other economic, social, cultural or political institutions and groupings.

A given power structure, however, is not sacrosanct. There is always justification for asking, with regard to specific power centres, whether they wield excessive power and influence. This is no longer a question of power as such – no one disputes the fact that

banks have power – but rather of the extent of such power. But to whom – in banking – is this question addressed?

The answer depends on what concrete instance one has in mind. Generally speaking, criticism of banks' power is focused on the following four points:

- *the power to grant or refuse loans*
 - *proxy voting rights*
 - *industrial and commercial holdings*
 - *bankers' supervisory board mandates.*
- *The power to decide whether to grant or refuse a loan is something peculiar to all banks. Criticism on this point is criticism of the entire banking industry. Loan decisions have a constitutive character: they belong to the very essence of banks and banking. If one wants banks, one must accept their discretion to lend or not to lend. It is important to note, though, that banks are not lending their own money, but that of depositors. If they refuse to lend it or ask for it to be returned, they are doing so out of a sense of responsibility towards these depositors. Banks do not threaten the livelihood of borrowers if and when they call in or refuse a loan: they terminate or withhold credit if and when the economic situation of a borrower is threatened, i. e. if the soundness of any claim financed by clients' deposits is or would be endangered. This is the only way in which they can fulfil their statutory and commercial duties as trustees of the monies placed at their disposal. This is also the only way in which they can exercise their economic function of channelling capital and credit into those areas where they can be used most productively. Criticism of this function confuses cause and effect. It is not the banks who determine creditworthiness, but the clients themselves.*
- *Criticism of proxy voting rights reflects the concern that banks apparently dominate the shareholders' meetings of joint stock corporations. What is the controversy about? The issue here is that shareholders' rights are exercised at shareholders' meetings. A shareholder who does not attend a meeting in person sends a representative, or remains unrepresented. That is his decision, not his bank's. All the banks do, if instructed accordingly, is pass on decisions. They do not make the decisions themselves. They only have a power of*

attorney to cast votes in accordance with shareholders' wishes and the common expression "proxy voting power" is, in fact, misleading. If the proxy voting right is to be abolished, there will have to be something better to replace it. The more than 3 million shareholders in the Federal Republic can, for reasons of time and space, only exercise their rights if they are allowed to send authorized representatives. The shareholders' meetings of joint stock corporations would be dominated by chance majorities if only the shareholders in attendance were able to exercise their voting rights, with all the others remaining unrepresented.

The admittedly unsatisfactory direct exercise of proprietary rights at shareholders' meetings is due to the established management organization of joint stock corporations, on the one hand, and the actual situation at big, widely owned quoted corporations, on the other. This has nothing to do with the proxy voting rights of banks. On the contrary, the proxy voting right offers a way of ensuring that proprietary rights are, in fact, exercised even at companies with many hundreds of thousands of shareholders.

- Obviously, criticism of banks' industrial and commercial holdings does not refer to all banks, but only to those that have such holdings. This subject has been at the centre of the debate for some time now. It is suspected that these holdings – especially those of the big banks – mean influence stretching all the way to control of large parts of German industry.

This is not borne out by the facts:

From 1976 to 1986, the ten largest private German banks reduced their holdings^{b)} from 129 to 86. Of the 43 divestments, 41 were holdings which had exceeded 25% in 1976.

Over the same period, the nominal capital held by the banks concerned fell from DM 1,799 m. to DM 1,697 m.; adjusted for capital changes at the companies in the interim, it actually fell to DM 1,344 m. A very large proportion of this decline also related to holdings of more than 25%.

In terms of the entire nominal capital of all non-banking corporations, the overall proportion of equity held by the 10 largest private banks has fallen during the past 10 years from 1.3% to 0.7%.

The 1964 Concentration Survey, the Reports of the Monopoly Commission in 1976, 1978 and 1986, as well as the Report of the Commission on the Structure of Banking dating from 1979 were unanimous in finding that there were no grounds for supposing that banks acquire holdings in order to become active in industry or, indeed, to control companies. Their motives – apart from cases of involuntary acquisition connected with reorganizations – relate primarily to the sound and profitable investment of their own funds.

This and the resulting exercise of ownership rights should not be forbidden to banks in a society modelled on pluralistic lines, such as ours, if they are permitted to companies in all other sectors.

- *The supervisory board mandates of bank employees and senior banking executives – the fourth point under criticism – must be seen in conjunction with a development which, apparently unnoticed by many irate critics, is having an increasingly strong influence on the management of business enterprises: the supervisory bodies in these companies have become advisory bodies, because the real purpose of supervision is no longer considered to be just discovering what mistakes, if any, have been made, but in preventing them in the first place. In the increasingly difficult and complicated conditions that prevail in our industrial world, supervision, if properly applied, must start during the decision-making process in order to avoid mistaken attitudes and wrong measures as far as possible. This calls for expertise and a broad view. Here, financial knowledge and economic experience cannot be dispensed with. Banks are a major source of such knowledge and experience, and it is, presumably, generally desirable that both go into the making of entrepreneurial de-*

cisions. It confirms the old proverb: knowledge is power. No epoch has ever taken this as a reason to forgo knowledge.

Furthermore, banks do not dominate any supervisory boards. This conclusion was already reached by the Commission on Co-Determination in 1970. On the supervisory boards of Germany's 100 largest corporations, with a total of 1,466 members, the representatives of private banks occupied 7.8% of the seats in 1986, and external representatives of trade unions 13.4%. As a rule, the bank representatives will belong to competing institutions, i.e., they do not constitute a "single front".

The conclusion to be drawn from the foregoing is that there is no evidence that the banks wield excessive power and influence. The balance of power in our democratic society has not been upset by the banks. The critics have not produced factual evidence to the contrary.

But two questions remain:

- *Who makes sure that, in the dynamic process of economic and social development, an inadmissible accumulation of power does not take place?*
- *How is the abuse of power prevented?*

The balance of power is not static. It is in a state of constant flux, in the course of which an increment in power at one point and a loss of power at another can easily disturb the equilibrium of the whole. This can be avoided most reliably by the process, the very objective of which is to prevent the emergence of monopolies of any kind – including monopolies of power – namely competition. This is the most important and most effective antidote.

Competition in the German banking industry is keen. With roughly 4,700 banks and almost 40,000 bank branches, the Federal Republic of Germany has one of the most

closely knit banking networks in any of the major industrialized nations. It is split up into various groupings: public savings banks and regional banks (market share: 37.5%), commercial banks (22.1%, thereof the big banks: 9.1%), credit cooperatives (14.2%) and other banks (26.3%). The liberality of the German financial market has also resulted in the presence of foreign banks from roughly 50 countries in the Federal Republic through – to quote the latest figure – 280 representative offices, branches and subsidiaries (3.0%)⁶⁾.

They continue to come. And the universal or all-purpose banking system, with its broad range of services, makes it possible for practically every bank to compete with any other in all fields – cutting across the boundaries of the various groupings.

Competition, though, by its very nature always has two sides. It differentiates by rewarding a superior performance with an advantage, and at the same time it levels by always seeking to balance out advantages. A gain in power and influence is therefore never unchecked, uncontrolled, let alone unthreatened. The more intense competition is, the more stable the balance of power.

The rest of the job is done by the relevant laws – the Banking Act was amended as recently as 1984 – and the authorities that supervise their observance: Federal Banking Supervisory Office, Deutsche Bundesbank, Cartel Office, accountants, tax offices, courts, supervisory boards, shareholders. They are all effective instruments of control and direction in the ongoing process of change in pluralistic power structures.

Be that as it may, it would seem that all this is still not enough to end the debate on power. Any position of power, no matter how acceptable, limited or threatened, can be abused. So, do the banks really show a sense of responsibility in the way they use the power they have? This question reflects the doubts and concerns of a sensitive public. The question is justified and should continue to be articulated.

The banks welcome this constant appeal to the ethics of their behaviour. It is an expression of a democratic-pluralistic society's expectation that banks, in the use of the scope they enjoy to shape their environment, identify desirable goals with the necessary sagacity. Power, including power in business, is a phenomenon from which one cannot exclude ethics and morals. Precisely because every individual engaged in business activity – contrary to the notions of classical economic theory – is an "agent", and not "acted upon" by anonymous economic forces¹⁾, he continues to bear the individual responsibility to examine the objectives of his activity politically and morally. Here, a critical public is welcome as an observant admonisher. It helps to ensure that the additional aspects we have to include in our considerations when talking about power, namely the intention behind its use, accord with the sense of responsibility essential to freedom. A critical public should, in fact it must, be prepared to acknowledge and sanction behaviour that is in harmony with this principle. Let us beware of jeopardizing a lively and animated society by stifling the spontaneous process of interaction between diverse power centres out of an irrational fear of abuse. Whatever one does to mate power, remember that power does not disappear, it is merely shifted. "Since" – in our society particularly – "everything tends to become a political question, on account of which intervention by the coercive forces of government can be invoked, an ever greater part of human activity is being diverted from productive to political efforts."²⁾

Is that what we want?

¹⁾ cf. Hans Albert, *Macht und Zurechnung*, in: *Schmollers Jahrbuch* 75, 1955, p. 57–85, here: p. 74

²⁾ cf. Bertrand Russell, *Power. A New Social Analysis*, London, 1938

³⁾ cf. Romano Guardini, *Die Macht*, Würzburg, 1952, p. 15

⁴⁾ cf. Romano Guardini, *op. cit.*, p. 16

⁵⁾ Directly and indirectly held participations of at least 10% in non-banks (incorporated companies and unincorporated firms) with nominal capital of more than DM 1 million

⁶⁾ The market shares refer to lending business. The share of foreign banks is included in that of commercial banks and other banks.

⁷⁾ cf. Peter Koslowski, *Sittlichkeit und Effizienz*, to be published in 1987

⁸⁾ cf. Friedrich A. von Hayek, *Recht, Gesetzgebung und Freiheit*, Vol. 3, Landsberg 1981, p. 189

General Economic Situation

The fourth year of the upswing

The German economy maintained its good performance in 1986 in a difficult international environment. Real GNP expanded by 2.4%. The level of prices declined slightly for the first time since the fifties. The improvement on the labour market became stronger and broader. The ratio of public-sector spending to gross national product was reduced further.

All in all, the German economy was in better condition in the fourth year of the upswing than it had been for a long time.

Rising domestic demand

Unlike earlier years, economic growth in 1986 was due entirely to the development within the Federal Republic. Domestic demand benefitted

from the favourable conditions as regards prices, employment and incomes, and from the sustained confidence of investors and consumers in the future. The increase in demand (3.7% real) was the largest for seven years.

The main stimulus came from private consumption and investment in machinery and equipment. Commercial and public-sector construction recovered; but there was a renewed decline in home building. This key sector of the construction industry was still dogged in 1986 by the repercussions of the weak order intake in 1984 and 1985 and by the difficult situation affecting the building of multi-family homes.

Adjustment process under way

Foreign suppliers also profited to a large extent from the increase in domestic demand. Merchandise imports (+ 6.3% real) rose more than twice as fast as GNP. Merchandise exports, on the other hand, were only 1.4% higher on a price-adjusted basis.

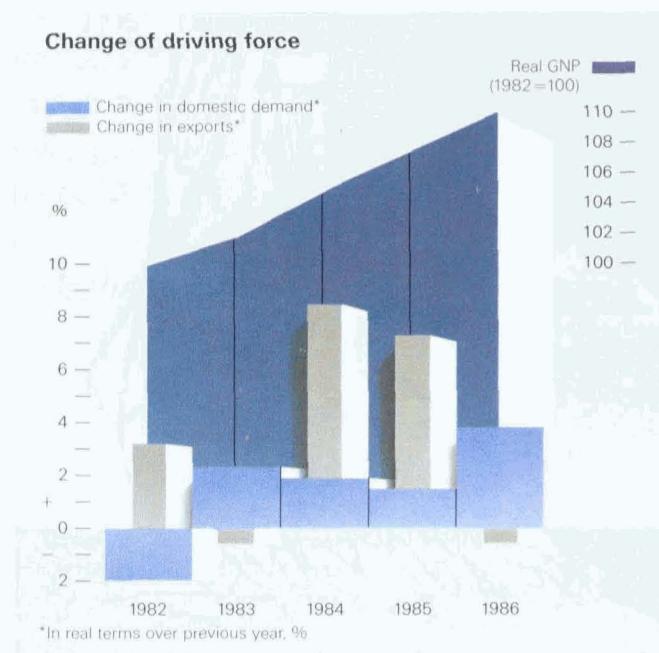
As a result, the trade surplus contracted by almost DM 22 bn. at constant prices. The inevitable process of adjustment therefore got under way in the Federal Republic.

The fact that, in nominal terms, the export surplus was close to DM 39 bn. higher was attributable solely to lower oil prices and the weaker dollar. The Federal Republic's energy bill dropped by more than DM 44 bn.

Improvement on the labour market

A good 250,000 new jobs were created in the reporting year. A large proportion was in the services sector.

The fall in the number of jobless (by 76,000) was much smaller than the increase in employ-



ment. The continuing economic upswing and improved job opportunities attracted a considerable number of people back on to the market from the so-called "hidden reserve". Thanks to higher qualifications and previous working experience, they often found jobs more easily than those registered as unemployed.

Employment potential should be used

Conditions are favourable for a further rise in employment. Taking advantage of them will require

- wage settlements that are compatible with the stiffer international competition,
- more flexible arrangements on working hours that satisfy companies' needs and employees' wishes,
- the elimination of further legislative restraints on the labour market. Experience so far with the Employment Promotion Act of 1985 should encourage more steps in this direction;
- greater efforts to enhance the standard of employee training and qualifications so that people made redundant by increasing automation can be employed in more demanding positions.

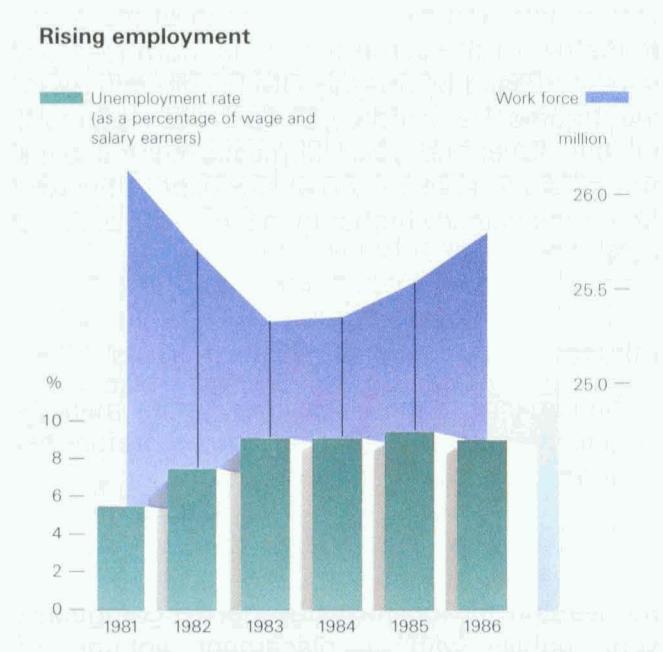
No letup in spending discipline

The public-sector deficit, which had decreased steadily since 1982, rose in 1986 by approximately DM 5 bn. This was partly due to the revenue shortfall caused by the tax cut (approx. DM 10 bn.) and price stability, and partly to a slightly faster rise in spending by the Länder Governments and local authorities (not by the Federal Government). Total public spending (Federal and

Länder Governments plus local authorities) increased in 1986 by 3½ to 4% (1985: + 3½%).

At 2.2% (previous year: 2.1%), the share of public-sector deficits in GNP remained low compared historically and with other countries.

More important than a further reduction of the deficits is maintenance of the spending discipline achieved in recent years. Only if it is rigorously observed will it be possible to bring down the proportion of public spending in favour of further expansion of the private sector and to obtain the financial leeway needed to permit an additional reduction of the tax burden. *We regard the tax reform now under way as one of the most urgent tasks in the field of economic policy.*



Strong money stock growth

On March 7, 1986, the Bundesbank lowered the discount rate from 4% to 3½%, in step with the central banks of other major industrial countries.

To strengthen the Federal Republic's competitiveness as a financial centre, the Bundesbank eased its minimum reserve ratios as of May 1, 1986. From the same date, the requirements were extended to include short-dated bonds. As part of an offsetting arrangement, banks' foreign-currency liabilities to non-residents were largely exempted from minimum reserve obligations. Furthermore, the Bundesbank waived its objections to the issue of D-Mark certificates of deposit in the Federal Republic; however, the new instrument failed to become established on the market owing above all to the Stock Exchange Turnover Tax.

On January 23, 1987 the discount rate was lowered by half a percentage point in view of the exchange rate and the slower growth of the world economy. At the same time, minimum reserves were increased by roughly DM 5½ bn. and rediscount quotas reduced by DM 8 bn. to siphon off liquidity. Over the year, domestic central bank money stock rose by 7.8%; the expansion was therefore distinctly higher than the target of 3½ to 5½%.

Enhanced capacity of securities markets

The capacity of the German securities markets increased again in 1986. They have therefore assumed more international dimensions.

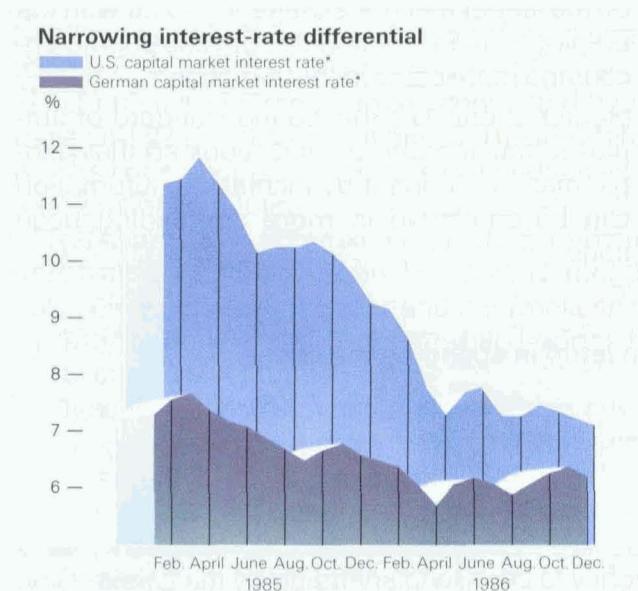
In the year under review, new issues of listed shares came to DM 14.0 bn.; that was half as much again as in 1985 and three-and-a-half times the average for the past decade. 26 companies went public with a placement volume of

DM 4.4 bn. This is a welcome development, as it represents a step towards improving financing structures, particularly at small and medium-sized companies.

Sales of new fixed-interest securities of domestic issuers remained very high (1986: DM 257 bn.). The volume of such bonds outstanding rose in autumn to over one trillion D-Marks.

The trend towards longer maturities continued. Compared internationally, the lifetimes of new issues on the German bond market are still short. But, while this may be a disadvantage from the issuer's point of view, it protects the investor against excessive price fluctuations when interest rates change.

Issues of innovative types of paper, which were permitted under the "residual liberalization" in



*Yield on bonds outstanding (monthly averages); U.S.A.: Treasury bonds (10-year life); Federal Republic: public-sector bonds (7–15 years)

May 1985, remained within bounds. The outstanding volume of zero bonds, floating-rate notes and foreign-currency issues of domestic banks increased by only DM 5.1 bn. over the year.

Heavy foreign investment . . .

The pattern of business on the German capital markets in 1986 was determined by the worldwide trend towards securitization and globalization. Its effects were amplified by better computer-backed data and communications facilities and also by institutional investors from industrial countries seeking to diversify their portfolios in terms of geographical spread and currency.

Foreign buyers invested DM 58.7 bn. net on the bond market in 1986 (previous year: DM 31.5 bn.). That made non-residents the most important group of investors. Attention centred on public-sector issues because of their good marketability. The inclusion of leading German mortgage banks in rating systems of international repute should encourage foreign investors also to buy higher-interest-bearing bank bonds on a larger scale in future.

Foreign investment on the German share market increased in 1986 by DM 4.4 bn. to DM 15 bn. Over 30%, and in isolated cases over 40%, of the share capital of large listed companies is meanwhile held in portfolios of non-residents.

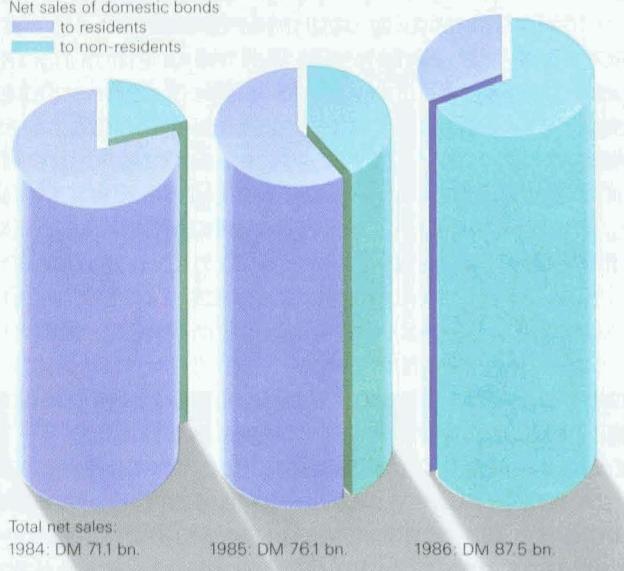
. . . also creates problems

We regard the heavier influx of foreign funds as proof of confidence in the German economy and its capital markets. However, the mobility of international financial flows also makes the markets more susceptible to fluctuations. A growing degree of harmonization among the national economic and monetary policies of the large industrial nations is needed in order to preserve the stability of the markets.

Over the years, the level of foreign investment on the German share market has produced a marked decline in the proportion of shareholders' voting rights represented at the annual general meetings of large quoted companies. In the interests of a functioning shareholder democracy, we consider it an important responsibility to counteract this development by informing the public in order to prevent chance majorities and falling attendance at annual general meetings.

Growing foreign investment on the German bond market

Net sales of domestic bonds
■ to residents
■ to non-residents



More attractive institutional environment

The efforts to make the institutional share market environment more attractive produced their first results.

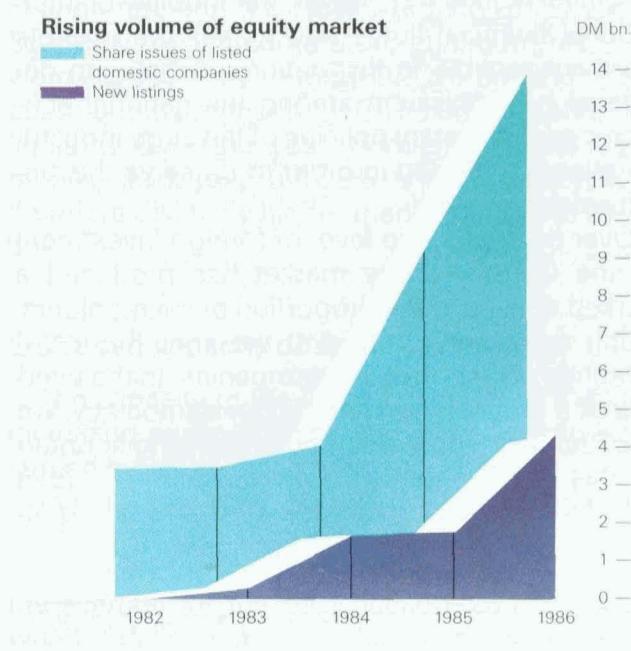
The range of investment opportunities open to insurance companies and investment funds was widened in favour of shares. In addition, the necessary legislation was passed permitting the formation of venture capital companies. These companies offer liable equity capital to small and medium-sized firms not (yet) capable of floating an issue themselves, and procure the required funding – after a start-up phase – by issuing listed shares. The range of companies financed via the stock exchange is therefore widened indirectly.

With the establishment of the "regulated market", small and medium-sized companies can take advantage of more flexible regulations for access to the stock exchange and less stringent reporting requirements. Applications for admission to this market do not necessarily have to be filed by banks; this should not, however, impair the necessary, appropriate and responsible advisory service for the issuer and the observance of investor protection.

World business activity: subdued growth . . .

The world economy was largely influenced in 1986 by strongly declining oil prices, a further weakening of the dollar and, initially, still widening international trade imbalances. Hopes of stronger world business activity were not fulfilled: the immediate dampening effect of low oil prices on the oil-exporting countries and on investment activity in the energy sector of major industrial nations outweighed the positive effects of increased purchasing power in the oil-consuming countries. At approximately 2½%, overall economic growth in the industrial countries was lower than in the previous year (3%); private consumption was the main driving force. The growth gap between the U.S.A., Western Europe and Japan closed as the dynamism of the Japanese economy slackened. Employment continued to rise in most industrial countries. But no progress was made in reducing the high unemployment in Western Europe (11%).

Growth of the developing countries taken as a group ran roughly parallel to that of the industrial nations. The economies of newly-industrializing Asian countries and Brazil registered expansion



that was far above average. At the other end of the scale – with minus rates in some instances – were various OPEC countries and Mexico.

... and falling inflation rates

Helped by low oil prices and in many cases also by exchange rate influences, inflation rates in the industrial countries fell by half in the course of 1986 to an average of roughly 2%; that was the smallest rise in prices since the middle of the sixties. Against this background and supported by more cyclically oriented central bank monetary policies, interest rates declined further on a broad front, especially in the first third of the year.

Stubborn deficits of the U.S.A.

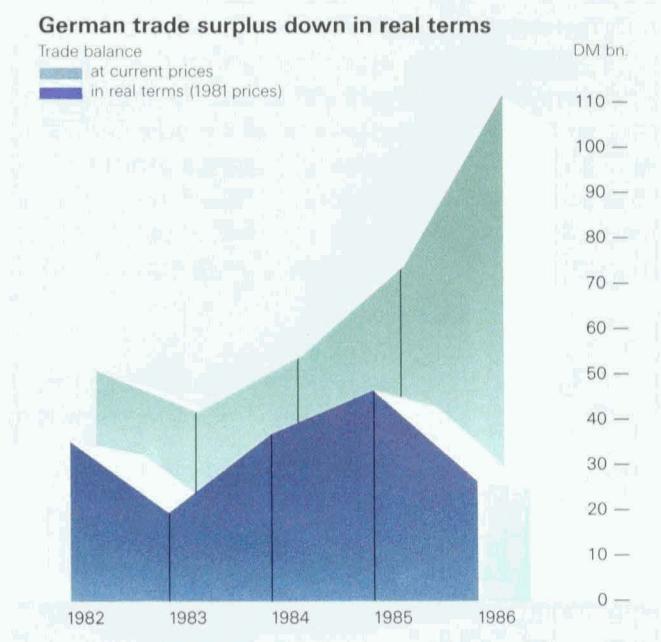
As world trade continued to grow at a moderate pace (3–4%) and exchange rates underwent major shifts, the international imbalances widened again. The U.S. current account deficit increased by \$ 23 bn. to approximately \$ 140 bn. The surpluses recorded by Japan and the European Community both rose by over \$ 35 bn. to \$ 86 bn. and \$ 53 bn. respectively.

The nominal results for the year hide the fact that a process of correction had got under way in the foreign trade of the surplus countries – especially Japan and the Federal Republic. The fact that the U.S.A. made relatively little progress in adjusting is connected with, among other things, the practically unaltered exchange rates for the dollar against the currencies of major trading partners (Canada, newly-industrializing countries in Asia) and the persistently low importing capacity

of traditional markets in Latin America; but it also has to do with the lack of success in reducing the U.S. budget deficit.

Pro free world trade

The stubbornness of the U.S. external deficits and the widespread structural employment problems have aggravated the tendency to resort to protectionist approaches, which are ultimately self-defeating and dangerous. The significance of the agreement reached in September on a new round of talks on world trade within the framework of the General Agreement on Tariffs and Trade (GATT) is therefore all the greater. In addition



to goods trade, which the Agreement has traditionally covered, the joint endeavours to achieve an open trade system are now also to include the services and agricultural sectors, as well as problems regarding the protection of intellectual property and trade-related investment. It is important that the decision not to adopt any further measures that would obstruct trade (standstill) and the agreement gradually to eliminate existing regulations that contravene the GATT (rollback) be put resolutely into practice. Here, the large industrial nations must bring proof of their political will to reverse the trend by granting other countries, and especially the developing nations, easier access to their markets. Free markets are a sine qua non

for economic progress in general and for the solution of the international debt problems in particular.

Unsolved debt problems . . .

The individual countries with payment difficulties reacted differently to the influence of persistently weak commodities markets – especially the slump in the oil price – and declining interest rates. In many cases, the discrepancy between debt burden and economic strength widened again. Some fell far short of domestic economic stabilization targets. All in all, the situation remains difficult.

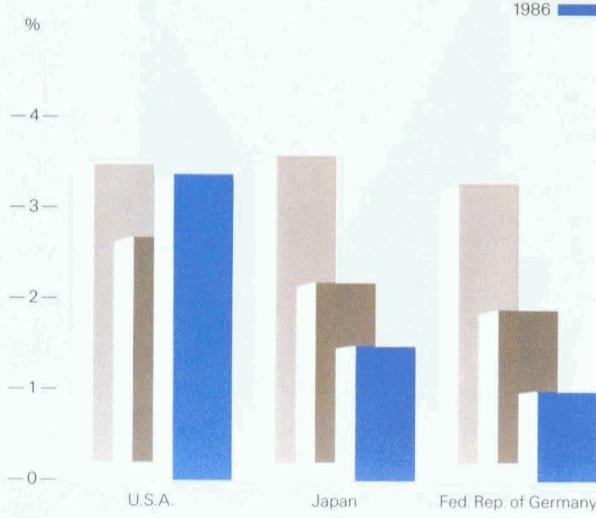
The combined current account balance of ten major rescheduling countries (Argentina, Brazil, Chile, Mexico, Nigeria, Peru, the Philippines, Poland, Venezuela, Yugoslavia) showed a deficit of \$ 13 bn. in 1986 after a surplus of \$ 3 bn. in the previous year. For the three large oil exporters – Mexico, Nigeria, Venezuela – alone the balance deteriorated by \$ 10 bn., falling \$ 5 bn. into deficit. A number of countries took recourse to their currency reserves to finance their external deficits.

At the end of 1986, the foreign debt of the ten countries named above came to \$ 430 bn. (37% of the external liabilities of all non-industrial countries). The 3% increase on a dollar basis is extensively a reflection of the dollar devaluation against other major debt currencies.

The banks agreed again in 1986 to a number of longer-term reschedulings of their claims on favourable terms. Along the lines of the debt strategy proposed by U.S. Treasury Secretary Baker in autumn 1985, negotiations on the provision of new funds were commenced or concluded with several countries. The support package agreed in

Budget deficits worldwide

(Public-sector deficits
as a percentage of GNP)



principle for Mexico was an important test case for this growth-oriented approach. It is tailored to the country's specific requirements and includes, among other elements, the stretching of maturities for a total of approximately \$ 44 bn. (partly to beyond the year 2000). Of the fresh money to be provided by March 1988, the banks are to contribute up to \$ 7.7 bn. Roughly the same share in this financial programme, the largest of its kind so far, is to be borne by national and international official lenders, above all the World Bank and the International Monetary Fund (IMF). Mexico, for its part, has undertaken to implement comprehensive market-economy reforms and stabilization measures.

In keeping with its wider role, the World Bank strongly increased its loan commitments to the group of the 15 large debtor countries – by 36% to \$ 6.0 bn. in the financial year ended at mid-1986. The emphasis was on loans for structural and sectoral adjustment purposes not tied to specific projects but subject to certain economic policy requirements. At 3.9 bn. Special Drawing Rights (or \$ 4.6 bn.), new commitments from the IMF under standby arrangements, extended arrangements and the structural adjustment facility created in the reporting year were one-fifth higher in 1986 than in the year before. Total credit disbursed by the Fund (3.8 bn. SDR) was – for the first time in the eighties – considerably lower than repayments in the same period (5.7 bn. SDR).

... demand long-term initiatives

The again bleaker situation and the gloomier prospects of important highly indebted countries have revived discussion of the right way to treat the debt problems. In our opinion, there is no realistic alternative to the cooperative, case-by-

case approach that has been adopted so far and the basic elements of the Baker Initiative. But it is essential that they be developed flexibly.

Debt-for-equity swaps, currency diversification of liabilities and conversion of floating-rate credits into fixed-rate credits are, for example, some measures that can help to ease the debt burden.

The use of new financing methods is naturally no substitute for the necessary corrections to the economic development of the debtor countries themselves. A longer-term orientation is absolutely essential here. Debtors and creditors must move away from acting under the pressure of acute liquidity bottlenecks and together work out comprehensive, long-term development programmes that should be safeguarded by appropriate financing facilities. The banks should play an active part in this.

An additional incentive for debtor countries to participate in long-term strategies could be given by an "interest subsidization fund", whose means would be provided by the official agencies and the banks. It would have the task – at least for a certain period – of absorbing the strains imposed on debtors by rising interest rates in order to give them a more secure planning basis and to reduce their burden. Payments from the fund should only go to those countries which qualify for them through appropriate economic and development policies.

Trying times for the international financial markets

Activities on the international financial markets increased strongly again in 1986. The trend towards securitized and tradable forms of financing and investment and a wider range of instruments continued. International equity placements gained in importance.

This development was encouraged by the ample liquidity available to international investors, relatively low – and at first still falling – interest rates, the growing liberalization of national markets and intense competition among banks. Balance-of-payments requirements played a smaller role than in earlier years. But many debtors took advantage of the favourable market conditions and wide variety of funding methods to refinance existing liabilities and to obtain monies in anticipation of future requirements.

The growing volatility and inner dynamism of the market clearly revealed to banks with global operations the risks confronting them on the primary and secondary markets with respect to liquidity and earnings. It is important to act on this perception in competition on terms and conditions, where competition has been overdone in the struggle for market share. The soundness of the market is vitally dependent on reliable systems of risk control and appropriate provisioning – above all through an adequate capital base – by the banks involved. The supervisory authorities are called upon – also in the interest of fair competition – to continue their efforts to establish a body of internationally coordinated regulations.

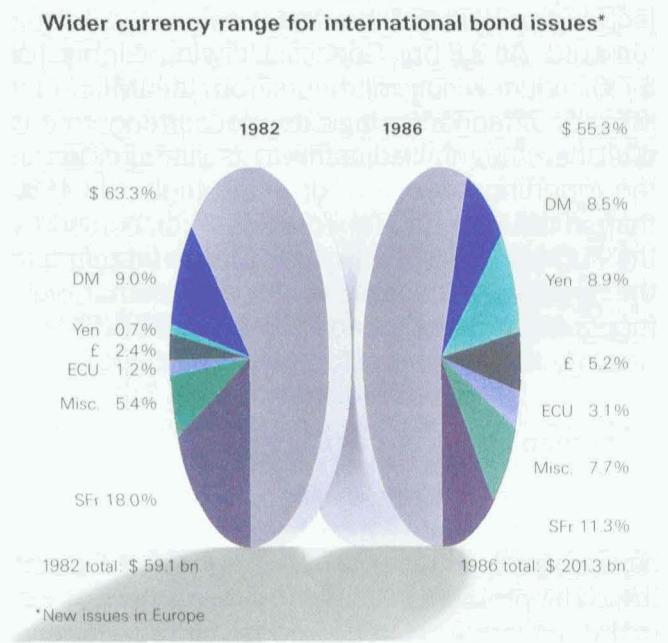
Eurocapital market: more non-dollar bonds . . .

In 1986, international bond issues, newly arranged medium-term facilities for the placement of money market paper, and international bank credit commitments reached an aggregate volume of over \$ 350 bn., a good quarter more than in the previous year. The growth was attributable to the eurocapital market and the market for eurocommercial paper programmes.

Funds raised through international bond issues in Europe passed a new record of \$ 200 bn. in

1986. The 35% increase was equal to half the unusually high rate of expansion registered the year before.

Owing to falling dollar exchange rates and the ongoing liberalization of national capital markets, the dollar's role as leading bond-issue currency diminished in the reporting year. The share of eurodollar bonds in total new issue volume contracted to 55% compared with 64% in 1985. The Japanese yen made a striking advance, moving into third place after the Swiss franc and just ahead of the D-Mark, which was followed by sterling and the ECU. In addition to the classic issue currencies, others – such as the Canadian dollar, the French franc and the Italian lira – were used on a



larger scale, mainly because of their inclusion in swap transactions with which the majority of eurobond issues are now combined.

... fewer floating-rate notes

The growth of the eurocapital market in 1986 was generated by fixed-interest bonds. Amounting to almost \$ 150 bn., they made up nearly three-quarters of total new issue volume (1985: close on 60%); an increased proportion of this paper (18%) was in the form of convertible bonds and bonds with warrants (1985: 13%).

At 5% of new business, the share registered in 1986 for innovative instruments (such as zero bonds, dual-currency bonds, indexed bonds) was similar to that in the previous year.

After a relatively long phase of strong expansion, the volume of floating-rate notes lagged behind the pre-year figure in 1986 (\$ 46 bn. after \$ 55 bn.). Their market share – they are held mainly by banks – fell to just about one-quarter of total new issues. Towards the end of the year, inadequate yields on such paper caused a fall in prices and – especially in the case of perpetual FRNs – friction in the trading sector.

Eurocommercial paper programmes predominate

Euronotes gained further in importance in international finance. The volume of new placement agreements for such paper increased by approximately \$ 20 bn. to \$ 70 bn. in the reporting year. This expansion was accompanied by a striking shift: facilities not backed by underwriting guarantees, especially eurocommercial paper programmes, became the clear favourites. With

an amount of \$ 54 bn. they accounted for more than three-quarters of the aggregate volume (1985: one-third). Newly arranged euronote facilities with back-up lines from banks, which had previously dominated the field, came to only \$ 15 bn. in 1986, just about half the pre-year figure.

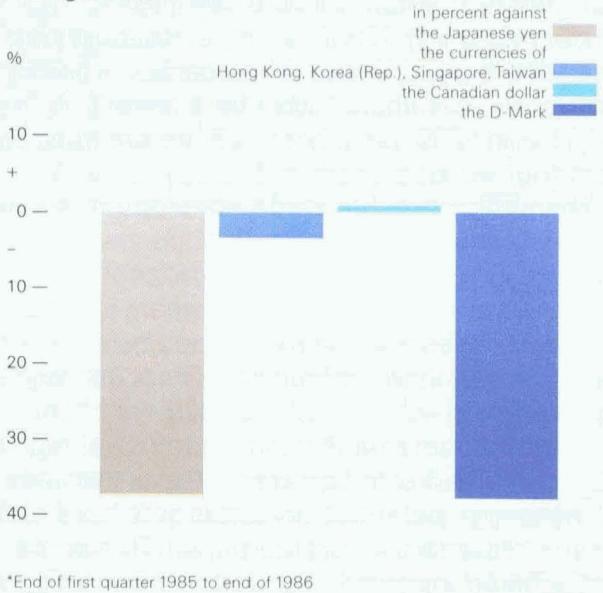
The strong trend towards eurocommercial paper programmes is explained on the issuer's side by the desire to cut costs. A significant factor for the banks was that back-up commitments for euronote facilities have been included by supervisory authorities in the calculation of capital requirements.

If the euronote market is to develop along stable lines in future and greater use is to be made of its financing potential, investors will have to be more willing to take up the paper. This could be encouraged by providing better information on the issuers through appropriate rating systems.

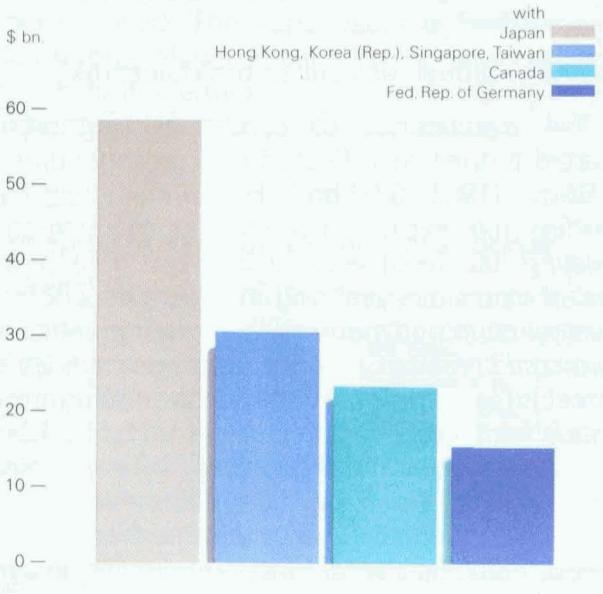
Eurocredit business still in the doldrums

The significance of syndicated eurocredits waned further, as reflected in a gross volume of \$ 50 bn. (1985: \$ 53 bn.). However, actual new lending (i.e. excluding operations to restructure existing liabilities) was, at \$ 36 bn., 12% higher than the previous year's figure. Borrowers from industrial countries made slightly greater use of the eurocredit market, taking up a good \$ 32 bn. (gross). New commitments to developing countries (excluding OPEC) fell by one-third to \$ 12 bn. Credit granted to the OPEC and CMEA countries amounted to close on \$ 3 bn. for each group. Spreads on eurocredits contracted across the board, reaching the historic low of 0.4% on average.

Change in dollar*



U.S. trade deficits in 1986



Major correction to the dollar . . .

On the foreign exchange markets, the dollar continued to weaken under the influence of persistently high U.S. trade deficits. In the reporting year it lost 14% on average against the currencies of the industrial countries, and a good 20% against both the D-Mark and the Japanese yen. After settling at around DM 2 and 160 yen for a time in the last third of the year, the U.S. currency then slid into a new weak phase.

In response to this, the Ministers of Finance and Central Bank Governors of the six major industrial countries agreed in Paris on February 22, 1987 to cooperate closely to foster stability of exchange rates around the lower levels meanwhile reached (DM 1.83 and 154 yen to the dollar). The accord had been preceded by a lengthy period of growing difficulties in international cooperation on economic and monetary policy. A note of dis-harmony in the transatlantic dialogue had unsettled the markets at times and been a major contributor to exaggerated reactions in exchange rates.

. . . strengthens the D-Mark . . .

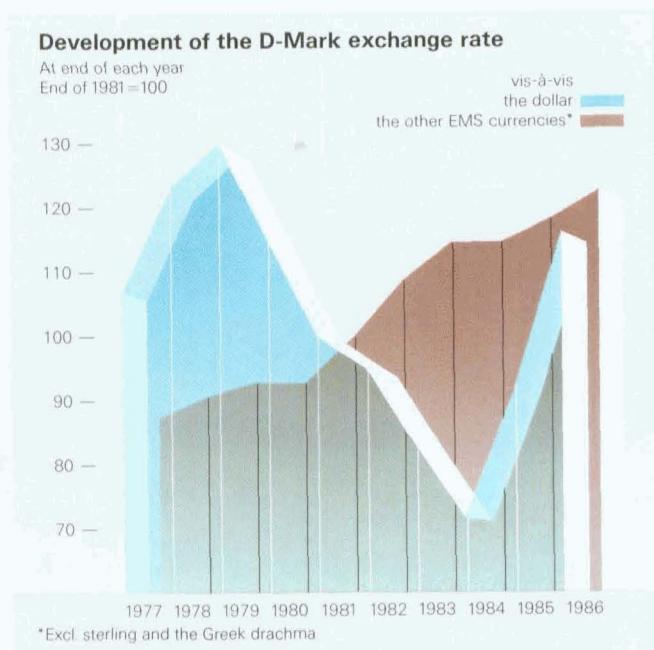
Backed by the sound state of the German economy, the D-Mark firmed on a broad front. The effective exchange rate against the currencies of 14 major trade partners rose 9% in the course of 1986 (previous year: 6½%). The increase was especially pronounced vis-à-vis the dollar (27%), sterling (24%) and the Nordic currencies. Within the European Monetary System the D-Mark gained 4% on average against all the other member currencies in the exchange rate mechanism, and 8% against the French franc.

... and puts a strain on the EMS

Domestic and external economic stabilization in the EMS made further progress. National inflation rates generally decreased and differences between them narrowed. Nevertheless, the EMS central rates were realigned a number of times: a general correction in April, when the D-Mark was revalued by an average of 3½%, took account of the differences in price and cost levels that had accrued since the realignment in March 1983. In August the Irish punt, which had been drawn down by sterling's loss of value, was devalued in a unilateral move by 8%. Finally, on January 12, 1987, the parity of the D-Mark (and that of the Dutch guilder) was raised by 1% against the Bel-

gian/Luxembourg franc and by 3% against all the other member currencies. The main reason was the fall of the dollar, which was particularly crass in relation to the D-Mark as an alternative international investment currency, and therefore led to tensions in the EMS exchange rate structure.

Pursuant to the resolutions to create a single domestic market for goods, services and capital by 1992, the Council of Ministers of the European Communities passed a directive in November for the liberalization of capital movements. The new two-phase plan for the elimination of all capital controls marks an important stage in the development of the EMS. It will place greater demands on monetary and economic co-operation in Europe.



Group Companies and Affiliates

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

Commercial banks



Mortgage banks



Investment banking companies

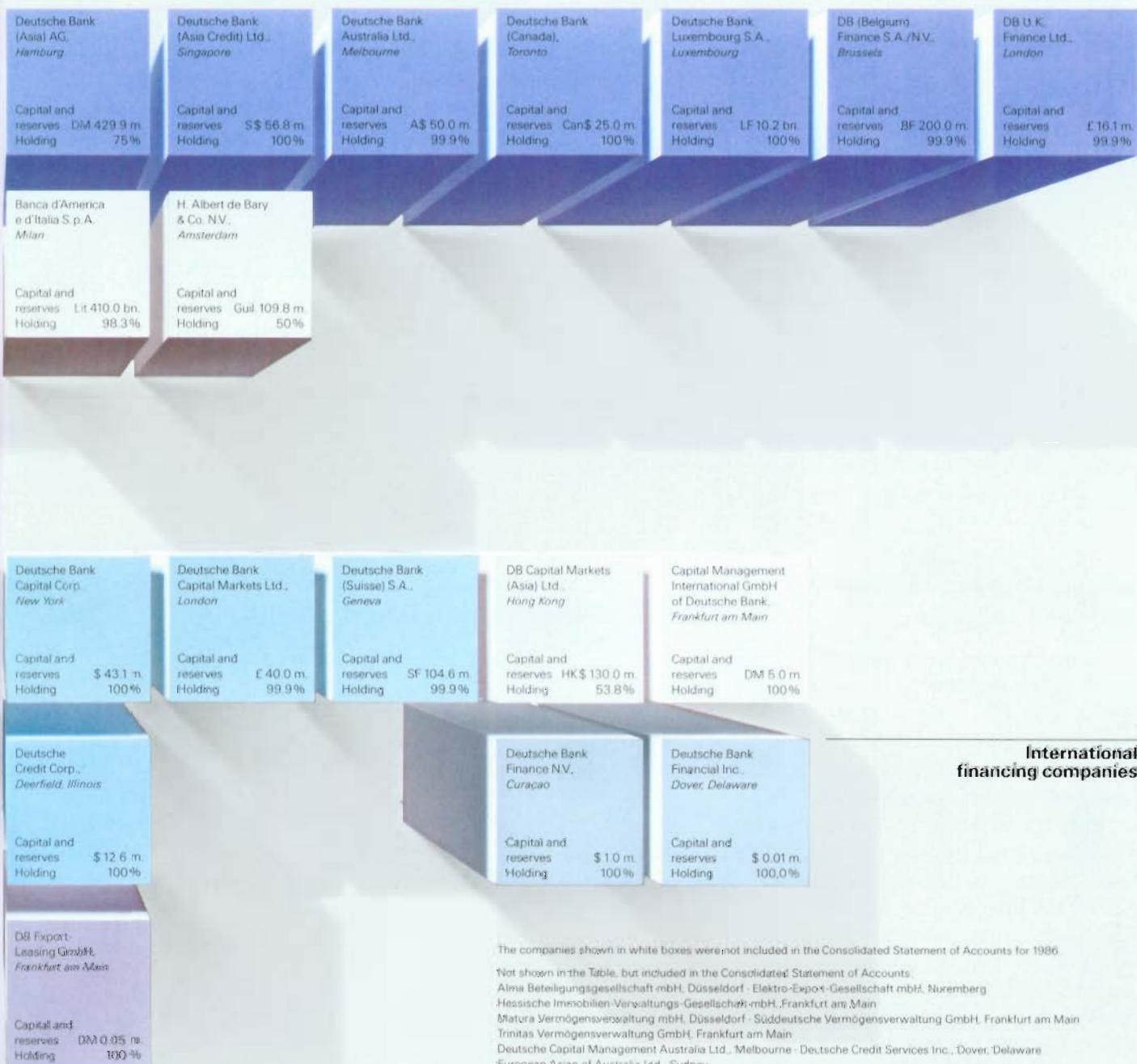


Instalment financing companies and specialized institutions



Leasing companies





Development of the Group and Deutsche Bank AG

A. Business policy, overall development and result

Unusual increase in earnings

In 1986, Deutsche Bank Group achieved an unusually high operating result. This increase was due to a very large extent to the income from the acquisition and subsequent successful placement of the Flick holdings. Furthermore, our securities business saw another gratifying increase in commissions and profits on own-account trading in 1986. The interest surplus – on a basis comparable with the previous year – also rose, but only as a result of the strong expansion of average business volume. The interest margin declined slightly; but we were able to keep the reduction within bounds.

Three guiding principles in the annual statement of accounts

In the appropriation of the bank's operating result, we were guided by three major considerations:

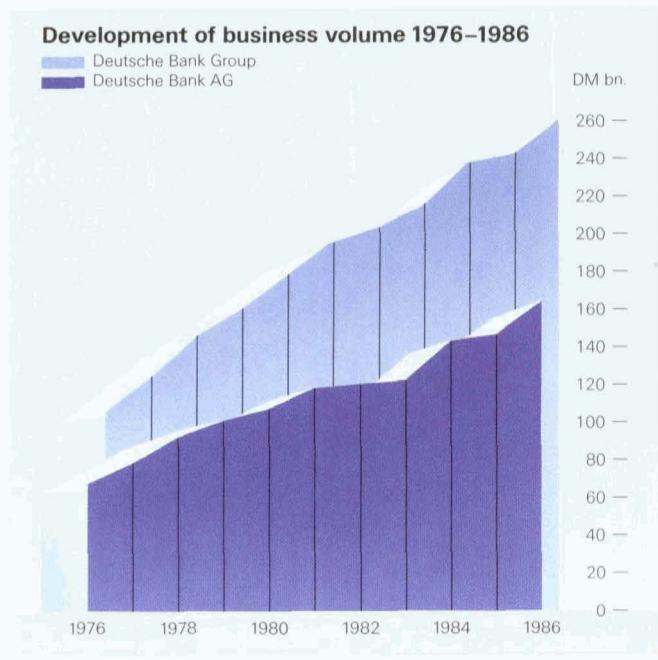
1. Further security for the bank. To take account of this, we increased our risk provision after a renewed careful valuation of individual and country commitments and raised our disclosed reserves by a further DM 271.8 m.
2. Public responsibility. Out of a sense of responsibility towards society and the public at large, we have established a foundation named "Help for self-help" and meanwhile endowed it with DM 100 m.
3. Participation of shareholders. We propose to the General Meeting that, in addition to maintaining the dividend at last year's level, a bonus

of DM 5 per share be paid; by granting a bonus, we demonstrate that the annual result for 1986 was characterized by an unusual increase in our result. Together with imputable corporation tax of DM 9.56 per share, the total income for our domestic shareholders is DM 26.56 per DM 50 share.

Adjustment to changed structures

Our business policy in 1986 was shaped largely by the changed structures on national and international financial markets. Our aim was

- to strengthen the bank's position in securities business as a whole (investment banking) by



means of flexible and innovative expansion of our range of services, but to take particular account of risk and earnings in our use of new instruments on the international markets.

- to continue to develop our classical commercial banking activity in lending and deposits business and to extend strategically our presence in the world's growth markets,
- to reinforce the bank's role in retail banking by entering new areas of business and using new distribution channels, and
- to press ahead in all fields of business with the application of electronic data processing as a qualitative and quantitative supplement to our services.

In this way, we intend to make greater use of the bank's market potential, to stabilize income structures and to reduce risks further.

New organizational strategy

To achieve optimum use of our resources, we improved the transparency of Group costs and earnings and brought the business activities of the individual Group companies into closer alignment with each other.

As part of the new organizational strategy, we increased decentralized discretionary powers. At the same time, we combined the bank's central functions to form areas in which the assignments to be fulfilled are closely related and thus highly interdependent. This facilitates cooperation and coordination within each area. At the same time, the Board of Managing Directors is to be relieved of operational duties, thereby finding more time for strategic considerations, without losing the necessary proximity to the bank's business and customers.

Greater presence in growth regions

Parallel to the expansion and extension of our operational bases in securities business, we are also developing our network of classical banking outlets in lending and deposits business. In December we acquired Banca d'America e d'Italia S.p.A., Milan, with 98 offices in Italy and a balance sheet total of almost DM 8.9 bn. (converted). It will be consolidated for the first time in our statement of accounts for 1987.

The globalization and internationalization of the bank do not, however, mean an abatement in our concern for our domestic customers. Our domestic business is still *the backbone* of our earning power. Without our domestic business we could not sustain our international activities on their present scale. On the other hand, our foreign branches and subsidiaries support the results of our domestic organization through their services to German customers.

Together with the offices of Banca d'America e d'Italia S.p.A. and its subsidiaries, Deutsche Bank Group had 1,510 bases at the end of the year, of which 1,345 were in Germany and 165 abroad.

Strong increase in business volume

The expansion of Group business volume (excluding Banca d'America e d'Italia S.p.A.) increased markedly in 1986 compared with the previous year (+ 7.9% to DM 261.9 bn.). This was partly due to brisker demand for credit, but partly also to the fact that we expanded euromarket deposits in the short term owing to special transactions.

Excluding the revaluation of the D-Mark against the dollar and other currencies, the growth of our consolidated business volume would have been

DM 7.6 bn. higher (previous year: DM 10 bn.). Assets and liabilities denominated in foreign currency accounted for 22% of the consolidated balance sheet total at the end of the year.

Within the Group, business volume growth was highest at Deutsche Bank AG (+ 11.8% to DM 164.1 bn.). It took place in particular in the bank's domestic operations. At the foreign branches there was growth of 8.3%; excluding exchange rate effects: more than 20%.

At our mortgage banks and international financing companies, business volume increased; it declined, on the other hand, at our foreign commercial banks owing, among other things, to the weaker dollar.

Long-term loans in demand

In the Group's credit business in 1986, long-term lendings in customer and mortgage bank business were in particular demand owing to the low level of interest rates. Short and medium-term claims on customers, discounts and advances to banks decreased.

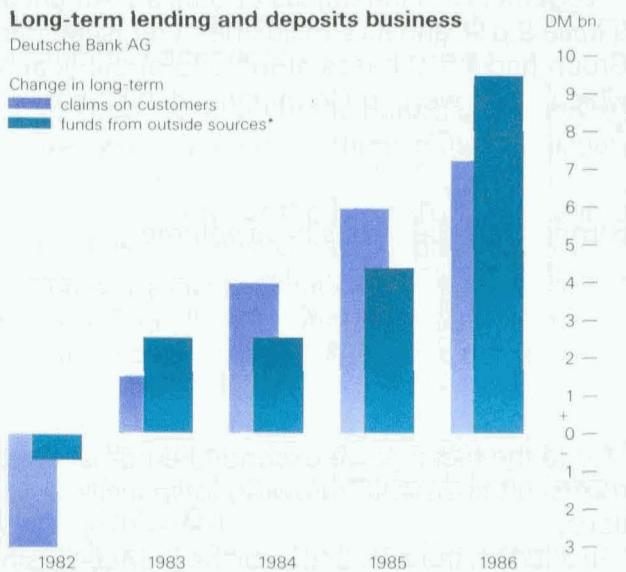
The shift to long-term claims on customers was particularly clear at the parent company. Loans to customers at Deutsche Bank AG rose by 21.7% in 1986; in the last two years together they have increased by almost half. Their share in total claims on customers rose to 51% at the end of 1986; a figure of this size has not been recorded for seven years. Growth was particularly pronounced in loans at fixed terms and conditions.

Total credit extended by the Group amounted to DM 179.8 bn. at the end of 1986.

Long-term lending and deposits business

Deutsche Bank AG

Change in long-term
claims on customers
funds from outside sources*



*Bonds and notes, long-term savings deposits and time deposits (4 years or more)

Funding at matching maturities

To keep the risk from future interest rate changes low, a large proportion of our new lendings and the long-term loans for which the period of fixed terms and conditions expired was funded at matching interest rates and maturities. Taken in total, the Group's long-term funds from outside sources – excluding savings deposits – increased by DM 11.5 bn.

Through the use of interest and currency swaps, by issuing bonds with warrants attached and with currency and interest warrants we also obtained favourable long-term rates on the funding side.

In order to make use of foreign money and capital markets, we channelled more of our funding activities, as in the previous years, through our foreign subsidiaries. Our New York Branch placed

dollar-denominated medium-term notes for the first time on the U.S. market. Our international financing company, Deutsche Bank Finance N.V., Curaçao, issued bonds for the equivalent of more than DM 3.2 bn.

On the domestic side, savings deposits above all increased as a result of the Deutsche Bank fixed-interest saving scheme introduced at the end of 1985. In addition, we sold more savings certificates and issued our own bonds.

At year's end, total Group funds from outside sources came to DM 233.8 bn., of which DM 140.3 bn. was at the parent company.

DM 10 bn. in capital and reserves

At year's end, after additions to reserves from net income for the year at the parent company and subsidiaries, Deutsche Bank Group had capital and reserves of DM 10 bn., of which more than DM 8 bn. was at Deutsche Bank AG. The share of capital and reserves in Group balance sheet total was 3.9% (previous year 4.0%). The percentage share at the parent company was 5.2% (previous year 5.5%). The slight decrease in these ratios is due to the strong growth of balance sheet totals.

Operating result of the Group ...

The Group operating result (including own-account trading) increased by 24.9%. This rise stemmed above all from the parent company, but also from the mortgage banks and from our investment banking companies. The devaluation of local currencies had a partly negative effect on the operating results of our foreign commercial banking subsidiaries after conversion into D-Marks.

The share of our subsidiaries in Group operating result was close on one-quarter.

... and of Deutsche Bank AG

The operating result of Deutsche Bank AG increased by 35.1% in 1986. This was the tenth consecutive rise.

Decisive factors behind the growth in the year under review were

- the income from the acquisition and subsequent placement of the Flick holdings; it was fully reflected in the Profit and Loss Account of Deutsche Bank AG for 1986. Without this income, the bank's operating result would have increased by 7%;
- the renewed growth of earnings on securities business. Total earnings on securities business rose by roughly one-fifth in 1986. This business sector therefore made its highest ever contribution – in both absolute and relative terms – to the operating result.

Interest margin again slightly lower

Income from subsidiaries, associated companies and trade investments increased at Deutsche Bank AG above all as a result of the dividend paid by our subsidiary Alma Beteiligungsgesellschaft mbH, Düsseldorf. This dividend stems from the sale of those Flick holdings which did not form part of the "industrial core" and from the result of the placement of the shares of Feldmühle Nobel AG, which comprises the former Buderus, Dynamit Nobel and Feldmühle groups of companies.

Excluding this income from the Flick transaction, the interest surplus rose by 3.9% in the re-

porting period. The growth stemmed from the incremental earnings due to the expansion of average business volume (+ 8.0%).

The interest margin on a basis comparable with 1985 decreased again slightly (to 2.88% on average for the year) after the fall in the previous years. This was partly due to the fact that we funded the increase in long-term lendings to customers at fixed terms and conditions at matching maturities. We deliberately accepted this, however, in order to keep the bank's interest rate risks within bounds in view of the low fixed rates on long-term loans and the uncertainty as to how interest rates would develop.

A further factor was keen competition, which led to lower interest rates in short and medium-

term lending business, too, while the average interest paid on funds from outside sources did not decrease to the same extent.

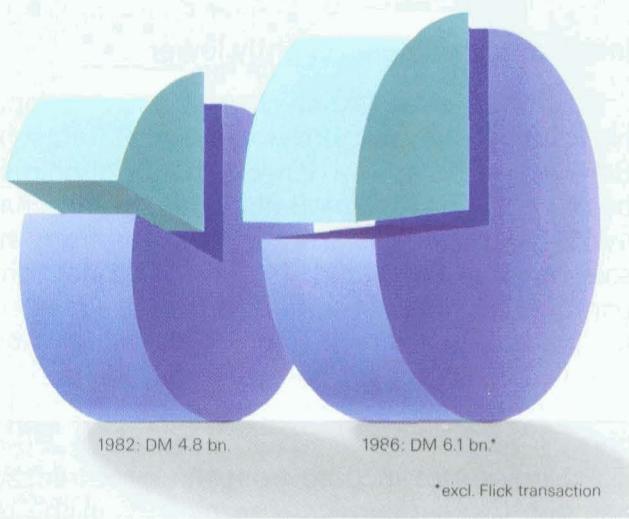
Commission surplus + 13.5%

The commission surplus at Deutsche Bank AG increased in 1986 by DM 188 m. to DM 1,581 m. This is the second-largest rise since the reamalgamation of the bank in 1957. This growth stemmed above all from incremental revenue from commission and placement business in shares.

During the last few years, our services business has developed dynamically, besides our own-account trading. While the interest surplus grew by 58% between 1980 and 1986 (excluding the Flick transaction), the total commission surplus has roughly doubled. Its share in regular income (excluding own-account trading) increased during this period, stimulated above all by securities business, from 22% to 26%.

Change in structure of income

Deutsche Bank AG
(Ordinary income)
Commission surplus
Interest surplus



Stronger rise in staff and other operating expenses

The 1986 result was burdened by the stronger rise in staff and other operating expenses (11.9%). This increase was due to the substantial growth in staff expenses (12.0%), which is partly attributable to non-recurrent special payments to our employees within the framework of our end-of-year closing operations, but also to new recruitments.

In the year under review, general operating expenses increased by 9.3%; this growth is connected, among other things, with our substantial investment in electronic data processing, particularly in the terminalization of our branches.

Partial operating result . . .

The partial operating result of Deutsche Bank AG (surplus on current business excluding own-account trading) rose by 46.3% in 1986 to DM 2.8 bn.

... and own-account trading

The profits on own-account trading increased again markedly compared with the very high level of 1985. Equity trading turned in the best result. Bond trading, however, made a slightly reduced contribution to profits on own-account trading. Earnings on foreign exchange arbitrage business held up well. Earnings in our arbitrage business in precious metals improved.

In the course of the year, however, earnings growth in own-account trading declined with the deterioration on the bourse. This clearly shows the vulnerability of the result in securities business.

No easing of the risk situation

Provision for risk in domestic and foreign lending business took up a substantial part of our operating result in 1986, too. On the domestic side, there was practically no decrease in the number of insolvencies; younger companies are often affected because their start-up phase is frequently more difficult and longer than originally assumed. The building sector also remained vulnerable, despite some improvements. The situation of many Third World debtor countries deteriorated owing to reduced export revenues and growing political difficulties in sustaining the adjustment process. On the other hand, the Group's risk-bearing exposure in international lending ex-

pressed in D-Marks declined owing to the devaluation of the dollar.

Again, account had to be taken of the risks at associated companies for which we have issued declarations of backing.

Taken in total, the bank used all possibilities for cautious valuation admissible for tax purposes in its statement of accounts for 1986 and took full account of risks by forming adjustments and provisions. Here, as in the previous years, we set off profits on securities and earnings from 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). After this offsetting we report write-downs of and adjustments to claims and securities and transfers to provisions for possible loan losses in the amount of DM 504 m. in the Profit and Loss Account. Loan losses written off had been almost completely provided for by adjustments in earlier years.

Group pre-tax profit

Comparable Group pre-tax profit, i.e. the operating result less the balance on extraordinary account, increased slightly in 1986 to DM 2.7 bn.

"Help for self-help" – a new foundation

In 1986 we set up a foundation "Help for self-help" and have meanwhile endowed it with funds of DM 100 m. Its activities are devoted exclusively and directly to public-benefit purposes. It will support primarily self-help and private initiatives. The funds stemming from the income on the foundation capital will be channelled to the intended beneficiaries through our branch network.

Our EDP – designed for the future

After years of intensive preparation, the bank made substantial progress in the past financial year in the field of electronic data processing.

At the end of 1986, more than 12,000 workplaces in our domestic branches were equipped with new multi-functional terminals at which our employees can enter debits and credits, issue securities and foreign exchange orders, retrieve account information, call up information for customer counselling purposes and can also obtain EDP support in serving our customers in more complex types of business. EDP, therefore, has today become a standard working tool for our staff. After completion of the new terminalization process in the course of this year, all of the bank's branches will be equipped with a total of roughly 15,000 terminals.

At the same time, self-service appliances such as cash dispensers and account statement printers are being integrated to an increasing extent into the new terminal network.

Building block principle

The services offered by this network, which have further improved our overall service to customers and strengthened the competitiveness of the bank, are provided by a sophisticated system which is structured according to the building block principle and decentrally organized. IBM, Siemens and Nixdorf computers are used at Central Office, Regional Head Branch and branch levels with clearly differentiated functions but on a fully compatible and interactive basis. This overall design guarantees a high level of flexibility and independence. The principal structures and functions of our new terminalization project are described on pages 43 and 44.

The bank's self-service facilities comprise, in addition to cash dispensers and account statement printers, customer-operated terminals for obtaining information and giving orders, and the videotex programme. This range of services, which above all is available outside normal business hours, is being rapidly expanded in response to its good acceptance by our customers.

Electronic banking

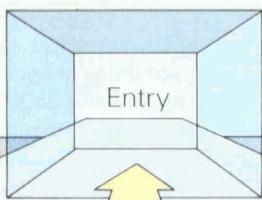
Under the heading of "Electronic Banking", the bank supplies advisory services particularly to its corporate customers and self-employed private customers with electronic media and makes it possible for them to retrieve information and initiate transactions.

As the first German bank to do so, we gave more than 15,000 visitors to the CeBIT Fair in Hanover in March 1986 an overview of the quickly expanding field of national and worldwide electronic banking services and obtained a very positive response. Numerous customer presentations on "Electronic Banking" were subsequently held in Germany and abroad.

Our database service entitled "db-data", which we introduced at the end of 1985 and which meanwhile offers access to more than 1,500 specialized databases worldwide, was used intensively in the year under review especially by our small and medium-sized corporate customers. "db-plan", our financial and profit planning service introduced in the previous year, was also a success with customers.

In 1986 we supplemented our cash management service with two further software packages providing account information and account operation facilities on a suprabank basis: on the domestic side "db-dialog", our EDP software for videotex-compatible personal computers; on the

Computer Centres
Eschborn, Düsseldorf, Hamburg



Processing (more than 600 million transactions p.a.), file maintenance/amendment (more than 10 million accounts/safe-custody accounts). Updating on terminal computers, data acceptance by terminal computers.

Terminal computers (16)

Storage of inventory data, debits and credits and other information

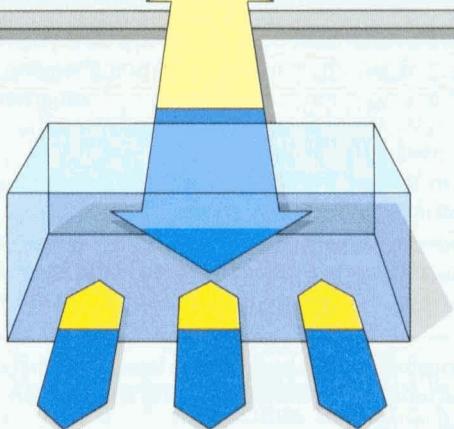
Level 1
(Central Office)

Level 2
(Head Branch)

Terminal controllers (about 1,700)

Collection of debits and credits, work station control

Level 3
(Branch, business office)



Retrieval of balances, debits and credits and other information

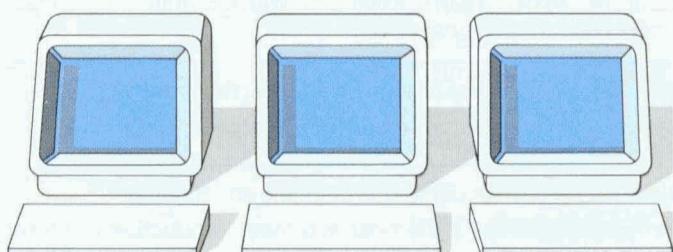
Terminal work stations
(about 15,000)

and

Account statement printer

Cash dispenser

Automatic teller system



Settlement of business/customer counselling

New terminalization: excerpt from the applications catalogue

Area	Specimen applications
Suprasectoral functions	<ul style="list-style-type: none"> Administration of all customer data, such as name, address etc., which are required in various sectors. Counselling support through customized calculation at the terminal, e. g. for construction financings, personal loans, profitability of specific investments etc. All cash debits and credits can be handled at the terminal, including current account and savings account business. Integrated link-up with automatic teller systems.
Savings business	<ul style="list-style-type: none"> Account information, automatic debit and credit booking, automatic debit and credit write up on presentation of passbook, terminalized passbook initiation etc.
Current accounts	<ul style="list-style-type: none"> More than 100 different terminal displays for handling business, retrieving information and supporting the bank's advisory services. Special combinations of current data, e. g. for loan processing and preparing visits to customers. Recording blocks on eurocheques/eurocheque cards.
Portfolio investments	<ul style="list-style-type: none"> Direct input of securities orders at all branches and banking offices for automatic transmission up to the booking stage and preparation of settlement note for customer. Various safe-custody account evaluations/inquiries at the terminal, in particular to support customer counselling activities. Detailed up-to date information at the terminal on worldwide stock market developments and particularly interesting corporations.
Foreign exchange business	<ul style="list-style-type: none"> Direct input of foreign exchange orders at the terminal for automatic transmission. Ordering system for foreign note and coin/precious metals business.
Lending business	<ul style="list-style-type: none"> Various possibilities of obtaining the latest information on all kinds of loans: <ul style="list-style-type: none"> – classical lending business, including special loan programs, – personal loans, – construction financings. Computer-assisted work processing with integrated combination of EDP data and stored texts, i. a. for construction financings.
International business	<ul style="list-style-type: none"> Initiation of all types of foreign payment at the terminal. Handling of documentary credit transactions at the terminal.
Internal functions	<ul style="list-style-type: none"> Dialogue system for personnel planning and training. Terminal supported system for automatic production of balance sheet and profit and loss account. Customized evaluations incl. graphics.

international side "Cash Administrator" as a component of "db-direct", our international cash management system.

Our electronic banking service also includes, among other things, "db-transfer", our debit and credit transfer program, "db-rationell", our electronic payment services, and "db-Bildschirmtext", our electronic information and account service.

International communications network

Deutsche Bank Group's international activities are supported by a modern communications network available around the globe and across all time zones for the transmission of data and texts and for access to business data.

The EDP equipment at our foreign branches is being renewed thoroughly at the present time to meet the business requirements of the future.

B. Individual business sectors

1. Corporate customers: More than 150,000 enterprises

At the end of 1986, Deutsche Bank Group served more than 150,000 enterprises worldwide. On the domestic side, 95% of our corporate customers are small and medium-sized businesses.

Loans to domestic corporate customers in the Group amounted to DM 47.3 bn. at the end of the reporting year.

Brisk lending business . . .

The lending business of Deutsche Bank AG with domestic corporate customers expanded 22.3% to DM 31.0 bn. owing to the good development of economic activity and successful efforts to obtain new business.

There was demand above all for long-term financings. The loans extended to corporate customers by Deutsche Bank AG at fixed terms and conditions increased by more than one-third, with 4 and 5-year fixed-interest periods predominating. Small and medium-sized enterprises made greater use (+ 12.4%) of the Small Business Loan (GAK). In addition, we acted as intermediary for loans totalling twice as much as in the previous year under Federal and Länder Government programmes.

There was a slight rise in interest in short and medium-term cash loans in the second half of the year. Our intermediation of euroloans, on the other hand, declined.

. . . more demand for cash investments . . .

The improved liquidity and earnings situation increased the demand of a large number of our

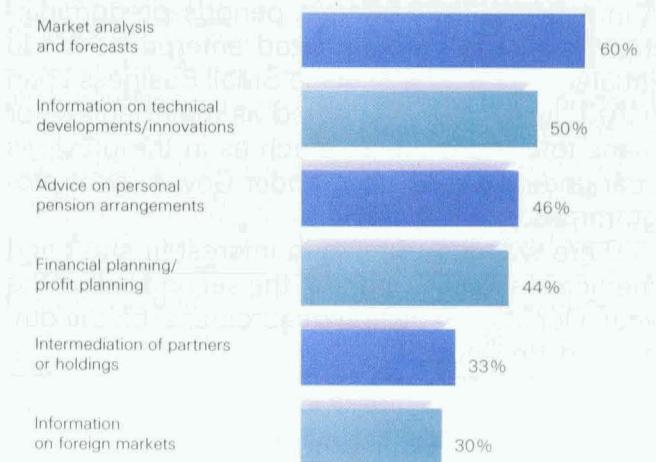
corporate customers for cash investments, with securities being purchased on a substantial scale.

Domestic corporate customers' demand deposits at Deutsche Bank AG rose to DM 10.3 bn.; time deposits as at December 31, 1986 were one-third up on the particularly high level at the end of the previous year.

... and more information and counselling

In view of the growing demand for advice, above all on the part of small and medium-sized enterprises, we further extended the "db-corporate service". It comprises a range of individual services, one of which is solving business management problems.

Small and medium-sized firms expect their banks to help them solve entrepreneurial problems



Source: Infratest, Firmen-FMDS 1986

Over and above this, we carried out customer seminars in which experts expressed their opinions on important business questions. During the last few years we have held roughly 300 seminars on foreign business subjects and more than 250 small and medium-sized business forums; they were attended by a total of roughly 40,000 visitors.

Within the framework of the db-international service, we informed foreign-trade-oriented companies, using our Group's worldwide branch network, about market developments and business possibilities in other countries and advised them on a wide variety of financial questions. The focus in 1986 was on the Far East and Australia region owing to the special interest shown by our customers.

Consulting service further expanded

At our subsidiary DB Consult GmbH, Frankfurt am Main, demand for advice and support in connection with the purchase and sale of companies increased strongly. The counselling is given by personnel with comprehensive industrial experience.

In Japan we acquired a holding of one-third in the capital of the consulting company Vaubel & Partners Ltd., Tokyo, in the reporting year. Our aim is to facilitate the penetration of the Japanese market by our German and international customers.

Brisk demand for leasing and instalment finance

GEFA-Leasing GmbH, Wuppertal, which engages in the leasing of movables, expanded its business substantially despite increasing competition from manufacturers' own leasing companies. New commitments rose by 10%, with the

emphasis on office and information technology as well as on vehicles. The total leasing volume increased in 1986 to roughly DM 1.2 bn.

Our extended service, "db-leasing", where our branches themselves can advise their customers on leasing questions, too, and conclude business direct, developed satisfactorily in the year of its introduction.

GEFA Gesellschaft für Absatzfinanzierung mbH, Wuppertal, which extends longer-term, tied instalment loans at fixed interest rates and purchases claims deriving from merchandise, service and leasing transactions, increased its accounts outstanding by 9% to DM 1.9 bn. There was particular demand for instalment financings for commercial vehicles.

Deutsche Immobilien Leasing GmbH (DIL), Düsseldorf, took 90 commercial properties with acquisition or construction costs totalling roughly DM 1 bn. into its portfolio in the reporting year. For the most part, these properties were office and production buildings. The investments are spread over many locations and industries. At the end of the year, DIL administered 600 properties with a total investment volume of roughly DM 7 bn.

International big-ticket leasing, which we entered in 1985 and with which we supplement classical export financing, was developed according to schedule in the period under review. In sales-aid leasing we concluded, among other things, a general agreement on future cooperation with a Chinese leasing company and acquired a leasing portfolio of German export goods in the United Kingdom.

In the American market, our wholly-owned subsidiary Deutsche Credit Corporation, Deerfield, Illinois, engages in leasing, long-term factoring and asset-based financing for dealers and end users. Special importance is attached to sup-

porting the sales efforts of customers of Deutsche Bank Group in the U.S.A.

Successful service for small and medium-sized businesses

Deutsche Beteiligungs AG Unternehmensbeteiligungsgesellschaft, Königstein (Taunus), which we founded in 1984 with Schmidt-Bank in Hof (Saale), had 13 holdings in small and medium-sized enterprises worth a total of DM 50 m. at the end of 1986. These firms had total sales of DM 700 m. and employed more than 4,500 staff.

Deutsche Beteiligungsgesellschaft mbH, Frankfurt am Main, remains available for holdings in companies which are either still too new for a public portfolio, or which do not wish to take upon themselves the disclosure requirements this entails, or which would like to go public in their own name and are seeking assistance in this connection. At the end of 1986, the portfolio of Deutsche Beteiligungsgesellschaft mbH consisted of 35 holdings worth a total of DM 136 m. in companies with total sales of roughly DM 2.9 bn. and more than 16,500 employees.

Venture capital and loans for new companies

The total volume of our holdings in venture capital companies has now been increased to DM 75 m.

The lion's share of this is attributable to our holding in WFG Deutsche Gesellschaft für Wagniskapital mbH, Frankfurt am Main, and the funds which it administers. The functions of WFG include both the provision of equity capital and counselling in management questions. Here, in cooperation with local partners, it also serves the

subsidiaries of its holding companies abroad, above all in the U.S.A.

In the year under review, WFG increased its holdings in companies with above-average growth, most of which are intending to go public in the medium term. Here, special attention was devoted to management buy-outs, i.e. takeovers of small or medium-sized enterprises by their managers.

For a long time now, we have attached great importance to the financing of innovative companies. We are already committed to this area with a lending volume of roughly DM 200 m. At our big branches, we have employees specially trained to serve these customers.

2. Retail business: emphasis on deposits

Our retail business in 1986 was stimulated by the development of households' income. Deutsche Bank AG recorded total volume growth (sum of lendings and deposits excluding bonds and notes) of 9.0% to DM 75.0 bn.

Demand, time and savings deposits as well as savings certificates of private customers together increased by 10.8% to DM 39.9 bn. Lending business with retail customers increased in line with the expansion of private consumption, particularly in the second half of the year. Total claims of Deutsche Bank AG on domestic private customers came to DM 35.1 bn. at the end of 1986.

Building loans for more than DM 55 bn. in the Group

Our new commitments in the building financing sector in 1986 totalled DM 11.7 bn. The focus here was on purchases and modernization pro-

jects. The borrowing requirement for new residential buildings was lower, owing to the decline in new building activity overall.

In 1986, many borrowers used the low level of interest rates to obtain longer periods of fixed interest and fundings. We therefore extended our range of fixed-interest periods to up to ten years within the framework of our BauKreditSystem (building loan system) and further intensified the close cooperation with our mortgage bank subsidiaries. In the period under review, our domestic branches referred loans worth more than DM 2 bn. to the Group mortgage banks; at year's end, the volume of referred loans stood at DM 12.5 bn.

Total building loans extended by the Group amounted at year's end to DM 55.6 bn., of which DM 18.9 bn. was on the parent company's books.

Deutsche Bank's building saving service

From spring 1987, our range of products has been supplemented by Deutsche Bank's building saving service. It is offered by our new subsidiary "Deutsche Bank Bauspar-AG", Frankfurt am Main.

This new service is aimed both at savers and at building loan customers. We are thus in a position to offer building saving as one of our bank's own products; up to now, we have acted as intermediary for building savings agreements of institutions outside our Group.

More personal loans

Our comprehensive range of loans for consumer financing purposes was in brisk demand. New loans extended by Deutsche Bank AG amounted

to DM 3.2 bn., which was 3.5% more than in the previous year. The proportion of loans under which the customer can draw at any time up to a certain limit increased again; by the end of the year, their share of total personal loans had risen to 16%.

Our additional range of various insurance alternatives, with which our customers can insure against personal risks, was used frequently.

Savings business of Deutsche Bank AG: DM 3 bn. growth

In the year under review, our savings deposits increased by DM 3.0 bn. to DM 24.5 bn., the volume of savings certificates outstanding rose by

DM 0.6 bn. to DM 6.6 bn. The total volume of savings with balance-sheet effect came to DM 31.1 bn. at the end of 1986 at Deutsche Bank AG (end of 1985: DM 27.5 bn.).

New business was supported above all by the inflow of funds into special forms of saving. In the case of Deutsche Bank fixed-interest saving, which has a one-year interest guarantee, the inflow of funds was particularly strong.

Demand for the Deutsche Bank savings plan with insurance cover stabilized. In 1986, a total of 88,000 new agreements were concluded in the Group. To supplement our savings programme, we have offered a special savings plan for young adults since March 1986; it, too, has met with a good response.

New service for the self-employed

Our services for the self-employed, an important group of customers, have been supplemented and improved by the new product "Our banking service for the self-employed – practice and business". This is a service comprising an investment loan, a credit line, a practice/business account, and tailored insurance cover. In addition, we also offer these customers advice on important financial and business management questions.

Development of our self-service facilities

Our network of cash dispensers was opened up to foreign tourists, too, in 1986. As the first German bank to do so, we have linked up our cash dispensers with a new authorization system introduced by the private banks which gives greater protection against misuse.



3. Securities business: strong growth again

In securities business with private and institutional investors, we again recorded strong growth in 1986. As in the previous year, turnover rose by 16% and totalled close on DM 140 bn. in the year as a whole.

Our customers' stronger propensity to buy and sell securities required a considerable increase in the number of our investment counsellors and in our technical settlement capacity. In the year under review, the larger-sized branches of the bank, which had not previously been integrated into the system, were linked up with the "direct ordering" system for the automatic recording and processing of orders. At the same time, we improved the possibilities of direct retrieval of statements, valuations and analyses for safe-custody accounts

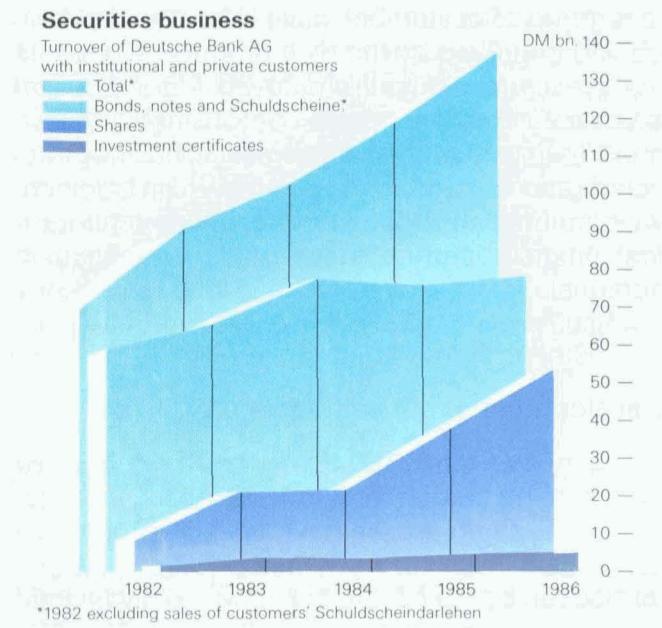
and enhanced our securities advisors' access to up-to-date stock market information via visual display units.

Our turnover in shares, which had increased by 77% in the previous year, rose by 42% owing to the strong interest on the part of our customers – supported by the cheerful development on the stock market. Domestic equities were at the centre of attention. New listings led to numerous follow-on deals. In addition, there was lively interest in German shares on the part of international investors seeking to diversify their portfolios.

German options business conducted on the stock market was developed in accordance with market requirements. It has meanwhile reached a substantial size. Turnover in warrants for German shares increased further.

Our business in foreign equities expanded by one-third in the year under review. More than 50% of our turnover was in Europe, above all in Switzerland, the Netherlands and Italy. Demand for U.S. equities was weaker. There was brisk interest in Japanese paper.

Turnover in fixed-interest securities (including Schuldcheindarlehen) grew by 3%. Impulses came from innovative instruments. Business in DM bonds and notes increased markedly, business in Schuldcheindarlehen more moderately; on the other hand, there was a slight fall in turnover in foreign-currency bonds and notes.



Market value of customers' portfolios:
DM 170 bn.

The market value of securities in our customers' safe-custody accounts in the Group increased by 3.7% in 1986 to DM 170 bn.; during the last five years it has more than doubled, above all owing

to the favourable development of prices and the incentives offered by the markets.

At year's end, the Group managed a total of 1.4 million safe-custody accounts for customers. In the period under review, the number of smaller safe-custody accounts decreased, while the number of medium and larger-sized portfolios increased markedly. The share of equities in safe-custody accounts rose strongly, thereby coming closer to normal international standards.

Securities subsidiaries abroad

Our foreign subsidiaries again contributed to the good results in our securities business. Our investment bank in New York, Deutsche Bank Capital Corporation, more than doubled its turnover in placement business for German equities with the big institutional investors in the U.S.A. It established many new business relations with American and international investors. At year's end, portfolios under management exceeded the amount of \$ 1 bn. for the first time ever.

Our subsidiary Deutsche Bank (Suisse) S A., located in Geneva and Zürich, which engages chiefly in portfolio investment and portfolio management business with international private customers, also strongly expanded its business volume in 1986.

Deutsche Bank Capital Markets Ltd., London, rounds off the network of our worldwide issuing and trading activities from London. Deutsche Bank Capital Markets (Asia) Ltd., Hong Kong, opened a branch in Tokyo on May 1, 1986. Trading in Japanese and foreign securities and inner-Japanese issuing business turned in gratifying results in the first business year.

Our Brussels and Paris Branches successfully developed their securities business with private and institutional investors.

Portfolio management for residents . . .

The growing attractiveness of securities markets and securities investments led to a further increase in customers' interest in our portfolio management service. The number and volume of portfolios on our books increased again markedly. This service has meanwhile gained the confidence of a broad circle of customers.

. . . and for non-resident investors

Our subsidiary Capital Management International GmbH of Deutsche Bank, Frankfurt am Main, offers non-resident institutional and private customers international portfolio management. The company, which is the only German portfolio management company to be registered with the Securities and Exchange Commission in the U.S.A., managed funds in the amount of DM 4.5 bn. at the end of the year. At the end of 1986 it established its own subsidiary in Tokyo to serve customers in the East Asian region.

Successful investment funds

Sales of investment fund certificates, which for broad circles of investors represent a low-priced and low-risk alternative to direct engagements in domestic and foreign markets, increased by 25% in 1986. Our subsidiary DWS Deutsche Gesellschaft für Wertpapierbesparung mbH, Frankfurt am Main, which celebrated its 30th anniversary in 1986, last year sold investment fund certificates worth DM 3.2 bn. (previous year: DM 2.2 bn.).

That was the highest volume ever achieved in one year. Investor interest was centred on INTERRENTA, DWS's international bond fund.

The total assets of all 18 DWS funds open to the public rose to more than DM 16 bn. DWS therefore has a share of close to 27% in the total assets of the securities funds open to the public recorded by the Federal Association of German Investment Companies (BVI).

Our subsidiary Deutsche Gesellschaft für Fondsverwaltung mbH (DEGEF), Frankfurt am Main, which manages special funds for institutional investors and employee funds, established 39 new funds in the year under review. The total assets of the company's present 168 funds expanded by DM 1.9 bn. to DM 11.3 bn.

The assets of the open-end property fund "grundbesitz-invest", which is managed by our subsidiary Deutsche Grundbesitz-Investmentgesellschaft mbH, Frankfurt am Main, rose in 1986 to more than DM 2 bn. Amounts totalling DM 133 m. were invested in the fund in the reporting year which ended on September 30.

4. Issuing business: expansion in all sectors

In the year under review, issuing business expanded strongly both in equities and in bonds.

On the domestic equity market, we introduced a total of 15 companies to the bourse with a total placement volume of DM 3.7 bn. (previous year: DM 1.1 bn.). They included big companies such as VDO Adolf Schindling AG, Feldmühle Nobel AG, MASSA AG, PUMA AG Rudolf Dassler Sport and Pelikan Holding AG, but also medium-sized companies such as the machine tool manufacturers Traub AG and MAHO AG.

Counselling and assisting companies in connection with the process of going public has

meanwhile become an important service for Deutsche Bank AG. We are confident that in the coming years more family companies will turn to the stock market to cover their equity capital requirements, thereby offering the general public attractive investment opportunities.

DM 10 bn. in capital increases for cash

In the year under review, the bank acted for the most part in a management capacity in connection with 58 capital increases for cash at companies already listed on the stock market; equity capital totalling roughly DM 10 bn. was received by the companies, over DM 3 bn. more than in the previous year. The biggest transactions were for Volkswagen AG with an amount of DM 2,100 m., Bayer AG (DM 1,104 m.), Allianz AG Holding (DM 722 m.) and Daimler-Benz AG (DM 530 m.).

A number of companies, which had only gone public in the last few years, were able to tap the capital market again with our assistance. The companies concerned included Nixdorf Computer AG (DM 640 m.), ASKO Deutsche Kaufhaus AG (DM 270 m.), Kollenschmidt AG (DM 114 m.) and Zanders Feinpapiere AG (DM 96 m.).

We also participated in the floating of bonds with warrants, e.g. for RWE AG, Hussel-Holding AG and Salamander AG, and in the issuing of participatory notes for Allianz AG Holding and Klöckner & Co. KGaA. We also took part in bonus share issues for 17 companies.

Broad dispersion of shares

Through "reparking" operations we were able to find new investors for a number of companies in 1986. The largest transaction of this kind was

the broad dispersion of shares of Daimler-Benz AG from the Flick holdings. For ASKO Deutsche Kaufhaus AG, we placed shares formerly held by REWE/Leibbrandt and for MASSA AG shares previously in family ownership. In addition, we participated in placing the shares of the Federal Republic and the Land Niedersachsen in the capital increase at Volkswagen AG and also took part in the privatization of VIAG AG from Federal Government holdings.

Flick holdings successfully placed

The purchase and subsequent placement of the Flick holdings were concluded in the year under review. Those holdings of the Friedrich Flick Industrieverwaltung KGaA (converted into Feldmühle Nobel AG) which did not belong to the "industrial core" (Daimler, Gerling and Grace) were sold. The profits on these sales were received by our subsidiary Alma Beteiligungsellschaft mbH, Düsseldorf. For Alma Beteiligungsellschaft mbH we placed the 7 million shares of Feldmühle Nobel AG for a total amount of DM 1,995 m. through a banking syndicate under our lead management. The remaining profit is due to Deutsche Bank AG as income from subsidiaries, associated companies and trade investments.

Growing international equity placements

Our equity issuing business is becoming increasingly international. This not only applies to investors, but also to the companies which we serve. In the privatization transactions for British Gas Corporation and the Compagnie de Saint-Gobain, Deutsche Bank AG lead-managed the

sub-syndicates formed for the placements in the Federal Republic of Germany. The Fiat Group gave us a mandate for the international placement of part of the share package it had repurchased.

International bond issues for \$ 80 bn.

In international issuing business, we participated in 1986 in a total of 610 bond issues (previous year: 575) with a volume of more than \$ 80 bn. That was 41% of the total market volume. 127 issues were denominated in D-Marks, 283 in U.S. dollars and 200 in other currencies.

Euroissuing business

Deutsche Bank AG/Deutsche Bank Capital Markets Ltd.*

Number of eurobond/euronote issues

\$ bn.

Foreign currency issues

100 —

Foreign DM bonds and notes

90 —

80 —

70 —

60 —

50 —

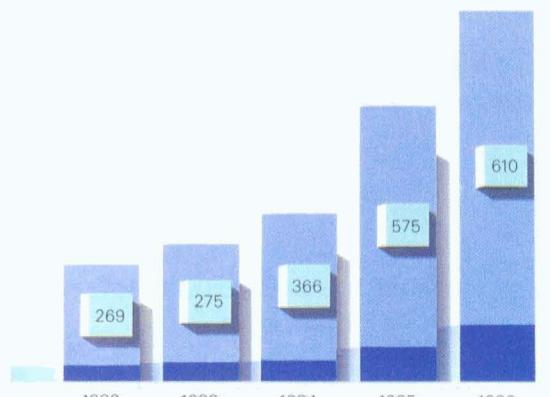
40 —

30 —

20 —

10 —

0 —



*lead, co-lead, management

In accordance with the wishes of our customers for creative problem solutions, we made greater use of innovative financing instruments in the DM sector. They included bonds linked to a German share index ("bulls and bears") or with dollar warrants (bonds with currency warrants).

We further developed our issuing business in dollar bonds, despite very difficult market conditions at times. Our subsidiary Deutsche Bank Capital Markets Ltd., London, lead managed a bond issue for Canada for U.S.\$ 1 bn. with a life of 10 years. For the World Bank we placed 30-year dollar bonds in the euromarket for the first time. We were also active in business with bonds in ECU, the European Currency Unit, in Australian dollars and other foreign currencies which took on greater importance as capital market currencies. Our Swiss subsidiary Deutsche Bank (Suisse) S.A., Geneva, participated in syndicated business in Swiss francs. Deutsche Bank Capital Corporation in New York took syndicate quotas amounting to more than \$ 1 bn. in the U.S. bond market.

In the year under review, there was growing availment of the international bond markets by German companies, too. 25% of all foreign DM bonds issued in 1986 were floated by subsidiaries of German companies. The bank acted as lead manager for eurobonds in various currencies, i.a. for subsidiaries of BASF AG, Daimler-Benz AG, Deutsche Lufthansa AG, Siemens AG and Volkswagen AG.

5. Foreign exchange and precious metals: again considerable success

In 1986, foreign exchange trading was again marked by uncertain market conditions and strong exchange rate fluctuations in important

currencies. Despite the lower dollar rate, our trading turnover – converted into D-Mark – was above the level of 1985. A good earnings figure was again achieved in the year under review; this development is continuing in the current year, too.

In view of the difficult market situation, special importance attached to the counselling of our customers in all foreign exchange questions and to participation in conversions and exchange rate hedging transactions. Currency options were used to a larger extent by exporters and importers for hedging purposes.

Precious metals business was again somewhat brisker for the first time in years. Earnings rose by a good half.

Since December 1986 we have been arranging precious metals accounts and safe-custody accounts at our Swiss subsidiary for our customers; this additional investment alternative is meeting with strong interest. We played a leading role in the international introduction of the new American "Eagle" gold and silver coins.

6. International business: market position well maintained

In commercial foreign business, i.e. the financial settlement of exports and imports, we successfully maintained our position as a leading foreign trade bank in 1986.

In medium and long-term export financing we were again present on a substantial scale, although the number of large contracts in the capital goods industry decreased, and the financing volume diminished accordingly.

In the field of countertrade transactions, which are becoming more and more frequent for the German export industry, we are available to customers in a coordinating and support capacity

with our financing product "commodity trade finance/countertrade".

Project financings

In project finance, we further strengthened our market position. We increased our activities in the fields of industrial plant, infrastructure and communications. The most important project is the Euro Channel Tunnel between France and the United Kingdom. For the first time, financings were also included for domestic projects.

Use of new instruments

Traditional medium-term euroloan business weakened further in the period under review, but still remained an important part of our product range. Euroloans, in our opinion, continue to be a

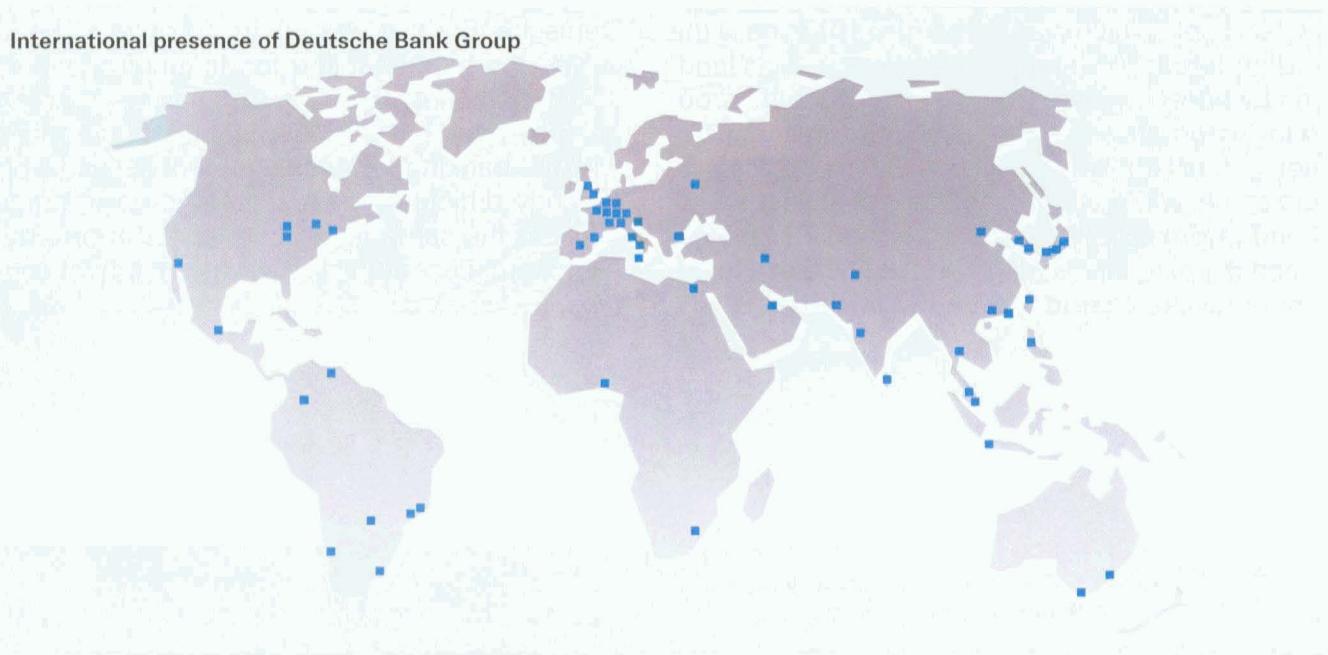
proven, flexible and inexpensive financing instrument. They are extended primarily by our subsidiary in Luxembourg.

At the same time, we participated in 1986, via our London Branch, in the growing market for new financing instruments as lead manager and agent. Over and above this, we took part in the syndication of long-term credit facilities, which were used by our customers in part as a liquidity reserve or to hedge short-term money market drawings.

Stronger presence in growth regions . . .

In the year under review, we supplemented and expanded our international network of bases in those regions worldwide which we consider to be particularly growth oriented. Our strategic thinking was concentrated on three large regions: the Pacific Basin, Europe and North America.

International presence of Deutsche Bank Group



... Pacific Basin ...

In spring we increased our holding in European Asian Bank AG, Hamburg, from 60% to 75%. In December we changed the name of this bank to Deutsche Bank (Asia) AG. This demonstrates our majority holding and the company's integration into Deutsche Bank Group. Deutsche Bank (Asia) AG is represented in Asia by 20 branches and subsidiaries.

In February, our subsidiary Deutsche Bank Australia Ltd., with registered office in Melbourne and a branch in Sydney, commenced business operations. It offers all the services of an international universal bank.

... Europe ...

In December we took the opportunity to buy a majority shareholding in Banca d'America e d'Italia S.p.A. with its head office in Milan.

The bank, which was founded in 1917 and is the eighth-largest private Italian bank, transacts lending business with small and medium-sized corporate customers and has a substantial market position in retail banking business. Claims on customers came to DM 3.5 bn. (converted) at year's end. Funds from outside sources totalled DM 6.9 bn. Capital and reserves stood at DM 588.6 m. Net income for the year in 1986 was DM 1.9 m.

In the year under review, we moved into our new representative office premises in Moscow. So far, we are the only Western bank to have received permission to build an office building for its own exclusive use in the Soviet Union.

In August, our newly established subsidiary DB (Belgium) Finance S.A./N.V., Brussels, began business operations. It will round off the range of lending products offered by our Brussels Branch.

In September, our Paris Branch opened a corporate customer office in Strasbourg, which was converted into a branch at the beginning of 1987.

... and steady expansion in the American Continent

Our New York Branch, with its representative offices in Chicago and Los Angeles, recorded brisk lending activity in 1986, particularly in the medium and longer-term sectors. Our subsidiary Deutsche Bank (Canada) in Toronto again received the highest rating for its funding paper.

Our branches in South America were able to provide their national and international clients with the banking services required, despite a persistently difficult overall economic environment. Thus, at the same time, they helped to promote the external economic activity of their host countries.

Our Staff

New jobs created

The expansion of our business activities made it necessary to take on further members of staff both at home and abroad. In 1986 the total number of persons employed in Deutsche Bank Group rose by 1,739 to 50,590. As in the years before, the parent company accounted for the largest part of this growth; here, the total staff figure rose to 42,928. This was an increase of 1,254 over the previous year.

At home, personnel engaged in customer counselling and service, primarily in corporate customer, retail banking and portfolio investment business, was again strengthened. Moreover, additional staff was required for our stock market and foreign exchange trading, as well as for the expansion of our EDP organization. Over the past five years we have created nearly 4,000 new jobs domestically, thus providing some relief for the labour market.

The staff increase abroad was designed to strengthen our market position in commercial banking business and to lend further support to our activities in international investment banking. In the year under review, the number of persons employed at our foreign offices rose by 400 to 4,159, of whom 403 were German nationals seconded abroad for limited periods.

Apprenticeships increased again

By taking on 2,057 apprentices last year, the parent company again increased the number of vocational training places available (previous year: 2,018). The bank's total apprentice figure thus grew to 4,664. Owing to an appreciable rise in our number of domestic staff, the apprentice ratio (number of apprentices as a proportion of

domestic staff excluding apprentices) eased slightly to 13.0% (previous year: 13.2%). The scope of our training programme still makes us one of the most training-oriented companies in German business and industry. Nearly one out of every three apprentices in the private banking sector is trained by us.

The quality of our training is shown by the fact that over half of the apprentices again passed their examination with "distinction" or "merit" in the year under review. We were able to take on all 1,493 qualified young candidates interested in becoming regular members of staff. The percentage of total apprentices taken on (79.6%) fell slightly against the previous year, since a greater proportion of our young bank clerks left us in the year under review to go to university. We attribute this primarily to the higher proportion of school leavers with university entrance qualifications among the young bank clerks who have passed their banking examination. A good two-thirds of our apprentices are now school leavers with university entrance qualifications. We like to keep in close touch with former apprentices in the hope that they will join us again on the completion of their studies.

Our commitment to vocational training is reflected in the structure of our staff: over the past ten years, the share of employees who have had banking or similar occupational training has risen from 58% to 71% at present.

The above figures do not include our domestic subsidiaries, where another 421 young men and women were undergoing vocational training.

Vocational training abroad

Since 1983 we, in collaboration with German Chambers of Commerce and industrial enter-

prises, have been carrying out a training programme abroad modelled on the dual system of vocational training in Germany. We regard this as a good opportunity to give our young foreign staff members a solid banking background, which in turn opens up a wide range of career opportunities for them within the overall Group. At our branches in Brussels, Buenos Aires, Madrid and São Paulo as well as at Deutsche Bank (Suisse) S.A., 48 apprentices are currently undergoing training. Owing to the good results here we plan to expand our vocational training in the coming years to our branches in Milan, Paris and Tokyo, as well as to the offices of Deutsche Bank (Asia) AG in Djakarta and Hong Kong. Our long-term goal here is to see a permanent team of trained

bank clerks established abroad with qualifications to match those of their colleagues in our domestic organization.

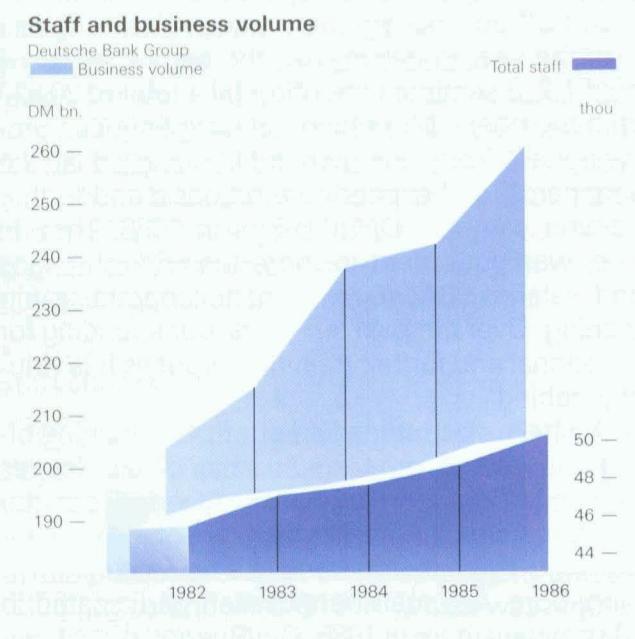
Internationalization of management trainee programme

Apart from bank practitioners, our operational and staff departments have a growing need for academically trained staff. At home, roughly 200 university graduates have been newly recruited. The majority of them receive a course of training encompassing all areas of banking business, qualifying them as all-round bankers. We also offer shorter and somewhat modified trainee programmes for those specializing in fields such as investment banking, organization, accounting and personnel. To keep up with the growing demand for first-rate investment bankers, our investment banking course organized in collaboration with New York University was held for the second time in the reporting year.

In 1986 we took an increasing number of university graduates on to our foreign staff and began setting up an International Trainee Programme. Basic training is carried out locally and followed by a visit to another domestic or foreign office to deepen the participants' knowledge. For the time being, we intend to focus our recruiting efforts on university graduates from North America and Japan.

Intensive personnel development . . .

We take specific measures designed to help our employees shape their careers in line with their personal inclinations and talents. In Germany, for instance, young bank clerks with above-average abilities may attend a special four-year training programme on completion of their ap-



prenticeship. A two-year "orientation phase" characterized by job rotation is followed by intensive specialist training. In the year under review, 47 new young people were taken into this Supraregional Development Group, bringing the total number of participants up to 230. We also have special training programmes which offer a blend of theoretical and practical training for various sectors of business. This enables young people to take on greater responsibilities and challenges after a shorter time.

... and further training geared to future needs

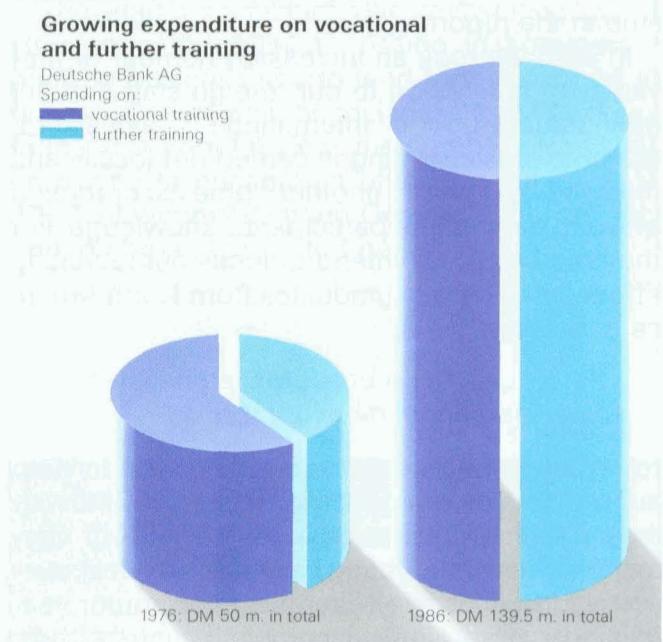
Improving our employees' advising abilities and teaching them to use new technologies were

two areas to which much attention was devoted. The focus was on seminars relating to lending, corporate customer and retail banking business. To keep pace with the growing use of technology in banking, we also expanded our EDP training. Apart from presenting the basics of EDP, in-depth training is also given in how various technical aids can be used to back up sales in a particular area of business. In addition, we carry out special seminars to acquaint managerial staff with all EDP procedures used in our company. More than 70% of our staff use the available EDP applications to obtain information for customer counselling or the settlement of business.

The higher standards expected of our staff, technological development and the change in values in evidence in our society also place growing demands on management conduct. Seminars on subjects such as staff motivation, staff appraisal and development, and the analysis and solution of conflicts in a day-to-day working environment round off our management training programme.

In the year under review, the parent company held 1,216 seminars attended by a total of 20,820 staff members. More than 1,300 experienced professionals from our own ranks lectured at the seminars. Total expenditure on basic and further training came to DM 139.5 m. in 1986. That, in turn, was equivalent to more than 6% of wages and salaries. DM 70 m. went to apprenticeship training. Over the past ten years, our spending for vocational and further training purposes has virtually trebled.

We have also intensified our further training efforts abroad. A growing number of employees from our European branches attended our domestic seminars. Another highlight of the year under review was the opening of a training centre in Singapore. 425 members of staff participated in 30 seminars there in 1986. Our Buenos Aires train-



ing centre carried out 25 seminars with 256 participants in the same period.

Growing length of company service

Over the past ten years, the proportion of domestic employees who have been with the parent bank for more than 20 years has risen from 13.7% to 18.0%. In the year under review, 588 staff members looked back on 25 years of service, and 27 celebrated their 40th anniversary. Their many years of service are gratefully acknowledged as a sign of their dedication and loyalty to our bank.

At 7.1%, the staff turnover ratio, which takes into account all reasons for terminating employment, has remained unchanged against the previous year.

In 1986 there was a slight rise in the number of persons who made use of the early retirement scheme introduced under the salary tariff agreement. In the reporting year, 254 staff members opted for early retirement. That accounted for 67% of all persons eligible under the scheme in 1986 (preceding year: 63%). Since it was passed in October 1984, 544 of our staff have left the bank under the early retirement scheme for tariff employees, which is due to expire at the end of 1988. About 80% of the jobs that became available through early retirement were filled by a new generation of qualified staff members.

Staff shares

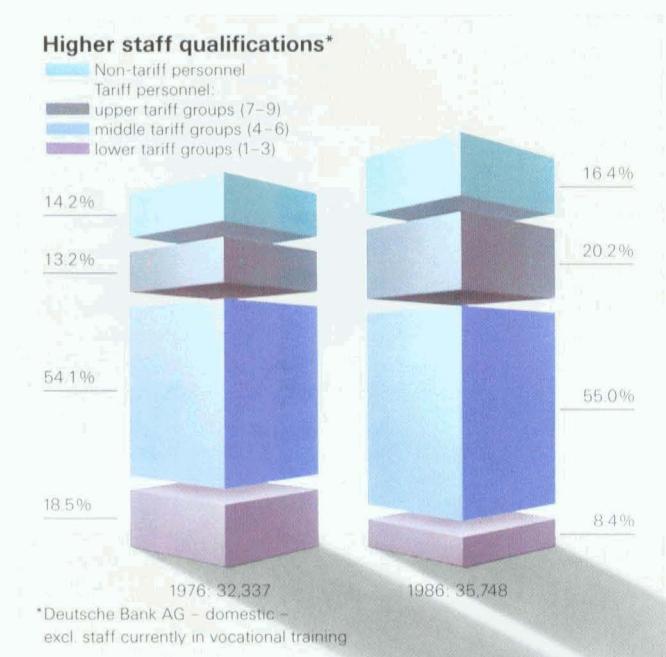
1986 marked the thirteenth time that the employees of Deutsche Bank AG and its domestic subsidiaries were offered staff shares – again taking full advantage of the price reduction allowable for tax purposes. 76.7% of those eligible participated (preceding year: 84.2%), which was a gratifying ratio in view of a subscription price that had

nearly doubled over the previous year. Since the first issue of staff shares in 1974, the bank has spent a total of DM 213.6 m.

Cooperation with Staff Councils

In regular meetings with the General Staff Council and its committees and with the Group Staff Council the Board of Managing Directors discussed all questions of current personnel, social and economic relevance in an atmosphere of mutual trust and cooperation. Two main topics of deliberation were the effects of continued technological development and the implementation of new marketing measures.

An in-house agreement was concluded with the General Staff Council on the principles governing the EDP-assisted processing of personnel



data within our bank. The agreement regulates the processing of both personal and job-related data on staff members. It meets the requirements of court decisions and of the Federal Data Protection Act and guarantees that the personal rights of our staff members and the confidentiality of personal data are upheld.

New elections of youth representatives were held in 1986. 85.4% of our staff went to the polls, electing a total of 37 young people as youth representatives in 25 branches. 7 youth representatives are on the newly constituted General Youth Representative Group.

The spokesmen for the severely disabled were also newly elected.

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

Committee of Spokesmen for Senior Executives

The Board of Managing Directors met with the Committee of Spokesmen for Senior Executives to discuss matters specifically concerning managerial staff as well as business and technological developments at the bank. The Committee of Spokesmen once again proved to be a major vehicle for promoting the exchange of ideas between our Board and senior executive staff. We wish to thank the members of the Committee for their objective and open minded cooperation.

Thanks to our staff

Our special thanks go to all our members of staff for their individual endeavours. By applying their knowledge, experience and efforts, they played an essential part in the bank's good business performance.

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

Miroslav Bandalovic, Taunus Zentrum Eschborn
Elisabeth Bauer, Hamburg
Evelyne Becker, Neuwied
Karl-Friedrich Bölsche, Bielefeld
Herbert Brugger, Ravensburg
Elisabeth Burkard, Frankfurt
Christa Carl, Aachen
Marianne Deinert, Nuremberg
Ingrid Erlenbach, Essen
Gerd Estler, Albstadt-Ebingen
Karl-Heinz Everding, Munich
Johannes Fehlow, Taunus Zentrum Eschborn
Renate Feuser, Cologne
Alfred Frank, Frankfurt
Werner Franz, Mannheim
Doris Friedrich, Düsseldorf
Else Geiger, Nuremberg
Karl-Heinz Grünwald, Frankfurt
Wolfgang Harneister, Düsseldorf
Günther Hanl, Stuttgart
Karin Hippen, Mönchengladbach
Gerhard Horn, Bonn
Willi Jugenheimer, Worms
Gerdi Kammer, Frankfurt
Julius Kammer, Frankfurt
Hans Kousgen, Düsseldorf
Klaus Kilian, Nuremberg
Helmut Kistner, Frankfurt

Hans-Joachim Klindtwort, Hamburg
Lothar Köthe, Göttingen
Gerd Korn, Mannheim
Mathilde Landgraf, Munich
Rolf Lange, Frankfurt
Elisabeth Lasse, Düsseldorf
Ernst Lüppe, Nordhorn
Hans Peter Lüthje, Harburg
Michael Malone, New York
Peter Menk, Hamburg
Irmgard Möckel, Darmstadt
Manfred Müller, Buenos Aires
Cornelia Nawrot, Krefeld
Egon Neumann, Braunschweig
Ursula Patzer, Düsseldorf
Klaus Reinhard, Düsseldorf
Doris Richter, Cologne
Dieter Schmidt, Cologne
Marianne Schorn, Frankfurt
Anneliese Schröder, Düsseldorf
Ingo Sprenger, Wuppertal
Ursula vom Stein, Leverkusen
Siegfried Strohmeyer, Wuppertal
Günther Timpert, Duisburg
Wilhelm Walter, Esslingen
Hubert Wermes, Mönchengladbach
Eberhard Wiemer, Mannheim
Eduard Winter, Freiburg
Hermann Wunsch, Baden-Baden

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 1986

Balance Sheet

Compared with the end of 1985, the following changes took place in our balance sheet:

Assets	DM m.
Cash reserve	– 1,035
Cheques and other items received for collection	+ 6
Bills of exchange	– 28
Claims on banks	+ 5,098
Treasury bills and discountable	
Treasury notes	+ 273
Bonds and notes	– 411
Other securities	+ 1,926
Claims on customers	+ 10,134
short and medium-term	+ 2,887
long-term (4 years or more)	+ 7,247
Subsidiaries, associated companies	
and trade investments	+ 1,886
Land and buildings	+ 51
Office furniture and equipment	+ 83
Other assets	+ 74
Remaining assets	– 34
<i>Balance sheet total</i>	+ 18,023

Business volume

The bank's *business volume* (balance sheet total + endorsement liabilities) rose by DM 17.3 bn. (+ 11.8%) in 1986, and at the end of the year stood at DM 164.1 bn. The growth stems above all from the expansion of domestic business. At our offices abroad, the increase in volume converted into D-Mark was partly eroded by the fall in the dollar exchange rate. On average for the year, the bank's business volume expanded by 8.0%.

Balance sheet total increased to DM 159.9 bn. (+ 12.7%) as at 31.12.1986.

The structure of the balance sheet at the end of 1986 was characterized by the highest ever rise in claims on customers, particularly in long-dated items. We increased our funding at matching maturities correspondingly.

The *financing balance* on page 67 details the movements on our balance sheet by source and use of funds. Turnover on the accounts of our non-bank customers rose by 9.6% compared with the previous year to DM 5,486 bn. With an average effective staff of 36,100 (1985: 35,400), turnover per employee was DM 152 m. (1985: DM 141 m.). The number of business transactions booked per employee rose to 17,300.

Liabilities	DM m.
Liabilities to banks	+ 8,211
Liabilities to customers	+ 5,733
including: demand deposits	+ 1,193
time deposits	+ 1,571
savings deposits	+ 2,969
Bonds and notes	+ 2,154
Own acceptances and promissory notes outstanding	+ 553
Provisions	+ 641
Share capital and disclosed reserves	+ 537
Remaining liabilities	+ 194
<i>Balance sheet total</i>	+ 18,023

Liquidity

As at the end-1986 balance sheet date, our cash reserve, consisting of cash on hand, balance with Deutsche Bundesbank and balances on postal giro accounts, fell to DM 6.2 bn. This was

4.4% (*cash liquidity*) of liabilities to banks and customers, bonds and notes, own acceptances and promissory notes outstanding, as well as other liabilities totalling DM 143.1 bn.

Our *overall liquidity* ratio – total liquid assets of DM 25.6 bn. in relation to the above-mentioned liabilities – was 17.9% (31.12.1985: 19.7%).

Liquid assets and liabilities are made up as follows:

	End of 1986 DM m.	End of 1985 DM m
Cash on hand	620.7	571.3
Balance with Deutsche Bundesbank	5,592.6	6,685.6
Balances on postal giro accounts	17.3	8.7
<i>Cash reserve</i>	6,230.6	7,265.6
Cheques and other items received for collection	277.6	271.9
Bills of exchange rediscountable at Deutsche Bundesbank	9,446	745.6
Claims on banks payable on demand	9,826.1	8,612.2
Treasury bills and discountable Treasury notes	2,139.3	1,866.2
Bonds and notes eligible as collateral for Bundesbank advances	6,192.7	6,139.0
<i>Total liquid assets</i>	<u>25,640.9</u>	<u>24,900.5</u>
Liabilities to:		
banks	52,360.2	44,148.7
customers	83,419.9	76,686.8
Bonds and notes	5,561.2	3,407.1
Own acceptances and promissory notes outstanding	2,570.7	2,017.5
Other liabilities	191.3	137.0
<i>Total liabilities</i>	<u>143,103.3</u>	<u>126,397.1</u>

The principles regarding capital resources and liquidity prescribed by the Federal Banking Supervisory Office pursuant to Sections 10, 10a and 11 of the German Banking Act were observed at all times in the year under review.

Assets

Securities

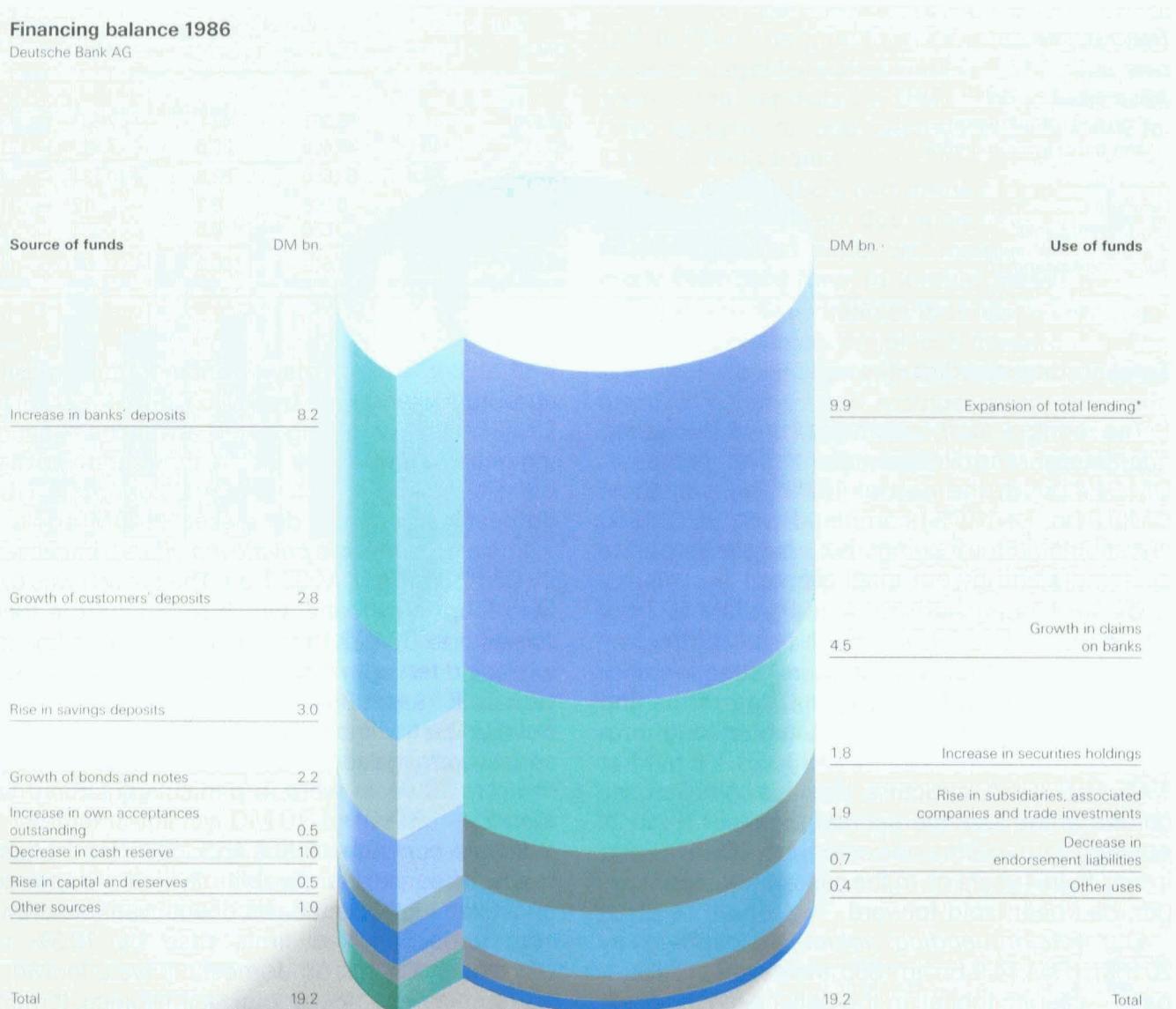
Our holdings of *Treasury bills and discountable Treasury notes* were increased by DM 273 m. to DM 2.1 bn. *Bonds and notes*, on the other hand, were reduced on balance by DM 411 m. to DM 9.8 bn. The reduction related for the most part to short and medium-term paper of banks, while holdings of long-dated items were increased. Items eligible as collateral in accordance with Deutsche Bundesbank regulations amounted to DM 6.2 bn. (63%).

Securities not to be shown elsewhere are reported at DM 4,637 m. (+ DM 1,926 m.) at the end of 1986. It should be noted here that – deviating from our reporting practice in the past – we now report our holdings of 25% or more of the capital of non-banking joint stock corporations under "Subsidiaries, associated companies and trade investments" (cf. the comments on page 70 of this report). The share packages affected by this change are included in the list of our subsidiaries, associated companies and trade investments on pages 141 to 145. For reasons of comparability, the figures for the previous year have been adjusted for this change in reporting practice.

The increase in our securities holdings compared with the end of 1985 reflects the rise in our business in German and international equities. Shares with a syndicate commitment booked to securities amounted to DM 369 m.; holdings of more than 10% of a company's capital, which have to be reported separately, totalled DM 19 m. Our entire securities holdings were valued, as hitherto, at the lower of cost or market.

Financing balance 1986

Deutsche Bank AG



*Short and medium-term claims on customers DM 2.9 bn., long-term claims on customers DM 7.2 bn., lendings to banks DM 0.6 bn., discounts – DM 0.8 bn.

	End of 1986		End of 1985		Change	
	DM m.	% share	DM m.	% share	DM m.	%
<i>Total credit extended</i>						
Claims on customers						
short and medium-term	38,978	41.3	36,091	42.7	+ 2,887	= 8.0
long-term (4 years or more)	40,712	43.1	33,465	39.6	+ 7,247	= 21.7
	79,690	84.4	69,556	82.3	+ 10,134	= 14.6
Discounts	6,094	6.5	6,906	8.2	- 812	= 11.8
Lendings to banks	8,634	9.1	8,050	9.5	+ 584	= 7.3
<i>Total credit extended</i>	<u>94,418</u>	<u>100.0</u>	<u>84,512</u>	<u>100.0</u>	<u>+ 9,906</u>	<u>= 11.7</u>

Total credit extended

The bank's *total credit extended* (excluding guarantees and letters of credit) came to DM 94.4 bn. at the end of 1986. The growth of DM 9.9 bn. (+11.7%) compared with 31.12.1985 is attributable to drawings both by our corporate customers and by our retail clients.

Claims on customers rose by DM 10.1 bn. (+ 14.6%) to DM 79.7 bn. As a result of the low level of interest rates, customers' attention centred on long-term borrowing at fixed terms and conditions. Consequently, the share of long-term claims on customers increased to 51.1% (end of 1985: 48.1%). A structure like this was last recorded in the low interest rate phase in 1979. Of our long-term claims on customers, 46% was due in less than 4 years or, in the case of registered paper, had been sold forward.

Our *foreign lending volume*, expanding by 20.3% to DM 14.9 bn. in 1986, increased at a faster pace – despite the fall in the dollar exchange rate – than total credit extended. More than three-quarters of the growth relates to our foreign branches.

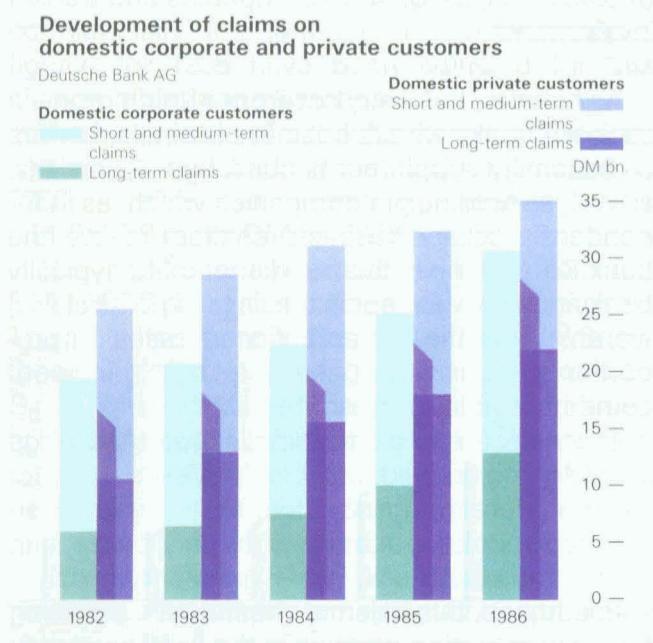
The trend, which had already strengthened in the previous year, towards increased borrowing by our *domestic corporate customers* continued

in the year under review. Lendings to domestic corporate clients rose by DM 5.7 bn. (+ 22.3%) to DM 31.0 bn., with long-dated advances expanding more strongly, at + 28.6%, than short and medium-term lendings (+ 18.0%). Euroborrowing by domestic companies decreased by DM 1.6 bn.

Loans to *domestic private individuals* increased by DM 2.3 bn. to DM 35.1 bn. The growth was only in long-term loans, which rose by more than one-fifth to DM 22.1 bn. The construction financings included in lendings to domestic private individuals increased to DM 18.9 bn. (+ DM 1.4 bn.), despite the decline in home building activity. Personal mortgage loans with fixed-interest periods of up to 10 years were in particularly strong demand (+ 38.9%).

Private consumer loans and loans for the purchase of consumer durables, which are offered on a fixed instalment basis or with variable drawings under a fixed limit, rose by 10.3% to DM 8.0 bn. Claims on domestic private individuals represented 44% of total claims on customers at the end of 1986.

Standardized loans to commercial customers increased by 14.5% to DM 4.1 bn. Small Business Loans (GAK), which are tailored to the financial requirements of small and medium-sized corporate customers, expanded by 12.4% to DM 2.9 bn.



The development of claims on domestic corporate and private customers over the last 5 years is shown in the above diagram. Since 1982 claims on domestic corporate customers have increased by 59.0%, and claims on domestic private customers by 36.1%.

Discounts fell by DM 0.8 bn. compared with the end of 1985 to DM 6.1 bn. We adjusted our purchase volume to the refinancing possibilities at Deutsche Bundesbank.

Claims on banks increased by DM 5.1 bn. to DM 46.1 bn. The growth is attributable primarily to claims payable on demand (+ DM 1.2 bn.) and short-dated deposits (+ DM 3.3 bn.). More than three-quarters of total lendings in this sector relate to foreign banks.

At the end of 1986, two-thirds of our long-term claims on banks were due in less than 4 years or, where registered paper was concerned, had already been sold forward to third parties.

There was lively interest in funds from public-sector programmes. We placed these funds – frequently in conjunction with loans from us – at the disposal of small and medium-sized corporate customers in particular. These lendings, provided chiefly by the Kreditanstalt für Wiederaufbau, Frankfurt am Main, rose by DM 1.0 bn. to DM 4.4 bn.

As the following table shows, our loans to customers are broadly dispersed. The number of loans of more than DM 10,000 up to DM 100,000 has increased above all in the private customer sector.

The sectoral analysis of our domestic and foreign loans to customers is based on the system used in the borrower statistics of Deutsche Bundesbank. With a share of 26.3%, manufacturing industry is the most strongly represented business sector among our borrowers. Loans to private borrowers (other than self-employed) account for 26.9% of the total.

Customer commitments	End of 1986			End of 1985		
	Number	%	Number	%		
up to DM 10,000	10,000	...	649,210	= 55.8	661,936	= 57.6
more than DM 10,000 up to DM 100,000	100,000	...	394,145	= 33.8	374,408	= 32.6
more than DM 100,000 up to DM 1,000,000	1,000,000	...	110,869	= 9.5	103,023	= 9.0
more than DM 1,000,000	1,000,000	...	9,928	= 0.9	9,154	= 0.8
			1,164,152	= 100.0	1,148,521	= 100.0

The limits prescribed by Section 13 and Section 13a of the German Banking Act with respect to large loans 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 country risks. 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 addition, there is a taxed valuation reserve pursuant to Section 26a of the German Banking Act.

Breakdown of customer credits (claims and discounts) by sector as at December 31	1986	1985
Steel construction, mechanical engineering and vehicle manufacture; manufacture of office equipment, data-processing equipment and systems	6.6%	6.7%
Electrical engineering, precision and optical goods; production of hardware, musical instruments, sports equipment, jewellery; photographic and film laboratories	4.7%	5.0%
Metal production and processing	2.5%	2.4%
Chemical industry, production and processing of nuclear fuels, petroleum processing	2.6%	3.2%
Leather, textile and clothing manufacture . . .	2.3%	2.5%
Wood, paper and printing trades	3.2%	2.5%
Food industry, tobacco processing	2.1%	2.3%
Other industries	2.3%	2.3%
Manufacturing industry, total	26.3%	26.9%
Trade	13.8%	14.2%
Other business sectors and public authorities	33.0%	30.6%
Private borrowers (other than self-employed)	26.9%	28.3%
	<u>100.0%</u>	<u>100.0%</u>

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.

In addition, this balance sheet item – deviating from our reporting practice in the past – includes our holdings of 25% or more of the capital of non-banking joint stock corporations and – regardless of the percentage – all shares in non-banking private limited companies and partnerships. In this way we have followed more recent jurisdiction expressed in a decision by the Federal High Court of February 9, 1987. Although these shares are shown under "Subsidiaries, associated companies and trade investments", the bank still does not intend them as business participations.

A list of important subsidiaries, associated companies and trade investments is given on pages 141 to 145 of this report. The situation and development of business at consolidated companies are commented in the Report of the Group. It also contains information on the bank's relations with Group companies.

"Other securities" and "Other assets" for a total amount of DM 1,757.5 m. were booked to the balance sheet item "Subsidiaries, associated com-

panies and trade investments". For reasons of comparability, the corresponding balance sheet figures for 1985 have been adjusted for this change in reporting practice.

The book value of our subsidiaries, associated companies and trade investments increased in 1986 – after the reporting changes – by DM 1,885.8 m. to DM 6,452.7 m.

The additions amounted to DM 2,083.7 m.; DM 1,351.8 m. of this total relates to purchases. The main item here is the acquisition of 98.3% of the voting shares of Banca d'America e d'Italia S.p.A., Milan. As a result of this, we have indirectly expanded our European network of bases. The purchase of a further 15% of the capital of European Asian Bank AG, Hamburg, bringing our holding to 75%, and the renaming of the company as Deutsche Bank (Asia) AG, Hamburg, are intended as a visible reinforcement of our presence in the Pacific Basin.

Within the framework of the reorganization of the shareholder structure at Allgemeine Verwaltungsgesellschaft für Industriebeteiligungen mbH, Munich, we took further shares in this holding company. We also acquired shares of Morgan Grenfell Group plc, London, as part of a capital increase.

The additions also contain DM 678.3 m. for initial capital contributions and capital increases mainly at foreign banking subsidiaries. The amount used for newly founded companies relates to Deutsche Bank Australia Ltd., Melbourne, Australia, and DB (Belgium) Finance S.A., Brussels, which commenced business operations at the beginning of and during the year respectively. Deutsche Bank (Suisse) S.A., Geneva, Switzerland, received further funds to support its higher business volume. Over and above that, we participated in various U.S. investment funds, which mainly invest in U.S. Treasury paper. We took part

in the 1986 capital increase at Daimler-Benz AG, Stuttgart, within the scope of our shareholding.

The remaining additions of DM 53.6 m. relate primarily to other capital contributions at domestic and foreign holdings.

Sales and other divestments amounted to DM 85.9 m.; special mention should be made here of the sale of shares in Didier-Werke AG, Wiesbaden, as at the turn of the year 1985/86. Furthermore, 12.5% of the share capital of Hapag-Lloyd AG, Hamburg-Bremen, was sold as at the turn of the year 1986/87. A further 5% was sold in March 1987. Our share in the company's capital then came to less than 25%. Our shares in DIW Deutsche Industriewartung Holding GmbH, Munich-Stuttgart, were already disposed of at the beginning of 1986.

With write-downs of DM 112.0 m., we took account of value reductions which had taken place at our associated banks in the shipping sector, at Deutscher Beteiligungsfonds I GbR, at Deutsche Credit Services Inc., Dover, Delaware, U.S.A., and at European Arab Holding S.A., Luxembourg, which is in liquidation.

Important changes were as follows:

Purchases

Allgemeine Verwaltungsgesellschaft für

Industriebeteiligungen mbH, Munich

Banca d'America e d'Italia S.p.A., Milan

Deutsche Bank (Asia) AG, Hamburg

Deutsche Centralbodenkredit-AG, Berlin –

Cologne

DWS Deutsche Gesellschaft für

Wertpapiersparen mbH, Frankfurt am Main

Frankfurter Hypothekenbank AG,

Frankfurt am Main

Morgan Grenfell Group plc, London

New companies

Apollo Institutional Investments Inc., Baltimore,
U.S.A.
DB (Belgium) Finance S.A., Brussels
Deutsche Bank Australia Ltd., Melbourne,
Australia
Hermes Institutional Investments Inc., Baltimore,
U.S.A.
Orion Institutional Investments Inc., Baltimore,
U.S.A.

Capital increases

H. Albert de Bary & Co. N.V., Amsterdam
Daimler-Benz AG, Stuttgart
Deutsche Bank (Suisse) S.A., Geneva,
Switzerland

Capital payments

Deutsche Bank Capital Corporation, New York
WFG Deutsche Gesellschaft für Wagniskapital
mbH & Co. KG v. 1984, Frankfurt am Main
Deutscher Beteiligungsfonds I GbR,
Frankfurt am Main
HOSTRA Beteiligungsgesellschaft mbH,
Düsseldorf

Sales

DIW Deutsche Industriewartung Holding GmbH,
Munich-Stuttgart
Didier-Werke AG, Wiesbaden
Hapag-Lloyd AG, Hamburg-Bremen

The following non-banking companies, in which we had holdings of more than 25% of share capital as at 31.12.1986, have been notified in accordance with Section 20 of the Joint Stock Corporation Act:

Bergmann-Elektricitäts-Werke AG, Berlin
Daimler-Benz AG, Stuttgart

Deutsche Dampfschiffahrts-Gesellschaft
"Hansa" AG i. L., Bremen
Hapag-Lloyd AG, Hamburg-Bremen*)
Philipp Holzmann AG, Frankfurt am Main
Karstadt AG, Essen
Süddeutsche Zucker-AG, Mannheim

*) The company was informed in March 1987 that our holding was less than 25% of share capital

The table on page 73 details the holding companies, now reported under "Subsidiaries, associated companies and trade investments", 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 in the corporation concerned exceed 25% of share capital. For information on the development of the corporations, we refer to their annual reports.

Holding company	holds at least 25% of:
Allgemeine Verwaltungsgesellschaft für Industriebeteiligungen mbH, Munich – our share 38% –	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 (Bavaria)
Rossma Beteiligungsgesellschaft mbH, Frankfurt am Main – our share 60%	Didier-Werke AG, Wiesbaden

Fixed assets

Land and buildings increased by DM 50.4 m. to DM 912.3 m. The additions of DM 130.9 m. relate to property purchases for DM 47.4 m. and new building and conversion costs amounting to DM 83.5 m. The disposals totalled DM 1.7 m., and depreciation came to DM 48.1 m. Furthermore, DM 30.7 m. was offset in accordance with the provisions of Section 6b of the Income Tax Act – of which DM 6.4 m. stemmed from the writing back of the special item with partial reserve character.

The new buildings in Solingen and Waiblingen

and the renovated building in Kiel were occupied in the year under review. New banking premises are under construction in Albstadt-Ebingen, Arnsberg and Nuremberg. Furthermore, larger-scale extension and modernization work is in progress in Esslingen, Frankfurt am Main, Freiburg, Heilbronn, Hildesheim and Münster.

The leased premises used by the bank had a value of DM 244.4 m. at year's end. Leasing rentals paid for these 8 buildings totalled DM 24.6 m.

The rent for the premises at Taunusanlage 12, Frankfurt am Main, which our Central Office has leased on a long-term basis from Deutsche Grundbesitz Beteiligungsgesellschaft Dr. Rühl &

Co. – Anlagefonds 1 – KG, Frankfurt am Main, came to DM 31.5 m.

Office furniture and equipment increased by DM 83.2 m. to DM 641.3 m. There were additions of DM 304.4 m. – of which minor items accounted for DM 14.2 m. – as well as depreciation of DM 221.1 m. and disposals of DM 0.1 m. More than half of the addition was attributable to EDP equipment for the ongoing modernization of our business operations.

Other asset items

Recovery claims on Federal and Länder authorities decreased in 1986 by DM 21.2 m. to DM 184.8 m. as a result of scheduled repayments and amounts taken over by Deutsche Bundesbank.

Loans on a trust basis, transmitted in our name but for third party account in connection with trust business, rose by DM 19.2 m. to DM 172.9 m.

After the above-mentioned change in our reporting practice with regard to our shares in non-banking private limited companies and partnerships, *Other assets* now total DM 745.3 m. Under this item we report claims and assets which cannot be included under any of the other asset items. They consist chiefly of holdings of precious metals, such as gold bars, coins, medallions, as well as leasing equipment from a cross-border big-ticket transaction.

The *Deferred item on the assets side* of DM 89.6 m. includes in particular discounts on long-term loans received as well as prepaid interest, commissions and other disbursements.

Own shares

The 40,150 Deutsche Bank shares which we held at the end of the previous year and the 73,774

Deutsche Bank shares of DM 50 par value each which we bought in the first months of 1986 at an average price of DM 850.32 were used in May 1986 for the issue of staff shares of the bank and our domestic subsidiaries at a preferential price of DM 369 each.

The difference of DM 43.6 m., which is borne by the bank, is included in staff expenses.

Over and above this, we and companies related to us bought and resold 3,127,189 Deutsche Bank shares of DM 50 par value each at current market prices in the course of 1986 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 812.85, the average selling price was DM 816.07. The sales proceeds remained in working funds. The shares of our bank bought and sold in this connection during 1986 correspond to 9.63% of our share capital; the largest holding on any one day was 0.40%, the average daily holding was 0.10% of our share capital.

At the end of 1986 the bank held none of its own shares.

As at 31.12.1986, 147,146 Deutsche Bank shares of DM 50 par value each were pledged to the bank and its related companies as security for loans; they represent 0.45% of our share capital.

Liabilities

Funds from outside sources

In 1986, *Funds from outside sources* increased by DM 16.1 bn. (+13.0%) to DM 140.3 bn. The growth was attributable to banks' deposits (+ DM 8.2 bn.) and to customers' deposits (+ DM 5.7 bn.). Over and above this, we increased the volume of our own bonds and notes in circulation by DM 2.2 bn. In the year under review, we took in mainly long-term funds, also through our foreign subsidiaries.

Liabilities to banks increased to DM 52.4 bn. (+18.6%) at the end of 1986. The long-dated funds included here stem mainly from our foreign subsidiaries. Close on 80% of our total liabilities to banks are deposits from foreign banks both inside and outside our Group.

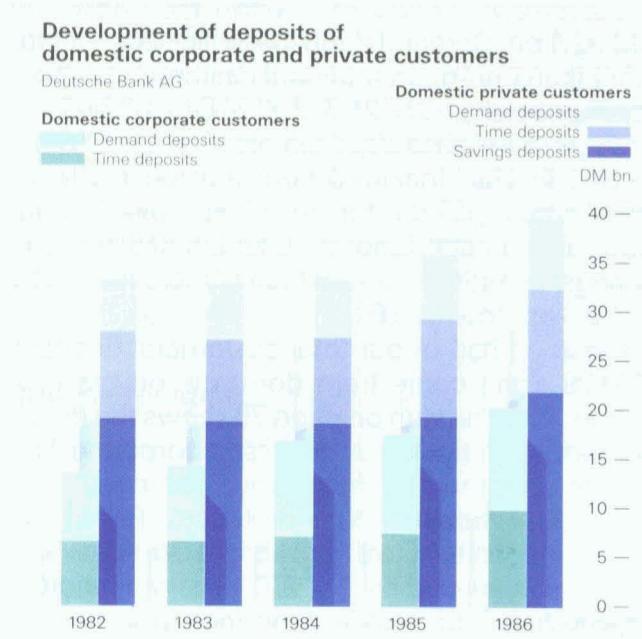
Customers' deposits rose by 7.5% to DM 82.4 bn. Demand deposits, which account for more than one-quarter of total customers' deposits, increased to DM 21.7 bn. (+ DM 1.2 bn.).

Customers' time deposits grew by DM 1.6 bn. to DM 36.2 bn. Included here are the medium-term notes placed for the first time by our New York Branch (end of 1986: DM 0.8 bn.) and savings certificates, which increased by DM 0.6 bn. to DM 6.6 bn.

Close on half of our total customers' deposits (DM 39.9 bn.) come from domestic private customers. The diagram on page 76 shows the development of deposits of domestic corporate and private customers in the last five years.

Savings deposits expanded by 13.8% in the year under review to DM 24.5 bn. Other savings deposits increased by DM 2,774 m., with another high volume of matured savings under state premium and capital formation schemes and cash savings plans (1986: a total of DM 1.2 bn.). This increase stemmed largely from the Deutsche

<i>Funds from outside sources</i>	End of 1986		End of 1985		Change	
	DM m	% share	DM m	% share	DM m.	%
Liabilities to banks						
payable on demand	12,498	8.9	11,712	9.4	+ 786	= 6.7
time deposits	39,721	28.3	32,276	26.0	+ 7,445	= 23.1
customers' drawings on other banks	141	0.1	161	0.1	- 20	= 12.3
	52,360	37.3	44,149	35.5	+ 8,211	= 18.6
Liabilities to customers						
payable on demand	21,705	15.4	20,512	16.5	+ 1,193	= 5.8
time deposits	36,164	25.8	34,593	27.8	+ 1,571	= 4.5
savings deposits	24,551	17.5	21,582	17.4	+ 2,969	= 13.8
	82,420	58.7	76,687	61.7	+ 5,733	= 7.5
Bonds and notes	5,561	4.0	3,407	2.8	+ 2,154	= 63.2
<i>Total funds from outside sources</i>	140,341	100.0	124,243	100.0	+ 16,098	= 13.0



Bank fixed-interest saving scheme offered from the end of 1985 and which reached a volume of DM 2,562 m. as at 31.12.1986. Deposits under the Deutsche Bank savings plan with insurance cover expanded by DM 453 m.; total savings under this scheme came to DM 872 m. at year's end, with a total contract volume of DM 4.7 bn. The total volume of savings (savings deposits and savings certificates) reflected in the balance sheet increased by DM 3.6 bn. to DM 31.1 bn.

Total new saving by our customers (changes in savings deposits and savings certificates outstanding, the balance of purchases and sales of securities booked to savings accounts) rose by 15.9% and exceeded DM 5 bn. (end of 1986: DM 5,104 m.). The growth is due solely to increased account saving. On the other hand, sav-

ing in securities, at DM 1.5 bn., was 37.2% down on the previous year's figure.

Our commitments of DM 83.8 m. under gold and silver certificates are included in customers' demand deposits. To cover them, we maintain appropriate precious metals holdings, which are reported under "Other assets".

Commitments under short and medium-term certificates of deposit issued by our foreign branches increased from DM 2.2 bn. to DM 2.6 bn.

Own bonds and notes outstanding increased by DM 2.2 bn. compared with 31.12.1985 to DM 5.6 bn. They are used for the funding of our long-term claims on customers at fixed terms and conditions.

Own acceptances and promissory notes outstanding are reported at DM 2.6 bn. (+ DM 0.6 bn.) at the end of 1986.

Provisions

Our total *Provisions* rose by DM 641 m. in 1986 to DM 6.8 bn. They include *Provisions for pensions* of DM 1,790 m. (+ DM 111 m.), which are reported at their actuarially calculated part value.

Other provisions increased by DM 530 m. in the reporting year to DM 5.0 bn. Under this item we report in particular tax provisions, provisions for creditworthiness and country risks and for commitments under declarations of backing. Also reported here are provisions from commitments to pay anniversary bonuses and for obligations under the Early Retirement Act.

Other liability items

Other liabilities of DM 191.3 m. comprise liabilities not of a typically banking nature and include wage tax, church tax and social security contribu-

tions to be paid over. Also included under this item are differences, with no effect on profits, resulting from the conversion of currency amounts.

Liabilities to *Endowments and benevolent funds* relate to the Franz Urbig- und Oskar Schlitter-Stiftung GmbH, Frankfurt am Main. The endowment assets amounted to DM 7.2 m. as at 31.12.1986 and were almost completely invested in securities.

The *Deferred item on the liabilities side* of DM 950 m. contains income already received but attributable to future financial years, above all 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 increased to DM 36.4 m.

After writing back DM 1.7 m., the *Reserve in accordance with the Tax Act regarding Developing Countries* decreased to DM 5.8 m.

The *Reserve in accordance with Section 6b of the Income Tax Act* rose to DM 27.5 m. There was a withdrawal of DM 6.4 m., which was offset with purchase and development costs in connection with land and buildings and an addition relating to eligible profits from the sale of land and shares totalling DM 27.4 m.

The *Replacements reserve* amounts to DM 0.8 m.; the *Reserve in accordance with Section 3 of the Foreign Investment Act* stands at DM 2.3 m.

Contingent liabilities

Own drawings in circulation came to DM 18.4 m. at the end of 1986.

Endorsement liabilities on rediscounted bills of exchange fell, as a result of the reduced rediscount quota at Deutsche Bundesbank, by DM 766 m. to DM 4.1 bn. Bills in the process of collection amounted to DM 118 m.

Contingent liabilities from guarantees, including guarantees for bills and cheques, and from indemnity agreements amounted to DM 18.9 bn. (– DM 0.9 bn.). At the end of 1986, two-thirds of these contingent liabilities related to foreign business.

Commitments from the sale of assets subject to repurchase agreements of DM 87 m. were carried by our foreign branches only.

Miscellaneous liabilities

Liabilities for possible calls on not fully paid-up shares in public and private limited companies and on other shares amounted to DM 83 m. at year's end. There were joint liabilities pursuant to Section 24 of the GmbH Act amounting to DM 52 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 in-

curred through measures in favour of banks in which we have a majority holding.

In connection with loans received, assets or security provided to us were tied in the amount of DM 66 m.

As a result of legal stipulations, the business activity of our foreign branches required the provision of security; assets worth DM 155 m. were tied in this connection.

Profit and Loss Account

The change in our reporting practice with respect to our holdings of 25% or more in the share capital of non-banking joint stock corporations and – regardless of the percentage – our shares in non banking private limited companies and partnerships, which are now reported under "Subsidiaries, associated companies and trade investments", affected various items in the Profit and Loss Account. For reasons of comparability, the corresponding expense and income items for 1985 have been adjusted accordingly.

Earnings on business volume

Earnings on business volume (interest surplus) increased in 1986 by DM 1,147.7 m. = 26.6% to DM 5,465.2 m. This growth reflects in particular the non-recurrent special income from the purchase and subsequent placement of the Flick holdings. Current income from subsidiaries, associated companies and trade investments increased in 1986 – after adjustment – by DM 1,062.5 m. to DM 1,470.8 m. Excluding the special income, the increase in our interest surplus was 3.9%.

Average business volume over the year again expanded strongly in 1986 by DM 10.9 bn. = 8.0% to DM 148.1 bn. This expansion derived chiefly from long-term lendings at fixed terms and conditions and their funding at matching maturities, and from interbank money market business. On average for the year, the terms and conditions

of short and medium-term claims on customers and discounts fell more strongly than the interest paid on the corresponding funding. As a result of this volume growth and the divergent development of interest rates in lending and deposits business, the bank's overall interest margin – comparable with the previous years – decreased by 0.08 percentage points in 1986 to 2.88%.

Interest income from lending and money market transactions fell by DM 322.6 m., and interest expenses decreased by DM 402.0 m. The influence of changes in currency parities, especially of the dollar, was felt here.

Earnings on business volume (interest surplus) developed as follows:

	1986 DM m.	1985 DM m.	Change
Interest income from lending and money market transactions	8,479.9	8,802.5	- 3.7%
Current income from securities, Government inscribed debt and subsidiaries, associated companies and trade investments (incl. profit transfer agreements)	2,294.5	1,226.2	+ 87.1%
Total interest income	10,774.4	10,028.7	+ 7.4%
Total interest expenses	5,309.2	5,711.2	- 7.0%
<i>Earnings on business volume</i>	<u>5,465.2</u>	<u>4,317.5</u>	<u>+ 26.6%</u>

Earnings on services

The *surplus from commissions and other service charges received* was increased in the year under review by DM 187.5 m. to DM 1,581.0 m. as a result of the renewed growth in earnings on securities business. This is the second highest annual increase ever reported, with the peak figure having been achieved in 1985 (+ DM 226.7 m.). In 1986, again, the accent was on higher revenues

from commission and placement business in shares. After strong rises in 1984 and 1985, our total services income in foreign business increased slightly.

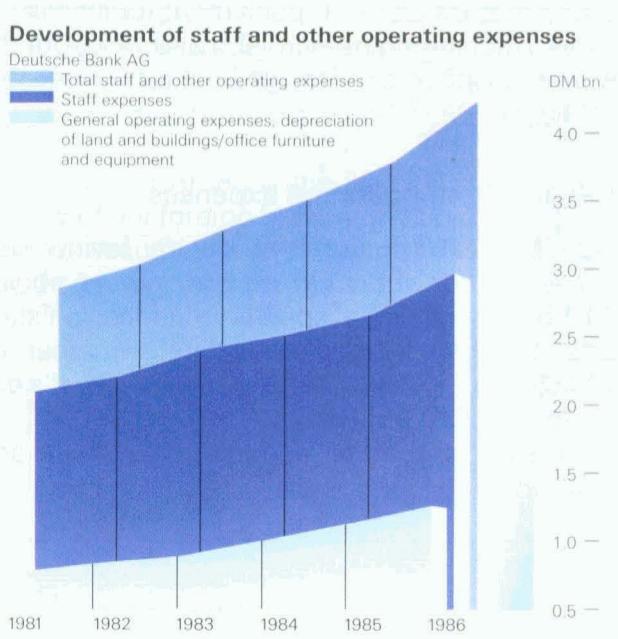
Staff and other operating expenses

At DM 4,264.3 m. in the year under review, our *staff and other operating expenses* were above DM 4 bn. As a result of special influences on staff costs, the growth was considerably higher at DM 455.1 m. = 11.9% than the previous year's expansion (+ DM 264.3 m.).

Our staff and other operating expenses are made up as follows:

	1986 DM m.	1985 DM m.	Change
Staff expenses	2,989.6	2,669.6	+ 12.0%
General operating expenses	1,005.5	919.7	+ 9.3%
Depreciation of and adjustments to land and buildings and office furniture and equipment (excl. special depn under Sect. 6b Income Tax Act)	269.2	219.9	+ 22.4%
<i>Total staff and other operating expenses</i>	<u>4,264.3</u>	<u>3,809.2</u>	<u>+ 11.9%</u>

Staff expenses, which increased by DM 320.0 m. to DM 2,989.6 m., include the expenditure for the non-recurrent special payment to our employees. Over and above this, the growth stemmed from the increase in tariff salaries by a flat rate of 4.2% (1985: + 3.6%) with effect from March 1, 1986 and in capital formation payments per employee from DM 780 to DM 936 p.a. Non tariff salaries were adjusted accordingly. Further additional staff costs arose inter alia as a



due chiefly to the declining-balance depreciation of bought EDP equipment.

Operating result

The *operating result*, i.e. the surplus on current business including own-account trading, improved by 35.1% in the year under review. This increase was due in particular to the special income from the purchase and subsequent placement of the Flick holdings and to our again very profitable securities business mainly in the first half of 1986 (commissions and profits on own-account trading).

This incremental income also had a strong influence on our *partial operating result* excluding own-account trading; it rose by DM 880.1 m. = 46.3% to DM 2,781.9 m.

Excluding the income contribution from the Flick deal, our overall operating result, on a basis comparable with the previous years, rose by 7.0%, and the partial operating result excluding own-account trading grew by 1.9%.

Our total own-account trading in securities again reported an outstanding earnings performance, with the growth due mainly to business in equities. Together with our profit on foreign exchange dealing, which has stabilized at a high level, and the higher earnings on precious metals trading, our total profit on own-account trading in 1986 surpassed all previous years.

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

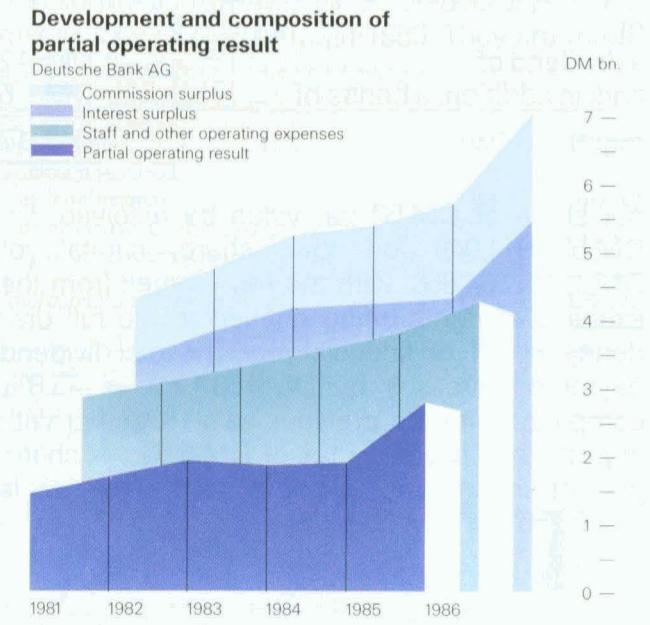
Pursuant to the reporting regulations, "*Other income*" includes in particular profits from own-account trading in securities, foreign exchange

result of the rise in the average number of staff by 2%, the higher payment in connection with staff shares and the larger sum required for the transfer to provisions for pensions. *Salaries and wages* and *Compulsory social security contributions*, taken together, increased by DM 294.6 m. to DM 2,597.7 m. (1985: + DM 125.4 m.).

Expenses for pensions and other employee benefits amounted to DM 391.9 m. (+7.0%).

After increasing by DM 85.8 m., the *General operating expenses* amount to DM 1,005.5 m. Incremental expenses arose in 1986 in connection with maintenance and operating costs and rentals for banking premises and terminal hardware.

The growth in depreciation of office furniture and equipment (+26.3%) was again high. This is



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 full use of the possibility provided under Section 4 of the Order concerning Banks' Statements of Accounts to offset profits from securities and income from adjustments no longer required against write-downs of and adjustments to claims and securities. "Other income" was then reported at DM 347.8 m. (1985: DM 506.9 m.).

Write-downs, depreciation and adjustments

Write-downs of and adjustments to claims and securities, transfers to provisions for possible loan losses amounted to DM 504.0 m. after the offsetting described above.

This expense item reflects our provisioning for possible loan losses in domestic and international business, as explained on page 41. Our adherence to the minimum-value principle also necessitated write-downs of our fixed-interest securities and shares; there were, however, higher profits available from the sale of securities.

Depreciation of and adjustments to land and buildings and office furniture and equipment amounted to DM 299.9 m. (1985: DM 228.2 m.). Of this amount, DM 269.2 m. related to normal depreciation, which we include in staff and other operating expenses for the calculation of the operating result, and DM 30.7 m. to special depreciation in accordance with Section 6b of the Income Tax Act.

Write-downs of and adjustments to subsidiaries, associated companies and trade investments required an amount of DM 112.0 m. (1985: DM 109.2 m.).

Other expenses

Other expenses of DM 426.3 m. (1985: DM 345.5 m.) contain allocations to provisions not relating to lending business, depreciation of leasing equipment and a payment to Deutsche Kreditbank für Baufinanzierung AG with regard to the adjustment of its loan portfolio. Also reported under this item is the endowment of Deutsche Bank's "Help for self-help" foundation with DM 85 m.

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

The total emoluments of the Board of Managing Directors amounted to DM 17,294,443.82. Former members of the Board of Managing Directors of Deutsche Bank AG or their surviving dependents received DM 5,696,592.47. The Supervisory Board received a fixed payment of DM 294,120. The dividend-related emoluments of the Supervisory Board amount to DM 1,710,000. The Advisory Board was paid DM 465,120, and the members of the Regional Advisory Councils received DM 3,455,504.70.

Taxes

Taxes on income and assets fell by DM 70.0 m. to DM 1,237.1 m. The decrease was caused in particular by revenues which, pursuant to Section 9 No. 2a of the Trade Tax Act to avoid double taxation, do not incur trade tax.

Other taxes amounted to DM 5.9 m.

Proposed appropriation of profits

The Profit and Loss Account for 1986 closes as follows:

Income	DM 12,827,009.105
Expenses	DM 12,003,312.556
Net income for the year	DM 823,696.549
Withdrawal from the disclosed reserve for own shares	DM 28,247.500
	DM 851,944.049
Allocation to disclosed reserves (voluntary)	DM 300,000.000
<i>Distributable profit</i>	<u>DM 551,944.049</u>

We propose to the shareholders that payment of a dividend of DM 12 and, in addition, a bonus of DM 5 together DM 17

per share of DM 50 par value be resolved, i.e. DM 551,944,049 on the share capital of DM 1,623,364,850, with the new shares from the exercise of rights being entitled to the full dividend for the 1986 financial year. The total dividend payment increases by DM 168.1 m. = 43.8%, compared with the previous year. Together with imputable corporation tax of DM 9.56 per share, the total income for our domestic shareholders is DM 26.56 per DM 50 share.

Capital and reserves

A total of 486,039 shares were subscribed from conditional capital against presentation of warrants from the bonds with warrants issued in 1977 and 1983 by Deutsche Bank Luxembourg S.A.; this corresponds to a total nominal amount of DM 24.3 m. The premium of DM 94.0 m. obtained here was added to the legal reserve pursuant to Section 150 of the Joint Stock Corporation Act.

Further additions to the legal reserve were: DM 142.0 m., being the premium from the bonds with warrants issued via DB Finance N.V., Curaçao, and DM 4.6 m., being incremental proceeds from shares not subscribed from the capital increase at the end of 1985. As the bank held none of its own shares as at December 31, 1986, the reserve for own shares in the amount of DM 28.2 m., formed from net income for 1985, was written back. Other reserves (voluntary) were then allocated DM 300.0 m.

Taken in total, the bank increased its *capital and reserves* by DM 536.7 m. in 1986. They are made up as follows:

Share capital	DM 1,623,364.850
Disclosed reserves	
a) legal reserve	DM 4,154,070.242
b) reserve for own shares	DM --
c) other reserves (voluntary)	DM 2,504,147.280
<i>Total capital and reserves</i>	<u>DM 8,281,582,372</u>

By resolution of the General Meeting on May 22, 1986, the share capital was conditionally increased by DM 200 m. to grant option rights to warrants to be issued on or before April 30, 1991. After this, there was conditional capital totalling DM 618.9 m. and authorized capital of DM 170.0 m. as at December 31, 1986.

Frankfurt am Main, March 1987

The Board of Managing Directors

Nicolas Jurgens Dr. Berndt
Herrmann Van Hoorn Döpp
Klaus Weiss Baum
Bunris Kress

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 lending business with its risks at home and abroad, securities business in the national and international sector and the introduction of companies to the bourse, the situation on the international financial markets, investment banking, the organizational and personnel structure of the Group and new services of the bank. In a special meeting on December 1, 1986, we discussed the bank's business policy strategy abroad and approved the purchase of Banca d'America e d'Italia S.p.A., Milan.

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, 1986, 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, March 30, 1987

The Supervisory Board



Chairman



Annual Balance Sheet as of December 31, 1986

**Profit and Loss Account
for the period from January 1 to December 31, 1986**

**Development of the Balance Sheet
from January 1, 1952 to December 31, 1986**

	DM	DM	31. 12. 1985 in DM 1,000
Cash on hand		620,691,458	571,332
Balance with Deutsche Bundesbank		5,592,579,161	6,685,619
Balances on postal giro accounts		17,359,745	8,654
Cheques, matured bonds, interest and dividend coupons, items received for collection		277,638,931	271,884
Bills of exchange		1,784,050,480	1,812,129
including:			
a) rediscountable at Deutsche Bundesbank	DM 974,595,626		
b) own drawings	DM 85,665,311		
Claims on banks			
a) payable on demand		9,826,121,832	8,612,223
b) with original periods or periods of notice of			
ba) less than three months		14,554,100,363	12,571,149
bb) at least three months, but less than four years		16,294,818,962	14,537,150
bc) four years or more		5,423,356,916	5,279,613
Treasury bills and discountable Treasury notes		46,098,398,073	41,000,135
a) of the Federal and Länder Governments		20,766,794	1,560
b) of other issuers		2,118,512,879	1,864,587
Bonds and notes		2,139,279,673	1,866,147
a) with a life of up to four years			
aa) of the Federal and Länder Governments	DM 1,229,409,109		
ab) of banks	DM 770,165,607		
ac) of other issuers	DM 72,139,523		
including:		2,071,714,239	2,794,477
eligible as collateral for			
Deutsche Bundesbank advances	DM 1,716,456,213		
b) with a life of more than four years			
ba) of the Federal and Länder Governments	DM 2,182,539,478		
bb) of banks	DM 3,232,344,703		
bc) of other issuers	DM 2,286,151,845		
including:		7,701,036,026	7,389,057
eligible as collateral for			
Deutsche Bundesbank advances	DM 4,476,211,372		
Securities not to be shown elsewhere		9,772,750,265	10,183,534
a) shares marketable on a stock exchange and investment fund certificates		4,607,664,817	2,698,568
b) other		29,334,865	12,073
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 19,303,725		
Claims on customers with original periods or periods of notice of		4,636,999,682	2,710,641
a) less than four years		38,978,246,821	36,090,716
b) four years or more		40,712,058,857	33,465,476
including:			
ba) secured by mortgages on real estate	DM 8,111,193,655		
bb) communal loans	DM 2,454,433,994		
due in less than four years	DM 18,891,014,000		
Recovery claims on Federal and Länder authorities under Currency Reform Acts		184,823,767	206,023
Loans on a trust basis at third party risk		172,880,964	153,661
Subsidiaries, associated companies and trade investments		6,452,704,304	4,568,948
including: investments in banks	DM 3,786,731,868		
Land and buildings		912,266,900	861,872
Office furniture and equipment		641,310,000	558,131
Own shares	DM	-	28,248
nominal amount			
Own bonds and notes		98,861,918	178,482
nominal amount	DM 40,793,750		
Other assets		745,258,151	671,248
Deferred items			
a) Difference in accordance with Section 156 (3) of the Joint Stock Corporation Act	69,714,154		-
b) other deferred items	19,882,672		13,932
		89,596,826	13,932
Total Assets		159,927,755,776	141,904,810

Total Assets and the recourse claims from the contingent liabilities shown below the line on the liabilities side include:

a) claims on related companies	14,742,365,710	13,679,784
b) claims arising from loans falling under Section 15 (1) 1–6 and (2) of the Banking Act, unless included under a)	585,904,119	546,148

Balance Sheet as of December 31, 1986

Liabilities

	DM	DM	DM	31. 12. 1985 in DM 1,000
Liabilities to banks				
a) payable on demand		12,498,345,653		11,711,354
b) with original periods or periods of notice of				
ba) less than three months	10,833,916,614			
bb) at least three months, but less than four years	13,217,291,832			
bc) four years or more	<u>15,669,328,775</u>	39,720,535,221		32,276,236
including: due in less than four years	DM 8,152,683,000			
c) customers' drawings on other banks		<u>141,329,087</u>		161,111
			52,360,209,961	44,148,701
Liabilities to customers				
a) payable on demand		21,705,213,873		20,512,173
b) with original periods or periods of notice of				
ba) less than three months	20,423,216,069			
bb) at least three months, but less than four years	5,629,725,437			
bc) four years or more	<u>10,110,619,418</u>	38,163,560,924		34,592,650
including: due in less than four years	DM 8,442,338,000			
c) savings deposits				
ca) subject to legal period of notice	14,222,450,617			
cb) other	<u>10,328,711,442</u>	<u>24,551,162,059</u>		21,581,972
			82,419,936,856	76,686,795
Bonds and notes with a life of				
a) up to four years		522,000		623
b) more than four years		<u>5,560,855,400</u>		3,406,515
including: maturing in less than four years	DM 2,591,258,400			
Own acceptances and promissory notes outstanding			5,561,177,400	3,407,138
Loans on a trust basis at third party risk			2,570,687,296	2,017,538
Provisions			172,880,964	153,661
a) for pensions	1,789,960,700			1,678,563
b) other	<u>5,041,523,887</u>			4,511,937
			6,831,484,587	6,190,500
Other liabilities			191,274,519	136,729
Endowments and benevolent funds				
Endowment assets	7,220,617			7,143
less investments in securities	<u>7,197,738</u>			6,918
			22,879	225
Deferred items			950,222,996	1,019,107
Special items with partial reserve character				
a) in accordance with the Tax Act regarding Developing Countries		5,817,703		7,472
b) in accordance with Section 6b of the Income Tax Act		27,525,794		6,481
c) replacements reserve		774,400		775
d) in accordance with Section 3 of the Foreign Investment Act		<u>2,234,000</u>		1,032
			36,351,897	15,760
Share capital			1,823,364,850	1,599,063
Conditional capital DM 618,896,350				
Disclosed reserves				
a) legal reserve	3,913,423,338			
Allocation in accordance with Section 150 (2) of the Joint Stock Corporation Act	<u>240,646,904</u>	4,154,070,242		3,913,423
b) reserve for own shares	2,204,147,280			28,248
c) other reserves (voluntary)	<u>300,000,000</u>	<u>2,504,147,280</u>		2,204,147
Allocation from Net income for the year			6,658,217,522	6,145,818
			551,944,049	383,775
Distributable profit				
			Total Liabilities	159,927,755,776
				141,904,810
Own drawings in circulation				
including: those discounted for borrowers' account	DM 18,350,966		18,350,966	12,427
Endorsement liabilities on rediscounted bills of exchange				
Contingent liabilities from guarantees, including guarantees for bills and cheques, and from indemnity agreements (cf. also page 70 of the Annual Report)			4,148,097,421	4,913,913
Commitments (not to be shown under liabilities) from the sale of assets subject to repurchase agreements			18,939,781,936	19,818,572
Savings premiums under the Savings Premium Act			86,783,077	105,479
Total Liabilities, together with contingent liabilities and other commitments shown below the line, include liabilities to related companies of			36,070,866	79,938
			15,955,549,459	12,118,771

Expenses

Profit and Loss Account

	DM	DM	1985 in DM 1,000
Interest and similar expenses		5,309,185,153	5,711,180
Commissions and similar service charges paid		55,230,434	41,221
Write-downs of and adjustments to claims and securities, transfers to provisions for possible loan losses		503,969,497	-
Salaries and wages		2,265,661,494	2,003,815
Compulsory social security contributions		331,985,828	299,367
Expenses for pensions and other employee benefits		391,967,262	366,473
General operating expenses		1,005,529,927	919,657
Depreciation of and adjustments to land and buildings and office furniture and equipment		299,845,432	228,171
Write-downs of and adjustments to subsidiaries, associated companies and trade investments		112,035,740	109,263
Taxes			
a) on income and assets	1,237,076,428		1,307,057
b) other	<u>5,916,567</u>		<u>17,101</u>
Expenses from assumption of loss		1,242,892,995	1,324,158
Allocations to Special items with partial reserve character		28,925,942	15,810
Other expenses		29,717,861	5,594
Net income for the year		426,264,991	345,513
		823,696,549	762,023
Total Expenses		12,827,009,105	12,132,245

Net income for the year
Withdrawals from Disclosed reserves for own shares
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 171,180,988 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%, 118%, 127%, 136% and 147% of the above sum.

Frankfurt am Main, March 10, 1987

Deutsche Bank Aktiengesellschaft

The Board of Managing Directors

<i>Blessing</i>	<i>Burgard</i>	<i>Cartellieri</i>	<i>Christians</i>
<i>Herrhausen</i>	<i>van Hooven</i>	<i>Kopper</i>	
<i>Mertin</i>	<i>Weiss</i>	<i>Zapp</i>	
<i>Breuer</i>	<i>Krupp</i>		

for the period from January 1 to December 31, 1986

Income

	DM	DM	1985 in DM 1,000
Interest and similar income from lending and money market transactions		8,479,882,080	8,802,507
Current income from			
a) fixed-interest securities and Government-inscribed debt	650,443,802		659,294
b) other securities	151,789,191		136,837
c) subsidiaries, associated companies and trade investments	<u>1 470,808,532</u>		<u>408,251</u>
		2,273,041,525	1,204,382
Commissions and other service charges received		1,636,255,669	1,434,674
Other income, including income from the writing back of provisions for possible loan losses		347,769,092	506,881
Income from profit-pooling, profit-transfer and partial profit-transfer agreements		21,408,263	21,846
Income from the writing back of provisions, unless it has to be shown under "Other income"		59,526,601	49,188
Income from the writing back of special items with partial reserve character		9,125,875	12,767
Income from the partial writing back of the taxed valuation reserve in accordance with Section 26a of the Banking Act		—	100,000
	Total Income	12,827,009,105	12,132,245

DM	DM	1985 DM	1985 DM
823,696,549		762,022,596	
28,247,500		—	
<u>851,944,049</u>		<u>762,022,596</u>	
—	28,247,500		
300,000,000	250,000,000		
<u>—</u>	<u>300,000,000</u>	<u>100,000,000</u>	<u>378,247,500</u>
	<u>551,944,049</u>	<u>—</u>	<u>383,775,096</u>

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 19, 1987

**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	1986	1985	1984	1983	1982	1981
Assets							
Cash reserve		6,231	7,266	5,940	5,235	5,455	6,679
Bills of exchange		1,784	1,812	2,050	2,119	1,994	2,462
Claims on banks		46,098	41,000	43,186	31,598	34,808	34,246
Treasury bills and discountable Treasury notes		2,139	1,866	1,111	1,189	1,144	614
Bonds and notes		9,773	10,183	10,765	9,436	7,709	6,569
Securities not to be shown elsewhere		4,637	2,711	3,080	2,739	2,327	2,249
Claims on customers		79,690	69,556	65,721	59,409	56,572	56,089
short and medium-term		38,978	36,091	38,241	35,939	34,655	31,161
long-term (four years or more)		40,712	33,465	27,480	23,470	21,917	24,928
Recovery claims on Federal and Länder authorities under Currency Reform Acts		185	206	221	237	256	273
Loans on a trust basis at third party risk		173	154	218	207	212	227
Subsidiaries, associated companies and trade investments		6,453	4,587	2,692	2,507	2,048	1,829
Land and buildings		912	862	818	784	765	731
Office furniture and equipment		641	558	415	324	308	293
Other assets		746	671	1,434	1,424	1,341	1,471
Remaining assets		466	493	239	576	757	741
	Balance Sheet Total	159,928	141,905	137,888	117,784	115,496	114,473
Liabilities							
Liabilities to banks		52,360	44,149	45,899	38,226	37,396	35,732
including: time deposits		39,862	32,437	35,331	29,411	28,621	27,153
Liabilities to customers		82,420	76,687	73,599	64,425	63,080	64,698
including: time deposits		36,164	34,593	33,100	27,130	28,614	30,654
savings deposits		24,551	21,582	20,656	20,934	21,114	20,353
Bonds and notes		5,561	3,407	2,553	1,545	2,659	3,081
Provisions		6,832	6,190	5,615	4,382	3,618	2,867
for pensions		1,790	1,678	1,569	1,453	1,291	1,269
other		5,042	4,512	4,046	2,929	2,327	1,598
Share capital		1,624	1,599	1,469	1,356	1,356	1,232
Disclosed reserves		6,658	6,148	4,766	4,162	4,018	3,641
legal reserve		4,154	3,914	2,912	2,458	2,458	2,084
other reserves		2,504	2,232	1,854	1,704	1,560	1,557
Remaining liabilities		3,921	3,343	3,634	3,363	3,071	2,981
Distributable profit		552	384	353	325	298	241
	Balance Sheet Total	159,928	141,905	137,888	117,784	115,496	114,473
Own drawings in circulation (discounted)		18	12	10	13	49	73
Endorsement liabilities		4,148	4,914	5,520	4,960	4,525	3,604
	Business Volume	164,094	146,831	143,418	122,757	120,070	118,150
Contingent liabilities from guarantees, etc.		18,940	19,817	21,039	21,005	21,013	21,182

Figures from the Profit and Loss Account

for the year	1986	1985	1984	1983	1982	1981
Earnings on business volume (Interest surplus)	5,465	4,317	4,217	4,146	3,810	3,412
Earnings on services (Commission surplus)	1,581	1,394	1,167	1,076	941	892
Staff and other operating expenses	4,264	3,809	3,545	3,316	3,076	2,868
Taxes	1,243	1,324	937	940	757	553
Net income for the year	824	762	503	469	302	242
Allocations to Disclosed reserves	272	378	150	144	4	1
Distributable profit	552	384	353	325	298	241
Dividend in DM per share or in %*)	12.—	12.—	12.—	12.—	11.—	10.—
+ bonus	5.—					
*) plus tax credit for shareholders with unlimited domestic tax liability:	(9.56)	(6.75)	(6.75)	(6.75)	(6.19)	(5.63)
Number of staff at year's end	42,928	41,674	41,126	40,570	40,325	39,836

1980	1979	1978	1976	1974	1972	1970	1960	1956	1.1. 1952
7,524	9,722	6,723	4,522	5,183	5,138	2,763	1,388	699	417
2,939	2,359	6,311	6,626	4,742	3,743	4,095	2,109	1,897	598
26,165	26,261	26,433	15,973	11,066	5,911	4,303	983	686	347
612	524	387	248	—	249	408	482	54	64
6,374	4,949	5,243	3,098	1,466	1,272	1,482	557	333	3
2,158	2,005	1,774	1,875	1,123	1,148	1,325	706	352	60
52,874	47,710	40,406	30,767	23,294	19,823	14,785	4,128	2,805	1,690
26,995	23,326	19,281	16,903	15,147	12,082	8,893	3,696	2,396	1,458
25,879	24,384	21,125	13,864	8,147	7,741	5,892	432	409	232
288	306	324	363	402	443	481	501	476	417
233	238	272	199	61	105	52	65	87	46
1,681	1,554	1,463	1,250	1,051	773	534	80	54	9
757	789	765	681	575	389	345	154	118	61
276	269	266	225	169	142	101	—	—	20
1,760	1,348	1,152	1,118	780	639	462	10	33	1
605	773	611	416	421	459	296	59	27	25
104,246	98,777	92,130	67,361	50,333	40,234	31,432	11,222	7,621	3,758
34,016	32,708	30,245	19,285	12,031	8,901	6,776	1,744	1,810	589
26,782	26,392	24,358	13,420	7,278	4,328	3,618	692	1,149	391
57,157	53,264	50,215	39,828	33,905	28,182	22,397	8,475	5,092	2,652
23,296	20,411	17,210	10,549	10,915	8,450	7,331	2,551	1,652	731
19,628	18,912	19,055	17,654	13,444	11,048	8,187	2,200	964	197
3,635	4,725	4,663	2,844	528	—	—	—	—	—
2,292	1,959	1,673	1,298	973	666	522	281	209	188
1,148	1,038	961	805	658	433	364	146	127	76
1,144	921	712	493	315	233	158	135	82	112
1,114	1,114	1,040	900	720	640	480	250	200	100
3,284	3,164	2,850	2,200	1,549	1,274	880	300	150	41
1,729	1,729	1,505	1,085	634	474	170	50	25	25
1,555	1,435	1,345	1,115	915	800	710	250	125	16
2,525	1,649	1,257	826	483	463	291	132	135	188
223	194	187	180	144	108	86	40	25	—
104,246	98,777	92,130	67,361	50,333	40,234	31,432	11,222	7,621	3,758
31	7	7	—	—	—	—	—	—	—
3,165	2,231	158	437	502	1,432	640	167	317	794
107,442	101,015	92,295	67,798	50,835	41,666	32,072	11,389	7,938	4,552
18,245	16,307	16,503	16,445	9,007	4,406	4,185	1,473	816	461
1980	1979	1978	1976	1974	1972	1970	1960	1956	1952
2,812	2,385	2,099	1,708	1,636	997	901	—	—	—
807	698	655	535	453	360	249	—	—	—
2,087	2,398	2,197	1,849	1,621	1,152	884	—	—	—
482	448	423	293	207	144	96	—	—	—
343	284	307	280	234	158	116	90	50	50
120	90	120	100	90	50	30	50	25	25
223	194	187	180	144	108	86	40	25	25
10.—	9.—	9.—	10.—	10.—	9.—	9.—	16%	12%	—
(5.63)	(5.06)	(5.06)	—	—	—	—	—	—	—
39,242	39,081	37,729	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
Capital increase: 1961 (1 for 5 at par)	50,000,000		50,000,000
Capital increase: 1965 (1 for 6 at par)	50,000,000		50,000,000
Capital increase: 1966 (1 for 7 at par)	50,000,000		50,000,000
Capital increase: 1968 (1 for 5 at DM 125 per share of DM 50)	80,000,000	120,000,000	200,000,000
Capital increase: 1971 (1 for 6 at DM 140 per share of DM 50)	80,000,000	144,000,000	224,000,000
Capital increase: 1972 (1 for 7 at DM 150 per share of DM 50)	80,000,000	160,000,000	240,000,000
Capital increase: 1973 (1 for 8 at DM 150 per share of DM 50)	80,000,000	160,000,000	240,000,000
Capital increase: 1975 (1 for 4 at DM 175 per share of DM 50)	180,000,000	450,000,000	630,000,000
Capital increase: 1977 (1 for 15 at DM 200 per share of DM 50)	60,000,000	180,000,000	240,000,000
Capital increase: 1978 (1 for 12 at DM 200 per share of DM 50) and exercise of option rights	80,132,900	240,427,359	320,560,259
Capital increase: 1979 (1 for 15 at DM 200 per share of DM 50)	74,000,000	223,249,108	297,249,108
Capital increase: 1980 by exercise of option rights	1,000	3,334	4,334
Allocations from net income 1957–1980		1,456,000,000	1,456,000,000
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 (after withdrawals for own shares)		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 1984		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
Premium from bonds with warrants issued by DB Finance N.V., Curaçao, in 1986		142,000,000	142,000,000
Capital increase in 1986 by exercise of option rights and sale of shares not subscribed from the capital increase in 1985	24,301,950	98,646,004	122,948,854
Withdrawals for own shares		– 28,247,500	– 28,247,500
Allocation from net income 1986 (after withdrawals for own shares)		300,000,000	300,000,000
December 31, 1986	1,623,364,850	6,658,217,522	8,281,582,372

Development of Reserves

Allocations from the Conversion Account	41,766,357
Allocations from net income	2,513,380,923
Premium from capital increases and issue of bonds with warrants incl. sale of residual shares	4,103,070,242
Total disclosed reserves	6,658,217,522

Deutsche Bank AG



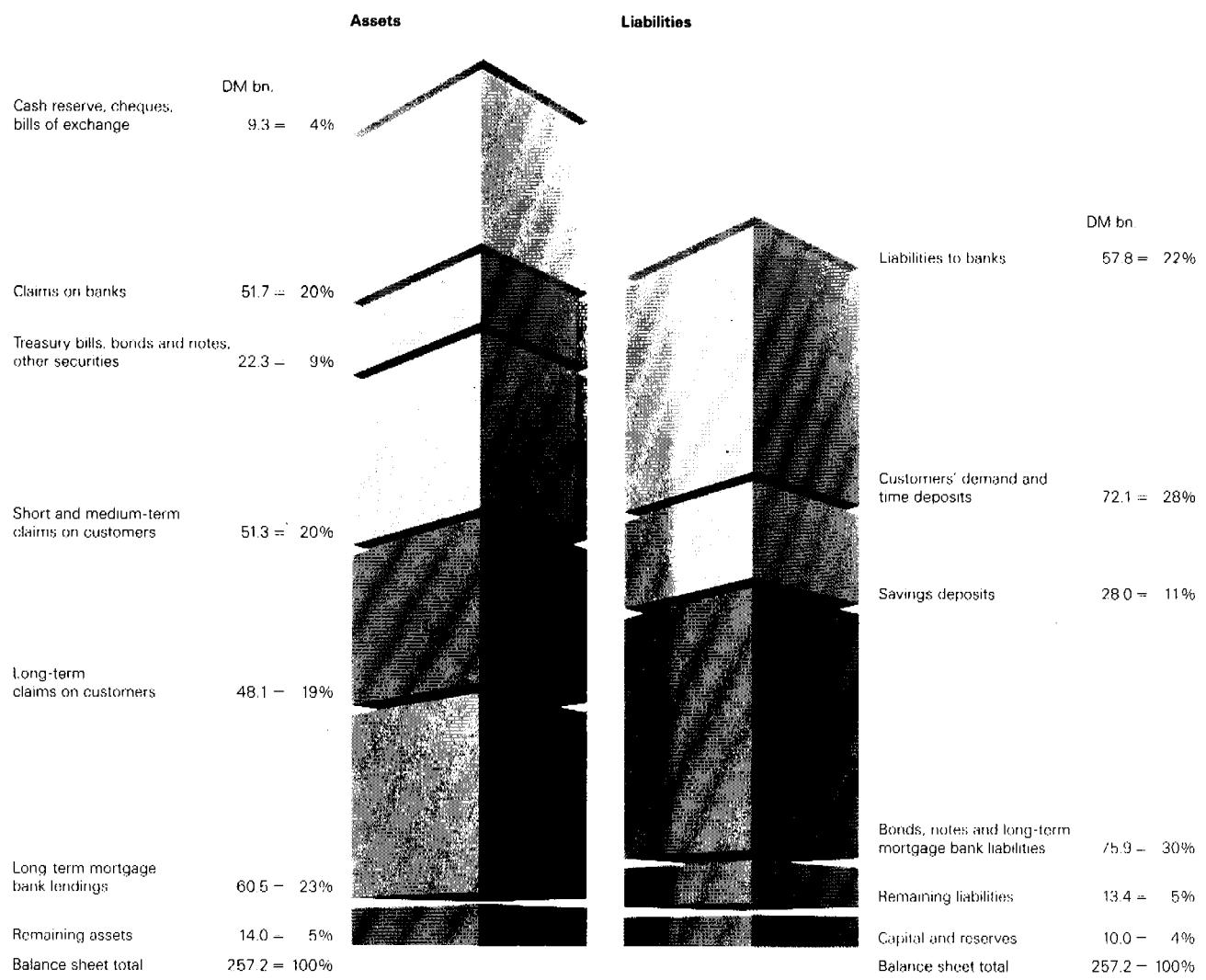
Report of the Group for 1986

Deutsche Bank Group

Capital and reserves DM 10,042.6 m.



Balance sheet structure of Deutsche Bank Group, end of 1986



Report of the Group for 1986

Deutsche Bank Group

General survey

In the 1986 financial year, our strategy within Deutsche Bank Group again focussed on selective expansion of the international network, widening the range of products offered, and continuously improving services to our domestic and foreign customers. In cooperation among the Group companies, the resources available to us as a universal bank with worldwide operations were used efficiently for this purpose.

By developing into an enterprise with bases throughout the world, we are gaining greater access to the major international financial centres, which enables us to tap markets with growth potential in both lending and securities business. These intensified efforts in the field of internationalization are only possible with the support of earnings-oriented business activity. A broad basis in domestic business is absolutely essential to successful action in international competition. The reciprocal effects enable Deutsche Bank Group to offer both domestic and foreign customers tailor-made solutions to meet their investment and financing requirements.

The organic structure of a universal bank makes it easier to cope with the organizational side of these endeavours. Backed by a universal spectrum of business activities, it is possible to improve the containment of risks within the Group, enhance earning power and optimize the relationship between appropriate risk and earnings.

Two important steps taken in the 1986 financial year along the path towards greater internationalization of our Group were the increase in our holding in the capital of European Asian Bank AG, Hamburg, as it was then known, from 60% to 75% and, in particular, the acquisition of Banca d'America e d'Italia S.p.A., Milan.

To underscore the fact that European Asian Bank AG, Hamburg, is a member of Deutsche Bank Group, its name was changed to Deutsche Bank (Asia) AG, Hamburg. Our Group subsidiary, with its 20 branches and subsidiaries, will help to strengthen our position as a worldwide Group in the Asian-Pacific region.

We regard the acquisition of 98.3% of the voting capital of Banca d'America e d'Italia S.p.A., Milan, as part of our Group strategy of achieving a more balanced regional distribution of our locations in Europe. With roughly 3,000 members of staff at 98 branches and 2 subsidiaries, a balance sheet total equivalent to almost DM 8.9 bn. as of 31.12.1986, claims on customers amounting to roughly DM 3.5 bn. and funds from outside sources totalling DM 6.9 bn., the bank, which was established in 1917, ranks eighth among the private Italian banks. It has capital and reserves equivalent to DM 589 m; its strength lies in its business with small and medium-sized Italian corporate customers and in the retail banking sector.

In the 1986 financial year, eight years after our branches in Brussels and Antwerp were opened, we set up a subsidiary of our own, DB (Belgium) Finance S.A./N.V., Brussels. The new company is intended to complement the range of services already offered by our two branches in Belgium.

An additional product variant which has been offered by the Group's domestic branches and commercial banks in the building financing sector since 1986 is mortgages at interest rates that are fixed for up to 10 years. Alongside the intermedia-

tion of building loans to the Group's mortgage banks, this financing product is also to be seen as a means of simplifying the provision of financing from one source.

As a service for our small and medium-sized corporate customers, our branches, in close cooperation with our subsidiary GEFA-Leasing GmbH, have been offering car and computer leasing direct since 1985.

Our strategy of offering our domestic customers a comprehensive range of services was a consideration behind the decision to offer building saving as one of our own products via Deutsche Bank Bauspar-AG from 1987. In doing so, we want to broaden our business relationship with customers for whom we have in the past acted as intermediary in arranging building saving contracts with institutions outside the Group.

In view of the steadily increasing importance of retail banking in the Luxembourg financial centre, our subsidiary there also moved into this sector in spring 1987. The expansion of its activities to encompass more than the business of a eurofinancing house is reflected in the change of name to "Deutsche Bank Luxembourg S.A." in March 1987.

The international, all-round service offering of Deutsche Bank Group is illustrated by the table on pages 34 and 35 of the Annual Report for 1986.

The following notes give an outline of cooperation throughout the Group.

The three *domestic commercial banks*, Deutsche Bank Berlin AG, Deutsche Bank Saar AG and Handelsbank in Lübeck AG, operate as universal banks and, as independent regional banks, complement the service range of Deutsche Bank AG within their market regions. Their business activity generates a large number

of banking transactions with offices of Deutsche Bank Group in Germany and abroad (money market transactions, guarantee business, syndicated credits, intermediation of eurocredits and mortgages). The inclusion of the domestic commercial banks in Group cooperation gives their customers recourse to the resources of the Group. Customers of the three domestic commercial banks have the same access to the world network of Deutsche Bank Group with its branches, subsidiary and associated banks and its representative offices for the promotion of their interests.

Among the *foreign commercial banks*, Deutsche Bank (Asia) AG, Hamburg, serves primarily customers from the Asian-Pacific region. Deutsche Bank (Canada), Toronto, and Deutsche Bank Australia Ltd., Melbourne and Sydney, operate in their respective countries as full-service banks with a corresponding offering: they engage in lending and deposits business with corporate and personal customers, conduct foreign exchange dealing, handle the financial side of foreign trade transactions and payments business. Another important area of business for our subsidiary in Australia is investment banking. Deutsche Bank (Asia Credit) Ltd., Singapore, concentrates on cross-border lending and gold and foreign exchange dealing. Our subsidiary in Luxembourg, which now operates under the name of Deutsche Bank Luxembourg S.A., will continue eurocredit business and money and foreign exchange dealing, its main lines of business in the past, and will in future also engage in business with private customers.

DB (Belgium) Finance S.A./N.V., Brussels, which was established in the 1986 financial year, and DB U.K. Finance Ltd., London, complement

the activities of our branches in Belgium and the United Kingdom in lending and money market business.

The provision of long-term financing for private and commercial buildings is largely handled within the Group by the three *mortgage banks* – Frankfurter Hypothekenbank AG, Deutsche Centralbodenkredit-AG and Lübecker Hypothekenbank AG. The cooperation within the Group is particularly apparent in the work with the mortgage banks. A substantial proportion of new mortgage business is referred to the mortgage banks by the domestic branches and the domestic commercial banks. The bonds issued by the mortgage banks to raise funds are also offered to customers at the branches of Deutsche Bank Group as an investment.

The outstanding development of our securities and portfolio management business is largely attributable to the specialist *investment banking companies*, in addition to the contribution made by the Group's branches and commercial banks. Of those companies which are consolidated, DWS Deutsche Gesellschaft für Wertpapiersparen mbH, Frankfurt am Main, offers investment-fund saving as an additional product of Deutsche Bank Group; DWS uses the Group's distribution network to sell the certificates. Deutsche Gesellschaft für Fondsverwaltung mbH (DEGEF), Frankfurt am Main, arranges special funds for institutional investors.

Three companies – in addition to DB Capital Markets (Asia) Ltd., Hong Kong, and its branch in Tokyo – engage in investment banking abroad.

Deutsche Bank Capital Corporation in New York and Deutsche Bank Capital Markets Ltd. in London conduct issuing and securities business mainly for an internationally active clientele. In the Continental European market, this field is covered especially by Deutsche Bank (Suisse) S.A., Geneva and Zürich, which provides internationally oriented customers with investment consultancy and portfolio management services and engages in foreign exchange and precious metals business. Its licence as a universal bank also permits it to engage in lending business.

The *instalment financing companies and specialized institutions* have complementary and specialized duties within the Group. Deutsche Kreditbank für Baufinanzierung AG, Cologne, offers different types of financing in the building sector, thus supplementing the activities of the Group. EFGEE Gesellschaft für Einkaufs-Finanzierung mbH, Düsseldorf, and GEFA Gesellschaft für Absatzfinanzierung GmbH, Wuppertal, represent the Group in instalment financing for private individuals and businesspeople on the domestic market. Deutsche Credit Corporation, Deerfield, Illinois, engages in instalment financing in the United States and offers the customers of the domestic German Group the opportunity to include this instrument in their sales strategy for capital goods in the U.S.A.

Of the *leasing companies*, GEFA-Leasing GmbH, Wuppertal, is particularly closely integrated into the Group's business activities. The small and medium-sized businesses and self-employed persons who are customers of the Group's domestic branches and domestic commercial banks are at the same time potential customers of GEFA-Leasing GmbH, so that mutual support is given through cross-selling. The procedure by

which branches of Deutsche Bank give direct commitments for car and computer leasing represents a new line of cooperation. GEFA-Leasing GmbH is included in consultations on larger-scale leasing transactions.

The objective of the *international financing companies*, Deutsche Bank Finance N.V., Curaçao, and Deutsche Bank Financial Inc., Dover, Delaware, U.S.A., is to raise funding in D-Marks and other currencies for companies in the Group.

The Group's *business volume* rose – after consolidation – by DM 19.2 bn. to DM 261.9 bn. The increase in assets was due to the sharp rise in claims on banks (+ DM 7.9 bn.) and to the expansion of long-term claims on customers (+ DM 5.8 bn.) and long-term lendings in mortgage bank business (+ DM 3.5 bn.).

On the liabilities side, customers' deposits rose by DM 9.8 bn., long-term liabilities in mortgage bank business by DM 3.1 bn. and bonds and notes by DM 5.0 bn.

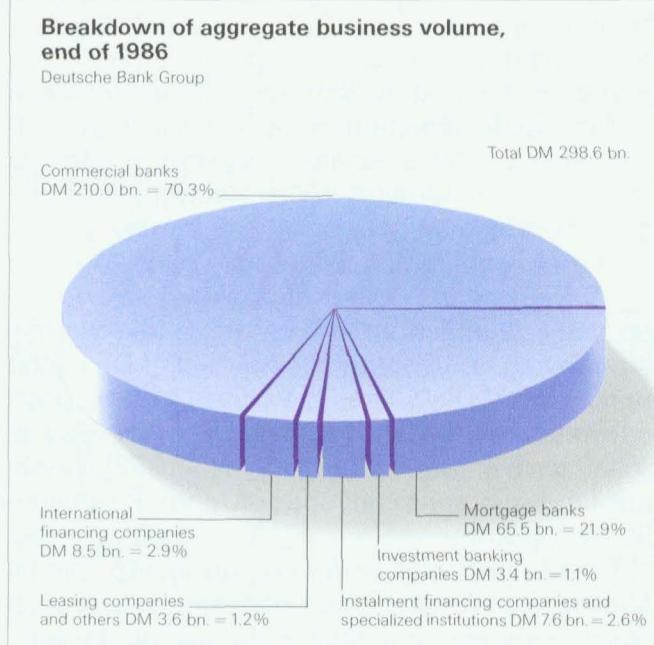
Of the Group's aggregate business volume amounting to DM 298.6 bn. (previous year: DM 273.8 bn.), 70.3% is attributable to the domestic and foreign commercial banks and 21.9% to the mortgage banks. The instalment financing companies and specialized institutions, and the international financing companies have shares of 2.6% and 2.9% respectively; the remaining 2.3% is spread among the investment banking companies, the leasing companies and the consolidated property management companies.

The Group *operating result* increased by 24.9%; close to 90% of the aggregate operating result was generated by the Group's domestic and foreign commercial banks.

At the end of 1986, Deutsche Bank Group employed 50,590 members of staff (previous year: 48,851), 46,431 of whom were in the German network (previous year: 45,092). Our customers were served by 1,410 offices, of which 1,345 were in our domestic German network and 65 abroad. The inclusion of Banca d'America e d'Italia S.p.A. will raise the number of offices abroad by 100.

Consolidated companies

The following companies are included with Deutsche Bank AG in the Consolidated Statement of Accounts as of December 31, 1986:



	Group's capital share pursuant to § 16 Joint Stock Corp. Act		Group's capital share pursuant to § 16 Joint Stock Corp. Act
<i>Commercial banks</i>			
Deutsche Bank Berlin AG, Berlin	100 %	EFGEE Gesellschaft für Einkaufs-Finanzierung mbH, Düsseldorf	100 %
Deutsche Bank Saar AG, Saarbrücken	69.2%	GEFA Gesellschaft für Absatzfinanzierung mbH, Wuppertal	100 %
Handelsbank in Lübeck AG, Lübeck	90.2%	Deutsche Credit Corporation, Deerfield, Illinois	100 %
Deutsche Bank (Asia) AG, Hamburg	75 %	Deutsche Credit Services, Inc., Dover, Delaware	100 %
Deutsche Bank (Asia Credit) Ltd., Singapore	100 %		
Deutsche Bank Australia Ltd., Melbourne	99.9%		
Deutsche Bank (Canada), Toronto	100 %		
Deutsche Bank Compagnie Financière Luxembourg S.A., Luxembourg	100 %		
(from March 1987:			
Deutsche Bank Luxembourg S.A.)			
DB (Belgium) Finance S.A./N.V., Brussels	99.9%	Deutsche Gesellschaft für Immobilien-Leasing mbH, Cologne	95 %
DB U.K. Finance Ltd., London	99.9%	GEFA-Leasing GmbH, Wuppertal	100 %
		DB Export-Leasing GmbH, Frankfurt am Main	100 %
<i>Mortgage banks</i>			
Deutsche Centralbodenkredit-AG, Berlin – Cologne	88.7%		
Frankfurter Hypothekenbank AG, Frankfurt am Main	91.9%		
Lübecker Hypothekenbank AG, Lübeck	100 %		
<i>Investment banking companies</i>			
Deutsche Gesellschaft für Fondsverwaltung mbH, Frankfurt am Main	100 %		
DWS Deutsche Gesellschaft für Wertpapier-sparen mbH, Frankfurt am Main	55.1%		
Deutsche Bank Capital Corporation, New York	100 %		
Deutsche Bank Capital Markets Ltd., London	99.9%		
Deutsche Bank (Suisse) S.A., Geneva	99.9%		
<i>Instalment financing companies and specialized institutions</i>			
Deutsche Kreditbank für Baufinanzierung AG, Cologne	100 %		

In accordance with Section 329 (2) of the Joint Stock Corporation Act, we have not included in the Consolidated Statement of Accounts the Group companies domiciled in the Federal territo-

ry or Berlin which are listed on page 114 f. owing to their minor importance for the presentation of the Group's assets and income. Combined, their balance sheet total comes to DM 908 m., which is equivalent to 3.5% of the consolidated balance sheet total.

Foreign Group companies with an aggregate balance sheet total of DM 1,009 m. (3.9% of consolidated balance sheet total) were also not included in the Consolidated Statement of Accounts of Deutsche Bank AG because of their minor importance: the Statement therefore provides a comprehensive view of Group assets and income and satisfies the requirements for a world statement of accounts. Banca d'America e d'Italia S.p.A., Milan, which was acquired shortly before the end of the financial year, was also not included in the Consolidated Statement of Accounts since – from a business point of view – a Group relationship did not yet exist in that year.

Commercial banks

Business volume at *Deutsche Bank Berlin AG, Berlin*, expanded 6.1% to DM 7,968 m. as a result of brisk interbank business in the second half of 1986. The balance sheet total increased by 6.9% to DM 7,725 m.

Total credit extended was, at DM 4,269 m., 1.7% lower than the comparable figure for the previous year, owing mainly to the further reduction of holdings of Schulscheine and other registered paper.

The 5.2% rise in claims on domestic private customers to DM 2,150 m. was due to the positive development of building financing business.

Lending business with corporate customers expanded again.

The growth of money dealing business was a major contributor to the 7.4% increase in funds from outside sources to DM 6,835 m. Liabilities to banks were 13.3% higher at DM 1,550 m. Customers' deposits rose to DM 4,883 m. (+ 4.7%), while the savings deposits included in this figure grew 8% to DM 2,431 m.

The operating result contracted by 9.3%; the rise in interest and service charges received was not able to absorb the decline in the contribution made by own-account trading and the increase in staff and other operating expenses.

Provision was made for all discernible risks and for latent risks.

From the DM 70 m. net income for the year, DM 35 m. was transferred to disclosed reserves; it is to be proposed to the General Meeting that a further DM 15 m. be allocated to disclosed reserves. The bank's capital and reserves then total DM 537 m.

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

Deutsche Bank Berlin AG has 77 business offices in Berlin, and at the end of the year it employed 1,771 members of staff.

Deutsche Bank Saar AG, Saarbrücken, increased its business volume by 0.2% to DM 1,864 m. and its balance sheet total by 0.5% to DM 1,780 m.

Total credit extended by the bank expanded 8.1% to DM 1,047 m. Claims on customers grew 6.6% to DM 883 m. Business with domestic private customers showed a slight decline owing to lower building financing loans; the reduction of building financings is mainly due to an increase in

the number of referrals to mortgage banks within our Group.

Loans to domestic corporate customers were hiked by 21.9%, with particularly gratifying expansion in the short and medium-term sectors.

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

Funds from outside sources were 0.4% higher at DM 1,524 m.; customers' deposits decreased by 1.8% to DM 978 m.

With higher regular income, and lower staff and other operating expenses due to completion of the renovations made at the bank's head office, the operating result improved by 28.1%.

Of the DM 7.9 m. net income for the year, DM 3.0 m. was transferred to disclosed reserves. Capital and reserves now total DM 79 m.

It will be proposed to the General Meeting that a dividend of DM 7, raised from DM 6, be distributed per share of DM 50 par value.

Deutsche Bank Saar AG employed 504 members of staff.

Despite difficult market conditions, *Handelsbank in Lübeck AG*, Lübeck, increased its business volume by 4% to DM 2,098 m. and its balance sheet total by 3.8% to DM 2,064 m.

At DM 1,150 m., total credit extended fell just short of the end-1985 level. Liabilities to customers, including bearer bonds, grew 7.3% to DM 1,441 m. There was a notable rise in savings deposits, which were 7.2% higher at DM 691 m., owing in particular to a strong influx of long-term savings deposits generated by the savings plan with insurance cover. Savings certificates registered 5.5% growth to DM 110 m.

Provision was made for all discernible risks.

Of the DM 7 m. net income for the year, DM 3 m. was transferred to disclosed reserves. Capital and reserves then totalled DM 83 m. It will be proposed to the General Meeting that a dividend of DM 10, raised from DM 9, be distributed per share of DM 50 par value.

Handelsbank in Lübeck AG employed 690 members of staff at 37 business offices.

European Asian Bank AG was renamed *Deutsche Bank (Asia) AG* towards the end of the year, after we had increased our holding in the bank in May 1986 from 60% to 75%.

The contraction of business volume – including liabilities from guarantees and letters of credit – by DM 1.5 bn. to DM 7.4 bn., the decline in total credit extended by DM 1.0 bn. to DM 4.0 bn., and in funds from outside sources by DM 1.2 bn. to DM 5.3 bn. were, as in the previous year, largely due to exchange rate influences and to persistently weak credit demand in some Asian countries.

After account had been taken of all discernible risks in lending business, the financial year closed with a balanced result. Capital and reserves were an unchanged DM 429.9 m. at year's end.

The number of employees rose by 91 to 1,645.

At the beginning of 1986, our subsidiary bank in Australia, *Deutsche Bank Australia Ltd.*, commenced operations. In addition to lending and deposits business, it also engages in investment banking. Its subsidiaries Deutsche Capital Management Australia Ltd., Melbourne, and European Asian of Australia Ltd., Sydney, which perform complementary functions, were consolidated. On a balance sheet total of A\$ 313.0 m. (DM 403 m.), reported profit was A\$ 0.7 m.

(DM 0.9 m.). Capital amounts to A\$ 50 m. (DM 64 m.). At year's end, 99 members of staff were employed.

Still pursuing a cautious lending policy, *Deutsche Bank (Asia Credit) Ltd., Singapore*, increased its balance sheet total by S\$ 304 m. compared with the previous year to S\$ 1,964 m. Owing to exchange rates, this resulted in a decline in D-Marks to DM 1.8 bn. compared with DM 1.9 bn. the year before. Following adjustments for country risks, S\$ 15 m. of the S\$ 34.7 m. net income for the year has already been distributed to the parent company. Another distribution in the same amount is planned. At year's end, capital and reserves were unchanged at S\$ 56.8 m., which was equivalent to DM 50.8 m. There were 44 members of staff.

Deutsche Bank (Canada), Toronto, was able to increase the number of customer relationships and the volume of business again in 1986. The standing of this Group company is demonstrated by the fact that its funding paper has again been awarded the highest rating. Balance sheet total rose 50% over the previous year (C\$ 506 m.) to C\$ 758 m. (DM 1 bn.). After provision for risks, the C\$ 1.1 m. net income for the year ended on 31.10.1986 was carried forward. Capital and reserves still amount to C\$ 25.0 m. (DM 35 m.). At year's end, 34 employees worked at the bank.

Our 100% subsidiary in Luxembourg, *Deutsche Bank Compagnie Financière Luxembourg S.A.*, which was renamed Deutsche Bank Luxembourg S.A. with effect from mid-March 1987, again concluded the past financial year successfully.

Balance sheet total was 6.0% lower at the end of 1986 at LFrs 507 bn. (DM 24.1 bn.), but the decrease was due entirely to the fall in the U.S. dollar. There was a real decline of 15.2% to LFrs 365 bn. (DM 17.4 bn.) in total credit extended, owing particularly to a contraction of short-term business with customers.

On the other hand, lendings to banks expanded and money dealing business increased. Adjusted for the change in the dollar rate, long-term international credit business stabilized again after declining in the preceding years. The bank, however, continued to act selectively and with restraint in this sector.

At LFrs 323 bn. (DM 15.4 bn.), short-term borrowings from banks remained the most important source of funding.

Deposits and current accounts more than trebled to LFrs 97 bn. (DM 4.6 bn.) because of time deposits taken in from industrial companies.

The policy pursued in recent years of optimizing funding through long-term borrowing linked to swap operations had a positive effect on earnings again in 1986. Despite a lower business volume, the bank turned in an operating result on a par with the results of the preceding years. After a further increase in provision for risks in international lending business, net income for the year is reported at LFrs 750 m. (DM 35.7 m.), LFrs 745 m. of which is to be allocated to disclosed reserves. Capital and reserves then amount to just under LFrs 11 bn. (DM 521 m.). At the end of 1986, the company had a staff of 81.

DB (Belgium) Finance S.A./N.V., Brussels, which was set up in August 1986, engages in international credit business and in lending at longer term to enterprises in Belgium. The company also deals in securities. The bulk of funding is pro-

vided by Brussels Branch. With a balance sheet total of BFrs 7,752 m. (DM 369 m.) as of 31.12.1986, the company earned net income for the year amounting to BFrs 0.9 m. Capital and reserves total BFrs 200 m. (DM 10 m.).

Besides participating in international lending business, *DB U.K. Finance Ltd., London*, was also more heavily involved in short-term money market business in 1986. Despite an increase in business in real terms, business volume contracted – as a result of the further fall in the dollar – by 2.8% to DM 1,762 m. Net income for the year amounted to £ 1.9 m. (DM 5.6 m.). At the end of 1986, capital and reserves came to £ 16.1 m. (1985: £ 14.2 m.).

Mortgage banks

Deutsche Centralbodenkredit-Aktiengesellschaft, Berlin – Cologne, recorded a 1.3% increase in loan commitments to DM 3,667 m. in the 1986 financial year, with mortgage loans accounting for DM 1,716 m. (+ 7.5%) and communal loans for DM 1,951 m. (- 3.5%). The mortgage commitments comprised DM 350 m. (- 29%) for new residential properties, DM 683 m. (+ 13%) for older residential properties, and DM 683 m. (+ 36%) for commercial properties. The strong expansion of commercial lending business was attributable to more brisk investment activity because of the overall economic development and to the consolidation of short-term financings in view of the low level of interest rates.

Of the loans totalling DM 1,172 m. whose terms and conditions were due for revision, DM 911 m. were prolonged.

Loans outstanding amounted to DM 26,909 m. (+ 5.3%), with mortgage loans accounting for DM 11,802 m. (+ 7.0%) and communal loans for DM 15,107 m. (+ 4.1%).

The new business and loans prolonged were funded through bonds and loans in an aggregate amount of DM 4,378 m. Mortgage bonds made up DM 1,592 m. of total bond sales and communal bonds DM 2,114 m.

The balance sheet total rose to DM 28,471 m. (+ 4.1%).

At DM 147.7 m., the partial operating result was 8.3% higher than the pre-year figure.

After provision had been made for risks, net income for 1986 came to DM 42.3 m., of which DM 21 m. was allocated to disclosed reserves. It will be proposed to the General Meeting that the distributable profit of DM 21.3 m. be used to transfer a further DM 4 m. to reserves and to distribute an unchanged dividend of DM 12 per share of DM 50 par value. Capital and reserves will then amount to DM 678 m.

At Deutsche Centralbodenkredit-AG, 446 members of staff are employed at 10 business offices.

Frankfurter Hypothekenbank Aktiengesellschaft, Frankfurt am Main, gave loan commitments for DM 3,981 m. (+ 15.9%) in the 1986 financial year. The volume of new mortgage loans granted, DM 1,988 m. (+ 1.7%), is primarily due to the expansion of commercial financings, which climbed 30.2% compared with 1985 to DM 1,042 m. In view of the continuing weak state of residential building activity, which is showing only isolated regional signs of recovery, new residential financing commitments fell to DM 946 m. (- 18.1%). Commitments for new residential properties amounted to DM 218 m. (- 28.9%), while those for older properties came to DM 728 m. (- 14.1%).

New commitments in communal loan business were up 34.7% at DM 1,993 m.

The decline in loans due for prolongation, which has been visible since 1985 and is due to the improved maturity structure, continued in the 1986 financial year. The volume of loans whose terms and conditions were up for revision fell to DM 2.5 bn. (- 22.4%); 86.4% of these were kept on the bank's books at new terms and conditions.

Loans outstanding amounted to DM 26,852 m (+ 4.2%).

Funding was taken up in the amount of DM 4,361 m., compared with DM 4,207 m. in 1985. Mortgage bonds contributed DM 730 m. of this and communal bonds DM 2,638 m.

The balance sheet total rose 4.5% to DM 29,242 m.

The partial operating result was increased by 9.1% to DM 188.9 m. Adequate provision was made for all discernible risks.

Of the DM 45 m. net income for the year, DM 20 m. was transferred to disclosed reserves. It will be proposed to the General Meeting that the reserves be raised by a further DM 5 m. Capital and reserves will then come to DM 671.8 m. A dividend of DM 12 and a bonus of DM 1 per share of DM 50 par value is planned for the 1986 financial year.

Frankfurter Hypothekenbank employs 454 members of staff at 10 business offices.

Frankfurter Hypothekenbank AG is the first German mortgage bank to receive Standard & Poor's Triple A rating. It applies to all of the bank's mortgage and communal bonds in circulation: the bank intends in the near future to promote the sale of its bonds internationally.

Lübecker Hypothekenbank AG, Lübeck, was able to increase its new loan commitments by

7.4% in 1986 to DM 1,290 m. The volume in mortgage business fell 13.9% to DM 833 m., consisting of DM 312 m. (- 24.9%) for new residential properties, DM 455 m. (+ 2.2%) for older residential properties, and DM 67 m. (- 32.7%) for commercial properties. New communal loan commitments were raised 89.7% to DM 457 m.

Of the loans totalling DM 457 m. whose terms and conditions were due for revision, DM 336 m. (73.6%) were prolonged.

Loans outstanding expanded by 11.3% to DM 7,248 m., with mortgage loans accounting for DM 5,217 m. (+ 10.1%) and communal loans for DM 2,029 m. (+ 14.6%).

To fund lending business, the bank sold DM 682 m. in mortgage bonds (- 28.8%) and DM 630 m. in communal bonds (+ 3.2%).

The balance sheet total rose 10.2% to DM 7,738 m.

The partial operating result improved by 10% compared with the previous year to DM 72.6 m.

The DM 22.8 m. net income for the year, after provision for risks, allows disclosed reserves to be strengthened by DM 18 m. – DM 7 m. of this from distributable profit by resolution of the General Meeting. Capital and reserves then amount to DM 187 m.

Distribution of an increased dividend of 22% (1985: 20%) is planned for the 1986 financial year.

Lübecker Hypothekenbank AG employs 215 members of staff at 9 business offices.

Investment banking companies

Deutsche Gesellschaft für Fondsverwaltung mbH (DEGEF), Frankfurt am Main, floated 39 new

funds in the past financial year. At the end of 1986, the total assets of the 168 funds managed by DEGEF came to DM 11.3 bn. (end of 1985: DM 9.4 bn.).

The Shareholders' Meeting resolved at the beginning of 1987 that the capital be increased by DM 3 m. from reserves to DM 20.0 m., and that profits of DM 3.5 m. be distributed for the 1985/86 financial year. There was a staff of 22.

In its 30th year, *DWS Deutsche Gesellschaft für Wertpapierbesparung mbH, Frankfurt am Main*, managed 18 investment funds open to the public and sold certificates worth DM 3.2 bn., compared with DM 2.2 bn. in the previous year (+ 46%). Investors were particularly interested in the DWS international bond fund INTER-RENTA.

Total assets of the funds managed by DWS rose by DM 2.7 bn. to DM 16.0 bn. DM 1.1 bn. was distributed to certificate holders, who made brisk use of the opportunity to reinvest the payment on preferential terms.

By resolution of the Shareholders' Meeting, the capital of DWS was increased by DM 3.0 m. from company funds to DM 50.0 m. Including the DM 13.0 m. transferred to disclosed reserves from profit for the year, the total capital and reserves of DWS came to DM 110 m. as of December 31, 1986. For the 1985/86 financial year ended on September 30, an unchanged dividend of 6% was distributed on the increased capital of DM 50 m. At the end of 1986, the company had 73 members of staff.

Deutsche Bank Capital Corporation, New York, was again successful in new issue business and securities trading in 1986. It mainly serves an internationally oriented clientele. This investment

bank was involved to a greater extent in the Group's swap operations. The result improved further, from \$ 3.5 m. to \$ 7.2 m., and balance sheet total rose \$ 181.5 m. to \$ 393.1 m. At the end of the financial year, capital and reserves amounted to \$ 43.1 m. The bank employed a staff of 145.

In its second year, *Deutsche Bank Capital Markets Ltd, London*, continued to develop well, and its presence at the centre of the euromarket helped to strengthen Deutsche Bank Group's market share in investment banking and in international new issue business. Our position in securities dealing and placement and in the syndication of euroissues has consequently become stronger.

The fully paid-up capital amounts to £ 40 m. In line with the company's further expansion, the number of staff rose to 173 at year's end.

For *Deutsche Bank (Suisse) S.A., Geneva and Zürich*, the 1986 financial year was mainly influenced by the stock market boom in the initial months. The high growth rates achieved in portfolio investment, counselling and management in the previous year were maintained. They were matched by the contributions to profits, whose level, also in the second half of the year, fulfilled our expectations of sustained earnings development at this Group company.

The balance sheet total expanded from SFrs 413 m. to SFrs 672 m., a rise of 62.7%. On the liabilities side, banks' deposits of SFrs 383 m. and increased equity were used to fund the slightly higher volume of lending and the larger securities holdings.

The result after tax was hiked from SFrs 2.5 m. to SFrs 6.6 m. General provisions were adjusted to the higher volume.

The capital was increased on 1.7.1986 from SFrs 30 m. to SFrs 100 m. A dividend of SFrs 3.9 m. is to be distributed from net income for the year. After the General Meeting has allocated SFrs 2.5 m. to reserves, capital and reserves will total SFrs 107 m. The number of employees rose to 149 at the end of the year.

Instalment financing companies and specialized institutions

Deutsche Kreditbank für Baufinanzierung AG, Cologne, reduced its balance sheet total by 6.1% in 1986 to DM 4,483 m. The bank operates in market segments which are particularly hard hit by the difficult situation persisting in the construction and housing sectors. The bank took this development into account by exercising restraint in new business, with the result that, at DM 1,289 m., the volume of new commitments was considerably below the pre-year level (DM 1,909 m.). At the end of 1986, the bank employed 491 members of staff.

Given the difficult environment in which the bank is operating, provision was made – with help from the parent bank when the available earnings did not suffice – for all discernible risks.

EFGEE Gesellschaft für Einkaufs-Finanzierung mbH, Düsseldorf, registered a slight decrease in new business compared with the previous year. Total credit extended amounted to DM 246 m. The profit, which was down slightly from 1985 owing to extraordinary costs, was transferred to GE-

FA Gesellschaft für Absatzfinanzierung mbH, with which it has a profit-transfer agreement.

GEFA Gesellschaft für Absatzfinanzierung mbH, Wuppertal, benefitting from buoyant investment in capital goods, was able to keep new lending business at a high level. Demand for credit was heaviest in the commercial vehicle and construction machinery sectors. New lending came to DM 1.2 bn., which was an increase of 9%.

Factoring business developed satisfactorily but, as expected – owing to the gradual reduction of some large-scale transactions – it did not equal the pre-year volume.

Overall, receivables increased by 9% to DM 1,857 m.

The balance sheet total rose DM 166 m. to DM 2,050 m.

Largely as a result of the increased average business volume, there was a substantial rise in the operating result.

Provision was made for all discernible risks. DM 10 m. of the profit was transferred to disclosed reserves. Capital and reserves now total DM 120 m. Under the profit-transfer agreement, DM 20.2 m. was distributed to Deutsche Bank AG. At year's end, the company employed 315 people.

In the U.S.A., our 100% subsidiary *Deutsche Credit Corporation, Deerfield, Illinois*, is active in leasing and asset-based dealer and end user financing. A particularly important aspect is the provision of support for sales efforts of Deutsche Bank customers in the American market. The corporation had 173 members of staff.

At year's end, the balance sheet total came to \$ 391 m., capital and reserves to \$ 12.6 m. The

operating result was \$ 1.3 m. Appropriate provision was again made for existing risks.

Leasing companies

In the reporting year, the business of *GEFA-Leasing GmbH, Wuppertal*, once again developed satisfactorily. New business rose by 10% compared with the previous year to DM 670 m. The rental volume expanded as a result to DM 1,567 m. (end of 1985: DM 1,407 m.). The leasing equipment shown in the balance sheet increased by DM 158 m. to DM 1,221 m. The lion's share of new business was in the computer and vehicle sectors.

The operating result was appreciably higher, owing mainly to the larger average volume.

Appropriate provision was made for all discernible risks. DM 10 m. of net income for the year was allocated to disclosed reserves. Capital and reserves are then reported at DM 55 m.

Under the existing profit-transfer agreement, the profit of DM 18.8 m. was remitted to *GEFA Gesellschaft für Absatzfinanzierung mbH*. At the end of the year, 109 members of staff were employed.

Deutsche Gesellschaft für Immobilien-Leasing mbH, Cologne, manages its properties according to schedule and achieved a satisfactory result also in 1986.

In the 1986 financial year, *DB Export-Leasing GmbH, Frankfurt am Main*, commenced international vendor leasing, in addition to expanding its activities in cross-border leasing for large-scale

projects. The balance sheet total expanded by 60% to DM 75 m. There is a profit-transfer agreement between *DB Export-Leasing GmbH* and *Deutsche Bank AG*.

International financing companies

The importance of the international financing companies for Group borrowing is reflected in the substantial increase in funding passed on by them.

Deutsche Bank Finance N.V., Curaçao, floated 10 new issues in various currencies during the past financial year; the aggregate volume of funds passed on to Group banks by the end of the year was approximately DM 6 bn. (converted), compared with DM 3.2 bn. at the end of the preceding year.

Deutsche Bank Financial Inc., Dover, Delaware, raises short-term funds in dollars on the U.S. market by issuing commercial paper and channels the funds to Group companies in the U.S.A. At \$ 1,166 m. (DM 2,263 m.), the volume of paper outstanding was \$ 418 m. higher than on reporting date in the previous year.

Other German companies

Alma Beteiligungsgesellschaft mbH, Düsseldorf, which has capital of DM 1 m., reports a balance sheet total of DM 1,923 m. Alma's holding in *Feldmühle Nobel AG*, which was intended for resale, was placed with the general public in 1986 by a bank syndicate lead-managed by *Deutsche Bank AG*.

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

Matura Vermögensverwaltung mbH, Düsseldorf, and *Süddeutsche Vermögensverwaltung GmbH, Frankfurt am Main*, manage property for their own and third party account.

Elektro-Export-GmbH, Nuremberg, a 100% subsidiary of Süddeutsche Vermögensverwaltung GmbH, finances the export of 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 which have an aggregate balance sheet total of DM 908 m. have not been included in the Consolidated Statement of Accounts in view of their minor importance for the Group's assets and income position:

Wilh. Ahlmann GmbH, Kiel
"Alwa" Gesellschaft für Vermögensverwaltung mbH, Hamburg
BACUL Vermietungsgesellschaft mbH, Düsseldorf
BAMUS Vermietungsgesellschaft mbH, Düsseldorf
BARIS Vermietungsgesellschaft mbH, Düsseldorf
BATOR Vermietungsgesellschaft mbH, Düsseldorf
BELUS Vermietungsgesellschaft mbH, Düsseldorf
Beteiligungsgesellschaft für Flugzeugleasing mbH, Frankfurt am Main
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
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
"Domshof" Beteiligungs-Gesellschaft mbH, Bremen
MS "Essen" Schiffahrts-Gesellschaft mbH, Bremen
Essener Grundstücksverwertung Dr. Ballhausen, Dr. Bruens, Dr. Moller 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 Gräfenberger 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
 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
 Selektia Grundstücksverwaltungsgesellschaft mbH,
 Düsseldorf
 Süddeutsche Bank GmbH, Frankfurt am Main
 Tauernallee Grundstücksgesellschaft mbH, Berlin
 Terraingesellschaft Gross-Berlin GmbH, Berlin
 Franz Urbig- und Oscar Schlitter-Stiftung GmbH,
 Frankfurt am Main
 Westend Grundstücksgesellschaft mbH, Lübeck
 WINWE Beteiligungsgesellschaft mbH, Frankfurt am Main

Wohnbau-Beteiligungsgesellschaft mbH, Lübeck
 Wohnungsbäugesellschaft Lubeca GmbH, Lübeck

The related domestic companies listed below
 (aggregate balance sheet total at the end of 1986:
 DM 947 m.) are not under the uniform manage-
 ment of Deutsche Bank AG and are therefore not
 eligible for consolidation:

AV America Grundbesitzverwaltungsgesellschaft mbH,
 Frankfurt am Main
 Bavaria Filmkunst GmbH, Munich
 Bavaria Filmverleih- und Produktions-GmbH, Munich
 Burstah Verwaltungsgesellschaft mbH, Hamburg
 Deutsche Canada-Grundbesitz GmbH 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
 GFI – Industriemontagen GmbH & Co. Leasing und Service
 OHG, Düsseldorf
 Kistra Beteiligungsgesellschaft mbH, Frankfurt am Main
 Rossma Beteiligungsgesellschaft mbH, Frankfurt am Main
 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 condi-
 tions.

Principles of consolidation

The Consolidated Balance Sheet and Profit and
 Loss Account are based on the special sheets
 published for banks with the legal form of "Aktiengesellschaft" (joint stock corporation) and for
 mortgage banks.

The figures shown in the individual balance sheets were taken over unchanged into the Consolidated Balance Sheet. Merely in the case of one foreign company were adjustments made in line with German valuation standards. Interim statements as at 31.12.1986 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 mid-rates).

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

Notes on the Consolidated Balance Sheet

Liquidity

The *cash reserve* (cash on hand, balances with Deutsche Bundesbank and on postal giro accounts) decreased by DM 1.1 bn. to DM 6.9 bn. owing to the reduction of the balances with Deutsche Bundesbank. With liabilities (excluding long-term mortgage bank liabilities) up by 9.8%, *cash liquidity* (cash reserve as a percentage of liabilities) contracted to 3.9% compared with 4.9% at the end of 1985.

At DM 30.0 bn., *total liquid assets* (cash reserve, items received for collection, bills of exchange rediscountable at Deutsche Bundesbank, claims on banks payable on demand, Treasury bills and Treasury notes as well as fixed-interest securities eligible as collateral for Bundesbank advances) were slightly below the comparable figure for 1985 (DM 30.4 bn.). *Overall liquidity* (total liquid funds as a percentage of liabilities) declined to 17.0% as of 31.12.1986 (end of 1985: 18.9%).

Assets

Treasury bills, securities

Securities holdings, including Treasury bills, increased by DM 3.1 bn. to DM 22.3 bn. at the end of 1986.

Treasury bills and discountable Treasury notes rose DM 352 m. to DM 2.3 bn. The holdings consisted mainly of paper of foreign issuers.

Bonds and notes totalling DM 15.1 bn. (of which DM 8.6 bn. = 57% was eligible as collateral for Deutsche Bundesbank advances) contributed DM 643 m. of the growth in securities holdings. Loans of foreign issuers account for 40.6% of the total holdings of bonds and notes.

Other securities – shares and investment fund certificates – rose by DM 2.1 bn. to DM 4.9 bn.

It should be noted that in cases where we hold 25% or more of the capital of non-banking joint stock corporations, we have deviated from our practice in the past and shown these holdings under "Subsidiaries, associated companies and trade investments" (cf. the comments on page 66 of this Report). For reasons of comparability, the figures for the previous year have been adjusted for this change in reporting practice.

Securities holdings reported in the Consolidated Balance Sheet were valued at the lower of cost or market.

Total credit extended

Total credit extended by the Group increased by DM 5.3 bn. (+ 3.0%) compared with 31.12.1985 to DM 179.8 bn. The growth was reg-

istered at Deutsche Bank AG and the Group mortgage banks. Converted into D-Marks, the volume of lending at the foreign commercial banks was significantly influenced by movements in exchange rates.

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.

On balance, *claims on customers* were raised by DM 3.3 bn. (+ 3.5%) to DM 99.4 bn. Short and medium-term claims on customers declined to DM 51.3 bn. (end of 1985: DM 53.8 bn.). Long-

Composition of total lending, end of 1986

Deutsche Bank Group

Claims on customers
DM 99.4 bn. = 55.3%

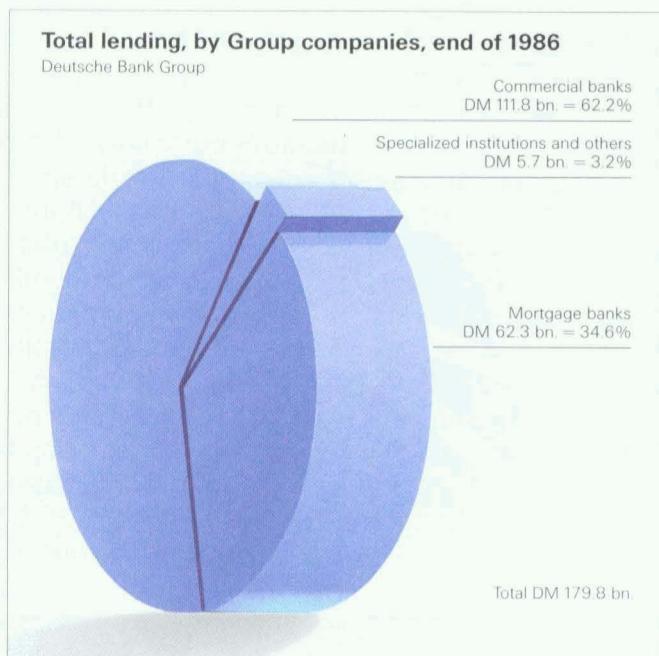
Lendings
to banks
DM 13.0 bn. = 7.3%

Discounts
DM 6.9 bn. = 3.8%

Long-term
mortgage bank
lendings
DM 60.5 bn. = 33.6%

Total DM 179.8 bn.

Total credit extended	End of 1986		End of 1985		Change	
	DM m.	% share	DM m.	% share	DM m.	%
Claims on customers						
short and medium-term	51,319	28.5	53,836	30.9	- 2,517	4.7
long-term (4 years or more)	48,122	26.8	42,287	24.2	+ 5,835	13.8
	99,441	55.3	96,123	55.1	+ 3,318	3.5
Long-term mortgage bank lendings	60,459	33.6	56,953	32.6	+ 3,506	6.2
Discounts	6,907	3.8	7,891	4.5	- 984	12.5
Lendings to banks						
short and medium-term	5,508	3.1	5,230	3.0	+ 278	5.3
long-term (4 years or more)	7,519	4.2	8,386	4.8	- 867	10.3
	13,027	7.3	13,616	7.8	- 589	4.3
Total credit extended	179,834	100.0	174,583	100.0	+ 5,251	3.0



term claims on customers, on the other hand, expanded by DM 5.8 bn. (+ 13.8%) to DM 48.1 bn. The proportion of *long-term claims* to total claims on customers therefore rose to 48.4% from 44.0% the year before.

The DM 3.5 bn. increase in *long-term mortgage bank lendings* is due to the expansion of mortgage loans to DM 28.9 bn. (+ DM 2.2 bn.) and communal loans to DM 30.4 bn. (+ DM 1.3 bn.). Communal loans therefore represent 51.2% (end of 1985: 52.1%) of total mortgage bank lendings.

Lendings to banks in the short and medium-term sector were DM 278 m. higher (+ 5.3%), while long-term lendings contracted by DM 867 m. (- 10.3%). Credits extended to banks then amounted to DM 13.0 bn. (end of 1985:

DM 13.6 bn.). *Dated deposits with banks* were up by DM 7.7 bn. at DM 28.0 bn.

Fixed assets

Holdings in non-consolidated *Subsidiaries, associated companies and trade investments* are shown at DM 4.1 bn. (+ DM 1.6 bn.). Holdings in banks, at DM 1.5 bn., were DM 1.2 bn. higher than the figure for the previous year.

Deviating from our reporting practice in the past, the balance sheet item "Subsidiaries, associated companies and trade investments" includes our holdings of 25% or more of the capital of non-banking joint stock corporations and – regardless of the percentage – all shares in non-banking private limited companies and partnerships. In this way we have followed more recent jurisdiction expressed in a decision by the Federal High Court of February 9, 1987. Although these shares are shown under "Subsidiaries, associated companies and trade investments", the bank still does not intend them as business participations (cf. also pages 70/71).

The comparable figure for the previous year has been adjusted accordingly.

DM 988 m. of the DM 1,120 m. (end of 1985: DM 1,062 m.) shown as the balance sheet value of *Land and buildings* relates to property used for banking business.

Office furniture and equipment is reported at DM 762 m.

Leasing equipment came to DM 1,645 m. at the end of 1986. The land and buildings contained in this item with a value of DM 151 m. (end of 1985: DM 158 m.) are held by Deutsche Gesellschaft für Immobilien-Leasing mbH, Cologne. Most of the movable leasing equipment reported at

DM 1,494 m. belonged to GEFA-Leasing GmbH, Wuppertal. This item also includes leasing equipment of DB Export-Leasing GmbH, Frankfurt am Main, and Deutsche Credit Corporation, Deerfield, U.S.A., as well as of Deutsche Bank AG from a cross-border big-ticket transaction.

Other asset items

As of 31.12.1986, *Other assets* amounted to DM 2,997 m. (end of 1985: DM 1,032 m.). Deviating from our practice in previous years, we have shown all shares in non-banking private limited companies and partnerships under "Subsidiaries, associated companies and trade investments". "Other assets" consists mainly of tax rebate claims and precious metals holdings (gold bars, coins and medallions).

Liabilities

Funds from outside sources

In the Group, *funds from outside sources* increased strongly, by DM 18.2 bn., to DM 233.8 bn.

Liabilities to banks rose DM 0.3 bn. to DM 57.8 bn. Time deposits with an original period of less than 4 years contracted by DM 2.3 bn., while banks' long-term deposits were raised by DM 1.4 bn. The proportion of liabilities to banks in total funds from outside sources declined to 24.7% (26.7% in the previous year).

Funds from outside sources	End of 1986		End of 1985		Change	
	DM m.	% share	DM m.	% share	DM m.	%
Liabilities to banks						
payable on demand	12,245	5.2	11,104	5.2	+ 1,141	= 10.3
time deposits	45,374	19.4	46,185	21.4	- 811	= 1.8
customers' drawings on other banks	143	0.1	161	0.1	- 18	= 11.6
	57,762	24.7	57,450	26.7	+ 312	= 0.5
Liabilities to customers						
payable on demand	25,160	10.8	23,669	11.0	+ 1,491	= 6.3
time deposits	46,984	20.1	41,889	19.4	+ 5,095	= 12.2
savings deposits	27,990	11.9	24,773	11.5	+ 3,217	= 13.0
	100,134	42.8	90,331	41.9	+ 9,803	= 10.9
Bonds and notes	13,488	5.8	8,474	3.9	+ 5,014	= 59.2
Long-term mortgage bank liabilities	62,367	26.7	59,314	27.5	+ 3,053	= 5.1
	75,855	32.5	67,788	31.4	+ 8,067	= 11.9
Total funds from outside sources	233,751	100.0	215,569	100.0	+ 18,182	= 8.4

**Composition of funds from outside sources,
end of 1986**

Deutsche Bank Group

Bonds and notes
DM 13.5 bn. = 5.8%

Liabilities to banks
DM 57.8 bn. = 24.7%

Long-term
mortgage bank
liabilities
DM 62.4 bn. = 26.7%

Liabilities
to customers
DM 100.1 bn. = 42.8%

Total DM 233.8 bn



Liabilities to customers expanded by a total of DM 9.8 bn. to DM 100.1 bn. Deposits payable on demand increased by DM 1.5 bn. to DM 25.2 bn. and time deposits by DM 5.1 bn. to DM 47.0 bn. The increase in customers' time deposits was recorded in deposits with an original period of less than 3 months (+ DM 2.8 bn.) and in deposits with an original period of 4 years or more (+ DM 2.0 bn., of which + DM 0.6 bn. was in savings certificates at Deutsche Bank AG).

Savings deposits grew by DM 3.2 bn. to DM 28.0 bn. (+ 13.0%) in the reporting year. Savings deposits subject to legal period of notice increased by DM 308 m. to DM 16.7 bn. and other savings deposits by DM 2.9 bn. to DM 11.3 bn.

The volume of *Bonds and notes* in circulation rose to DM 13.5 bn. (end of 1985: DM 8.5 bn.).

Long-term mortgage bank liabilities were DM 3.1 bn. higher at DM 62.4 bn. The mortgage

bonds contained in this item came to DM 25.6 bn. (+ DM 1.9 bn.) and the communal bonds to DM 29.5 bn. (+ DM 0.7 bn.).

Non-resident customers and banks accounted for DM 71.6 bn. (end of 1985: DM 72.3 bn.) or close to one-third of funds from outside sources.

Provisions, special items with partial reserve character

At the end of the year, *Provisions* totalled DM 6.6 bn., with *Provisions for pensions* accounting for DM 2,059 m. of this amount (+ DM 131 m.).

Other provisions were increased by DM 567 m. to DM 4,504 m. This item comprises primarily provisions for taxes, provisions for creditworthiness and country risks and for commitments under declarations of backing. Also included here are commitments to pay anniversary bonuses and liabilities under the Early Retirement Act.

Special items with partial reserve character rose to DM 46 m. at the end of 1986.

Contingent liabilities

Endorsement liabilities on rediscounted bills of exchange and *Own drawings in circulation* fell by DM 0.8 bn. to DM 4.8 bn. Of the own drawings in circulation (DM 71 m.), DM 32 m. was discounted for borrowers' account.

Contingent liabilities from guarantees, including guarantees for bills and cheques and from indemnity agreements decreased to DM 19.4 bn. (end of 1985: DM 20.2 bn.).

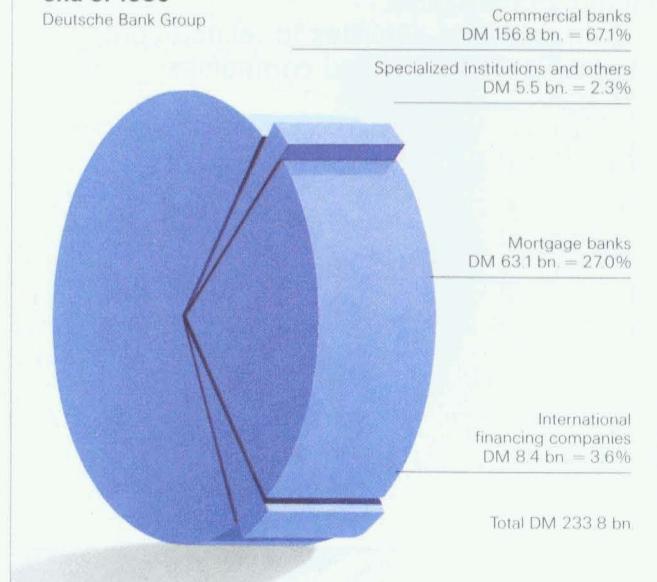
The *Commitments from the sale of assets subject to repurchase agreements* amounting to DM 87 m. related entirely to the foreign branches of the parent company.

Miscellaneous liabilities

As at year's end, *liabilities for possible calls* on not fully paid-up shares in public and private limited companies, insofar as they were not shown on the liabilities side, came to DM 90 m. *Joint liabilities* pursuant to Section 24 of the GmbH Act amounted to DM 52 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 share-

Funds from outside sources, by Group companies, end of 1986



holders who are also members of the Bundesverband deutscher Banken e. V., Cologne. The obligations to pay further capital on other holdings came to DM 3 m. on 31.12.1986.

Included under liabilities to customers and banks are *funds taken up for specific projects* amounting to DM 5,787 m. which were, for the most part, provided by the Kreditanstalt für Wiederaufbau, 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. Assets and security provided to us totalling DM 95 m. were tied up in connection with loans taken up. Legal stipulations required the provision of security in connection with the business activity of the foreign branches of Deutsche Bank AG; this tied up assets in the amount of DM 155 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) rose DM 1.1 bn. to DM 6.9 bn. The increase relates primarily to Deutsche Bank AG. The interest margin within the Group, as comparable with the previous year, declined slightly overall. Average business volume, on the other hand, expanded by 5.3%.

Earnings on business volume include our mortgage banks' surplus from non-recurrent ex-

	1986 DM m.	1985 DM m.	Change
Interest income from lending and money market transactions	10,540	11,529	- 8.6%
Interest income in the mortgage bank business	4,602	4,476	+ 2.8%
Current income from securities, Government-inscribed debt and subsidiaries, associated companies and trade investments (incl. profit-transfer agreements)	2,642	1,449	+ 82.3%
Total interest income	17,784	17,454	+ 1.9%
Interest and similar expenses	6,737	7,651	- 11.9%
Interest expenses in the mortgage bank business	4,252	4,132	+ 2.9%
Total interest expenses	10,989	11,783	- 6.7%
Net non-recurrent income of the mortgage banks	93	80	+ 16.4%
<i>Earnings on business volume</i>	<u>6,888</u>	<u>5,751</u>	+ 19.8%

penses and income in issue and loan business, which increased from DM 80 m. to DM 93 m. in the reporting year.

Owing to the reclassification affecting the items "Subsidiaries, associated companies and trade investments", "Securities" and "Other assets", which is commented on page 119, the figures from the previous year's Consolidated Profit and Loss Account, which are given for comparison, have also been adjusted accordingly.

Earnings on services

Commissions and other service charges received expanded 13.9% to DM 1,908 m., commissions paid decreased by DM 6 m. to DM 60 m. The commission surplus earned was therefore 14.9% higher than in the previous year at DM 1,848 m.

Staff and other operating expenses

Staff and other operating expenses within the Group rose DM 531 m. (+ 11.6%) to DM 5,088 m. The staff expenses included in the item increased by 11.9%; they made up 69.2% of the total in 1986 (previous year: 69.1%).

Operating result

The Group's *operating result* – surplus on current business including own-account trading – rose by 24.9% (previous year: + 8.3%). By far the greater part of the improvement was due to the development of earnings at the parent company.

	1986 DM m.	1985 DM m.	Change
Staff expenses	3,523	3,149	+ 11.9%
General operating expenses	1,255	1,154	+ 8.8%
Normal depreciation of movables and real property	310	254	+ 22.0%
<i>Total staff and other opera-</i> <i>ting expenses</i>	<u>5,088</u>	<u>4,557</u>	<u>+ 11.6%</u>

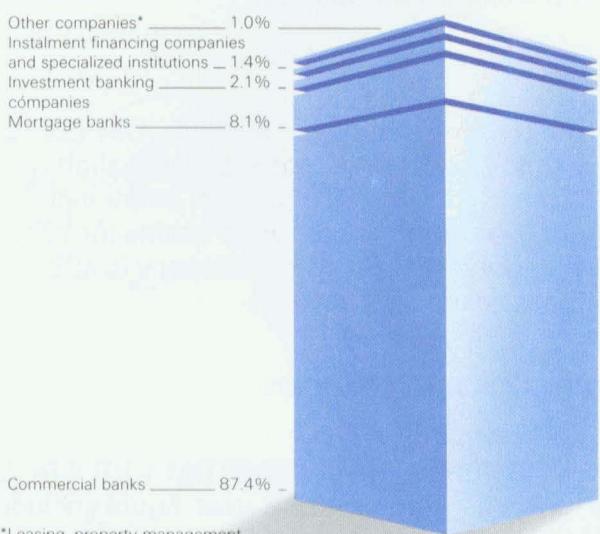
Other income, including income from the writing back of provisions for possible loan losses

After offsetting of eligible income with write-downs of and adjustments to claims and securities pursuant to Section 4 of the Order concerning Banks' Statements of Accounts, *Other income*

Breakdown of operating result 1986

Deutsche Bank Group

Other companies*	1.0%
Instalment financing companies and specialized institutions	1.4%
Investment banking companies	2.1%
Mortgage banks	8.1%



declined to DM 1,008 m. (previous year: DM 1,392 m.). This includes current income of Group leasing companies amounting to DM 577 m. (previous year: DM 509 m.).

Write-downs, depreciation and adjustments

Expenses for *Write-downs of and adjustments to claims and securities, transfers to provisions for possible loan losses* amounted to DM 867 m., compared with DM 765 m. in the previous year, after offsetting with profits from securities and with adjustments and provisions written back (pursuant to Section 4 of the Order concerning Banks' Statements of Accounts).

Depreciation of and adjustments to land and buildings and office furniture and equipment came to DM 823 m. (previous year: DM 690 m.). Of this total, DM 310 m. (1985: DM 254 m.) related to normal depreciation of movables and real property and DM 445 m. (1985: DM 388 m.) to normal depreciation of leasing equipment of the Group's leasing companies.

Taxes

Group tax expenses totalled DM 1,624 m. *Taxes on income and assets* declined slightly, by DM 50 m., to DM 1,608 m. The additional 20% corporation tax on subsidiaries' profits for 1986 to be distributed to the parent company in 1987 has not been taken into account.

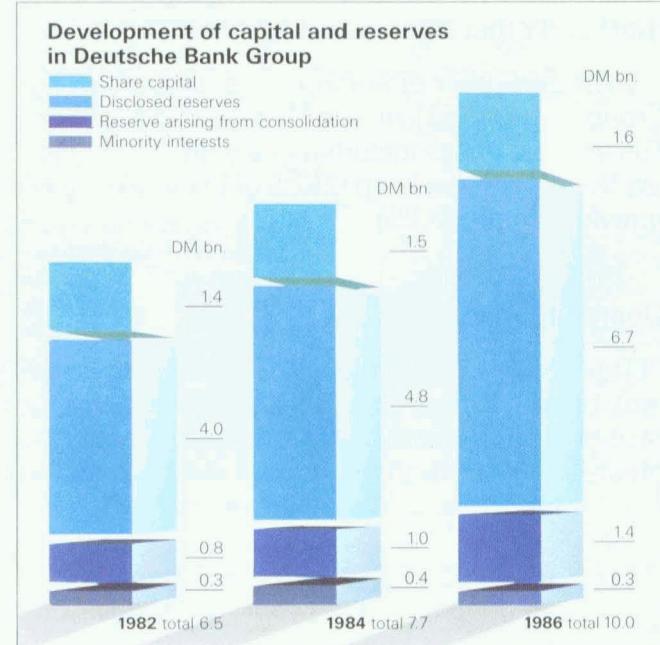
Profit, capital and reserves

Net income for the year 1986 amounts to DM 1,067.7 m. compared with DM 1,101.4 m. for the previous year. The pre-year figure includes DM 230 m. from the partial writing back of taxed valuation reserves. After writing back a reserve for

own shares in the amount of DM 28.2 m. which had been formed in the previous year, DM 438.7 m. was transferred to the Group's disclosed reserves. After addition of DM 49.1 m. profit brought forward from 1985 and after taking into account profit of DM 12.1 m. attributable to minority interests, consolidated profit comes to DM 694.2 m. (1985: DM 609.5 m.).

According to the proposals for the appropriation of profits, DM 559.3 m. (previous year: DM 391.0 m.) is to be distributed to the shareholders of the parent company and minority shareholders in subsidiaries.

At the end of 1986, 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 1,431.5 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 340.2 m. include profits of DM 10.7 m. attributable to minority interests. DM 329.5 m. of this item, therefore, has equity character.

The Group strengthened total *capital and reserves* by DM 650.1 m. in 1986. At the end of 1986 they amounted to DM 10,042.6 m., made up as follows:

	31. 12. 1986 DM m.	31. 12. 1985 DM m.
Share capital of Deutsche Bank AG	1,623.4	1,599.1
Disclosed reserves of Deutsche Bank AG ...	6,658.2	6,145.8
Capital and reserves of Deutsche Bank AG ...	<u>8,281.6</u>	<u>7,744.9</u>
Reserve arising from consolidation	1,431.5	1,257.1
Minority interests	329.5	390.5
<i>Total Group capital and reserves</i>	<u>10,042.6</u>	<u>9,392.5</u>

As a result of resolutions by the General Meetings of subsidiaries, a further DM 69.4 m. of the consolidated profit is to be allocated to disclosed reserves. Group capital and reserves will then come to DM 10,112.0 m.

At Deutsche Bank AG, there is also authorized capital of DM 170.0 m. and conditional capital totalling DM 618.9 m.

Frankfurt am Main, March 1987

The Board of Managing Directors

A row of handwritten signatures in black ink, likely belonging to the members of the Board of Managing Directors mentioned in the text above. The signatures are somewhat stylized and overlapping, making individual names difficult to decipher precisely. They appear to be arranged from left to right in a roughly horizontal line.

Deutsche Bank AG



Consolidated Balance Sheet as of December 31, 1986

**Consolidated Profit and Loss Account
for the period from January 1 to December 31, 1986**

Assets

Deutsche Bank Aktiengesellschaft

	in DM 1,000	in DM 1,000	31. 12. 1985 in DM 1,000
Cash on hand		721,124	668,936
Balance with Deutsche Bundesbank		6,137,294	7,264,815
Balances on postal giro accounts		32,618	22,195
Cheques, matured bonds, interest and dividend coupons, items received for collection		385,575	416,077
Bills of exchange		2,039,439	2,209,947
including:			
a) rediscountable at Deutsche Bundesbank DM thou. 1,048,411			
b) own drawings DM thou. 119,803			
Claims on banks			
a) payable on demand	10,673,447		9,900,059
b) with original periods or periods of notice of			
ba) less than three months	15,390,461		8,240,997
bb) at least three months, but less than four years	18,077,175		17,213,461
bc) four years or more	<u>7,519,062</u>		8,386,080
including:			
used as cover in mortgage			
bank business DM thou. 686,500		51,660,145	43,740,597
Treasury bills and discountable Treasury notes			
a) of the Federal and Länder Governments	167,187		87,163
b) of other issuers	<u>2,169,840</u>		1,898,024
		2,337,007	1,985,187
Bonds and notes			
a) with a life of up to four years			
aa) of the Federal and Länder Governments DM thou. 1,293,483			
ab) of banks DM thou. 1,404,691			
ac) of other issuers DM thou. 153,177	2,851,351		3,935,881
including:			
eligible as collateral for			
Deutsche Bundesbank advances DM thou. 2,046,622			
used as cover in mortgage			
bank business DM thou. 28,500			
b) with a life of more than four years			
ba) of the Federal and Länder Governments DM thou. 3,872,929			
bb) of banks DM thou. 4,103,848			
bc) of other issuers DM thou. 4,259,592	<u>12,236,367</u>		10,509,215
including:			
eligible as collateral for			
Deutsche Bundesbank advances DM thou. 6,593,227			
used as cover in mortgage			
bank business DM thou. 558,897		15,087,718	14,445,096
Securities not to be shown elsewhere			
a) shares marketable on a stock exchange and investment fund certificates	4,828,512		2,787,930
b) other	<u>92,473</u>		37,616
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. 19,357		4,920,985	2,825,546
Carried forward		83,321,905	73,578,396

Consolidated Balance Sheet as of December 31, 1986

Liabilities

	in DM 1,000	in DM 1,000	in DM 1,000	31. 12. 1985 in DM 1,000
Liabilities to banks				
a) payable on demand		12,245,229		11,103,806
b) with original periods or periods of notice of				
ba) less than three months	14,835,934			
bb) at least three months, but less than four years	22,379,766			
bc) four years or more	<u>8,158,666</u>	45,374,366		46,185,485
including: due in less than four years DM thou.	4,555,926			
c) customers' drawings on other banks		<u>142,477</u>	57,762,072	161,110
				57,450,401
Liabilities to customers				
a) payable on demand		25,159,569		23,669,308
b) with original periods or periods of notice of				
ba) less than three months	26,489,954			
bb) at least three months, but less than four years	9,349,130			
bc) four years or more	<u>11,145,023</u>	46,984,107		41,889,143
including: due in less than four years DM thou.	9,071,326			
c) savings deposits				
ca) subject to legal period of notice	16,674,207			24,772,825
cb) other	<u>11,316,069</u>	27,990,276		90,331,276
			100,133,952	
Bonds and notes with a life of				
a) up to four years		240,157		70,782
b) more than four years		<u>13,248,474</u>		8,403,140
including: maturing in less than four years DM thou.	5,338,812		13,488,631	8,473,922
Bonds issued by mortgage banks				
a) mortgage bonds		25,571,960		23,658,658
including:				
registered bonds DM thou.	7,777,503			
b) communal bonds		29,468,110		28,808,196
including:				
registered bonds DM thou.	8,541,784			
c) other bonds in accordance with Section 5 (1) 4c of the Mortgage Bank Act		1,741,507		1,293,345
including:				
registered bonds DM thou.	-			
d) bonds drawn and called for redemption		<u>323,613</u>		354,891
including:				
maturing or to be taken back in less than four years DM thou.	27,926,281		57,105,190	54,115,090
further:				
registered mortgage bonds given to lender as security for loans				
taken up DM thou.	752,758			
and				
registered communal bonds DM thou.	655,580			
Bonds to be delivered			1,074,843	1,351,316
Carried forward			229,564,688	211,722,005

Assets

Consolidated Balance Sheet

	in DM 1,000	in DM 1,000	31. 12. 1985 in DM 1,000
Brought forward		83,321,905	73,578,396
Claims on customers with original periods or periods of notice of			
a) less than four years	51,318,820		53,836,394
including: used as cover in mortgage bank business	DM thou. 1,090,366		
b) four years or more	<u>48,121,763</u>	99,440,583	42,286,998
including: ba) secured by mortgages on real estate	DM thou. 8,751,949		
bb) communal loans	DM thou. 3,137,610		
due in less than four years	DM thou. 22,115,397		
Mortgage bank lendings with original periods of four years or more			
a) mortgages	28,892,885		26,699,236
used as cover	DM thou. 25,875,456		
b) communal loans	30,357,770		29,041,964
c) other	<u>31,189</u>		40,940
including: to banks	DM thou. 5,408,647	59,281,844	55,782,140
Accrued interest on long-term mortgage bank lendings			
a) pro rata interest	1,095,533		1,078,382
b) interest due after October 31, 1986 and on January 2, 1987	81,909		92,554
c) interest arrears	—		—
		1,177,442	1,170,936
Recovery claims on Federal and Länder authorities under Currency Reform Acts		232,910	260,753
including: used as cover in mortgage bank business	DM thou. 26,727		
Loans on a trust basis at third party risk		1,410,521	1,556,216
Subsidiaries, associated companies and trade investments		4,140,352	2,521,607
including: investments in banks	DM thou. 1,456,683		
Land and buildings		1,119,555	1,062,158
including: taken over in mortgage business	DM thou. 23,376		
Office furniture and equipment		762,069	647,018
Leasing equipment			
a) land and buildings	151,100		158,084
b) movables	<u>1,493,830</u>		1,318,323
		1,644,930	1,478,407
Own shares		—	28,248
nominal amount	DM thou. —		
Bonds and notes issued by consolidated companies		1,476,115	1,848,355
nominal amount	DM thou. 1,253,298 US\$ thou. 63,715 A\$ thou. 2,377 Fstg. thou. 379		
Other assets		2,997,221	1,031,701
Deferred items			
a) difference in accordance with Section 156 (3) of the Joint Stock Corpora- tion Act	<u>161,022</u>		80,850
b) other	<u>56,623</u>		59,295
		217,645	140,145
Total Assets		257,223,092	237,227,472

Total Assets and the recourse claims from the contingent liabilities shown below the line
on the liabilities side include:

a) claims on related companies	894,792	744,869
b) claims arising from loans falling under Section 15 (1) 1–6 and (2) of the Banking Act, unless included under a)	735,316	657,395

as of December 31, 1986

Liabilities

	in DM 1,000	in DM 1,000	in DM 1,000	31.12.1985 in DM 1,000
Brought forward				
Loans taken up in the mortgage bank business, with original periods or periods of notice of four years or more			229,564,688	211,722,005
a) from banks	437,642			518,998
b) other	<u>1,506,614</u>			1,110,370
including:			1,944,256	1,629,368
with partial liability DM thou. 78				
due in less than four years DM thou. 854,761				
Accrued interest on bonds issued and loans taken up in the mortgage bank business				
a) pro rata interest	1,742,968			1,792,270
b) interest due (including interest due on January 2, 1987)	<u>499,392</u>			425,625
Own acceptances and promissory notes outstanding			2,242,360	2,217,895
Loans on a trust basis at third party risk			2,825,813	2,196,631
Provisions			1,410,521	1,556,216
a) for pensions	2,059,233			1,928,626
b) other	<u>4,504,443</u>			3,937,395
Other liabilities			6,563,676	5,866,021
Endowments and benevolent funds			259,202	203,528
Endowment assets	7,221			7,143
less investments in securities	<u>7,198</u>			6,918
Deferred items			23	225
a) in accordance with Section 25 of the Mortgage Bank Act	235,553			278,406
b) other	<u>1,383,937</u>			1,513,520
Special items with partial reserve character			1,619,490	1,791,926
a) in accordance with the Tax Act regarding Developing Countries	5,818			7,472
b) in accordance with Section 6b of the Income Tax Act	27,526			6,481
c) in accordance with Section 52 (5) of the Income Tax Act	9,166			11,011
d) replacements reserve	774			775
e) in accordance with Section 3 of the Foreign Investment Act	<u>2,234</u>			1,032
Share capital			45,518	26,771
Conditional capital DM thou. 618,896			1,623,365	1,599,063
Disclosed reserves				
a) legal reserve	4,154,070			3,913,423
b) reserve for own shares	—			28,248
c) other reserves (voluntary)	<u>2,504,147</u>			2,204,147
Reserve arising from consolidation			6,658,217	6,145,818
Minority interests			1,431,456	1,257,120
including: from profit DM thou. 10,729			340,270	405,407
Consolidated profit			694,237	609,478
Total Liabilities			257,223,092	237,227,472
Own drawings in circulation			70,835	56,754
including: those discounted for borrowers' account DM thou. 31,743				
Endorsement liabilities on rediscounted bills of exchange			4,679,634	5,486,488
Contingent liabilities from guarantees, including guarantees for bills and cheques, and from indemnity agreements			19,380,652	20,248,906
Commitments (not to be shown under liabilities) from the sale of assets subject to repurchase agreements			86,783	105,479
Savings premiums under the Savings Premium Act			39,306	88,012
Total Liabilities, together with contingent liabilities and other commitments shown below the line, include liabilities to related companies of			250,335	478,983

Expenses

Consolidated Profit and Loss Account

	in DM 1,000	in DM 1,000	1985 in DM 1,000
Interest and similar expenses		6,736,914	7,650,910
Interest expenses in the mortgage bank business for			
a) mortgage bonds	1,804,484		1,700,729
b) communal bonds	2,223,078		2,226,268
c) other bonds in accordance with Section 5 (1) 4c of the Mortgage Bank Act	88,621		81,574
d) loans taken up	<u>136,229</u>		123,490
		4,252,412	4,132,061
Commissions and similar service charges paid		59,779	65,892
Non-recurrent expenses in the mortgage banks' issue and loan business		151,989	159,466
Write-downs of and adjustments to claims and securities, transfers to provisions for possible loan losses		867,309	765,442
Salaries and wages		2,686,400	2,381,055
Compulsory social security contributions		384,466	347,612
Expenses for pensions and other employee benefits		451,789	420,183
General operating expenses		1,254,813	1,153,843
Depreciation of and adjustments to land and buildings and office furniture and equipment		822,504	690,045
Write-downs of and adjustments to subsidiaries, associated companies and trade investments		120,895	109,263
Taxes			
a) on income and assets	1,607,742		1,657,527
b) other	<u>16,254</u>		26,148
		1,623,996	1,683,675
Expenses from assumption of loss		17,731	2,256
Allocations to Special items with partial reserve character		29,718	5,595
Other expenses		515,491	393,751
Net income for the year		<u>1,067,734</u>	1,101,375
	Total Expenses	21,043,940	21,062,424

Net income for the year
 Profit brought forward from the previous year
 Withdrawals from Disclosed reserves for own shares

Allocations to Disclosed reserves
 a) Deutsche Bank Aktiengesellschaft
 b) consolidated companies

Profit attributable to minority interests
 Consolidated profit

Frankfurt am Main, March 17, 1987

Deutsche Bank Aktiengesellschaft

The Board of Managing Directors

Blessing Burgard Cartellieri Christians

Herrhausen van Hooven Kopper

Mertin Weiss Zapp

Breuer Krupp

for the period from January 1 to December 31, 1986

Income

	in DM 1,000	in DM 1,000	1985 in DM 1,000
Interest and similar income from lending and money market transactions		10,540,168	11,529,420
Current income from			
a) fixed-interest securities and Government-inscribed debt	1,066,111	1,007,801	
b) other securities	1,197,630	142,009	
c) subsidiaries, associated companies and trade investments	<u>376,553</u>	<u>297,758</u>	
Interest income in the mortgage bank business from		2,840,294	1,447,588
a) mortgages	2,113,871	1,996,948	
b) communal loans	<u>2,488,385</u>	<u>2,478,824</u>	
Commissions and other service charges received		4,602,256	4,475,772
Non-recurrent income from the mortgage banks' issue and loan business		1,907,959	1,674,599
Other income, including income from the writing back of provisions or possible loan losses		244,845	239,264
Income from profit-pooling, profit-transfer and partial profit-transfer agreements		1,008,237	1,391,569
Income from the writing back of provisions, unless it has to be shown under "Other income"		87,241	57,897
Income from the writing back of special items with partial reserve character		10,971	14,403
Income from the partial writing back of the taxed valuation reserve in accordance with Section 26a of the Banking Act		—	230,000
		Total Income	21,043,940 21,062,424

in DM 1,000	in DM 1,000	1985 in DM 1,000
1,067,734	1,101,375	
49,076	97,600	
<u>28,248</u>	<u>—</u>	
<u>1,145,058</u>	<u>1,198,975</u>	
300,000	378,248	
<u>138,704</u>	<u>195,055</u>	
<u>438,704</u>	<u>573,303</u>	
<u>706,354</u>	<u>625,672</u>	
<u>12,117</u>	<u>16,194</u>	
<u>694,237</u>	<u>609,478</u>	

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

Frankfurt am Main, March 20, 1987

Treuverkehr
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Fandre

Dr. Fliess

Wirtschaftsprüfer

Wirtschaftsprüfer

Development of the Consolidated Balance Sheet 1967–1986

Development of the Balance Sheet of Deutsche Bank Group

- Amounts in DM millions -

End of	1986	1985	1984	1983	1982	1981
Consolidated Balance Sheet						
Assets						
Cash reserve	6,891	7,956	6,650	5,915	5,972	7,138
Bills of exchange	2,039	2,210	2,471	2,582	2,127	2,620
Claims on banks	51,660	43,741	42,750	40,006	43,261	42,308
Treasury bills and discountable Treasury notes	2,337	1,985	1,154	1,351	1,162	615
Bonds and notes	15,088	14,445	13,539	11,226	8,395	6,890
Securities not to be shown elsewhere	4,921	2,825	3,155	2,793	2,345	2,265
Claims on customers	99,441	96,123	100,206	88,112	81,047	79,768
short and medium-term	51,319	53,836	61,685	53,814	49,365	44,674
long-term (4 years or more)	48,122	42,287	38,521	34,298	31,682	35,094
Long-term mortgage bank lendings	60,459	56,953	53,372	49,443	46,005	41,653
Recovery claims on Federal and Länder authorities under Currency Reform Acts	223	261	282	303	328	350
Loans on a trust basis at third party risk	1,411	1,556	1,235	999	988	1,924
Subsidiaries, associated companies and trade investments	4,140	2,522	648	560	556	602
Land and buildings	1,120	1,082	1,004	965	945	839
Office furniture and equipment	762	647	490	390	352	325
Leasing equipment	1,845	1,476	1,094	1,006	995	898
Bonds and notes issued by consolidated companies	1,476	1,848	1,571	1,607	2,101	1,809
Other assets	2,997	1,032	2,044	2,036	1,803	1,676
Remaining assets	603	585	611	874	793	733
Balance Sheet Total	257,223	237,227	232,276	210,168	199,175	192,413
Liabilities						
Liabilities to banks	57,782	57,450	60,753	56,804	56,812	56,427
including: time deposits	45,517	46,346	50,206	47,406	48,274	47,305
Liabilities to customers	100,134	90,331	88,387	78,323	72,791	73,871
including: time deposits	46,984	41,889	41,501	35,147	31,681	34,730
savings deposits	27,990	24,773	23,695	23,955	23,912	22,998
Bonds and notes	13,488	8,474	7,505	5,888	5,592	4,199
Long-term mortgage bank liabilities	62,367	59,314	56,362	51,978	48,382	43,074
Provisions	6,564	5,866	5,244	4,640	3,866	3,417
for pensions	2,059	1,929	1,805	1,669	1,475	1,446
other	4,505	3,937	3,439	2,971	2,391	1,971
Group capital and reserves	10,043	9,392	7,699	6,772	6,492	5,891
Share capital	1,624	1,599	1,489	1,356	1,356	1,232
Disclosed reserves	6,658	6,146	4,766	4,162	4,018	3,841
Reserve arising from consolidation	1,431	1,257	1,083	889	851	765
Minority interests (excl. from profits)	330	390	381	365	267	253
Remaining liabilities	6,171	5,791	5,835	5,309	4,868	5,353
Consolidated profit	694	809	491	454	372	381
Balance Sheet Total	257,223	237,227	232,276	210,168	199,175	192,413
Own drawings in circulation (discounted)	32	13	10	14	50	74
Endorsement liabilities	4,679	5,487	6,133	5,480	4,849	3,902
Business Volume	261,934	242,727	238,419	215,662	204,074	196,389
Contingent liabilities from guarantees, etc.	19,381	20,249	21,826	21,198	20,495	21,470

Figures from the Consolidated Profit and Loss Account

for the year	1986	1985	1984	1983	1982	1981
Earnings on business volume (Interest surplus)	6,888	5,751	5,660	5,488	4,824	4,199
Earnings on services (Commission surplus)	1,848	1,609	1,350	1,257	1,020	996
Staff and other operating expenses	5,088	4,657	4,238	3,952	3,557	3,272
Taxes	1,624	1,884	1,241	1,238	977	818
Net income for the year	1,068	1,101	674	654	343	412
Number of staff at year's end	50,590	48,851	47,873	47,256	45,618	44,800

1980	1979	1978	1977	1976	1975	1974	1972	1970	1967
8,006	10,199	7,184	5,813	4,845	5,106	5,625	5,575	3,021	1,553
3,075	2,535	6,466	6,624	6,952	7,076	5,300	4,122	4,332	4,009
33,549	31,776	30,237	26,772	20,334	15,587	12,898	5,871	4,317	2,269
613	549	449	152	275	189	49	250	409	1,704
6,933	5,928	6,566	4,759	3,860	2,433	1,846	1,679	1,803	943
2,174	2,020	1,795	1,857	1,881	1,538	1,128	1,156	1,331	1,047
73,050	63,427	54,913	46,521	39,802	35,160	30,859	23,806	17,186	9,015
37,833	32,086	27,151	24,268	21,729	21,052	19,634	14,789	10,353	6,860
35,217	31,341	27,762	22,253	18,073	14,108	11,225	9,017	6,833	2,155
38,148	33,995	31,117	24,768	21,578	19,528	16,570	12,854	3,517	-
370	402	443	451	475	513	541	605	639	575
1,727	1,378	1,225	1,146	947	783	583	442	146	228
647	619	604	598	435	374	358	261	302	138
868	872	879	843	801	739	776	514	407	286
306	300	294	256	241	208	357	228	133	78
865	801	825	752	636	468				
1,724	995	1,038	973	583	411	553	272	67	-
1,862	1,475	1,339	1,362	1,167	916	806	653	472	43
677	814	680	596	435	510	449	470	316	245
174,594	158,085	146,054	124,243	105,247	91,539	78,698	58,758	38,398	22,133
53,059	46,561	42,778	35,771	28,574	21,574	17,540	9,812	7,598	3,168
44,765	39,862	36,546	29,796	22,616	16,373	12,711	5,347	4,526	1,500
65,114	59,687	55,965	49,508	44,073	41,571	38,147	31,124	24,460	17,010
27,102	22,889	19,185	15,955	12,064	10,469	12,724	9,346	7,976	4,133
22,243	21,475	21,544	19,972	19,441	18,367	14,963	12,215	9,030	6,542
4,595	5,554	5,410	4,283	2,844	1,220	528	-	-	-
38,597	35,081	32,219	26,183	22,439	20,444	17,127	13,659	3,656	-
2,911	2,619	2,198	1,842	1,629	1,460	1,298	899	626	431
1,312	1,185	1,097	989	907	844	745	491	408	327
1,599	1,434	1,101	853	722	616	553	408	218	104
5,365	5,056	4,573	4,003	3,522	3,325	2,524	2,099	1,462	1,111
1,114	1,114	1,040	960	900	720	640	480	400	-
3,284	3,164	2,851	2,490	2,200	2,100	1,549	1,274	880	650
732	565	474	404	293	192	124	63	45	53
235	213	208	149	129	133	131	122	57	8
4,660	3,248	2,630	2,358	1,858	1,667	1,313	1,024	498	325
293	279	281	295	308	278	221	141	98	88
174,594	158,085	146,054	124,243	105,247	91,539	78,698	58,758	38,398	22,133
31	7	7	3	2	2	1	2	-	1
3,446	2,492	345	254	603	138	710	1,633	875	143
178,071	160,584	146,406	124,500	105,852	91,679	79,409	60,393	39,273	22,277
18,717	16,357	16,609	14,688	14,326	12,429	9,457	4,721	4,482	2,222
1980	1979	1978	1977	1976	1975	1974	1972	1970	1967
3,455	2,950	2,711	2,464	2,180	2,133	2,025	1,235	1,044	513
892	785	754	652	602	580	514	400	274	338
3,052	2,735	2,519	2,249	2,078	1,944	1,842	1,311	989	608
735	665	657	532	455	417	305	208	121	139
457	427	408	408	440	391	320	206	131	140
44,128	43,942	42,494	40,614	40,772	40,839	40,578	39,582	36,957	-

Annexes

Important subsidiaries, associated companies and trade investments of Deutsche Bank AG

	Our Capital	Our holding		Our Capital	Our holding
German banks					
AKA Ausfuhrkredit- Gesellschaft mbH, Frankfurt am Main	DM 40.0 m.	26.1%	Gesellschaft zur Finanzierung von Industrieanlagen mbH, Frankfurt am Main	DM 1.0 m.	26.3%
Deutsche Bank Berlin AG, Berlin	DM 100.0 m.	100 %	Handelsbank in Lübeck Aktiengesellschaft, Lübeck . . .	DM 20.0 m.	90.2%
Deutsche Bank Saar AG, Saarbrücken	DM 35.0 m.	69.2%	Industriebank von Japan (Deutschland) Aktiengesell- schaft - The Industrial Bank of Japan (Germany) -, Frankfurt am Main	DM 60.0 m.	25.0%
Deutsche Centralboden- kredit-Aktiengesellschaft, Berlin - Cologne	DM 72.0 m.	88.7%	Liquidations-Casse in Hamburg AG, Hamburg	DM 1.2 m.	25.0%
Deutsche Gesellschaft für Fondsverwaltung mbH, Frankfurt am Main	DM 17.0 m.	100 %	Liquiditäts-Konsortialbank GmbH, Frankfurt am Main . . .	DM 310.0 m.	6.1%
DWS Deutsche Gesellschaft für Wertpapiersparen mbH, Frankfurt am Main	DM 50.0 m.	51.7%	Lombardkasse Aktiengesellschaft, Berlin - Frankfurt am Main . . .	DM 20.0 m.	16.4%
Deutsche Grundbesitz-Invest- mentgesellschaft mbH, Frankfurt am Main	DM 6.0 m	37.5%	Lübecker Hypothekenbank Aktiengesellschaft, Lübeck	DM 22.0 m.	25.0%
Deutsche Kreditbank für Baufinanzierung Aktiengesellschaft, Cologne .	DM 90.0 m.	100 %	Privatdiskont-Aktiengesell- schaft, Frankfurt am Main . . .	DM 10.0 m.	14.0%
Deutsche Schiffahrtsbank Aktiengesellschaft, Bremen .	DM 35.0 m	27.5%	Schiffshypothekenbank zu Lübeck Aktiengesellschaft, Kiel	DM 35.0 m	29.0%
Deutsche Schiffspend briefbank Aktiengesellschaft, Berlin - Bremen	DM 1.0 m.	25.3%	Suddeutsche Bank GmbH, Frankfurt am Main	DM 3.0 m.	100 %
Deutsche Vermögens- bildungsgesellschaft mbH, Bad Homburg vdH	DM 1.0 m.	60.0%	International banks and financing companies		
Frankfurter Hypothekenbank Aktiengesellschaft, Frankfurt am Main	DM 76.8 m.	91.9%	AI-Bank Al-Saudi Al-Alami Ltd., London	£ 100.0 m.	5.0%
GEFA Gesellschaft für Absatzfinanzierung mbH, Wuppertal	DM 50.0 m.	100 %	Banca d'America e d'Italia S.p.A., Milan ¹⁾ . . .	Lire 46,246.2 m.	90.9%

¹⁾ our share of the voting capital 98.3%

		Our Capital	holding			Our Capital	holding
Banco Bradesco de Investimento, S.A., São Paulo	Cz. \$	1,250.0 m.	5.0%	Deutsche Bank Financial Inc., Dover, Delaware, U.S.A.	US\$	0.01 m.	100 %
Banco Comercial Transatlántico, Barcelona . . .	Ptas	1,452.0 m.	34.4%	Deutsche Bank Gestion S.A., Paris	F. francs	0.25 m.	99.8%
Banco del Desarrollo Econó- mico Español S.A., Madrid . . .	Ptas.	929.8 m.	1.8%	Deutsche Bank Luxembourg S.A., Luxembourg	Lux. francs	3,250.0 m	99.9%
Banco de Montevideo, Montevideo, Uruguay	Ur. pes.	300.0 m.	45.3%	Deutsche Bank (Suisse) S.A., Geneva	Sw. francs	100.0 m.	99.9%
Banque Commerciale Congo- laïsc, Brazzaville, Congo	CFA-francs	5,000.0 m.	3.1%	Deutsche Credit Services, Inc., Dover, Delaware, U.S.A.	US\$	200.0	100 %
Banque Commerciale du Maroc, Casablanca, Morocco . .	Dirham	109.4 m.	7.1%	DB (Belgium) Finance S.A., Brussels	Belg. Frs.	200.0 m.	99.9%
Banque Européenne de Crédit S.A., Brussels	Belg. frs.	3,500.0 m.	14.3%	DB Capital Markets (Asia) Ltd., Hong Kong ¹⁾	HK\$	130.0 m.	53.8%
Banque Nationale pour le Développement Econo- mique, Rabat, Morocco	Dirham	210.0 m.	0.2%	DB U.K. Finance Ltd., London . .	£	5.0 m	99.9%
Banque Tchadienne de Crédit et de Dépôts, N'Djaména, Chad	CFA-francs	440.0 m.	7.5%	EDESA Société Anonyme Holding, Luxembourg	US\$	16.0 m.	6.3%
H. Albert de Bary & Co. N.V., Amsterdam	Dutch guil.	30.0 m.	50.0%	European Arab Holding S.A., Luxembourg	Lux. francs	3,554.0 m.	13.0%
Corporación Financiera Colombiana, Bogotá, Colombia	Col. pesos	396.8 m.	0.2%	European Brazilian Bank P.L.C., London	£	30.0 m.	13.7%
Deutsche Bank (Asia) Aktiengesellschaft, Hamburg . .	DM	196.0 m	75.0%	German American Capital Corporation, Baltimore, U.S.A.	US\$	0.01 m.	100 %
Deutsche Bank (Asia Credit) Ltd., Singapore	S\$	37.5 m.	100 %	Intermix Holding S.A., Luxembourg	US\$	36.7 m.	12.0%
Deutsche Bank Australia Ltd., Melbourne	A\$	50.0 m.	99.9%	International Investment Corporation for Yugoslavia S.A., Luxembourg	US\$	13.5 m.	1.2%
Deutsche Bank (Canada), Toronto, Canada	Can.\$	20.0 m.	100 %	MDM-Sociedade de Investimentos, S.A., Lisbon			
Deutsche Bank Capital Corp., New York	US\$	0.28 m.	100 %	Morgan Grenfell Group plc, London ²⁾	£	801.0 m.	33.3%
Deutsche Bank Capital Markets Ltd., London	£	40.0 m.	99.9%			171.3 m	4.4%
Deutsche Bank Finance N.V., Curaçao, N.A.	US\$	1.0 m.	100 %				

¹⁾ our share of the voting capital 50.0%

²⁾ our share of the voting capital 5.0%

	Our Capital	Our holding		Our Capital	Our holding
Société Ivoirienne de Banque, Abidjan, Ivory Coast	CFA-francs	6,000.0 m.	6.0%	Daimler Benz AG, Stuttgart Untertürkheim	over DM 2,117.9 m. 25.0%
Union Gabonaise de Banque, Libreville, Gabon	CFA-francs	2,000.0 m.	7.5%	DB Consult GmbH, Frankfurt am Main	DM 1.0 m. 100 %
Union Sénégalaise de Banque pour le Commerce et l'Industrie, Dakar, Senegal	CFA-francs	2,000.0 m.	1.9%	DB Export Leasing GmbH, Frankfurt am Main	DM 0.05 m. 100 %
Union Togolaise de Banque, Tomé, Togo	CFA-francs	1,500.0 m.	18.0%	D & C Holdinggesellschaft mbH, Frankfurt am Main ¹⁾	DM 10.0 m. 34.0%
Other German enterprises				Deutsche Beteiligungs AG Unternehmensbeteiligungs- gesellschaft, Königstein (Taunus) ²⁾	DM 30.0 m. 46.2%
Allgemeine Verwaltungsgesell- schaft für Industriebeteili- gungen mbH, Munich	DM	193.5 m.	38.3%	Deutsche Beteiligungs- gesellschaft mbH, Frankfurt am Main	DM 1.5 m. 92.5%
Alma Beteiligungsgesellschaft mbH, Düsseldorf	DM	1.0 m.	100 %	Deutsche Canada-Grundbesitz- verwaltungsgesellschaft mbH, Frankfurt am Main	DM 0.1 m. 55.0%
"Alwa" Gesellschaft für Vermögensverwaltung mbH, Hamburg	DM	1.0 m.	95.0%	Deutsche Dampfschiffahrts- Gesellschaft "Hansa" AG i. L., Bremen	over DM 40.0 m. 25.0%
AV America 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%
Bavaria Filmkunst GmbH, Munich	DM	over 7.0 m.	25.0%	Deutsche Gesellschaft für Anlageverwaltung mbH, Frankfurt am Main	DM 150.0 m. 75.0%
Bergmann-Elektricitäts-Werke AG, Berlin	DM	over 70.0 m.	25.0%	Deutsche Gesellschaft für Immobilien-Anlagen "America" mbH, Bad Homburg vdH	DM 0.1 m. 55.0%
CGT Canada Grundbesitz Treuhand GmbH, Frankfurt am Main	DM	0.1 m.	55.0%	WFG Deutsche Gesellschaft für Wagniskapital mbH, Frankfurt am Main	DM 1.0 m. 30.0%
Capital Management International GmbH of Deutsche Bank, Frankfurt am Main	DM	5.0 m.	100 %	WFG Deutsche Gesellschaft für Wagniskapital mbH & Co. KG von 1984, Frankfurt am Main	DM 95.9 m. 32.1%
Consorcia Versicherungs-Betei- ligungsgesellschaft mbH, Frankfurt am Main ¹⁾	DM	1.5 m.	25.0%		

¹⁾ our share of the voting capital 22.3%

²⁾ without voting rights

²⁾ our share of the voting capital 92.5%

		Our Capital	holding			Our Capital	holding
Deutsche Grundbesitz- Anlagegesellschaft mbH, Frankfurt am Main	DM	10 m	37.5%	G 7 S Gesellschaft für Zahlungssysteme mbH, Frankfurt am Main	DM	50.0 m	15.1%
Deutsche Grundbesitz Anlage gesellschaft mbH & Co Löwenstein Palais, Cologne	DM	30.0 m.	99.7%	Groga Beteiligungsgesellschaft mbH, Frankfurt am Main	DM	8.8 m.	50.0%
Deutsche Immobilien Leasing GmbH (DIL), Düsseldorf	DM	45.0 m.	50.0%	Gütermann GmbH I & Co. Beteiligungs-KG, Gutach	DM	2.6 m.	over 25.0%
Deutsche Wagnisfinan- zierungs-Gesellschaft mbH, Frankfurt am Main	DM	50.0 m	14.3%	Hapag-Lloyd AG, Hamburg	DM	120.0 m	over 25.0%
Deutsche Wirtschafts- datenbank GmbH, Frankfurt am Main	DM	1.0 m.	100 %	Hessische Immobilien-Verwal- tungs-Gesellschaft mbH, Frankfurt am Main	DM	1.0 m.	95.0%
Deutscher Beteiligungsfonds I GbR Trustee: Deutsche Beteiligungs- gesellschaft mbH, Frankfurt am Main	DM	86.0 m.	92.5%	Philipp Holzmann AG, Frankfurt am Main	DM	90.0 m.	over 25.0%
Didier Werke AG, Wiesbaden	DM	92.4 m.	11.0%	HOSTRA Beteiligungsgesell- schaft mbH, Düsseldorf	DM	51.2 m.	33.3%
Energie-Verwaltungs-Gesell- schaft mbH, Düsseldorf ¹⁾	DM	241.5 m	25.0%	JG Japan Grundbesitzverwal- tungsgesellschaft mbH, Frankfurt am Main	DM	0.1 m	100 %
Erste Sicherheitentreuhand GmbH "Ruhrkohle", Düsseldorf	DM	0.1 m	33.3%	Karstadt AG, Essen	DM	360.0 m.	over 25.0%
Fassener Grundstücks- verwertung Dr. Ballhausen, Dr. Bruens, Dr. Möller KG, Essen	DM	1.5 m	96.8%	Kistra Beteiligungsgesellschaft mbH, Frankfurt am Main	DM	24.2 m.	75.0%
Euro Travellers Cheque Deutschland GmbH, Frankfurt am Main	DM	0.065 m.	35.7%	Klöckner Häus- und Verwal- tungs-KG, Duisburg	DM	110.0 m.	over 25.0%
Gesellschaft für Kredit- sicherung mbH, Cologne	DM	0.3 m.	36.7%	Mago Beteiligungsgesellschaft mbH, Frankfurt am Main	DM	0.05 m.	98.0%
"modernes Frankfurt" private Gesellschaft für Stadtentwicklung mbH, Frankfurt am Main	DM	2.0 m.	100 %	Matura Vermögensverwaltung mbH, Düsseldorf	DM	0.3 m	100 %

¹⁾ our share of the voting capital 35.7%

		Our holding			Our holding
	Capital			Capital	
"Neu Europa" Hitec & Biotec Gesellschaft für Innovationen mbH, Berlin	DM 7.7 m.	13.1%	Vermietungsgesellschaft MITTE für SEL-Kommunikations anlagen mbH, Stuttgart	DM 2.3 m.	over 25.0%
"Neu-Europa" Hitec & Biotec Gesellschaft für Innovationen mbH & Co. KG, Berlin	DM 68.9 m.	13.1%	WINWE Beteiligungs- gesellschaft mbH, Frankfurt am Main	DM 0.6 m.	100 %
Nordwestdeutscher Wohnungsbauträger GmbH, Braunschweig	DM 0.2 m.	100 %	Other foreign enterprises		
Rhein-Neckar Bankbeteiligung GmbH, Stuttgart	DM 54.7 m.	49.1%	Compañía de Mandatos Inmo- biliaria y Financiera S.A., Buenos Aires, Argentina	Austral	0.013 m. 99.3%
Rossma Beteiligungsgesell- schaft mbH, Frankfurt am Main	DM 33.0 m.	60.0%	European Banks' International Company S.A., Brussels	Belg. francs	140.0 m. 14.3%
Sicherheitcn-Treuhand GbR, Düsseldorf	DM 0.1 m.	33.3%	IMOBAL – Imobiliária e Administradora Ltda., São Paulo, Brazil	Cz. \$	13.0 m. 100 %
Suddeutsche Vermögens verwaltung GmbH, Frankfurt am Main	DM 4.0 m.	100 %	JAFCO No. 5 Investment Enterprise Partnership, Tokyo	Yen	5.300.0 m. 5.7%
Süddeutsche Zucker-AG, Mannheim	DM 85.8 m.	over 25.0%	MARK III Inc., Atlanta, U.S.A. ¹⁾	US\$	2.0 m. 25.0%
Trinitas Vermögensverwaltung GmbH, Frankfurt am Main	DM 1.0 m.	100 %	Société Luxembourgeoise des Centrales Nucléaires S.A. (SCN), Luxembourg	DM	450.0 m. 25.0%
Erste Beteiligungs-KG der TVM Techno Venture Management Gesellschaft mbH & Co. KG, Grünwald b. Munich	DM 58.4 m.	17.1%	Society for Worldwide Interbank Financial Telecommunication S.C. – SWIFT –, Brussels	Belg. francs	420.1 m. 1.8%
Franz Urbig und Oscar Schlitter-Stiftung GmbH, Frankfurt am Main	DM 0.05 m.	100 %	TVM Techno Venture Enterpr- ises No. I Ltd. Partnership, Boston, U.S.A.	US\$	22.6 m. 17.1%
			Vaubel & Partners Ltd., Tokyo	Yen	/5.0 m. 33.3%

¹⁾) without voting rights

Central Office: Frankfurt am Main/Düsseldorf

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

Domestic branches:

Aachen with 5 sub-branches	Bad Segeberg	Buchholz i d Nordheide	Emmerich
Aalen (Württ) with 1 sub-branch	Bad Tölz	Bühl (Baden)	Emsdetten
Achern	Bad Wildungen	Bünde	Engelskirchen
Achim (Bz Bremen)	Bad Wörishofen	Burgdorf (Han)	Ennepetal
Ahaus	Bad Zwischenahn	Burscheid (Rhein)	with 1 sub branch
Ahlen (Westf)	Balingen	Buxtehude	Erding
Ahrensburg (Holst)	Bamberg	Castrop-Rauxel	Erkelenz
Albstadt with 1 sub branch	Barsinghausen	with 1 sub branch	Erkrath (Bz Düsseldorf)
Alfeld (Lippe)	Baunatal	Celle	Erlangen
Alsfeld (Rheinl)	Bayreuth	Clausthal-Zellerfeld	Eschborn
Alsfeld (Oberhess)	Beckum (Bz Münster)	Cloppenburg	Eschwinge
Altena (Westf)	Bendorf (Rhein)	Coburg	Eschweiler
Altenkirchen (Westerw)	Bensheim	Coesfeld	Espelkamp
Alzey	Bergheim (Erft)	Cologne	Essen
Amberg	Bergisch Gladbach	with 27 sub branches	with 26 sub-branches
Andernach	Bergneustadt	Craisheim	Esslingen (Neckar)
Ansbach	Bernkastel-Kues	Cuxhaven	Ettlingen
Arnsberg with 1 sub branch	Betzdorf (Sieg)	Dachau	Euskirchen
Aschaffenburg	Biberach (Riss)	Darmstadt	Futin
Asperg	Biedenkopf	with 5 sub branches	Fellbach (Württ)
Attendorn	Bielefeld	Datteln (Westf)	Flensburg
Augsburg with 6 sub-branches	with 8 sub-branches	Deggendorf	with 3 sub branches
Aurich	Bietigheim (Württ)	Deidesheim	Forchheim
Backnang	Bingen (Rhein)	Delmenhorst	Frankenthal (Pfalz)
Bad Berleburg	Blomberg (I lippe)	Detmold	Frankfurt am Main
Bad Driburg (Westf)	Bocholt	Dietzenbach	with 25 sub branches
Bad Dürkheim	Bochum	Dillenburg	Frankfurt (Main) Höchst
Baden-Baden	with 7 sub-branches	Dinslaken (Niederrhein)	Frechen
Bad Harzburg	Böblingen (Wurtt)	with 1 sub branch	Freiburg (Breisgau)
Bad Hersfeld	Bonn	Donaueschingen	with 6 sub-branches
Bad Homburg v d Höhe	Bonn-Bad Godesberg	Dormagen (Niederrhein)	Freising
Bad Honnef	Boppard	Dorsten	Freudenberg (Kr Siegen)
Bad Iburg	Borken	Dortmund	Friedborg (Hess)
Bad Kreuznach	Bottrop	with 13 sub branches	Friedrichshafen
Bad Laasphe	with 1 sub branch	Dreieich	Fürstenfeldbruck
Bad Lauterberg	Bramsche (Bz Osnabrück)	Dülmen	Fürth (Bay)
Bad Lippspringe	Braunschweig	Dürren (Rheinl)	with 1 sub-branch
Bad Mergentheim	with 12 sub-branches	with 1 sub branch	Fulda
Bad Münder	Bremen	Düsseldorf	with 1 sub branch
Bad Neuenahr	with 14 sub branches	with 32 sub branches	Gaggenau (Murgtal)
Bad Oeynhausen	Bremen-Vegesack	Düsseldorf-Benrath	Garmisch-Partenkirchen
Bad Oldesloe	Bremerhaven	with 1 sub branch	Geesthacht
Bad Pyrmont	with 3 sub-branches	Duisburg	Geislingen (Steige)
Bad Reichenhall	Bretten	with 23 sub branches	with 1 sub-branch
Bad Sachsa (Südharz)	Brilon	Duisburg-Hamborn	Geldern
Bad Säckingen	Bruchsal	Einbeck	Gelsenkirchen
Bad Salzuflen with 1 sub branch	Brühl (Bz Cologne)	Finsingen	with 5 sub-branches
	Brunsbüttel	Eitorf	Gengenbach
		Ellwangen (Jagst)	Georgsmarienhütte
		Elmshorn	with 1 sub branch
		Elten	Gerlingen (Württ)
		Eltville	Germering
		Emden	
		Emmendingen	

Gernsbach (Murgtal)	Heidenheim (Brenz)	Kempen (Niederrhein)	Leonberg (Württ)
Gersthofen	Heilbronn (Neckar) with 1 sub branch	Kempten (Allgäu)	Leutkirch
Geseke (Westf)	Heiligenhaus (Düsseldorf)	Kerpen	Leverkusen with 2 sub-branches
Gevelsberg	Heinsberg	Kevelaer	Leverkusen-Opladen
Giengen (Brenz)	Helmstedt	Kiel with 7 sub-branches	Limburg
Giessen	Hemer	Kierspe (Westf)	Limburgerhof
Gifhorn with 1 sub-branch	Hennigsdorf (Sieg)	Kirchheim unter Teck	Lindau (Bodensee)
Ginsheim-Gustavsburg	Heppenheim	Kleve (Niederrhein) with 1 sub-branch	Lingen
Gladbeck (Westf) with 1 sub branch	Herborn (Dillkr)	Koblenz with 1 sub branch	Lippstadt
Goch	Herdecke (Ruhr)	Königsbrunn	Löhne (Westf)
Göppingen with 1 sub-branch	Herford	Königstein (Taunus)	Lörrach with 1 sub-branch
Göttingen with 1 sub branch	Herne	Konstanz with 2 sub-branches	Lohne (Oldb)
Goslar with 1 sub-branch	Herten (Westf)	Konz ü/Trier	Ludwigsburg (Württ) with 1 sub-branch
Grefrath	Herzberg (Harz)	Kornwestheim (Württ)	Ludwigshafen (Rhein) with 6 sub branches
Grenzach-Wyhlen	Herzogenrath with 1 sub-branch	Korschenbroich	Lübeck
Greven (Westf)	Heusenstamm	Krefeld	with 5 sub-branches
Grevenbroich	Hilden	Krefeld Uerdingen	Lüdenscheid
Griesheim ü/Darmstadt	Hildesheim with 2 sub branches	Kreuzau	Lüneburg with 1 sub branch
Gronau (Leine)	Hockenheim (Baden)	Kreuztal (Kr Siegen)	Lünen
Gronau (Westf)	Höhr-Grenzhausen	Kronberg (Taunus)	Mainz with 4 sub-branches
Gross-Gerau	Höxter	Künzelsau	Mannheim with 17 sub branches
Grünwald	Holzminden	Kulmbach	Marbach
Günzburg	Horn - Bad Meinberg	Laatzen	Marburg (Lahn)
Gütersloh with 1 sub branch	Hückelhoven	Lage (Iippe)	Marktoberdorf
Gummersbach	Hückeswagen	Lahnstein	Mari (Kr Recklinghausen)
Haan (Rheinl)	Hürth (Bz Cologne)	Lahr (Schwarzw)	Mayen
Hagen (Westf) with 8 sub-branches	Husum (Nordsee)	Landau (Pfalz)	Meckenheim (Rheinl)
Haiger	Ibbenbüren	Landsberg (Loch)	Meerbusch with 1 sub-branch
Halle (Westf)	Idar-Oberstein with 1 sub branch	Landshut	Meinerzhagen (Westf)
Hamburg with 45 sub-branches	Ingelheim (Rhein)	Landstuhl	Molle
Hamburg-Altona	Ingolstadt (Donau) with 3 sub-branches	Langen (Hess)	Memmingen
Hamburg-Bergedorf	Iserlohn with 1 sub-branch	Langenfeld (Rheinl)	Menden (Sauerl)
Hamburg Harburg	Itzehoe	Langenhagen (Han) with 1 sub-branch	Metteln
Hameln	Jever	Lauchenburg	Meschede
Hamm (Westf) with 3 sub branches	Jülich	Lauf a d Pegnitz	Mettmann
Hanau	Kaarst	Lauterbach (Hess)	Metzingen (Württ)
Hanover with 18 sub-branches	Kaiserslautern with 1 sub branch	Leer (Östfriesl)	Miltenberg
Hann. Münden	Kamp-Lintfort	Leichlingen (Rheinl)	Minden (Westf)
Harsewinkel	Karlsruhe with 5 sub branches	Leinfelden	Mönchengladbach with 8 sub branches
Haslach (Kinzigtal)	Kassel with 5 sub branches	Lemgo	Mönchengladbach Rheydt
Hattingen (Ruhr)	Kehl	Lengerich (Westf)	
Heidelberg with 4 sub branches		Lennestadt	

Moers	Oldenburg (Oldbg)	Rottweil	Triberg (Schwarzw)
with 2 sub branches	with 1 sub-branch	Rüsselshoim (Hess)	Trier
Monheim (Rheinl)	Olpe (Westf)	with 1 sub branch	with 1 sub branch
Montabaur	Osnabrück	Salzgitter-Bad	Troisdorf
Mosbach (Baden)	with 4 sub-branches	with 2 sub branches	Tübingen
Mühlacker (Württ)	Osterholz-Scharmbeck	Salzgitter Lebenstedt	with 1 sub branch
Mühldorf (Inn)	Osterode (Harz)	with 1 sub-branch	Tuttlingen
Mühlheim (Main)	Ottobrunn	Salzgitter Watenstedt	Übach-Palenberg
Mülheim (Ruhr)	with 1 sub-branch	St. Georgen (Schwarzw)	Überlingen (Bodensee)
with 3 sub branches	Paderborn	Schmallenberg (Sauerl)	Uelzen
Müllheim (Baden)	Papenburg	Schopfheim	Ulm (Donau)
Münster (Westf)	Passau	Schorndorf (Württ)	with 1 sub-branch
with 8 sub-branches	Peine	Schüttorf	Unna
Münich	Pfaffenhofen	Schwabach	Vechta
with 46 sub-branches	Pforzheim	Schwäbisch Gründ	Velbert (Rheinl)
Münster	with 3 sub branches	with 1 sub branch	with 1 sub branch
Nagold	Pfullingen (Württ)	Schwäbisch Hall	Verden (Aller)
Neckarsulm	Pirneberg	Schweinfurt	Verl
Nettetal	Pirmasens	Schwelm	Viernheim (f. less)
with 1 sub branch	with 1 sub-branch	Schwerde (Ruhr)	Viersen
Neuburg (Donau)	Planegg	Schwetzingen	VS - Schwenningen
Neuenrade	Plettenberg	Seesen	VS - Villingen
Neu-Isenburg	Plochingen	Siegburg	Voerde
Neumarkt (Obcrpt)	Quakenbrück	Siegen	Vohburg
Neumünster	Radevormwald	with 4 sub-branches	Vreden (Westf)
Neunkirchen (Kr Siegen)	Radolfzell	Sindelfingen	Wächtersbach
Neuss	Rastatt	Singen (Hohentwiel)	Waiblingen
with 4 sub branches	Ratingen	Soest	Waldbrööl
Neustadt (b Coburg)	with 3 sub-branches	Solingen	Waldkirch (Breisgau)
Neustadt (Woenstr)	Braunheim	with 4 sub branches	Waldkraiburg
Nou-Ulm	Ravensburg	Soltau	Waldshut
Neuwied	Recklinghausen	Sonthofen	Waltrop
with 1 sub branch	Regensburg	Spaichingen	Wangen (Allgäu)
Nienburg (Weser)	with 4 sub-branches	Spenze	Warendorf
Nördlingen	Reinbek (Bz Hamburg)	Speyer	Wedel (Holst)
Norden	Rermagen	Sprockhövel (Westf)	Weener (Fms)
Norderney	Remscheid.	Stade	Wegberg
Norderstedt	with 5 sub branches	Stadtlagen	Wchr (Baden)
Nordhorn	Rendsburg	Stadtlohn	Weiden (Opl)
Northorn	Reutlingen	Starnberg	Weil (Rhein)
Nürtingen	with 1 sub branch	Steinfurt	Weilheim
Nuremberg	Rheda Wiedenbrück	with 1 sub branch	Weingarten (Württ)
with 13 sub-branches	Rheinbach	Stolberg (Rheinl)	Weinheim (Bergstr)
Oberhausen (Rheinl)	Rheinberg (Rheinl)	Straubing	with 1 sub-branch
with 9 sub-branches	Rheine (Westf)	Stuttgart	Weissenthurm
Oberkirch (Baden)	with 2 sub branches	with 13 sub-branches	Werdohl
Oberlungwitz	Rheinfelden (Baden)	Stuttgart-Bad Cannstatt	Werl (Westf)
Oberursel (Taunus)	Rinteln (Weser)	Sundern (Sauerl)	Wermelskirchen
Öhringen	Rodgau	Taunusstein	Werne
Oelde	Rösath	Tettnang	Wesel (Niederrhein)
Oerlinghausen	Rosenheim (Bay)	Titisee Neustadt	with 1 sub branch
Offenbach (Main)	Rottenburg	Tönisvorst	Wesseling (Bz Cologne)
with 2 sub-branches		Traben-Trarbach	Westerland
Offenburg (Baden)			Wetzlar

Wiesbaden with 6 sub-branches	Wipperfürth	Wolfsburg with 4 sub-branches	Wuppertal with 15 sub branches
Wiesloch	Wissen (Sieg)	Worms	Xanten
Wilhelmshaven	Witten with 2 sub branches	Wülfrath	Zell (Mosel)
Willich (Bz Düsseldorf) with 1 sub branch	Wittlich	Würselen (Kr Aachen)	Zirndorf
Winnenden	Wolfenbüttel	Würzburg with 2 sub branches	Zweibrücken

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Saarbrücken
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Handelsbank in Lübeck Aktiengesellschaft,
Lübeck
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Deutsche Centralbodenkredit-Aktiengesellschaft,
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Frankfurter Hypothekenbank Aktiengesellschaft,
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Lübecker Hypothekenbank Aktiengesellschaft,
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10 offices

Deutsche Bank Bauspar-Aktiengesellschaft,
Frankfurt am Main

Deutsche Kreditbank
für Bautfinanzierung Aktiengesellschaft,
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GEFA Gesellschaft für Absatzfinanzierung mbH,
Wuppertal
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Subsidiaries:
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Since the late fifties, Walter Stöhrer has been regarded as one of the precursors of a style of painting which, while integrating the achievements of abstract expressionism and the "informel", also places stronger emphasis again on figuration. With his extremely individual and constant work, Stöhrer has made an important contribution to the development of painting in Germany. His works gave major impulses to the "Violent Painting" of the eighties.

The artist was born in Stuttgart in 1937 and studied with HAP Grieshaber at the Hochschule der Bildenden Künste in Karlsruhe. He has lived and worked in Berlin since 1959.

Stöhrer's works include large formats in the oil-aquatec technique, gouaches, engravings and lithographs. Many works were done not in an atelier but in the open air, for example in Tuscany or in public painting sessions.

Important for the oeuvre of this Berlin painter is the link with literature. Stöhrer is deeply concerned with authors such as Valéry, Artaud, Bataille, Zürn, Bayer, R. D. Brinkmann and Vondrachek; he is interested in "literature which in itself is so enhanced in optical terms that it simply seduces you to work with it". His relationship with this literature is reflected in his works, not only materially but also formally: lines of text, captured in handwriting and often turning into figurative shorthand, appear in almost all his pictures.

After a study visit in 1973 to the Cité Internationale des Arts in Paris, Stöhrer received the Villa Romana Prize, Florence, in 1977. Since 1986 he has been professor at the Hochschule der Künste in Berlin and a Member of the Academy.

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