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# Annual Report for 1995



Deutsche Bank



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### Deutsche Bank Group Highlights

#### Letter to Shareholders

#### Group Divisions

### Consolidated Financial Statements according to IAS

#### Confirmations

### Management Bodies and Advisory Board

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Untitled, 1980  
Acrylic and varnish on synthetic foil, 100 x 70 cm, from the series "Dragon drawing"



*Dear Shareholders,*

*1995 was a good year for Deutsche Bank, enabling us to progress towards a new era. Although the figures show that we are on the right track, we still have a long way to go and there are no grounds for complacency.*

*The upheaval in banking is dramatic. This upheaval, together with the diversity and magnitude of business, has triggered the changes Deutsche Bank is undergoing. These changes are deliberate and have the backing of our staff. Outside the bank, too, there is growing appreciation of the need to keep pace with developments. Time is of the essence; global competition is tougher than ever.*

*Our goal is to remain strong in our traditional businesses and to become strong in investment banking. We want to assert our position as the leading German and European bank and be one of the top ten in the world. At the same time we aim to become the prime European investment bank and catch up with the global leaders.*

*Deutsche Bank is pursuing its own strategy. In seeking to combine past achievements with new abilities it endeavours to put its unmistakable stamp on events. This ambitious objective can only be reached if the will to change prevails.*

*We have given the bank a client- and product-based, vertical organization right up to Board level which enables us to meet our clients' needs and leverage our IT capabilities. This structural reform has given rise to a project entitled "Closer to the Customer". Today's coverage officers must be able to make use of their greater empowerment and accept responsibility. Now that the framework is in place it needs to be enhanced and brought to life.*

*Our branches are not unaffected by these changes. Automation and standardization are proceeding apace, and it is neither appropriate nor economical nowadays to offer every product personally at each location. Nonetheless, our branches remain what they have always been – a place where people go to find advice.*

*Information technology plays its part in this process, and the financial services it creates become an entity of their own. We have given this entity the symbolic name "Bank 24". It is open round the clock, can be reached from anywhere in the world and offers everything from payments to securities business. Bank 24 is an essential investment in the future; its success will grow to the extent that clients – particularly the younger generation – use its services.*

*In 1995 we merged our entire investment banking operations to form a London-based Group division named Deutsche Morgan Grenfell. This landmark decision was driven by the globalization of business and the changing demands of our clients.*

*We are making good headway with the build-up of our investment bank and have managed to get some of the best talent in the business on board. We already have roughly 3,000 staff on our London payroll, and Deutsche Morgan Grenfell's share of the Group's profits will continue to grow.*

*Business aside, Deutsche Bank seeks to raise its visibility in areas where special standards apply. By sponsoring specific projects our social and arts foundations aim to provide assistance and enhance our profile in the community. The Alfred Herrhausen Society for International Dialogue has won a reputation through its various events and publications and generated substantial interest both inside and outside the bank.*

*In 1995 we celebrated Deutsche Bank's 125th anniversary. In this connection we can only reiterate one of the comments made on this memorable occasion: the bank can claim no higher accolade than to be recognized as traditional and forward-looking at the same time.*

*This is the first year that our Consolidated Financial Statements have been published according to the International Accounting Standards (IAS). Analysts, the financial media, interested members of the public and especially you, our shareholders, will appreciate this new transparency.*

*In its Financial Statements according to IAS, the Group reports net income for 1995 of DM 2,120 million (DM 1,715 million in 1994), a rise of DM 405 million, or 23.6%. We have allocated DM 1,163 million to the Group's retained earnings. The latter have been increased by a further DM 4.6 billion owing to the first-time application of IAS, which brings the Group's capital and reserves to DM 28.0 billion.*

*This puts our capital ratio well above minimum requirements and the international average. Arithmetically this will initially impair our return on equity, but this figure will revert to normal levels after further strong revenue growth since, as in recent years, we can continue to finance our growth from existing capital. Net income per share – a figure of particular interest to shareholders – will thus not be diluted and will remain attractive.*

*The Group's operating profit improved by DM 0.6 billion, or 16.9%, to DM 4.2 billion. Revenue development largely reflects the very difficult market environment and is therefore in line with our expectations. The rise in administrative expense was again driven by substantial capital investment, which*

fed through directly into costs. This higher spending on investment banking brought our cost/income ratio to just over 70 %, on a par with the international average for this business. We are aiming to achieve a sustained improvement in this ratio Group-wide by managing costs and restructuring, especially in our traditional domestic businesses.

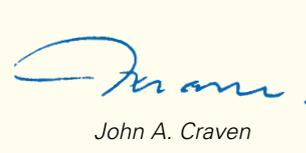
It will be proposed to the General Meeting on May 28, 1996 that a dividend increased by DM 0.15 to DM 1.80 per DM 5 share be paid. In distributing this dividend we wish to pass on some of last year's good result to our shareholders.

Frankfurt am Main, March 1996  
Deutsche Bank AG  
The Board of Managing Directors

  
Carl L. von Boehm-Bezing

  
Rolf-E. Breuer

  
Ulrich Cartellieri

  
John A. Craven

  
Michael Endres

  
Tessen von Heydebreck

  
Hilmar Kopper

  
Jürgen Krumnow

  
Georg Krupp

  
Ronaldo H. Schmitz

  
Ellen R. Schneider-Lenné

  
Ulrich Weiss



Untitled, 1994  
Acrylic on acrylic glass, 90.5 x 66 x 3.8 cm

Private Banking at Deutsche Bank is undergoing profound change aimed primarily at achieving increased customer focus. The process of creating an efficient service and distribution network has been largely completed. At the same time, cost and risk management are being intensified. Many internal processes are being streamlined to achieve a leaner, more effective organization. By combining stronger customer focus and cost efficiency, we are laying the foundation for long-term success in this Group division.

**Retail Banking**

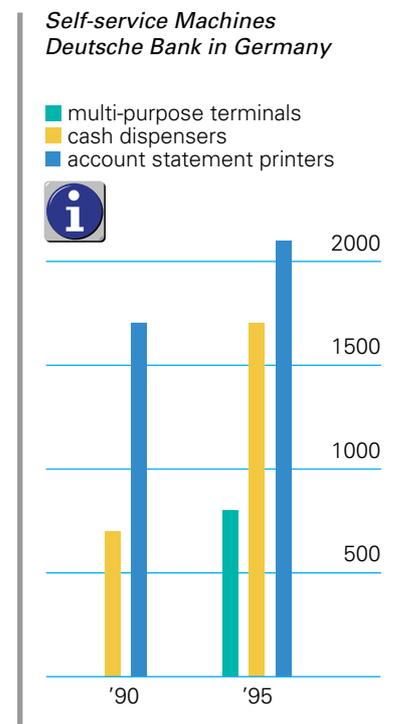
Affording customers the high degree of flexibility they expect of their bank is one of the major challenges facing this business division. We have roughly 1,500 branches in Germany serving the needs of over 6.5 million clients. Outside of normal opening hours, they can access more than 1,700 cash dispensers, 2,100 account statement printers and 800 multi-purpose terminals at no extra charge. Our telephone banking service is available around the clock to take on customer orders and provide account information. Home banking rounds off our extensive service offering.

Deutsche Bank's field service team of about 300 was very successful. At Deutscher Herold and Bonnfinanz more than 10,000 staff members offer customers a growing number of products of Deutsche Bank Group.

New business in property finance developed very well. Low capital market interest rates, the unabated appeal of home ownership and the expiry of certain tax benefits contributed to this. There was less demand for consumer loans. The uncertain business environment made consumers more cautious. In addition, to finance their auto purchases, customers are increasingly turning to the car-makers' own banks which offer strongly subsidized interest rates.

Our money market savings plan, which is an interesting alternative to time deposits and money market funds, showed strong volume growth. We launched two new property finance products called "ZinsPfiff" and the "just-in-time-Garantie". Two new price models were introduced in personal accounts in line with clients' wishes.

**Private Banking**



***Strong demand for property finance – consumer loans weaker***

And, as an additional security feature, we now offer customers the option of ordering a Eurocard bearing their picture.

***More time for customers***

The bank's branches are advisory, service and sales centres for financial services and related products. Above and beyond this, they are also places where people meet. For some time now we have been relieving our business offices of more and more settlement duties and combining these functions elsewhere. The advantages for our customers are obvious. Branches with a lighter administrative load have more time to devote to serving customers and their needs.

***Bank 24 off to a good start***

Bank 24 was launched in September. It can be reached 24 hours a day by telephone, fax, PC or on the Internet and T-Online (Btx). It caters to people who want quick, simple and low-cost banking services. This is still a small yet promising market segment. Bank 24 offers the full range of retail banking services as well as securities business. A special feature is that its customers can obtain free cash advances at all Deutsche Bank ATMs in Germany; they can also use any of Deutsche Bank's other self-service machines throughout the country. The Bank 24 advertising campaign drew a strong response: the number of inquiries and requests for account and custody services by far exceeded expectations.

**Private Banking**

In Private Banking, we made use of the opportunities afforded by the new Securities Trading Act to further intensify the dialogue with our customers; this was underpinned by our new service and pricing strategy. Further impetus came from the satisfactory development of prices on the German stock exchanges. We also expanded our presence at major financial centres abroad.

***Securities Trading Act underscores our concept***

It is now a statutory requirement that all advisory services be appropriate to investor and investment. Our policy of meeting with every customer once a year to discuss his or her individual investment strategy has proven its merits in this respect.

***Greater price transparency***

Under our new service and pricing concept, our product range is divided up into professional advisory and settlement services. This has created greater price transparency.

We expanded our Private Banking activities outside of Germany. Having opened a Private Banking Centre in London and established Deutsche Bank Trust Company in New York, we now have 64 Private Banking units in 13 countries to serve internationally oriented, high net worth individuals.

Although the U.S. stock market had a record year, the pace in Europe was not as dynamic. But the focus of portfolio investment business with customers was again on equities. Business also received a boost from the growing number of new issues.

As a result of the worldwide decline in interest rates, fixed-income sales were at a high level. Many customers were able to realize price gains.

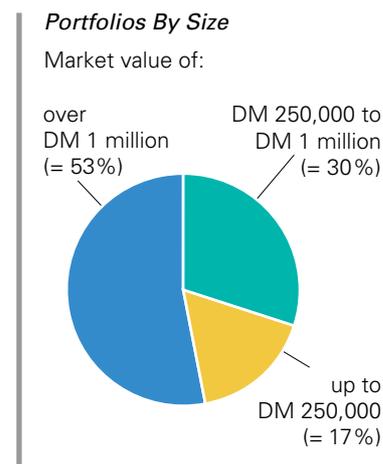
Demand for closed-end real estate and movable asset funds was much higher; we took advantage of this trend by expanding our product range.

In portfolio management, our focus on long-term investment prospects has proved to be right. We were able to expand the volume of managed assets once again.

Europe's mutual fund markets are growing ever closer, a process actively shaped and supported by DWS Group. We established investment companies in Switzerland and Austria: DWS Investment (Schweiz) AG and DWS (Austria) Investmentgesellschaft mbH. Fund business in Italy increased substantially through the purchase of Finanza & Futuro S.p.A., the fifth-biggest company in this market.

Thanks to the good performance of mutual funds and the enhanced quality of our product range, the total volume of assets managed for nearly two million investors rose to DM 84 billion, which was nearly 25% of all German mutual funds. We again made a special effort to promote private investment in equity funds, which showed above-average performance over the longer term. There was strong demand for equity funds with capital protection features, in which more than DM 900 million was invested. The new "Europe Top 50" equity fund, which is comprised of 50 leading European corporations with distinct profit potential and a clear emphasis on shareholder interests, attracted roughly DM 700 million in investments within a relatively short time.

### **Private Banking expanded**



### **Expansion of fund business**

### **Focus on equity funds**

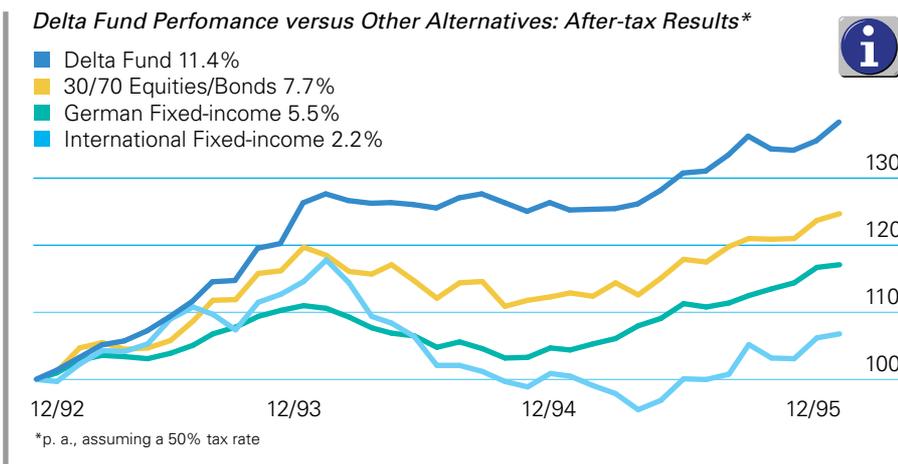
German and international fixed-income funds continued to account for a substantial portion of the fund assets of DWS Group. Their performance in 1995 was positive throughout. Fixed-income funds made up largely of German bonds achieved generous double-digit growth.

In view of increasing tax burdens, mutual funds are becoming more and more popular because they offer investors attractive after-tax results. DWS Group offers a wide range of money market-related funds, D-Mark

denominated fixed-income funds and mixed funds investing in both bonds and equity. Since its launch in December 1992, the mixed "Delta Fund" has turned in after-tax results of 11.4% p.a. (calculated on the basis of an assumed tax rate of 50%).

Communication channels were expanded for the

benefit of customers. DWS is the first fund manager to offer investors in-depth information both on T-Online and the Internet. A recent innovation allows customers to purchase units via T-Online.



The year 1995 brought important changes for the Group division Commercial and Institutional Banking. We merged the business divisions Corporate Banking and Financial Institutions. Our commercial real estate activities were reorganized and brought together in a separate business division. These measures were intended to meet the challenges of rapidly changing markets, the prime target being to achieve greater client focus.

### Corporate and Institutional Banking

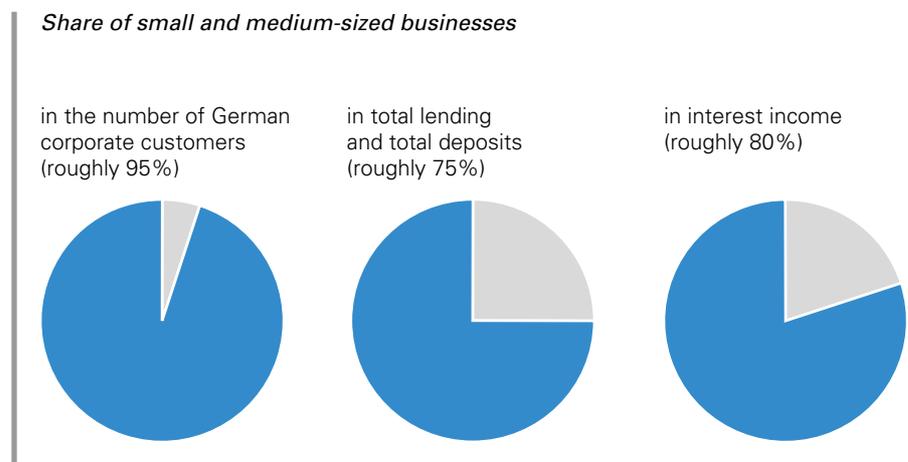
Our business is geared consistently to serving the needs of customers. In this context, we opened special centres of competence for small and medium-sized firms, corporate groups, municipal authorities and financial institutions.

Small and medium-sized enterprises make up roughly 95 % of our corporate clients. One of the things they expect us to help them with is the transfer of management know-how. So far beyond answering financial questions, our "Programme 2000" offers advice on entrepreneurial matters and supports the entire process of added value creation. We also maintain a permanent dialogue with our clients on topical issues such as eco-auditing, economic and monetary union and multimedia; other instruments here include checklists, talks with entrepreneurs and small and medium-sized business forums.

We consider it especially important to increase the innovative strength of small and medium-sized enterprises. This applies not only to new companies. Well-established small and medium-sized firms also expect a comprehensive service package comprising technology transfer, innovation management and capital. Besides

## Commercial and Institutional Banking

**Deutsche Bank: a bank for small and medium-sized firms**



**Deutsche Bank promotes innovation**

***Equity capital financing***

loans, including public-sector support programmes, we supply a growing volume of equity capital. In conjunction with Deutsche Beteiligungsgesellschaft mbH and its associated companies Deutsche Gesellschaft für Innovationsbeteiligung mbH and Deutsche Mittelstandsbeteiligungsgesellschaft mbH, Deutsche Bank Group offers small and medium-sized firms in every magnitude all types of equity capital financing and also gives them access to the specialist know-how available in the Group. In cooperation with Fraunhofer-Gesellschaft, the technical feasibility and marketing prospects of innovations are examined, on request, and implementation support is given.

To an increasing extent, small and medium-sized enterprises expect their advisor to give them not only traditional management consulting, but also sectoral information on their own industry and those of customers and suppliers. For this purpose, Deutsche Gesellschaft für Mittelstandsberatung mbH set up an industry information centre, which has met with a good response.

***Innovative products for local authorities***

Against the background of structural change in the public sector, too, local authorities are becoming a significant customer group. The main objective here is to help solve financial problems using innovative approaches such as the reallocation of work to private project developers and operators. 1995 was characterized by a substantial number of fund leasing financings, where we cooperate closely with our subsidiaries Deutsche Immobilien Leasing GmbH and GEFA-Leasing GmbH. In payments business, we entered new territory with magnetic cards for electronic payments in regional public transport and with machines designed specifically for social security disbursements. In this way, we helped municipal authorities to cut costs.

***Main banking relationship for big international clients***

The decisive factor behind our success with big international customers is our ability to recognize their needs early on and to deliver individual solutions. This applies both to investment banking and electronic banking – for example with intelligent payments products. We created system solutions for money, foreign exchange and interest management tailored to customers' requirements. For companies operating worldwide, we introduced a multinational cash management system. The more extensive "db-treasury network", currently being tested in the market, allows the interactive planning

and management of financial flows as well as the risk management of derivatives business.

ITT Commercial Finance in St. Louis, taken over as from May 1, 1995 and now called Deutsche Financial Services Corp. (DFS), was combined with the activities of Deutsche Credit Corp., Deerfield. Besides inventory financing, DFS offers a wide range of added-value services, especially in materials management, ranging from inventory management to sales support. We have not only gained market leadership in the field of non-captive asset-based financing in North America, but can also offer this company's comprehensive services to clients worldwide for whom North America is a major sales market.

Our active risk management has substantially improved the risk situation in our corporate banking business. Risk management and customer advisory services are closely linked. This is particularly true for our special service groups, which devote their time solely to corporate reorganizations. They help to cut risk provisions substantially and avoid the collapse of companies that can be rescued, and they support the restructuring process.

Our lending volume with companies has risen worldwide to DM 190 billion. Here, the proportion of long-term loans in our domestic corporate banking business rose again owing to the interest rate situation. Our market share in Germany, compared with the previous year, rose to 6.2%. Deposits totalled DM 183 billion worldwide.

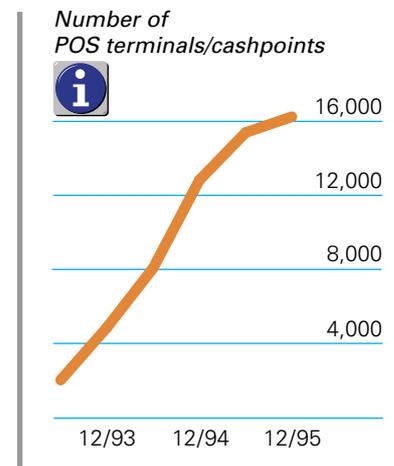
A major source of profit in our German banking organization is still foreign commercial business, despite stronger price pressure.

Roughly one-third of our customers are linked with us electronically or use electronic banking products. We expect this percentage to rise drastically in the coming years. This applies not only to big companies, but also to small and medium-sized firms. Our substantial capital investment in electronic banking and payments business are already bearing fruit. This is shown, for example, by the renewed rise in the share of paperless payments and the success of "db-POS", our system for non-cash payments at retail counters. With payments and electronic banking, we are developing new fields of business

**Leading position in inventory financing in North America**

**Successful risk management**

**Figures prove the positive development**



***Attractive to banks and other  
financial institutions***

and gaining access to the multimedia corporate banking of the future.

Our product range for banks and other financial institutions in and outside Europe has become more comprehensive and more attractive. We now offer cross-border bulk payment business in standardized and inexpensive form for all EU and EFTA countries. To do so, we use our European branch network or cooperate with other banks. We benefit from the same structure in our function as clearing house for all payments to Germany.

The ongoing decentralization of our customer service has opened up new business possibilities in local markets. We also promoted our investment banking activities with domestic and foreign financial institutions. Using our many customer relationships worldwide, we market our products successfully in cooperation with Deutsche Morgan Grenfell's specialists.

***Frankfurt debt agreement with  
the Russian Federation***

After four years of negotiation on the restructuring of the external bank liabilities of the former Soviet Union, the Bank Advisory Committee chaired by us reached agreement with the Russian Federation in November 1995 on the terms and conditions of a comprehensive debt rescheduling. The Frankfurt debt agreement is to be implemented by summer 1996. Of the total interest payments promised by Russia in the amount of U.S.\$ 2 billion for interest arrears accrued up to the end of 1995, U.S.\$ 700 million had been paid by the end of December, as agreed, into the trust account with the Bank of England.

## Commercial Real Estate

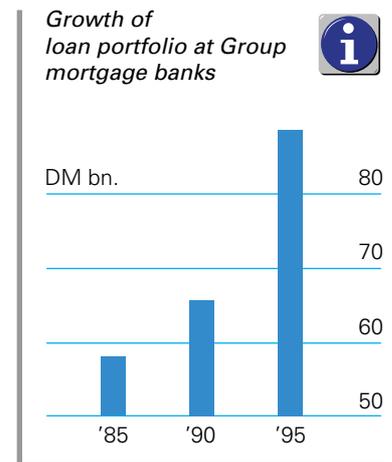
We have established a new business division "Commercial Real Estate" in order to combine the know-how and expertise in the field of commercial real estate available at various points in Deutsche Bank Group, and thus to strengthen our market position. The distribution capacities of Deutsche Bank AG and Frankfurter Hypothekbank Centralboden AG are being unified for this purpose. Furthermore, the real-estate-related investment business of Deutsche Grundbesitz-Investmentgesellschaft mbH, Deutsche Immobilien Anlagegesellschaft mbH, BANA Immobilien GmbH and DEBEKO Immobilien GmbH were also integrated.

For the mortgage banks in the Group, 1995 was an eventful year from a strategic point of view and, looking at the development of business, a satisfactory one, too. The merger of Deutsche Centralbodenkredit-AG with Frankfurter Hypothekbank AG (FHB) took effect – having been delayed by an action for rescission – with registration in the Commercial Register of Frankfurt am Main on December 27. The merged institution, which bears the name Frankfurter Hypothekbank Centralboden AG (FHC), has capital and reserves of more than DM 2 billion and reports total assets of DM 76 billion. This gives it a leading position among the private German mortgage banks. Lübecker Hypothekbank AG (LHB) was brought into the new arrangement on the basis of an intercompany agreement.

The weaker state of building activity led to a slight decrease in new business. The aggregated total assets of the Group mortgage banks came to DM 93.4 billion, the mortgage portfolio increased to DM 45.9 billion. Income developed positively. Slight growth is to be expected in new commitments in the mortgage sector in 1996, despite the more difficult environment. Communal loan commitments, on the other hand, are not likely to reach the high level of the previous year.

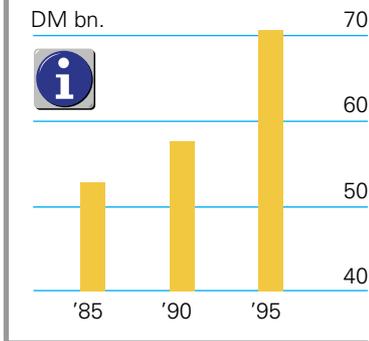
The improvement in funding structure brings advantages for the mortgage banks. Through the issuance of larger-scale and more fungible issuing units, better funding rates can be achieved on the liabilities side. As the first mortgage bank to do so, FHB launched

### ***Successful in the market with united strength***



### ***Income develops positively at the mortgage banks***

*Growth of Pfandbriefe in issue at Group mortgage banks*



**Real estate investment business with a volume of roughly DM 16 billion**

a "Jumbo Pfandbrief". Standard & Poor's rate the Pfandbriefe of FHC and LHB at Triple A, their best rating.

The Pfandbrief market has become more liquid and more transparent thanks to the introduction of the "Pex", a Pfandbrief index called for and supported by the Group mortgage banks. So now, for the first time, there is an indicator which reflects price developments solely in the Pfandbrief market and which serves as a yardstick for the performance of Pfandbrief portfolios. A further innovation is the Ibis-R electronic bond dealing system, introduced at the beginning of December; it gives a quick and comprehensive overview of supply and demand on the Pfandbrief market.

The Group's real estate investment business comprises a volume of roughly DM 16 billion, invested in more than 400 buildings. Of this, roughly DM 11.5 billion (72 %) in customer-related real estate investments are managed on a trust basis by Deutsche Immobilien Anlagegesellschaft mbH and its subsidiaries. Further projects were prepared for closed-end funds in the coming years, among other things the Central Station in Leipzig, a building for the Humboldt-Universität in Berlin and an office and retail property in Potsdam. An important participating interest is Deutsche Grundbesitz Investmentgesellschaft mbH with its open-end property fund "grundbesitz-invest", which had fund assets totalling DM 8.4 billion at the end of 1995 and a portfolio of 86 commercial real estate projects.

**I**n 1995, we radically restructured and strengthened our investment banking business to more effectively serve our clients' needs. We completed the integration of Morgan Grenfell with the rest of the investment banking activities of Deutsche Bank Group, thereby combining traditional strengths. Under its common brand name, Deutsche Morgan Grenfell, it has become a Group division with worldwide responsibilities and a uniform management structure. With a staff of roughly 7,000 people, it has developed its very own profile, offering the full range of investment banking products in over 40 countries.

Despite the start-up costs arising from the integration process and product and geographical expansion, Deutsche Morgan Grenfell's profits showed a substantial increase in 1995 and made a very gratifying contribution to the Group result.

On the basis of the new structure we expect this trend to continue in the current year. We attach special importance to two aspects: keeping a tight control on costs during the investment phase and safeguarding the unique profile of Deutsche Bank Group.

Deutsche Morgan Grenfell is made up of seven core businesses:

### **Global Markets**

This business division has a staff of over 2,000 and is divided into seven product areas under a unified global management structure: Fixed Income, Foreign Exchange, Money Market/Repo, OTC Derivatives, Exchange Traded Futures & Options, Metals & Commodities as well as Debt Capital Markets.

Deutsche Morgan Grenfell has one of the world's biggest trading teams and has a strong presence on all major centres in foreign exchange, fixed income, money dealing/repo and connected derivatives business.

The benefits of expanding investment banking business are already clearly emerging. The substantial quality growth in profits is the result of a global networking of our trading activities, enhanced customer service encompassing all products, and appropriate risk hedges in own-account trading.

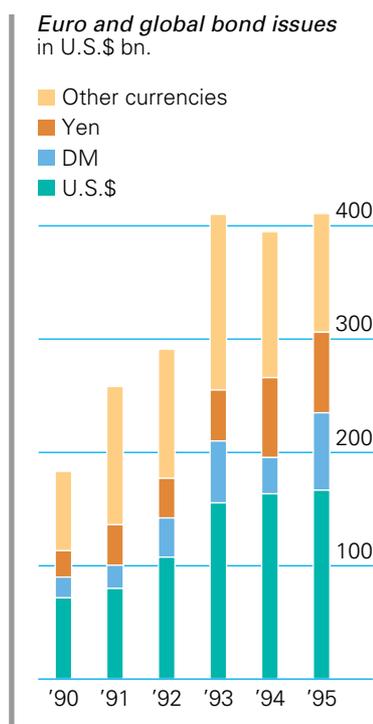
## **Investment Banking – Deutsche Morgan Grenfell**

***Marked profit growth  
thanks to global  
responsibilities***

***Under uniform  
management worldwide***

***Good start***

**Successful international  
bond issues**



**Expertise in equities  
expanded**

**Strong presence in  
Asia/Pacific**

In gold and precious metals, we were again among the world's leading dealers.

The Debt Capital Markets division had a much improved year in the international markets compared with 1994.

We maintained our lead in DM bonds and opened new markets for our customers in Czech crowns and South African Rands. We also lead-managed issues of U.S. corporate bonds in the American market for the first time. In total, we raised the equivalent of U.S.\$ 36 billion for international borrowers with 99 bond issues in 12 different currencies. So we now rank 6th among bookrunners for all euro and global bond issues, up from 11th place last year. We registered a similar positive trend in private placements, where we structured 271 cross-border transactions in 13 different currencies.

Overall, we are very pleased with Global Markets' strategy and market approach as an important component of our global investment banking concept.

**Equities**

Our German and international equities business employs some 1,500 people. Work in 1995 has concentrated on the worldwide integration of these businesses – which were formerly regional operations – into the Deutsche Morgan Grenfell network and filling remaining gaps in our product range or geographical presence. This applied equally to trading, sales and sectoral research.

We managed to clearly advance equities business in Europe, as shown by a recent survey of fund managers. Our business in Germany, Spain and Italy continued to perform strongly, and, following a restructuring, we have significantly increased our market share in France. A broking presence was opened in Stockholm, which will become the hub of our Scandinavian operations. We have expanded our presence in South Africa by acquiring 50 % of Ivor Jones, Roy & Co. Inc., a leading South African broker domiciled in Johannesburg.

In Japan, we strongly improved our market share in cash business as well as quoted futures and options. We began to reap the benefits of an anticyclical expansion of our business in Japan in the last few months of the year under review. We expanded our

presence in other equities markets in South East Asia, so that Deutsche Morgan Grenfell will be playing a more visible role in this region.

Our Global Equity Derivatives Division has centres in New York, London, Frankfurt and Tokyo, all of which have turned in good results, and will be expanded according to plan. The installation of a new trading and risk management platform, scheduled for mid-1996, will facilitate clear growth in global business with OTC equity derivatives.

Overall, we see high growth potential for the equities sector and, after a slow start in 1995, we expect higher profits in 1996.

### Investment Banking Division

Our Investment Banking Division encompasses our global capabilities in Mergers & Acquisitions, Equity Capital Markets and all other forms of capital-market-related and strategic advisory services. This business division, which employs more than 600 people, has been completely restructured; it is now under uniform global management with strong regional management structures. As a result of international customer requirements, shifts in growth regions and reduced government financing schemes, this division faces an altered market environment. Deutsche Morgan Grenfell will take account of this, both in Germany and abroad.

In 1995 we advised clients on transactions worldwide with an aggregate volume of U.S.\$ 32 billion. In Germany, the initial public offering market saw a record year, with a transaction volume of just under DM 8 billion. There were 20 major new issues, a quarter of which we lead-managed. Among the issues for which we were bookrunner were SKW Trostberg, Praktiker and Schwarz Pharma, all of which involved significant international placement.

Internationally, the volume of new issues was reduced, although the primary equity market underwent a revival in the second half of the year. We participated in over U.S.\$ 33.1 billion of international equity and equity-linked financings last year. Transactions in which we played a major part included the privatizations of KPN in the Netherlands, ENI in Italy, Usinor Sacilor in France, Repsol in Spain and the new issue of Nynex Cable Comms in the U.K.

### **Expansion of Global Equity Derivatives**

### **New global management structure with strong regional accents**



**Brisk M&A business**

In the year under review, we were the leading bank in the German market for mergers and acquisitions. Transactions on which we advised included the sale of Hoechst's cosmetics division and the merger of the international dye activities of Bayer and Hoechst.

In the U.K. we had a particularly active year in mergers and acquisitions. In the electricity sector alone, we advised on the £ 1.6 billion acquisition of Seeboard and on the £ 1.1 billion takeover of Manweb by Scottish Power.

We were particularly successful in European cross-border M&A business; some of our major transactions were for Fried. Krupp in Italy, our U.K. client, BBA Group, in Switzerland, and Usinor Sacilor in France. Interesting M&A mandates were also brought to conclusion in Asia and North America. For instance, we advised Deutsche Telekom on the acquisition of a minority stake in Satelindo in Indonesia. We also obtained a number of mandates in Sri Lanka, the Philippines and other Asian countries.

With the worldwide reorganization of our Investment Banking Division, we are confident that we will be able to successfully lead-manage the Deutsche Telekom issue, which will be of prime importance for the German equity market. In addition, we look forward to supporting our German and international customers with advice and assistance.

**Structured Finance**

The success of our structured finance business is a good example of how different product divisions can be coordinated under the roof of a universal bank.

This business division, which employs about 400, is divided into several product groups worldwide and engages in project and export finance, international leasing, asset-backed financing, syndicated lending, as well as leveraged and tax-based financing. Here, too, the close cooperation between Corporate Banking and Investment Banking is the key to success, given the increasing complexity of products in a highly competitive environment.

We continue to be a world leader in project finance. In Germany we acted as arranger and senior lead manager of the E-Plus mobile

**World leader in  
project finance**

telephone project in the amount of DM 2.7 billion. In the U.K. we advised on projects funded under the British Government's Private Finance Initiative.

In Asia we raised finance for the Second Crossing, a new bridge between Malaysia and Singapore, and we have been appointed to advise on the High-Speed Train Project in Taiwan with an investment volume of U.S.\$ 20 billion. In the U.S.A. we acted as lead agent on a U.S.\$ 390 million receivables financing for the Pemex/Shell joint venture refinery in Texas.

In asset securitization, we continued to manage the largest asset-backed commercial paper refinancing programme in Europe. Under restructurings, we advised a number of companies on complex debt refinancings. In export finance there was increased activity in supporting clients on multinational sourcing for major projects.

Our German-based cross-border leasing activity was heavily involved in export lease financings for rolling stock and aircraft. In addition, we arranged Japanese and U.S. cross-border leases for telecommunications and other infrastructure projects.

Syndicated lending business had a particularly successful year. We arranged transactions for a total of DM 30 billion and thus further consolidated our leading position in Europe.

## **Emerging Markets**

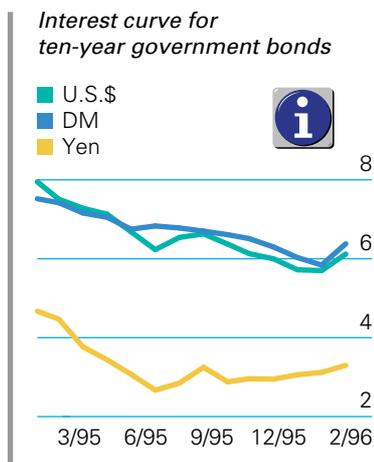
The Emerging Markets Division, with its 250 employees, played an important role for Deutsche Morgan Grenfell, since it clearly underscores our position in emerging countries. Our professional client advisory services in this market, our market share and the resulting profitability make Emerging Markets one of the most important elements in our worldwide investment banking strategy.

We are Europe's biggest trader of Brady bonds. Market making in Latin American and East European debt saw an increase in turnover from U.S.\$ 153 billion to U.S.\$ 163 billion. The addition of a repo capability and the expansion of our derivatives trading contributed to this. We rounded off our product range, taking account of market and political sensitivities. Thanks to our widespread market making, we are able to quote and provide liquidity to the market at all times.

***Lease financings for  
infrastructure projects***

***Leading position in syndicated  
lending in Europe***

***Innovative and profitable  
segment***



**Customized portfolios for international investors**

**DEGEF leads German market for speciality funds**

**Good standing in U.K.**

Nevertheless, a flexible and risk-conscious approach is absolutely essential in order to be able to survive in this business. Apart from trading itself, advisory business for Emerging Markets continued to play a significant role. The sale of Entel Bolivia to Stet in Italy was successfully concluded. Two tranches of the privatization of Polish Tobacco were completed. We were also awarded the mandate for the privatization of Pakistan Telecommunications.

Our experience in this area of business shows that Deutsche Morgan Grenfell can turn in exceptionally good results in various equity and bond market cycles.

### **Asset Management**

The institutional Asset Management Division of Deutsche Morgan Grenfell, with its staff of just under 1,000, achieved good performance again in 1995. In terms of volume and profit growth, it can be said to be one of our most successful and stable divisions. This favourable trend is expected to continue in the foreseeable future.

In 1995, net new business in institutional Asset Management amounted to DM 8.6 billion, and total funds under management grew to DM 135 billion, about 50 % of which was outside Germany and the U.K. Most product areas achieved high returns and outperformed the industry averages.

With a volume of DM 37 billion, Deutsche Gesellschaft für Fondsverwaltung (DEGEF) maintained its position as the market leader in the management of German speciality funds, gaining a number of additional domestic and international mandates.

In Japan, we maintained our position as the largest foreign manager of Japanese pension funds.

### **Development Capital (outside Germany)**

This division, which is responsible for venture capital business outside Germany, is made up of a small team of 25 people. The Development Capital Division provides equity capital to enterprises not listed on a stock exchange. These funds allow them to finance acquisitions – also in the form of management buy-outs – or reduce their debt levels. Deutsche Morgan Grenfell has registered tremendous

growth in the venture capital sector in the U.K. over the past few years, and in 1995 the division generated the biggest contribution to earnings so far.

In 1995, business was extended to France, Italy and South East Asia. In France, a fund for over FF 500 million has been raised. A similar fund will close shortly in Italy. In Asia, we have begun marketing a venture capital fund which concentrates on unlisted companies in the telecommunications sector.

***New funds in Italy, France and South East Asia***

## Staff Units and Group Services

### *More staff abroad and in Investment Banking*

### *Further decrease in staff at Deutsche Bank AG*

### *Results of staff poll support the process of change in the bank*

**T**here is an interaction between the changes in the business structure of the bank and the duties of staff units and Group services. Here, too, the important thing is to act with greater client focus, and to do so cost efficiently and with an eye to the future.

### **Our Staff**

At the end of the year, the Group employed 74,119 people (previous year: 73,450). This slight increase hides contrary trends: growth of 3,096 in the Group's foreign organization and a decrease of 2,427 in Germany. Our foreign workforce expanded through the integration of Deutsche Financial Services in St. Louis and the development of investment banking in London, New York and Singapore. Taken in total, 22,162 employees – roughly 30% – worked outside Germany (previous year: 19,066). The newly founded Bank 24 employed 155 people at the end of the year.

At Deutsche Bank AG, the number of employees fell to 48,415 (previous year: 50,216). This is due above all to changes on the German side. Here, we make use of natural fluctuation.

The internationalization of our workforce is going hand in hand with a changing self-image among our managers. Team spirit and international cooperation are receiving greater attention. This is visible in particular at Deutsche Morgan Grenfell, where more and more employees of different nationalities and cultures are working together.

The first comprehensive staff poll in the bank's domestic organization revealed a multi-tier profile of our strengths and weaknesses. The strengths include our employees' strong identification with the bank and their own job as well as a distinct readiness to work and accept change. The criticism was directed above all at our lack of customer orientation, management style and communication. Areas for improvement became clear. In all fields, change processes were initiated. Our reliance at all times on the commitment and experience of our employees is shown both by our "Closer to the Customer" project as well as the "continuous improvement process" under way since the beginning of the year. Both projects complement each other. They make it easier for employees to practise cli-

ent focus at their workplace and to structure processes accordingly. We expect our staff to accept responsibility. Managers and supervisors must delegate responsibility and create scope for customer-oriented conduct.

Management behaviour influences not only employees' customer orientation, but also their satisfaction and identification with the bank. We have therefore concentrated on improving management quality. The management appraisal system introduced in 1995 is developing into an integral part of our management culture. Here, managers and supervisors are appraised systematically and anonymously by their staff. Subsequently, questions of cooperation are discussed openly. This promotes a willingness to accept change and the ability to handle conflict among all those involved.

At the end of the year, 4,003 young people throughout the Group were undergoing vocational training, to which we continue to attach great importance. Our demand for university graduates was covered in two ways: 302 graduates from Germany and abroad completed an individual management trainee programme. We also recruited 208 highly qualified people directly. In the further training field, we attached special importance to management training. Seminars to manage change processes in the bank and a training programme leading to a qualification as organizational development counsellor supplement, among other things, our previous offering. Taken in total, more than 32,000 employees attended roughly 6,200 seminars. For training and further-training purposes, we spent DM 318 million (previous year: DM 332 million). That corresponds to 4.9% of our total payroll.

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

***Management behaviour as a factor behind success***

***Training and further training: important precondition for future business success***

***Thanks to our staff***

***Further concentration in  
processing***

**Technical Infrastructure**

The conclusion of major software projects and the further development of our computer centres and networks were the main features of 1995.

We continued to concentrate our computer centres. The centres in Italy, England, the Netherlands and the computer centre of Deutscher Herold were closed. By the year 2000, we intend to set up a global, self-contained computer centre spread over three locations which uses integrated network and systems management. Our payments and securities settlement activities have become more powerful and efficient as a result of concentration and automation. This progress is due not least to the work of our participating interest CNI Communications Network International GmbH. We increased the number of staff working on software development and intensified our activities in this field; they were concentrated on ergonomically high-quality and networked applications systems with graphic surfaces.

***Introduction of new operating  
systems***

Our New Operating Systems (NOS), the introduction of which has now begun, were developed with the same objective. They will put data processing in the bank onto modern client-server systems with new applications and office systems. Employees will be equipped with state-of-the-art information technology in order to be able to meet customers' requirements in future, too.

***Further development of  
electronic distribution  
channels***

Since the beginning of June, Deutsche Bank has offered on the Internet a comprehensive information package, which is being well utilized. New electronic banking products are "db-treasury network" for corporate financial management and "db-Quicken" and "db-direct" in the field of home banking.

A global high-speed network was installed specifically for investment banking. Events deserving special mention are the introduction of our securities settlement systems in Frankfurt and Paris, the installation of a new dealing room in New York, new front-end systems for equity trading and the further development of our globally integrated risk management system.

The innovativeness of our software development and the efficiency of our technical infrastructure won an international award.

## **Risk Management**

The cornerstone of banking business is the assumption and management of risk. Deutsche Bank is exposed primarily to credit, market, liquidity, operations and legal risks. These risks arise both in traditional lending business and in investment banking.

At the beginning of 1996, the Basle Committee on Banking Supervision published a supplement to the Capital Agreement of 1988 to regulate the treatment of market risk by supervisory authorities. We welcome the possibility of using internal models as an alternative to standard models. But we consider the weighting of risk with a multiplier of 3 in the application of internal measurement procedures to be inappropriate. Nevertheless, Deutsche Bank will use the more sophisticated in-house models, which are superior to the standard procedures, for the measurement of risk.

The requirements of supervisory authorities with regard to risk management also increased generally: "Minimum Requirements for the Transaction of Banks' Dealing Business" were passed by the Federal Banking Supervisory Office and, among other things, established the organizational framework for risk management.

At Deutsche Bank there is a functional segregation of risk controlling and risk management. Risk Controlling, as a department within Controlling, is responsible for the neutral recording, analysis and reporting of credit and market risk to Risk Management and to the Board of Managing Directors. This segregation of responsibilities applies throughout the Group. We are convinced that this arrangement ensures the effective monitoring of Group risks.

### **Credit risk**

The main elements of credit risk management in 1995 were the integration of the Investment Bank into the lending process, the development of instruments to manage the Group's exposure to real estate, and the preparations for the broader introduction of RAROC (risk-adjusted return on capital) for the risk-return management of our portfolio.

***International standards for risk management***

***Risk controlling and risk management functionally segregated***

***Decentralized credit decision making and overriding credit risk management...***

In the organization of our credit risk management, responsibility and discretionary powers are clearly regulated. Decentralized discretionary powers at the business units allow quick credit decisions to be taken without impairing quality. This requires, as a counterweight, independent and Group-wide credit risk management at Head Office.

***...headed by the Chief Credit Officer of the Group***

Group credit risk management is the responsibility of the Chief Credit Officer (CCO), who establishes the discretionary powers of the heads of business units and their lending departments. The CCO heads Credit Risk Management as a Head Office department. This department approves, supplements and monitors the organizational framework for the bank's lending business, i.e. lending principles and guidelines, the credit decision-making process and the instruments of credit risk management.

Group Account Managers are responsible for handling business with groups. This includes drawing up a business plan and producing a group lending report as the basis for a credit decision.

The Credit Committee is headed by the CCO and decides on loans which exceed the discretionary power of business units. Decisions over and above this discretionary power are recommended by the Credit Committee to the Board of Managing Directors. It is also responsible for lending principles as well as loan portfolio planning and monitoring.

***Local checking of loan transactions***

Greater decentralized discretionary powers require the systematic examination of a loan and the lending process on a local basis. This assignment is carried out by the Credit Risk Review Department, which works closely with Group Auditing. Both report directly to the Board of Managing Directors.

***Integration of the Investment Bank***

The activities of the Investment Bank are integrated into Credit Risk Management. Here, special attention is paid to the connection between credit, market and liquidity risk. The credit risk in OTC derivatives results from the potential replacement cost, which arises when a counterparty is unable to meet his obligations. By contrast to traditional lending business, the risk from dealing transactions – especially with OTC derivatives – does not relate to the notional volume. Here, the size of the default risk results from the replacement

cost when the open position is closed. This replacement cost is determined by current market values and therefore changes continuously.

To increase the transparency in derivatives business, we publish current replacement cost as the figure for credit risks resulting from OTC derivatives. For the Group, the credit risk as at December 31, 1995 was DM 36 billion with a notional volume of DM 2,005 billion (31.12.1994: DM 21 billion credit risk, DM 1,856 billion notional volume).

**Replacement costs determine the size of the default risk**

OTC derivatives of Deutsche Bank Group by rating:

Rating (corresponding to a Standard & Poor's equivalent)	Notional volume in DM bn.	Current replacement cost in DM bn.	As % of notional volume
AAA	173.49	3.46	1.99
AA	666.89	12.49	1.87
A	750.83	13.64	1.82
BBB	128.00	2.65	2.07
Non-investment grade	59.08	1.35	2.29
Other	226.97	2.39	1.05
<b>Total</b>	<b>2,005.26</b>	<b>35.98</b>	<b>1.79</b>

Maturity structure of OTC derivatives:

Rating (corresponding to a Standard & Poor's equivalent)	Notional volume in DM bn. with a remaining life of			Total notional volume in DM bn.
	up to 1 year	1–5 years	more than 5 years	
AAA	113.02	36.08	24.39	173.49
AA	418.21	175.49	73.19	666.89
A	523.84	163.68	63.31	750.83
BBB	76.98	37.25	13.77	128.00
Non-investment grade	36.09	17.85	5.14	59.08
Other	187.59	36.83	2.55	226.97
<b>Total</b>	<b>1,355.73</b>	<b>467.19</b>	<b>182.35</b>	<b>2,005.26</b>

Strict demands are made on the creditworthiness of counterparties. Consequently, 79% of our portfolio has a rating of at least A (previous year 85%).

**Strict demands on counterparty creditworthiness**

Individual credit lines have been arranged for all counterparties. Drawings are monitored as in the case of loans; the portfolio is analyzed by counterparty category, product, maturity and country.

***Market risk in underlying instruments and their derivatives***

***Market risk***

Market risk arises from changes in interest rates, exchange rates and prices of underlying instruments (for example bonds, equities, precious metals) and their derivatives (futures, swaps, options and FRAs).

***Group Market Risk Manager responsible for market risk management***

Group market risk management is the responsibility of the Group Market Risk Manager, who reports directly to the Board of Managing Directors and heads the Market Risk Management Department.

Market risks in Global Markets, Equities, Emerging Markets and Treasury are monitored by a separate committee for each division. Each committee consists of the responsible representatives of Risk Management, the respective business division and other Head Office divisions. At regular meetings, limits and the development of the risk profile of the respective division are analyzed and reviewed.

***Value-at-risk used to measure market risk***

In line with international standards, we use the value-at-risk (VAR) method (previously known as money-at-risk) to record and value market risks. The VAR of a portfolio of market positions states the maximum value change in this portfolio over a certain holding period and within a confidence interval. The VAR calculation is based on a holding period of one day and a confidence interval of two standard deviations. This means there is a probability of 97.5% that the calculated risk will not be exceeded. Non-linear risks are also included; the calculation of historical volatilities and correlations is, as a rule, based on a period of one year (all days being weighted equally).

The VAR of the dealing sections as at the end of 1995 was:

in DM m.	Fixed Income	Money Market	OTC Derivatives	Foreign Exchange	Metals	Proprietary Trading	Equities	Emerging Markets
Value-at-risk*	19.25	4.96	6.66	4.04	1.23	7.14	6.39	15.75
* Observation period 90 dealing days								

The value-at-risk for Deutsche Bank Group as at December 31, 1995 was DM 65 million.

A short while ago, the German banks agreed to calculate and publish VAR figures in future on a uniform basis in accordance with the corresponding parameters of the Basle Market Risk Paper published by the BIS. The basis used here comprises a ten-day holding period and a confidence level of 2.33 standard deviations. Future calculations will thus be based uniformly on a probability of 99 %.

The VAR pursuant to BIS for the trading sections as at the end of 1995 was:

in DM m.	Fixed Income	Money Market	OTC Derivatives	Foreign Exchange	Metals	Proprietary Trading	Equities	Emerging Markets
Value-at-risk*	70.93	18.29	24.53	14.89	4.53	26.31	23.53	58.03
*Observation period 90 dealing days								

Liquidity risks can arise when, in certain market situations, it is no longer possible to finance assets or fulfil contractual obligations at appropriate prices. The Group-wide liquidity risks are managed and monitored by Treasury and Market Risk Management. Each local Treasury unit is responsible for its own liquidity management on the basis of Head Office guidelines.

Operations risk can arise in communications, information and settlement systems. Possible causes are defective systems, human error or inadequate control procedures. We cover this risk in particular by strictly segregating dealing and settlement and by having independent control groups. Systems support and operating capacities are adjusted to the scale and growing complexity of dealing.

To guarantee uninterrupted dealing, we have appropriate contingency plans which take effect if the necessary technical equipment malfunctions or breaks down. These plans are reviewed regularly.

**Liquidity risk is managed by Treasury and Market Risk Management**

**Strict segregation of dealing, settlement and control**

**Centralized monitoring of  
legal documentation**

Legal risks are primarily the risk that claims against borrowers or counterparties may not be enforceable. We cover this risk by checking carefully that counterparties are legally capable and authorized to transact, examining any prohibition, tax or other legal provisions and using standard contracts.

**Netting reduces credit risk**

Both in traditional lending business and in business with financial derivatives it is important to ensure that, in the case of the counterparty's insolvency, amounts receivable and amounts payable from individual transactions can be offset or netted in order to reduce the default risk. Especially in business with financial derivatives we try to do this, among other things, by concluding global netting agreements which authorize such netting with the respective counterparty. The legal preconditions for netting have improved considerably in the last few years, both in Germany and in a number of OECD countries.

**Standardized Group-wide  
data structure**

**Controlling**

The broad spectrum of activities and the decentralized management of Deutsche Bank in Group divisions and regions place high demands on controlling. In order to provide all executives on a time-critical basis with information relevant to their decision making, and at the same time to make the underlying transaction data and their complex inter-relationships transparent at all times, we are creating a centralized information system. This calls for standardized Group-wide data structures based on identical methods and valuation principles.

**Group Controlling**

Our Group Controlling comprises both financial accounting, with responsibility for external accounting and reporting for regulatory purposes, as well as management accounting, which provides internal management information. Although both accounting systems serve two different purposes, they are functionally linked. The centralized information system ensures reconciliation of both systems at all times.

Controlling provides the Board of Managing Directors and all other decision-makers with the necessary information for planning, managing and controlling business. The basis for this is the divisional profitability calculation (UBR). It shows the performance of Group divisions as well as the development of costs in staff units and Group services. Monthly analyses, specific investigations and key figures supplement our reporting.

Against the background of the globalization of business activities, we are constantly working on the development of our divisional profitability calculation system. Our aim is to establish it worldwide as the principal management instrument.

The development of investment banking and the establishment of divisional controlling confronted us with special challenges. We use a state-of-the-art technical infrastructure in order to account exactly and time-critically worldwide for the seven core divisions of Deutsche Morgan Grenfell and the product groups allocated to them, in accordance with the new management structures.

We are devoting special attention to enhancing our profit planning. The managements of business divisions, staff units and Group services and subsidiaries present their planning figures in a two-day closed session in December. They undertake to achieve their targets and to implement them on their own responsibility. Here, the Board of Managing Directors ensures that the plans are in line with strategic objectives. Planning should help motivate our staff and induce them to participate responsibly in their achievement. Ultimately, planning will constitute one of the factors in the remuneration of our executives.

The build-up of our global risk controlling has been concluded. At all centres where we engage in dealing activities, there are risk controllers who oversee market risks on a current basis. But the other risks typical of banking business are also constantly analyzed. Risk Controlling is responsible for neutral and Group-wide recording and evaluation of figures for the risk management of business divisions. Reports are given to the Board of Managing Directors, the risk committees and the managements of business divisions.

***Enhancement of divisional  
profitability calculation***

***Monitoring of Group risks***

***Standardized risk standards  
throughout the Group***

In close cooperation with Market Risk Management and Credit Risk Management, Risk Controlling supports the development of risk analysis and limit systems. In order to guarantee uniform standards throughout the Group and satisfy regulatory requirements, risk monitoring is carried out on the basis of a risk guideline. An important role is played by Risk Controlling in the examination of new products; jointly with Divisional Controlling and the risk management functions, it releases valuation procedures and is responsible for integrating them into the limit structures.

The ongoing extension of regulatory requirements leads to constant growth in the deployment of qualified employees and the use of efficient data processing. Here, the implementation of the Capital Adequacy Directive is of outstanding importance.

**Treasury**

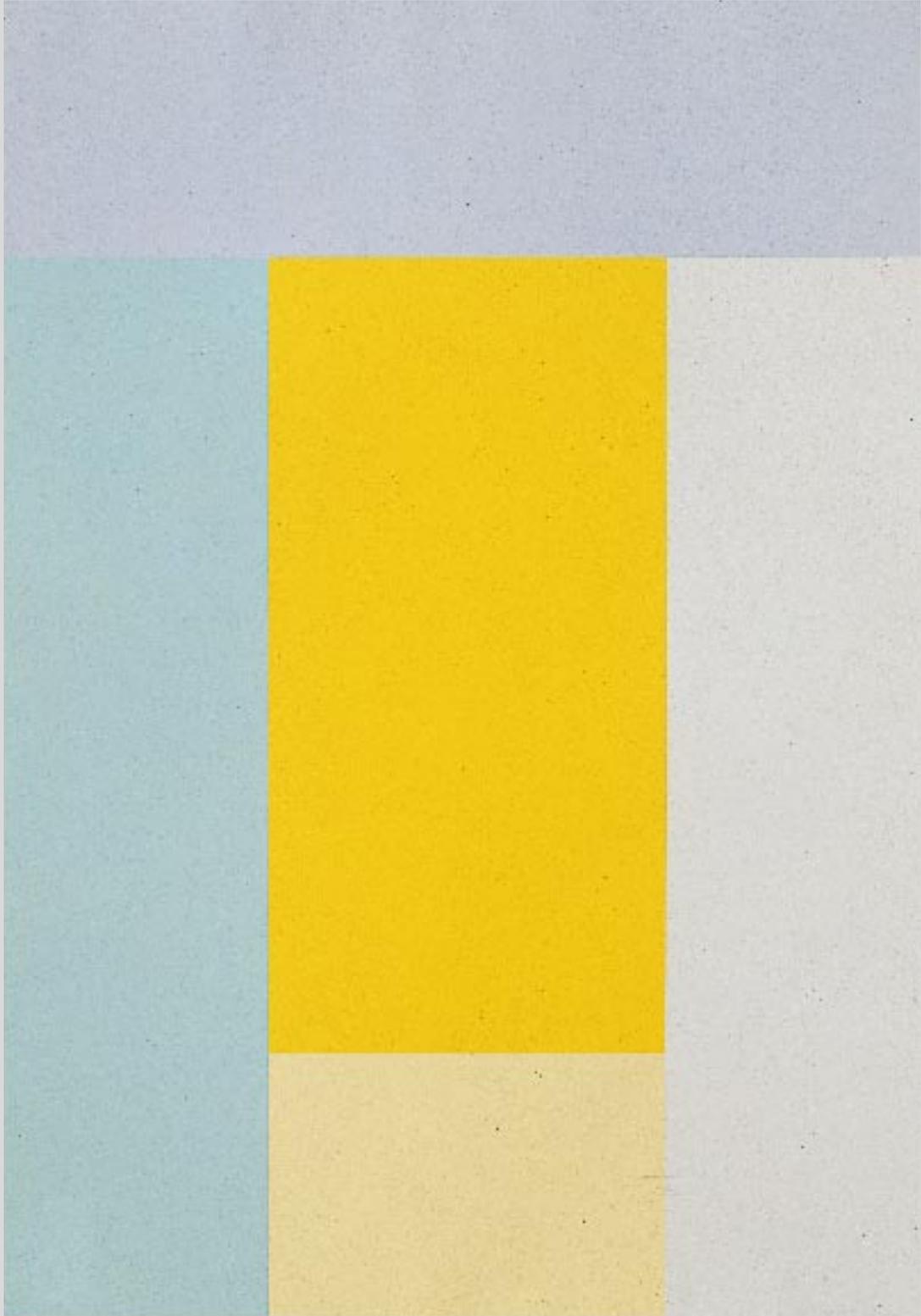
Treasury is responsible for managing the entire balance sheet of Deutsche Bank Group. This means covering all aspects of interest risk management (excluding assets held for dealing purposes), liquidity management (including off-balance-sheet transactions) as well as the management of capital resources, i.e. debt and equity issues.

***Decentralized Treasury units  
with far-reaching  
responsibilities***

In line with the growing need to be close to regional markets, we have set up decentralized Treasury units with extensive discretionary powers. To achieve an integrated approach worldwide, these regional offices are centrally coordinated. Our biggest Treasury centres outside Germany are in London, New York and Singapore. These centres are responsible for monitoring the Treasury units in the various countries belonging to their region.

Our global liquidity management does more than just meet regulatory requirements: it also allows Deutsche Bank to fund its lending at appropriate conditions at all times and also optimizes the structure of liabilities. We use the "value at risk" concept to manage interest rate exposure.

In the course of the year, we launched 13 issues of our own in the euromarkets and increased 9 outstanding bonds for a total volume of DM 4.3 billion. In June, the warrants attaching to the 1991/2003 participatory certificates with warrants were exercised at maturity, which increased our equity capital by about DM 1.3 billion. Additional debt funds were raised through the sale of Deutsche Bank bonds and medium-term note programmes.



Penelope, 1992  
Screen print on paper, 200 x 140 cm

**D**eutsche Bank's Consolidated Financial Statements have been prepared in accordance with the International Accounting Standards (IAS) for the first time. With this voluntary reporting, we submit to our shareholders and to the general public consolidated financial statements which are comparable worldwide. The disclosure requirements of the European Community have also been satisfied. The Consolidated Financial Statements according to the German Commercial Code are prepared separately. KPMG Deutsche Treuhand-Gesellschaft, Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, has audited both sets of financial statements and expressed an unqualified opinion. We expect that, in the coming years, legislation will be passed allowing us to submit consolidated financial statements according to IAS only.

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

The information in the Notes, which is more extensive than required under German law, gives more comprehensive insight into the assets, liabilities, financial position and profit situation of the Group. In particular, the amount and development of total provisions for losses on loans and advances as well as the market values of investments have to be disclosed.

For the first-time application of IAS, it was necessary, besides the valuation as at January 1, 1995, to establish valuations as at January 1 of the previous year as well. The resulting differences have been offset with retained earnings, with no impact on profit. This has led to an increase of DM 4.6 billion in reported retained earnings compared with the Consolidated Financial Statements according to German Commercial Code.

The comparative figures for 1994 have been adjusted to IAS.

## **Introduction to the International Accounting Standards (IAS)**

	IAS	German CommC
<b>in DM m.</b>	<b>1995</b>	
Net income	2,120	2,185
Capital and reserves	28,043	22,213
<b>in DM m.</b>	<b>1994</b>	
Net income	1,715	1,360
Capital and reserves	25,875	21,198

**Balance Sheet of Deutsche Bank Group**

<b>Assets</b>	<b>in millions of DM</b>	<b>31.12.1995</b>	<b>31.12.1994</b>
Cash reserve		17,913	12,697
Placements with, and loans and advances to, other banks		109,218	101,133
Loans and advances to customers		409,529	353,161
Total provisions for losses on loans and advances		– 14,314	– 14,796
Assets held for dealing purposes		109,824	65,629
Investments		49,372	40,609
Property and equipment		9,062	8,996
Capital investments of the insurance companies		20,664	17,408
Other assets		10,397	7,797
<b>Total Assets</b>		<b>721,665</b>	<b>592,634</b>

<b>Liabilities</b>	<b>in millions of DM</b>	<b>31.12.1995</b>	<b>31.12.1994</b>
Deposits from other banks		178,853	123,857
Amounts owed to other depositors		301,386	263,875
Promissory notes and other liabilities evidenced by paper		126,895	114,015
Provisions		36,014	29,714
Other liabilities		41,624	26,546
Subordinated capital		8,300	8,215
Minority interests		550	537
Capital and reserves		28,043	25,875
Subscribed capital		2,492	2,371
Capital reserve		12,088	10,866
Retained earnings		12,566	11,713
Consolidated profit		897	925
<b>Total Liabilities</b>		<b>721,665</b>	<b>592,634</b>

**Income Statement of Deutsche Bank Group**

in millions of DM	1.1.- 31.12. 1995	1.1.- 31.12. 1994
Interest and similar income	39,220	37,399
Interest expense and similar charges	28,410	26,100
<b>Net interest income</b>	<b>10,810</b>	<b>11,299</b>
Provision for losses on loans and advances	1,347	2,257
<b>Net interest income after provision for losses on loans and advances</b>	<b>9,463</b>	<b>9,042</b>
Fee and commission income	6,325	6,140
Fee and commission expense	723	544
<b>Net commission income</b>	<b>5,602</b>	<b>5,596</b>
Gains less losses arising from dealing activities (trading profit)	2,035	1,039
Net income from insurance business	608	559
General administrative expenses	13,636	12,531
Other income	846	1,400
Other expense	1,353	1,568
<b>Net income before tax</b>	<b>3,565</b>	<b>3,537</b>
Income taxes	1,445	1,822
<b>Net income</b>	<b>2,120</b>	<b>1,715</b>

**Income Statement**

in millions of DM	1995	1994
Net income	2,120	1,715
Profit attributable to minority interests	71	62
Loss attributable to minority interests	11	28
Addition to retained earnings	1,163	756
<b>Consolidated profit</b>	<b>897</b>	<b>925</b>

**Appropriation of net income**

**Cash Flow Statement****Cash Flow Statement of Deutsche Bank Group**

in millions of DM	1995
<b>Net income</b>	<b>2,120</b>
Non-cash positions in net income and adjustments to reconcile net income to net cash provided by operating activities	
Write-downs, depreciation, adjustments and write-ups	3,731
Change in provisions for income taxes	822
Change in other non-cash positions	3,053
Profit from the sale of investments, property and equipment	– 275
Other adjustments (net)	– 10,810
<b>Sub-total</b>	<b>– 1,359</b>
Change in assets and liabilities from operating activities after correction for non-cash components	
Amounts receivable	– 65,318
Securities held for dealing purposes	– 29,635
Other assets from operating activities	– 3,071
Liabilities	92,507
Promissory notes and other liabilities evidenced by paper	12,880
Other liabilities from operating activities	678
Interest and dividend receipts	39,220
Interest payments	– 28,410
<b>Net cash provided by operating activities</b>	<b>17,492</b>
Proceeds from the sale of investments	13,081
property and equipment	681
Payments for the acquisition of investments	– 21,844
property and equipment	– 805
Effects of the change in the group of companies included in consolidation	– 1,332
Other investing activities (net)	– 3,256
<b>Net cash used by investing activities</b>	<b>– 13,475</b>
Proceeds from the issuance of shares	1,343
Dividends paid	– 925
Other financing activities (net)	951
<b>Net cash provided by financing activities</b>	<b>1,369</b>
<b>Cash and cash equivalents at the end of previous period</b>	<b>12,697</b>
Net cash provided by operating activities	17,492
Net cash used by investing activities	– 13,475
Net cash provided by financing activities	1,369
Effect of exchange rate changes on cash and cash equivalents	– 170
<b>Cash and cash equivalents at the end of period</b>	<b>17,913</b>

The Consolidated Financial Statements of Deutsche Bank AG for the 1995 financial year are in accordance with the International Accounting Standards (IAS). Pursuant to IAS 8, the first-time application was effective retrospectively. In order to guarantee comparability of previous-year figures, the reporting date for the opening balance sheet in accordance with IAS was established as at January 1, 1994. The figures in these Consolidated Financial Statements in accordance with IAS are expressed in principle in millions of DM for reasons of clarity.

### Accounting and valuation principles

The Consolidated Financial Statements include, besides Deutsche Bank AG, 91 domestic enterprises (1994: 82) and 276 foreign enterprises (1994: 247).

In 1995, 11 domestic enterprises and 41 foreign firms were consolidated for the first time; 2 domestic and 12 foreign enterprises were excluded from the group of consolidated companies.

The enterprises consolidated for the first time are in particular Deutsche Financial Services Corp., St. Louis (formerly ITT Commercial Finance Corp.), acquired in the 1995 financial year. This group comprises 5 firms which form a sub-group and Deutsche Financial Services Canada Corp., Mississauga. In the 1995 financial year the Group also acquired 99.97% of the shares of Finanza & Futuro S.p.A., Milan, which forms a sub-group with 2 further newly consolidated companies. Our subsidiaries Bank 24 AG, Bonn, and Deutsche Bank Polska S.A., Warsaw, set up in 1995, were also consolidated. Deutsche Bank Trust Company, New York, founded by Deutsche Bank North America Holding, was consolidated for the first time in 1995. Nordwestdeutscher Wohnungsbauträger GmbH, Braunschweig, was consolidated for the first time at the end of 1995.

Furthermore, our sub-group Morgan Grenfell recorded additions of 26 enterprises and the disposal of 9 companies. 9 companies of Deutsche Immobilien Leasing GmbH, Düsseldorf, were also consolidated. The change in the companies included in consolidation did not have a substantial influence on the situation of the Group.

Owing to their minor importance for the assets, liabilities and financial position and profit situation, a total of 406 domestic and foreign related companies were not consolidated; their share in aggregate total assets is roughly 0.5%. A further 89 companies were excluded from consolidation pursuant to IAS 27, as the exercise of voting rights is restricted or the shares are held with a view to subsequent disposal.

14 enterprises have been reported in accordance with the equity method; the financial statements of these enterprises were not adjusted to uniform accounting policies of the Group. Owing to minor importance, 17 holdings in associated companies were not valued at equity. The complete list

## Notes

### ***Companies included in consolidation***

of shareholdings is filed with the Commercial Register in Frankfurt am Main. It can be ordered free of charge using the form on page 99.

### ***Principles of consolidation***

Capital consolidation was carried out using the book value method. For companies consolidated for the first time in 1995, the basis taken was the respective time of acquisition. Goodwill is amortized on a straight-line basis.

Intra-Group transactions, expenses and profits as well as interim results are eliminated, unless they are of minor significance. In the case of dealing transactions, which are concluded at normal market conditions anyway, the elimination of interim profits or losses is dispensed with. The financial statements of the insurance companies, with the exception of fluctuation provisions, are included unchanged into the Consolidated Financial Statements. Owing to the special nature of this business, intra-Group positions of the insurance companies, in principle, were not offset.

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

### ***Loans and advances***

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

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

### ***Total provisions for losses on loans and advances***

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

Creditworthiness risks are provisioned in accordance with prudent standards applied uniformly throughout the Group in the amount of the expected default (individual value adjustments).

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

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

The amount added to total provisions for losses on loans and advances is determined by estimates of loan defaults to be expected in the future, the economic situation, the composition, quality and performance of the various loan portfolios and other significant factors. This valuation covers

cash drawings and off-balance sheet positions, e.g. interest rate or currency deals, guarantees and letters of credit.

All dealing activities are accounted for at market values.

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

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

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

The respective assets are depreciated over their estimated useful lives.

in years	Normal useful life
Land and buildings	25–50
EDP equipment	2– 6
Goodwill	15
Office furniture and equipment	5–10

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

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

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

### ***Assets held for dealing purposes***

### ***Investments***

### ***Property and equipment, intangible assets***

**Leasing***The Group as lessee*

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

*The Group as lessor*

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

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

**Deposits, amounts owed, liabilities evidenced by paper**

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

**Provisions***Pension obligations*

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

*Other provisions*

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

**Currency translation**

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

In the Consolidated Financial Statements, the items in the balance sheets and the income statements of foreign consolidated companies are translated into D-Mark at Frankfurt mid-rates on the respective balance sheet date (reporting date method). Translation profits and losses from capital consolidation are offset with retained earnings. Translation profits and losses from the consolidation of debts, expense and income are treated neutrally for profit purposes.

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

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

### Information on the Balance Sheet of the Group

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

in DM m.	31.12.1995	31.12.1994
Cash on hand and balances with central banks	6,995	7,240
Debt instruments of public-sector entities and bills of exchange eligible for refinancing at central banks	10,918	5,457
Treasury bills, discountable Treasury notes and similar debt instruments of public-sector entities	9,771	4,166
Bills of exchange	1,147	1,291
<b>Total</b>	<b>17,913</b>	<b>12,697</b>

### Deferred taxes

### Cash reserve

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

in DM bn.	31.12.1995	31.12.1994	Change	%
Loans and advances to customers*	358.2	324.6	+ 33.6	+ 10.4
Discounts**	5.3	6.1	- 0.8	- 13.4
Placements with, and loans and advances to, other banks	15.9	17.8	- 1.9	- 10.7
<b>Total</b>	<b>379.4</b>	<b>348.5</b>	<b>+ 30.9</b>	<b>+ 8.9</b>

\* excl. reverse repos in the amount of DM 51.3 billion (+DM 22.8 billion)  
 \*\* unless reported under loans and advances

### Total credit extended

The loan portfolio includes non-accruing value-adjusted exposures in the amount of DM 5.5 billion (1994: DM 4.3 billion).

Of total credit extended, DM 257.3 billion, or 68 %, related to domestic borrowers and DM 122.1 billion, or 32 %, to foreign borrowers.

In terms of customer group and types of credit, the Group's loan portfolio was made up as follows:

**Loans and advances to customers**

in DM m.	31. 12. 1995	31. 12. 1994
<b>Domestic customers</b>	<b>248,559</b>	<b>234,475</b>
Enterprises and financial institutions	103,530	100,948
Private customers	106,109	101,551
Public sector	38,253	31,361
Other	667	615
<b>Foreign customers</b>	<b>160,970</b>	<b>118,686</b>
Enterprises and financial institutions	146,064	103,282
Private customers	7,193	6,844
Public sector	7,039	7,570
Other	674	990
<b>Total*</b>	<b>409,529</b>	<b>353,161</b>

\* including reverse repos

**Discounts**

(unless reported under loans and advances)

in DM m.	31. 12. 1995	31. 12. 1994
<b>Domestic customers</b>	<b>4,671</b>	<b>4,938</b>
Enterprises	4,287	4,569
Private customers	–	–
Banks	384	369
Other	–	–
<b>Foreign customers</b>	<b>648</b>	<b>1,206</b>
Enterprises	607	1,196
Private customers	–	1
Banks	41	9
Other	–	–
<b>Total</b>	<b>5,319</b>	<b>6,144</b>

**Placements with, and loans and advances to, other banks**

in DM m.	Domestic banks		Foreign banks	
	31. 12. 1995	31. 12. 1994	31. 12. 1995	31. 12. 1994
Current/clearing accounts	2,392	3,341	8,576	4,781
Money market	7,484	7,583	74,869	67,621
Loans and advances	4,162	6,601	11,735	11,206
<b>Total</b>	<b>14,038</b>	<b>17,525</b>	<b>95,180</b>	<b>83,608</b>

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

in DM m.	Related companies		Companies with which a participation relationship exists	
	31. 12. 1995	31. 12. 1994	31. 12. 1995	31. 12. 1994
Loans and advances to banks	60	2	440	530
Loans and advances to customers	1,177	986	2,157	1,824
Bonds and other fixed-income securities	–	–	–	17
Other assets of the insurance companies	18	27	–	–

The following table shows the development of total provisions for losses on loans and advances:

**Total provisions for losses on loans and advances**

in DM m.	As at 31.12.1994	Difference from currency translation	Formed to the debit of income	Released to the credit of income	Write- offs	As at 31.12.1995
Creditworthiness risks (Individual value adjustments)	12,121	– 34	4,047	2,552	1,649	11,933
Country risks	1,681	– 1	40	330	142	1,248
Latent risks (general value adjustment)	994	– 3	142	–	–	1,133
<b>Total provisions for losses on loans and advances</b>	<b>14,796</b>	<b>– 38</b>	<b>4,229</b>	<b>2,882</b>	<b>1,791</b>	<b>14,314</b>

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

**Assets held for dealing purposes**

in DM m.	31.12.1995	31.12.1994
<b>Bonds and other fixed-income securities</b>	<b>65,250</b>	<b>37,146</b>
Money market instruments	8,739	3,583
Bonds and notes issued by public-sector issuers	30,609	16,900
other issuers	25,902	16,663
thereof: own bonds	1,968	2,371
including: securities eligible for stock exchange listing	65,250	37,146
thereof: listed	54,358	31,938
<b>Equity shares and other variable-yield securities</b>	<b>8,594</b>	<b>7,063</b>
Equity shares	7,086	3,126
Investment certificates	550	3,706
Other	957	232
including: securities eligible for stock exchange listing	8,244	3,266
thereof: listed	6,775	3,239
<b>Positive market values from derivative financial instruments</b>	<b>35,980</b>	<b>21,420</b>
<b>Total</b>	<b>109,824</b>	<b>65,629</b>

**Investments**

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

*Structure and development*

The following table shows the structure and development in detail:

in DM m.	Shares in non-consolidated related companies	Shares in companies valued at equity	Bonds and other fixed-income securities	Other investments Equity shares and other variable-yield securities	Other share-holdings
Acquisition cost as at 1.1.1995	793	1,186	26,778	11,939	647
differences due to exchange rate fluctuations	–	–	–	–	–
additions	53	26	16,037	5,214	816
transfers	–	–	–	–	–
disposals	128	85	12,261	851	93
as at 31.12.1995	718	1,127	30,554	16,302	1,370
Write-ups in the reporting year	–	–	–	–	–
Write-downs as at 1.1.1995	23	–	415	291	5
differences due to exchange rate fluctuations	–	–	–	–	–
current write-downs	22	50	13	211	6
transfers	–	–	–	–	–
disposals	–	–	313	24	–
as at 31.12.1995	45	50	115	478	11
Book values as at 31.12.1995	673	1,077	30,439	15,824	1,359
as at 31.12.1994	770	1,186	26,363	11,648	642
including:					
securities eligible for stock exchange listing	–	22	30,439	6,997	–
securities listed on the stock exchange	–	22	23,830	6,376	–

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

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

As at December 31, 1995 the Group held the following shares of significant associated companies in the non-banking sector valued at equity:

*Significant associated companies  
in the non-banking sector*

	Share of capital in %
AIH Agrar-Industrie-Holding GmbH	25.0
Consortia Versicherungs-Beteiligungsgesellschaft mbH	30.0
DBG Vermögensverwaltungsgesellschaft mbH	45.0
Deutsche Beteiligungs AG Unternehmensbeteiligungsgesellschaft	20.0
Deutsche Beteiligungsgesellschaft mbH	40.0
Deutsche Beteiligungsgesellschaft mbH & Co., Deutscher Beteiligungsfonds I KG	92.5
Energie-Verwaltungs-Gesellschaft mbH	25.0
GROGA Beteiligungsgesellschaft mbH	50.0
ILV Immobilien-Leasing Verwaltungsgesellschaft Düsseldorf mbH	50.0
K & N Kenanga Bhd.	30.0
Rhein-Neckar Bankbeteiligung GmbH	49.1
SEBA Beteiligungsgesellschaft mbH	50.0
WEBA Beteiligungsgesellschaft mbH	40.0

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

*Securities held as financial  
fixed assets*

in DM m.	31.12.1995	31.12.1994
<b>Bonds and other fixed-income securities</b>	<b>30,439</b>	<b>26,363</b>
Money market instruments	2,369	783
Bonds and notes issued by public-sector issuers	11,653	12,067
other issuers	16,417	13,513
thereof: own bonds	3,224	3,716
<b>Equity shares and other variable-yield securities</b>	<b>15,824</b>	<b>11,648</b>
Equity shares	8,012	7,458
Investment certificates	7,741	4,062
Other	71	128
<b>Total</b>	<b>46,263</b>	<b>38,011</b>

The market value of securities listed on the stock exchange totalled DM 50,031 million.

*Market value of investments*

Significant shareholdings in the non-banking sector...

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

	Share of capital in %	Market value at 31.12.1995 in DM m.
<i>...listed companies</i>		
Aachener und Münchener Beteiligungs-AG	5.0	255
Allianz AG Holding	10.0	6,379
Continental AG	10.1	195
Daimler-Benz AG	24.4	9,063
FUCHS PETROLUB AG OEL + CHEMIE (Share in voting capital 9.3%)	10.0	25
Hapag-Lloyd AG	10.0	262
Heidelberger Zement AG (Share in voting capital 10.4%)	10.1	386
Philipp Holzmann AG	25.8	595
Hutschenreuther AG*	25.1	14
Karstadt AG	10.0	494
Klöckner-Humboldt-Deutz AG**	45.0	232
Leifheit AG	11.0	35
Leonische Drahtwerke AG*	12.5	25
Linde AG	10.1	719
Metallgesellschaft AG	16.6	706
Münchener Rückvers.-Ges. AG	10.0	2,530
Nürnberger-Beteiligungs-AG**	25.9	349
Phoenix AG	10.0	35
Salamander AG	10.7	45
Schmalbach-Lubeca AG	10.0	76
Südzucker AG (Share in voting capital 15.7%)	12.8	444
Vereinigte Elektrizitätswerke AG* (Share in voting capital 3.9%)	6.3	662
VERSEIDAG AG	10.4	13
Vögele AG***	10.0	8
Vossloh AG*	7.6	26
WMF Württembergische Metallwarenfabrik AG* (attributable total share in voting capital 13.6%)	9.1	39
<b>Total</b>		<b>23,612</b>
<i>...unlisted companies</i>		
CNI Communications Network International GmbH	33.3	
Deutsche Interhotel Holding GmbH & Co. KG*	45.6	
Gerling-Konzern Versicherungs-Beteiligungs-AG* (Share in voting capital 24.9%)	30.0	
Intertractor AG*	99.5	
* held indirectly; ** held directly and indirectly; *** shares sold as at 1. 1. 1996		

With regard to the above-mentioned shareholdings, we pursue no entrepreneurial objectives. In the interest of True and Fair View, valuation at equity was dispensed with.

in DM m.	Land and buildings	Office furniture and equipment	Leasing equipment	Intangible assets
Cost of acquisition/ manufacture as at 1.1.1995	4,896	3,526	3,733	2,399
differences due to exchange rate fluctuations	- 2	- 40	- 28	- 7
additions	338	904	1,314	1,312
transfers	-	-	-	-
disposals	74	259	852	22
as at 31.12.1995	5,158	4,131	4,167	3,682
Write-ups in the reporting year	-	-	-	-
Depreciation as at 1.1.1995	536	1,216	1,407	217
differences due to exchange rate fluctuations	- 1	- 18	- 13	-
current depreciation	177	770	824	311
transfers	-	-	-	-
disposals	10	232	262	21
as at 31.12.1995	702	1,736	1,956	507
Book values as at 31.12.1995	4,456	2,395	2,211	3,175
as at 31.12.1994	4,360	2,310	2,326	2,182

***Property and equipment,  
intangible assets***

The additions include DM 37 million resulting from the acquisition of assets in connection with first-time consolidations.

Unscheduled depreciation/write-downs were not made in the financial year.

Land and buildings with a book value totalling DM 2,990 million are used within the scope of our own activities.

Rental income from property and equipment amounted to DM 85 million in the financial year.

Prepayments of DM 90 million were made for property and equipment.

Property and equipment in the sum of DM 5 million serve as security for liabilities.

**Capital investments of the insurance companies**

The "Capital Investments of the Insurance Companies" are made up as follows:

in DM m.	Balance sheet value 31.12.1994	Additions	Transfers	Disposals	Write-ups	Write-downs	Balance sheet value 31.12.1995
Land and buildings	1,133	148		16	20	29	1,256
Participating interests, shares in related companies	155	33	+ 41				229
Equity shares, investment certificates and other variable-yield securities	2,804	641	- 41	417	5	30	2,962
Bearer bonds and other fixed-income securities	1,446	579		633	22	2	1,412
Registered bonds, Schuldschein claims and loans (incl. loans to related companies)	8,005	3,751		1,240	1		10,517
Claims from mortgages, land charges and annuity land charges	3,410	1,263		1,663			3,010
Deposits with banks	298	167		97			368
Other	666	470		41	372		1,467
<b>Total</b>	<b>17,917</b>	<b>7,052</b>		<b>4,107</b>	<b>420</b>	<b>61</b>	<b>21,221</b>
Offsetting	- 506						- 557
<b>Capital investments after offsetting</b>	<b>17,411*</b>						<b>20,664</b>

\* after adjustment of DM 3 million in exchange rate changes

The "Capital Investments of the Insurance Companies" include bearer bonds in the amount of DM 6 million issued by Group companies and other placements with consolidated related companies in the sum of DM 716 million. The offsetting relates largely to registered securities not eligible for stock market listing and shares in consolidated companies.

**Other assets**

in DM m.	31.12.1995	31.12.1994
Recovery claims against the public sector and bonds resulting from their exchange	-	14
Intangible assets	3,175	2,182
Sundry assets	4,210	3,280
Other assets of the insurance companies	1,767	1,419
Deferred items	1,245	902
<b>Total</b>	<b>10,397</b>	<b>7,797</b>

The "Intangible Assets" include goodwill in the amount of DM 3,172 million.

*Intangible assets*

"Sundry Assets" include in particular precious metal holdings, claims to tax rebates against tax authorities, option premiums as well as cheques and matured bonds.

*Sundry assets*

Included in the position "Other Assets of the Insurance Companies" are above all claims arising from insurance business, balances with banks, as well as interest and rental claims.

*Other assets of the insurance companies*

in DM m.	31.12.1995	31.12.1994
Placements with, and loans and advances to, other banks	7	16
Loans and advances to customers	387	423
Bonds and other fixed-income securities	565	662
Equity shares and other variable-yield securities	–	1
Capital investments of the insurance companies	105	–

**Subordinated assets**

As at December 31, 1995, the book value of assets reported in the balance sheet and sold subject to a repurchase agreement amounted to DM 19,290 million; of this total, DM 4,321 million related to securities repo transactions with Deutsche Bundesbank.

**Business subject to repurchase agreements**

Composition of Group liabilities by customer group (as at December 31 of the respective year):

**Deposits from other banks**

in DM m.	Domestic banks		Foreign banks	
	1995	1994	1995	1994
Repayable on demand	7,257	7,314	41,089	21,626
With agreed period or period of notice	34,688	28,844	95,819	66,073
<b>Total</b>	<b>41,945</b>	<b>36,158</b>	<b>136,908</b>	<b>87,699</b>

**Amounts owed to other depositors**

in DM m.	repayable on demand		with agreed period or period of notice		Savings deposits and building saving deposits	
	1995	1994	1995	1994	1995	1994
<b>Domestic customers</b>	<b>46,049</b>	<b>44,134</b>	<b>83,066</b>	<b>82,141</b>	<b>41,463</b>	<b>40,101</b>
Enterprises and financial institutions	26,256	25,200	54,358	53,316	167	156
Private customers	18,069	16,980	24,739	24,414	41,076	39,715
Public sector	745	1,012	2,767	3,114	16	13
Others	979	942	1,202	1,297	204	217
<b>Foreign customers</b>	<b>50,705</b>	<b>38,256</b>	<b>75,159</b>	<b>54,233</b>	<b>4,944</b>	<b>5,010</b>
Enterprises and financial institutions	41,365	29,675	59,859	40,840	13	13
Private customers	6,852	6,711	11,060	9,720	4,826	4,946
Public sector	2,104	1,593	2,570	2,844	8	9
Other	384	277	1,670	829	97	42
<b>Total</b>	<b>96,754</b>	<b>82,390</b>	<b>158,225</b>	<b>136,374</b>	<b>46,407</b>	<b>45,111</b>

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

in DM m.	Related companies		Companies with which a participation relationship exists	
	1995	1994	1995	1994
Deposits from other banks	44	40	59	166
Amounts owed to other depositors	301	265	1,111	1,343
Promissory notes and other liabilities evidenced by paper	–	–	–	120
Other liabilities of the insurance companies	12	5	–	–

These liabilities are made up as follows:

in DM m.	31.12.1995	31.12.1994
Bonds in issue	88,484	86,684
Money market instruments in issue	32,233	20,183
Own acceptances and promissory notes in circulation	234	552
Other	5,944	6,596
<b>Total</b>	<b>126,895</b>	<b>114,015</b>

***Promissory notes and other liabilities evidenced by paper***

Provisions are made up as follows:

in DM m.	31.12.1995	31.12.1994
<b>Provisions for taxes</b>	<b>3,696</b>	<b>2,874</b>
current taxes	2,609	2,382
deferred taxes	1,087	492
<b>Other provisions</b>	<b>32,318</b>	<b>26,840</b>
provisions for pensions and similar obligations	6,684	6,143
provisions in insurance business	20,597	17,400
other provisions	5,037	3,297
<b>Total</b>	<b>36,014</b>	<b>29,714</b>

***Provisions***

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

*Provisions for taxes*

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

*Pension obligations*

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

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

These calculations are currently based on interest rates of 5 % to 9 %, a salary development of 3 % to 5 % and a pension adjustment of 2 % to 4 %.

Other commitments have been separated into external benefit funds.

<i>Provisions in insurance business</i>	in DM m.	31.12.1995	31.12.1994
Provisions in life insurance business provided the investment risk is borne by policyholders		726	287
Other provisions in insurance business			
cover reserve		17,165	14,577
reserve for pending claims etc.		349	326
reserve for premium refunds		1,664	1,609
Other provisions		693	601
<b>Total</b>		<b>20,597</b>	<b>17,400</b>

*Other provisions*

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

**Other liabilities**

	in DM m.	31.12.1995	31.12.1994
Other liabilities of the insurance companies		1,810	1,420
Sundry liabilities		2,348	2,258
Deferred items		2,504	2,306
Liabilities from dealing activities		34,962	20,562
<b>Total</b>		<b>41,624</b>	<b>26,546</b>

*Other liabilities of the insurance companies*

"Other Liabilities of the Insurance Companies" include above all liabilities from insurance business towards policyholders.

*Sundry liabilities*

"Sundry Liabilities" include, among other things, the distribution for 1995 on participatory capital, accrued, but not yet matured interest for subordinated liabilities, equalization positions from currency translation and withholding tax to be paid over.

The portion of sundry liabilities which relates to leasing agreements amounts to DM 183 million.

*Liabilities from dealing activities*

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

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

in DM m.	31.12.1995	31.12.1994
Subordinated liabilities	5,600	5,515
Participatory capital	2,700	2,700
<b>Total</b>	<b>8,300</b>	<b>8,215</b>

### **Subordinated capital**

Important subordinated liabilities:

### *Subordinated liabilities*

Amount	Issuer/type	Interest rate	Maturity
DM 600,000,000	Deutsche Bank bearer bonds (series 2) von 1990 with warrants	8.00 %	11. 4. 2000
DM 600,000,000	Deutsche Finance (Netherlands) B.V. bond issue of 1992	8.00 %	6. 2. 2002
DM 500,000,000	Deutsche Finance (Netherlands) B.V. bond issue of 1992	8.125 %	6. 5. 2002
DM 2,000,000,000	Deutsche Finance (Netherlands) B.V. bond issue of 1993	7.50 %	10. 2. 2003

For the above subordinated liabilities, there is in no case a premature redemption obligation on the part of the issuers. In the case of liquidation, bankruptcy, composition or any other procedure to avoid bankruptcy, the claims and interest claims resulting from these liabilities are subordinate to the claims which are not also subordinated of all creditors of the issuers.

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

Interest expenses for the entire subordinated liabilities amounted to DM 408 million. Accrued, but not yet matured interest of DM 289 million included in the figure is reported under "Sundry Liabilities".

The issued participatory capital is made up of the following issues:

### *Participatory capital*

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

Interest on the participatory capital for 1995 in the total amount of DM 239 million is reported under "Other Liabilities".

### Capital and reserves

#### Change in capital and reserves

The Group's capital and reserves developed as follows:

in DM m.	
Capital and reserves at Deutsche Bank Group as at December 31, 1994	25,875
Distribution by Deutsche Bank AG in 1995	- 925
Increase in subscribed capital of Deutsche Bank AG	+ 121
Allocation of share premium from the increase in subscribed capital to capital reserve	+ 1,222
Allocation to retained earnings from net income for 1995	+ 1,163
Consolidated profit for 1995	+ 897
Difference from currency translation	- 310
<b>As at 31.12.1995</b>	<b>28,043</b>

Group capital and reserves, as defined by BIS, amounted to a total of DM 39,908 million.

#### Own shares

At the end of 1995, Deutsche Bank AG and its related companies had no Deutsche Bank shares in their holdings.

On December 31, 1995, 2,993,621 Deutsche Bank shares of DM 5 par value each, i.e. 0.60 % of share capital, were pledged to Deutsche Bank and its related companies as security for loans.

#### Development of subscribed, authorized and conditional capital

	Suscribed capital	Authorized capital	Authorized capital excluding shareholders' pre-emptive rights	Conditional capital
in DM				
As at 31.12.1994	2,371,229,800	500,000,000	95,566,300	590,925,600
Issue of staff shares	+6,237,500		-6,237,500	
Increase according to resolution of General Meeting on May 18, 1995		+100,000,000		
Shares subscribed against submission of warrants	+114,704,150			-114,704,150
Expiry of exercise period for participatory certificates with warrants of 1991				-1,686,350
<b>As at 31.12.1995</b>	<b>2,492,171,450</b>	<b>600,000,000</b>	<b>89,328,800</b>	<b>474,535,100</b>

Within the framework of the Second Financial Markets Act, joint stock corporations were given the possibility, pursuant to the changed § 8 Joint Stock Corporation Act, to reduce the par value of their shares to DM 5; use was made of this possibility by resolution of the General Meeting on May 18, 1995.

"Subscribed Capital" was then divided up into 498,434,290 shares of DM 5 par value each.

By resolution of the General Meeting on May 18, 1995, the Board of Managing Directors was authorized to increase the share capital with the consent of the Supervisory Board once or more than once by up to a total of DM 100 million on or before April 30, 2000 through the issue of new shares against cash payments, and at such time(s) to grant pre-emptive rights to shareholders with various restrictions (authorization to except the pre-emptive rights for fractions, for the granting of pre-emptive rights to holders of issued warrants and convertible bonds and pursuant to § 186 (3) sentence 4 Joint Stock Corporation Act).

Of the authorized capital with exclusion of pre-emptive rights for shareholders, DM 14.3 million is designated for the issue of staff shares. A further DM 75 million is designated, according to the resolution of the General Meeting on May 23, 1991, for the listing of the Deutsche Bank share on foreign stock exchanges. Both authorizations expire on April 30, 1996.

*Outstanding option rights*

Issue	Subscription period	Subscription price for 10 shares at DM 5 each	Conditional capital DM
<b>Reserved conditional capital</b>			<b>199,535,100</b>
Warrants attaching to 6 1/4 % bond of Deutsche Bank Finance N.V., Curaçao, of 1986 (taken over through debtor substitution by Deutsche Finance [Netherlands] B.V., Amsterdam)	up to 28. 2. 1996	793	49,700,000
Warrants attaching to participatory rights of Deutsche Bank AG of 1992	up to 30. 6. 1997	610	149,835,100
<b>Still open conditional capital</b>			<b>275,000,000</b>
<b>Total</b>			<b>474,535,100</b>

## Information on the Income Statement of the Group

### Interest and similar income

The interest and similar income of DM 39,220 million includes:

in DM m.	1995	1994
Interest income from fixed-income securities	2,312	1,996
Current income from		
– equity shares and other variable-yield securities and other equity rights	1,019	1,068
– shares in related companies	65	65
– shares in companies valued at equity	39	80
Income from leasing business	2,790	2,754

### Net commission income

The net commission income is made up as follows:

in DM m.	1995	1994
Securities business	1,576	1,871
Asset management	1,054	915
Local payments	1,016	994
Foreign commercial business, travel payment media	730	715
Loan processing and guarantees	504	446
Other activities	722	655
<b>Total</b>	<b>5,602</b>	<b>5,596</b>

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

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

### Trading profit

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

in DM m.	1995	1994
<b>Proprietary dealing in securities</b>	<b>1,150</b>	<b>286</b>
Debt instruments and related derivatives	791	– 70
Equities and related derivatives	359	356
<b>Proprietary dealing on foreign exchange and precious metals</b>	<b>571</b>	<b>542</b>
Foreign exchange	532	496
Precious metals	39	46
<b>Other proprietary dealing activities</b>	<b>314</b>	<b>211</b>
OTC interest rate derivatives/swaps	206	121
Other financial instruments	108	90
<b>Total</b>	<b>2,035</b>	<b>1,039</b>

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

Income in DM m.	1995	Expenses in DM m.	1995
Net premiums earned	4,385	Claims	1,798
Contributions from gross provision for premium refunds	300	Change in net provisions in insurance business	3,077
Income from capital investments	1,562	Premiums refunded	501
Other income	386	Expenses for insurance operations	369
		Expenses for capital investments	90
		Other expenses	190
<b>Total</b>	<b>6,633</b>	<b>Total</b>	<b>6,025</b>

A comparison with the previous year is possible only to a certain extent as a result of the merger between Lebensversicherungs-AG der Deutschen Bank, Frankfurt am Main, and Deutscher Herold Lebensversicherungs-Aktiengesellschaft der Deutschen Bank, Bonn, and owing to the application of the new accounting rules for insurance companies.

### **Net income from insurance business**

The general administrative expenses are made up as follows:

in DM m.	1995	1994
<b>Staff expenses</b>	<b>8,756</b>	<b>7,993</b>
wages and salaries	6,480	5,989
compulsory social security contributions	996	946
expenses for pensions and other employee benefits	1,280	1,058
<b>Other administrative expense</b>	<b>3,918</b>	<b>3,629</b>
<b>Depreciation and adjustments</b>	<b>962</b>	<b>909</b>
property and equipment	947	894
other assets	15	15
<b>Total</b>	<b>13,636</b>	<b>12,531</b>

### **General administrative expenses**

"Other Income" contains:

in DM m.	1995	1994
Profits/losses/write-downs from investments (net)	206	869
Other operating income	640	507
Extraordinary income	–	24
<b>Total</b>	<b>846</b>	<b>1,400</b>

### **Other income**

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

**Other expense**

"Other Expense" is made up as follows:

in DM m.	1995	1994
Write-downs to intangible assets	311	208
Other taxes	235	319
Other operating expenses	470	583
Extraordinary expenses	337	458
<b>Total</b>	<b>1,353</b>	<b>1,568</b>

"Other operating expenses" include, among other things, DM 155 million in additions to provisions for uncertain liabilities and possible losses not relating to lending or securities business. Of "Extraordinary expenses", DM 257 million related to costs connected with restructuring measures.

**Income taxes**

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

in DM m.	1995	1994
Derived income tax from net income before tax	1,725	1,592
Tax rate difference relating to profit subject to taxation abroad	- 118	- 63
Tax effects due to different legal norms	- 193	+ 195
Permanent differences	+ 65	+ 73
Other	- 34	+ 25
<b>Reported income taxes</b>	<b>1,445</b>	<b>1,822</b>

The "Tax effects due to different legal norms" consist mainly of the trade tax imposed especially in Germany on certain components of profit and the tax reductions allowable under German corporation tax law on pay-outs by domestic Group companies.

Losses carried forward led to a tax saving of DM 151 million (1994: DM 45 million); the remaining loss carried forward amounts to DM 125 million.

in DM m.	1995	1994	Change	in %
Interest income <sup>1)</sup>	35,304	33,428	+ 1,876	+ 5.6
Current income <sup>2)</sup>	3,916	3,971	- 55	- 1.4
Interest expenses and similar charges <sup>3)</sup>	28,410	26,100	+ 2,310	+ 8.9
<b>Net interest income</b>	<b>10,810</b>	<b>11,299</b>	<b>- 489</b>	<b>- 4.3</b>
Provision for losses on loans and advances	1,347	2,257	- 910	- 40.3
<b>Net interest income after provision for losses on loans and advances</b>	<b>9,463</b>	<b>9,042</b>	<b>+ 421</b>	<b>+ 4.7</b>
Fee and commission income	6,325	6,140	+ 185	+ 3.0
Fee and commission expense	723	544	+ 179	+ 32.9
<b>Net commission income</b>	<b>5,602</b>	<b>5,596</b>	<b>+ 6</b>	<b>+ 0.1</b>
<b>Trading profit</b>	<b>2,035</b>	<b>1,039</b>	<b>+ 996</b>	<b>+ 95.9</b>
Insurance business <sup>4)</sup>				
Income	6,633	-		
Expenses	6,025	-		
<b>Net income from insurance business</b>	<b>608</b>	<b>559</b>	<b>+ 49</b>	<b>+ 8.8</b>
Wages and salaries	6,480	5,989	+ 491	+ 8.2
Compulsory social security contributions <sup>5)</sup>	2,276	2,004	+ 272	+ 13.6
Other administrative expenses <sup>6)</sup>	4,880	4,538	+ 342	+ 7.5
<b>General administrative expenses</b>	<b>13,636</b>	<b>12,531</b>	<b>+ 1,105</b>	<b>+ 8.8</b>
Balance of other operating income/expense	170	- 76	+ 246	
<b>Operating profit</b>	<b>4,242</b>	<b>3,629</b>	<b>+ 613</b>	<b>+ 16.9</b>
Balance of other expense/income	677	92	+ 585	
<b>Net income before tax</b>	<b>3,565</b>	<b>3,537</b>	<b>+ 28</b>	<b>+ 0.8</b>
Income taxes	1,445	1,822	- 377	- 20.7
<b>Net income</b>	<b>2,120</b>	<b>1,715</b>	<b>+ 405</b>	<b>+ 23.6</b>

<sup>1)</sup> from lending and money market business as well as fixed-income securities

<sup>2)</sup> from equity shares and other variable-yield securities and other equity rights, shares in related companies (incl. profit and loss transfer agreements), the result from shares in companies valued at equity and income from leasing business

<sup>3)</sup> including expenses and depreciation from leasing business

<sup>4)</sup> a comparison with the previous year is possible only to a certain extent as a result of the merger between Lebensversicherungs-AG der Deutschen Bank, Frankfurt am Main, and Deutscher Herold Lebensversicherungs-Aktiengesellschaft der Deutschen Bank, Bonn, and owing to the application of the new accounting rules for insurance companies

<sup>5)</sup> including expenses for pensions and other employee benefits

<sup>6)</sup> including depreciation of property and equipment

**From the Income Statement  
of the Group**

## Information on the Cash Flow Statement of the Group

The Cash Flow Statement provides information about the size and development of the Group's cash and cash equivalents. Payment flows are allocated to operating activities in line with the deferral of operating profit.

The position "Change in other non-cash positions" contains the changes in provisions with the exception of additions to total provisions for losses on loans and advances, reported separately, and the change in provisions for income taxes, as well as the positive and negative market values from derivative financial instruments. A total of DM 1.6 billion was spent in the current financial year for the acquisition of shares in fully consolidated participating interests. Changes in cash and cash equivalents resulting from movements in the group of companies included in consolidation are reported separately in the cash flow statement. There were no non-cash investment and financing activities.

The reported amount of cash and cash equivalents comprises in detail cash on hand and balances with central banks, as well as debt instruments of public-sector entities and bills of exchange eligible for refinancing at central banks.

### Components of cash and cash equivalents

## Other information

### Reporting segment information

in DM m.	Total assets		Income from operating business		Operating profit		Staff	
	31.12. 1995	31.12. 1994	1995	1994	1995	1994	31.12. 1995	31.12. 1994
Germany	400,716	374,569	29,594	30,314	3,874	3,530	51,961	54,387
Europe (excl. Germany)	386,133	305,304	18,651	15,751	1,439	1,566	12,589	11,520
America	113,174	70,610	6,400	4,808	78	86	5,204	3,577
Asia/Australia	65,218	42,674	3,446	2,614	280	283	4,365	3,966
Consolidation of intra-Group transactions	243,576	200,523	9,871	8,402	1,429	1,836		
<b>Total</b>	<b>721,665</b>	<b>592,634</b>	<b>48,220</b>	<b>45,085</b>	<b>4,242</b>	<b>3,629</b>	<b>74,119</b>	<b>73,450</b>

The allocation to geographical regions is determined by the domicile of the Group company or the branch office. Income from operating business comprises interest income, current income from equity shares and other variable-yield securities, as well as other equity rights, shares in related companies, shares in companies valued at equity, commission income, trading profit and "Other operating income".

The table "A Profile of Group Companies in Figures" on pages 90-91 contains a breakdown by the Group's areas of activity. To provide insight into the local structure of assets and liabilities and the companies' local results, the table contains unconsolidated information on the balance sheet and income statement for individual banking groups, instalment financing and leasing companies, capital market and fund management companies, and for insurance companies.

For the future, we intend to include information from the divisional profitability calculation.

The Group's total portfolio from business in loans, advances, placements and deposits has a heterogeneous structure and shows no dependence on particular sectors. Over and above that, there were no significant large-scale exposures as at 31.12.1995 and 31.12.1994 which could have led to a concentration of assets or liabilities.

The total amount of assets denominated in foreign currency at balance sheet date was the equivalent of DM 302,568 million, the figure for liabilities was the equivalent of DM 295,707 million.

in DM m.	31.12.1995	31.12.1994
Foreign-currency assets	302,568	235,821
thereof U.S.\$	125,868	87,490
Foreign-currency liabilities (excl. capital and reserves)	295,707	213,880
thereof U.S.\$	136,912	79,777
Change in total assets owing to parity changes of foreign currencies*	- 11,700	- 11,500
thereof due to U.S.\$	- 6,400	- 8,000

\* based on the assets side

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

Counterparty type in DM bn.	Credit equivalent volume**	
	31.12.1995	31.12.1994
OECD central governments*	1.0	0.6
OECD banks*	44.5	37.9
OECD financial institutions	3.6	3.1
Other enterprises, private individuals	12.4	9.3
Non-OECD central governments	-	0.1
Non-OECD banks	1.0	0.8
Non-OECD financial institutions	0.1	0.1

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

### **Information on significant concentrations of assets and liabilities**

#### **Foreign currency**

#### **Derivatives business**

The following table shows the derivatives transactions from our dealing activities still outstanding on balance sheet date. In addition to analysis by product group, the maturity structure is shown on the basis of notional amounts. The current replacement costs are also given.

Notional amounts and current replacement costs in derivatives business by product type as at December 31, 1995:

in DM m.	Notional amount with remaining life of			Total	Current replacement costs*
	up to 1 year	1-5 years	over 5 years		
<b>Interest-rate-related transactions</b>	<b>652,493</b>	<b>465,812</b>	<b>206,447</b>	<b>1,324,752</b>	<b>18,115</b>
OTC products					
FRAs	274,377	24,693	–	299,070	504
interest rate swaps (same currency)	167,310	329,574	141,521	638,405	16,190
interest rate option purchases	25,611	34,181	26,031	85,823	1,405
interest rate option sales	13,275	29,455	32,908	75,638	
other interest rate trades	372	416	–	788	16
Exchange-traded products					
interest rate futures	162,295	47,350	5,431	215,076	
interest rate options	9,253	143	556	9,952	
<b>Currency-related transactions</b>	<b>902,140</b>	<b>77,779</b>	<b>14,805</b>	<b>994,724</b>	<b>17,629</b>
OTC products					
forward exchange trades	829,704	39,396	293	869,393	13,105
cross-currency swaps	10,785	36,756	14,512	62,053	3,827
forex option purchases	28,985	718	–	29,703	682
forex option sales	29,403	383	–	29,786	
other forex trades	1,050	215	–	1,265	15
Exchange-traded products					
forex futures	2,061	311	–	2,372	
forex options	152	–	–	152	
<b>Equity/index-related transactions</b>	<b>11,220</b>	<b>928</b>	<b>–</b>	<b>12,148</b>	<b>95</b>
OTC products					
equity/index swaps	327	108	–	435	37
equity/index option purchases	3,501	370	–	3,871	57
equity/index option sales	2,194	175	–	2,369	
other equity/index trades	319	–	–	319	1
Exchange-traded products					
equity/index futures	2,892	–	–	2,892	
equity/index options	1,987	275	–	2,262	
<b>Other transactions</b>	<b>33,864</b>	<b>1,382</b>	<b>–</b>	<b>35,246</b>	<b>141</b>
OTC products					
precious metal trades	8,658	409	–	9,067	73
non-ferrous metal trades	4,729	344	–	5,073	68
Exchange-traded products					
futures	16,471	443	–	16,914	
options	4,006	186	–	4,192	
<b>Total</b>	<b>1,599,717</b>	<b>545,901</b>	<b>221,252</b>	<b>2,366,870</b>	<b>35,980</b>

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

In addition, the above types of derivatives transaction were used to hedge interest-rate and currency risks from general banking business. There are no significant concentrations in derivatives business.

Deutsche Bank's risk management is carried out both regionally and locally at the respective dealing centres and on a centralized basis for the entire Group. The foundations are measuring procedures for all types of risk, limits to restrict them, and an information system for the valuation, monitoring and management of risks.

The principles of risk management and the measuring procedures and limit systems used have been approved by the Board of Managing Directors and audited by the Group's auditors. The executives responsible for risk management (Group Market Risk Manager and Chief Credit Officer) report directly to the Board of Managing Directors.

The market risk for all portfolios is calculated on the basis of the value-at-risk concept. The sensitivity of a portfolio to price and interest rate fluctuations is measured continuously by the loss potential. Over and above that, so-called crash scenarios are carried out regularly to establish how the value of the portfolio would change under extreme market conditions.

The current replacement costs given in the previous table are taken as the figure for credit risks from OTC derivatives. Individual credit lines are in place for all counterparties. Drawings are monitored as for commercial loans.

Operations risks which can arise in communication, information and settlement systems are covered by strict segregation of dealing and settlement as well as by independent control groups.

in DM m.	Remaining period up to 3 months	More than 3 months to 1 year	More than 1 year to 5 years	More than 5 years
Loans and advances to customers	178,095	37,140	81,875	112,419
Dated placements with, and loans and advances to, other banks				
loans and advances	4,735	2,710	4,552	3,414
money market	68,470	7,756	271	106
<b>Total</b>	<b>251,300</b>	<b>47,606</b>	<b>86,698</b>	<b>115,939</b>

## **Risk management**

### *Market risk*

### *Credit risk*

### *Operations risks*

## **Relevant maturity groupings based on the remaining period**

### *Assets*

*Liabilities*

in DM m.	Remaining period up to 3 months	More than 3 months to 1 year	More than 1 year to 5 years	More than 5 years
Time deposits from other banks	100,846	15,079	7,616	6,966
Savings deposits and building savings deposits	16,202	24,346	5,734	125
Other dated amounts owed to other depositors	109,991	11,869	20,118	16,247
Promissory notes and other liabilities evidenced by paper	34,098	19,045	50,344	23,408
<b>Total</b>	<b>261,137</b>	<b>70,339</b>	<b>83,812</b>	<b>46,746</b>

***Contingent liabilities and other obligations***

In the 1995 financial year, there were contingent liabilities and other obligations in a total amount of DM 143,437 million.

in DM m.	31.12.1995	31.12.1994
<b>Contingent liabilities</b>	<b>50,307</b>	<b>44,378</b>
from rediscounted bills of exchange	4,106	4,787
from guarantees and indemnity agreements	46,201	39,591
<b>Other obligations</b>	<b>93,130</b>	<b>77,656</b>
placement and underwriting obligations	644	740
irrevocable credit commitments	84,754	74,124
other obligations	7,732	2,792
<b>Total</b>	<b>143,437</b>	<b>122,034</b>

The placement and underwriting obligations not utilized amounted to DM 644 million. A total of DM 90 million had been utilized.

Of the irrevocable credit commitments (DM 84,754 million), DM 77,851 million relates to book loans and discounts granted in favour of non-banks.

Annual payment obligations resulting from rental agreements total DM 426 million with a remaining period of up to 23 years. Contingent liabilities and other obligations in connection with leasing agreements came to DM 49 million.

*Liabilities for possible calls*

Liabilities for possible calls on not-fully-paid-up shares in public and private limited companies and other shares amounted to DM 307 million at the end of 1995. Joint liabilities pursuant to § 24 GmbH Act amounted to DM 80 million. Where other joint liabilities exist, the standing of the co-shareholders is beyond doubt in all cases.

*Further payment obligations*

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

Liabilities for possible calls on other shares and an existing indemnity obligation amounted to a total of DM 3.4 million on December 31, 1995.

Pursuant to § 5 (10) of the Statute of the Deposit Insurance Fund, Deutsche Bank AG has undertaken to indemnify the Bundesverband deutscher Banken e.V., Cologne, for any losses incurred through measures taken in favour of banks majority-held by Deutsche Bank.

Within the framework of our business activity, collateral security was required in a total amount of DM 758 million owing to legal stipulations and in connection with trading in futures contracts.

Obligations from transactions on futures and options exchanges for which securities had to be provided as collateral amounted to DM 318 million as at December 31, 1995.

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

In connection with the resale of the trading house Klöckner & Co. AG, Duisburg, there are contingent liabilities totalling DM 150 million.

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

in DM m.	31.12.1995	31.12.1994
Deposits from other banks	11,053	12,383
Amounts owed to other depositors	1,506	582
Contingent liabilities	2,347	9

***Assets transferred as collateral security***

**Declaration of backing**

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

ALD AutoLeasing D GmbH, Hamburg	Deutsche Bank, Sociedad Anónima Española, Barcelona
Bain & Company Ltd., Sydney	Deutsche Bank Societ� per Azioni, Milan
DB Australia Ltd., Melbourne	Deutsche Bank (Suisse) S.A., Geneva
DB Fund Management Ltd., Singapore	Deutsche Finance (Netherlands) B.V., Amsterdam
DB Investment Management S.A., Luxembourg	Deutsche Gesellschaft f�r Fondsverwaltung mbH, Frankfurt am Main
DB Investments (GB) Ltd., London	Deutsche Grundbesitz-Investmentgesellschaft mbH, Frankfurt am Main
DB Leasing s.r.o., Prague	Deutsche Immobilien Anlagegesellschaft mbH, Frankfurt am Main
DBMG Futures & Options Ltd., London	Deutsche Morgan Grenfell SdB S.N.C., Paris
DB Research GmbH Gesellschaft f�r Wirtschafts- und Finanzanalyse, Frankfurt am Main	Deutsche Sharps Pixley Metals Ltd., London
Deutsche Asset Management GmbH, Frankfurt am Main	Deutsche Verm�gensbildungsgesellschaft mbH, Bad Homburg v.d.H.
Deutsche Bank Argentina S.A., Buenos Aires	DWS Deutsche Gesellschaft f�r Wertpapiersparen mbH, Frankfurt am Main
Deutsche Bank (Asia Pacific) Ltd., Singapore	Europ�ische Hypothekenbank S.A., Luxembourg
Deutsche Bank Bauspar-Aktiengesellschaft, Frankfurt am Main	Finanza & Futuro S.p.A., Milan
Deutsche Bank Canada, Toronto	Frankfurter Hypothekenbank Centralboden Aktiengesellschaft, Frankfurt am Main
Deutsche Bank Capital Markets (Asia) Ltd., Hong Kong	Grunelius KG Privatbankiers, Frankfurt am Main
Deutsche Bank de Bary N.V., Amsterdam	L�becker Hypothekenbank Aktiengesellschaft, L�beck
Deutsche Bank de Investimento, S.A., Lisbon	Morgan Grenfell Group plc, London
Deutsche Bank Finance N.V., Cura�ao	Schiffshypothekenbank zu L�beck Aktiengesellschaft, Hamburg
Deutsche Bank Financial Inc., Dover/U.S.A.	S�ddeutsche Bank GmbH, Frankfurt am Main
Deutsche Bank France S.N.C., Paris	Versicherungsholding der Deutschen Bank Aktiengesellschaft, Berlin and Bonn
Deutsche Bank Gilts Ltd., London	Vertriebsgesellschaft mbH der Deutschen Bank f�r Privatkunden, Frankfurt am Main
Deutsche Bank L�beck Aktiengesellschaft vormals Handelsbank, L�beck	
Deutsche Bank Luxembourg S.A., Luxembourg	
Deutsche Bank (Malaysia) Bhd., Kuala Lumpur	
Deutsche Bank North America Holding Corp., Dover/U.S.A.	
Deutsche Bank Polska S.A., Warsaw	
Deutsche Bank Rt., Budapest	
Deutsche Bank S.A. – Banco Alem�o, S�o Paulo	
Deutsche Bank Saar AG, Saarbr�cken	

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

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

<b>Trust assets</b>	<b>31.12.</b>	<b>31.12.</b>	<b>Trust liabilities</b>	<b>31.12.</b>	<b>31.12.</b>
<b>in DM m.</b>	<b>1995</b>	<b>1994</b>	<b>in DM m.</b>	<b>1995</b>	<b>1994</b>
Placements with, and loans and advances to, other banks	1,647	1,710	Deposits from other banks	186	218
Loans and advances to customers	792	732	Amounts owed to other depositors	2,520	2,442
Bonds and other fixed-income securities	72	3			
Participating interests	195	215			
<b>Total</b>	<b>2,706</b>	<b>2,660</b>	<b>Total</b>	<b>2,706</b>	<b>2,660</b>

The average number of effective staff employed during the financial year totalled 66,566 (1994: 65,058), of whom 30,151 were women. Part-time staff are included in these figures proportionately. An average of 21,034 (1994: 18,016) members of staff worked abroad.

In 1995 the total emoluments of the Board of Managing Directors amounted to DM 21,849,963.77. In addition, the Board of Managing Directors received DM 1,696,271.96 for functions it performed at subsidiaries. Former members of the Board of Managing Directors of Deutsche Bank AG or their surviving dependents received DM 12,707,307.41. In addition to a fixed payment of DM 296,700, the Supervisory Board received dividend-related emoluments totalling DM 1,840,000.

Provisions for pension commitments to former members of the Board of Managing Directors and their surviving dependents totalled DM 73,185,323.

At the end of 1995, advances and loans granted and liabilities assumed for members of the Board of Managing Directors amounted to DM 14,567,637.67 and for members of the Supervisory Board of Deutsche Bank AG to DM 3,290,623.32.

The names of the members of the Supervisory Board and the Board of Managing Directors are listed on pages 81 and 82.

### **Trust activities**

### **Our staff**

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

**Outlook for 1996**

From an economic perspective, 1996 got off to a disappointing start in the industrial countries. Signs of weaker economic activity are particularly evident in the United States and continental Europe, including Germany and France. After years of stagnation in Japan there are some indications of growth in business activity, although an upturn is not in sight.

Therefore, while it is likely to be a difficult year, we do not expect a recession. Low interest rates and continued robust growth outside the industrialized countries will have positive effects. The prospects of an easing of monetary policy without endangering stability have grown.

This economic situation should, on the whole, produce a satisfactory business development. In Germany, where growth in credit demand from corporates and households will be modest, competition among banks for good borrowers is likely to intensify as interest margins remain under pressure. Default risks in lending, particularly in Germany, will remain high. After last year's considerable reduction, expenses for risk provisioning are unlikely to fall further.

We see opportunities to expand our business particularly in high-growth regions outside Europe. For the year as a whole, we are confident that we will be able to stabilize net interest income at the current high level.

In view of the low interest rates, market conditions for securities business should be favourable and contribute to a marked improvement in commission results. Owing to the expansion of our dealing activities we expect our proprietary dealing profits, particularly from securities, to improve substantially.

The increase in administrative expense will again be driven by our strategic investment aimed at safeguarding the bank's future – particularly in investment banking – and by the structural costs incurred in reorganizing our domestic business.

The business environment, both nationally and internationally, will continue to be characterized by growing competitive pressures. Bearing this development in mind, we have invested strategically, thus laying a good foundation for shoring up our competitive position long term. In spite of the up-front costs involved, we expect 1996 to produce another improved result, given the mobilization of available earnings potential and consistent cost management.



Untitled, 1983  
Varnish on paper, 23.7 x 21 cm, taken from a series of four works

### Statement by the Board of Managing Directors

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

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

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

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

Frankfurt am Main, March 13, 1996  
Deutsche Bank AG



Hilmar Kopper



Jürgen Krumnow

**T**o the Board of Managing Directors and Supervisory Board of Deutsche Bank AG.

We have audited the Consolidated Balance Sheet of Deutsche Bank AG as at December 31, 1995, as well as the Consolidated Income Statement and the Consolidated Cash Flow Statement for the year then ended, taking the first-time application of the International Accounting Standards as at January 1, 1994 into account. The Consolidated Financial Statements are the responsibility of the Board of Managing Directors of Deutsche Bank AG. Our responsibility is to express an opinion on the compliance with the International Accounting Standards.

We conducted our audit in accordance with the International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the Consolidated Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Consolidated Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Managing Directors, as well as evaluating the overall presentation of the Consolidated Financial Statements.

In our opinion, the Consolidated Financial Statements and Consolidated Cash Flow Statement of Deutsche Bank AG are in accordance with the International Accounting Standards and give a true and fair view of the company's financial position as at December 31, 1995, and of the results of its operations for the year then ended.

Frankfurt am Main, March 15, 1996

KPMG Deutsche Treuhand-Gesellschaft  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft



Dr. Fließ  
Wirtschaftsprüfer



Brackert  
Wirtschaftsprüfer

## Auditor's Report

## Report of the Supervisory Board

At its four meetings last year and in individual talks, the Supervisory Board was kept informed about the bank's situation and current questions of business policy. In addition to the current development of business, Group lending business with its domestic and foreign risks, real estate exposure and important individual transactions were the subject of intensive discussion.

Besides economic and international financial market developments, the structure of banking, the changing competitive situation in international investment banking and its repercussions on the bank's business, as well as many aspects of European economic and monetary union were also dealt with in detail.

Changes in the bank's portfolio of participating interests were discussed. The relevant proposals of the Board of Managing Directors were closely examined and approved, where required by German law or the Articles of Association. The Supervisory Board looked in detail at the merger of Group investment banking activities under uniform management in London and the integration of this Group division with the bank's other services, and was also kept informed about the launch of the "Bank 24" project and the new business division Commercial Real Estate.

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

At its meeting on January 30, 1996, the Supervisory Board appointed Dr. Tessen von Heydebreck, formerly Deputy Member of the Board of Managing Directors, as full Member.

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

KPMG Deutsche Treuhand-Gesellschaft, Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, auditor of the annual financial statements elected at last year's Annual General Meeting, has audited the accounting, the Annual Financial State-

ments and the Management Report, and expressed an unqualified opinion. We agree with the results of this audit.

Moreover, we have examined the Annual Financial Statements as at December 31, 1995, the Management Report and the proposed appropriation of profits. We have no objections to them. The Consolidated Financial Statements, the Management Report of the Group and the report of the auditor of the Consolidated Financial Statements were submitted to us.

In view of the increasing globalization of capital markets the 1995 Consolidated Financial Statements were also drawn up for the first time – on a voluntary basis – in accordance with the regulations issued by the International Accounting Standards Committee (IASC). These Consolidated Financial Statements and the effects of consolidated reporting in accordance with International Accounting Standards (IAS) were explained to us in detail.

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

Frankfurt am Main, March 27, 1996

The Supervisory Board



Dr. F. Wilhelm Christians  
Chairman



Untitled, 1980  
Acrylic and varnish on synthetic foil, 100 x 70 cm, from the series "Dragon drawing"

## Supervisory Board

**Dr. F. Wilhelm Christians**  
Chairman  
Düsseldorf

**Hagen Findeisen\***  
Deputy Chairman  
Deutsche Bank AG  
Hamburg

**Jürgen Bartschek\***  
Deutsche Bank AG  
Frankfurt am Main

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

**Dr. Horst Burgard**  
Frankfurt am Main

**Heidrun Förster\***  
Deutsche Bank AG  
Berlin

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

**Dr. Wilfried Guth**  
Frankfurt am Main  
until May 18, 1995

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

**Ulrich Kaufmann\***  
Deutsche Bank AG  
Düsseldorf

**Dr. Elmar Kindermann\***  
Deutsche Bank AG  
Frankfurt am Main

**Professor Dr.-Ing. E. h. Dipl.-Ing.  
Berthold Leibinger**  
Chairman of the Management Board  
of TRUMPF GmbH + Co.  
Ditzingen  
from May 18, 1995

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

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

**Heinz-Jürgen Neuhaus\***  
Deutsche Bank AG  
Frankfurt am Main

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

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

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

**Lorenz Schwegler\***  
Attorney  
Düsseldorf  
until December 31, 1995

**Herbert Seebold\***  
Deutsche Bank AG  
Stuttgart

**Lothar Wacker\***  
Deutsche Bank AG  
Cologne

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

*\*elected by the staff*

## Board of Managing Directors

	Department/Division	Region
<b>Hilmar Kopper</b> (Spokesman)	Communications, Group Strategy	Cologne
<b>Carl L. von Boehm-Bezing</b>	Corporate and Institutional Banking	Bielefeld, Frankfurt Latin America
<b>Rolf-E. Breuer</b>	Investment Banking	Stuttgart France, Middle East, Switzerland
<b>Ulrich Cartellieri</b>	Investment Banking, Market Risk Management, Treasury, Economics	Düsseldorf, Essen Asia/Pacific
<b>John A. Craven</b>	Investment Banking	
<b>Michael Endres</b>	Commercial Real Estate, Organization and Operations, Legal	Munich Israel, Southeastern Europe
<b>Tessen von Heydebreck</b> (Deputy until January 29, 1996)	Private Banking	Mainz, Saarbrücken Belgium, Netherlands
<b>Jürgen Krumnow</b>	Controlling, Taxes	Bremen, Hamburg, Hanover, Lübeck Africa, Scandinavia
<b>Georg Krupp</b>	Retail Banking	Berlin, Leipzig Baltics, CIS, Poland
<b>Ronaldo H. Schmitz</b>	Investment Banking	Freiburg Mexico, North America
<b>Ellen R. Schneider-Lenné</b>	Corporate and Institutional Banking, Credit Risk Management	Wuppertal U.K., Ireland
<b>Ulrich Weiss</b>	Compliance, Personnel, Auditing	Mannheim Italy, Luxembourg, Portugal, Spain

## Advisory Board

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

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

**Hans H. Angermueller**  
Attorney  
New York

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

**Dr. jur. Walter Deuss**  
Chairman of the Executive Board  
of Karstadt AG  
Essen

**Dr. Robert Ehret**  
Frankfurt am Main  
until May 18, 1995

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

**Dr. Eckart van Hooven**  
Hamburg

**Adolf Kracht**  
Member of the Board of  
Management of Gerling-Konzern  
Rheinische Versicherungs-Gruppe AG  
Cologne

**Hans Jakob Kruse**  
Hamburg

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

**Professor Dr.-Ing. E.h. Dipl.-Ing.  
Berthold Leibinger**  
President of TRUMPF GmbH + Co.  
Ditzingen  
until May 18, 1995

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

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

**Francis Mer**  
Président  
Directeur Général d'Usinor Sacilor  
Paris

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

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

**Edzard Reuter**  
Stuttgart

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

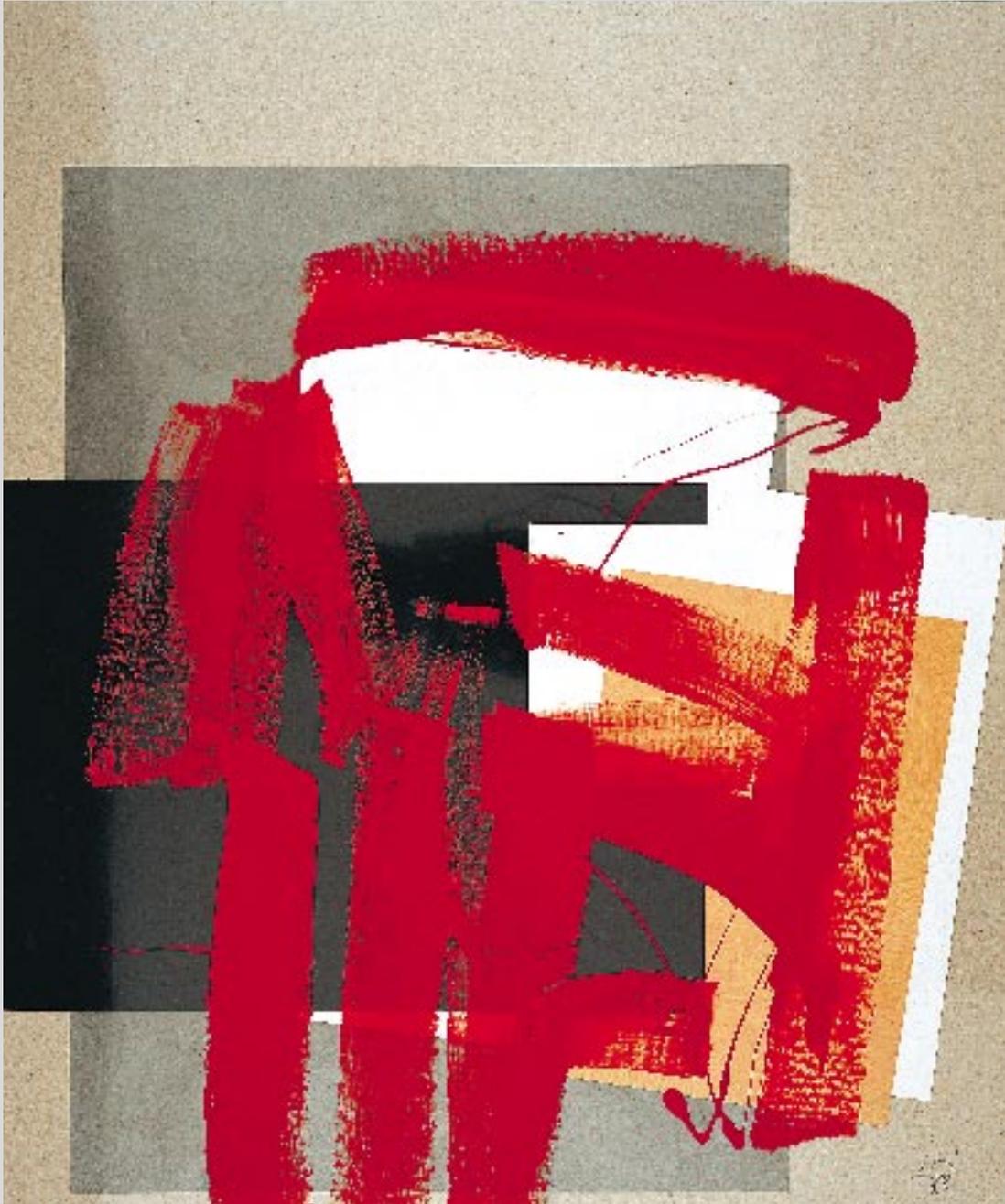
**Sir David A.G. Simon CBE**  
Chairman of the Board  
The British Petroleum Company p.l.c.  
London

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

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

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

**Dr. Herbert Zapp**  
Frankfurt am Main



Untitled, 1988  
Collage; acrylic and foil on wrapping paper, 118 x 98 cm

**I**t will be proposed to the General Meeting on May 28, 1996 that a dividend increased by DM 0.15 to DM 1.80 per DM 5 share be paid for the 1995 financial year. Including the tax credit of DM 0.77, the total income for our domestic shareholders will be DM 2.57. The total dividend payout for the 1995 financial year will thus be DM 897 million.

In order to make reporting more transparent for our shareholders, we are voluntarily publishing our Consolidated Financial Statements for 1995 according to the International Accounting Standards (IAS) for the first time. We are therefore the first German bank to bring its consolidated reporting into line with international accounting principles, which in terms of both quality and quantity go far beyond what is prescribed by the German Commercial Code. This will give the increasingly global investor a simpler, more accurate benchmark for comparing Deutsche Bank with foreign institutions.

The development of our share price was disappointing in 1995, even considering that bank equity in general substantially underperformed the German market average. Since Deutsche Bank's equity is particularly popular with foreign investors, it tends to suffer more than most stocks when foreigners scale back their investment in German companies. Evidently Deutsche Bank's ongoing restructuring process, which is very far-reaching in some cases, is only gradually translating into investor interest. However, we are confident that the popularity of Deutsche Bank's equity will grow once our capital investment begins to pay off. This view is borne out by the share's performance to date in 1996.

Deutsche Bank's share price fluctuated during 1995 and closed the year at DM 67.97, down 5.6% on the year-end 1994 figure; by contrast, the DAX increased by 7.0% over the same period. The equity's performance looks much better on a long-term comparison. For example, an investor who bought DM 10,000 worth of Deutsche Bank stock at the beginning of 1980, used his cash dividends to buy more shares and took advantage of capital increases without injecting additional funds had a portfolio worth DM 44,567 at the end of 1995. That corresponds to an average annual return of 9.8%.

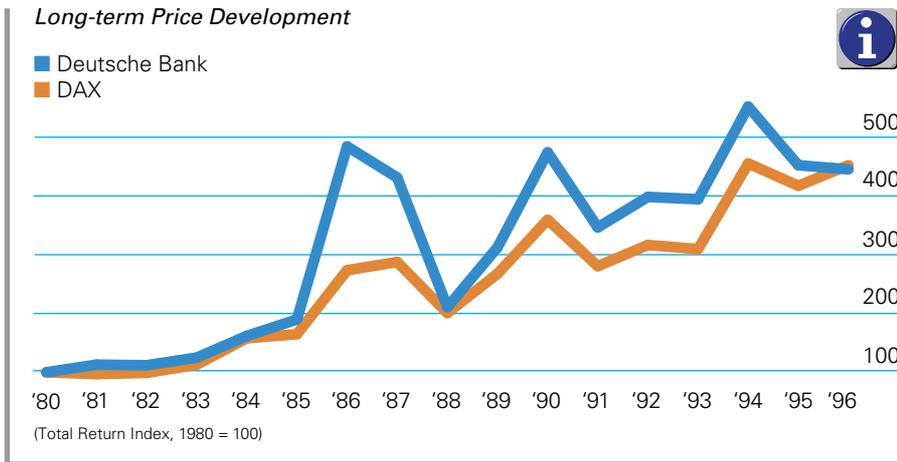
## **The Deutsche Bank Share**

***Reporting in line with  
international standards***

***Investment will have an impact  
on the share price***

**Conversion to DM 5 share**

Deutsche Bank's equity is listed on all eight German stock exchanges and on 11 bourses abroad (Amsterdam, Antwerp, Basle, Brussels, Geneva, London, Luxembourg, Paris, Tokyo, Vienna and Zürich). Following a resolution at the General Meeting on May 18, 1995, the DM 50 par value of the bank's stock was converted to DM 5 on June 1.



In the United States, the bank launched a Sponsored Level 1 ADR Program at the same time to replace the Un-sponsored American Depositary Receipts issued by many American banks. These American share certificates, which are backed by Deutsche Bank equities in the domestic market, are traded off the floor. They

are intended above all to give small private and institutional investors in the U.S. a comparatively easy and cost-effective way of investing in Deutsche Bank.

As in the past ten years, the Deutsche Bank share was again one of the three most traded equities on the German stock exchanges in 1995, where it accounted for 8.9 % of total domestic sales. Options on Deutsche Bank's equity were the most briskly traded items on the DTB, the German Futures & Options Exchange. With a market value of approximately DM 33.9 billion, Deutsche Bank accounted for just over 4 % of Germany's stock market capitalization at the end of 1995.

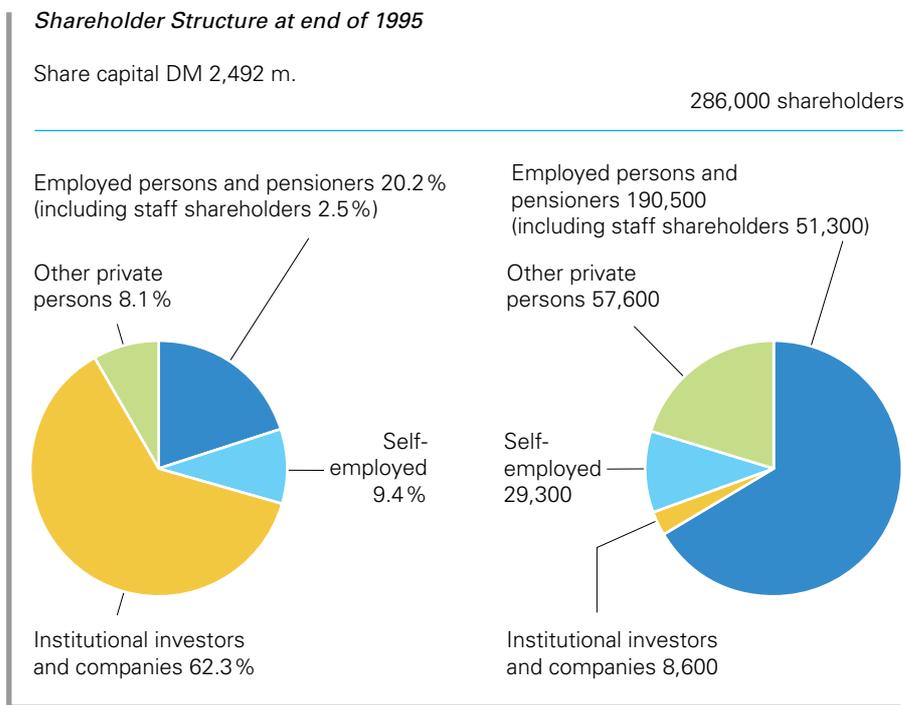
**More shareholders**

A survey carried out in December 1995 revealed that the number of Deutsche Bank shareholders had increased to 286,000 from 278,000 one year previously. The proportion of the bank's share capital held by institutional investors continued to rise; at the time of the survey it was 62.3 % (1994: 60.8 %). In contrast, the share of equity held by private individuals had declined to 37.7 %. Foreigners, mainly institutional investors, accounted for roughly 40 % (1994: 43 %) of

share capital. The only major shareholder reported under § 21 of the German Securities Trading Act is Allianz AG, which holds 5% of the bank's equity.

At the end of 1995 Deutsche Bank had 498,434,290 shares of DM 5 par value outstanding.

Our 1995 General Meeting in Berlin was attended by approximately 2,700 shareholders and their representatives as well as numerous guests. 47.0% of the bank's share capital – 1.5 percentage points more than in 1994 – was represented at the roughly 10-hour meeting. Deutsche Bank is keen to have as many shareholders as possible exercise their voting rights and play an active part in their company's decision-making.



May 28, 1996, 10:00 a. m.	General Meeting Festhalle, Frankfurt am Main (Exhibition Centre)
May 29, 1996	Dividend paid
End of July 1996	Interim Report as at June 30, 1996
End of October 1996	Interim Report as at September 30, 1996
March 26, 1997	Annual Press Conference and publication of the Annual Report for 1996
May 20, 1997, 10:00 a. m.	General Meeting Festhalle, Frankfurt am Main (Exhibition Centre)

**Financial calendar for 1996/1997**

## Events in 1995

### *Branches in Vietnam and the Philippines*

### *Deutsche Bank Arts Foundation*

### *125th anniversary*

### *Takeover of ITT Commercial Finance*

### *Branch in China*

### *General Meeting in Berlin*

### *Finanza & Futuro*

### *Shares converted to DM 5 par value*

## February

Deutsche Bank becomes the first German bank to receive a licence to open a branch in Vietnam; it is located in Ho Chi Minh City. The bank also has a representative office in Hanoi.

The central bank of the Philippines grants Deutsche Bank a full banking licence to open a branch. The bank had had an offshore branch in Manila since 1977.

Deutsche Bank officially announces the establishment of its Arts Foundation at a press conference in Berlin. With capital of DM 100 million, it is one of the largest endowment funds in Germany.

## March

Deutsche Bank celebrates its 125th anniversary at the Alte Oper, Frankfurt am Main. The speakers are Helmut Kohl, German Chancellor, and Hilmar Kopper, Spokesman of the bank's Board of Managing Directors.

To mark the anniversary, an exhibition "On Paper – 20th Century Art at Deutsche Bank" was organized to show a representative sample of the bank's art collection. After opening in Frankfurt it goes on to Berlin and Leipzig.

## May

The Federal Reserve Board and Canadian regulators approve the takeover of ITT Commercial Finance, which is renamed Deutsche Financial Services Corporation.

Deutsche Bank becomes the first German bank to open a branch in Guangzhou (Canton).

Deutsche Bank's General Meeting on May 18 is held in Berlin in honour of the city where it was founded.

DWS announces the acquisition of Finanza & Futuro, Italy's fifth-largest fund manager.

## June

The par value of Deutsche Bank AG equity is converted to DM 5 on June 1.

Deutsche Bank goes on the Internet with information on the Group and its products as well as an up-to-date service section. It is also possible to contact the bank by e-mail.

### **July**

The bank merges its investment banking activities to form a new Group division with an independent profile under the brand name Deutsche Morgan Grenfell.

***Use of new media***

***Investment banking under Deutsche Morgan Grenfell***

### **August**

A branch is opened in Curitiba, Brazil. This continues the tradition started by Deutsche Ueberseeische Bank, which opened its first offices there between the two world wars.

***New branch in Brazil***

### **September**

Deutsche Bank sets up Bank 24, a branchless subsidiary whose products are accessed via modern delivery channels.

***Bank 24 launched***

### **October**

Deutsche Bank Polska S.A. commences business in Warsaw, where the bank has had a representative office since 1990. At the beginning of July the National Bank of Poland granted it a licence to do business.

***Deutsche Bank Polska starts business in Warsaw***

### **November**

A topping-out ceremony takes place on Berlin's famous avenue "Unter den Linden", where Deutsche Bank has been renovating the former headquarters of Disconto-Gesellschaft for its own use.

***Topping-out ceremony in Berlin***

### **December**

In early December the Board of Managing Directors decides to publish the bank's consolidated financial statements for 1995 according to the International Accounting Standards (IAS).

***New consolidated financial statements provide more transparency***

DB Austria in Vienna is converted into a branch.

The merger between Frankfurter Hypothekbank and Deutsche Centralbodenkredit-AG becomes legally effective.

***Mortgage bank merger***

## A Profile of Group Companies in Figures for 1995\*

	Figures from the Balance Sheet and Income Statement in DM m.					
	Total assets	Capital and reserves	Regular income	Administ- rative expense	Operating profit	Net income
<b>Banks</b>						
Deutsche Bank AG Frankfurt am Main	474,683 + 25.9 %	22,777 + 9.7 %	12,020 - 4.1 %	8,399 + 3.7 %	2,991 + 2.5 %	1,597 + 1.4 %
Deutsche Bank Lübeck AG Lübeck	4,426 + 2.7 %	257 + 21.6 %	181 - 17.9 %	112 - 6.6 %	89 + 40.0 %	55 + 126.7 %
Deutsche Bank Saar AG Saarbrücken	2,488 - 1.4 %	134 + 5.5 %	90 - 8.0 %	62 - 1.7 %	35 + 6.0 %	15 -
Deutsche Bank de Bary N.V. <sup>1)</sup> Amsterdam	6,374 + 18.7 %	188 + 5.2 %	89 + 25.4 %	61 + 6.6 %	21 + 133.0 %	14 + 102.7 %
Deutsche Bank Luxembourg S.A. Luxembourg	33,114 - 26.9 %	1,582 - 0.7 %	351 + 5.5 %	58 + 1.5 %	383 - 16.5 %	211 - 26.5 %
Deutsche Bank, S.A.E. Barcelona	14,682 + 24.0 %	607 + 0.4 %	413 + 4.3 %	358 - 0.3 %	8 -	15 - 16.7 %
Deutsche Bank S.p.A. Milan	24,330 + 22.3 %	1 501 + 6.1 %	1,049 + 3.7 %	824 + 7.5 %	191 + 3.3 %	95 + 9.9 %
Deutsche Bank (Suisse) S.A. Geneva	2,291 - 1.0 %	215 + 14.9 %	141 + 5.2 %	92 + 7.3 %	47 + 83.5 %	35 + 50.1 %
Morgan Grenfell & Co. Ltd. London	19,892 - 3.7 %	789 + 3.2 %	577 + 26.0 %	462 + 48.6 %	85 - 45.4 %	134 + 20.9 %
<sup>1)</sup> Deutsche Bank de Bary Group						
<b>Mortgage banks and property finance company</b>						
Deutsche Bank Bauspar-AG Frankfurt am Main	4,084 + 5.3 %	72 + 16.4 %	112 - 14.9 %	63 + 23.2 %	50 + 61.8 %	13 + 26.5 %
Frankfurter Hypothekenbank Centralboden AG, Frankfurt am Main	76,130 + 1.8 %	2,316 + 10.4 %	568 + 2.0 %	187 + 10.4 %	317 + 1.2 %	286 + 51.7 %
Lübecker Hypothekenbank AG Lübeck	13,033 + 5.7 %	401 + 4.9 %	127 + 16.1 %	43 + 7.1 %	72 + 13.8 %	28 + 2.6 %
Schiffshypothekenbank zu Lübeck AG, Hamburg	1,585 + 1.3 %	148 + 6.3 %	38 - 5.0 %	8 - 1.0 %	43 + 28.5 %	19 + 19.6 %
Europäische Hypothekenbank S.A. Luxembourg	4,392 + 22.8 %	50 + 3.9 %	11 + 39.3 %	7 + 35.6 %	4 + 28.8 %	2 + 34.9 %
<b>Instalment financing and leasing companies</b>						
GEFA Gesellschaft für Absatzfinanzierung mbH <sup>1)</sup> , Wuppertal	5,430 + 7.4 %	500 -	162 + 2.0 %	116 + 9.8 %	79 + 90.7 %	29 - 4.1 %
GEFA-Leasing GmbH <sup>1)</sup> Wuppertal	2,185 - 7.9 %	100 -	87 <sup>2)</sup> - 26.6 %	47 + 8.4 %	10 -	12 -
<sup>1)</sup> profit and loss transfer agreement						
<sup>2)</sup> balance of sales proceeds and depreciation of leased fixed assets						

\* figures from the financial statements according to local regulations

**Figures from the Balance Sheet and  
Income Statement in DM m.**

**Capital market companies**

	Capital and reserves	Regular income	Administ- rative expense	Operating profit	Net income
DB Australia Ltd.	316	240	175	85	71
Melbourne (including Bain & Company Group)	+ 26.9 %	+ 5.7 %	+ 12.3 %	+ 12.3 %	+ 34.7 %
DB Securities Sociedad de Valores y Bolsa, S.A. Madrid	14	8	6	1	1
	- 8.3 %	- 19.9 %	+ 10.1 %	- 63.6 %	- 55.4 %
Deutsche Bank Securities SIM S.p.A. Milan	53	26	14	12	6
	+ 3.1 %	+ 23.3 %	+ 32.2 %	+ 14.4 %	+ 21.1 %
Deutsche Morgan Grenfell/C.J. Lawrence Inc. New York	280	362	435	- 74	- 55
	+ 56.1 %	+ 25.5 %	+ 32.6 %	- 83.2 %	- 105.3 %
Deutsche Morgan Grenfell Financial Products Corp., New York	17	57	36	21	12
	+ 12.8 %	+ 23.4 %	+ 28.4 %	+ 15.8 %	+ 43.5 %

**Volumes and  
Figures from the Income Statement in DM m.**

**Fund management companies**

	Managed assets	thereof: - equities	- fixed income	- other	Net income
Deutsche Gesellschaft für Fondsverwaltung mbH Frankfurt am Main	37,223	10,319	24,303	2,601	11
	+ 20.5 %	+ 17.4 %	+ 22.6 %	+ 14.3 %	- 2.5 %
Deutsche Grundbesitz-Investmentgesellschaft mbH Frankfurt am Main	8,410	-	-	8,410 <sup>1)</sup>	5
	+ 11.0 %	-	-	+ 11.0 %	+ 51.3 %
DWS Deutsche Gesellschaft für Wertpapier- sparen mbH, Frankfurt am Main	83,974 <sup>2)</sup>	16,110	55,757	12,107	151 <sup>3)</sup>
	+ 7.2 %	+ 8.1 %	+ 6.7 %	+ 8.2 %	+ 14.8 %
DB Gestión Sociedad Gestora de Instituciones de Inversión Colectiva, S.A., Madrid	2,484	100	402	1,982	1
	+ 8.8 %	- 16.5 %	- 37.3 %	+ 30.2 %	+ 54.5 %
Deutsche Bank Fondi S.p.A. Milan	4,592	248	3,046	1,298	4
	+ 55.6 %	- 55.5 %	+ 37.0 %	-	- 1.9 %
Finanza & Futuro S.p.A. <sup>4)</sup> <sup>5)</sup> Milan	7,468	4,451	2,289	728	26
Morgan Grenfell Asset Management Ltd. <sup>5)</sup> London	89,262	55,056	33,424	782	63 <sup>6)</sup>
	+ 30.4 %	+ 29.8 %	+ 29.4 %	-	+ 18.5 %

<sup>1)</sup> real estate funds; <sup>2)</sup> DWS Group; <sup>3)</sup> financial statements according to GmbH Act; <sup>4)</sup> acquired in 1995; <sup>5)</sup> group figures; <sup>6)</sup> added

**Insurance companies**

	Insurance portfolio by amount	Capital and reserves	Gross premiums	Insurance payments	Income from capital investments	Net income
Deutscher Herold Allgemeine Versicherungs-AG der Deutschen Bank, Bonn	2,067 <sup>1)</sup>	214	522	311	48	29
	+ 8.5 %	+ 14.8 %	+ 3.3 %	+ 0.1 %	+ 16.4 %	+ 39.1 %
Deutscher Herold Lebensversicherungs-AG der Deutschen Bank, Bonn	79,646	276	3,695	4,521	1,378	39
	+ 8.2 %	+ 9.2 %	+ 11.0 %	+ 26.5 %	+ 16.4 %	+ 10.3 %
DB Vida Compañía de Seguros y Reaseguros, S.A., Barcelona	1,330	50	456	350	133	3
	+ 18.3 %	+ 15.1 %	- 31.3 %	+ 82.0 %	+ 76.0 %	+ 9.6 %
DB Vita Compagnia di Assicurazioni e Riassicurazioni sulla Vita S.p.A. <sup>2)</sup> , Milan	61	28	65	1	6	0

<sup>1)</sup> number of policies in thousands; <sup>2)</sup> growth rates of limited meaning during start-up phase

**Group Figures –  
A Long-Term Comparison  
in DM m.**

Figures according to IAS			Figures according to German CommC							
1995 <sup>1)</sup>	1994 <sup>1)</sup>	Balance Sheet	1993 <sup>2)</sup>	1992 <sup>2)</sup>	1990	1985	1980	1975	1970	1967 <sup>4)</sup>
721,665	592,634	<b>Total Assets</b>	556,636	498,711	399,850	237,227	174,594	91,539	38,398	22,133
		<b>Assets</b>								
17,913	12,697	Cash reserve	7,522	8,948	6,541	7,956	8,006	5,106	3,021	1,553
109,218	101,133	Placements with, and loans and advances to, other banks	97,940	95,646	93,530	43,741	33,549	15,587	4,317	2,269
409,529	353,161	Loans and advances to customers	309,262	294,560	246,799	153,076	111,198	54,688	20,703	9,015
- 14,314	- 14,796	Total provisions for losses on loans and advances								
109,824	65,629	Assets held for dealing purposes								
49,372	40,609	Investments								
9,062	8,996	Property and equipment	12,341	11,136	7,838	3,185	2,039	1,415	540	364
379,411	348,531	<b>Total credit extended<sup>3)</sup></b>	332,793	321,521	273,324	174,583	127,707	65,208	27,443	14,144
		<b>Liabilities</b>								
178,853	123,857	Deposits from other banks	106,984	98,874	82,986	57,450	53,059	21,574	7,598	3,168
301,386	263,875	Amounts owed to other depositors	275,954	242,218	204,444	104,919	74,658	44,243	24,871	17,010
46,407	45,111	thereof: savings deposits and building savings deposits	46,740	45,430	37,615	24,773	22,243	18,367	9,030	6,542
96,754	82,390	repayable on demand	82,862	70,152	51,709	23,669	15,769	12,735	7,454	6,335
158,225	136,374	with agreed period or period of notice	146,352	126,636	115,120	56,477	36,646	13,141	8,387	4,133
126,895	114,015	Promissory notes and other liabilities evidenced by paper	109,489	100,467	81,838	55,397	34,832	19,209	3,355	15
36,014	29,714	Provisions	25,067	22,082	8,894	5,866	2,911	1,460	626	431
8,300	8,215	Subordinated capital	8,185	5,765						
28,043	25,875	Capital and reserves	21,015	19,324	15,566	9,392	5,365	3,325	1,462	1,111
		<b>Derivatives</b>								
1,968,506	1,781,683	Notional volume	1,341,414	1,107,113	601,991					
14,749	17,500	Credit risk equivalent pursuant to BIS	15,896	12,002	6,809					
<b>1995</b>	<b>1994</b>	<b>Income Statement<sup>1)</sup></b>	<b>1993</b>	<b>1992</b>	<b>1990</b>					
10,810	11,299	Net interest income	11,706	10,899	8,773					
1,347	2,257	Provision for losses on loans and advances	3,286	1,910	2,257					
5,602	5,596	Net commission income	5,846	4,630	3,930					
608	559	Net income from insurance business	511	92	32					
2,035	1,039	Trading profit	1,997	1,134	606					
13,636	12,531	General administrative expenses	11,731	10,420	8,163					
4,242	3,629	<b>Operating profit</b>	5,266	4,553	2,971					
1,445	1,822	Income taxes	2,059	1,574	1,128					
2,120	1,715	<b>Net income</b>	2,243	1,830	1,067					
<b>1995</b>	<b>1994</b>	<b>Key figures</b>	<b>1993</b>	<b>1992</b>	<b>1990</b>					
DM 1.80	DM 1.65 <sup>5)</sup>	Dividend per DM 5 share	DM 1.65	DM 1.50	DM 1.40					
897	783 <sup>5)</sup>	Dividend appropriation Deutsche Bank AG	778	695	618					
DM 4.15	DM 3.55	Net income per DM 5 share	DM 4.60	DM 3.90	DM 2.35					
13.7 %	14.1 %	Return on equity	12.1 %	10.3 %	7.1 %					
10.1 %	10.4 %	BIS capital ratio	11.3 %	10.5 %	10.7 %					
39,908	37,540	Capital and reserves pursuant to BIS	40,740	34,910	29,075					
74,119	73,450	Staff at year's end	73,176	74,256	69,272	48,851	44,128	40,839	36,957	28,800
<sup>1)</sup> Owing to the application of the IAS, the figures from the Balance Sheet, the Income Statement and the key figures for 1994 and 1995 are only to a certain extent comparable with the previous years			<sup>3)</sup> Excluding reverse repos (money market business backed by securities)			<sup>5)</sup> Excluding anniversary bonus of DM 0.30 per DM 5 share, or DM 142 million				
<sup>2)</sup> Owing to the application of bank accounting law, the Balance Sheet figures for 1992 and 1993 are only to a certain extent comparable with the previous years; in the Profit and Loss Account the comparative figures have been adjusted as from 1990			<sup>4)</sup> First Consolidated Financial Statements							



Untitled, 1988  
Collage; acrylic and foil on wrapping paper, 118 x 98 cm

## Glossary: technical terms used in the Annual Report for 1995

### **BIS capital ratio**

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

### **Capital Adequacy Directive**

EU directive on the availability of adequate capital and reserves with respect to the market risks resulting from the dealing activities of securities firms and banks. Planned transposition into German law in 1996.

### **Capital and reserves according to BIS**

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

### **Cash flow statement**

Calculation and presentation of the cash flow which a company has generated or consumed in the course of a financial year as a result of operating, investing and financing activities, and also reconciliation of the holdings of cash and cash equivalents at the beginning and end of the financial year. These data provide information on the company's ability to generate payment surpluses, to repay its debts and pay dividends.

### **Credit risk**

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

### **Credit risk equivalent**

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

### **Derivatives**

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

### **Equity method**

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

### **FRAs**

#### **(Future Rate Agreements/Forward Rate Agreements)**

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

### **Futures**

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

### **IAS**

#### **(International Accounting Standards)**

Accounting standards developed by international associations of accountants, preparers of financial statements and financial experts; these standards ensure a worldwide comparability of balance sheets and disclosure beyond the boundaries of the European Union. The main objective of the reporting is to present information needed for decision-making by a broad group of parties interested in annual financial statements, above all investors. The body of rules contains general accounting principles (Framework) and currently 32 standards (IAS 1 to IAS 32), of which 30 are valid.

### **IASC**

#### **(International Accounting Standards Committee)**

Voluntary private committee consisting of more than 100 professional associations from 86 countries dealing with accounting questions; their aim is to formulate and publish accounting rules and regulations for the preparation of annual financial statements and to promote their worldwide acceptance and international harmonization. The IASC is headed by a Board which serves as its representative body. The standards are worked out by Steering Committees in close cooperation with a Consultative Group. Since July 1995 the IASC has been assisted in its work by an international Advisory Council.

**Jumbo Pfandbrief**

A Pfandbrief issue with a volume of at least DM 500 million.

**Management buy-out (MBO)**

Takeover of a company by its managers.

**Mark-to-market valuation**

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

**Market maker**

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

**Money market funds**

Mutual funds which concentrate on money market instruments.

**Operating profit**

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

- net interest income (after risk provisioning)
- + net commission income
- +/- trading profit
- +/- net income from insurance business
- general administrative expense
- +/- balance of other operating income/expense
- = operating profit

**Option**

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

**OTC derivatives**

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

**Portfolio**

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

**Proprietary trading**

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

**Rating**

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

**Regular income**

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

**Repo**

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

**Return on equity (RoE)**

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

**Segment information**

Disclosure of a company's assets and income figures broken down by activity and geographical area.

**Swaps**

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

**Trading profit**

Balance of income and expenses from proprietary trading in securities, financial instruments (especially → derivatives), foreign exchange and precious metals valued at market prices (→ mark-to-market valuation). This also includes interest and dividend income from assets held for dealing purposes as well as funding costs.

**Value at risk**

A procedure for calculating the loss potential from price changes. This risk value is calculated on the basis of market-oriented price changes. Value at risk states the maximum loss to a certain level of probability (e.g. 97.5%) for a given holding period (e.g. one day).

**Volatility**

The fluctuation margin of a price.

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**C**ontemporary art at the bank gives staff, customers and visitors an opportunity to encounter art in a business environment, prompting them to look closely at form and content. This is why Deutsche Bank acquires modern artworks and displays them on its premises. The collection's emphasis is on painters and sculptors from German-speaking countries, with special consideration given to young artists born in the fifties and sixties.

Approximately 1,900 works on paper by 125 artists are displayed in the corridors and conference rooms of the Deutsche Bank Head Office towers in Frankfurt. Various other works of contemporary art are exhibited at a number of our domestic and foreign branches and subsidiaries.

The bank's art concept also extends to the design of the Annual Report, which presents works by one particular artist each year. For this year's publication, works by Imi Knoebel from the bank's art collection have been chosen. An exhibition of the artist's collages and prints will be on show at roughly 30 branches.

### **Imi Knoebel**

Imi (Wolfgang) Knoebel, born in Dessau in 1940, started his studies at the Werkkunstschule Darmstadt and switched to the Staatliche Kunstakademie Düsseldorf in 1964, where he studied under Joseph Beuys from 1965 until 1971. Starting in 1972, the artist's work was shown at the "documenta" art exhibition in Kassel for four consecutive years. Imi Knoebel lives and works in Düsseldorf.

The main themes of Knoebel's artistic work are the layering and dynamics of simple geometric figures. In many artistic experiments with varnish, minium and pencil, on glass, wood and paper, Knoebel deals with these structural principles and, in doing so, develops a kind of cosmos, in which he constantly re-examines compositional ideas from different angles.

## **Contemporary Art at Deutsche Bank**



*Cover illustration:*

Untitled, 1978  
Scrap of paper;  
collage on paper,  
100 x 70 cm

## **Contents CD-ROM 1995**

**T**he Annual Report for 1995 is also available on CD-ROM, where you will find the following additional information:

### **Facts and Figures**

Brief profiles of the companies in Deutsche Bank Group. The Group in figures and diagrams. The Annual Press Conference on March 28, 1996.

### **Events in 1995**

Hilmar Kopper comments on the financial year. Highlights of 1995 are reported in word, image and sound.

### **Financial Know-How**

Here, you can do financial calculations for loans, saving and securities. A glossary explains roughly 500 banking and stock market terms.

### **Lists**

Our Directory of Offices, a list of bank codes, Deutsche Bank's advisory councils and a list of our shareholdings.

There's also a PC game and a screen saver.

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

Current information about Deutsche Bank is also available on the Internet.

The homepage address is:

<http://www.deutsche-bank.de>

- Annual Report of Deutsche Bank Group (IAS)**
  - German  French  Spanish
  - Japanese (due in the second half of the year)
- Consolidated Financial Statements and Management Report of Deutsche Bank for 1995 (CommC)**
  - German  English  French
- Annual Financial Statements and Management Report of Deutsche Bank AG for 1995**
  - German  English
- List of Shareholdings 1995** (German/English)
- List of Advisory Council Members**
- Directory of Deutsche Bank Offices** (German/English)
- CD-ROM 1995** (German/English)
- Brochure "Initiative fördern – das Umweltengagement der Deutschen Bank"** (available in German only)

## Publications

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Please send us your order, or simply **fax** this page to **+49 69 5 07 31 06**. You can also contact your Deutsche Bank branch.

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### Deutsche Bank AG

Aktionärsservice  
Z/OuB WPD/HV –PKS–  
D-65755 Eschborn

From

\_\_\_\_\_  
Name

\_\_\_\_\_  
Street

\_\_\_\_\_  
Postcode

\_\_\_\_\_  
Town/City

\_\_\_\_\_  
Country

Deutsche Bank  
Aktiengesellschaft  
Taunusanlage 12  
D-60262 Frankfurt am Main

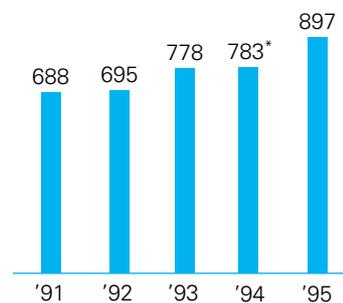
Edited by  
Deutsche Bank  
Communications Division

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is environment-friendly.

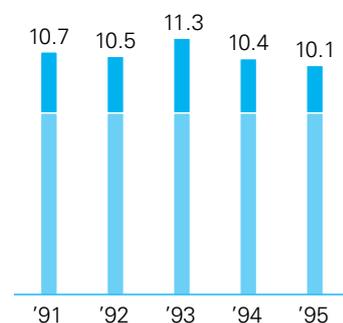
## Deutsche Bank Group Highlights according to International Accounting Standards (IAS)

### Dividend appropriation of Deutsche Bank AG

DM million



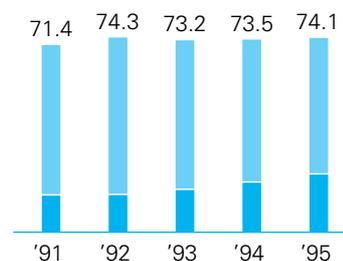
■ **BIS capital ratio (Tier I + II)**  
■ **Minimum ratio 8 %**



### Staff at year's end

in thousands

■ in Germany  
■ abroad



	1995	1994
Dividend per DM 5 share	DM 1.80	DM 1.65*
Dividend appropriation Deutsche Bank AG	DM 897 m.	DM 783 m.*
Net income per DM 5 share	DM 4.15	DM 3.55
Return on equity (RoE) before tax	13.7 %	14.1 %
BIS capital ratio (Tier I + II)	10.1 %	10.4 %
BIS capital (Tier I + II)	DM 39.9 bn.	DM 37.5 bn.
* excluding anniversary bonus		
	DM million	DM million
Net interest income	10,810	11,299
Provision for losses on loans and advances	1,347	2,257
Net commission income	5,602	5,596
Trading profit	2,035	1,039
General administrative expenses	13,636	12,531
Operating profit	4,242	3,629
Net income before tax	3,565	3,537
Income taxes	1,445	1,822
Net income	2,120	1,715
Total assets	721,665	592,634
Loans and advances to customers	409,529	353,161
Amounts owed to other depositors	301,386	263,875
Liabilities evidenced by paper	126,895	114,015
Derivatives		
notional volume	DM 1,969 bn.	DM 1,782 bn.
credit risk equivalent pursuant to BIS	DM 14.7 bn.	DM 17.5 bn.
	Number	Number
Branches	2,494	2,483
in Germany	1,691	1,722
abroad	803	761
Staff	74,119	73,450
in Germany	51,957	54,384
abroad	22,162	19,066
Long-term rating		
Moody's Investors Service, New York	Aaa	Aaa
Standard & Poor's, New York	AAA	AAA
IBCA, London	AAA	AAA

## Deutsche Bank Group Companies

Banks		Capital market companies	Fund management companies	Mortgage banks and property finance company	Instalment financing and leasing companies	Insurance companies	Research and consultancy companies
<b>Deutsche Bank AG</b> Frankfurt am Main	<b>Deutsche Bank Luxembourg S.A.</b> Luxembourg	<b>Bain &amp; Company Ltd.</b> Sydney	<b>Deutsche Asset Management GmbH</b> Frankfurt am Main	<b>Deutsche Bank Bauspar-AG</b> Frankfurt am Main	<b>ALD AutoLeasing D GmbH</b> Hamburg	<b>Deutscher Herold Allgemeine Versicherungs-AG der Deutschen Bank</b> Bonn	<b>Bonndata Gesellschaft für Datenverarbeitung mbH</b> Bonn
<b>Bank 24 AG</b> Bonn	<b>Deutsche Bank (Malaysia) Bhd.</b> Kuala Lumpur	<b>DB Australia Ltd.</b> Sydney	<b>Deutsche Gesellschaft für Fondsverwaltung mbH</b> Frankfurt am Main	<b>Frankfurter Hypothekenbank Centralboden AG</b> Frankfurt am Main	<b>DB Export-Leasing GmbH</b> Frankfurt am Main	<b>Deutscher Herold Lebensversicherungs-AG der Deutschen Bank</b> Bonn	<b>Bonnfinanz AG für Vermögensberatung und Vermittlung</b> Bonn
<b>Deutsche Bank Lübeck AG vormals Handelsbank</b> Lübeck	<b>Deutsche Bank Polska S.A.</b> Warsaw	<b>DB Securities Sociedad de Valores y Bolsa, S.A.</b> Madrid	<b>Deutsche Grundbesitz-Investmentgesellschaft mbH</b> Frankfurt am Main	<b>Lübecker Hypothekenbank AG</b> Lübeck	<b>Deutsche Immobilien Leasing GmbH</b> Düsseldorf	<b>Deutscher Herold Rechtsschutzversicherungs-AG der Deutschen Bank</b> Bonn	<b>DB Immobilien GmbH</b> Heidelberg
<b>Deutsche Bank Saar AG</b> Saarbrücken	<b>Deutsche Bank S.A. – Banco Alemão</b> São Paulo	<b>Deutsche Bank Argentina Sociedad de Bolsa S.A.</b> Buenos Aires	<b>Deutsche Immobilien Anlagegesellschaft mbH</b> Frankfurt am Main	<b>Schiffshypothekenbank zu Lübeck AG</b> Hamburg	<b>GEFA Gesellschaft für Absatzfinanzierung mbH</b> Wuppertal	<b>Globale Krankenversicherungs-AG</b> Cologne	<b>DB Research GmbH Gesellschaft für Wirtschafts- und Finanzanalyse</b> Frankfurt am Main
<b>Grunelius KG Privatbankiers</b> Frankfurt am Main	<b>Deutsche Bank, S.A.E.</b> Barcelona	<b>Deutsche Bank Capital Markets (Asia) Ltd.</b> Hong Kong – Tokyo	<b>DWS Deutsche Gesellschaft für Wertpapiersporen mbH</b> Frankfurt am Main	<b>Europäische Hypothekenbank S.A.</b> Luxembourg	<b>GEFA-Leasing GmbH</b> Wuppertal	<b>DB Vida – Companhia de Seguros de Vida, S.A.</b> Lisbon	<b>Deutsche Gesellschaft für Mittelstandsberatung mbH</b> Munich
<b>Deutsche Bank Argentina S.A.</b> Buenos Aires	<b>Deutsche Bank S.p.A.</b> Milan	<b>Deutsche Bank France S.N.C.</b> Paris	<b>DB Gestión Sociedad Gestora de Instituciones de Inversión Colectiva, S.A.</b> Madrid		<b>DB Leasing – Sociedade de Locação Financeira Mobiliária, S.A.</b> Lisbon	<b>DB Vida Compañía de Seguros y Reaseguros, S.A.</b> Barcelona	<b>Roland Berger &amp; Partner Holding GmbH</b> Munich
<b>Deutsche Bank (Asia Pacific) Ltd.</b> Singapore	<b>Deutsche Bank (Suisse) S.A.</b> Geneva	<b>Deutsche Bank Futures Corp.</b> New York	<b>DB Investment Management S.A.</b> Luxembourg		<b>Deutsche Bank Credit, S.A.</b> Madrid	<b>DB Vita Compagnia di Assicurazioni e Riassicurazioni sulla Vita S.p.A.</b> Milan	<b>Vertriebsgesellschaft mbH der Deutschen Bank für Privatkunden</b> Frankfurt am Main
<b>Deutsche Bank Canada</b> Toronto	<b>Deutsche Bank Trust Company</b> New York	<b>Deutsche Bank Gilts Ltd.</b> London	<b>DB Investment Management S.A. Sociedad Gerente de Fondos Comunes de Inversión</b> Buenos Aires		<b>Deutsche Bank Factoring S.p.A.</b> Milan		
<b>Deutsche Bank de Bary N.V.</b> Amsterdam	<b>Morgan Grenfell &amp; Co. Ltd.</b> London	<b>Deutsche Bank Securities SIM S.p.A.</b> Milan	<b>Deutsche Bank Fondi S.p.A.</b> Milan		<b>Deutsche Bank Leasing S.p.A.</b> Milan		
<b>Deutsche Bank de Investimento, S.A.</b> Lisbon		<b>Deutsche Morgan Grenfell Canada Ltd.</b> Toronto	<b>Finanza &amp; Futuro S.p.A.</b> Milan		<b>Deutsche Financial Services Corp.</b> St. Louis		
		<b>Deutsche Morgan Grenfell/ C.J. Lawrence Inc.</b> New York	<b>Morgan Grenfell Asset Management Ltd.</b> London				
		<b>Deutsche Morgan Grenfell Financial Products Corp.</b> New York	<b>Morgan Grenfell Development Capital Holdings Ltd.</b> London				
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		<b>Deutsche Sharps Pixley Metals Inc.</b> New York					
		<b>Deutsche Sharps Pixley Metals Ltd.</b> London					
		<b>Morgan Grenfell Asia Holdings Pte. Ltd.</b> Singapore					

Deutsche Bank Group is represented in more than 50 countries by 2,494 branches, 1,691 of them in the Federal Republic of Germany.

Full details of our worldwide presence are given in the Directory of Deutsche Bank Offices. You can obtain a copy at any of our branches or order one using the form on page 99. All offices are listed on our current CD-ROM.

**T**he year 1895 was one of the more propitious ones. Europe remained at peace. The fighting in East Asia brought forth numerous industrial orders and thus helped to stimulate European trade and credit. Unrest in Asian Turkey did not directly affect our business, and the clouds gathering on the horizon during the Anglo-American conflict soon dispersed.

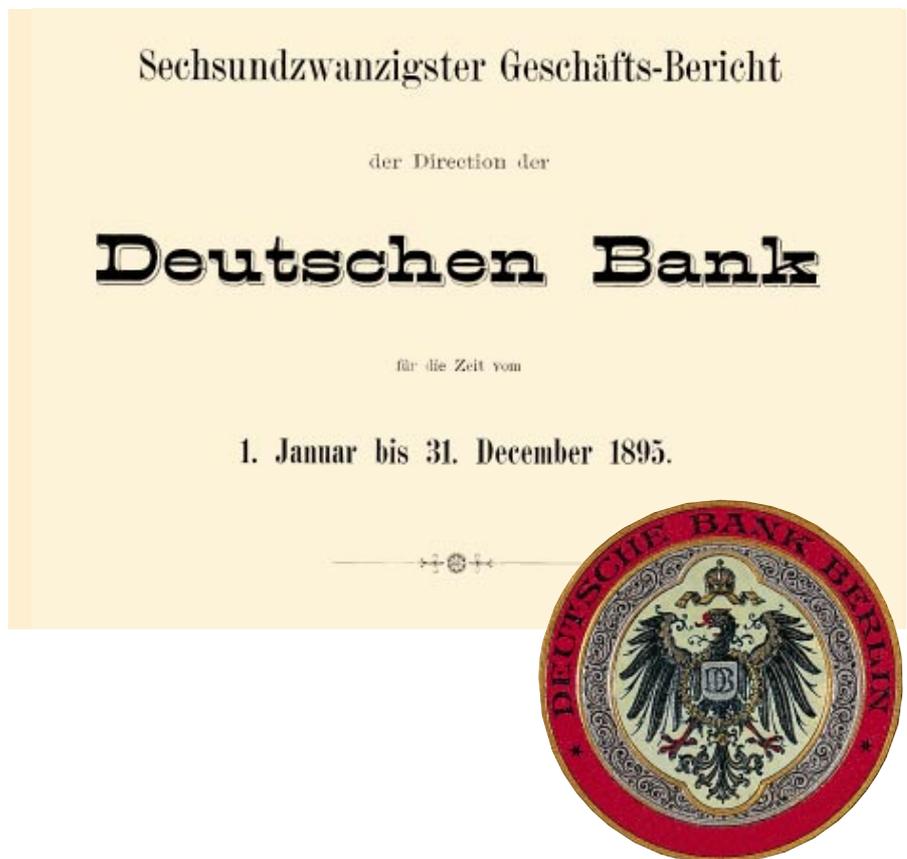
The result was greater activity in trade and industry, higher consumption of foodstuffs, beverages and tobacco and an increase in production of commercial and industrial goods, which in turn caused the prices of many raw materials and manufactures to rise.

This favourable economic situation led to much speculation, which in the second half of the year became somewhat excessive. However, the setback in the last two months following these speculative excesses concerned only some parts of the population with stock market interests; the situation in general remained healthy.

This development was felt at Deutsche Bank in several ways.

An increase in both the number and size of transactions caused greater borrowing. Higher interest rates during the stock market turmoil and the greater difficulty consequently experienced by some firms in obtaining funds meant that new and unforeseen demands confronted the Bank in the last few months of the year. ...

## Deutsche Bank – the way we were





... Deutsche Bank's capital increase of 25,000,000 Marks last November, made necessary by the expansion of business, will prove to have been a particularly expedient step in the light of the latest legislation. Almost all of the new shares were taken up by shareholders at the issue price of 150%; the few remaining items were sold by the Bank at the best price obtainable. The resulting profit will be entered in the Bank's Books in 1896, as required by law.

With regard to Deutsche Bank's principal transactions, the following syndicates are reported for 1895: ...

... *Electrical undertakings.* Business in progress in lighting and power transmission (Barcelona, Seville, Rheinfelden) is making good headway; it has been supplemented by further ventures – some now completed – in the transport field in Germany (Leipscic) and abroad (Genoa). Others are in preparation. ...

In 1895 Deutsche Bank played a large part in the formation of Bank für elektrische Unternehmungen in Zurich. Its remit included the financing of new tramways, such as the one in Genoa, which opened in the same year.



... *Domestic business.* On December 31, 1895 the number of current accounts open in our Books at our Head Office was 4,447 compared with 4,205 in the previous year. On January 8, 1895 the number of deposit accounts exceeded 20,000 and on December 31, 1895 totalled 21,771, compared with 19,423 in 1894. The Bank held a total of 35,912 accounts, compared with 32,716 in the previous year, an increase of 3,196 as at December 31, 1895. ...



The "Jubilee Song" written for the celebrations marking Deutsche Bank's 25th anniversary on April 6, 1895

**Principal figures for 1895**

Total Assets	Marks	579,340,095
Capital	Marks	100,000,000
Net Profit	Marks	11,403,589
Officials		1,255